GENERAL FARM PROGRAM

(Corn Acreage Allotments and Marketing Quotas)

HEARINGS

BEFORE

THE SPECIAL SUBCOMMITTEE OF

THE COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

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CORN-ACREAGE ALLOTMENTS AND MARKETING QUOTAS

TUESDAY, MARCH 22, 1949

House of Representatives,
Special Subcommittee of the
Committee on Agriculture.
Washington, D. C.

The special subcommittee met at 10 a. m., Hon. Stephen Pace presiding.

Mr. Pace. The committee will please come to order.

Gentlemen, the committee this morning begins hearings on the general subject of marketing quotas for corn. As you all know, the Agricultural Adjustment Act of 1938, which is now in effect, covers this subject, but it has been on the statute books for many years, and it is thought that it should be studied by the committee with a view to the possible need for changes.

I would like to insert at this point in the record a complete summary of marketing-quota provisions of the Agricultural Adjustment Act of 1938, as amended, which the Secretary has kindly supplied to the committee. I will also file that with the clerk for insertion in the record at this point.

(The summary is as follows:)

Summary of the Marketing-Quota Provisions of the Agricultural Adjustment Act of 1938, Including Amendments Made by the Agricultural Act of 1948[1]

I. GENERAL

The Agricultural Adjustment Act of 1938 originally provided for marketing quotas on the basic commodities of wheat, cotton, corn, tobacco, and rice. It was amended in April 1941 to include peanuts as a basic commodity and to provide for marketing quotas on peanuts. There have been many amendments to the quota provisions of the act, including important amendments added by the Agricultural Act of 1948. The amendments made by the 1948 act do not take effect until January 1, 1950. Although this summary does not differentiate between the original act and the amendments made thereto, it should be noted that the quota amendments contained in the Agricultural Act of 1948 involve, for the most part, changes in the conditions under which marketing quotas are to be proclaimed and changes in the definitions of certain terms contained in the 1938 act.

The quota provisions of the act are based upon the constitutional power of Congress to regulate commerce, and the purpose of such provisions is to regulate the volume of basic commodities moving in interstate and foreign commerce. The objective of such regulation is to prevent abnormally excessive and abnormally deficient supplies of these commodities and thereby stabilize prices in the interests of both producers and consumers. The act thus seeks to provide for a continuous and stable flow of the commodities in interstate and foreign commerce.

Since the conditions under which the basic commodities are produced and the manner in which they are marketed differ so widely, each commodity is dealt with separately in the act. In this respect, the summary follows the statutory pattern.

[1] Applicable section or sections of the act cited at end of each paragraph.

II. TOBACCO

A. *National marketing quota*

1. When proclaimed.—The Secretary is required to proclaim a national marketing quota for any kind of tobacco whenever he finds that the total supply [2] thereof as of the beginning of the marketing year then current exceeds the reserve supply level.[3] The Secretary is, however, regardless of the supply situation, required to proclaim a quota for each kind of tobacco for which a quota was proclaimed in the preceding year. In addition, a quota for Virginia sun-cured tobacco must be proclaimed for each year for which a quota is proclaimed for fire-cured tobacco. The quota for any marketing year may be proclaimed any time between the beginning of the preceding marketing year [4] and December 1 following (sec. 312 (a)).

2. Amount.—The amount of the quota is that quantity of tobacco which will make available during the marketing year a supply equal to the reserve supply level (sec. 312 (a)).

3. Referendum.—Within 30 days after the proclamation of the quota, the Secretary is required to conduct a referendum to determine whether the farmers who produced the previous crop of tobacco favor or oppose such quota. The statute provides that, in addition to voting on whether quotas are favored for a period of 1 year, the Secretary shall also submit the question of whether quotas are favored for a period of 3 years. Approval by at least two-thirds of the farmers voting in the referendum is required to make quotas effective, and the Secretary is required to proclaim the results of the referendum if quotas are disapproved. Disapproval of quotas does not preclude the proclamation and submission to a referendum of a national marketing quota for any year thereafter (sec. 312 (b)).

4. Termination or increase in quota.—The quota may be increased or terminated if, after investigation, the Secretary finds such action necessary to (*a*) make available free of marketing restrictions a normal supply of tobacco, (*b*) meet a national emergency, or (*c*) meet an increase in export demand for tobacco. In addition, the quota may be increased not later than the following March 1 by not more than 20 percent to meet market demands or to avoid undue restrictions on marketings of tobacco (secs. 371 (a), (b), and 312 (a)).

B. *State marketing quotas*

1. Basis.—The amount of the national quota, less that portion set aside for "new" and small farms, is required to be apportioned among the several States on the basis of the production of tobacco in each State during the five calendar years preceding the calendar year in which the national quota is proclaimed (sec. 313 (a)).

2. Adjustments.—Adjustments in State quotas are required to the extent necessary to correct for abnormal conditions of production, for small farms, and for trends in production, giving due consideration to seed bed and other plant diseases (sec. 313 (a)).

3. Minimum State quotas.—Minimum State quotas are provided only for flue-cured tobacco States, and the amount of such quota is required to be equal to 500 acres times the national average yield of flue-cured tobacco for the preceding 5 years (sec. 313 (e)).

4. State acreage allotments.—The Secretary is authorized to convert the State poundage quota into a State acreage allotment on the basis of the average yield per acre of the tobacco in the State during the 5 years preceding the year in which the national quota is proclaimed, with appropriate adjustments for abnormal conditions of production in the State (sec. 313 (g)).

C. *Farm marketing quotas*

1. Basis.—The State quota is required to be allotted to farms on the basis of past marketings, adjusted for abnormal weather and plant diseases; land, labor, and equipment available for the production of tobacco; crop-rotation practices; and the soil and other physical factors affecting the production of tobacco (sec. 313 (b)).

2. New and small farms.—Not more than 5 percent of the national marketing quota is required to be allotted to farms on which no tobacco has been produced

[2] Carry-over at the beginning of the marketing year plus the estimated production in the United States during the calendar year.

[3] Normal supply (normal year's domestic consumption and exports plus 175 percent of the consumption and 65 percent of the exports) plus 5 percent thereof.

[4] July 1 for flue-cured and October 1 for other kinds of tobacco.

during the preceding 5 years and to farms with small quotas. Such allotment is made on the same basis as for old farms [5] except that the factor of past marketings does not apply. The quota for a new farm cannot exceed 75 percent of the quota for an old farm which is similar with respect to soil, rotation practices, and production facilities (sec. 313 (c)).

3. Farm acreage allotments.—Where the State quota is converted to a State acreage allotment, the Secretary is authorized to establish farm-acreage allotments on the basis of the factors specified for establishing farm-marketing quotas, using past acreage in lieu of past marketings of tobacco. The amount of the national quota reserved for new and small farms may also be converted to acres. New farm allotments are made on the basis of (*a*) the land, labor, and equipment available for the production of tobacco; crop-rotation practices; and the soil and other physical factors affecting the production of tobacco; and (*b*) the past experience of the farm operator (sec. 313 (g)).

4. Amount.—Where farm acreage allotments are not established, the amount of the farm quota is the number of pounds of tobacco allotted to the farm. Where farm acreage allotments are established, the farm quota is the actual production of tobacco from the farm acreage allotment (sec. 313 (b) and (g)).

5. Minimum quota and acreage allotment for old farms.—The quota for an old farm cannot be less than the smaller of either (*a*) 3,200 pounds in the case of flue-cured and 2,400 pounds in the case of other kinds of tobacco, or (*b*) the average production for the farm for the preceding 3 years. If a farm acreage allotment is established such allotment is required to be increased by the smaller of (*a*) 20 percent of such allotment, or (*b*) the percentage by which the normal yield of such allotment is less than 3,200 pounds in the case of flue-cured and 2,400 pounds in the case of other kinds of tobacco, but in no case may a farm with a burley-tobacco allotment in 1943 be given an allotment less than the smaller of 1 acre or 25 percent of the cropland in the farm (sec. 313 (b) and (g), and sec. 313 (a) as modified by Public Law 276, 78th Cong.).

6. Marketing penalty.—Tobacco marketed in excess of the farm marketing quota is subject to a penalty per pound of 40 percent of the season's average price per pound for such tobacco for the preceding marketing year (sec. 314 (a)).

III. CORN

A. Proclamation of marketing quotas

1. When made.—The Secretary is required to proclaim marketing quotas for corn whenever in any calendar year he determines (*a*) that the total supply [6] for the marketing year beginning in such calendar year will exceed the normal supply [7] for such marketing year by more than 20 percent, or (*b*) that the total supply for the marketing year ending in such calendar year is not less than the normal supply and the average farm price for corn for three successive months in such marketing year does not exceed 66 percent of the parity price. The proclamation of marketing quotas for any crop of corn may be made at any time between January 1 and November 15 of the calendar year preceding the year in which such crop is grown (sec. 322 (a)).

2. Area in which applicable.—Marketing quotas may be proclaimed for and made effective in only what is known as the commercial corn-producing area. The Secretary is required to determine such area each year not later than February 1 and to include therein all counties in which the average production of corn (excluding corn used as silage) during the preceding 10 calendar years, after adjustments for abnormal weather conditions, is 450 bushels or more per farm and 4 bushels or more per acre of farm land in the county (secs. 322 (a), 327, 301 (b) (4) (A)).

3. Referendum.—Within 20 days after the proclamation of marketing quotas the Secretary is required to conduct a referendum to determine whether farmers who would be subject to such quotas favor or oppose them. Approval by at least two-thirds of the farmers voting in the referendum is required to make such quotas effective and the Secretary is required, prior to the following March 10, to proclaim the results of the referendum if such quotas are disapproved (sec. 322 (d)).

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[5] Farms on which tobacco has been produced in 1 or more of the preceding 5 years.

[6] "Total supply" means the carry-over on October 1 plus the estimated production for the current calendar year plus the estimated imports for the marketing year beginning in the current calendar year.

[7] "Normal supply" means the estimated domestic consumption in the preceding marketing year plus estimated exports for the marketing year for which the determination is made plus 7 percent of such consumption and exports as a carry-over allowance.

4. Termination or increase in quotas.—Quotas may be increased or terminated if, after investigation, the Secretary finds such action necessary to (*a*) make available free of marketing restrictions a normal supply of corn, (*b*) meet a national emergency, or (*c*) meet an increase in export demand for corn. In addition, if the September crop estimate of the Department shows that the total supply of corn as of the beginning of the next marketing year will not exceed the normal supply for such marketing year by more than 10 percent, the Secretary is required to proclaim that fact by September 20 and thereupon quotas shall not become effective. If, in any marketing year, marketing quotas are not in effect for the crop produced in the calendar year in which such marketing year begins, marketing quotas applicable to previous crops shall be terminated (secs. 371 (a), (b), 322 (e), and 326 (c)).

B. Proclamation of supplies

The Secretary is required, not later than September 1, to ascertain and proclaim the total supply, the normal supply, and reserve supply level [8] of corn for the marketing year beginning in the calendar year in which such proclamation is made (sec. 327).

C. National acreage allotment

1. When proclaimed.—If marketing quotas are proclaimed, the Secretary is required to proclaim a national acreage allotment for corn. Such allotment may also be proclaimed even though the supply situation is such as not to require a proclamation of quotas. In either event, the national acreage allotment for any calendar year must be proclaimed not later than February 1 of such calendar year (sec. 328).

2. Amount.—The national acreage allotment is required to be that acreage in the commercial corn-producing area which, on the basis of the average yield of corn in such area for the 10 preceding calendar years, adjusted for abnormal weather and trends in yield, will produce an amount of corn which, when added to that produced in the United States outside the commercial corn-producing area or imported, will make available a supply for the marketing year beginning in the calendar year in which the crop is produced equal to the reserve-supply level (sec. 328).

3. Apportionment to counties and farms.—The Secretary is required to apportion (*a*) the national acreage allotment among the counties in the commercial corn-producing area on the basis of acreage seeded for production during the 10 preceding calendar years, with adjustments for abnormal weather, for trends in acreage, and for the promotion of soil-conservation practices, and (*b*) the county acreage allotment to farms on the basis of tillable acreage, crop-rotation practices, type of soil, and topography (sec. 329).

D. Farm marketing quotas

1. Amount.—The farm marketing quota for a crop of corn is the actual production of the acreage planted to corn on the farm less the farm marketing excess. The farm marketing excess is the normal production or the actual production, whichever is smaller, of the acreage planted to corn on the farm in excess of the farm acreage allotment (sec. 323 (a) as modified by Public Law 74, 77th Cong.).

2. Marketing-quota penalty.—During any marketing year for which marketing quotas are in effect, the producer is subject to a penalty on the farm marketing excess equal to 50 percent of the basic loan rate on the commodity applicable to cooperators.[9] The penalty may be postponed or avoided by storing the farm marketing excess in accordance with regulations issued by the Secretary or by delivering such excess to the Secretary for his disposal. Until the farm marketing excess is stored, delivered to the Secretary, or the penalty paid, (*a*) the entire crop of corn is subject to a lien in favor of the United States for the payment of the penalty, and (*b*) each bushel of corn marketed by the producer to any person within the United States is subject to a penalty at the above rate payable by the buyer who may deduct such penalty from the purchase price. The commodity is regarded as marketed even though it is used on the farm. If the corn is stored, the penalty must be paid by the producer at the time and to the extent of any depletion of the stored commodity except depletion resulting from causes beyond the producer's control (sec. 325 as modified by Public Law 74, 77th Cong.).

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[8] "Reserve supply level" means a normal year's domestic consumption and exports (based on the average consumption and exports during the preceding 10 marketing years, adjusted for current trends) plus 10 percent of such consumption and exports.

[9] A "cooperator" is a producer who has not knowingly planted on the farm an acreage of the commodity in excess of the farm acreage allotment.

3. Release from storage without payment of penalty.—If the acreage planted to corn on the farm is less than the farm acreage allotment, the amount of corn from any previous crop required to be stored in order to avoid or postpone payment of the penalty is required to be reduced by an amount equal to the normal production of the number of acres by which the acreage allotment exceeds the planted acreage. The stored amount is also required to be reduced to the extent that the actual production on the farm is less than the normal production of the farm acreage allotment (secs. 322 (b) and 326 (b) as modified by Public Resolution 34, 76th Cong., and Public Law 74, 77th Cong.)

4. Exempt farms.—Quotas are not applicable to any farm in the commercial corn-producing area on which the normal production of the acreage planted to corn is less than 300 bushels or on which the acreage planted to corn does not exceed 15 acres (sec. 323 (b) as modified by Public Law 74, 77th Cong.).

5. Nonallotment farms.—The marketing penalty is not applicable to corn produced on any farm classified as a nonallotment farm under the then current agricultural conservation program if the acreage harvested thereon is not in excess of 15 acres or the acreage allotment for the farm, whichever is larger. If the acreage harvested on such farm is in excess of 15 acres and in excess of the farm acreage allotment, the normal production or the actual production, whichever is smaller, of the acreage harvested in excess of 15 acres or the farm acreage allotment, whichever is larger, shall be deemed to be the farm marketing excess and subject to penalty (Public Law 74, 77th Cong.).

IV. WHEAT

A. National marketing quota

1. When proclaimed.—The Secretary is required to proclaim a national marketing quota for wheat whenever in any calendar year he determines (*a*) that the total supply [10] for the marketing year beginning in such calendar year will exceed the normal supply [11] for such marketing year by more than 20 percent, or (*b*) that the total supply for the marketing year ending in such calendar year is not less than the normal supply and the average farm price for wheat for three consecutive months in such marketing year does not exceed 66 percent of the parity price. The quota for any marketing year may be proclaimed at any time between January 1 and July 1 of the calendar year preceding the calendar year in which such marketing year begins (sec. 335 (a)).

2. Amount.—The amount of the national marketing quota is required to equal a normal year's domestic consumption and exports [12] plus 30 percent thereof, less the estimated carry-over as of the beginning of the marketing year with respect to which the quota is proclaimed (sec. 335 (b) as modified by Public Law 74, 77th Cong.).

3. Referendum.—Between the issuance of the proclamation of the quota and July 25 following, the Secretary is required to conduct a referendum to determine whether farmers who would be subject to the quota favor or oppose such quota. If more than one-third of the farmers voting in the referendum oppose such quota the Secretary is required by proclamation to suspend the operation of such quota. Such proclamation must be made prior to the effective date of the quota, which is July 1 of the following calendar year (sec. 336).

4. Termination or increase in quota.—The quota may be increased or terminated if, after investigation, the Secretary finds such action necessary to (*a*) make available free of marketing restrictions a normal supply of wheat, (*b*) meet a national emergency, or (*c*) meet an increase in export demand for wheat. In addition, (*a*) if the total supply proclaimed by the Secretary within 45 days after the beginning of the marketing year with respect to which such quota was proclaimed is less than the total supply specified in the original proclamation, such quota shall be increased accordingly, and (*b*) if the July or August crop estimate of the Department shows that the total supply as of the beginning of the marketing year was less than a normal year's domestic consumption and exports plus 30 percent thereof, the Secretary is required to proclaim that fact by July 20 or August 20, as the case may be, and thereupon quotas become ineffective. If, in any marketing year, marketing quotas are not in effect for the crop produced in a

[10] "Total supply" means the carry-over on July 1 plus the estimated production for the current calendar year plus the estimated imports for the marketing year beginning in the current calendar year.

[11] "Normal supply" means the estimated domestic consumption in the preceding marketing year plus the estimated exports for the marketing year for which the determination is made plus 15 percent of such consumption and exports as a carry-over allowance.

[12] "Normal year's domestic consumption and exports" means the yearly average quantity of wheat consumed in the United States during the preceding 10 marketing years and the average quantity of wheat exported during such years, adjusted for trends in such consumption and exports.

calendar year in which such marketing year begins, marketing quotas applicable to previous crops shall be terminated (secs. 371 (a), (b), and 326 (c) as modified by Public Law 74, 77th Cong.).

B. Proclamation of supplies

The Secretary is required not later than July 15 of each marketing year to ascertain and proclaim the total supply and the normal supply of wheat for such marketing year (sec. 332).

C. National acreage allotment

1. *When proclaimed.*—If a national marketing quota is proclaimed the Secretary is *required* to proclaim a national acreage allotment for wheat. Such allotment may also be proclaimed even though the supply situation is such as not to require the proclamation of a national marketing quota. In either event, the national acreage allotment must be proclaimed not later than July 15 for the next crop of wheat (sec. 332).

2. *Amount.*—The national acreage allotment for any crop of wheat is required to be that acreage which will, on the basis of the national average yield of wheat, produce an amount adequate, together with the estimated carry-over at the beginning of the marketing year for such crop and imports, make available a supply equal to a normal year's domestic consumption and exports plus 30 percent of such consumption and exports. The national acreage allotment may not, however, be less than 55,000,000 acres (sec. 333).

3. *Apportionment to States, counties, and farms.*—The Secretary is required to apportion (a) the national acreage allotment among States on the basis of the acreage seeded for production of wheat during the preceding 10 calendar years, with adjustments for abnormal weather and trends in acreage during such period; (b) the State acreage allotment among counties in the State on the basis of the acreage seeded for production of wheat during the preceding 10 calendar years, with adjustments for abnormal weather and trends in acreage during such period and for the promotion of soil-conservation practices; and (c) the county acreage allotment among farms in the county on the basis of tillable acres, crop-rotation practices, type of soil, and topography. Not more than 3 percent of the county allotment may be apportioned to farms on which wheat has not been planted during any of the three marketing years preceding the marketing year in which the allotment is made, except that any farm which received an allotment in 1942 may retain its status as an "old" farm if certain designated war crops were produced thereon during the war emergency years 1945, 1946, and 1947 (sec. 334 as modified by Public Law 12, 79th Cong.).

D. Farm marketing quotas

1. *Amount.*—The farm marketing quota for a crop of wheat is the actual production of the acreage planted to wheat on the farm less the "farm marketing excess". The farm marketing excess is the normal production or the actual production, whichever is the smaller, of the acreage planted to wheat on the farm in excess of the farm acreage allotment, except that the farm marketing excess may not be larger than the amount by which the actual production on the farm exceeds the normal production of the farm acreage allotment if the producer establishes such production to the satisfaction of the Secretary (sec. 335 (c) as modified by Public Law 74, 77th Cong.).

2. *Marketing quota penalty.*—During any marketing year for which marketing quotas are in effect, the producer is subject to a penalty on the farm marketing excess equal to 50 percent of the basic loan rate on the commodity applicable to cooperators.[13] The penalty may be postponed or avoided by storing the farm marketing excess in accordance with regulations issued by the Secretary or by delivering such excess to the Secretary for his disposal. Until the farm marketing excess is stored, delivered to the Secretary, or the penalty paid (a) the entire crop of wheat is subject to a lien in favor of the United States for the payment of the penalty; and (b) each bushel of wheat marketed by the producer to any person within the United States is subject to a penalty at the above rate payable by the buyer who may deduct such penalty from the purchase price. The commodity is regarded as "marketed" even though it is used on the farm. If the wheat is stored, the penalty must be paid by the producer at the time and to the extent of any depletion of the stored commodity, except depletion resulting from causes beyond the producer's control (sec. 339 as modified by Public Law 74, 77th Cong.).

[13] See footnote 9.

3. Release from storage without payment of penalty.—If the acreage planted to wheat on the farm is less than the farm acreage allotment, the amount of wheat from any previous crop required to be stored in order to avoid or postpone payment of the penalty is required to be reduced by an amount equal to the normal production of the number of acres by which the acreage allotment exceeds the planted acreage. The stored amount is also required to be reduced to the extent that the actual production on the farm is less than the normal production of the farm acreage allotment (Public Law 74, 77th Cong., and sec. 326 (b) as modified by Public Law 74, 77th Cong.).

4. Exempt farms.—A wheat marketing quota is not applicable to any farm on which the normal production of the acreage planted to wheat is less than 200 bushels or on which the acreage planted to wheat does not exceed 15 acres (sec. 335 (d) as modified by Public Law 74, 77th Cong.).

5. "Nonallotment" farms.—The marketing penalty is not applicable to wheat produced on any farm classified as a "nonallotment" farm under the then current agricultural conservation program if the acreage harvested thereon is not in excess of 15 acres or the acreage allotment for the farm, whichever is larger. If the acreage harvested on such farm is in excess of 15 acres and in excess of the farm acreage allotment the normal production or the actual production, whichever is smaller, of the acreage harvested in excess of 15 acres or the farm acreage allotment, whichever is larger, shall be deemed to be the farm marketing excess and subject to penalty. However, if no wheat is sold from such farm, no penalty shall apply to the wheat harvested thereon if the acreage harvested does not exceed such acreage per family living on the farm as may be used for home consumption without reduction of the payment for the farm under the then current agricultural conservation program (Public Law 74, 77th Cong.).

V. COTTON

A. Proclamation of marketing quotas

1. When proclaimed.—The Secretary is required to proclaim a national marketing quota for cotton [14] whenever in any calendar year he determines (a) that the total supply [15] for the marketing year beginning in such calendar year will exceed the normal supply [16] for such marketing year by more than 8 percent, or (b) that the total supply for the marketing year ending in such calendar year is not less than the normal supply and the average price for cotton for three consecutive months in such marketing year does not exceed 66 percent of the parity price. The proclamation of marketing quotas for any marketing year may be made at any time between January 1 and November 15 of the calendar year preceding the calendar year in which such marketing year begins (sec. 345).

2. Referendum.—Between the issuance of the proclamation of marketing quotas and December 15 following, the Secretary is required to conduct a referendum to determine whether farmers who produced the previous crop of cotton favor or oppose quotas. If more than one-third of the farmers voting in the referendum oppose such quotas, the Secretary is required, before the end of that calendar year, to proclaim the results of the referendum and thereupon the quotas become ineffective (sec. 347).

3. Termination or increase in quotas.—Quotas may be increased or terminated if, after investigation, the Secretary finds such action necessary to (*a*) make available free of marketing restrictions a normal supply of cotton, (*b*) meet a national emergency, or (*c*) meet an increase in export demand for cotton (sec. 371 (a), (b)).

B. Proclamation of supplies

The Secretary is required not later than November 15 each year to find and proclaim (*a*) the total supply, the normal supply, and the carry-over [17] of cotton as of August 1 of that year, (*b*) the probable domestic consumption and exports of American cotton during the marketing year beginning August 1 of such calendar year, and (*c*) the estimated carry-over of cotton as of August 1 of the next calendar year (sec. 342).

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[14] The quota provisions of the Act do not apply to cotton the staple of which is 1½ inches or more in length (sec. 350).

[15] "Total supply" means the carry-over on August 1 plus the estimated production for the current calendar year plus the estimated imports for the marketing year beginning in the current calendar year.

[16] "Normal supply" means the estimated domestic consumption in the preceding marketing year plus the estimated exports for the marketing year for which the determination is made plus 30 percent of such consumption and exports as a carry-over allowance.

[17] "Carry-over" means the quantity of cotton on hand in the United States on August 1 which was produced in the United States prior to the current calendar year plus the quantity of cotton on hand in the United States on August 1 which was produced outside the United States.

C. National baleage allotment

1. *When proclaimed.*—If cotton marketing quotas are proclaimed the Secretary is required to proclaim a national baleage allotment for cotton. Such allotment may also be proclaimed even though the supply situation is such as not to require a proclamation of marketing quotas. In either event, the national baleage allotment for any calendar year must be proclaimed not later than November 15 of the preceding calendar year (sec. 343 (a)).

2. *Amount.*—The national baleage allotment is required to be expressed in terms of standard bales of 500 pounds gross weight. The amount of such allotment is the number of bales of cotton adequate, together with the estimated carry-over as of August 1 of the succeeding calendar year and imports, to make available a supply of cotton for the marketing year beginning in such succeeding calendar year equal to the normal supply. In no event, however, may the national allotment be less than 10,000,000 bales plus a number of bales equal to the production from the additional number of acres which must be allotted to provide minimum State, county and farm allotments (secs. 343 (b), (c), and 344 (i)).

3. *State baleage and acreage allotments.*—The national baleage allotment (less the amount added by reason of minimum State and county acreage allotments) is required to be apportioned among the several States on the basis of cotton produced in the State during the five calendar years preceding the year in which such national allotment is determined. The State baleage allotment must then be converted to acres on the basis of the average yield of cotton in the State during the five calendar years used in computing the State baleage allotment. Each State that produced at least 3,500 bales of cotton in any one of the five calendar years preceding the year for which the State acreage allotment is made must be allotted not less than 5,000 acres. The number of acres thus allotted to the State is referred to as the "State acreage allotment" (sec. 344 (a), (b), (e) (2)).

4. *County acreage allotment.*—The State acreage allotment (less the amount set aside for "new" farms) is required to be apportioned to the counties in the State on the basis of the acreage planted to cotton in the five calendar years preceding the calendar year in which such apportionment is made, with adjustments for weather and trends in acreage during such 5-year period. The Secretary is required, however, to allot to each county a number of acres equal to not less than 60 percent of the sum of the acreage planted to cotton in 1937 plus the acreage "diverted" from cotton in 1937 under the adjustment and conservation program (sec. 344 (c), (e) (1)).

5. *Farm acreage allotment*—(*a*) *Old farms.*—The county acreage allotment is required to be apportioned to farms on which cotton has been produced during any one of the three preceding calendar years as follows: (1) each farm must first be allotted the smaller of 5 acres or the highest planted plus "diverted" acreage in any one of the three base period years; (2) not to exceed 3 percent of the remainder of the county acreage allotment must then be allotted, upon such basis as the Secretary deems fair and equitable, to farms which receive 5 acres under step (1) above but not more than 15 acres under step (3) below; and (3) the remainder of the county allotment must then be apportioned to farms receiving 5 acres under step (1) so as to give each such farm an allotment (including the 5 acres) which bears the same relationship to the cropland (as defined) on the farm in the preceding year as the county allotment bears to the cropland on all such farms in the county in the preceding year, except that the allotment so calculated may not exceed the highest planted plus "diverted" acreage on the farm in any one of the three base-period years. These "initial" farm acreage allotments are required to be increased (i) by apportioning an acreage equal to 4 percent of the State acreage allotment to certain small allotment farms and to farms on which allotments are inadequate or unrepresentative for stated reasons; and (ii) by allotting to each farm an acreage equal to not less than 50 percent of the sum of the acreage planted to cotton in 1937 plus the acreage "diverted" from cotton in 1937 under the adjustment and conservation program, but in no case may the allotment be increased under this "50 percent" provision above 40 percent of the acreage of cropland on such farm.

(*b*) *New farms.*—Not more than 2 percent of the State acreage allotment is required to be apportioned to farms in the State on which no cotton was produced during any one of the three base period years.[18] The new farm allotments are to be made on the basis of land, labor, and equipment available for the production of cotton, crop-rotation practices, and the soil and other physical facilities affecting the production of the cotton on the farm (sec. 344 (e) (2), (d), (g), (h)).

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[18] Under public law 12, 79th Cong., any farm with a 1942 cotton allotment may qualify as an "old" farm if certain designated war crops were produced thereon during the war emergency years 1945, 1946, and 1947.

D. Farm marketing quotas

1. Amount.—The farm marketing quota is the sum of (*a*) the number of bales equal to the normal production or the actual production, whichever is the larger, of the farm acreage allotment and (*b*) the number of bales of penalty-free cotton carried over from previous crops (sec. 346 (a)).

2. Marketing quota penalty.—Cotton marketed in excess of the farm marketing quota is subject to a penalty at a rate equal to 50 percent of the basic loan rate applicable to cooperators [19] for the marketing year beginning in the year in which such cotton is produced (sec. 348 as amended by Public Law 74, 77th Cong.).

3. Exemption.—The marketing quota penalty does not apply to the marketing of cotton produced on any farm with a farm acreage allotment if the production thereon does not exceed 1,000 pounds of lint cotton (sec. 346 (b)).

VI. RICE

A. National marketing quota

1. When proclaimed.—The Secretary is required to proclaim a national marketing quota for rice whenever in any calendar year he determines (*a*) that the total supply [20] for the marketing year beginning in such calendar year will exceed the normal supply [21] for such marketing year by more than 20 percent, or (*b*) that the total supply for the marketing year ending in such calendar year is not less than the normal supply and the average farm price for rice for three consecutive months in such marketing year does not exceed 66 percent of the parity price. The quota for any marketing year may be proclaimed at any time during the calendar year preceding the calendar year in which such marketing year begins (sec. 355 (a)).

2. Amount.—The amount of the national marketing quota is that quantity of rice which will make available during the marketing year a normal supply (sec. 355 (a)).

3. Referendum.—Within 30 days after the proclamation of the quota the Secretary shall conduct a referendum to determine whether producers who would be subject to the quota favor or oppose such quota. If more than one-third of the producers voting in the referendum oppose such quota, the Secretary is required, prior to February 15 following, to proclaim the results of the referendum and thereupon the quota does not become effective (sec. 355 (b)).

4. Apportionment to States and producers.—The Secretary is required to apportion (*a*) the national marketing quota among the rice-producing States on the basis of the average amount of rice produced in each State during the preceding 5 years including the calendar year in which such national allotment is announced, with adjustments for abnormal weather and trends to acreage during such 5 years, and (*b*) the State marketing quota among persons producing rice in the State on the basis of the aggregate normal yields of the acreage allotments established for such persons (secs. 335 (c) and 354 (b), (c)).

5. Termination or increase in quota.—The national marketing quota may be increased or terminated if, after investigation, the Secretary finds such action necessary to (*a*) make available free of marketing restrictions a normal supply of rice, (*b*) meet a national emergency, or (*c*) meet an increase in export demand for rice (sec. 371 (a), (b)).

B. Domestic allotment

1. When proclaimed.—Not later than December 31 of each year, the Secretary is required to ascertain and proclaim the domestic allotment of rice (sec. 354 (a)).

2. Amount.—The amount of the domestic allotment is the total quantity of rice which will be needed to meet the requirements of consumers in the United States during the marketing year beginning in the next calendar year (sec. 354 (a)).

3. Apportionment to States and producers.—The Secretary is required to apportion (*a*) the domestic allotment of rice among the rice-producing States on the basis of the average amount of rice produced in each State during the preceding 5 years including the year in which such allotment is announced, with adjustments for abnormal weather and trends in acreage during such 5 years, and (*b*) the State portion of the domestic allotment among persons producing rice in the States on the basis of the aggregate normal yields of the acreage allotments established for such persons (sec. 354 (b), (c)).

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[19] See footnote 9.

[20] Carry-over on August 1 plus estimated production for the current calendar year plus estimated imports for the marketing year beginning in the current calendar year.

[21] Estimated domestic consumption in the preceding marketing year plus estimated exports for the marketing year for which the determination is made plus 10 percent of such consumption and exports as a carry-over allowance.

C. National acreage allotment

1. When proclaimed.—If a national marketing quota is proclaimed the Secretary is required to proclaim a national acreage allotment for rice. Such allotment may also be proclaimed even though the supply situation is such as not to require the proclamation of a national marketing quota. In either event, the national acreage allotment for any calendar year must be proclaimed not later than December 31 of the preceding calendar year (sec. 352).

2. Amount.—The national acreage allotment for any calendar year is required to be that acreage which will, on the basis of the national average yield of rice for the five calendar years preceding the calendar year for which such national allotment is determined, produce an amount of rice adequate, together with the estimated carry-over from the marketing year ending in such calendar year, to make available a supply for the marketing year beginning in such calendar year not less than the normal supply (sec. 352).

3. Apportionment to States and producers.—The Secretary is required to apportion (*a*) the national acreage allotment among the rice-producing States on the basis of the average number of acres of rice in each State during the 5 years preceding the calendar year for which such national allotment is determined, with adjustments for trends in acreage during such 5 years, (*b*) not less than 97 percent of the State acreage allotment among persons producing rice in the State on the basis of past production; land, labor, and equipment available for the production of rice; crop-rotation practices, soil fertility, and other physical factors affecting the production of rice, and (*c*) not more than 3 percent of the State acreage allotment among persons who have not produced rice during any one of the five preceding years, on the basis of the applicable standards in (*b*) above, except that no "new" producer allotment may exceed 75 percent of a comparable "old" producer allotment (sec. 353).

D. Producer marketing quotas

1. Amount.—The act does not state specifically the amount of the quota but merely provides that it will be the producer's share of the State marketing quota based on the normal yield of the acreage allotment established for such producer (secs. 355 (c) and 354 (c)).

2. Marketing quota penalty.—Any producer who markets rice in excess of his marketing quota shall be subject to a penalty at a rate equal to 50 percent of the basic loan rate applicable to cooperators [22] for the marketing year beginning in the year in which such rice is produced (sec. 356, as amended by Public Law 74, 77th Cong.).

VII. PEANUTS

A. National marketing quota

1. *When proclaimed.*—Between July 1 and December 1 of each calendar year, the Secretary is required to proclaim a national marketing quota for peanuts.[23] The proclamation of such quota is not dependent upon the existence of any given supply of peanuts (sec. 358 (a)).

2. Amount.—The amount of the national marketing quota is that quantity of peanuts which will make available for marketing a supply from the crop with respect to which the quota is proclaimed equal to the average quantity of peanuts harvested for nuts during the 5 years preceding the year in which such quota is proclaimed, adjusted for current trends and prospective demand conditions. Such national marketing quota, however, may not be less than the quantity of peanuts sufficient to provide a national acreage allotment equal to the national acreage allotment established for the 1941 crop (sec. 358 (a)).

3. Converted to national acreage allotment.—The national marketing quota is is required to be converted to a national acreage allotment by dividing such quota by the normal yield per acre of peanuts for the United States determined on the basis of the average yield per acre in the five calendar years preceding the calendar year in which the quota is proclaimed, with such adjustments as are necessary to correct for trends in yields and for abnormal conditions of production affecting yields in such 5 years. In no event may the national acreage allotment be less than the national acreage allotment established for the 1941 crop (sec. 358 (a)).

4. Referendum.—Not later than December 15 each year, the Secretary is required to conduct a referendum to determine whether farmers who produced peanuts that year favor or oppose marketing quotas with respect to the next three crops of peanuts. The Secretary is required to proclaim the results of the refer-

[22] See footnote 9.

[23] The act applies to all peanuts produced, excluding any peanuts which it is established by the producer or otherwise, in accordance with regulations of the Secretary, were not picked or threshed either before or after marketing from the farm (sec. 259 (c)).

endum within 30 days after it is held and if more than one-third of the farmers voting in the referendum oppose marketing quotas, the Secretary is also required to proclaim that marketing quotas will not be in effect for the crop produced in the year following the year in which such referendum is held. If as many as two-thirds of those voting in the referendum approve quotas, no referendum is required for the second and third years of the three-year period (sec. 358 (b)).

B. National acreage allotment

1. *When determined.*—Although the act does not specify the exact date on which the national marketing quota must be converted to a national acreage allotment, it was apparently intended that such allotment would be determined at the same time the national marketing quota is proclaimed, which is between July 1 and December 1.

2. *State acreage allotments.*—The national acreage allotment is required to be apportioned among States on the basis of the average acreage of peanuts harvested for nuts in the 5 years preceding the year in which the national acreage allotment is determined, with adjustments for trends, abnormal conditions of production, and the State acreage allotment for the crop immediately preceding the crop for which the allotment is established. The State acreage allotment is required to be not less than the State acreage allotment established for the 1941 crop. The acreage allotment for each State during the second year and third year of any 3-year period during which marketing quotas are in effect is to be increased above or decreased below the allotment for the State for the preceding year by the same percentage as the national marketing quota is increased above or decreased below the national marketing quota for the preceding year (sec. 358 (c)).

3. *Farm acreage allotments.*—The State acreage allotment is required to be apportioned among farms in the State on which peanuts were grown in any of the 3 years preceding the year for which the allotment is determined. Such apportionment is to be made on the basis of tillable acreage available for the production of peanuts and the past acreage of peanuts on the farm, taking into consideration the acreage allotments established for the farm under previous adjustment and conservation programs. Any acreage harvested in excess of the farm acreage allotment is not to be considered in establishing the farm acreage allotment until the third year following the year in which such excess acreage was harvested and the total increases made in all farm allotments in any year based on such excess acreage must not exceed 2 percent of the national acreage allotment for such year. In addition, not less than 50 percent of the increases based on such excess acreage must be distributed to "new" farms [24] (sec. 358 (d)).

C. Farm marketing quotas

1. *Amount.*—The amount of the farm marketing quota is the actual production of the farm acreage allotment (sec. 358 (d)).

2. *Marketing quota penalty.*—The marketing of peanuts in excess of the farm marketing quota, or the marketing of peanuts from any farm for which no acreage allotment was determined, is subject to a penalty at a rate equal to 50 percent of the basic rate of the loan for quota peanuts for the marketing year (August 1–July 31) beginning in the calendar year in which such peanuts are produced (sec. 359 (a)).

3. *Exempt farms.*—Quotas are not applicable to any farm on whidh the acreage of peanuts harvested for nuts is 1 acre or less (sec. 359 (b)).

Mr. PACE. The committee is delighted to have this morning the Secretary of Agriculture, who will at this time address the committee on this subject.

Mr. Secretary.

STATEMENT OF HON. CHARLES F. BRANNAN, SECRETARY OF AGRICULTURE

Secretary BRANNAN. Thank you, Mr. Chairman.

May I inquire if there is before yourself and the other members of the committee the brochure of statistical data which I have in my hand.

[24] This is the only reference in the act to the establishment of allotments for farms on which peanuts have not been grown in any of the three base period years.

The CHAIRMAN. The clerk is now supplying us with that folder, Mr. Secretary.

Secretary BRANNAN. In response to your chairman's letter to me of March 10, I am appearing before this committee to discuss with you marketing quotas for corn. At the outset, I would like to make it clear that the Department is not making any specific recommendations to the committee at this time but is merely making its services available to the committee to provide such data and information as the committee needs to study the present marketing-quota law for corn with a view to probably amending it in important respects in case we might have to have marketing quotas on corn in 1950 or some subsequent years.

The Department's specific recommendations with respect to changes in legislation that affect the long-range agricultural program are being formulated at the present time and will be submitted to the Congress for consideration at an early date.

The chairman of your special subcommittee included in his letter to me six questions pertaining to corn marketing quotas which I shall be glad to discuss with you at this time. These questions were:

1. Do the corn producers desire to place corn under marketing quotas?

While we are not at all times in position to appraise the thinking of the farmers we certainly are prepared to give our thoughts about what should be taken into consideration by farmers in reaching a conclusion either in approving or disapproving marketing quotas.

Marketing quotas have never been in effect for corn. In the event that supplies reached the level where quotas became necessary under present legislation, it is believed that producers would favor marketing quotas, since they could obtain full price support only when such quotas were in effect. However, commercial corn producers are concerned over what producers in the noncommercial areas might do, particularly those who are under acreage allotments for other crops.

A definite answer to the question cannot be given until commercial corn producers vote in referendum, as provided by law, to approve or disapprove marketing quotas under conditions of excessive supplies calling for such action.

Prior to the time the Agricultural Adjustment Act of 1938 was amended by the Agricultural Act of 1948, price support action on corn and other basic commodities was prohibited when producers voted against marketing quotas. However, under section 202 of the Agricultural Act of 1948 support of basic commodities at 50 percent of parity is required by law even though producers disapprove marketing quotas.

It would seem reasonable that farmers should agree to limit production in order to bring into balance the supply and demand of corn by the use of marketing quotas if supplies are so far out of line with demand as to require the use of quotas.

In principle, price support programs in the form of loans and purchase agreements are designed to strengthen the bargaining position of producers in the marketing of their crops by enabling them to stabilize the movement of supplies against unpredictable variations in production and in demand. In view of this, why shouldn't farmers be expected to cooperate with the Government in observing the principles of orderly marketing necessary to protect them against the impact of supply and demand conditions over which they have no control.

2. Should the commercial corn area be expanded?

The present definition of the commercial corn-producing area provides for an automatic expansion of this area. The definition in the Agricultural Adjustment Act of 1938 provides that the commercial corn-producing area includes all counties in which the average production of corn—excluding corn used as silage—during the 10 calendar years immediately preceding the calendar year for which such area is determined, after adjustment for abnormal weather conditions, is 450 bushels or more per farm and four bushels or more for each acre of farm land in the county.

Despite the fact that substantial increases in corn production have occurred in some areas outside of the commercial area, production in the commercial area has become more concentrated in recent years. Ninety-five percent of the increase in the 1948 United States corn production over average prewar production originated in the Corn Belt.

The elimination of the concept of the commercial corn area and the substitution of the entire country as a corn-producing area was considered at recent meetings with PMA State committeemen from corn-producing areas. These farmer representatives indicated that farmer thinking in the commercial as well as in the non-commercial area was not in favor of changing the formula for bringing additional areas into the commercial corn-producing area.

If it should be considered as desirable to increase the commercial area, the definition of commercial area should perhaps be revised to permit designation of counties as commercial area on the basis of yields and production in a shorter period than the present requirement of 10 calendar years. A more representative period such as five years might be desirable.

In changing this period, consideration might also be given to the desirability of including corn used as silage in determining whether production in any county falls within the definition. Corn used as silage was excluded because it was used on the farm in these particular areas. However, if production of silage has expanded materially and if such production tends to nullify the effect of corn-marketing quotas in the commercial area, consideration should be given to including corn used as silage in the definition of commercial area.

3. Should quotas apply to corn produced and fed on the farm?

Quotas should apply to corn produced and fed on the farm because, in terms of the objectives of marketing quotas, it would make no difference whether the corn was fed on the farm where produced or marketed and fed in some other area.

Under the Agricultural Adjustment Act of 1938, as amended, disposition of corn by feeding in any form is subject to quotas.

Since approximately 80 percent of all the corn produced in the United States is fed on farms where produced, limitation of quotas to corn sold off farms would make the quota program practically inoperative. It would place producers who sell their corn for cash on a different basis than producers who market their corn in the form of hogs, and the distinction would give rise to serious administrative difficulties in enforcing quotas.

4. Should quotas apply to corn produced for silage?

The Agricultural Adjustment Act of 1938 provides that quotas shall also apply to corn produced for silage in the commercial area. As in the case of corn produced and fed on farms, the omission of corn for silage would cause inequities among producers. Production of corn for silage is merely another manner of feeding corn.

Proper administration of corn marketing quotas requires that all corn fed, regardless of the form in which it is fed, be subject to marketing quotas. If quotas were not applicable to silage corn, it would permit and encourage an enormous increase in silage corn which would replace the market for corn in other form.

5. Should competing grains, such as grain sorghums, oats, rye, barley, and so forth, be brought under quotas at the same time?

Unquestionably, these feed grains compete with corn and there will be a tendency for production of these grains to increase up to a certain point in the event marketing quotas are placed on corn. A course of action in dealing with such increases so that they do not get out of hand and interfere with corn programs would be:

Separate marketing quotas could be established for feed grains other than corn. If quotas are to be established for feed grains, two separate quotas may be established—one for feed grains other than corn and one for corn. The establishment of one quota for all feed grains might lead to a shift from feed grains other than corn, with the result that corn supplies would be increased rather than decreased under the marketing quota program.

Because of the administrative difficulties that would be involved in imposing marketing quotas on feed grains other than corn, consideration may be given to bringing these feed grains under acreage allotments rather than marketing quotas when marketing quotas are in effect for corn.

It is important that production of other feed grains be controlled in some manner if corn is controlled because of the resulting increased competition between these feed grains. Unless production of these other feed grains is controlled, stocks of corn may be expected to accumulate in the hands of the Government. The net effect would be a cumulative downward adjustment of corn production at the same time that supplies of other feed grains are increasing.

Consideration must also be given to the fact that crops competing with corn are not limited to other feed grains. An important historical illustration was the rapid increase in soybean production in the Corn Belt associated with the corn acreage adjustment program. From 1933 to 1942 the acreage planted to corn decreased 21,000,000 acres, while soybean acreage showed an increase of 11,000,000 acres. As a result, soybean oil in vegetable shortening and margarine became an increasingly effective competitor of lard, butter, and cottonseed products, while the soybean meal was a very efficient protein supplement in livestock feeding.

6. Should quotas apply to corn production throughout the Nation or be confined to the commercial area, as now provided by law?

It is not felt that quotas should apply to corn production outside of the commercial area, since it is not likely that production in these areas will be expanded sufficiently to warrant the imposition of marketing quotas. In most of the areas outside of the present constituted commercial corn production area, corn production is generally limited to the maintenance of a livestock program for local consumption and, hence, would not be a source of oversupply.

In the event that production in areas outside the commercial corn area becomes large enough to interfere with corn quotas, eventually such areas could be brought within the commercial area. This would seem to be the logical approach. If after further experience it is found that the present definition of commercial corn area does not permit as prompt an expansion as is desirable, the proper approach would be to modify the definition of the commercial area as specified in present legislation so that any areas which increase production in a manner which would interfere with the marketing quotas could be included promptly within the commercial area.

In addition to the foregoing comments in response to the questions raised by the chairman of your subcommittee, you undoubtedly will be interested in some current facts regarding the 1948 corn crop and our loan operations with respect thereto.

The 1948 corn crop of 3,651,000,000 bushels together with an old-crop carry-over of 125,000,000 bushels gives a total supply of 3,776,000,000 bushels available for the crop year beginning October 1, 1948. Domestic disappearance, including feed, food, and industrial uses, is estimated at 2,950,000,000 bushels and probable exports are placed at 125,000,000 bushels. This indicates a total disappearance of 3,075,000,000 bushels, leaving a prospective carry-over of up to as much as 700,000,000 bushels in all positions on October 1, 1949. This would be an all-time high record and 575,000,000 bushels more than was carried over a year ago. The previous high record carry-over of corn was in 1940, when it totaled 688,000,000 bushels. In the last 5 years, 1944 to 1948, the average carry-over was 226,000,000 bushels, and the 1937 to 1941 prewar average was 469,000,000 bushels.

Because of the limitations upon expansion of feeding operations imposed by the relatively low number of grain-consuming animal units on farms—which is practically no larger now than it was in 1941—and because of the existing inadequacy of farm grain storage facilities, corn marketings off farms so far this year have been in excess of current requirements and, as a result, prices received by farmers have declined well below the loan level equivalents. Under these conditions farmers are availing themselves of loans and purchase agreements wherever storage facilities permit, and the total amount of corn that will be sealed or covered by purchase agreements may well exceed 400,000,000 bushels this year.

Farm stocks of corn on January 1, 1949, totaled 2,520,000,000 bushels, the largest on record for this date and 306,000,000 bushels above the previous high established in 1943. A year ago, January 1, farm stocks were 1,506,000,000 bushels and the average of the last 10 years was 1,944,000,000 bushels.

Unless there is an unfavorable outlook for the 1949 corn crop, practically all of the supplies of corn put under loans or purchase agreements may be expected to be offered to CCC.

For the committee's use a folder of corn and related statistics has been prepared which I think you have before you at this time. These data cover the supply-distribution picture in the United States for the years 1926 to 1948, and the quantity of feed and food grains, as well as byproduct feeds fed per grain-consuming animal unit, setting forth the average amount of each of these carbohydrate feeds consumed during the 5-year period 1937 to 1941, as well as for each marketing year beginning with October 1938 down to the present time. Other tables in this folder include information by States, by s, showing the planted acreage of corn, the production and yield acre; relationship of the provisions of the Agricultural Adjustment Act of 1938 to the Agricultural Act of 1948, and the calculation of corn marketing quota level as determined under both acts. There are a number of other tables in this folder setting forth pertinent statistics which you will undoubtedly want to study in connection with possible changes that you will want to make with respect to both acreage allotments and marketing quotas.

Included in the data contained in the folder is a chart showing the yield per acre from 1930 to 1948 and the acreage harvested for the same period of time. It is particularly noteworthy that the yield per acre has been steadily increasing from approximately 20 bushels per acre in 1930 until it has reached an all-time high of 42.7 bushels per acre in 1948. Concurrently with this remarkable increase in yield there has been a decline in the acreage devoted to corn from around 104,000,000 acres in 1930 down to 86,000,000 acres in 1948. This chart very clearly illustrates one of the problems connected with the acreage adjustment program.

There is another particular item that I would like to call to your attention. It is the map in the back of the folder setting forth the commercial corn-producing area as it was in 1943 and as it is indicated for 1949. This map clearly illustrates that in spite of all the increased technology with respect to methods of farming and the increased use of hybrid seed corn, the commercial corn-producing area continues substantially the same as it has existed for a number of years.

In the course of your studies you will undoubtedly find need for additional information with respect to many factors affecting the corn problem and I would like for you to feel free to call upon the Department for any further information that you would like to have in this respect. I have with me this morning the Deputy Administrator of the Production and Marketing Administration, Mr. Frank Woolley; the Assistant Director of the Grain Branch of the Production and Marketing Administration, Mr. William McArthur; as well as a representative of the Solicitor's office, Mr. John C. Bagwell. These men will be more than glad to go over the details of this material with you and provide you with such information regarding the operation of the marketing quota program as you would like.

I should like to ask these gentlemen to participate with me in the discussion this morning as the occasion warrants.

Mr. PACE. I would suggest those gentlemen pull their chairs up by the Secretary.

Thank you very much, Mr. Secretary.

Without objection on the part of the committee, I will file with the clerk for insertion in the record at this point the numerous tables, charts, and maps contained in the folder referred to by the Secretary.

(The documents referred to are as follows:)

Corn: Supply and distribution in the United States, 1926–48

[Million bushels]

Year beginning Oct. 1	Supply				Distribution		
	Carry-over Oct. 1	Production	Imports [1]	Total supply	Domestic disappearance	Exports [1]	Stocks, end of year
1926	280	2,547	4	2,831	2,596	18	217
1927	217	2,616	3	2,836	2,722	20	94
1928	94	2,666	(2)	2,760	2,571	42	147
1929	147	2,516	1	2,664	2,516	9	139
1930	139	2,080	1	2,220	2,049	3	168
1931	168	2,576	(2)	2,744	2,470	4	270
1932	270	2,930	(2)	3,200	2,804	9	387
1933	387	2,398	1	2,786	2,443	5	338
1934	338	1,449	37	1,824	1,758	1	65
1935	65	2,299	21	2,385	2,208	1	176
1936	176	1,506	104	1,786	1,720	(2)	66
1937	66	2,643	2	2,711	2,210	140	361
1938	361	2,549	(2)	2,910	2,292	34	584
1939	584	2,581	1	3,166	2,434	44	688
1940	688	2,457	1	3,146	2,486	15	645
1941	645	2,652	1	3,298	2,787	20	491
1942	491	3,069	(2)	3,560	[3] 3,191	5	384
1943	384	2,966	4	3,354	3,113	10	231
1944	231	3,088	6	3,325	2,993	17	315
1945	315	2,881	1	3,197	3,002	22	173
1946	173	3,250	1	3,424	3,009	129	286
1947	286	2,384	1	2,671	2,536	10	125
1948 (estimate)	125	3,651	------------	3,776	2,949	127	700

1 Grain and meal.
2 Less than one-half million bushels.
3 Adjustment for interior mill stocks which were officially published for October 1943.

Table A.—*Carbohydrate feeds—feed and food grains and byproduct feeds fed per grain-consuming animal unit*

[October-September—year]

Commodity	5-year average, 1937–41		1938–39		1939–40		1940–41		1941–42		1942–43	
	Short tons	Pounds per animal unit	Short tons	Pounds per animal unit	Short tons	Pounds per animal unit	Short tons	Pounds per animal unit	Short tons	Pounds per animal unit	Short tons	Pounds per animal unit
	Thousands		*Thousands*		*Thousands*		*Thousands*		*Thousands*		*Thousands*	
Corn	62, 514	816. 7	59, 091	795. 8	62, 804	805. 0	63, 617	815. 9	70, 262	839. 9	81, 640	848. 6
Oats	16, 048	209. 6	15, 210	204. 9	14, 177	181. 8	18, 103	232. 1	16, 619	198. 6	19, 763	205. 4
Barley	4, 630	60. 5	4, 169	56. 1	4, 834	61. 9	5, 500	70. 6	6, 043	72. 2	7, 335	76. 2
Grain sorghums	2, 107	27. 5	1, 808	24. 4	1, 407	18. 0	2, 328	29. 9	3, 113	37. 2	2, 980	31. 0
(A) Feed grains	85, 299	1, 114. 3	80, 278	1, 081. 2	83, 222	1, 066. 7	89, 548	1, 148. 5	96, 037	1, 147. 9	111, 718	1, 161. 2
Rye	573	7. 5	607	8. 2	535	6. 9	506	6. 5	670	8. 0	733	7. 7
Wheat	4, 080	53. 3	4, 062	54. 7	3, 898	49. 9	2, 739	35. 1	5, 129	61. 3	11, 865	123. 3
(B) Food grains	4, 653	60. 8	4, 669	62. 9	4, 433	56. 8	3, 245	41. 6	5, 799	69. 3	12, 598	131. 0
All grains (A) and (B)	89, 952	1, 175. 1	84, 947	1, 114. 1	87, 655	1, 123. 5	92, 793	1, 190. 1	101, 836	1, 217. 2	124, 316	1, 292. 2
Wheat millfeeds	4, 648	60. 7	4, 762	64. 1	4, 625	59. 3	4, 786	61. 4	4, 620	55. 2	5, 324	55. 3
Rice millfeeds	123	1. 6	124	1. 7	120	1. 6	125	1. 6	124	1. 5	145	1. 5
Dried and molasses beet pulp	298	3. 9	339	4. 5	286	3. 7	322	4. 1	298	3. 6	300	3. 1
Alfalfa meal	456	6. 0	410	5. 5	440	5. 6	470	6. 0	590	7. 1	680	7. 1
Oat millfeeds, hominy feed and miscellaneous	2, 000	26. 1	2, 000	26. 9	2, 000	25. 6	2, 000	25. 7	2, 000	23. 9	1, 600	16. 6
(C) Byproduct feeds [1]	7, 525	98. 3	7, 635	102. 7	7, 471	95. 8	7, 703	98. 8	7, 632	91. 3	8, 049	83. 6
Total (A), (B) and (C)	97, 477	1, 273. 4	92, 582	1, 246. 8	95, 126	1, 219. 3	100, 496	1, 288. 9	109, 468	1, 308. 5	132, 365	1, 375. 8
Grain-consuming animal units fed in year beginning Oct. 1 [2] thousands	153, 094		148, 501		156, 038		155, 935		167, 317		192, 411	

[1] Feed Statistics, December 1947.
[2] New Bureau of Agricultural Economics series published November 1947.

Commodity	1943-44		1944-45		1945-46		1946-47		1947-48 [1] [2]		1948-49 [1] [2]	
	Short tons (1)	Pounds per animal unit (2)	Short tons (3)	Pounds per animal unit (4)	Short tons (5)	Pounds per animal unit (6)	Short tons (7)	Pounds per animal unit (8)	Short tons (9)	Pounds per animal unit (10)	Short tons (11)	Pounds per animal unit (12)
	Thous.		*Thous.*		*Thous.*		*Thous.*		*Thous.*		*Thous.*	
Corn	80, 470	833. 4	76, 284	878. 4	77, 494	924. 0	75, 829	940. 0	64, 536	836. 0	74, 900	948. 1
Oats	17, 196	178. 1	16, 969	195. 5	23, 775	283. 5	19, 479	241. 5	17, 917	232. 0	19, 200	243. 0
Barley	6, 119	63. 4	4, 491	51. 7	4, 045	48. 2	2, 969	36. 8	3, 369	43. 6	3, 600	45. 6
Grain sorghums	2, 711	28. 1	3, 621	41. 7	2, 380	28. 4	2, 134	26. 4	1, 891	24. 5	2, 240	28. 4
(A) Total feed grains	106, 496	1, 103. 0	101, 365	1, 167. 3	107, 694	1, 284. 1	100, 411	1, 244. 7	87, 713	1, 136. 1	99, 940	1, 265. 1
Rye	811	8. 4	360	4. 1	215	2. 6	78	1. 0	139	1. 8	140	1. 8
Wheat	12, 895	133. 6	8, 361	96. 3	7, 925	94. 4	4, 570	56. 6	5, 643	73. 1	3, 000	37. 9
(B) Total food grains	13, 706	142. 0	8, 721	100. 4	8, 140	97. 0	4, 648	57. 6	5, 782	74. 9	3, 140	39. 7
Total, all grains, (A) and (B)	120, 202	1, 245. 0	110, 086	1, 267. 7	115, 834	1, 381. 1	105, 059	1, 302. 3	93, 495	1, 211. 0	103, 080	1, 304. 8
Wheat millfeeds	5, 547	57. 4	5, 638	64. 9	4, 896	58. 4	6, 144	76. 2	5, 540	71. 8	5, 200	65. 8
Rice millfeeds	139	1. 4	150	1. 8	155	1. 8	166	2. 1	177	2. 3	180	2. 3
Dried and molasses beet pulp	161	1. 7	182	2. 1	218	2. 6	300	3. 7	313	4. 1	250	3. 2
Alfalfa meal	734	7. 6	922	10. 6	1, 191	14. 2	1, 036	12. 8	1, 000	12. 9	950	12. 0
Oat millfeeds, hominy feed, and miscellaneous	1, 600	16. 6	1, 600	18. 4	1, 700	20. 3	2, 000	24. 8	2, 000	25. 9	2, 000	25. 3
(C) Total byproduct feeds	8, 181	84. 7	8, 492	97. 8	8, 160	97. 3	9, 646	119. 6	9, 030	117. 0	8, 580	108. 6
Total (A), (B), and (C)	128, 383	1, 329. 7	118, 578	1, 365. 5	123, 994	1, 478. 4	114, 705	1, 421. 9	102, 525	1, 328. 0	111, 660	1, 413. 4
Grain-consuming animal units fed in year beginning Oct. 1 [3] thousands	193, 107		173, 672		167, 736		161, 345		154, 400		158, 000	

[1] Preliminary estimates.
[2] Food and feed grain on a crop-year basis except grain sorghums which is for a July-June year.
[3] New Bureau of Agricultural Economics series published November 1947

Corn: Planted acreage

[In thousands of acres]

State	1930	1931	1932	1933	1934	1935	1936
Maine	12	12	14	15	13	13	12
New Hampshire	13	13	15	16	16	17	15
Vermont	60	68	70	72	79	83	74
Massachusetts	39	37	38	38	37	42	41
Rhode Island	9	8	8	9	8	9	9
Connecticut	51	51	54	53	52	53	51
New York	566	600	635	630	705	738	648
New Jersey	179	188	182	187	185	198	200
Pennsylvania	1, 275	1, 301	1, 314	1, 367	1, 326	1, 392	1, 336
Ohio	3, 560	3, 738	3, 701	3, 705	3, 334	3, 675	3, 712
Indiana	4, 493	4, 779	4, 702	4, 429	4, 094	4, 287	4, 602
Illinois	9, 353	9, 886	9, 866	9, 108	8, 013	8, 311	9, 327
Michigan	1, 288	1, 520	1, 550	1, 519	1, 595	1, 682	1, 508
Wisconsin	2, 000	2, 147	2, 268	2, 336	2, 672	2, 420	2, 272
Minnesota	4, 533	4, 896	4, 945	4, 846	4, 816	4, 507	4, 642
Iowa	11, 449	11, 791	11, 849	11, 493	9, 501	9, 925	10, 979
Missouri	6, 572	6, 638	6, 638	6, 289	5, 370	4, 226	5, 451
North Dakota	1, 084	1, 225	1, 433	1, 562	1, 671	1, 404	1, 179
South Dakota	5, 146	5, 500	5, 280	4, 860	3, 790	3, 919	4, 140
Nebraska	9, 564	10, 138	10, 746	10, 477	8, 559	8, 645	9, 336
Kansas	7, 150	6, 863	7, 687	7, 764	5, 174	5, 600	5, 109
Delaware	141	148	149	149	141	144	144
Maryland	524	524	524	535	496	521	511
Virginia	1, 558	1, 535	1, 504	1, 567	1, 433	1, 519	1, 392
West Virginia	431	499	502	556	535	556	471
North Carolina	2, 256	2, 357	2, 353	2, 423	2, 454	2, 494	2, 376
South Carolina	1, 540	1, 664	1, 669	1, 644	1, 796	1, 867	1, 648
Georgia	3, 620	3, 980	4, 190	4, 120	4, 490	4, 710	4, 340
Florida	664	750	758	788	728	809	743
Kentucky	2, 970	3, 000	2, 900	2, 900	2, 900	2, 813	2, 897
Tennessee	2, 975	3, 035	3, 095	3, 018	2, 888	2, 855	2, 884
Alabama	2, 953	3, 100	3, 232	3, 200	3, 680	3, 760	3, 497
Mississippi	2, 077	2, 406	2, 623	2, 571	3, 085	2, 992	2, 872
Arkansas	2, 030	2, 067	2, 195	2, 250	2, 608	2, 435	2, 375
Louisiana	1, 261	1, 400	1, 540	1, 478	1, 655	1, 688	1, 620
Oklahoma	3, 490	3, 455	3, 420	3, 280	2, 362	2, 102	2, 131
Texas	4, 685	5, 240	5, 710	5, 540	5, 792	5, 097	4, 893
Montana	139	122	198	220	177	236	191
Idaho	36	43	51	42	28	32	44
Wyoming	198	202	268	257	247	247	226
Colorado	1, 501	1, 935	2, 580	2, 028	1, 625	1, 508	1, 568
New Mexico	247	265	310	242	190	220	250
Arizona	27	30	35	35	33	35	36
Utah	17	20	23	20	21	28	27
Nevada	2	2	2	2	1	2	2
Washington	34	37	39	40	32	31	35
Oregon	61	63	66	72	56	62	69
California	82	86	93	78	70	74	74
United States	103, 915	109, 364	113, 024	109, 830	100, 563	99, 974	101, 959

State	1937	1938	1939	1940	1941	1942
Maine	11	13	18	16	15	14
New Hampshire	15	16	15	13	13	13
Vermont	71	74	71	65	67	68
Massachusetts	42	42	41	40	41	42
Rhode Island	10	11	9	8	8	8
Connecticut	51	49	48	47	47	49
New York	680	690	694	690	680	696
New Jersey	206	192	185	185	185	192
Pennsylvania	1, 363	1, 349	1, 337	1, 337	1, 295	1, 282
Ohio	3, 854	3, 586	3, 453	3, 220	3, 227	3, 259
Indiana	4, 770	4, 280	4, 098	3, 934	3, 934	4, 017
Illinois	9, 326	8, 513	7, 869	7, 645	7, 721	7, 837
Michigan	1, 614	1, 598	1, 606	1, 574	1, 509	1, 645
Wisconsin	2, 424	2, 351	2, 250	2, 295	2, 250	2, 430
Minnesota	4, 828	4, 538	4, 493	4, 380	4, 468	4, 825
Iowa	11, 138	10, 448	9, 400	9, 051	9, 096	9, 626
Missouri	4, 449	4, 435	4, 364	4, 090	3, 967	4, 403
North Dakota	1, 097	1, 130	1, 107	1, 059	1, 154	1, 154
South Dakota	3, 685	3, 427	3, 050	3, 111	3, 018	3, 169
Nebraska	8, 782	7, 816	7, 109	6, 754	6, 822	7, 318
Kansas	2, 995	2, 456	3, 316	3, 051	2, 624	3, 201
Delaware	145	145	146	143	138	137
Maryland	516	500	500	500	455	457
Virginia	1, 476	1, 387	1, 384	1, 366	1, 293	1, 320
West Virginia	486	431	440	418	376	368
North Carolina	2, 333	2, 477	2, 500	2, 468	2, 418	2, 309

Corn: Planted acreage—Continued

[In thousands of acres]

State	1937	1938	1939	1940	1941	1942
South Carolina	1, 675	1, 861	1, 794	1, 772	1, 670	1, 478
Georgia	4, 240	4, 687	4, 480	4, 246	4, 003	3, 515
Florida	758	743	747	737	725	711
Kentucky	2, 723	2, 641	2, 641	2, 623	2, 505	2, 584
Tennessee	2, 783	2, 738	2, 714	2, 715	2, 641	2, 636
Alabama	3, 370	3, 673	3, 673	3, 565	3, 289	3, 140
Mississippi	2, 700	3, 254	3, 254	3, 221	3, 060	2, 846
Arkansas	2, 190	2, 340	2, 350	2, 174	2, 044	1, 921
Louisiana	1, 507	1, 733	1, 733	1, 594	1, 482	1, 334
Oklahoma	1, 712	1, 779	1, 888	1, 869	1, 850	1, 906
Texas	4, 795	4, 987	4, 987	4, 866	4, 760	5, 046
Montana	201	189	157	195	205	217
Idaho	48	43	47	47	56	53
Wyoming	249	192	161	154	160	130
Colorado	1, 365	1, 194	1, 039	1, 018	1, 008	1, 028
New Mexico	237	224	217	199	215	219
Arizona	38	39	39	36	38	34
Utah	27	26	26	29	29	23
Nevada	2	2	4	4	4	3
Washington	36	33	39	32	28	25
Oregon	73	63	69	61	62	52
California	78	78	77	75	82	78
United States	97, 174	94, 473	91, 639	88, 692	86, 837	88, 818

State	1943	1944	1945	1946	1947	1948
Maine	13	12	11	11	10	10
New Hampshire	13	14	12	13	12	11
Vermont	63	66	63	58	48	52
Massachusetts	42	45	39	38	37	35
Rhode Island	8	9	8	8	8	7
Connecticut	48	52	50	50	48	45
New York	640	698	677	689	634	685
New Jersey	189	208	188	190	181	194
Pennsylvania	1, 298	1, 441	1, 377	1, 397	1, 369	1, 416
Ohio	3, 472	3, 666	3, 483	3, 671	3, 414	3, 701
Indiana	4, 297	4, 622	4, 417	4, 600	4, 421	4, 668
Illinois	8, 464	9, 226	8, 245	8, 945	8, 677	9, 058
Michigan	1, 562	1, 812	1, 794	1, 830	1, 647	1, 729
Wisconsin	2, 529	2, 706	2, 706	2, 571	2, 545	2, 570
Minnesota	5, 356	5, 969	6, 059	5, 514	5, 349	5, 198
Iowa	10, 792	11, 224	10, 847	11, 172	10, 935	10, 952
Missouri	4, 931	4, 832	4, 060	4, 466	4, 377	4, 486
North Dakota	1, 166	1, 283	1, 283	1, 245	1, 220	1, 147
South Dakota	3, 834	4, 026	4, 268	4, 097	4, 097	3, 728
Nebraska	8, 502	8, 842	8, 577	8, 062	7, 578	7, 048
Kansas	3, 713	3, 602	3, 062	3, 154	2, 523	2, 498
Delaware	135	143	141	145	141	142
Maryland	457	505	466	458	458	490
Virginia	1, 332	1, 306	1, 202	1, 125	1, 136	1, 185
West Virginia	364	350	306	306	306	297
North Carolina	2, 335	2, 319	2, 229	2, 193	2, 204	2, 248
South Carolina	1, 604	1, 524	1, 426	1, 452	1, 408	1, 422
Georgia	3, 698	3, 443	3, 378	3, 313	3, 237	3, 205
Florida	747	732	717	703	698	712
Kentucky	2, 520	2, 520	2, 192	2, 253	2, 185	2, 445
Tennessee	2, 610	2, 427	2, 136	2, 207	2, 200	2, 266
Alabama	3, 225	2, 929	2, 932	2, 743	2, 789	2, 747
Mississippi	2, 761	2, 623	2, 466	2, 417	2, 320	2, 250
Arkansas	1, 863	1, 695	1, 424	1, 509	1, 388	1, 263
Louisiana	1, 307	1, 229	1, 106	1, 040	990	955
Oklahoma	1, 925	1, 675	1, 407	1, 534	1, 319	1, 332
Texas	4, 776	4, 057	3, 476	3, 267	2, 973	2, 765
Montana	221	190	188	190	177	205
Idaho	36	31	30	27	26	28
Wyoming	120	86	82	73	64	58
Colorado	956	937	843	717	638	619
New Mexico	210	210	178	160	155	150
Arizona	33	34	34	34	34	36
Utah	27	24	23	22	25	24
Nevada	3	2	2	2	2	2
Washington	23	21	20	17	15	16
Oregon	47	37	33	33	28	31
California	74	71	64	67	62	65
United States	94, 341	95, 475	89, 727	89, 788	86, 108	86, 196

Corn production—all purposes, 1930–48

[In thousands of bushels]

State	1930	1931	1932	1933	1934	1935	1936
Maine	468	456	574	600	455	494	468
New Hampshire	559	559	585	656	640	697	615
Vermont	2, 520	2, 856	2, 870	2, 808	3, 002	3, 071	2, 738
Massachusetts	1, 755	1, 591	1, 520	1, 520	1, 517	1, 722	1, 722
Rhode Island	369	344	304	369	272	342	333
Connecticut	2, 040	2, 040	2, 106	1, 961	1, 976	2, 067	1, 900
New York	16, 800	23, 361	22, 015	19, 313	24, 081	24, 956	19, 840
New Jersey	6, 265	7, 332	7, 280	6, 732	6, 752	8, 316	7, 000
Pennsylvania	27, 082	60, 124	48, 322	53, 641	51, 402	59, 512	54, 489
Ohio	92, 962	167, 310	134, 356	125, 154	106, 144	160, 556	121, 605
Indiana	122, 815	186, 381	175, 612	129, 859	109, 647	162, 260	116, 510
Illinois	243, 138	363, 229	422, 131	238, 545	167, 808	315, 508	215, 683
Michigan	28, 182	43, 848	53, 970	46, 841	36, 524	61, 679	38, 250
Wisconsin	68, 000	57, 240	83, 916	81, 760	78, 500	81, 430	44, 080
Minnesota	138, 256	106, 700	178, 020	141, 512	80, 886	147, 609	82, 530
Iowa	385, 390	385, 983	509, 507	459, 720	215, 234	373, 388	190, 434
Missouri	95, 175	165, 036	177, 980	141, 446	32, 012	72, 890	40, 032
North Dakota	16, 560	19, 635	23, 868	20, 655	6, 390	24, 098	3, 470
South Dakota	77, 190	30, 440	70, 420	41, 054	13, 730	50, 044	8, 446
Nebraska	239, 100	170, 714	266, 100	234, 698	21, 363	106, 630	26, 859
Kansas	81, 312	118, 314	139, 878	80, 431	13, 220	39, 420	11, 036
Delaware	2, 760	4, 234	4, 116	3, 796	4, 031	4, 118	4, 118
Maryland	7, 236	18, 424	15, 310	15, 515	13, 978	17, 544	18, 216
Virginia	16, 478	39, 702	26, 388	34, 628	31, 152	36, 774	29, 692
West Virginia	5, 052	13, 916	11, 928	14, 904	12, 985	14, 456	10, 741
North Carolina	40, 194	44, 555	34, 830	43, 056	42, 508	47, 082	43, 475
South Carolina	22, 200	23, 534	18, 216	23, 534	18, 522	23, 150	22, 005
Georgia	37, 474	34, 695	39, 188	38, 408	38, 711	48, 500	33, 624
Florida	5, 886	6, 222	6, 350	6, 152	6, 238	7, 890	6, 888
Kentucky	28, 710	80, 622	65, 918	70, 217	62, 876	57, 770	48, 875
Tennessee	40, 208	72, 384	61, 834	70, 148	60, 611	56, 040	60, 018
Alabama	29, 589	43, 008	36, 754	38, 589	44, 518	48, 386	42, 800
Mississippi	21, 989	42, 462	34, 398	37, 845	41, 126	38, 129	42, 240
Arkansas	10, 060	46, 508	38, 700	29, 308	18, 984	27, 036	27, 875
Louisiana	13, 090	21, 888	21, 371	18, 577	15, 322	26, 048	20, 884
Oklahoma	33, 526	49, 815	65, 760	20, 027	11, 281	25, 872	11, 772
Texas	73, 456	88, 196	98, 962	69, 836	41, 795	97, 402	70, 425
Montana	1, 220	1, 009	2, 038	1, 288	562	2, 014	684
Idaho	1, 260	1, 491	1, 675	1, 394	945	1, 364	1, 656
Wyoming	3, 168	1, 805	2, 052	2, 486	715	2, 260	1, 230
Colorado	31, 013	17, 098	13, 013	18, 921	3, 882	11, 900	11, 541
New Mexico	2, 902	3, 984	3, 084	2, 781	1, 235	2, 700	2, 185
Arizona	459	450	525	630	403	385	490
Utah	496	378	594	418	256	533	625
Nevada	50	48	48	44	31	60	60
Washington	1, 292	1, 332	1, 216	1, 346	822	1, 070	1, 054
Oregon	1, 800	1, 922	1, 820	2, 130	1, 566	1, 860	2, 108
California	2, 624	2, 752	2, 930	2, 340	2, 310	2, 331	2, 368
United States	2, 080, 130	2, 575, 927	2, 930, 352	2, 397, 593	1, 448, 920	2, 299, 363	1, 505, 689

State	1937	1938	1939	1940	1941	1942
Maine	418	546	738	624	600	574
New Hampshire	600	656	630	520	559	559
Vermont	2, 698	2, 812	2, 698	2, 275	2, 613	2, 788
Massachusetts	1, 722	1, 558	1, 681	1, 640	1, 681	1, 848
Rhode Island	380	360	324	304	312	328
Connecticut	1, 950	1, 728	1, 968	1, 880	1, 974	2, 058
New York	23, 856	25, 345	24, 150	21, 173	27, 040	27, 600
New Jersey	8, 034	7, 008	6, 752	7, 030	7, 215	8, 308
Pennsylvania	59, 664	55, 022	54, 068	51, 558	53, 203	54, 567
Ohio	163, 228	156, 992	169, 538	121, 030	159, 242	181, 944
Indiana	213, 840	171, 462	204, 900	145, 558	177, 030	216, 702
Illinois	444, 960	371, 184	401, 319	328, 735	409, 213	416, 934
Michigan	55, 650	58, 830	59, 850	51, 612	48, 782	69, 703
Wisconsin	76, 356	88, 426	86, 625	93, 152	88, 875	103, 544
Minnesota	172, 476	159, 040	201, 600	172, 457	189, 630	207, 190
Iowa	498, 690	479, 182	490, 680	473, 760	462, 519	574, 080
Missouri	117, 720	111, 180	126, 290	124, 044	113, 216	146, 899
North Dakota	18, 012	17, 920	18, 258	23, 670	23, 972	25, 380
South Dakota	42, 255	35, 688	47, 355	48, 772	48, 654	97, 052
Nebraska	82, 992	111, 450	78, 456	105, 587	157, 638	228, 218
Kansas	29, 472	45, 230	38, 598	42, 352	55, 980	82, 415
Delaware	4, 147	4, 147	3, 888	3, 666	3, 836	3, 944
Maryland	18, 396	17, 640	16, 830	16, 830	15, 750	16, 344
Virginia	37, 332	35, 412	36, 464	36, 396	32, 942	35, 235
West Virginia	13, 228	11, 342	13, 156	11, 799	11, 936	12, 810
North Carolina	45, 357	46, 398	52, 033	47, 600	52, 624	47, 068

Corn production—all purposes, 1930–48—Continued

[In thousands of bushels]

State	1937	1938	1939	1940	1941	1942
South Carolina	24, 114	26, 767	24, 864	25, 491	22, 316	21, 330
Georgia	48, 334	53, 164	39, 983	48, 484	43, 593	40, 100
Florida	7, 320	7, 760	5, 945	8, 418	7, 200	7, 766
Kentucky	68, 901	67, 310	64, 206	63, 945	73, 644	79, 298
Tennessee	66, 528	68, 570	56, 680	68, 952	68, 198	70, 821
Alabama	48, 633	50, 708	31, 704	40, 468	47, 458	41, 972
Mississippi	46, 812	51, 360	37, 411	42, 658	50, 762	48, 178
Arkansas	43, 000	37, 868	34, 450	45, 108	38, 361	32, 865
Louisiana	25, 988	27, 934	23, 058	23, 220	20, 160	22. 032
Oklahoma	29, 628	34, 240	26, 489	38, 743	31, 202	32, 742
Texas	75, 872	78, 912	75, 760	92, 332	68, 190	71, 195
Montana	1, 341	2, 505	2, 175	3, 179	3, 900	3, 952
Idaho	1, 950	1, 806	1, 840	2, 070	2, 475	2, 444
Wyoming	2, 280	2, 200	1, 375	1, 310	2, 432	2, 013
Colorado	8, 749	12, 099	7, 087	9, 774	15, 026	18, 228
New Mexico	2, 740	2, 606	2, 405	2, 288	2, 828	3, 075
Arizona	426	429	350	350	399	336
Utah	676	625	588	756	812	726
Nevada	64	64	127	124	112	90
Washington	1, 278	1, 122	1, 178	1, 184	1, 148	1, 025
Oregon	2, 376	1, 680	2, 074	1, 830	2, 013	1, 708
California	2, 535	2, 496	2, 387	2, 438	2, 624	2, 574
United States	2, 642, 978	2, 548, 753	2, 580, 985	2, 457, 146	2, 651, 889	3, 068, 562

State	1943	1944	1945	1946	1947	1948
Maine	507	468	429	407	400	340
New Hampshire	546	602	492	533	528	407
Vermont	2, 520	2, 607	2, 331	2, 320	1, 920	2, 288
Massachusetts	1, 764	1, 755	1, 677	1, 748	1, 702	1, 435
Rhode Island	304	333	320	312	352	259
Connecticut	1, 920	2, 132	2, 150	2, 200	2, 304	1, 800
New York	22, 225	24, 566	21, 681	26, 637	20, 215	27, 120
New Jersey	6, 545	6, 695	8, 322	8, 505	7, 740	9, 650
Pennsylvania	47, 231	50, 516	59, 421	59, 340	57, 460	65, 379
Ohio	175, 644	147, 135	175, 134	178, 409	138, 826	215, 924
Indiana	208, 446	184, 219	231, 292	233, 682	189, 157	279, 780
Illinois	419, 200	414, 956	378, 045	505, 761	339, 068	549, 793
Michigan	52, 904	57, 760	61, 915	50, 512	44, 660	67, 119
Wisconsin	108, 924	116, 536	107, 160	111, 980	105, 840	113, 252
Minnesota	210, 276	243, 480	216, 299	239, 888	191, 041	272, 055
Iowa	589, 380	579, 442	476, 417	634, 638	317, 505	666, 730
Missouri	139, 810	157, 773	104, 571	163, 355	98, 441	201, 110
North Dakota	23, 693	32, 500	25, 725	26, 080	24, 374	29, 380
South Dakota	77, 946	128, 601	110, 484	120, 300	75, 430	131, 472
Nebraska	216, 632	288, 717	241, 880	231, 362	143, 130	252, 468
Kansas	77, 308	97, 598	68, 563	63, 231	40, 443	81, 304
Delaware	3, 350	3, 646	4, 200	4, 536	4, 550	4, 309
Maryland	11, 804	17, 826	17, 057	17, 328	16, 416	19, 032
Virginia	32, 975	33, 280	39, 270	40, 284	42, 940	50, 525
West Virginia	13, 032	9, 709	11, 211	10, 302	12, 423	13, 068
North Carolina	51, 018	52, 349	55, 100	58, 320	68, 733	69, 006
South Carolina	26, 218	25, 670	24, 123	27, 493	28, 080	28, 360
Georgia	45, 762	40, 860	48, 386	44, 145	48, 075	49, 182
Florida	8, 522	7, 550	7, 755	6, 910	8, 292	6, 910
Kentucky	70, 196	61, 923	69, 792	81, 979	76, 265	100, 040
Tennessee	61, 030	54, 096	57, 375	65, 670	63, 481	74, 415
Alabama	46, 429	44, 293	48, 081	42, 005	42, 842	58, 824
Mississippi	41, 726	40, 733	48, 580	36, 465	37, 191	53, 544
Arkansas	22, 300	26, 780	28, 628	30, 912	22, 525	33, 019
Louisiana	20, 320	16, 352	20, 962	15, 000	13, 920	17, 057
Oklahoma	21, 375	27, 608	22, 644	25, 882	22, 896	32, 125
Texas	75, 424	57, 024	54, 496	55, 012	48, 592	44, 698
Montana	3, 424	2, 975	2, 295	2, 520	2, 988	3, 781
Idaho	1, 683	1, 230	1, 218	1, 092	1, 125	1, 260
Wyoming	1, 526	1, 120	1, 155	1, 122	960	1, 008
Colorado	15, 063	16, 531	16, 884	14, 343	13, 984	14, 304
New Mexico	2, 552	2, 730	2, 100	2, 256	1, 904	1, 890
Arizona	341	278	352	352	352	408
Utah	819	667	726	588	950	621
Nevada	90	64	64	70	64	54
Washington	1, 081	882	1, 040	884	795	848
Oregon	1, 679	1, 271	1, 152	1, 136	1, 107	1, 050
California	2, 516	2, 272	1, 984	2, 144	1, 984	2, 145
United States	2, 965, 980	3, 088, 110	2, 880, 933	3, 249, 950	2, 383, 970	3, 650, 548

Corn yields—harvested basis

State and division	1930	1931	1932	1933	1934	1935
	Bushels	*Bushels*	*Bushels*	*Bushels*	*Bushels*	*Bushels*
Maine	39.0	38.0	41.0	40.0	35.0	38.0
New Hampshire	43.0	43.0	39.0	41.0	40.0	41.0
Vermont	42.0	42.0	41.0	39.0	38.0	37.0
Massachusetts	45.0	43.0	40.0	40.0	41.0	41.0
Rhode Island	41.0	43.0	38.0	41.0	31.0	38.0
Connecticut	40.0	40.0	39.0	37.0	38.0	39.0
New York	30.0	39.0	35.0	31.9	34.5	34.0
New Jersey	35.0	39.0	40.0	36.0	36.5	42.0
Pennsylvania	22.0	46.5	37.0	39.5	39.0	43.0
Ohio	26.5	45.0	36.5	34.0	32.0	41.0
Indiana	27.5	39.0	37.5	29.5	27.0	38.0
Illinois	26.5	37.0	43.0	27.0	21.5	38.5
Michigan	22.0	29.0	35.0	31.0	23.0	37.0
Wisconsin	34.0	27.0	37.0	35.0	29.5	34.0
Minnesota	30.5	22.0	36.0	29.5	17.0	33.0
Iowa	34.0	32.9	43.0	40.0	22.0	38.0
Missouri	15.0	25.5	27.5	23.5	6.5	18.5
North Dakota	16.0	16.5	17.0	13.5	4.5	17.5
South Dakota	15.0	6.5	14.0	10.6	5.0	13.5
Nebraska	25.0	17.0	25.0	22.5	3.2	13.2
Kansas	12.0	18.0	19.0	11.5	3.5	9.0
Delaware	20.0	29.0	28.0	26.0	29.0	29.0
Maryland	14.5	35.5	29.5	29.0	29.0	31.0
Virginia	11.0	26.0	13.0	22.5	22.0	24.5
West Virginia	12.0	28.0	24.0	27.0	24.5	26.0
North Carolina	18.0	19.0	15.0	18.0	17.5	19.0
South Carolina	14.5	14.5	11.0	14.5	10.5	12.5
Georgia	10.5	9.0	9.5	9.5	8.8	10.5
Florida	9.0	8.5	8.5	8.0	8.7	10.0
Kentucky	10.0	27.0	23.0	24.5	22.0	21.5
Tennessee	14.0	21.0	20.3	23.5	21.2	20.0
Alabama	10.5	11.0	11.5	12.2	12.2	13.0
Mississippi	11.0	18.0	13.5	15.0	13.6	13.0
Arkansas	5.5	22.5	18.0	12.5	8.0	12.0
Louisiana	11.0	16.0	14.2	13.0	9.6	16.0
Oklahoma	10.5	15.0	20.0	7.0	5.8	14.0
Texas	16.0	17.0	17.5	13.0	8.2	19.5
Montana	10.0	9.7	11.2	7.4	5.3	9.5
Idaho	36.0	35.5	33.5	34.0	35.0	44.0
Wyoming	16.5	9.5	9.0	11.0	5.0	10.0
Colorado	21.3	10.3	7.0	10.6	4.6	9.4
New Mexico	13.5	15.5	12.0	13.5	13.0	13.5
Arizona	17.0	15.0	15.0	18.0	13.0	11.0
Utah	31.0	21.0	27.0	22.0	16.0	20.5
Nevada	25.0	24.0	24.0	22.0	30.8	30.0
Washington	38.0	36.0	32.0	31.5	26.5	24.5
Oregon	30.0	31.0	28.0	30.0	29.0	31.0
California	32.0	32.0	31.5	30.0	33.0	31.5
United States	20.5	21.1	26.5	22.6	15.7	24.0

State and division	1936	1937	1938	1939	1940	1941
	Bushels	*Bushels*	*Bushels*	*Bushels*	*Bushels*	*Bushels*
Maine	39.0	38.0	42.0	41.0	39.0	40.0
New Hampshire	41.0	40.0	41.0	42.0	40.0	43.0
Vermont	37.0	38.0	38.0	38.0	35.0	39.0
Massachusetts	42.0	41.0	38.0	41.0	41.0	41.0
Rhode Island	37.0	38.0	36.0	36.0	38.0	39.0
Connecticut	38.0	39.0	36.0	41.0	40.0	42.0
New York	31.0	35.5	37.0	35.0	31.0	40.0
New Jersey	35.0	39.0	36.5	36.5	38.0	39.0
Pennsylvania	41.0	44.0	41.0	40.5	39.0	41.5
Ohio	33.0	43.0	44.0	49.5	38.0	49.5
Indiana	25.5	45.0	41.0	50.0	37.0	45.0
Illinois	23.5	48.0	44.0	51.0	43.0	53.0
Michigan	25.5	35.0	37.0	37.5	33.0	32.5
Wisconsin	20.0	31.5	38.0	38.5	41.0	39.5
Minnesota	18.0	36.0	35.5	45.0	39.5	43.0
Iowa	17.7	45.0	46.0	52.2	52.5	51.0
Missouri	8.0	27.0	25.5	29.5	30.5	29.0
North Dakota	4.5	19.0	17.5	17.0	22.5	21.5
South Dakota	3.4	13.5	12.0	17.5	17.5	18.0
Nebraska	3.5	10.5	15.0	12.0	17.0	23.5
Kansas	4.0	12.0	20.0	14.0	16.0	22.5
Delaware	29.0	29.0	29.0	27.0	26.0	28.0
Maryland	36.0	36.0	36.0	34.0	34.0	35.0
Virginia	21.5	25.5	26.0	26.5	27.0	26.0
West Virginia	23.0	27.5	26.5	29.9	28.5	32.0
North Carolina	18.5	19.5	19.0	21.1	19.5	22.0
South Carolina	13.5	14.5	14.5	14.0	14.5	13.5

Corn yields—harvested basis—Continued

State and division	1936	1937	1938	1939	1940	1941
	Bushels	*Bushels*	*Bushels*	*Bushels*	*Bushels*	*Bushels*
Georgia	8.0	11.5	11.5	9.2	11.5	11.0
Florida	9.5	10.0	10.5	8.2	11.5	10.0
Kentucky	17.0	25.5	26.5	24.6	24.5	28.5
Tennessee	21.0	24.0	25.5	21.8	25.5	26.0
Alabama	12.5	14.5	14.0	9.1	11.5	14.5
Mississippi	15.0	17.5	16.0	12.4	14.0	17.0
Arkansas	12.5	20.0	16.5	15.4	21.0	19.0
Louisiana	13.5	17.5	16.5	14.0	15.0	14.0
Oklahoma	6.5	18.0	20.0	14.7	21.5	17.5
Texas	15.0	16.0	16.0	16.0	19.5	15.0
Montana	9.0	9.0	15.0	15.0	17.0	19.5
Idaho	38.5	41.5	43.0	40.0	45.0	45.0
Wyoming	7.5	10.0	12.5	11.0	10.0	16.0
Colorado	9.3	8.2	10.9	9.5	11.3	15.8
New Mexico	11.5	13.5	13.5	13.0	13.0	14.5
Arizona	14.0	11.5	11.0	10.0	10.0	10.5
Utah	25.0	26.0	25.0	24.5	28.0	29.0
Nevada	30.0	32.0	32.0	31.7	31.0	28.0
Washington	31.0	35.5	34.0	31.0	37.0	41.0
Oregon	31.0	33.0	28.0	30.5	30.5	33.0
California	32.0	32.5	32.0	31.0	32.5	32.0
United States	16.2	28.1	27.7	29.2	28.4	31.1

State and division	1942	1943	1944	1945	1946	1947	1948
	Bushels	*Bushels*	*Bushels*	*Bushels*	*Bushels*	*Bushels*	*Bushels*
Maine	41.0	39.0	39.0	39.0	37.0	40.0	34.0
New Hampshire	43.0	42.0	43.0	41.0	41.0	44.0	37.0
Vermont	41.0	40.0	39.5	37.0	40.0	40.0	44.0
Massachusetts	44.0	42.0	39.0	43.0	46.0	46.0	41.0
Rhode Island	41.0	38.0	37.0	40.0	39.0	44.0	37.0
Connecticut	42.0	40.0	41.0	43.0	44.0	48.0	40.0
New York	40.0	35.0	35.5	33.0	39.0	32.5	40.0
New Jersey	43.5	35.0	32.5	44.5	45.0	43.0	50.0
Pennsylvania	43.0	36.5	35.5	43.5	43.0	42.5	46.5
Ohio	56.0	51.0	40.3	50.5	49.0	41.0	58.5
Indiana	54.0	49.0	40.1	53.0	51.0	43.0	60.0
Illinois	54.0	50.0	45.4	46.5	57.0	39.5	61.0
Michigan	43.0	34.0	32.0	35.0	28.0	27.5	39.0
Wisconsin	43.0	43.5	43.5	40.0	44.0	42.0	44.5
Minnesota	43.5	40.5	41.5	36.5	44.0	36.5	52.5
Iowa	60.0	55.0	52.5	44.5	57.0	30.5	61.0
Missouri	35.5	31.0	33.0	27.0	37.0	24.5	45.5
North Dakota	23.5	21.5	26.0	21.0	21.5	20.5	26.0
South Dakota	31.5	22.0	33.0	27.0	30.0	19.0	36.0
Nebraska	31.5	26.0	33.0	28.5	29.0	19.5	36.0
Kansas	26.5	22.0	27.5	23.0	21.0	17.0	33.5
Delaware	29.0	25.0	25.5	30.0	31.5	32.5	31.0
Maryland	36.0	26.0	35.3	37.0	38.0	36.0	39.0
Virginia	27.0	25.0	26.0	33.0	36.0	38.0	43.0
West Virginia	35.0	36.0	27.9	37.0	34.0	41.0	44.0
North Carolina	20.5	22.0	22.8	25.0	27.0	31.5	31.0
South Carolina	14.5	16.5	17.0	17.0	19.0	20.0	20.0
Georgia	11.5	12.5	12.0	14.5	13.5	15.0	15.5
Florida	11.0	11.5	10.5	11.0	10.0	12.0	10.0
Kentucky	31.0	28.0	24.7	32.0	36.5	35.0	41.0
Tennessee	27.0	23.5	22.4	27.0	30.0	29.0	33.0
Alabama	13.5	14.5	15.2	16.5	15.5	15.5	21.5
Mississippi	17.0	15.5	16.1	20.0	16.5	16.5	24.0
Arkansas	17.5	12.5	16.5	21.0	21.0	17.0	26.5
Louisiana	17.0	16.0	14.0	19.5	15.0	14.5	18.5
Oklahoma	18.0	12.5	17.0	17.0	17.5	18.0	25.0
Texas	14.5	16.0	14.4	16.0	17.0	16.5	16.5
Montana	19.0	16.0	17.0	13.5	14.0	18.0	19.0
Idaho	47.0	49.5	41.0	42.0	42.0	45.0	45.0
Wyoming	16.5	14.0	14.0	15.0	16.5	16.0	18.0
Colorado	18.6	16.7	18.7	21.0	21.0	23.0	24.0
New Mexico	15.0	13.5	14.0	14.0	16.0	13.5	14.0
Arizona	10.5	11.0	8.7	11.0	11.0	11.0	12.0
Utah	33.0	31.5	29.0	33.0	28.0	38.0	27.0
Nevada	30.0	30.0	31.8	32.0	35.0	32.0	27.0
Washington	41.0	47.0	42.0	52.0	52.0	53.0	53.0
Oregon	33.5	36.5	35.3	36.0	35.5	41.0	35.0
California	33.0	34.0	32.0	31.0	32.0	32.0	33.0
United States	35.1	32.2	32.8	32.7	36.7	28.4	42.7

CORN

A. Proclamation of Marketing Quotas

1938 Act	*1948 Act*
When.—Total supply (October 1 carry-over plus production of current crop) exceeds by more than 10 percent the normal supply (yearly average of domestic consumption and exports during preceding 10 years plus 7 percent thereof as carry-over allowance).	*When.*—Total supply (October 1 carry-over plus current domestic crop plus estimated imports) exceeds by more than 20 percent the normal supply (estimated domestic consumption in marketing year ending in current calendar year and exports for marketing year beginning in current calendar year plus 7 percent of such amounts as carry-over allowance), or total supply for the marketing year ending in the current calendar year is not less than normal supply and the average farm price for corn for three successive months of such marketing year does not exceed 66 percent of the parity price.
Date.—After BAE August production estimate is available and prior to September 15.	*Date.*—Any time between January 1 and November 15 of the calendar year preceding the year in which the crop subject to quotas is produced.

B. Holding of Referendum and Proclamation of Results

When.—Within 20 days after the date of proclamation of marketing quotas. If quotas are opposed by more than one-third of the farmers voting, the result of the referendum is required to be proclaimed prior to October 10.	*When.*—Same, except that the Secretary is required, prior to the following March 10, to proclaim the results of the referendum if quotas are disapproved.

C. Proclamation of Supplies

Date.—Not later than September 1.	*Date.*—Same.
Findings required.—The total supply, the normal supply, and the reserve supply level (yearly average of domestic consumption and exports during preceding 10 years plus 10 percent thereof) for the marketing year beginning the following October 1.	*Findings required.*—Same, except that the proclamation serves no useful purpose in view of the 1948 act providing for quotas to become effective prior to planting of a crop rather than immediately before harvesting of the crop as under the 1938 act.

D. Proclamation of National Acreage Allotment

Date.—Not later than February 1 of the calendar year for which the national acreage allotment is proclaimed.	*Date.*—Same.
Amount.—Number acres in commercial corn-producing area which will produce an amount of corn which, when added to corn produced in United States outside commercial area, will make available a supply equal to the reserve supply level.	*Amount.*—Same, except that imports of corn are required to be taken into account, in determining the amount of the national allotment.

CORN—Continued

D. PROCLAMATION OF NATIONAL ACREAGE ALLOTMENT—Continued

MARKETING QUOTA CALCULATIONS FOR THE 1949 CROP OF CORN (1949–50 MARKETING YEAR) UNDER THE AGRICULTURAL ADJUSTMENT ACT OF 1938

Total supply

	Bushels
Estimated carry-over as of Oct. 1, 1949	700,000,000
Production from the 1949 crop (estimate)	3,000,000,000
Total supply for the marketing year beginning Oct. 1, 1949	3,700,000,000

Normal supply

Normal year's domestic consumption (based on the 10 marketing years 1938–39 to 1947–48)	[1] 3,030,000,000
Normal year's exports (based on the 10 marketing years 1938–39 to 1947–48)	[2] 150,000,000
	3,180,000,000
7 percent of such consumption and exports	223,000,000
Normal supply for the marketing year beginning Oct. 1, 1949	3,403,000,000

3,700,000,000÷3,403,000,000=108 percent.

Since the total supply does not exceed the normal supply by more than 10 percent, quotas are not required on the 1949 crop.

[1] Adjusted from 2,785,000,000.
[2] Adjusted from 30,000,000.

MARKETING QUOTA CALCULATIONS FOR THE 1949 CROP OF CORN (1949–50 MARKETING YEAR) UNDER THE AGRICULTURAL ACT OF 1948 [1]

Total supply

	Bushels
Carry-over as of Oct. 1, 1948	125,000,000
Production from the 1948 crop	3,651,000,000
Estimated imports for the marketing year beginning Oct. 1, 1948	(2)
Total supply for the marketing year beginning Oct. 1, 1948	3,776,000,000

Normal supply

Estimated domestic consumption during the 1947–48 marketing year [3]	3,000,000,000
Estimated exports during the marketing year beginning Oct. 1, 1948	125,000,000
	3,125,000,000
7 percent of such consumption and exports	219,000,000
Normal supply for the marketing year beginning Oct. 1, 1948	3,344,000,000

3,776,000,000÷3,344,000,000=112 percent.

Since the total supply does not exceed the normal supply by more than 20 percent, a proclamation of marketing quotas would not be required on the basis of the supply situation. Further, since the average price of corn in any three successive months of the 1947–48 marketing year was above 66 percent of the parity price, marketing quotas would not be proclaimed on the basis of the supply-price situation.

[1] Calculations hypothetical since act is not effective until Jan. 1, 1950.
[2] So small that no estimate has been made.
[3] The 1947 crop was unusually short and the domestic consumption of 2,530,000,000 during the 1947–48 marketing year has been adjusted upward.

Percentage of corn acreage allotments by respective size groups, by States in 1941

State and region	Size of allotment group in acres: 0.1 to 3	3.1 to 5	5.1 to 10	10.1 to 15	15.1 to 20	20.1 to 30	30.1 to 40	40.1 to 50	50.1 to 60	60.1 to 70	70.1 to 80	80.1 to 90	90.1 to 100	100.1 to 500	500.1 to 1,000	Above 1,000	Total
Pennsylvania	10.4	12.2	28.3	22.6	13.7	9.6	2.1	0.6	0.2	0.1	0.1	(1)	(1)	0.1			100
Northeast	10.4	12.2	28.3	22.6	13.7	9.6	2.1	.6	.2	.1	.1	(1)	(1)	.1			100
Illinois	6.1	6.2	14.7	12.9	10.1	17.4	10.1	8.0	5.7	3.0	2.0	1.2	.8	1.8			100
Indiana	9.9	8.6	21.4	18.3	13.8	12.8	6.3	3.3	1.8	.9	.6	.4	.3	.6			100
Iowa	2.2	2.2	6.1	7.7	8.9	20.6	15.7	14.8	8.6	4.6	3.1	1.8	1.4	2.3			100
Michigan	14.7	13.4	31.5	21.1	10.1	6.7	1.6	.5	.2	.1	.1						100
Minnesota	2.7	3.4	11.3	13.8	13.4	20.8	15.9	8.9	3.8	2.4	1.5	.9	.4	.8			100
Missouri	6.8	7.6	20.5	17.8	13.3	16.0	7.7	4.1	2.2	1.3	.8	.5	.3	1.1			100
Nebraska	1.0	1.2	3.4	5.3	6.7	16.8	16.8	15.0	12.1	6.9	4.1	2.8	2.0	5.9			100
Ohio	10.6	9.3	25.1	20.9	13.9	12.0	4.3	1.8	.9	.1	.2	.2	.1	.3			100
South Dakota	.7	1.3	5.3	7.8	8.3	19.9	19.4	15.8	7.6	4.3	3.5	2.2	1.4	2.5			100
Wisconsin	4.5	5.0	18.5	21.4	18.1	20.2	7.8	2.7	1.0	.4	.2	.1	.1				100
North Central	5.9	5.7	15.0	14.0	11.4	16.7	10.6	7.9	1.9	2.7	1.7	1.1	.7	1.7			100
Delaware	6.9	9.2	26.0	20.7	15.7	14.0	1.6	1.7	.5	.1	.3						100
Maryland	10.3	11.2	21.5	19.1	13.6	14.2	1.7	1.2	.5	.2	.1	(1)	(1)	.1			100
Kentucky	14.9	7.4	19.1	17.8	12.5	12.9	6.0	3.0	1.6	1.2	.9	.7	.1	1.6		(1)	100
East Central	12.1	9.3	22.1	18.8	13.3	13.6	5.3	2.1	1.0	.6	.5	.3	.2	.8		(1)	100
Kansas	1.0	1.9	7.5	10.5	10.6	18.8	14.9	10.4	6.7	4.9	3.4	2.5	1.7	5.2			100
Western	1.0	1.9	7.5	10.5	10.6	18.8	14.9	10.4	6.7	4.9	3.4	2.5	1.7	5.2			100
Total	5.9	5.8	15.2	14.1	11.1	16.6	10.5	7.7	1.8	2.7	1.7	1.1	.7	1.8		(1)	100

[1] Less than 0.1 percent.

Source: Agricultural Adjustment Agency.

Number of corn-acreage allotments by respective size groups, by States, in 1941

State and region	Size of allotment group in acres															Total
	0.1 to 3	3.1 to 5	5.1 to 10	10.1 to 15	15.1 to 20	20.1 to 30	30.1 to 40	40.1 to 50	50.1 to 60	60.1 to 70	70.1 to 80	80.1 to 90	90.1 to 100	100.1 to 500	500.1 to 1,000	Above 1,000	
Pennsylvania	2,277	2,669	6,190	4,950	3,002	2,106	450	121	47	24	8	6	4	13			21,870
Northeast	2,277	2,669	6,190	4,950	3,002	2,106	150	121	47	24	8	6	4	13			21,870
Illinois	14,817	15,059	35,706	31,333	21,532	42,264	21,532	19,432	13,815	7,287	4,858	2,915	1,943	4,372			242,895
Indiana	18,519	16,087	40,030	34,232	25,814	25,811	11,785	6,173	3,367	1,681	1,122	718	561	1,122			187,058
Iowa	4,975	4,975	13,795	17,114	20,128	46,588	35,506	33,471	19,449	10,403	7,011	1,071	3,166	5,201			226,153
Michigan	5,771	5,261	12,368	8,281	3,965	2,631	628	196	79	39	39						39,261
Minnesota	3,248	4,090	13,591	16,602	16,121	25,025	19,128	10,707	4,572	2,887	1,805	1,083	481	962			120,305
Missouri	9,884	11,017	29,797	25,872	19,332	23,256	11,192	5,959	3,198	1,890	1,163	727	436	1,598			145,351
Nebraska	1,316	1,580	4,476	6,977	8,820	22,115	22,115	19,746	15,928	9,083	5,397	3,686	2,633	7,766			131,638
Ohio	17,739	15,563	42,005	34,977	23,262	20,082	7,196	3,012	1,506	669	335	335	167	502			167,350
South Dakota	262	488	1,988	2,925	3,113	7,462	7,274	5,925	2,850	1,613	1,313	825	525	937			37,500
Wisconsin	1,724	1,916	7,089	8,200	6,935	7,740	2,989	1,035	383	153	77	38	38				38,317
North Central	78,255	76,066	200,848	186,816	152,022	222,977	142,315	105,656	65,177	35,708	23,120	14,428	9,950	22,460			1,335,828
Delaware	228	306	862	687	521	165	152	56	16	12	8						3,313
Maryland	1,716	1,873	4,081	3,227	2,261	2,365	787	200	85	41	15	6	4	12			16,673
Kentucky	2,552	1,271	3,264	3,050	2,144	2,208	1,028	520	265	195	151	110	75	276		3	17,112
East Central	4,496	3,450	8,207	6,964	4,926	5,038	1,967	776	366	248	174	116	79	288		3	37,098
Kansas	494	943	3,742	5,240	5,280	9,397	7,415	5,200	3,363	2,455	1,697	1,218	848	2,610			49,902
Western	494	943	3,742	5,240	5,280	9,397	7,415	5,200	3,363	2,455	1,697	1,218	848	2,610			49,902
Total	85,522	83,128	218,987	203,970	165,230	239,518	152,177	111,756	68,953	38,435	24,999	15,768	10,881	25,371		3	1,444,698

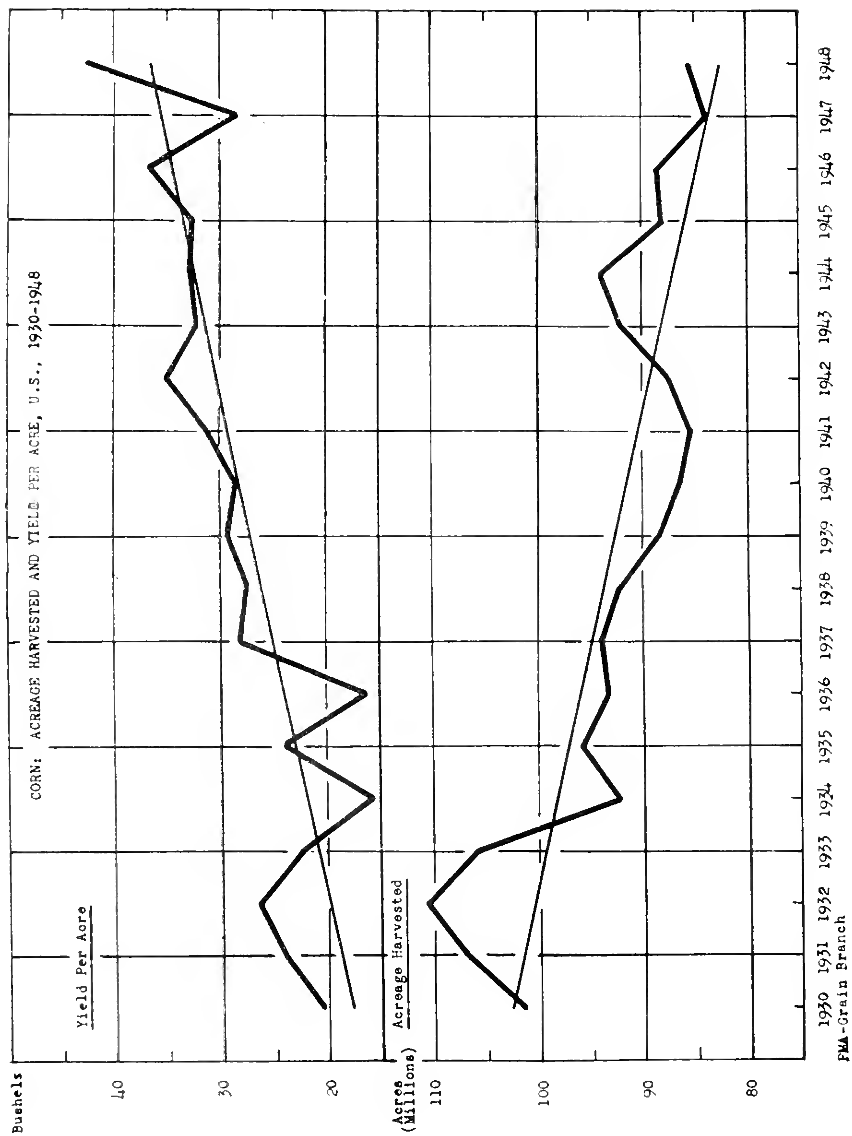
Source: Agricultural Adjustment Agency.

Corn allotments, planted acres and number of counties in commercial corn area

State	1938			1939			1940			1941			1942			1943		
	Number of counties	Allotment	Planted acres	Number of counties	Allotment	Planted acres	Number of counties	Allotment	Planted acres	Number of counties	Allotment	Planted acres	Number of counties	Allotment	Planted acres	Number of counties	Allotment	Planted acres
		1,000 acres	*1,000 acres*		*1,000 acres*	*1,000 acres*		*1,000 acres*	*1,000 acres*		*1,000 acres*	*1,000 acres*		*1,000 acres*	*1,000 acres*		*1,000 acres*	*1,000 acres*
Kansas	27	2,109	1,416	25	1,983	1,757	25	1,573	1,400	25	1,589	1,320	25	1,772	1,521	25	1,872	1,819
Kentucky	4	151	179	8	271	300	12	323	369	12	321	387	12	40[illegible]	402	12	373	408
Illinois	102	7,348	8,513	99	7,308	7,769	99	6,514	6,007	99	6,528	7,675	99	7,225	7,784	99	7,586	8,421
Indiana	77	3,456	4,004	82	3,583	3,988	83	3,225	3,805	83	3,209	3,806	83	3,550	3,880	83	3,726	4,158
Iowa	99	9,249	10,448	99	9,275	9,400	99	8,193	9,051	99	8,815	9,096	99	9,055	9,626	99	9,521	10,792
Michigan	5	224	511	11	411	519	12	392	500	12	392	486	12	433	517	12	454	530
Minnesota	45	3,320	3,689	45	3,316	3,550	49	3,178	3,578	49	3,154	3,655	49	3,487	3,908	49	3,646	4,487
Missouri	63	3,267	3,434	63	3,301	3,407	63	2,876	2,819	63	2,920	2,759	63	3,259	3,010	63	3,439	3,384
Nebraska	64	6,757	6,712	64	6,876	6,134	64	5,905	5,778	64	5,923	5,936	64	6,580	6,401	64	6,903	7,565
Ohio	57	2,522	2,975	61	2,647	3,004	63	2,396	2,867	63	2,386	2,879	63	2,639	2,907	63	2,770	3,112
South Dakota	17	1,636	1,655	17	1,526	1,447	18	1,394	1,410	18	1,393	1,431	18	1,547	1,527	18	1,624	1,869
Wisconsin	6	453	513	12	742	759	12	668	747	12	662	733	12	731	803	12	763	891
Pennsylvania										11	366	481	11	355	471	11	428	498
Delaware										2	47	59	2	52	58	2	54	59
Maryland										11	225	275	11	249	276	11	262	275
Total	560	40,492	44,049	586	41,239	42,034	599	36,637	39,924	623	37,930	40,978	623	41,339	43,091	623	43,421	48,268

Corn: Acreage and production, total United States, indicated 1949 commercial and noncommercial area, 1942–47

	1942	1943	1944	1945	1946	1947	Average 1942–47
	Planted acres (million acres)						
Commercial area	47.3	52.6	55.9	53.1	53.9	52.2	52.5
Noncommercial area	41.5	41.7	39.6	36.6	35.9	33.9	38.2
Total United States	88.8	94.3	95.5	89.7	89.8	86.1	90.7
Percent commercial area of United States	53	56	59	59	60	61	58
	Production (million bushels)						
Commercial area	2,205	2,182	2,286	2,089	2,454	1,653	2,145
Noncommercial area	863	784	802	792	796	748	797
Total United States	3,068	2,966	3,088	2,881	3,250	2,401	2,942
Percent commercial area of United States	72	74	74	73	76	69	73


CORN: ACREAGE HARVESTED AND YIELD PER ACRE, U.S., 1930-1948
Yield Per Acre
Acreage Harvested
Bushels
40
30
20
Acres (Millions)
110
100
90
80
1930 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940 1941 1942 1943 1944 1945 1946 1947 1948
FMA-Grain Branch

Corn yields, 1930–47 planted basis, 1941 area identity—Commercial area and noncommercial area

[Bushels per acre]

State	1930			1931		
	All	Commercial	Noncommercial	All	Commercial	Noncommercial
Illinois	26.5	26.8	9.0	37.0	37.1	30.3
Indiana	27.5	28.1	11.4	39.0	39.2	33.8
Iowa	34.0	34.0		32.9	32.9	
Michigan	22.0	20.7	22.8	29.0	29.6	28.6
Minnesota	30.5	31.5	23.0	22.0	22.2	20.8
Missouri	15.0	16.1	11.7	25.5	25.7	24.9
Nebraska	25.0	25.8	19.6	17.0	18.1	9.9
Ohio	26.5	27.0	22.2	45.0	45.3	42.2
South Dakota	15.0	18.2	13.0	5.5	8.4	3.8
Wisconsin	34.0	35.2	33.3	27.0	28.5	26.1
Delaware	20.0	23.1	17.2	29.0	32.5	25.9
Kansas	12.0	13.6	10.9	17.2	22.0	13.9
Kentucky	10.0	11.1	9.8	27.0	26.5	27.1
Maryland	14.5	14.1	15.2	35.5	39.9	28.9
Pennsylvania	21.7	21.1	22.1	46.6	49.2	44.9
Total, 15 States	23.8	26.4	15.3	27.1	29.7	19.0
All other States	13.5		13.5	17.1		17.1
Total, United States	20.4	26.4	14.1	23.7	29.7	17.7

State	1932			1933		
	All	Commercial	Noncommercial	All	Commercial	Noncommercial
Illinois	43.0	43.2	31.1	27.0	27.1	22.4
Indiana	37.5	37.7	31.6	29.5	29.6	27.5
Iowa	43.0	43.0		40.0	40.0	
Michigan	35.0	34.5	35.3	31.0	32.2	30.4
Minnesota	36.0	38.2	22.0	29.5	30.6	23.2
Missouri	27.5	28.9	23.1	23.5	24.4	20.8
Nebraska	25.0	27.1	12.7	22.5	23.9	14.2
Ohio	36.5	36.5	36.3	34.0	34.1	33.1
South Dakota	13.3	17.9	10.4	8.4	15.6	3.6
Wisconsin	37.0	40.1	35.2	35.0	35.7	34.6
Delaware	28.0	31.5	24.9	26.0	28.4	23.9
Kansas	18.2	24.0	14.7	10.4	15.0	7.7
Kentucky	23.0	25.6	22.6	24.5	26.4	24.2
Maryland	29.7	32.4	25.5	29.0	32.5	23.7
Pennsylvania	37.0	38.8	35.8	39.6	42.5	37.7
Total, 15 States	31.8	35.7	20.3	26.2	29.3	17.4
All other States	15.3		15.3	14.3		14.3
Total, United States	26.2	35.7	16.9	22.1	29.3	15.3

Corn yields, 1930–47 planted basis, 1941 area identity—Commercial area and noncommercial area—Continued

[Bushels per acre]

State	1934 All	1934 Commercial	1934 Noncommercial	1935 All	1935 Commercial	1935 Noncommercial
Illinois	21.3	21.4	13.7	38.5	38.7	21.5
Indiana	27.0	27.2	22.3	38.0	38.2	31.7
Iowa	22.7	22.7		38.0	38.0	
Micahigan	22.5	22.2	22.6	36.5	38.4	35.6
Minnesota	19.8	21.5	12.3	33.0	42.6	21.8
Missouri	5.0	5.2	4.5	18.5	19.5	15.4
Nebraska	2.5	2.3	3.5	12.3	13.0	8.3
Ohio	32.0	31.7	33.9	44.0	44.7	38.7
South Dakota	3.6	7.2	.6	12.8	19.9	7.6
Wisconsin	29.0	30.9	28.1	34.0	37.2	32.2
Delaware	29.0	31.7	26.7	29.0	34.2	24.2
Kansas	2.6	3.0	2.2	7.0	9.9	5.0
Kentucky	22.0	24.9	21.5	22.0	21.8	22.0
Maryland	29.0	32.7	23.0	34.0	38.5	27.0
Pennsylvania	39.2	42.0	37.5	44.3	47.0	42.6
Total, 15 States	16.5	17.5	13.7	27.9	31.1	18.6
All other States	11.4		11.4	15.9		15.9
Total, United States	14.6	17.5	12.1	23.4	31.1	16.7

State	1936 All	1936 Commercial	1936 Noncommercial	1937 All	1937 Commercial	1937 Noncommercial
Illinois	23.3	23.5	8.7	48.0	48.3	22.7
Indiana	25.5	25.7	19.9	45.0	45.3	35.3
Iowa	17.5	17.5		45.0	45.0	
Michigan	24.5	24.1	24.7	35.0	35.4	34.8
Minnesota	19.0	20.4	9.9	36.0	37.1	29.3
Missouri	7.6	7.9	6.9	27.0	28.1	23.5
Nebraska	2.9	2.6	4.5	9.5	9.9	7.1
Ohio	33.0	32.8	34.7	42.4	42.9	37.7
South Dakota	2.0	3.4	.9	11.9	19.4	5.3
Wisconsin	19.4	21.7	18.1	31.5	31.6	31.4
Delaware	29.0	33.2	25.2	29.0	31.4	26.9
Kansas	2.2	2.3	2.0	9.8	10.0	9.6
Kentucky	18.0	20.5	17.6	26.0	28.1	25.6
Maryland	36.0	40.2	29.3	36.0	40.2	29.0
Pennsylvania	41.8	46.3	38.9	46.4	49.3	44.6
Total, 15 States	15.7	16.8	12.1	33.0	35.9	22.2
All other States	13.6		13.6	17.3		17.3
Total, United States	15.0	16.8	13.1	27.5	35.9	18.7

Corn yields, 1930–47 planted acres, 1941 area identity—Commercial area and noncommercial area—Continued

[Bushels per acre]

State	1938			1939		
	All	Commercial	Noncommercial	All	Commercial	Noncommercial
Illinois	45.0	45.2	25.6	52.0	52.3	29.5
Indiana	40.4	40.6	33.2	51.5	52.1	33.0
Iowa	46.0	46.0		52.0	52.0	
Michigan	36.5	38.3	35.7	37.0	39.9	35.6
Minnesota	35.0	36.6	25.4	45.5	49.0	27.3
Missouri	25.0	26.6	19.4	29.0	29.6	27.0
Nebraska	13.8	14.0	12.7	11.0	11.4	9.1
Ohio	44.0	44.6	39.4	50.0	50.6	44.9
South Dakota	10.4	15.8	5.6	15.4	23.2	7.8
Wisconsin	38.5	40.6	37.2	38.5	43.1	36.2
Delaware	29.0	32.2	26.4	29.0	30.2	28.0
Kansas	18.4	21.7	14.6	11.2	12.9	9.3
Kentucky	27.0	28.6	26.7	25.0	26.0	24.8
Maryland	37.0	41.7	29.3	36.0	39.0	31.1
Pennsylvania	43.7	46.9	41.7	42.5	45.5	40.7
Total, 15 States	33.7	36.2	24.2	37.0	40.8	24.0
All other States	17.0		17.0	14.9		14.9
Total, United States	27.3	36.2	18.9	28.6	40.8	17.3

State	1940			1941		
	All	Commercial	Noncommercial	All	Commercial	Noncommercial
Illinois	43.0	43.1	18.2	53.0	53.2	16.9
Indiana	37.0	37.4	26.1	45.0	45.5	31.1
Iowa	52.3	52.3		50.8	50.8	
Michigan	32.8	36.1	31.2	32.3	34.3	31.4
Minnesota	39.4	41.4	30.4	42.4	45.5	28.6
Missouri	30.3	31.8	27.0	28.5	30.9	23.1
Nebraska	15.6	16.8	9.0	23.1	24.1	16.5
Ohio	37.6	37.9	34.8	49.3	50.1	43.1
South Dakota	15.7	25.4	7.6	16.1	25.4	7.8
Wisconsin	40.6	44.5	38.7	40.0	43.2	38.5
Delaware	26.6	28.0	25.4	29.8	31.5	28.4
Kansas	13.9	16.0	12.1	21.3	26.2	16.4
Kentucky	24.4	25.4	24.2	28.3	31.3	27.7
Maryland	33.7	36.1	29.6	34.6	36.9	31.1
Pennsylvania	38.6	42.6	36.1	41.1	41.5	40.8
Total, 15 States	34.3	37.8	23.4	38.7	42.6	25.7
All other States	17.5		17.5	17.6		17.6
Total, United States	27.7	37.8	19.1	30.5	42.6	19.7

Corn yields, 1930–47 planted basis, 1941 area identity—Commercial area and noncommercial area—Continued

[Bushels per acre]

State	1942 All	1942 Commercial	1942 Noncommercial	1943 All	1943 Commercial	1943 Noncommercial
Illinois	53.2	53.4	26.0	49.5	49.7	20.0
Indiana	53.9	54.5	38.9	48.5	48.9	37.5
Iowa	59.6	59.6		54.6	54.6	
Michigan	42.4	32.4	46.9	33.9	40.7	30.4
Minnesota	42.9	45.5	31.9	39.3	41.0	30.1
Missouri	33.4	36.2	27.1	28.4	31.5	21.5
Nebraska	31.2	32.8	19.6	25.5	27.0	13.1
Ohio	55.8	57.3	44.1	50.6	51.6	41.5
South Dakota	30.6	39.3	22.6	20.3	29.6	11.5
Wisconsin	42.6	47.8	40.0	43.1	49.9	39.3
Delaware	30.8	32.5	29.4	24.8	28.1	22.1
Kansas	25.7	30.7	21.3	20.8	26.8	15.1
Kentucky	30.7	31.9	30.5	27.9	31.2	27.2
Maryland	35.8	38.5	31.6	25.8	27.5	23.3
Pennsylvania	42.6	44.7	41.4	36.4	36.3	36.5
Total, 15 States	44.1	48.1	31.0	38.9	43.0	24.4
All other States	18.1		18.1	17.1		17.1
Total, United States	34.5	48.1	21.8	31.4	43.0	19.3

State	1944 All	1944 Commercial	1944 Noncommercial	1945 All	1945 Commercial	1945 Noncommercial
Illinois	45.0	45.1	23.2	45.9	45.9	25.5
Indiana	37.8	37.8	36.5	52.4	52.7	43.7
Iowa	51.6	51.6		43.9	43.9	
Michigan	31.9	33.1	31.2	33.8	38.4	31.3
Minnesota	40.8	43.0	30.0	35.7	37.2	27.8
Missouri	32.7	34.7	27.6	25.8	26.5	24.0
Nebraska	32.7	34.2	17.4	28.2	28.9	20.7
Ohio	40.1	40.7	35.2	50.3	51.2	42.2
South Dakota	31.9	40.1	24.1	25.9	32.0	20.4
Wisconsin	43.1	49.5	39.6	39.6	44.7	36.8
Delaware	25.5	33.0	20.0	29.8	35.9	25.4
Kansas	27.1	31.5	22.1	22.4	24.1	20.3
Kentucky	24.6	32.3	23.0	31.8	37.1	30.8
Maryland	35.3	38.2	30.7	36.6	39.6	32.0
Pennsylvania	35.1	35.6	34.7	43.2	48.0	40.2
Total, 15 States	39.0	42.0	27.9	37.6	40.1	28.3
All other States	18.0		18.0	19.8		19.8
Total, United States	32.3	42.0	21.1	32.1	40.1	22.5

Corn yields, 1930–47 planted basis, 1941 area identity—Commercial area and noncommercial area—Continued

[Bushels per acre]

State	1946			1947		
	All	Commercial	Noncommercial	All	Commercial	Noncommercial
Illinois	56.5	56.6	37.3	39.0	39.1	24.9
Indiana	50.8	50.9	46.5	42.8	42.7	45.4
Iowa	56.8	56.8	----------	30.5	30.5	----------
Michigan	27.6	30.5	26.0	27.1	28.9	26.1
Minnesota	43.5	46.1	29.0	35.7	38.0	23.4
Missouri	36.6	39.5	29.0	22.5	22.7	21.6
Nebraska	28.7	29.6	18.3	18.9	19.2	15.1
Ohio	48.6	49.3	42.1	40.7	41.0	37.5
South Dakota	29.4	35.0	24.3	18.4	23.7	13.7
Wisconsin	44.0	48.1	41.7	41.6	50.4	37.1
Delaware	31.3	37.3	26.8	32.3	38.0	27.9
Kansas	20.0	26.2	12.3	16.0	15.5	16.9
Kentucky	36.4	38.7	35.9	34.9	33.0	35.3
Maryland	37.8	40.7	33.4	35.8	38.6	31.5
Pennsylvania	42.5	47.0	39.7	42.0	46.1	39.3
Total, 15 States	43.3	46.8	29.5	31.1	32.1	26.6
All other States	20.2	----------	20.2	20.6	----------	20.6
Total, United States	36.2	46.8	23.1	27.9	32.1	22.4

Corn production, 1930–47—commercial area and noncommercial area

[Thousand bushels]

State	1930			1931		
	Total	Commercail	Noncommercial	Total	Commercial	Noncommercial
Illinois	243,138	241,959	1,179	363,229	359,138	4,091
Indiana	122,815	121,087	1,728	186,381	180,880	5,501
Iowa	385,390	385,390	----------	385,983	385,983	----------
Michigan	28,182	9,903	18,279	43,848	16,718	27,130
Minnesota	138,256	125,458	12,798	106,700	93,931	12,769
Missouri	95,175	77,154	18,021	165,036	125,430	39,606
Nebraska	239,100	215,235	23,865	170,714	156,841	13,873
Ohio	92,962	85,202	7,760	167,310	151,090	16,220
South Dakota	77,190	36,200	40,990	30,440	17,658	12,782
Wisconsin	68,000	27,268	40,732	57,240	23,092	34,148
Delaware	2,760	1,513	1,247	4,234	2,224	2,010
Kansas	81,312	38,485	42,827	118,314	62,248	56,066
Kentucky	28,710	4,628	24,082	80,622	11,507	69,115
Maryland	7,236	4,252	2,984	18,424	12,392	6,032
Pennsylvania	27,082	10,456	16,626	60,124	24,979	35,145
Total, 15 States	1,637,308	1,384,190	253,118	1,958,599	1,624,111	334,488
All other States	442,822	----------	442,822	617,328	----------	617,328
Total, United States	2,080,130	1,384,190	695,940	2,575,927	1,624,111	951,816

Corn production, 1930–47—commercial area and noncommercial area—Continued

[Thousand bushels]

State	1932			1933		
	Total	Commercial	Noncommercial	Total	Commercial	Noncommercial
Illinois	422, 131	418, 183	3, 948	238, 545	235, 966	2, 579
Indiana	175, 612	171, 044	4, 568	129, 859	125, 911	3, 948
Iowa	509, 507	509, 507		459, 720	459, 720	
Michigan	53, 970	18, 329	35, 641	46, 841	16, 895	29, 946
Minnesota	178, 020	163, 228	14, 792	141, 512	124, 525	16, 987
Missouri	177, 980	141, 345	36, 635	141, 446	110, 444	31, 002
Nebraska	266, 100	246, 061	20, 039	234, 698	213, 582	21, 116
Ohio	134, 356	120, 753	13, 603	125, 154	111, 714	13, 440
South Dakota	70, 420	36, 786	33, 634	41, 054	30, 652	10, 402
Wisconsin	83, 916	33, 622	50, 294	81, 760	29, 947	51, 813
Delaware	4, 116	2, 176	1, 940	3, 796	1, 931	1, 865
Kansas	139, 878	69, 452	70, 426	80, 431	42, 438	37, 993
Kentucky	65, 918	10, 580	55, 338	70, 217	10, 845	59, 372
Maryland	15, 310	10, 135	5, 175	15, 515	10, 468	5, 047
Pennsylvania	48, 322	19, 765	28, 557	53, 641	22, 306	31, 335
Total, 15 States	2, 345, 556	1, 970, 966	374, 590	1, 864, 189	1, 547, 344	316, 845
All other States	584, 796		584, 796	533, 404		533, 404
Total, United States	2, 930, 352	1, 970, 966	959, 386	2, 397, 593	1, 547, 344	850, 249

State	1934			1935		
	Total	Commercail	Noncommercial	Total	Commercial	Noncommercial
Illinois	167, 808	166, 029	1, 779	315, 508	313, 495	2, 013
Indiana	109, 647	106, 120	3, 527	160, 260	157, 662	4, 598
Iowa	215, 234	215, 234		373, 388	373, 388	
Michigan	36, 524	11, 191	25, 333	61, 679	21, 280	40, 399
Minnesota	80, 886	71, 375	9, 511	147, 609	131, 674	15, 935
Missouri	32, 012	24, 802	7, 210	72, 890	57, 894	14, 996
Nebraska	21, 363	17, 057	4, 306	106, 630	96, 114	10, 516
Ohio	106, 144	91, 715	14, 429	160, 556	143, 458	17, 098
South Dakota	13, 730	12, 385	1, 345	50, 044	32, 976	17, 068
Wisconsin	78, 500	27, 473	51, 027	81, 430	31, 486	49, 944
Delaware	4, 031	2, 042	1, 989	4, 118	2, 255	1, 863
Kansas	13, 220	7, 049	6, 171	39, 420	22, 939	16, 481
Kentucky	62, 876	10, 140	52, 736	57, 770	8, 174	49, 596
Maryland	13, 978	9, 722	4, 256	17, 544	12, 077	5, 467
Pennsylvania	51, 402	21, 140	30, 262	59, 512	23, 884	35, 628
Total, 15 States	1, 007, 355	793, 474	213, 881	1, 710, 358	1, 428, 756	281, 602
All other States	441, 565		441, 565	589, 005		589, 005
Total, United States	1, 448, 920	793, 474	655, 446	2, 299, 363	1, 428, 756	870, 607

Corn production, 1930–47—commercial area and noncommercial area—Continued

[Thousand bushels]

State	1936 Total	1936 Commercial	1936 Noncommercial	1937 Total	1937 Commercial	1937 Noncommercial
Illinois	215, 683	214, 552	1, 131	444, 960	442, 791	2, 169
Indiana	116, 510	113, 407	3, 103	213, 840	208, 346	5, 494
Iowa	190, 434	190, 434	----------	498, 690	498, 690	----------
Michigan	38, 250	12, 853	25, 397	55, 650	18, 157	37, 493
Minnesota	82, 530	76, 604	5, 926	172, 476	152, 198	20, 278
Missouri	40, 032	31, 381	8, 651	117, 720	93, 427	24, 293
Nebraska	26, 859	20, 673	6, 186	82, 992	73, 580	9, 412
Ohio	121, 605	107, 166	14, 439	163, 228	147, 139	16, 089
South Dakota	8, 446	6, 278	2, 168	42, 255	32, 343	9, 912
Wisconsin	44, 080	18, 172	25, 908	76, 356	29, 011	47, 345
Delaware	4, 118	2, 220	1, 898	4, 147	2, 088	2, 059
Kansas	11, 036	5, 492	5, 544	29, 472	15, 334	14, 128
Kentucky	48, 875	7, 844	41, 031	68, 901	11, 128	57, 773
Maryland	18, 216	12, 509	5, 707	18, 396	12, 847	5, 549
Pennsylvania	54, 489	23, 453	31, 036	59, 664	24, 344	35, 320
Total, 15 States	1, 021, 162	843, 038	178, 125	2, 048, 747	1, 761, 423	287, 324
All other States	484, 526	----------	484, 526	594, 231	----------	594, 231
Total, United States	1, 505, 689	843, 038	662, 651	2, 642, 978	1, 761, 423	881, 555

State	1938 Total	1938 Commercail	1938 Noncommercial	1939 Total	1939 Commercial	1939 Noncommercial
Illinois	371, 184	368, 662	2, 522	401, 319	398, 425	2, 894
Indiana	171, 462	166, 811	4, 651	204, 900	200, 515	4, 385
Iowa	479, 182	479, 182	----------	490, 680	490, 680	----------
Michigan	58, 830	19, 739	39, 091	59, 850	20, 904	38, 946
Minnesota	159, 040	142, 728	16, 312	201, 600	181, 862	19, 738
Missouri	111, 180	91, 708	19, 472	126, 290	100, 457	25, 833
Nebraska	111, 450	96, 908	14, 542	78, 456	69, 569	8, 887
Ohio	156, 992	141, 392	15, 600	169, 538	152, 400	17, 138
South Dakota	35, 688	25, 587	10, 101	47, 355	35, 191	12, 164
Wisconsin	88, 426	34, 682	53, 744	86, 625	32, 709	53, 916
Delaware	4, 147	2, 088	2, 059	3, 888	1, 853	2, 035
Kansas	45, 200	28, 563	16, 637	38, 598	23, 523	15, 075
Kentucky	67, 310	11, 169	46, 141	64, 206	9, 785	54, 421
Maryland	17, 640	12, 322	5, 318	16, 830	11, 321	5, 509
Pennsylvania	55, 022	22, 543	32, 479	54, 068	22, 045	32, 023
Total, 15 States	1, 932, 753	1, 644, 084	288, 669	2, 044, 203	1, 751, 239	292, 964
All other States	616, 000	----------	616, 000	536, 782	----------	536, 782
Total, United States	2, 548, 753	1, 644, 084	904, 669	2, 580, 985	1, 751, 239	829, 746

Corn production, 1930–47—commercial area and noncommercial area—Continued

[Thousand bushels]

State	1940 Total	1940 Commercial	1940 Noncommercial	1941 Total	1941 Commercial	1941 Noncommercial
Illinois	328, 735	327, 916	819	409, 213	408, 434	779
Indiana	145, 558	142, 187	3, 371	177, 030	173, 045	3, 985
Iowa	473, 760	473. 760	----------	462, 519	462, 519	----------
Michigan	51, 612	18, 070	33, 542	48, 782	16, 688	32, 094
Minnesota	172, 457	148, 062	24, 395	189, 630	166, 387	23, 243
Missouri	124, 044	89, 747	34, 297	113, 216	85, 294	27, 922
Nebraska	105, 587	96, 841	8, 746	157, 638	143, 003	14, 635
Ohio	121, 030	108, 735	12, 295	159, 242	144, 230	15, 012
South Dakota	48, 772	35, 814	12, 958	48, 654	36, 352	12, 302
Wisconsin	93, 152	33, 259	59, 893	90, 000	31, 632	58, 368
Delaware	3, 807	1, 876	1, 931	3, 990	1, 858	2, 132
Kansas	42, 352	22, 363	19, 989	55, 980	34, 625	21, 355
Kentucky	63, 945	9, 378	54, 567	73, 644	12. 106	61, 538
Maryland	16, 830	11, 232	5, 598	15, 750	10, 160	5, 590
Pennsylvania	51. 558	21. 723	29, 835	53, 203	19, 958	33, 245
Total, 15 States	1, 843, 199	1, 540, 963	302. 236	2, 058, 491	1, 746, 291	312, 200
All other States	613, 947	----------	613, 947	593, 398	----------	593, 398
Total United States	2, 457, 146	1, 540, 963	916, 183	2, 651, 889	1, 746, 291	905, 598

State	1942 Total	1942 Commercial	1942 Noncommercial	1943 Total	1943 Commercial	1943 Noncommercial
Illinois	416, 934	415, 557	1, 377	419, 200	418, 340	860
Indiana	216, 702	211, 366	5, 336	208, 446	203, 232	5, 214
Iowa	574, 080	574, 080	----------	589, 380	589, 380	----------
Michigan	69, 703	16, 744	52, 959	52, 904	21, 549	31, 355
Minnesota	207, 190	177, 970	29, 220	210, 276	184, 109	26, 167
Missouri	146, 899	109, 105	37, 794	139, 810	106, 562	33, 248
Nebraska	228, 218	210, 248	17, 970	216, 632	204, 312	12, 320
Ohio	181, 944	166, 435	15, 509	175, 644	160, 713	14, 931
South Dakota	97, 052	59, 971	37, 081	77, 946	55. 253	22, 693
Wisconsin	103, 544	38, 418	65, 126	108, 924	44, 468	64, 456
Delaware	4, 092	1, 885	2, 207	3, 225	1, 659	1, 566
Kansas	82, 415	46, 687	35, 728	77, 308	48, 751	28, 557
Kentucky	79, 298	12, 818	66, 480	70, 196	12, 737	57, 459
Maryland	16, 344	10, 631	5, 713	11, 804	7, 564	4, 240
Pennsylvania	54, 567	21, 031	33, 536	47, 231	18, 065	29, 166
Total, 15 States	2, 478, 982	2, 072, 946	406, 036	2, 408, 926	2, 076, 694	332, 232
All other States	589, 580	----------	589, 580	557, 054	----------	557, 054
Total United States	3, 068, 562	2, 072, 946	995, 616	2, 965, 980	2, 076, 694	889, 286

Corn production, 1930–47—commercial area and noncommercial area—Continued

[Thousand bushels]

State	1944			1945		
	Total	Commercial	Noncommercial	Total	Commercial	Noncommercial
Illinois	414,956	413,912	1,044	378,045	377,305	740
Indiana	176,244	170,919	5,325	235,956	230,063	5,893
Iowa	579,442	579,442		476,417	476,417	
Michigan	57,760	20,769	36,991	61,915	24,906	37,009
Minnesota	243,480	213,148	30,332	216,299	189,412	26,887
Missouri	157,773	119,097	38,676	104,571	76,395	28,176
Nebraska	288,717	274,273	14,444	241,880	225,914	15,966
Ohio	147,135	134,070	13,065	175,134	160,773	14,361
South Dakota	128,601	78,913	49,688	110,484	64,790	45,694
Wisconsin	116,536	47,090	69,446	107,160	42,831	64,329
Delaware	3,646	1,982	1,664	4,200	2,119	2,081
Kansas	97,598	60,399	37,199	68,563	40,472	28,091
Kentucky	61,923	13,602	48,321	69,792	13,630	56,162
Maryland	17,826	11,739	6,087	17,057	11,195	5,862
Pennsylvania	50,516	19,431	31,085	59,421	25,321	34,100
Total, 15 States	2,542,153	2,158,786	383,367	2,326,894	1,961,543	365,351
All other States	545,957		545,957	554,039		554,039
Total, United States	3,088,110	2,158,786	929,324	2,880,933	1,961,543	919,390

State	1946			1947 [1]		
	Total	Commercial	Noncommercial	Total	Commercial	Noncommercial
Illinois	505,761	504,195	1,566	343,492	342,497	995
Indiana	231,489	225,305	6,184	191,135	185,773	5,362
Iowa	634,638	634,638		331,360	331,360	
Michigan	50,512	19,813	30,699	44,165	16,873	27,292
Minnesota	239,888	215,302	24,586	191,041	171,725	19,316
Missouri	163,355	127,625	35,730	98,441	80,559	17,882
Nebraska	231,362	219,030	12,332	143,130	134,364	8,766
Ohio	178,409	163,480	14,929	138,826	125,938	12,888
South Dakota	120,300	67,908	52,392	75,430	45,488	29,942
Wisconsin	111,980	44,436	67,544	105,840	42,955	62,885
Delaware	4,536	2,314	2,222	4,550	2,316	2,234
Kansas	63,231	46,026	17,205	40,443	24,355	16,088
Kentucky	81,979	15,957	66,022	76,265	12,603	63,662
Maryland	17,328	11,357	5,971	16,416	10,777	5,639
Pennsylvania	59,340	25,091	34,249	57,460	24,492	32,968
Total, 15 States	2,694,108	2,322,477	371,631	1,857,994	1,552,075	305,919
All other States	555,842		555,842	542,958		542,958
Total, United States	3,249,950	2,322,477	927,475	2,400,952	1,552,075	848,877

[1] Revised county figures not available. Based on preliminary county estimates.

Corn acreage planted 1930–47, 1941 area identity—commercial area and noncommercial area

[Thousand acres]

State	1930			1931			1932		
	Total	Commercial	Noncommercial	Total	Commercial	Noncommercial	Total	Commercial	Noncommercial
Illinois	9,353	9,216	137	9,886	9,750	136	9,866	9,738	128
Indiana	4,493	4,341	152	4,779	4,616	163	4,702	4,556	146
Iowa	11,449	11,448	1	11,791	11,791	--------	11,849	11,849	--------
Michigan	1,288	480	808	1,520	568	952	1,550	534	1,016
Minnesota	4,533	3,977	556	4,896	4,275	621	4,945	4,274	671
Missouri	6,572	4,979	1,593	6,638	5,011	1,627	6,638	5,013	1,625
Nebraska	9,564	8,345	1,219	10,138	8,743	1,395	10,746	9,155	1,591
Ohio	3,560	3,206	354	3,738	3,351	387	3,701	3,324	377
South Dakota	5,146	1,984	3,162	5,500	2,103	3,397	5,280	2,058	3,222
Wisconsin	2,000	776	1,224	2,147	820	1,327	2,268	838	1,430
Delaware	141	67	74	148	69	79	149	70	79
Kansas	7,150	2,996	4,154	6,863	2,826	4,037	7,687	2,899	4,788
Kentucky	2,970	431	2,539	3,000	436	2,564	2,900	418	2,482
Maryland	524	317	207	524	313	211	524	318	206
Pennsylvania	1,275	507	768	1,301	512	789	1,314	512	802
Total, 15 States	70,018	53,070	16,948	72,869	55,184	17,685	74,119	55,556	18,563
All other States	33,897	--------	33,897	36,495	--------	36,495	38,905	--------	38,905
Total, United States	103,915	53,070	50,845	109,364	55,184	54,180	113,024	55,556	57,468

State	1933			1924			1935		
	Total	Commercial	Noncommercial	Total	Commercial	Noncommercial	Total	Commercial	Noncommercial
Illinois	9,108	8,990	118	8,013	7,877	136	8,311	8,213	98
Indiana	4,429	4,284	145	4,094	3,934	160	4,287	4,142	145
Iowa	11,493	11,493	--------	9,501	9,501	--------	9,925	9,924	1
Michigan	1,519	528	991	1,595	496	1,099	1,682	552	1,130
Minnesota	4,846	4,105	741	4,846	3,927	919	4,507	3,770	737
Missouri	6,289	4,730	1,559	5,370	4,027	1,343	4,226	3,181	1,045
Nebraska	10,477	8,978	1,499	8,559	7,315	1,244	8,645	7,385	1,260
Ohio	3,705	3,299	406	3,334	2,906	428	3,675	3,229	446
South Dakota	4,860	1,964	2,896	3,790	1,716	2,074	3,910	1,656	2,254
Wisconsin	2,336	839	1,497	2,672	787	1,885	2,420	853	1,567
Delaware	149	69	80	141	65	76	144	66	78
Kansas	7,764	2,838	4,926	5,174	2,317	2,857	5,600	2,326	3,274
Kentucky	2,900	415	2,485	2,900	414	2,486	2,813	401	2,412
Maryland	535	322	213	496	306	190	521	317	204
Pennsylvania	1,367	530	837	1,326	509	817	1,392	526	866
Total 15 States	71,777	53,384	18,393	61,811	46,097	15,714	62,058	46,541	15,517
All other States	38,053	--------	38,053	38,752	--------	38,752	37,916	--------	37,916
Total United States	109,830	53,384	56,446	100,563	46,097	54,466	99,974	46,541	53,433

Corn acreage planted 1930–47, 1941 area identity—commercial area and noncommercial area—Continued

[Thousand acres]

State	1936			1937			1938		
	Total	Commercial	Noncommercial	Total	Commercial	Noncommercial	Total	Commercial	Noncommercial
Illinois	9, 327	9, 205	122	9, 326	9, 227	99	8, 513	8, 413	100
Indiana	4, 602	4, 444	158	4, 770	4, 615	155	4, 280	4, 139	141
Iowa	10, 979	10, 976	3	11, 138	11, 137	1	10, 448	10, 448	--------
Michigan	1, 508	514	994	1, 614	521	1, 093	1, 598	511	1, 087
Minnesota	4, 642	4, 003	639	4, 828	4, 128	700	4, 538	3, 894	644
Missouri	5, 451	4, 157	1, 294	4, 449	3, 395	1, 054	4, 435	3, 434	1, 001
Nebraska	9, 336	7, 965	1, 371	8, 782	7, 452	1, 330	7, 816	6, 712	1, 104
Ohio	3, 712	3, 292	420	3, 854	3, 427	427	3, 586	3, 188	398
South Dakota	4, 140	1, 853	2, 287	3, 685	1, 731	1, 954	3, 427	1, 620	1, 807
Wisconsin	2, 272	839	1, 433	2, 424	917	1, 507	2, 351	874	1, 477
Delaware	144	68	76	145	67	78	145	66	79
Kansas	5, 109	2, 348	2, 761	2, 995	1, 529	1, 466	2, 456	1, 314	1, 142
Kentucky	2, 897	408	2, 489	2, 723	407	2, 316	2, 641	413	2, 228
Maryland	511	315	196	516	323	193	500	309	191
Pennsylvania	1, 336	519	817	1, 363	524	839	1, 349	516	833
Total, 15 States	65, 966	50, 906	15, 060	62, 612	49, 400	13, 212	58, 083	45, 851	12, 232
All other States	35, 993	--------	35, 993	34, 562	--------	34, 562	36, 390	--------	36, 390
Total United States	101, 959	50, 906	51, 053	97, 174	49, 400	47, 774	94, 473	45, 851	48, 622

State	1939			1940			1941		
	Total	Commercial	Noncommercial	Total	Commercial	Noncommercial	Total	Commercial	Noncommercial
Illinois	7, 869	7, 769	100	7, 645	7, 600	45	7, 721	7, 675	46
Indiana	4, 098	3, 962	136	3, 934	3, 805	129	3, 934	3, 806	128
Iowa	9, 400	9, 400	--------	9, 051	9, 051	--------	9, 096	9, 096	--------
Michigan	1, 606	520	1, 086	1, 574	500	1, 074	1, 509	486	1, 023
Minnesota	4, 493	3, 761	732	4, 380	3, 578	802	4, 468	3, 655	813
Missouri	4, 364	3, 407	957	4, 090	2, 819	1, 271	3, 967	2, 759	1, 208
Nebraska	7, 109	6, 134	975	6, 754	5, 778	976	6, 822	5, 936	886
Ohio	3, 453	3, 063	390	3, 220	2, 867	353	3, 227	2, 879	348
South Dakota	3, 050	1, 503	1, 547	3, 111	1, 410	1, 701	3, 018	1, 431	1, 587
Wisconsin	2, 250	759	1, 491	2, 295	747	1, 548	2, 250	733	1, 517
Delaware	146	67	79	143	67	76	134	59	75
Kansas	3, 316	1, 757	1, 559	3, 051	1, 400	1, 651	2, 624	1, 320	1, 304
Kentucky	2, 641	387	2, 254	2, 623	369	2, 254	2, 605	387	2, 218
Maryland	500	310	190	500	311	189	455	275	180
Pennsylvania	1, 337	509	828	1, 337	510	827	1, 295	481	814
Total 15 States	55, 632	43, 308	12, 324	53, 708	40, 812	12, 896	53, 125	40, 978	12, 147
All other States	36, 007	--------	36, 007	34, 984	--------	34, 984	33, 712	--------	33, 712
Total, United States	91, 639	43, 308	48, 331	88, 692	40, 812	47, 880	86, 837	40, 978	45, 859

Corn acreage planted 1930–47, 1941 area identity—commercial area and noncommercial area—Continued

[Thousand acres]

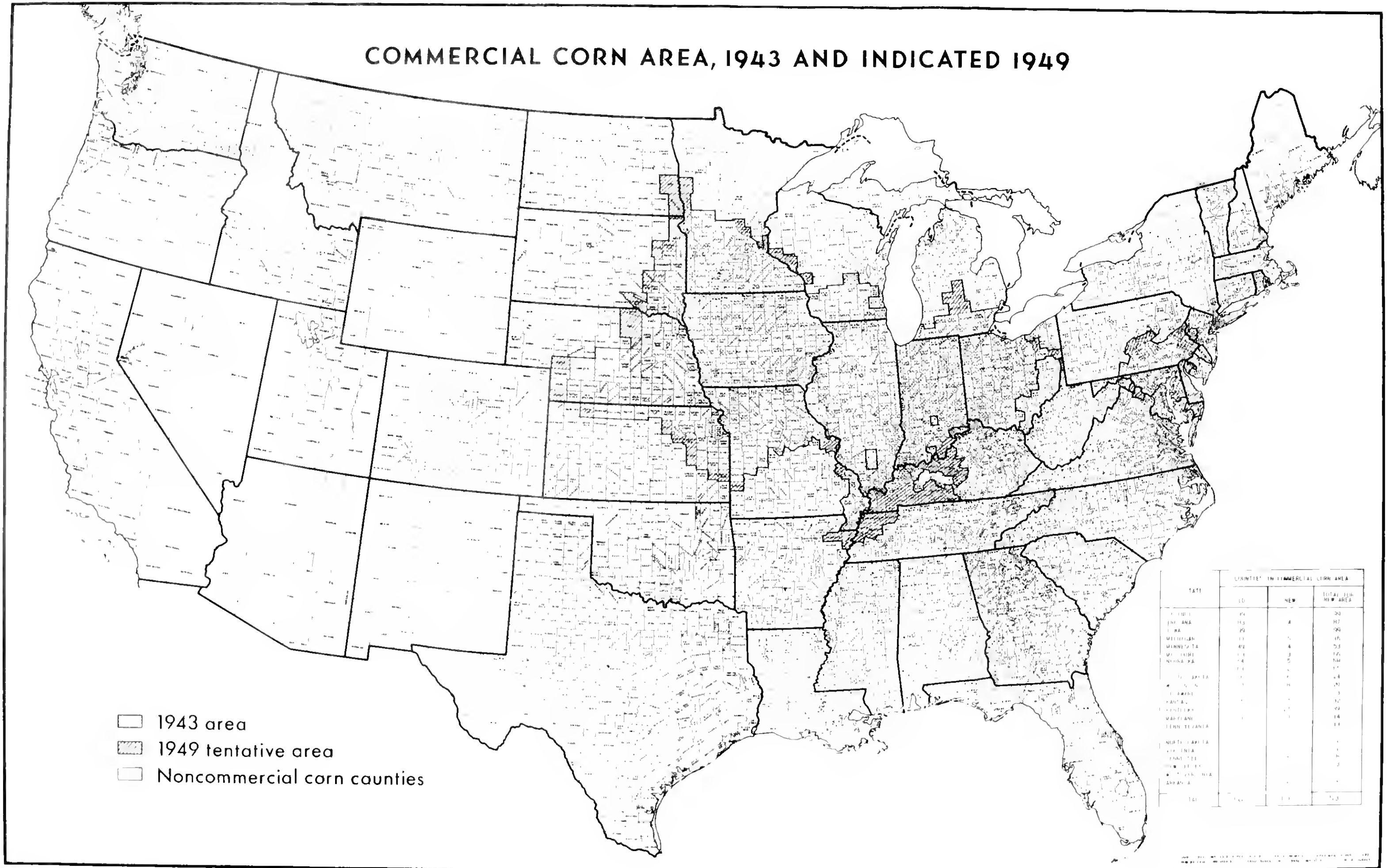
State	1942			1943			1944		
	Total	Commercial	Noncommercial	Total	Commercial	Noncommercial	Total	Commercial	Noncommercial
Illinois	7,837	7,784	53	8,464	8,421	43	9,226	9,181	45
Indiana	4,017	3,880	137	4,297	4,158	139	4,666	4,520	146
Iowa	9,626	9,626	--------	10,792	10,792	--------	11,224	11,224	--------
Michigan	1,645	517	1,128	1,562	530	1,032	1,812	628	1,184
Minnesota	4,825	3,908	917	5,356	4,487	869	5,969	4,957	1,012
Missouri	4,403	3,010	1,393	4,931	3,384	1,547	4,832	3,429	1,403
Nebraska	7,318	6,401	917	8,502	7,565	937	8,842	8,012	830
Ohio	3,259	2,907	352	3,472	3,112	360	3,666	3,295	371
South Dakota	3,169	1,527	1,642	3,834	1,869	1,965	4,026	1,968	2,058
Wisconsin	2,430	803	1,627	2,529	891	1,638	2,706	952	1,754
Delaware	133	58	75	130	59	71	143	60	83
Kansas	3,201	1,521	1,680	3,713	1,819	1,894	3,602	1,919	1,683
Kentucky	2,584	402	2,182	2,520	408	2,112	2,520	421	2,099
Maryland	457	276	181	457	275	182	505	307	198
Pennsylvania	1,282	471	811	1,298	498	800	1,441	546	895
Total, 15 States	56,186	43,091	13,095	61,857	48,268	13,589	65,180	51,419	13,761
All other States	32,632	--------	32,632	32,484	--------	32,484	30,295	--------	30,295
Total, United States	88,818	43,091	45,727	94,341	48,268	46,073	95,475	51,419	44,056

State	1945			1946			1947 [1]		
	Total	Commercial	Noncommercial	Total	Commercial	Noncommercial	Total	Commercial	Noncommercia
Illinois	8,245	8,216	29	8,945	8,903	42	8,802	8,762	40
Indiana	4,503	4,368	135	4,557	4,424	133	4,467	4,349	118
Iowa	10,847	10,847	--------	11,172	11,172	--------	10,877	10,877	--------
Michigan	1,830	649	1,181	1,830	649	1,181	1,630	584	1,046
Minnesota	6,059	5,091	968	5,514	4,667	847	5,349	4,524	825
Missouri	4,060	2,887	1,173	4,466	3,233	1,233	4,377	3,550	827
Nebraska	8,577	7,804	773	8,062	7,388	674	7,578	6,997	581
Ohio	3,483	3,143	340	3,671	3,316	355	3,414	3,070	344
South Dakota	4,268	2,024	2,244	4,097	1,941	2,156	4,097	1,916	2,181
Wisconsin	2,706	959	1,747	2,545	924	1,621	2,545	852	1,693
Delaware	141	59	82	145	62	83	141	61	80
Kansas	3,062	1,678	1,384	3,154	1,760	1,394	2,523	1,571	952
Kentucky	2,192	367	1,825	2,253	412	1,841	2,185	382	1,803
Maryland	466	283	183	458	279	179	458	279	179
Pennsylvania	1,377	528	849	1,397	534	863	1,369	531	838
Total 15 States	61,816	48,903	12,913	62,266	49,664	12,602	59,812	48,305	11,507
All other States	27,911	--------	27,911	27,522	--------	27,522	26,356	--------	26,356
Total United States	89,727	48,903	40,824	89,788	49,664	40,124	86,168	48,305	37,863

[1] Revised county figures not available. Based on preliminary county estimate.

Mr. PACE. Are there any questions for the Secretary? I have one question to propound to get it started.

Mr. Secretary, you suggested the probable need of limiting the production of competing grains whenever marketing quotas are in effect on corn. You suggested that could be done by placing the competing grains under the acreage allotment controls while corn in the commercial area was under marketing quotas. It is noted, of course, that under the existing Agricultural Adjustment Act, as well as under the Agricultural Act of 1948, the corn producers outside the commercial area enjoy a price support program of only 75 percent of that which is in effect in the commercial area.



DEPARTMENT OF AGRICULTURE

PRODUCTION AND MARKETING ADMINISTRATION

81215 O - 49 (Face p. 44) Pt. 1

What do you think would be the reaction of the noncommercial area corn producers if they were put under exactly the same acreage reductions but still not enjoy the same price support? If they are to suffer as much as the commercial corn producer areas, how would they react to not having the same benefits?

Secretary BRANNAN. Mr. Chairman, I suppose the people outside the commercial corn-producing area consider corn a very essential part of their farming operations. From their point of view, it is probably as important to them as any of their other crops.

On the other hand, from the standpoint of the national pattern of production of corn, their production is not as highly essential to the total economy as in the concentrated corn-hog areas and the so-called commercial corn-producing area.

I suspect they would not be too easy to reconcile, but there is in the whole operation of these programs a cut-off place, beyond which the determination must be made not to go, in the interest of the efficient administration of the programs and the amount of benefits resulting from the efforts expended. I assume that is one of the things that the committee is always searching for. It certainly is one of the things we in the Department are always searching for.

Mr. PACE. Let us see if I understand you clearly, Mr. Secretary: The corn producers outside of the commercial area would have no voice in determining whether or not quotas were put into effect.

Secretary BRANNAN. That is right.

Mr. PACE. The referendum would be confined to the commercial area. Therefore, first, they would have no voice in determining whether or not marketing quotas would be in effect in the commercial area, the producers in the commercial area alone would determine that, and then they would enjoy only three-fourths of their support, although we might say they suffer exactly the same cut in acreage. I can understand your suggestion, but do you see the practical difficulties of administration?

Secretary BRANNAN. I do, Mr. Chairman, but what I was trying to say a moment ago was this: The farmers in the Corn Belt have nothing to say about the acreage allotments, marketing quotas, or anything else with respect to the cotton because they raise no cotton. So the question is where between the fellow who raises no corn and the fellow who raises the commercial quantity of corn we must find a cut-off place and put the fellow who raises a little corn about in the same category as the fellow who raises no corn. It is an administrative problem, Mr. Chairman, on the one hand, and a question of broad equity, on the other hand, to which you are primarily addressing yourself.

Mr. PACE. Let me see if I understand this. While you did not recommend it, you gave the committee the suggestion that we should probably consider when you have marketing quotas affecting corn in the commercial area, that the authority should be given to the Secretary of Agriculture to have limitations on the production of all the competing grains as well.

Secretary BRANNAN. That would be one approach to prevent an overstocking of the national supplies of feed grains. If we encourage people to shift out of corn by marketing quotas, or acreage allotments, they are going into some other commodity. If they go into a directly transposable feed grain—and there are none which are exactly transposable in their feed quality with corn—then the over-all purpose of producing corn for feeding livestock will have been partially defeated.

Mr. PACE. I can see the reasons, and my last comment is that so far as I know this is the first time we would move out into the field of controlling the production on a farm without the producer having any voice in determining whether or not it should be done.

Secretary BRANNAN. There is nothing in here that says the producer might have no voice in it. This, as I see it, is another mechanical administrative problem which should be worked out if we attempt to go in that direction.

Mr. PACE. One more question: What would be the situation if the commercial corn producers voted quotas and the producers of oats or grain sorghums had a voice and declined to go to acreage controls themselves? Then you would be confronted with exactly the situation we have spoken of.

Secretary BRANNAN. That is right, if that is the only alternative, the only available device for getting the administrative objective accomplished. You might relate the two somehow.

Mr. PACE. Mr. HOPE.

Mr. HOPE. Mr. Secretary, if I understood the chairman's question correctly, he assumed that if there are marketing quotas in a commercial area on corn the Secretary will impose the same restrictions upon producers in the noncommercial corn-producing areas. Does that necessarily follow?

Secretary BRANNAN. No; I did not so understand it, Mr. Congressman. I was not addressing myself to any particular kind of a situation or proposal.

Mr. HOPE. Let me ask the chairman if that was not the assumption in his question, that the same restrictions would be applied in the noncommercial area as were applied in the commercial area.

Mr. PACE. My question was predicted on the thought that it could be, not that it would necessarily be every year. The suggestion is contained in the Secretary's statement here.

Mr. ANDRESEN. Will the gentleman yield?

Secretary BRANNAN. It is question 5 on page 5.

Mr. PACE. He says here, "Because of administrative difficulties that would be involved in imposing marketing quotas on feed grains other than corn, consideration may be given to bringing these feed grains under acreage allotments rather than marketing quotas, when marketing quotas are in effect for corn."

Mr. HOPE. There he was speaking particularly about the different methods of handling the situation in the commercial corn area, and the noncommercial corn area. My understanding of the chairman's question was that it assumed that he would have the same controls in both areas.

I think you could, under the law, impose the same controls in the noncommercial corn areas, but my recollection is that that was not done at the time we previously had acreage allotments on corn. Of course, we have never had marketing quotas. My recollection is that you did not impose these allotments on corn, as such, in the noncommercial area. I would like to be advised on that.

Secretary BRANNAN. I think you are correct, Mr. Hope. The effort was to induce the shift into nonsoil-depleting crops. I do not remember the mechanism used to induce the farmer to get out of soil-depleting crops when he went out of corn.

Mr. HOPE. It was a different program than the acreage allotments that were applied in the commercial corn area.

What was the response in the noncommercial corn area to the loan program on the basis of 75 percent of the rate in the commercial area?

Secretary BRANNAN. Mr. McArthur, will you answer that?

Mr. McARTHUR. As I remember it, there were very few loans made in the noncommercial area at the reduced rate.

Mr. HOPE. What is your recollection, if you have any, as to the level of prices in the noncommercial area at the time that you had loans on corn in the commercial area? In other words, to what extent did the producers in the noncommercial area benefit from the loans in the commercial area?

Mr. McARTHUR. Of course, in some minor corn surplus producing sections like some river bottoms in noncommercial areas they did have rather low prices at harvest times, temporarily, but being deficit feeding areas that was generally corrected quite quickly and they were relieved of the competition that would come from the commercial area at a price lower than the support price in the commercial area.

I think the benefit to the corn producers in the noncommercial area was quite marked because the support prices in the commercial areas held back the movement of corn from that area on the competitive basis.

Secretary BRANNAN. Mr. Woolley would like to supplement that.

Mr. WOOLLEY. I might add that we had no complaints outside the commercial corn area that amounted to anything with respect to their not being treated on the same basis as the commercial corn area. In fact, whenever a county was to be brought into the commercial corn area that was in a deficit feed area by reason of the operation of the formula contained in the act with respect to 450 bushels per farm and four bushels per acre of crop land, the counties, and the people from the States in which those counties were located, generally were opposed to being brought into the commercial corn area rather than being anxious to get into it.

In other words, they felt like they benefited in the feed deficit areas from being outside the commercial corn area.

Mr. HOPE. That has been my observation generally, that the farmers in the noncommercial corn areas have felt pretty well satisfied with the effect which the program in the commercial corn area had on them. My own thought has been that they were as well or perhaps better off than farmers in the commercial corn area, at all times when we had programs in operation in the commercial corn area.

Mr. Secretary, I believe you have already announced that there would not be acreage allotments on corn this year. Is that correct?

Secretary BRANNAN. That is right.

Mr. HOPE. Has there been any announcement made as to marketing quotas?

Secretary BRANNAN. No, there has been no formal announcement, Mr. Hope, but it follows. If you do not have acreage allotments you do not have quotas. That is the second sentence in our statement.

Mr. HOPE. You have made the announcement that there would not be acreage allotments?

Secretary BRANNAN. Yes.

Mr. PACE. Will the gentleman yield?

Mr. HOPE. Yes.

Mr. PACE. Mr. Secretary, under the figures you gave on page 7 regarding a carry-over of 700,000,000 bushels, that does not require putting into effect the formula under the marketing quota law with regard to corn?

Secretary BRANNAN. It does not, according to both our lawyers and our technical people.

I would like to refer you, if I might, to the first table in the brochure. Looking down the column on the right hand side you will see that at times we have had as much as 688,000,000 bushels and 645,000,000 bushels the following year of carry-over of corn. It turned out on those occasions quite fortunate that we did have those carry-overs because in ensuing years we had very short crops. It lent some stability to the supply.

I should also like to point out, Mr. Chairman, that livestock numbers in this country have been declining for some years and are relatively low compared with previous experience. Therefore, if we are going to engage in strenuous effort, as I hope we shall engage, in building back our livestock economy, a substantial supply of corn such as 700,000,000 bushels is not, in my opinion, an unreasonable amount.

Mr. HOPE. Mr. Chairman, I wanted to go into another matter, but I think perhaps Mr. Sutton wants to go into this noncommercial corn area matter, so I will yield to him.

Mr. SUTTON. Mr. Secretary, I can see your point of view where the people in Indiana and Ohio probably would not be interested in cotton quotas. However, this is very serious to the people in the State of Tennessee.

Corn is the second money crop of the State, and we are right at that cut-off stage where we are getting the brunt of it. I was a little disappointed that you stated it is not felt that quotas should apply to corn production outside the commercial area. I notice by your map that you provide that in the 1949 tentative area part of the State of Tennessee is included. As a result, we are right at the cut-off point.

Mr. Woolley has said he has had no complaints about it. I have had a lot of complaints from people all over the State of Tennessee, but they are very much interested in referendums themselves and they want to be included in the commercial area, since it is the No. 2 money crop of the State.

Should the people in this commercial area decide not to have quotas then the people in my State of Tennessee would only get 37½ percent of parity. They would get 75 percent of the 50 percent, which would only be 37½ percent. You can see that is very disturbing to the people of the State.

In a case like that where you were right on the border line, do you not think some provision should be made where they could be included in that commercial area?

Secretary BRANNAN. The type of provision which we suggest would be some kind of modification or change in the definition of what is a commercial area. If the committee feels that it is in the best interests of farmers generally, and of the whole economy, to relax or broaden the definition of what is a commercial area, namely, the 450 bushels of corn per farm and 4 bushels per acre for all crop land in the county, or if you want to shorten the 10-year moving average factor to 5 years, that is our suggestion as the best approach to the solution of the problem.

In short, what we are saying is, that if you want to include additional territory in the commercial area the way to do it is to change the definition of what is the commercial area rather than to try to establish some kind of a new intermediate class.

Mr. SUTTON. I am more or less in the same position Mr. White is about cotton. Just in the last 2 or 3 years we have really come up in corn. If you go back to 10 years, we catch the brunt end. If you go back to 5 years we still catch it. I am personally going to do my best to see that we do not get it.

Secretary BRANNAN. You will see by the very reference to the map you made that even under the existing definition Tennessee is becoming a commercial corn area.

Mr. SUTTON. Part of it is. There are about five or six counties that are included in 1949.

Secretary BRANNAN. And it may be on the basis of the thorough kind of survey and study which we are hoping to undertake that additional parts of the State may be included, as well as additional parts of the country. There is no doubt about it, the use of the hybrid corn seed, the use of additional fertilizer, and the new techniques of farming brought increased production to many areas in the country.

While the over-all major trends seem to indicate yet that the greatest increases are in the traditional areas, that does not at all preclude the fact that there is considerable evidence of increases outside of those areas.

Mr. SUTTON. And on the border lines you would say to relax the policy just a little bit?

Secretary BRANNAN. But if you relaxed it you would move it out a little further, and you would still have another border line. Some place there has to be a border between commercial and noncommercial areas. What I am saying is that the committee must consider just where that border line is.

Let us say we set it at 350 bushels per acre. Across the road on that line there will be some fellow who has 340. I suppose he will be just as perturbed as the fellow who has 440 now and is just 10 bushels outside of the definition in a county where there are four bushels to the acre.

Mr. SUTTON. Thank you.

Mr. POAGE. Will the gentleman from Kansas yield to me?

Mr. HOPE. I will yield.

Mr. POAGE. Mr. Secretary, does it not seem that this line of questioning shows the necessity of making your years by which you determine acreage allotments the same in all these crops, if possible?

Secretary BRANNAN. I would say that it strongly indicates that.

Mr. POAGE. In other words, we have had a big shift in cotton, as we know, in the last 10 years. If we used only the last 2 years of cotton, or 3 years, excluding 1949, we should also use the same in wheat and corn and other crops? If not, will you not have one crop that has already moved out of the country and another crop that has moved in and they will be given no credit for the crops moved out or the crops moved in?

Secretary BRANNAN. That could happen. That is the reason that in an over-all program there must be a very careful compensating action with respect to the various crops.

Mr. ALBERT. Mr. Chairman, will the gentlemen yield for just one question on this?

Mr. POAGE. Yes, I will yield.

Mr. ALBERT. Did you have many complaints, Mr. Secretary, that because of the lack of storage facilities the price-support program was not operative in noncommercial areas?

Secretary BRANNAN. Mr. McArthur, can you answer that one for us?

Mr. MCARTHUR. Price-support programs were not operative in many noncommercial areas, largely due to the not yet developed facilities that will preserve grain under conditions of high moisture, high temperatures, insect infestation, and so forth.

Mr. ALBERT. Your original statement was, I believe, to the effect that there was not much support in the noncommercial areas. In Oklahoma, as I understood it, there would have been a call on the CCC to a considerable extent had there been storage facilities.

Mr. ANDRESEN. Will the gentleman yield for just one question?

Mr. HOPE. Yes.

Mr. ANDRESEN. On the line of what Mr. Sutton has had to say, you indicated that if the committee felt that a change could be made to extend the commercial corn area that would not be objectionable to you. What is the recommendation of the Department in that respect?

Secretary BRANNAN. As indicated in our paragraph, Congressman Andresen, we are of the opinion that many of these questions are interdependent as between crops and as between the various farm practices. We are trying to bring all our crops together in broad general terms, and then make them more specific as we develop them.

We hope, as I have indicated, to have all of that done for you as quickly as we can, right after the first of the month.

Mr. ANDRESEN. Is your statement on marketing quotas for corn today predicated upon the existence of present law?

Secretary BRANNAN. Yes; we were discussing the existing law, and that is the reason we supplied the analysis of the existing law to you.

Mr. ANDRESEN. One thing that disturbs me a little bit, you stated in your statement that when marketing quotas are in operation in the commercial area for corn you would also suggest acreage allotments for competing feed grains. If we have marketing quotas for corn and marketing quotas for wheat at the same time, which is nation-wide, then you have your acreage allotments for the other grains, so, what are the farmers going to produce? What other crops can they go to?

Secretary BRANNAN. The broad answer is, of course, that there are a lot of soil conserving crops which tie in to an increase in livestock production. One of the great deficiencies in our total agricultural production picture is in the livestock area. I do not mean to say that that is an unlimited area, but I do indicate to you that there is still a long way to go on it before we reach the same kind of problems that we are reaching in grain.

Mr. ANDRESEN. You stated that we have the lowest livestock population that we have had for many years. Still you want to increase that livestock population. But you state that you will not permit them to raise corn for silage.

Secretary BRANNAN. No; I am not saying that. What I am saying is that there are a lot of other crops which can form the foundation of a livestock economy other than corn and a few of the related grains.

Mr. ANDRESEN. Alfalfa and clover are the two principal crops. You would not want them to raise more soybeans, would you?

Secretary BRANNAN. I do not think it would be in their best interests due to the existing circumstances.

Mr. PACE. Gentlemen of the committee, and Mr. Secretary, not only is the House meeting at 11, but several members of this committee must now appear before the Rules Committee in connection with the request of the committee for a rule on the so-called margarine bill. I think under the circumstances we will have to suspend.

Would it cause you too great inconvenience, Mr. Secretary, to meet with us again at 10 o'clock in the morning?

Secretary BRANNAN. I think not, sir, and I shall endeavor to be present.

Mr. PACE. We would appreciate it very much because I know that the other members of the committee have many questions.

The committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 11 a. m., the committee adjourned.)

CORN ACREAGE ALLOTMENTS AND MARKETING QUOTAS

WEDNESDAY, MARCH 23, 1949

House of Representatives,
Special Subcommittee of the
Committee on Agriculture,
Washington, D. C.

Mr. Pace. Gentlemen, the committee will please come to order.

Mr. Secretary, we certainly appreciate your coming back with us this morning. I understand Mr. Hoeven, of Iowa, has some questions. Of course, we all appreciate his interest, representing one of the greatest corn-producing States of the Nation.

Mr. Hoeven. Mr. Secretary, yesterday you stated there were no acreage allotments at the present time and, therefore, there would be no marketing quotas for 1950. Marketing quotas have never been in effect for corn, as I understand it, and I am just wondering whether you anticipate any marketing quotas will be necessary for 1951.

FURTHER STATEMENT OF HON. CHARLES F. BRANNAN, SECRETARY OF AGRICULTURE

Secretary Brannan. Mr. Hoeven, in our activities for the Department this year, we requested some additional funds in order that the basic information for the application of either acreage allotments or marketing quotas might be obtained. That is not a direct answer to your question, but it is by way of saying that if marketing quotas or acreage allotments would be necessary in 1951, the Department is getting ready to be in a position to administer them if the farmers should vote in favor of them.

Mr. Hoeven. Historically, do you think they are going to be necessary in 1951?

Secretary Brannan. Only God knows the real answer to that. That will be determined by the weather conditions.

Mr. Hoeven. We are very much concerned about these marketing quotas and I am sure you can appreciate our interest. We have not had marketing quotas for corn since the Agricultural Act of 1938 was enacted. Of course, we had a bumper corn crop last year, and from all indications we will have another bumper crop this year. The same thing pertains throughout the Corn Belt. Your statement indicates that we will likely have the possibility of a 400,000,000 bushel carry-over this year.

Secretary Brannan. More than that.

Mr. Hoeven. Yes; I was thinking about the amount of corn likely to be sealed and held under purchase agreements.

Secretary Brannan. There will be corn in other positions than sealed.

Mr. HOEVEN. Judging from a historical standpoint and going back over the years, I find that in the year 1939 we had stocks at the end of the year of about 688,000,000 bushels. In 1940 there were 645,000,000 bushels. In 1948 we had the largest corn crop in history and indications at the present time are that the corn crop in 1949 will about equal that or perhaps be somewhat less than in 1948. I say that by reason of the fact that the Iowa farmers will likely plant 1.6 percent less acres of corn this year.

Using our historical background through the years from 1938, during which period of time you have never used marketing quotas on corn, have you reason to believe that we will have to resort to that in 1950?

Secretary BRANNAN. Mr. Hoeven, let me first say that as far as the application of any of these types of control or restrictive programs are concerned, I for one—and I think this is true of people in the Department of Agriculture generally—have no desire or no taste for applying those kind of programs. We want no authorities nor the exercising of any jurisdiction just for the purpose of exercising authority or jurisdiction. We will not go any further than is necessary.

I would just like to say that while I think in general I could probably agree with what you are saying now, I would not like to be so firm in that position that if some situation arose, or a combination of situations arose that might require the referendum, that is require inviting the opinion of farmers through a referendum, we would not be precluded from so doing by something that you and I might say here this morning.

Mr. HOEVEN. Then I understand you would be reluctant to issue the proclamation calling for an election on marketing quotas?

Secretary BRANNAN. Yes; certainly.

Mr. HOEVEN. And you would not issue that proclamation unless it was absolutely necessary.

Secretary BRANNAN. We certainly would not. We recognize that there will be a lot of administrative difficulties in the administration of these and the other types of acreage limitation and marketing quota programs. I assure you the Department of Agriculture is not going out looking for that kind of trouble or work.

Mr. HOEVEN. Assuming that the crop situation in the coming year is about the same as it is this year, in which marketing quotas do not apply, do you see any reason why they should apply next year? Just assume the same state of facts. I do not think it will vary very much.

Secretary Brannan. The same state of facts we know will not prevail next year which prevailed this year. This year we went into the year with one of the lowest carry-overs in all our history, 125,000,000 bushels. Next year we will go in with the highest, or one of the highest, carry-overs in our history, which makes next year a very much different situation.

Mr. HOEVEN. You already have made your estimate for next year, have you not?

Secretary BRANNAN. That is right.

Mr. HOEVEN. Taking that into consideration, do you think we are going to have a very different picture next year?

Secretary BRANNAN. The picture in October of next year, which would be the point at which you would begin thinking about 1951, which is the year in which you are primarily interested now, Mr.

Congressman, will be different than this year because apparently we will have this substantial carry-over that we did not have this year. In other words, I am saying that we cannot reason that from the fact that we did not ask for a marketing quota program this year, it would preclude the possibility of asking for it in a subsequent year. We have the very abnormal factor this year of an extremely low carry-over of 125,000,000 bushels as of October 1, 1948, which I think all of us have good reason to believe will not be the case on October 1 of this year or October 1 of 1950.

Mr. HOEVEN. You appreciate the interest of the Iowa farmer, in that Iowa produces the greatest corn crop in the Nation.

From all the information I can gather, we certainly do not want to resort to marketing quotas unless they are absolutely necessary.

Secretary BRANNAN. Their sense of security must be bolstered by the fact that they will not be put on unless they vote them.

Mr. PACE. Mr. Hoeven, will you yield?

Mr. HOEVEN. I will yield.

Mr. PACE. Mr. Secretary, have you already decided that you will not have marketing quotas on the 1950 corn crop?

Secretary BRANNAN. No.

Mr. HOEVEN. That was my understanding.

Mr. PACE. It is the 1949 corn crop that you have decided on, is it not?

Secretary BRANNAN. That is right, sir.

Mr. PACE. You have taken no action with regard to 1950?

Secretary BRANNAN. It would not be time yet to take action with respect to the 1950 crop.

Mr. PACE. I did not think so.

Mr. HOEVEN. Then I misunderstood the Secretary yesterday. I understood him to say that there were no acreage allotments and, therefore, there would be no marketing quotas for 1950.

Secretary BRANNAN. 1949, for the crop which is about to be planted and harvested.

Mr. HOEVEN. The same historical situation would prevail that I have explored here from year to year?

Secretary BRANNAN. Yes, and there would be no difference in the answers to your questions for 1950.

Mr. HOEVEN. I am glad you have made that clear.

Mr. PACE. In other words, it will not be until October of this year before you take a look at 1950.

Secretary BRANNAN. That is right.

Mr. ANDRESEN. Will the gentleman yield?

Mr. HOEVEN. Yes, I will yield.

Mr. ANDRESEN. You have other methods and ways of controlling production through the allocation of acreage for the 1950 crop, even though you do not put in marketing quotas. You can tell the farmers—and I suppose that will be the case for next year, 1950—that you will allocate acreage for corn. You intend to do that, do you not?

Secretary BRANNAN. May I say, Mr. Andresen, that there is a distinction between the goals or recommendations which the Department issues and the actual application of acreage allotments. Acreage allotments normally would follow the voting of marketing quotas by the farmers. I do not mean to say that you could not put in acreage allotments, but the desirability and practicability of it might be carefully examined.

Mr. ANDRESEN. During all of the prewar years, you did have acreage allotments on corn?

Secretary BRANNAN. That is right.

Mr. ANDRESEN. And you did not have marketing quotas?

Secretary BRANNAN. That is right.

Mr. ANDRESEN. And if a farmer did not live up to his acreage allotments for corn, he was denied either all or a portion of the benefits under the Soil Conservation Act?

Secretary BRANNAN. That is right.

Mr. ANDRESEN. So that you have that method of control. I know up in our territory we have difficulty in raising enough corn to fill our silos, because of restrictions that were made in the acreage-allotment program. What I want to bring out here is that you can attempt to control production, even though you do not put marketing quotas into operation, through the acreage-allotment plan.

Secretary BRANNAN. Yes; you can attempt to do it.

Mr. PACE. Will the gentleman yield?

Mr. ANDRESEN. Yes.

Mr. PACE. Mr. Secretary, your lawyers tell me that not only can you put acreage controls into effect, and not only can you penalize a man on his payments under the Soil Conservation Act, deny those for noncompliance, but that you can also deny him the support-price program for failure to comply. It is news to me, frankly.

Secretary BRANNAN. I understand that to have been the law since 1938.

Mr. PACE. So they say.

Secretary BRANNAN. I understand it never to have been used, but nevertheless it was the law.

Mr. PACE. I understand that a former Solicitor has an opinion to that effect, which I am going to study very carefully.

Secretary BRANNAN. Two different Solicitors, as a matter of fact.

Mr. ANDRESEN. I have two of three other questions that I wanted to ask you about, but Mr. Hill wanted to ask you a question before I conclude.

Mr. HILL. Mr Secretary, to clear up my own thinking, according to your testimony yesterday, if I recall correctly, you said that 80 percent of this corn was used on the farms, is that correct?

Secretary BRANNAN. Just about 80 percent is consumed on the farms, and converted into pork, chiefly.

Mr. HILL. Why is the Department of Agriculture interested only in that 20 percent of the corn crop? Speaking from a national standpoint, why should we try to control the use of corn that the farmer feeds to his cattle and hogs and markets in a different category than he markets the corn itself?

I do not see the complexity of this problem when you look at it from the standpoint that you are interested in only 20 percent. I wish you would tell me why you want to control what the farmer grows and puts into livestock or dairy cattle or other processes on the farm.

Secretary BRANNAN. Of course, we do not want to do any such thing, but in terms of what is in the best interest of the people and what is desirable to carry out the mandates of the statute to try to bring excessive production in line with demand, we first of all should look at the consumption of corn in the form of feeding it to livestock, no matter whether it be fed on the farm or where it is raised, or fed on a farm a block away or fed in feed lots miles away.

If I remember correctly, the court has even held that that is marketing the corn. In other words, selling the corn to your neighbor, who might feed it to the hogs, and using the corn yourself on your own land are one and the same process. If you applied your acreage limitation to 20 percent of the crop, it just would not be practical. I do not think you would have any acreage limitations.

Mr. HILL. Why do they make the statement that feeding corn on a farm where it is produced is no different than shipping it to our sheep feeders in Colorado? You know full well that there is all the difference in the world. You have the movement of the corn to the elevator, you have the freight on the corn, and you have the moving of the corn into the sheep pens. I do not think there is any comparison.

If a farmer feeds it on his farm, it is not anybody's business. We are going to get in trouble on our whole program if you are going to maintain that attitude. I am not worrying about what the Supreme Court says, because they say something today and tomorrow they reverse it. If you are going to support farm prices, and you will never be able to work out a program if you are going to consider the corn fed on the farm the same as corn fed in feed lots 5 miles away or 505 miles away.

Secretary BRANNAN. Make the distinction, Mr. Hill, between the production of hogs for commercial sale and the production of hogs or chickens for use by the family on the farm. If you are talking about the latter, of course there is some substance to your argument, but if you are talking about converting corn into hogs for sale in the market place, it seems to me there is little or no difference between the sale of the corn to the man who will feed it to the hogs 10 miles away and in feeding it yourself and selling the hog to that man or his neighbor 10 miles away.

Mr. ANDRESEN. On that point, for the benefit of my friend, you brought out, Mr. Secretary, that if a man uses his chickens or his hogs or his cattle for feeding himself and his family and his hired man, that is all right. I happen to be a preacher's son myself and part of the compensation of my father was to get chicken or a piece of meat from the farmer. That was a part of his salary. That would not be permitted under the interpretation that you cannot give it away, but you can use it for your own family.

If a farmer should attempt to give a piece of meat or chicken, that had been fed with some of this corn, to the preacher, that would not be allowed. It would be subject to penalty.

Secretary BRANNAN. I am not sure that is the correct interpretation. I would have to ask my lawers about that one.

Mr. ANDRESEN. Here is a problem that troubles me in connection with our discussion yesterday about the commercial corn area and the area outside the commercial area. We were talking about lower support prices for corn outside of the area. I was looking over the schedule of support prices and I notice that our leading corn-producing States, like Iowa and Illinois, have a support price of around $1.37 or $1.38 a bushel, whereas in Kentucky and Tennessee, it is $1.61 a bushel. It runs from $1.59 to $1.60 in West Virginia. It seems to me that with a higher support price outside of the commercial corn area, that is an inducement to people to grow more corn in the area where there is a higher support price.

Certainly I cannot see anything in this that gives the people outside a lower support price. How do you explain that?

Secretary BRANNAN. You explain that by the proximity to the established markets at which prices of these commodities are fixed by the daily tradings. The differences by counties reflect primarily the freight differentials from those particular areas.

Mr. ANDRESEN. Let us take the case of New Jersey where they raise a lot of chickens. Their support price is $1.60. Do you tie that in with Chicago, or does that reflect the difference in the freight rate between Council Bluffs, Iowa, and Newark, N. J.?

Secretary BRANNAN. Kansas City or Chicago, and I say, Mr. Andresen, that in so doing we are following the established practices of the trade in these kinds of commodities. We are required by the statute to follow as closely as possible the established practices of the trade, and this is a part of it.

Mr. ANDRESEN. Then the farmers who raise corn in New Jersey and want to get a loan on it, or in Tennessee or Kentucky or West Virginia, will have an advantage over the farmer inside the commercial corn-producing area, because they will probably get 25 cents or 30 cents a bushel more. It has nothing to do with the market in Chicago.

Secretary BRANNAN. I wonder if you could call on Mr. McArthur to explain this. He works day in and day out with the terminal market and freight differentials, and so forth. I think he can do a more lucid job than I.

Mr. ANDRESEN. The reason I bring this up is because we were discussing here that the support price or the loan rate would be materially lower outside the area than it was in the commercial corn area.

Secretary BRANNAN. It would not under the legislation which prevails this year.

Mr. ANDRESEN. I am reading from this year's schedules.

Mr. MCARTHUR. Mr. Congressman, our corn loan programs have been set up on more or less of a historical pattern of farm prices in different areas. They are not established on a terminal-market basis like we have our wheat loan prices. Historically, whether the area was surplus producing or a deficit feeding area has had its effect upon farm prices for corn, and the corn loan pattern has been more or less determined on a historical basis.

The loans in New Jersey and Maryland do not reflect a full freight difference over Chicago or Illinois. It is related to what has been historical in the way of corn prices of the different areas.

Mr. ANDRESEN. A farmer who raises corn in New Jersey or Tennessee and wants to get a loan on it is not interested in Chicago prices or Iowa prices. He gets the loan rate in his home area at $1.60 or $1.61. If we want to get closer to home, you can take my own county in Minnesota. The loan rate is $1.37. I live on the banks of the Mississippi River. You can go across the river where the land is equally good and they raise just as much corn, and it is $1.41. Of course, the acreage has expanded because of the differential, but they are outside of the commercial corn area.

Mr. HOEVEN. There is also variation within the State itself.

Secretary BRANNAN. And there is variation by counties within States. I think if you will trace back the explanation of each one of them, you will find that freight rates or some adjusted figure based on freight rates accounts for it.

Mr. ANDRESEN. That may be, but by having a larger loan rate in areas where they are outside the commercial corn area, you are encouraging additional production of corn, whereas you are discouraging it within commercial corn area.

Secretary BRANNAN. Mr. Andresen, I do not think that is quite right. Let us take it in the New Jersey situation where you drew the wide differential. The objective really is to make the price support effective in that area. We will say the corn which must supply the demands in New Jersey, which it does not supply from its own production, must come from Iowa, Indiana, Kansas, or some other State. It must travel over there at the price at Kansas City market plus freight and handling charges. It we were to put the support price at the same figure in New Jersey as it is in Kansas, then the support price would actually be without any appreciable assistance or aid to the man in New Jersey who was producing corn. If he got only that, he would always be getting less than what the market would give him.

Mr. ANDRESEN. Do you have any corn loans in Tennessee, Kentucky, New Jersey or any of these higher-loan States?

Secretary BRANNAN. I am sure we have some. The number of them we can give you very shortly, I believe. I have found we do not have it here by States, but we can have it for you by States if you want that in the record.

Mr. ANDRESEN. I think it would be well to put this tabulation in the record. If there is no objection, I would like it inserted.

Mr. PACE. If there is no objection, the tabulation will be filed with the clerk for insertion at this point in the record.

Dr. Patzig advised the committee later that the corn loan rates for 1948 crop ranged by counties from $1.34 to $1.63 per bushel, averaging $1.44 nationally. Purchase agreement rates for 1948 crop ranged from $1.34 to $1.66 per bushel. The upper range of rates on purchase agreements applies only to feed deficit States where corn loans are not available. Actual loans in the high loan States have been made on the 1948 crop in Kentucky, Tennessee, New Jersey, and other feed deficit areas as follows: Kentucky, loans on almost 2,300,000 bushels at $1.51; Tennessee, loans on about 119,000 bushels at $1.56; New Jersey, negligible quantity at $1.60; relatively small quantities involved in a few other States.

Mr. HOEVEN. Will the gentleman yield?

Mr. ANDRESEN. I yield.

Mr. HOEVEN. As I understand it, Mr. Secretary, the loan figure in my county of $1.36 and the loan rate of $1.60 in New Jersey are arrived at by considering the historical price plus the freight rate and the handling charges.

Are there any other considerations that enter into it?

Secretary BRANNAN. There are other adjustment factors in there.

Mr. HOEVEN. What are they?

Secretary BRANNAN. I would like Mr. McArthur to explain those. Will you give us the other ones, Mr. McArthur?

Mr. McArthur. On corn, it has been pretty much on a historical basis. As I said before, the loan rate in New Jersey does not reflect the full freight difference over Chicago or the surplus corn-producing areas in Illinois. It goes appreciably in that direction, but not enough to encourage more than normal production in those areas.

Mr. Hoeven. An Iowa farmer may say to me, "I am getting $1.36 and they are getting $1.60 in New Jersey. Why is that?" What am I going to tell him? You say the historical price figure is taken into consideration, as well as the freight rate and the handling charges. Is there any other consideration? On what do you base your determination of these figures?

Mr. McArthur. As the Secretary has brought out, the producer in New Jersey is entitled to a support higher than the producer in Iowa is because on a historical basis the prices have always been higher there.

Mr. Hoeven. That may be true, but why is it $1.60 and not $1.62 in New Jersey, and why is it not $1.40 in my section instead of $1.36? Just give us the things that are considered in finding the particular figure. I would like to have it broken down.

Mr. McArthur. What you are bringing out is that we have to take the historical production by areas and weight it by the proposed loan rates to see that they come out at the national average.

Mr. Hoeven. And that is the historical figure. Then do freight rates enter into it?

Mr. McArthur. In the case of corn, freight rates influence but do not determine entirely to the extent they do in wheat, because such a large percentage of corn is fed on the farm, while a large percentage of wheat, for example, flows to markets.

Mr. Pace. Will the gentleman yield?

Mr. Hoeven. Yes.

Mr. Pace. Would it be satisfactory, Mr. Hoeven, to ask Mr McArthur to prepare and submit to the committee tomorrow, if possible, from his records, exactly how the different supports are arrived at and the elements that are taken into account and the weights given to each element? Would you let us have that in the morning with enough copies for each member of the subcommittee?

Mr. McArthur. Yes.

Mr. Hoeven. That will be satisfactory.

(The information is as follows:)

How County Loan Rates on Corn Are Determined

Originally Commodity Credit Corporation loans were made available to producers at a flat rate over the entire producing area. Since under free market conditions corn prices are lowest in the areas of heaviest production relative to consumption and are highest in the areas of greatest consumption relative to production, a flat loan rate proved to be more attractive in the low-price heavy producing areas than in the high-price consuming areas. Consequently, under these flat-rate loan programs an undue amount of corn moved into storage in the low-price areas and stocks in these areas accumulated to undesirable proportions. Similar shifts in the location of stocks were experienced in connection with flat loan rates on cotton. The percentages of the cotton crop put under loan increased with the distance of the States from the heavy consuming areas in the East.

In order to correct this tendency toward uneconomic concentration of corn stocks resulting from flat loan rates, CCC put location differentials on corn loan rates into effect in 1941.

Since about 85 percent of the corn crop is not shipped as corn but is fed to livestock on farms close to where it was grown, the loan differentials were determined not on the basis of freight rates but on the basis of location differentials as reflected in United States average farm prices available by crop reporting districts, broken down by counties.

Location differentials in the rate of loans constitute legitimate recognition of the fact that market prices of a commodity vary according to the location of the commodity, and that in order to afford all producers equivalent price support from a loan program, it is necessary, therefore, that the rate of the loan should likewise vary according to the location of such commodity. It is also obvious that to the extent that loan rates at different locations are adjusted to reflect differences in normal market prices, the loan program will operate not only to give equal price support to the commodity at all locations but will tend to guarantee producers of the commodity a price which more nearly represents a purchasing power comparable to the percentage of parity prescribed by the Congress as the rate of the loan.

In breaking down the United States average farm loan rate by location differentials, the congressional mandate to make loans at 90 percent of parity is met so long as the schedule of loan rates is calculated to assure a weighted average loan rate equal to 90 percent of parity.

In determing the corn loan rates by counties average price relationships of corn during the marketing years 1921–22 to 1940–41 are used, adjusted for abnormal conditions Since long-time historical location differentials in corn prices, adjusted for abnormal conditions, are accepted as a measure for the normal market price for a county, the loan rates for different counties, as determined, reflect the differences in such normal market prices.

Since 1941, when loan differentials were first employed in the corn loan program, the same method of determining county loan rate differentials has been used in the subsequent programs.

In weighting the county loan rates so that, if applied to total national production, a United States average farm loan rate of 90 percent of parity is assured, latest available 5-year average county production data are used.

Mr. PACE. Mr. Simpson.

Mr. SIMPSON. Mr. Secretary, on page 4 of your statement you stated that approximately 80 percent of all the corn produced in the United States is fed on farms where produced. On page 9, you read that unless there is an unfavorable outlook for the 1949 crop, practically all of the supplies of corn put under loan or purchase agreement may be expected to be offered to the CCC. If 80 percent of it is fed on the farms, that would leave 20 percent in the hands of the CCC, less whatever is sold on the market, is that right?

Secretary BRANNAN. There really is no particular relationship between the two statements except that 80 percent of the corn which is produced in the country, no matter in what position it may be, will eventually be fed.

Mr. SIMPSON. The figure I was trying to get at was the approximate percent that would be in the hands of the CCC unless there was an unfavorable outlook in 1949. That would be 20 percent less what went to market, approximately, is that right?

Secretary BRANNAN. No, it would not necessarily be that. Even some of the corn which may later find its way into nonfeed sources might be kept by the farmer under his ownership and possession. The reason is that the farmer will put under loan to the Government all of the corn which he does not think he can sell at a higher price. Whether or not it is being fed or whether or not is it going to some other commercial or industrial use is a secondary factor, an unrelated factor.

Mr. SIMPSON. You expect that unless there is an unfavorable outlook for the 1949 crop, practically all supplies of corn put under loan or purchase agreement will be offered to CCC. What I would like to know is, outside of exports, what will the Commodity Credit Corporation do with this corn?

Secretary BRANNAN. We will, under the statutory obligation, accept it. We will attempt to store it and it will be stored in our possession or under our control, resealed, as the term is now frequently used, and carried over into a subsequent year. It will be represented in part by the figures in the right-hand column on the first table in this brochure.

Mr. SIMPSON. Other than export, where would you dispose of the corn?

Secretary BRANNAN. It may be fed back to livestock on the very farms where it is sealed. That all depends on the outcome of the succeeding year's crop, on the stimulation of production of livestock, on the amount of feeding which the man may want to undertake, on the amount of feeding which his neighbors may undertake. It is possible that we may have that corn or the exchange for it in kind for several years.

Mr. SIMPSON. If it is sealed at $1.31 in Illinois and that same farmer can purchase it back from the Commodity Credit at a later date, approximately what would he pay for it?

Secretary BRANNAN. To date the Government has never taken title to corn stored on the farm. If the corn was resealed on the farm, with the title remaining with the producer, he could redeem the corn for his own use by paying the loan plus interest and any storage allowances which the Government may have advanced to him.

Mr. SIMPSON. That brings me to this question: What do you regard as a necessary carry-over in bushels?

Secretary BRANNAN. I have said on previous occasions that I considered a 700,000,000 bushel carry-over an entirely reasonable carry-over, one which perhaps this Government ought to contemplate as a year-in-and-year-out average from here on.

Mr. SIMPSON. How many bushels?

Secretary BRANNAN. 700,000,000 bushels. I point to the fact that if we had a large carry-over of that character in 1944, 1945, and 1946, we might have avoided the excessive prices of meat to consumers which we all experienced at that time. After all, the supplies of corn available are the primary factor in meat production in this country because they are transposed into pork, which is the largest item on the meat market.

Mr. SIMPSON. On page 9, on your yield per acre from 1930 to 1948, your statement reads:

> there has been a steady increase of from approximately 20 bushels to the acre in 1930, to an all-time high of 42.7 bushels in 1948.

The yield is more than double. It reads:

> Concurrently with this remarkable increase in yield, there has been a decline in the acreage devoted to corn from around 104,000,000 acres in 1930, to 86,000,000 in 1948.

The decrease in acreage has not been in proportion to the yield, has it?

Secretary BRANNAN. There really is not any relationship between the two. The increase is accounted for by improved varieties.

Mr. SIMPSON. In figuring the all-time high of 42.7 bushels per acre, that takes in the commercial area and the noncommercial area as well, does it not?

Secretary BRANNAN. I am sure it does.

Mr. SIMPSON. In Illinois and possibly in Iowa—I do not know whether they raise as much good corn in Iowa as they do in Illinois or not—we have yields of 90 to 100 bushels of corn per acre and your national average is only 42.7.

Secretary BRANNAN. That is right.

Mr. SIMPSON. I have one other question, Mr. Chairman. On page 4, under question 4, should quotas apply to corn produced for silage:

the Agricultural Adjustment Act of 1938 provides that the quotas shall also apply to corn produced for silage in the commercial area.

That cannot mean that you include the corn that is produced on the farm and fed to hogs or cattle.

What I would like to know is, Why is even silage taken into the picture and not the corn that is fed to hogs or cattle?

Secretary BRANNAN. The corn put in silage is for the purpose of feeding hogs and cattle.

Mr. SIMPSON. What about the ear corn that is fed to hogs and cattle?

Secretary BRANNAN. That is just another way of feeding it. They both reach the same exact use except through different types of feeding programs.

Mr. SIMPSON. Are both of them covered in this statement where it says the Agricultural Act of 1938 provides that quotas shall also apply to corn produced for silage in the commercial area?

Secretary BRANNAN. That is right.

Mr. SIMPSON. That means ear corn or shelled corn as well?

Secretary BRANNAN. That is right.

Mr. SIMPSON. That is all, Mr. Chairman.

Mr. PACE. Mr. Secretary, let me say one word here to aid in the direction of the questioning while you are here. As I see the picture and as I understand your testimony, I do not see how the Congress can do a good job on any of these commodities unless we treat with the whole feed grain picture at one time; that is, corn, oats, barley, and other feed grains. It seems to me that if we are going to legislate we need very quickly your over-all recommendation treating with the whole feed grain picture whereby when you deal with corn you are not only authorized but you are required to deal with the other feed grains such as grain sorghums, oats, rye, and barley. At the same time, you should be authorized and required to take into the same picture your livestock situation. Do you see any way we can do a good job on this unless we go at it in that manner?

Secretary BRANNAN. No, sir. That is the reason yesterday I begged your indulgence in permitting me to join our over-all recommendations with respect to corn with the other major crops. I do think, Mr. Chairman, that when we are speaking of corn, we are speaking of one of the major commodities, and the solution of the problem with respect to corn and a complete understanding by everybody of the problems as they relate to corn will be a very important and useful advantage when you talk about all the rest of the problems and many of those in the other grains.

On the basis of their carbohydrate and other feed values, most commodities find themselves in the market, pricewise, in relation to corn. Therefore, I say to you that there is good reason for studying carefully corn as a separate item, notwithstanding the fact that when you come to make your general legislative pattern you will have encompassed many other commodities in it.

Mr. PACE. While you had this past year 3,650,000,000 bushels of corn, at the same time you had 1,500,000,000 bushels of oats, which is not a minor contributor to the feed grain picture.

Secretary BRANNAN. And we had the highest production of grain sorghums in the history of our country.

Mr. PACE. You had 325,000,000 bushels or better of barley.

Secretary BRANNAN. That is right, which just adds to the complications. It also has very substantial nonfeed uses, namely, beer.

Mr. PACE. I do not think you or the committee can do a good job, and I do not believe the corn growers of this Nation will ever submit to quotas, unless you have taken into account the competing feed grains. I would not want to, as a corn grower, submit to controls unless the competing grains, which, as you say, have a comparable market value, depending upon their feed value, are also subject to controls. While I appreciate your statement that we need to study corn alone, I think in everything we say and think about corn, we should be thinking about all of them and, at the same time, be thinking about the livestock requirements.

I think if you have set up an over-all feed grain program, you must at the same time completely coordinate that with your livestock program.

Mr. ANDRESEN. Will the gentleman yield?

Mr. PACE. Yes.

Mr. ANDRESEN. Would the gentleman also suggest you should control the production of hay and pasture grass because that competes with corn and other grains?

Mr. PACE. I do not know. I would not even attempt to guess at that. I know if you are going to have cooperation on the part of producers, and if the Secretary of Agriculture is going to do a real job, he must have somewhere the authority to do the job over-all.

Mr. POAGE. Will the gentleman yield?

Mr. PACE. Yes.

Mr. POAGE. It seems to me if we are going into the question of controlling every one of these fields, we will be controlling everything the farmer grows and we will have a completely controlled economy, and while you might not get an exact balance by controlling only the major crops that there may be a good deal of merit in leaving something free to the farmer to exercise his own judgment on.

It seems to me there is no closer relation between corn and barley, for instance, than there is between cotton and wool, and certainly no more than there is between cotton and synthetics. Yet we control the cotton crop without any control whatever over wool or synthetics, and we have done some good by doing it. We can do some good in the corn picture without going into everything that the farmer grows.

Mr. HILL. May I ask Mr. Poage a question? That is exactly what I had in mind when I asked the question about controlling the corn the farmer fed to his livestock on the farm. It is exactly the same question that Mr. Andresen asked when he mentioned the hay. If you do what I said, keep away from the control of this consumption that goes into the livestock and is fed on the farm, then you will begin to have a program that has some hope of succeeding. Otherwise, I think you will not.

Mr. PACE. I am not trying to give the answers. I am trying to throw out the problem. I can see where if you went all the way you would have to get into the cotton picture with corn. Cottonseed meal or cottonseed hulls are competing feeds—soybeans also. I do not think you are going to bring any happiness to the Corn Belt by simply controlling one of the feed grains.

Mr. POAGE. Mr. Chairman, do you think you can bring any happiness to the farmers of America by controlling everything they raise from canary birds on up?

Mr. PACE. I think as long as other parts of our population are enjoying protection the farmers are entitled to comparable protection in the nature of support prices. You know and I know that the United States Treasury, with all of its greatness, cannot support prices at an appropriate level unless the producers agree to bring their production within reasonable limits.

I think that is the big question. It is a question of whether or not you are going to be completely free and buy in a protected market, or whether you want to be subject to reasonable limitations and operate under some protection for yourself.

Mr. HOEVEN. Will the chairman yield?

If I get the chairman's statement correctly, he means that if we have rigid price supports we must have controls also. Is that not in substance what the chairman means?

Mr. PACE. I am going to answer "Yes" to that question. If you are going to have fair price supports I think the producers necessarily must agree to bring their production within reasonable limitations.

Mr. Sutton.

Mr. SUTTON. Mr. Secretary, I am still a little disturbed about this noncooperator. Mr. Hunter ably explained it to us the other day in his testimony.

Should the commercial area in the Corn Belt have a referendum and vote for controls the areas adjacent to this commercial area would have nothing to say about it. The Department of Agriculture and the Secretary could decide that acreage controls are absolutely necessary and invoke upon all corn-producing areas acreage controls, which according to Mr. Hunter's testimony can be done by means of the Secretary and the Department of Agriculture declaring such to be the case, even though the people in the adjacent area declined to abide by these controls, having had nothing to say about whether they should be controlled or not. They would be classified as noncooperators and in turn they would not be eligible for price supports on their cotton, and their tobacco.

Am I correct in that? They could be classified as noncooperators, and as a result they would not be eligible for any other phase of price support because of their lack of cooperation in acreage control in corn, in which they had no voice in its establishment.

Secretary BRANNAN. I think the authority is broad enough to contemplate the possibility of that.

Mr. SUTTON. That was Mr. Hunter's interpretation of it, and of course I do not in the least doubt his interpretation. I have a great respect for his ability.

Do you not think that phase of the law should be changed?

Secretary BRANNAN. That is a question of high policy for this committee. The objective of our price support programs is to effectively maintain and stabilize the income of farm people. They would like to achieve that goal with the minimum amount of interference with the normal plan of operation and complete freedom of the farmer to do just as he sees fit.

Mr. SUTTON. The reason I say that, Mr. Secretary, is this: If they are outside of this commercial area and they do not produce corn to such an extent that they should be classified in the commercial area, then they do not produce enough corn that it will matter in one way or the other.

For that reason, I personally believe they should not be classified as a noncooperotor, even though acreage controls in corn do come about, because they do not produce enough corn to matter.

Secretary BRANNAN. If they do not produce enough corn to amount to anything, it might follow, Mr. Sutton, that they do not produce enough corn to seek the need of price support mechanisms.

Mr. SUTTON. I am referring to my home State, which is adjacent to the commercial area. I have been in touch with quite a few of the large producers of corn in the State since yesterday. They are almost of one accord. They would like to come into the commercial area.

Secretary BRANNAN. Apparently some of them are.

Mr. SUTTON. But they also say if they do not come under the commercial area that they do not want to be classified as noncooperators when it comes down to their tobacco and their cotton, if they have no voice in determining the quotas on corn.

Mr. WOOLLEY. I think a pertinent observation on that, Mr. Sutton, would be that we have never had acreage allotments on corn outside the commercial corn area as such. We have only had soil depleting allowances in our program outside of the commercial corn area.

Mr. SUTTON. But you could have it under this law.

Mr. WOOLLEY. That is true.

Mr. SUTTON. That is the reason I am saying it should be corrected by law in case it ever did come up.

Secretary BRANNAN. The answer to that, Mr. Sutton, is simply that if it is necessary to apply some sort of restrictive measures in order to secure the ultimate objective, namely, stability of price and some balance between production and demand, then the amount and the type of restriction that you can place on any one individual, of course, is the thing we are speaking for, the minimum amount.

If you think the law and the potential power to do the things you indicated, which of course have never been done, should be changed, I certainly am never going to be in the position before this committee of seeking for powers merely for powers' sake. I would not tell you not to do it.

Mr. SUTTON. I have the highest of compliments for the present Secretary of Agriculture, and I have no doubt whatsoever that he would do it. But I am looking to the future when we may not have as able a Secretary of Agriculture as we have today.

Secretary BRANNAN. Thank you, Mr. Secretary.

Mr. COOLEY. Mr. Chairman.

Mr. PACE. Mr. Cooley.

Mr. COOLEY. Mr. Secretary, I am wondering whether or not that power which Mr. Sutton has just referred to exists in the present law or if it is found only in the Aiken bill.

Secretary BRANNAN. It has existed since 1938, Mr. Cooley.

Mr. COOLEY. But you never have attempted to use it?

Secretary BRANNAN. That is right.

Mr. COOLEY. When you have regulated the production of one crop you have not attempted to regulate the entire farming operations?

Secretary BRANNAN. That is right, except with respect to the application at some times, I think, of the payments for non-soil-depleting crops. I think there has been some old history of withholding payments for adjustments or shifts.

Mr. COOLEY. We have had tobacco under control more frequently than any other crop, and there never have been any requirements attached to the program other than that the farmer stay within his given acreage allotment. You never have sought by inducement or otherwise to force him to control his other acreage, but you do have the soil program payments which he receives if he complies with the program.

I never was conscious of the fact that that power now existed in the present law. I do not think Congress ever intended it to be in the law. I do not know how you have interpreted it to put it in the law since 1938.

Secretary BRANNAN. The only reason we did was because you people asked us whether it was there or not. We did not interpret it with a view to using it tomorrow.

Mr. COOLEY. That is all, Mr. Chairman.

Mr. HOPE. Mr. Chairman.

Mr. PACE. Mr. Hope.

Mr. HOPE. Right at that point, I am no more anxious than anyone else to see a lot of regimentation connected with these programs, but suppose you have a corn program and have acreage allotments with or without marketing quotas, and under the acreage allotments you decrease the acreage of corn 20 percent nationally and in the States. Of course that would not be worked out uniformly at 20 percent, but you would be reducing the corn acreage on the individual farms.

Unless you have some control of that acreage that goes out of corn there will be nothing to keep the farmer from planting grain sorghums or barley or oats, which would simply complicate your problems. He would not produce as much feed, in all probability, as if he had that acreage in corn, but he would produce a very substantial quantity which to that extent would render your corn control program ineffective.

My question is if we take out of the law the authority which you now have to regulate the use of the acreage that goes out of a crop which is under acreage allotments or marketing quotas, do you think the law could operate effectively?

Secretary BRANNAN. Mr. Hope, I think we are coming to a period of time when the possibilities will be just as you have indicated, that a farmer may go out of one soil-depleting crop and into another soil-depleting crop, such as soybeans.

During the war we encouraged him to go into soybeans because this country and the world had fats and oils deficiencies. One of the national objectives of a farm program is the conservation, good use, and preservation of our soil resources. We would not be following that principle or paying due respect to that principle if there was not some device for encouraging the farmer when he goes out of one soil-depleting crop not to go into an almost exactly substitute soil-depleting crop.

I should say to you that at least for the next few years I would hope there would be enough flexibility to deal with some of these problems which I think are going to arise. Again I say to you that we are not seeking any powers at all, but there are some powers which are essential to effective control programs. Beyond that, as they are all taken away, I certainly do not care at all.

Mr. HOPE. I just want to comment, Mr. Chairman, that I would like to see Congress write the rules and determine the policy as far as we can, but I do not see how we can anticipate everything that can possibly happen to the extent that we can put everything in the law that would have to be applied in working out the many complicated problems that are bound to come up as soon as we start to put the controls into effect. I think that one of the biggest jobs confronting this committee, is defining the powers and controls as well as we can as a matter of policy, and still leave enough flexibility and authority that whoever is administering the law will have an opportunity to make it work. I do not think we want to tie things up in such a way as to hand a law to the Department of Agriculture that cannot possibly work.

Mr. SUTTON. Will the gentleman yield?

Mr. PACE. Mr. Sutton.

Mr. SUTTON. What I was interested in, Mr. Hope, was the fact that a man who was a noncooperator in one phase would be classified as a noncooperator in all phases of it.

Mr. HOPE. I think you have a very good point there, and that is something we want to consider very carefully. I do not know why we cannot work out something along the lines you are speaking of.

At the same time, I think we are going to have to have some control over the acreage that goes out of production of the controlled crop.

Mr. SUTTON. I agree with that 100 percent.

Mr. POAGE. Mr. Chairman.

Mr. PACE. Mr. Poage.

Mr. POAGE. It seems to me it is perfectly clear that the members of this committee had not fully realized the powers that the law has given to a department over a long period of years, because on several occasions to my recollection, this committee has discussed with representatives of the Department, the advisability of legislation making all soil conservation payments dependent on compliance with the complete program, that is, compliance with planting on every acre of the land. In short, the question of letting the Department determine just what the land should grow in return for soil conservation payments is what has been discussed.

Every time it has been generally agreed that we would not go quite that far. Apparently we have already gone that far, if the Department wants to exercise that power.

That is your opinion, is it not, Mr. Secretary?

Secretary BRANNAN. I am so advised, Mr. Poage.

Mr. POAGE. Do you feel that the Department will shortly exercise the power to make all soil conservation payments dependent upon compliance with acreage controls, and that those controls will be imposed?

Secretary BRANNAN. I should say, Mr. Poage, we have not had the question before us.

Mr. POAGE. It is bound to be before you next year, within the next planting season. Do I understand that the Department contemplates that if the production is great enough this year to justify it, in your opinion, you plan on using this power next year to control the total plantings on the farms of America?

Secretary BRANNAN. I have no such thought.

Mr. POAGE. You only contemplate controlling the production of those crops where the farmers vote acreage controls or marketing controls?

Secretary BRANNAN. That probably would be the area. I certainly do not want to say some things here this morning which will preclude us from working out an effective farm program. To that extent, I wish to be very careful in what I say.

Mr. POAGE. Do you think you have to have that power, what I may call this newly discovered power? Do you think you have to have that power to effectively operate?

Secretary BRANNAN. Mr. Poage, again the purpose is an effective farm program, one which will justify the expenditures of the amounts of money which the American taxpayer will have to be called upon from time to time to spend. That is the point the chairman made a few moments ago.

Mr. POAGE. I think the program in the past has justified the expenditures, and I assume you agree that it has also.

Secretary BRANNAN. I certainly do, and I want to make it very clear that I think a substantial expenditure of funds in the price support program will always be in the national public interest.

Mr. POAGE. I agree with you.

Secretary BRANNAN. But it may be found desirable in some areas by some device or other—and I am not saying by a penalty practice of some kind or other—to try to induce the farmer not to continue to raise another competitive crop to the one he and his brothers have just voted to get out of, or induce him to get into a soil-conserving type of program looking toward an expanded live-stock industry, for example, or an expanded dairy industry.

Mr. POAGE. With the general decline in farm prices that seems to be on us now, and that is apparently still under way, including decline in livestock prices, which has just been about as severe as it has been in other prices, will we not rapidly reach a point where if we are going to use this control of the diverted acres as a method of maintaining prices on all commodities we will simply have to require that all diverted acres lie fallow and ultimately take a substantial portion of the American food-producing plant out of operation?

Secretary BRANNAN. I do not think it follows.

Mr. COOLEY. Will the gentleman yield?

Mr. POAGE. Surely.

Mr. COOLEY. It appears to me that it might naturally follow when you have a surplus of tobacco, a surplus of peanuts, a surplus of cotton, a surplus of wheat, and a surplus of corn.

Mr. POAGUE. And a surplus of livestock.

Mr. ANDRESEN. Oh, no.

Mr. COOLEY. If you lay down a farm program in my area and say that I cannot grow any of those crops, and I cannot grow anything that competes with any of those crops, then naturally I am going to have idle land with nothing that I can turn it to.

Secretary BRANNAN. There are a lot of things I would like to go back over. First of all, I do not agree that the last several items you have named are surplus.

Mr. COOLEY. I am willing to concede that they may not be surplus now, but you can certainly foresee the day when they might become surplus.

Then if all those five or six major and basic agricultural commodities become surplus on the market, and you take a program and say to all sections of the country that they cannot grow any of these crops or any crop competing with these crops, then you are certainly going to bring about a lot of idle acres.

Secretary BRANNAN. Certainly you would if you said all, but I asked you, Mr. Cooley, and the committee, what are the alternatives to some kind of limitation on excessive production.

Mr. WHITE. Mr. Chairman.

Mr. PACE. Mr. White.

Mr. WHITE. I just wanted to interpose a thought that possibly a little fallow land would not be too bad an idea anyway. Is that not about right?

Mr. HILL. Will the gentleman yield? It is much better to have a few acres of idle land and save your farmers than to permit them to go into the production of crops that will still break their backs.

Mr. WHITE. I quite agree with the gentleman.

Mr. COOLEY. Will the gentleman from Texas yield a little further?

Mr. POAGE. I will yield.

Mr. COOLEY. I do not want the record to appear that I am opposed to having idle acreage, but I do wonder if any farm program should be broad enough to take away from the farm owner the right to use his own farm as he wants to use it.

Mr. PACE. Will the gentleman yield?

Mr. COOLEY. Yes.

Mr. PACE. There is one other test that should be brought there, and one that I am sure will concern the Secretary. It should be made sure that there is production on the farm adequate to maintain the farmer and his family with a proper standard of living.

Mr. POAGE. Not only that, but there must be production on those farms adequate to maintain the population of the United States with an adequate standard of living at a reasonable price. If we go to a point of simply keeping land idle to force the price of foods up, I do not think we will very long get the support of Congress to keep that going and I do not think that we would deserve its support.

I think as long as we keep the production of our major crops in reasonable balance and give the consuming public a choice of various foods at fair prices we can expect consumer support for this sort of program. But when we reach a point when we say to the consumer that it does not make any difference what he wants to buy, we are not going to produce it, I do not think we will get the consumer's support or congressional support for that sort of program.

Secretary BRANNAN. Mr. Chairman, I do not quite know how we got into this area, but I want the record to be completely clear on the point that the long-established position of the Department, at least over the past few years, has been for abundant production and for efficient and economic uses of our lands and the production of enough food for all of our people, even going beyond the capacity of some of them to pay for it, in some cases. That is replete in all our records, so I have no objection to the discussion going on, just as long as you understand that you are not arguing with me about it.

Mr. HOPE. Of course, that has been the policy of Congress also because the AAA Act of 1938 expressly stated that the policy would be one of ample supplies for the consumer. I recall that in the summer of 1937 the Congress passed a resolution before the AAA Act of 1938 came along which went as far as anybody could go in saying that the policy of the Congress was abundant production. That language is as strong as you could possibly make it. That has been the policy of the Congress, and I am sure the policy of the Department.

Mr. POAGE. I think it has been the policy of both Congress and the Department, but I do not want to see us venture out on a contrary policy now. I do not think the Department generally recognized that they had this power, any more than the Congress did, because too many representatives of the Department have been before this committee too many times to discuss the possibility of granting power to tie the soil benefits into the AAA payments, and that sort of thing. You apparently have all of that power right now.

Mr. COOLEY. They just found a good lawyer down there, Mr. Hunter.

Mr. POAGE. I understand that two past solicitors have written opinions holding that they have that same power. Is that right?

Secretary BRANNAN. That is my understanding.

Mr. POAGE. But those opinions are not circulated around to the division heads of the Department who do not appear to be immediately affected by them, are they?

Secretary BRANNAN. I think usually the fellow who asks for the opinion is the one who is interested in it most and maybe the others have access to it but probably do not take the time to look it up.

Mr. POAGE. That is right. I do not think it has been generally known in your Department that you had that power; do you?

Secretary BRANNAN. That is an awfully difficult question to answer, because we never wondered whether we did or not, except apparently at the time those opinions were written when somebody was wondering whether we did have them or not.

Mr. HOEVEN. To go a step further. I do not think the farmers of the country knew that the Secretary had that power.

Mr. POAGE. Certainly not. At least their Representatives on Congress did not know it, I am certain of that. The farmers thought we had passed a bill, and we thought we had passed a bill that gave the farmers the right to pass on any acreage controls or production goals. We thought we had a law that required the farmers to pass upon it before you cracked down on them.

We now know that we do not have that democratic law, that we have instead a law that says exactly the same as they say in a great many other nations of this world.

Mr. ANDRESEN. Will the gentleman yield?

Does the gentleman understand now that no referendum is required on the part of farmers to put marketing quotas into effect?

Mr. POAGE. Certainly I understand that. You may not call them marketing quotas, but you put acreage controls into effect and it has the same results.

Mr. ANDRESEN. I will admit that. Of course prior to the fall of 1938 we had a program where a farmer was paid for planting soil-conserving crops, but after that they put in a program to pay him for planting soil-depleting crops. That was under Wallace. The original intent of the program was changed.

Mr. POAGE. I do not know that any program ever paid them for planting soil-depleting crops.

Mr. ANDRESEN. Certainly.

Mr. PACE. Will the committee pardon me in suggesting that we get back on corn for a little while?

Are there any further questions by the committee?

Mr. ANDRESEN. I wanted to ask a question about corn.

Mr. PACE. Are you prepared this morning, Mr. Secretary, to aid the committee with suggestions regarding the corn law itself on the question of how the acreage allotments should be made, and so forth, or do you want to let Mr. McArthur or somebody else cover that?

Under the present corn law you are taking into account corn production over a period of 10 years. Have you any recommendations that the committee change that to a lesser number of years?

Secretary BRANNAN. Mr. Chairman, if you will refer to my reply to one of the questions, we do suggest that under certain circumstances the committee might want to consider shortening the period.

Mr. PACE. Do you have a recommendation as to what the period should be, Mr. Secretary?

Secretary BRANNAN. There was the suggestion that you might want to consider a shorter period of time, a 5-year period, in connection with establishing the average carry-over as one of the factors. That was a recommendation we set forth on page 8.

Mr. ANDRESEN. Is that a firm recommendation, or do we have to wait until you come up with the Department's recommendation?

Secretary BRANNAN. Excuse me, that is not on page 8.

As I said to the committee yesterday, there is some interdependence between the recommendations that you would make with respect to establishing some new formula for corn acreage quotas or marketing quotas or allotments which would be generally applicable across the board. They might also apply to wheat and they might also apply to some other grains. We thought we would deal with the recommendations in a composite at the time we came up with the recommendations on the price support program. After all, they are one of the ancillary instruments to a price support program.

Mr. PACE. Mr. Secretary, as I recall, your State corn allotment is based on the production over the period of the last 10 years.

Secretary BRANNAN. A 10-year moving average.

Mr. PACE. Your commercial area qualification is based on the last 10 years. Do you expect to cover items of that character in your general statement to the committee a week from now?

Secretary BRANNAN. We do.

Mr. PACE. Do those recommendations cover all those commodities?

Secretary BRANNAN. Yes, sir; although that does not mean we will take them up commodity by commodity because I think they fall in general classes.

Mr. PACE. You know the Department has already submitted its recommendations with regard to cotton.

Secretary BRANNAN. I know a lot of discussion has gone on with respect to cotton, Mr. Chairman.

Mr. PACE. Your associates have made specific recommendations that certain years be considered.

Secretary BRANNAN. We certainly did recommend specifically that 1949 be taken out.

Mr. PACE. I think you recommended that you start off with 4 years and drift into 5 years after we get beyond the 1949 period.

Mr. HOEVEN. Mr. Chairman.

Mr. PACE. Mr. Hoeven.

Mr. HOEVEN. Can we assume, then, judging from the Secretary's statement, that we are going to have specific recommendations from the Secretary of Agriculture next week on a farm price-support program, including recommendations as to marketing quotas on corn and wheat, and everything that is included in the discussions that we are holding here with reference to the possible repeal or amendment of the so-called Aiken law? I am just wondering when we are going to have these recommendations.

Mr. PACE. The Secretary has advised me that he can let us know definitely Monday, and I am hoping that it will be some time next week. The Secretary has been working under pretty heavy pressure and I do not know how nearly he has concluded his recommendations.

Do you want to comment, Mr. Secretary?

Secretary BRANNAN. I would just like to say, Mr. Chairman, that I deeply appreciate the indulgence of yourself and Mr. Cooley and the other members of the committee in letting us take what we think is the necessary time to get our views in order to present them. We feel an obligation. I feel that the Secretary of Agriculture, whoever he may be, has an obligation to give the Congress his views on these very key subjects.

On the other hand, I do think, and I think every one of us recognizes, that they are pretty tough problems. If they were not really tough problems somebody would have walked in and said "Here is the solution," and the matter would have been wound up long ago. We are just going to try to get here as quickly as we can, and we say right after the first of the month we expect to be here with our recommendations.

Mr. Hoeven, we will try to be as comprehensive in our recommendations as possible, starting with the price-support mechanisms and formulas themselves and those things which are ancillary and necessarily related to them.

Mr. HOEVEN. Specific recommendations on what we are discussing here today relating to corn marketing quotas?

Secretary BRANNAN. Yes, sir.

Mr. PACE. I anticipated, of course, that you would cover the price-support field, the general program, a discussion of abundance of production, the problem of consumption, and so forth. I had not anticipated that you would then deal with the specific question of the machinery for quotas.

My question is whether or not we should pursue this question now, inasmuch as this committee has so much work to do on must legislation, or whether it would be better before trying to go into corn allotments, and so forth, to wait for your statement.

Secretary BRANNAN. My only thought on it, Mr. Chairman, is that we are day by day studying the very same information that we made available to you in these brochures. If the committee cared to continue their studies of them, I think when it comes time for the final recommendation to be acted upon, or other recommendations to be acted upon, you will be well equipped to say, "We agree with this because we have studied it," or "We disagree with it because we have studied it." We will have to go through some kind of discussion and investigation either before or after.

Mr. SUTTON. Will the gentleman yield?

Mr. PACE. Mr. Sutton.

Mr. SUTTON. Mr. Secretary, it will be your intention to bring us an over-all picture of all the phases with reference to the Aiken bill and the entire program, not just corn or cotton or wheat, but for the whole picture?

Secretary BRANNAN. Yes, sir.

Mr. SUTTON. That is personally what I am hoping will be done.

Secretary BRANNAN. We intend to be as comprehensive as we can. We hope we will not be too comprehensive.

Mr. SUTTON. I would like to ask one question, Mr. Chairman.

Mr. Secretary, on page 3 of your statement, should the commercial corn area be expanded, you make the statement:

> The elimination of the concept of the commercial corn area and the substitution of the entire country as a corn-producing area was considered at recent meetings with PMA State committeemen from corn-producing areas. These farmer-representatives indicated that farmer-thinking in the commercial as well as in the noncommercial area was not in favor of changing the formula for bringing additional areas into the commercial corn-producing area.

Maybe Mr. Woolley can answer this question a little better than you, since he was there. Was that group of committeemen representative of all sections of the country, or was it just from the commercial corn belt?

Secretary BRANNAN. From all parts of the country.

Mr. WOOLLEY. We did not have 48 States there, but we had representative States in from all of the feed-deficit areas. For example, we had present a representative from Tennessee.

Mr. SUTTON. That was State committeemen, not county men?

Mr. WOOLLEY. That is correct. There was a man from California, a man from the feed-deficit area in the East. We had 14 States present.

Mr. SUTTON. Do you remember the representative from the State of Tennessee?

Mr. WOOLLEY. I do not recall him at this time. We had a number of meetings and they have all been in here at one time or another.

Mr. SUTTON. The reason I was asking that, I have had so many of the county committeemen get in touch with me.

Secretary BRANNAN. Would you like to have that phoned back to you, Mr. Sutton? We will give you the name.

Mr. SUTTON. I would like it, if it is not too much trouble.

Mr. WOOLLEY. There were seven States outside the corn area and seven States inside.

Mr. PACE. Mr. Andresen.

Mr. ANDRESEN. Mr. Secretary, getting back to the feed situation, do you feel that the average small-sized farmers should be permitted to raise enough feed on their own land to take care of their normal feeding operations on their farms?

Secretary BRANNAN. For their family needs?

Mr. ANDRESEN. A dairy farmer would probably be raising some hogs and a few beef cattle. Do you think he should be permitted to raise enough feed to take care of that livestock?

Secretary BRANNAN. He certainly should have access to enough feed to have an efficient dairy operation. He may be so situated in a part of the country that it is not economically sound for him to raise corn, for instance.

Mr. ANDRESEN. Who would make that determination that it is not economically sound? Would that be made by the Government or would that be made by the farmer himself?

Secretary BRANNAN. It is the farmer's decision. The Government makes none of those decisions.

Mr. ANDRESEN. We will say a farmer has 160 acres of land in the Middle West. He has a dairy herd of 25 cattle. He has about 30 or 40 hogs. He has probably half a dozen young stock. Do you think he should be permitted to plant that 160 acres to crops that will supply that livestock with feed?

Secretary BRANNAN. In my opinion, he should be permitted to do whatever he would like to do with that land. It is his land to do with as he sees fit.

As to whether he should plant it to corn, perhaps he should seek the advice of some good technicians.

Mr. ANDRESEN. If he has the land to plant corn on, should he be required to go outside of his own production and buy corn from the commercial corn area?

Secretary BRANNAN. He should not be required to do anything that he does not want to do.

Mr. ANDRESEN. He will be if you put acreage allotments or marketing quotas into operation.

Secretary BRANNAN. Approaching this whole problem from the standpoint of the national interest, if his fellow farmers vote marketing quotas, that will be the case.

Mr. ANDRESEN. In the case of the farmer I have mentioned, he has two silos on his farm. He will take probably 20 acres of corn to make the silage to fill those two silos. Do you think he should be permitted plant enough corn to fill his silos?

Secretary BRANNAN. I find it most difficult to try to answer the question. We start out with the premise that he ought to be allowed to do, and will be allowed to do, as far as you and I have anything to do with it, everything that he wants to do personally.

In the national interest, it may be necessary, if we are to extend price supports to his type of operation, that he bring his type of operation within the same kind of national pattern that all his neighbors are going to bring theirs into. I am saying that at no time do we tell him what he must do, but I think before we extend the Federal Treasury's money to encourage him to do things which are not in the national interest we ought to consider whether or not we will extend them to him.

Mr. ANDRESEN. Do you extend price support to silage corn? Will you loan money now on green corn with high moisture content that is growing for silage purposes?

Secretary BRANNAN. No.

Mr. ANDRESEN. But you say there is no difference between silage corn and corn that is permitted to mature.

Secretary BRANNAN. I say there is no difference in the ultimate use of it. There is a difference, of course.

Mr. ANDRESEN. But you want silage corn controlled because of the similarity of feeding operations.

Secretary BRANNAN. No, I do not want silage corn controlled. As I understand the law and the regulations now, silage corn should be included in establishing the factor known as commercial corn, or corn for market which goes into his over-all factor of determining his marketing quota. Otherwise, he could raise any amount of corn and put it all in silage and feed it all to his hogs through that process, if that were efficient and economical, and avoid complying with the same kind of rules and regulations his fellow farmers voted for.

Mr. ANDRESEN. As you know, in many areas, and particularly in the dairy areas, if they are permitted to continue their existence, there a farmer generally feeds everything he raises on his farm to his livestock.

Secretary BRANNAN. And usually buys some more.

Mr. ANDRESEN. And he sells the products from his livestock. That is the way those farms are run.

Prior to the war when we had acreage allotments, all those who wanted to cooperate with the program and receive the benefits had to comply in their production with the acreage allotment, and that was particularly true with corn. I am sorry that you have laid special stress on the silage end of the corn in your prepared statement.

Secretary BRANNAN. I was only reciting the law, if I understand it correctly.

Mr. ANDRESEN. I understand you recited the law, which I tried to amend but did not succeed. I will no doubt try it again.

You should draw the line between silage corn and the regular mature corn because the farmer cannot go out ordinarily and buy corn to fill his silos with. That has to be in a green stage. He can go out and buy mature corn, but that is not worth anything for his silage. The silage corn is for roughage and nutritive value for the cattle. You recognize that, do you not?

Secretary BRANNAN. That is right.

Mr. SUTTON. Will the gentleman yield?

Mr. ANDRESEN. I am asking if the Secretary recognizes the difference in the feed value of the two.

Secretary BRANNAN. I recognize that there are differences in the purposes and uses of corn, certainly.

Mr. ANDRESEN. In silage corn you feed the entire stalk so you get the roughage and the feed value with it in addition to the corn, while in mature corn you do not feed the entire stalk but just the grain.

Mr. SUTTON. Mr. Andresen, would that not be classified along with your alfalfa and lespedeza and other hay?

Mr. ANDRFSEN. Hardly that, although the Department did recommend that instead of feeding silage corn we should feed alfalfa and clover from our silos, mixing in a little salt and cottonseed meal and other things. We are not going to undertake that.

Mr. PACE. Mr. Secretary, I think what Mr. Andresen is interested in is whether or not you would recommend that no corn producer's acreage be reduced to less than the amount necessary to produce corn for feeding and silage, and so on. I think that sums up the question.

Secretary BRANNAN. In determining either his marketing quota or his acreage allotment, you should exclude the amount of corn raised on land for feeding his own livestock through silage or direct feeding, or any other way. I am trying to state the question now.

In my opinion, no matter how the corn is fed, if it is fed for the commercial operations of the farm it should be included in the acreage allotments or marketing quotas.

Mr. ALBERT. Will you yield?

Mr. PACE. Mr. Albert.

Mr. ALBERT. On that point, do you not think, Mr. Secretary, that we are just about getting to the edge of the practicability of this entire program? I think there is a point beyond which we cannot go through the price-support program in trying to induce farmers to control their entire crop production. It may be that they should in their own interest and in the national interest, but I do not think farmers will yield beyond a certain point.

It may be to their interest that their entire production for commercial purposes should be limited and that price supports and soil conservation payments should be withheld if they do not comply, but I think if we go that far we might as well drop the whole program of price supports, because I do not think the farmers will stand for that kind of control.

Mr. HILL. I want the Secretary to answer that question and then I want to ask a question.

Secretary BRANNAN. Mr. Albert, that is the real crux of the whole problem with which I think the committee is confronted and the Congress is confronted today. The American farmers are about to call upon the American people to put considerable amounts of money into a price-support program. I think we must convince the American people that the programs are reasonable and operate in the national public interest; and that if we do not the money will be cut off before the farmer decides whether or not he likes the program.

Fundamentally, that is the thing that faces this committee and I think faces the American farmer. All of the programs which have been devised so far, and the ones which are in operation today, for their basic premise have the widest opportunity for the farmer himself to determine the type of program. I am for expending that and continuing it as far as possible.

I do not say to the American farmer—and I think you will have to tell your constituents—that perhaps the people who have something to say about how much money from the American Treasury will go to maintain their price supports will have to be convinced that they are getting either a direct or collateral benefit out of that expenditure. We do it by making the programs sound and reasonable, and in the national public interest, and not specific class legislation.

No one considers the right to price supports to be a fundamental matter of right of the American farmers, because it was not so long ago when we did not have them. If we were to follow what you and I see in the papers, such as appeared in the Washington News yesterday, and if that opinion became generally adopted over the country—of course, it is a very erroneous statement—you and I might find our problem very much simplified. We would just not have a program.

All I am working toward is trying to make the program as workable as it can be, first for American farmers, and by and through their successful operation to the American economy and the American taxpayer. Within those limitations maybe the American farmer will have to submit to some restrictions of his methods of operations, just as I think any American citizen has a right to drive his automobile at the highest rate of speed he feels like driving it on any given day, but he should not be permitted to do it, and he is not permitted to do it when he jeopardizes the national welfare.

Mr. ALBERT. Mr. Secretary, I recognize that on the one side we have the taxpayer and the consumer to consider, and that the program could break down if it should cost too much, or it it were held that it was keeping necessary goods from the public. But on the other side we have another practical situation, and that is how far, as a matter of fact, the farm population of this country will go.

Secretary BRANNAN. Mr. Chairman, may I interpose a question, if it is appropriate for me to do so? I would like to ask the committee to think how long the committee wants to stand for, and the American people will stand for, a type of price support program for potatoes which we had last year. I know the American potato producer is not up here saying, "We want that specific type of program," but somehow or other he got it and the smart ones took advantage of what the law allowed them. I do not criticize them for that. But if we have another $250,000,000 loss on potatoes alone, in addition to the severe losses we had in the two previous years, and if we have another one next year, I think if we suggested to the American potato producer that he should accept some kind of limitations it would not be unreasonable.

Mr. HILL. Mr. Chairman.

Mr. PACE. Mr. Hill.

Mr. HILL. You still confuse me more than you clarify my thinking. The testimony in this committee from the time I have been a member of it, for over 8 years, shows that the important thing for us to do is to maintain and continue our family-type farms. How much simpler would this program become if your Department would leave out completely your family-type farms in regard to the feed and the products produced on those farms as long as they are consumed within the boundary of that farm?

That answers Mr. Andresen's question. He insists that ensilage be considered differently than it has been before. Here is a farmer who grows 5 to 10 acres of wheat. But not a pound of that wheat is marketed. That goes back to Mr. Albert's question.

I am firmly convinced that your whole program is going up in smoke, speaking of price supports. You have already suggested it on potatoes. It will go up on everything, which I am certain none of us wish, unless you make a distinction between the family-type farm and the commercial farm, regardless of the Supreme Court or anyone else. The family-type farm is not selling on the market. That farmer is not selling a pound of corn or a pound of wheat. You come along and say you are going to have more livestock on a farm or you are willing to produce more dairy cattle and more hogs and poultry.

Then you force him to bankruptcy by telling him he cannot do that because he must come under the same regulation that a wheat farmer in Mr. Hope's territory comes under, where wheat is grown, or a corn farmer in Iowa that grows corn and nothing else, has to come under. You cannot see the difference in a family-type farm.

Tell me why it would not simplify your program if you made a distinction between a man who does not sell his products on the commercial market and the commercial farmer?

Mr. HOPE. It seems to me the gentleman ought to define what he means by a family-type farm. If I understand it correctly, your definition of a family-type farm is a subsistence farm where you do not sell anything off the farm at all.

Mr. HILL. He might sell livestock, but he would not sell commercial corn and he would not sell commercial wheat. There is quite a difference between selling corn in hogs and corn in ensilage through the cow.

Mr. HOPE. What is the difference?

Mr. HILL. I can explain the difference in one illustration. I walked over much of a certain section of Portugal. That is all you need to do. There is no livestock. The land is washed away. It is good for nothing People who live on the farms are serfs.

That is exactly where you are going to be headed if we are going to peel off the topsoil and continue to destroy the ground that has made America self-sufficient. The man markets his products, but he does not market them commercially. He markets them through dairy cattle and hogs, and so on.

Mr. PACE. I think the Secretary had better be given a moment to reply to that.

Mr. HILL. I am asking a fundamental question. I am not talking about the maniplations of the market with the product the farmer grows. I am talking about keeping the farmer on the farm.

Mr. PACE. I am afraid you have put the Secretary in a position he has never assumed.

Mr. HILL. I want to know if it would not be much easier to work this program out if you would leave these farmers alone.

Mr. PACE. I know the Secretary is interested in the family-sized farm, and I think he ought to have an opportunity to reply before the question gets cold.

Secretary BRANNAN. Thank you, Mr. Chairman.

Of course, my definition of a family-sized farm, applied to an acreage limitation, would probably include 80 or 90 percent of the corn which is produced. Therefore, if you were to do anything about the acreage limitations or marketing quotas, which the statute prescribes that you shall, then you could not begin to do it if you did not include the family-sized farms of this country.

In my opinion, most of the farms in the Corn Belt area are family-sized farms. Some may be bigger than others. My definition of family-sized farms is not the subsistence farm, and I do not think it is Mr. Hope's definition of the family-sized farm.

Mr. HILL. I did not say anything about that.

Secretary BRANNAN. If they are the major producers of the bulk of the commodity, then if you are going to do anything with the commodity you have to ask those people to participate.

Mr. POAGE. Will the gentleman from Colorado yield?

Mr. HILL. I would like to ask this question: Let us suppose a farmer has 20 acres of corn and 10 acres of wheat. Please run that through all your intricate organization plans and tell me how he is affecting the corn market and the Chicago grain market. He never sells a bushel of it.

Secretary BRANNAN. You understand I am not interested in affecting the prices on the Chicago Board of Trade.

Mr. HILL. The only difference now is that you are manipulating the market and they used to do it. Just tell me how he affects the market. He is selling milk or fat hogs. How does he affect the market?

Secretary BRANNAN. He affects the food market of the country when he sells meat.

Mr. HILL. What food market?

Secretary BRANNAN. The livestock food market of the country. That is his business. The corn is one step in the process of preparing his final cash commodity for the market. The cash commodity is pork.

Mr. HILL. When why all this complex corn program, if he is not selling corn?

Secretary BRANNAN. He is selling corn in the form of hogs.

Mr. HILL. Then control the hogs. Control the milk. You are doing pretty well on milk right now. My milk has gone down 2 cents per quart.

Secretary BRANNON. We have a statutory obligation to control with respect to the price support on hogs. There have been times when I think they attempted to limit the production of hogs. My own recollection is that it was quite unsuccessful, but nevertheless it was a statutory obligation to undertake.

Mr. POAGE. Will the gentleman from Colorado yield?

Mr. HILL. He was going to give us an answer as to why the family-type farm should not be included in this program.

Secretary BRANNAN. Mr. Hill, if you will turn to the tables entitled "Percentage of corn acreage allotments by respective size groups, by States, in 1941," which was the last time they had allotments, you will find the specific sized farm you were speaking of, 20 to 30 acres, composed 16.6 percent of all the farms in the country, all the farms having acreage allotments in the country.

If you take the range from 10 on up to about 40 or 50, or from 5 to 50, you have 7 percent of all the corn producers in the country. In those brackets you would find my definition of the family-sized farm.

Mr. ANDRESEN. A 50-acre farm, or where he raises 50 acres of farm?

Secretary BRANNAN. I do not know what the acreage of the farm is, but this is a 50-acre allotment of corn.

Mr. ANDRESEN. I can show you two or three hundred acre farms where they are only given 15 acres of corn to be planted under the corn-acreage program.

Secretary BRANNAN. That is historic.

Mr. POAGE. Will the gentleman yield?

Mr. PACE. Mr. Poage.

Mr. POAGE. Mr. Secretary, does it not seem reasonable that the way to reach the objective we are now discussing of enabling a man to produce a minimum amount that might be needed to maintain his own operations would be to apply the same principle that we apply in the Cotton Quota Act? There you exempt two bales. Anybody who wants to can go out and grow his two bales of cotton.

We have a minimum in wheat. Now, if we try to define a farm as a family-sized farm, you could fix a reasonable minimum that anybody might grow. We do that on cotton. Every little town in the South has cotton planted on vacant lots. It does not come under the quota because it all comes within that 1,000-pound or two-bale limit. If you will give some such basic exemption on the growing of corn, will you not solve the very problem that is being discussed here?

Secretary BRANNAN. Mr. Poage, if I understand your position, with which I agree, you are saying just the opposite of what Mr. Hill is saying. Mr. Hill is saying that we should take the family-sized farms out of the operation of the program. What you are saying is that we should take the very small producer out of the operation of the program.

Mr. POAGE. That is exactly the same.

Secretary BRANNAN. I do not apply the term "family-sized farm" to that small producer. I apply it to the bulk of the farms in this country.

Mr. POAGE. That small producer may not even be able to support a family.

Secretary BRANNAN. That is right. That is a clear distinction, if I understand Mr. Hill's suggestion. His suggestion is that you run a corn program without applying it to the bulk of American corn producers.

Mr. HILL. Let me ask you this: How are you going to sell an idea to the farm people if a farmer who does not market one bushel of corn but must come under your control program?

Secretary BRANNAN. That is a misuse of the term, because he does not sell his corn. He sells it on the hoof. That does not make any difference.

Mr. PACE. All things must come to an end.

Mr. Secretary, I want to make one comment in conclusion. I know it was a mere oversight when you referred to the job you and this committee have to do in convincing the American people of the fairness of the farm program. I am sure you would want to add that we also need to convince the American people of the importance to the economy of this nation and their own welfare of a stable and prosperous agriculture.

Secretary BRANNAN. Indeed I do, sir.

Mr. PACE. That is one of the great benefits that the general public receives from a fair farm program.

Secretary BRANNAN. And many other benefits.

Mr. PACE. Mr. Secretary, we are indebted to you. We will not ask you to return tomorrow. You have been very generous with your time. I would like to have tomorrow morning at 10 o'clock a representative, Mr. Secretary, who is qualified to go into the details of how corn allotments are now being made.

For example, under the law, as I see it, there is no formula at all for the farm allotment in the county except some general language. That is, there is no historical base or anything of that kind.

We would like to have here the attorneys or administrative officials whom you may designate to give us the details of the program tomorrow.

Mr. ANDRESEN. I am a little confused about what the Secretary has in mind that our committee shall do on this legislation. The Secretary has said several times that it is within the high policy of this committee whether we shall do certain things on farm legislation. The reason I am confused is that you are coming up. I understand, in a week or 10 days to give us the Department's program.

I recall that the Eightieth Congress was castigated by certain people because we did pass certain farm legislation and other legislation. I am wondering if the Secretary has in mind that it is now up to the Congress and the committee to formulate a piece of agricultural legislation, or if we are going to listen to the recommendations of the Department later on?

Secretary BRANNAN. I attempted to express the view that the power to make laws is vested with this committee. The obligation to render all assistance possible toward the enactment of the soundest kind of laws rests on the Department and everybody else who has any information to give.

In discharge of our obligation, which I think is a very important obligation, we are going to make our recommendations. What you do with them after that is your business, because we cannot tell the Congress that it has to pass anything.

Mr. ANDRESEN. If we do not follow your recommendations, will certain people who administer the laws go out and give the Eighty-first Congress the same kind of tongue lashing that the Eightieth Congress got? You have done that, you know.

Mr. PACE. Gentlemen, the committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 12 o'clock noon, the committee adjourned.)

CORN ACREAGE ALLOTMENTS AND MARKETING QUOTAS

THURSDAY, MARCH 24, 1949

House of Representatives,
Special Subcommittee of the
Committee on Agriculture,
Washington, D. C.

The subcommittee met at 10 a. m., Hon. Stephen Pace (chairman) presiding.

Mr. Pace. Gentlemen, the committee will please come to order.

We will this morning hear witnesses on the methods by which the corn acreage allotment would be determined under existing law. We hope the witnesses will have recommendations drawn up from their experience, as to any needed changes. The first witness will be Mr. T. B. Walker. Mr. Walker will you come around and identify yourself for the record.

STATEMENT OF T. B. WALKER, CHIEF, PROGRAM ANALYSIS DIVISION, GRAINS BRANCH, PRODUCTION AND MARKETING ADMINISTRATION

Mr. Walker. My name is T. B. Walker.

Mr. Pace. And what is your official connection, Mr. Walker?

Mr. Walker. I am chief of the Program Analysis Division, Grains Branch, PMA.

Mr. Pace. Mr. Walker, I am going to ask the committee counsel, Mr. Parker, to open the questions, and then we will join in with him later.

Mr. Parker. Mr. Walker, at the outset will you try to tell to the committee how the corn acreage allotments are determined under the present law, that is, the law prior to the amendments of the Agricultural Act of 1948?

I understand with respect to corn the acreage allotment must be determined not later than February 1?

Mr. Walker. That is right.

Mr. Parker. Will you start with the national acreage allotment and tell us how that is arrived at, and then go down, step by step, until you get to the farm allotments.

Mr. Pace. Pardon me, Mr. Parker. Do you not think he should fix the marketing quotas, the over-all marketing quotas?

Mr. Walker. Marketing quotas have never been applied to corn.

As I take it, your question is that you would like me to take up how the national allotment is determined first?

Mr. Parker. That is correct.

Mr. Walker. Under section 328 of the Agricultural Adjustment Act of 1938, provision is made for the establishment of a national acreage allotment on corn, which will produce, with average yields, a sufficient quantity of corn, which, together with corn produced outside the commercial producing area, will make a supply equal to the reserve supply level as defined in the Agricultural Adjustment Act of 1938.

The reserve supply level is defined as the normal domestic consumption, plus normal exports, plus 10 percent. That is the annual reserve supply level.

Section 328 also provides that adjustments shall be made for trends in domestic consumption and exports when determining normal domestic consumption and exports.

Now section 304——

Mr. PACE. Pardon this interruption—you determine your normal yields for a stated period of years?

Mr. WALKER. Ten years preceding the year in which such determinations are made, adjusted for trends and abnormal weather conditions——

Mr. PACE. That figure is subject to adjustment?

Mr. WALKER. That is correct.

Mr. PACE. The last 10 years would require adjustments on account of the increase in yields in the last 4 or 5 years.

Mr. WALKER. Yes; there have to be adjustments for trends, as yields are going up, although the farm acreage is dropping.

Mr. PACE. Go ahead, Mr. Walker.

Mr. WALKER. Under section 304 we have consumer safeguards; that is, a standard is set up using the 1920 to 1929 period as the base, which says that in all instances when determining the national corn-acreage allotment you must provide for at least sufficient corn production to produce a supply of food which at least is equal to the amount that was available for the people of the United States during that period.

Mr. PACE. Per capita?

Mr. WALKER. Per capita; that is, per capita consumption. In order to do that, when you determine the national corn-acreage allotment the consumption is broken down into the utilization of corn by uses; that is, the amount of corn fed to work stock, the amount of corn fed to livestock, poultry, and dairy for domestic consumption; the amount of corn fed to livestock, dairy and poultry for export; the amount of corn used for industrial purposes and seed; and the amount of corn exported as grain.

We determine each of these uses over the 10-year period and adjust them for current trends. To illustrate, the amount of corn for work stock for the 10-year period 1938–47 was about 240,000,000 bushels, but the work stock, mostly horses and mules, has been declining almost in a straight line of reduction, until now only 150,000,000 bushels of corn are estimated to be required for the work stock.

Mr. PACE. What is the need of the complicated calculation in the case of domestic consumption, if total domestic consumption gets all of it anyway?

Mr. WALKER. It is necessary in order to get an accurate check against this consumption-safeguard provision in section 304.

Mr. PACE. My question is directed to why the need of this domestic safeguard; it is in the over-all domestic consumption.

Mr. WALKER. It is needed to break it down to make a check against the consumption safeguard. In other words, the law provides that we must have available that supply of corn necessary to meet the consumer-safeguard standards.

Mr. PACE. What is the figure, if I may ask?

Mr. WALKER. On the average?

Mr. PACE. Yes; how many bushels of corn?

Mr. WALKER. For the consumer safeguard and domestic consumption?

Mr. PACE. Yes.

Mr. WALKER. That is estimated now to be 2,550,000,000.

Mr. PACE. How much?

Mr. WALKER. 2,550,000,000.

Mr. PACE. That is the over-all domestic consumption.

Mr. WALKER. No; I want to get this straight It is the amount of corn needed for livestock, dairy and poultry production for the domestic consumption. The 2,550,000,000 bushels is for the 1949–50 marketing year.

Mr. PACE. How much is it for the individual consumer item?

Mr. WALKER. Per individual?

Mr. PACE. Per capita?

Mr. WALKER. The per capita consumption standard set by the consumer safeguard is 14.8 bushels of corn. That is for the feed to livestock, dairy, and poultry for domestic consumption.

Mr. PACE. You mean, in considering the consumer safeguard you include the corn that the person eats and you include the corn that the livestock eat?

Mr. WALKER. Corn that is fed to produce livestock.

Mr. PACE. That includes everything in the way of feed that possibly results in food?

Mr. WALKER. That is right.

Mr. PACE. Again I ask, if that reflects the total domestic consumption, what is the need of going over all of these calculations, trying to break it down into work stock, dairy cattle, hogs, and so on?

Mr. WALKER. So that an accurate check can be made against the consumer safeguard.

STATEMENT OF RUDOLPH PATZIG, ECONOMIST GRAIN BRANCH, PRODUCTION AND MARKETING ADMINISTRATION

Mr. PATZIG. May I interrupt to say, Mr. Chairman, that the need for making these computations results from the legislative provisions embodied in section 304 of the act of 1938, which requires a check against the over-all figure to assure that the computed normal year's domestic consumption is no smaller than it was during a certain period. This period as has been indicated, is the period 1920 to 1929—the period most favorable from the standpoint of consumers, at the time the act was written.

Mr. PACE. My question is not directed to that; my question is why is it necessary to keep that provision in the law; what is the need of it being in the law, is my question. I presume the Department would take some period in making its determination, in trying to arrive at the amount needed for the over-all domestic consumption, but why have this complicated formula?

Mr. HILL. Exploring further this question: I am very much interested, because it seems to me you would need to have this break-down of the consumption, different types of consumption in determining the corn acreage allotment and the trends. Now my question, for my own personal information is this: Not long ago I was talking to someone about the use of corn as a food for people. What is the trend in the consumption of corn per person as a food for people?

Mr. WALKER. It has gone up from about 14.8 bushels per capita to about 17 bushels per capita.

Mr. HILL. When you give those figures, I would like also to get the figures——

Mr. PACE. I do not think those figures are in answer to your question.

Mr. HILL. I wanted the figures showing the per capita consumption of corn for people, that is, where people eat it in the form of corn meal, and so forth.

Mr. WALKER. You mean consumed directly as food?

Mr. HILL. Yes.

Mr. WALKER. I will be glad to get you the figures for that.

Mr. HILL. Is it going up or down?

Mr. WALKER. As far as information available to me is concerned, I would say that there is not much change.

Mr. HILL. There is not much change?

Mr. WALKER. I think there is not much change.

Mr. HILL. Then the next question: In talking about the surplus corn stocks, if we are going to have a surplus of corn in the United States, rather than spending a lot of time trying to find out ways to decrease the corn acreage, as the Secretary was talking about yesterday and even as we are considering it now, why not spend a little more time, I mean the Department, in trying to develop more consumers of corn. As you know, corn is a new crop, and I do not think you will find there is much corn grown in other sections of the world—in fact, I think at the beginning of the war, I know when we were in Europe we found places where they did not know much about how to use corn as a human food.

Mr. WALKER. That is right.

Mr. HILL. They have to be educated. I wish you would get the figures for the use of the committee to show whether or not there is a decrease or increase in the use of corn as a human food.

Mr. WALKER. I will be glad to do that.

STATEMENT OF FRANK WOOLLEY, DEPUTY ADMINISTRATOR, PRODUCTION AND MARKETING ADMINISTRATION

Mr. WOOLLEY. Mr. Chairman, I have some figures on that.

Mr. PACE. Give your name for the record, Mr. Woolley.

Mr. WOOLLEY. Frank Woolley, Deputy Administrator, Production and Marketing Administration.

The consumption of corn products in the form of corn meal: The average consumption per capita for the period 1935–39 was 22.9 pounds, per person.

In 1947 it was 17.1; and in 1948 the preliminary estimates are that it will be 16.5.

Mr. HILL. What about corn sugar and corn starch?

Mr. WOOLLEY. Corn sugar for the average 1935–39, was 2.7 pounds per person; and in 1947 it was 4.5 pounds per person.

Mr. HILL. How much for 1947?

Mr. WOOLLEY. In 1947 it was 4.5 pounds. And the preliminary estimates for 1948, 4.0.

Mr. HILL. That is almost double 1935–39?

Mr. WOOLLEY. That is correct. There are other corn products, corn meal and cornstarch.

Mr. HILL. Do you have the figures showing the consumption of cornstarch?

Mr. WOOLLEY. Yes.

Mr. HILL. What do they show?

Mr. WOOLLEY. Cornstarch, the average was 1.3 for the period 1935–39; for 1947 it was 1.9; and the 1948 preliminary estimate, 1.5.

Mr. PACE. Mr. Woolley, will you provide the reporter with a copy of those statistics for insertion in the record along with Mr. Hill's question?

Mr. WOOLLEY. Yes.

Mr. HILL. Do you have the figures showing the consumption of breakfast foods?

Mr. WOOLLEY. Yes.

Mr. HILL. I might say to anyone who is interested in breakfast foods, that corn mixed with soybeans is suggested for folks who have trouble with their waist line.

Mr. HOPE. Mr. Chairman.

Mr. PACE. Yes, Mr. Hope.

Mr. HOPE. In connection with that same point, I would like to ask you whether, if you know, how many pounds of corn it takes to produce a pound of beef?

Mr. WALKER. You are asking that question of me?

Mr. HOPE. Yes; how many pounds of corn does it take to produce a pound of beef?

Mr. WALKER. On the average it takes about 7 pounds of corn to produce a pound of meat, and for beef it is higher than that. We have those figures in the files, but I do not have them with me.

Mr. HOPE. Well let us say it takes 7 pounds, for the purpose of this question.

Mr. WALKER. It takes about 7 pounds, yes.

Mr. HOPE. So if we want to consume corn in a manner to consume the greatest amount, in order to get rid of the surplus, it should be done in feed form instead of eating the corn?

Mr. WALKER. In addition to using more corn you would also raise the standard of diet.

Mr. HOPE. Yes. If in order to produce a pound of beef a cow has to eat 7 pounds of corn that is one means of getting rid of the surplus.

Mr. WALKER. That is one way to use more corn.

Mr. HILL. And do not forget that when it is made into human food, however, you still have a lot left for livestock use as a byproduct.

Mr. HOPE. Yes. I was talking about a means of getting rid of the surplus, disposing of a lot more corn, because when a cow eats 7 or 8 pounds of corn instead of one by the individual, you will get rid of more corn.

Mr. WALKER. May I finish the answer I started to give.

Mr. PARKER. Yes, I would like you to conclude if you will.

Mr. PACE. We only have about 30 minutes left today to cover this phase of the discussion.

Mr. PARKER. Mr. Walker, in calculating the reserve supply of corn, you have to take into account the normal years domestic consumption?

Mr. WALKER. That is right.

Mr. PARKER. What do you add to that by reason of the consumer safeguard in section 304?

Mr. WALKER. In making the adjustments for trends in normal domestic consumption, we take into account the consumer safeguards, and if our result in the adjustment for trends in consumption are above the standard domestic consumption safeguard, the adjustments are considered to have met both requirements. I have started out by giving you the adjustments here made on the basis of the individual utilizations.

Mr. HOEVEN. You suggest that the period be limited to 5 years?

Mr. WALKER. The 5 years would bring it more nearly in line with the current year in making the determination called for, than for a 10-year period. In the 10-year period adjustment for trends, by reason of improvements, might be too far away from the current requirements, further away then if you used the 5-year period of time. As you say, 5 years would bring it more closely to the years for which we are making the determination.

Mr. HOEVEN. Due to the fact that producers have now gone into the growing of hybrid corn?

Mr. WALKER. Yes.

Mr. HOEVEN. That would more clearly express the situation as it is now, than it would have, 10 years ago.

Mr. WALKER. That is right.

Mr. ANDRESEN. Will the gentleman yield?

Mr. HOEVEN. Yes.

Mr. ANDRESEN. Do you take into consideration also the decrease in the livestock population?

Mr. WALKER. Yes.

Mr. ANDRESEN. In 1943 we raised approximately 122,000,000 pigs.

Mr. WALKER. Yes.

Mr. ANDRESEN. That has gone down to about 81 or 82 million pigs, approximately.

Mr. WALKER. Yes.

Mr. ANDRESEN. The livestock population has decreased very rapidly during the last 4 years, but our human population has gone up. Will you explain how you figure that in?

Mr. WALKER. The consumption safeguard provision would prohibit any adjustments downward because of the loss of livestock to a level below the consumption standard of 1920–29.

Now we do make adjustments in determining the consumption, domestic consumption and export, to provide that wherever the reserve supply level shall take into account the increased human population——

Mr. ANDRESEN. You do not anticipate feeding as much corn to the decreased livestock population?

Mr. WALKER. No, but we have set certain standards which must be provided for. In other words, we have to have enough corn so that we can increase the livestock to a level which it should be with respect to consumer safeguard, because if we do not have the corn, do not have a supply available, then we could not build up the livestock population.

Mr. ANDRESEN. Well our livestock population has been going down. Let us take the year 1947 when we had a short corn crop, for instance.

Mr. WALKER. That is right.

Mr. ANDRESEN. We came through with a carry-over of some 125,-000,000 bushels, and with the beginning of 1946, and even before that, our livestock population had probably reached the peak in about 1943 or 1944, and had started to go down again?

Mr. WALKER. That is right.

Mr. ANDRESEN. And of course there was less corn consumed.

Mr. WALKER. Yes.

Mr. ANDRESEN. Now the point is not quite clear to me as yet just the relationship between the decrease in the supply of livestock and the increase in the human population of the country.

Mr. WALKER. We must, in determining the national acreage allotment level, provide a supply of corn that could rebuild the livestock population to a level necessary for the increased population. Hogs will go down too, and beef cattle will go down too, but if we do not have that supply of feed available we will never be in position to build up to the level where it should be. Consequently in setting the national corn acreage allotment those things must be considered, and the supply must be considered at a level that will enable us to rebuild and maintain the livestock population.

Mr. ANDRESEN. There was no corn acreage quota, no corn acreage allotment for 1949?

Mr. WALKER. That is right.

Mr. ANDRESEN. As I understand, the Department urged the farmers to plant the same acreage to corn in 1949 that they had in 1948.

Mr. WALKER. That is the situation as to corn, the same acreage.

Mr. ANDRESEN. According to the Secretary the estimated carry-over of corn will be between 700,000,000 bushels and 800,000,000 bushels at the beginning of the marketing year 1949.

Mr. WALKER. I could not verify that upper figure; we do know that the carry-over of corn, on the basis of current estimates, would be up to as high as 700,000,000 bushels.

Mr. PATZIG. I believe the Secretary said it would not be more than 700,000,000, and said that it would not get up to 800,000,000 for some time.

Mr. ANDRESEN. What I am getting at is this: Suppose we have 700,000,000 bushels at the beginning of 1949, how does that figure work out with reference to your formula?

Mr. WALKER. That is, the 700,000,000 bushels?

Mr. ANDRESEN. Yes.

Mr. WALKER. What part does that have to play in setting the national allotments?

Mr. ANDRESEN. Yes.

Mr. WALKER. In determining the production needed to meet the requirements of the reserve supply level, we take first the corn that is estimated to be produced outside the commercial area, and then we deduct this amount together with the carry-over of 700,000,000 bushels—if 700,000,000 bushels is the amount from the reserve supply level. The remainder then must be produced in the commercial corn growing area. Then we determine the average yield and on the basis of the quantity of corn needed to be produced, determine the acreage needed in the commercial corn area, which, together with the carry-over and the corn that is produced outside the commercial area would make the supply equal to the reserve level.

Mr. ANDRESEN. Let me ask you about some of the broad factors that apply in the corn formula you have just indicated: Assuming that we raise 3.5 billion bushels of corn this year, in 1949, and we have a 700 million bushel carry-over, and we have an exportable surplus of 125 million bushels, in working out the formula with relation to those figures, does it mean that we will have a corn acreage allotment for the 1950 crop, and possibly a marketing quota?

Mr. WALKER. If we have a crop this year of 3.5 billion bushels and a carry over of 700 million bushels, we certainly would have more corn than is needed, and there is no doubt about the fact that we would be above the marketing quota level.

Mr. ANDRESEN. How much above the marketing quota level?

Mr. WALKER. The marketing quota level, for the 1950 crop, would be based upon the 1948 act, which says, that if the supply of corn is 20 percent or more above the normal supply as defined in the 1948 act, marketing quotas shall be proclaimed by the Secretary.

Mr. ANDRESEN. What is the normal carry-over?

Mr. WALKER. The normal carry-over?

Mr. ANDRESEN. Yes; that is used in that figure?

Mr. WALKER. I believe we are going to get mixed up a little bit if we try to put in the normal carry-over.

Mr. ANDRESEN. You must use some figure for carry-over?

Mr. WALKER. All right.

Mr. ANDRESEN. Some figure for normal supply. Using instead the figure 3,000,000,000 bushels of corn then what would be the domestic consumption?

Mr. WALKER. With the 3,000,000,000 bushels?

Mr. ANDRESEN. Yes.

Mr. WALKER. The 3,000,000,000 bushels that we expect to be produced, and somewhere around 700,000,000 bushels as now indicated for carry-over, would give us a total supply of 3,700,000,000 bushels. Now, in connection with the "normal" carry-over of 7 percent, you raised the question of the ratio based upon the 7 percent provision of both acts: It is 7 percent more than the normal domestic consumption and export, under the 1838 act. It is 7 percent more than the preceding year's domestic consumption and the estimated export for the year in question under the 1948 act. So referring to your question about what is the normal carry-over, it would be 7 percent of these normal requirements, as defined, respectively.

Mr. ANDRESEN. Then if we raised 3.5 billion bushels of corn in 1949 that will be above the requirements and we will have to have a marketing quota?

Mr. WALKER. That would be right, as to the 1950 crop, but not for the 1949 crop. There will be no marketing quota on the 1949 corn crop.

Mr. ANDRESEN. I mean, in making your determination of the acreage allotment for the 1950 crop.

Mr. WALKER. Yes.

Mr. ANDRESEN. It is based upon the 1949 production; is that right?

Mr. WALKER. That is right. Take the figure of 3.5 billion bushels for 1949 and add the 700 million bushels carry-over gives a total supply of about 4.2 billion bushels—I believe that is correct.

The first thing we must do is to determine the carry-over that we will have at the end of the 1949–50 marketing year out of the total supply of 4.2 billion bushels. When you get that carry-over you would then estimate the quantity that will disappear as exports and as domestic consumption. That would run somewhere around 3.1 billion bushels. Then you deduct that 3.1 billion bushels from the 4.2 billion bushels and you would get the carry-over. That would indicate a carry-over of 1.1 billion bushels as of October 1, 1950. Now, we have a carry-over supply of 1.1 billion bushels already available for the marketing year 1950–51; that available supply will not have to be produced.

The reserve supply level would be in the neighborhood of about 3.4 billion bushels. From this we deduct the carry-over of 1.1 billion bushels and get a figure of 2.3 billion bushels—which is the amount of corn that needs to be produced.

Now, deducting from that amount about 800 million bushels, normally produced outside the commercial area, gives us 1.5 billion bushels that need to be produced in the commercial area.

You divide that 1.5 billion bushels by the average yield in the commercial area, adjusted for trends, of about 41.5 bushels per acre and the result would be the indicated allotment needed in the commercial area.

Mr. ANDRESEN. I know it is complicated, and it is a little hard to understand, and that is why I tried to use figures in my illustration. Now, under your illustration, you say they will produce 800,000,000 bushels outside the commercial area?

Mr. WALKER. Yes.

Mr. ANDRESEN. As you know, there is a great opportunity to increase the corn production outside the commercial corn area?

Mr. WALKER. Yes.

Mr. ANDRESEN. In my own home county, which borders on the Mississippi River in Minnesota, just across the river is some very good hard maple land, that can produce just as good or probably more corn than we can, on our side of the river, in the commercial growing area, and they have been increasing their corn production.

Now do you take into consideration improvements in seed, and facilities, and methods of raising corn outside the commercial corn area?

Mr. WALKER. Yes, that is correct.

Mr. ANDRESEN. And also the production of corn outside the commercial area?

Mr. WALKER. Yes.

Mr. ANDRESEN. What was the production of corn outside the commercial area for the 1948 crop year?

Mr. WALKER. For 1948—I cannot give you that. Production has to be broken down by counties, for the commercial area——

Mr. ANDRESEN. How does that figure?

Mr. WALKER. I can give you that for 1947.

Mr. ANDRESEN. You must have some figures, else how did you arrive at the 800,000,000 bushels.

Mr. WALKER. That is correct. I can give you some figures for years prior to 1948.

Mr. ANDRESEN. I would like to have the figures say beginning back in 1940, from 1944 on to show how production of corn has increased outside the normal commercial area.

Mr. WALKER. All right. Do you have this folder [indicating] before you?

Mr. ANDRESEN. Yes.

Mr. WALKER. You will find a table in this folder by years giving the figures you are asking for.

In 1942 the production outside the commercial area was 863 million bushels.

In 1943 it was 784,000,000 bushels.

In 1944 it was 802,000,000 bushels.

In 1945 it was 792,000,000 bushels.

In 1946 it was 796,000,000 bushels.

And in 1947 it was 748,000,000 bushels.

Mr. ANDRESEN. Was that on the same acreage?

Mr. WALKER. That is on the same acreage. That is the basis upon which the commercial corn area for 1949 would be. You see, the commercial corn area does not adhere or confine itself to State lines.

In Ohio about one-third of the State is outside the commercial area. Therefore we must have county acreage and production data in order to determine the production outside the commercial area.

I would like to make this statement, that the estimate of the 1949 crop of corn at 3.5 billion bushels is rather high when we take into consideration average conditions. In fact, the 1948 crop was unusually high, even taking into account the use of more hybrid seed corn, and taking into account the higher yields that we are getting on farms due to other improvements.

Mr. ANDRESEN. The good seed and the ideal growing weather made that unusually good crop year.

Mr. WALKER. Yes; so the estimate of 3.5 billion bushels for 1949 we believe may be too high. Three billion bushels, or around that neighborhood, would be expected under average conditions.

Mr. ANDRESEN. Of course, it all depends on whether we have corn knee high by the fourth of July.

Mr. WALKER. Yes.

Mr. ANDRESEN. Whether or not it would mature, and it also depends upon the weather and the moisture we will have in August and September.

Mr. WALKER. Yes.

Mr. HILL. We cannot overlook the threat of grasshoppers. We have the greatest grasshopper threat since 1872 or '73.

Mr. ANDRESEN. That can also affect wheat as well as corn.

Mr. HILL. Yes.

Mr. WALKER. I just want to make this point, that 3.5 billion bushels would make the situation, as we see it now, rather disturbing from the standpoint of allotment acreage in 1950.

Mr. HILL. The gentleman is familiar, I suppose, with the real grasshoppper threat facing the farmers this year.

Mr. WALKER. Yes.

Mr. HILL. The most severe threat that we have ever had.

Mr. WALKER. Yes.

Mr. HILL. In the Western States.

Mr. WALKER. Yes.

Mr. SUTTON. You are talking about this year's corn crop?

Mr. WALKER. Yes.

Mr. SUTTON. If the grasshoppers should eat the corn crop then you will not need to worry about that acreage allotment.

Mr. WALKER. That would be true.

Mr. HILL. Provided you can take that into consideration before they plant the crop.

Mr. WALKER. That is right.

Mr. HILL. I know it is considered very serious out in our part of the country, starting in Colorado.

Mr. ANDRESEN. If that happens to the corn crop and they destroy it, then there will be some 365,000,000 bushels of wheat that the Commodity Credit Corporation will not own.

Mr. POAGE. Mr. Walker, will you go ahead and tell us how you break down this allotment?

Mr. WALKER. The national acreage allotment is prorated among the counties in the commercial corn producing area, on the basis of the acreage planted to corn in those counties during the preceding 10 years, adjusted, (1) for trends in acreage; (2), for participation in previous adjustment programs, and (3) for abnormal weather conditions.

That is worked out on a county basis. The national allotment is not prorated to States, since, as I have mentioned some moments ago, the commercial corn area is not confined to State lines. After adjustments are made for trends, and for diversion credits under the previous programs, we determine what is called the trend value for the county; that is, the average acreage adjustment for trends, and for abnormal conditions. Then we scale the national acreage allotment to the counties on the basis of that adjusted average acreage which we call the trend value.

Mr. SUTTON [interposing]. Who does that?

Mr. WALKER. We here in Washington make the calculations and compute the total indicated allotment.

After we compute it here we go out and review this with the State PMA and the State BAE offices to make such adjustments as are needed in the indicated county allotment as their local analysis would indicate should be made. After those adjustments are made in the State offices they are brought back here for approval by the Secretary and documented for the record.

Mr. SUTTON (interposing). Under that procedure the farmer has nothing to say about what the committee shall do; the State member of the committee is the man who is dictated to by the Department?

Mr. WALKER. At this level we are prorating the national allotment to counties.

Mr. SUTTON. That is right.

Mr. WALKER. The committee work is at the county level.

Mr. SUTTON. And that is done by the Department of Agriculture?

Mr. WALKER. By the Department of Agriculture.

Mr. SUTTON. And through the State P. & M. A. committees.

Mr. WALKER. With the cooperation of the State P. & M. A. office.

Mr. SUTTON. Who is selected by the Department of Agriculture?

Mr. WALKER. That is correct.

Mr. SUTTON. But in determining who the committeeman shall be the farmer has nothing to say about it.

Mr. WALKER. Except in the analysis of local conditions, which are taken into account when making adjustments in the indicated county allotments.

Mr. SUTTON. But the State man is the one that actually makes the analysis.

Mr. WALKER. But he is one of the committeemen.

Mr. SUTTON. But he still can go contrary to their advice if he wants to?

Mr. WALKER. Well usually they——

Mr. SUTTON. Usually they do, do they not?

Mr. WALKER. I have never known of that in all the time I have been in this work. I have been working with these programs for years, and everytime we have set a county corn allotment acreage I have never known of State committeemen disregarding county committee recommendations.

Mr. SUTTON. What I am driving at is this, and what I hope to achieve is this, that the State committeemen will not be appointed by the Department of Agriculture but will be elected by the county committeemen who will in turn be elected by the county farmers, and therefore the farmers will have a voice in the program.

Mr. WALKER. Well, that is something beyond me to comment on. Now as to getting this allotment down to the farm level. The work in the county begins with the county committeemen or the community committeemen. The apportionment of this county acreage allotment to the farms in the county is on the basis of rotation practices carried out on the farm, the tillable acres on the farm, the topography of the land of the farm, and the type of soil of the farm, as provided by the regulations of the Secretary.

Mr. PACE. On corn there is no historical basis at all in making the individual farm allotments.

Mr. WALKER. In order to give due consideration to those factors it is necessary to have some historical data of what has been done on the farm for a number of years, and a determination of the rotation system on the farm——

Mr. PACE. There is no such requirement in the law that enables them to plant on the farm, on the basis of a series of years, taking into account the Department's action in making the individual farm allotments?

Mr. WALKER. It is not specifically stated that we must use a historical background, but we have found no other way to do it except by determining the rotation practices followed on the farm. You have to know what the farmer is doing, and what he has been doing on the farm on the tillable acres, in order to arrive at an allotment.

Mr. PACE. I understand that, Mr. Walker, but it seems to me, after a cursory examination of the things that are taken into account, the elements that you have considered in alloting the corn acreage to counties, that you have followed more or less one method over the last 5 years.

Mr. WALKER. Well, in the first place, we do have to make allotments under the new-farm concept.

Mr. PACE. That is the farmer who has just started producing corn?

Mr. WALKER. A certain amount of acreage would be reserved in the administration of the program. A certain amount would be reserved for a farmer who had not been growing any corn, and that means, that the farmers must apply, themselves, and they will be treated in accordance with the provisions of the program, to the extent that reserves are available for new farms.

Mr. PARKER. That is the manner in which you have administered the law, but the law does not require it.

Mr. PACE. That is the point I am making. There is no requirement, and not even authority under the law for you to take into consideration the past corn acreage on the farm.

Mr. WALKER. No; except requirements under the regulations prescribed by the Secretary which do say that we must take into account these factors, the history of the amount planted——

Mr. ANDRESEN (interposing). Pardon me, Mr. Walker; it is my understanding that where your State or county committee makes an arbitrary allocation to a farm, it is without knowing what the farm history was for the production of corn.

Mr. WALKER. That is not true.

Mr. PACE. Let us get that clear: Under the law as I understand it, in making individual farm allotments, there is no requirement nor any authority for the Secretary of Agriculture to take into account the past history of corn on that farm. but the farmer who has not produced a stalk of corn during the five preceding years can be given a substantial corn allotment, and you tell us that transaction is now taken care of by regulations, and let me say this, in talking about regulations, Mr. Walker, that if it is done, it is through regulations and not the law.

I had this situation last week in regard to peanut acreage allotment: A farmer had grown 5 acres of peanuts in 1946; he grew 55 acres of peanuts in 1947, and he grew 23 acres of peanuts in 1948. Then the county committee, under the authority of the Secretary's regulations, said, "Mr. Farmer, the 55 acres you planted in 1947 was too much; it was abnormal; we are going to cut that 55 acres down and treat it as 23, the same acreage you had in 1948."

So, they gave him an allotment, based on the 5 acres in 1946, 23 acres instead of 55 in 1947, and 23 acres in 1948.

I insisted, which they refused to do, that if they were going to treat the 55 acres of peanuts in 1947 as too much, abnormal, they should, at the same time, have treated the 5 acres in 1946 as too little, you understand.

Mr. WALKER. Yes.

Mr. PACE. If they were going to take the 55 acres in 1947 and reduce it to the 1948 acreage, they should have taken the 5 acres in 1946 and brought it up to the 1948 acreage.

The State committee of Georgia is on the way up here now about that case, because after all, if the Secretary of Agriculture can write regulations without one iota of authority under the law in cases of that kind, and if the State committee can order the county committee to take a man's high acreage 1 year and cut it down and give no consideration to the low acreage in order to bring it up, then this committee needs to know it, and needs to know it badly, because then all we need to do is to write a law saying the Secretary of Agriculture can make acreage allotments, period, because that is exactly the way it is happening today in making acreage allotments under regulations issued by the Secretary.

I am hoping sometime next week this committee will be able to consider some of these specific cases, where you say here is a section under the corn law which does not authorize you to take the history of production into account in making the farm allotment but you tell this committee that you do not follow that law, but under the regulations you do take into account, if you want to, the past acreage of corn, and I presume you leave it to the individual county committee. Let me say this, Mr. Walker, today we have a county committee under the broad regulations of the Secretary following one formula in the adjoining county they are following an entirely different formula.

Mr. WALKER. No; that is not the case with corn. We have a set of regulations that is applicable everywhere. There are limitations within which the county committee must operate under the regulations prescribed by the Secretary, and it is under authority of law for the Secretry to issue such regulations.

Mr. PACE. Hour after hour I get complaints saying that in one county over here they made allotments on this basis, but over there they made them on a different basis. I want to know why you discriminate against some of them.

Mr. WALKER. I do not know what the peanut procedure is, but I do know about corn.

Mr. PACE. There is no more authority under the peanut law to do that than there is under the corn law to do what you are talking about.

Mr. BAGWELL. I would like to comment on the corn situation, if I may.

Mr. Chairman, you are correct as we interpret the law, that there is no requirement in here that the Secretary in establishing allotments at the farm level shall use the corn-production history, but we do feel that there is ample authority to use it under the standard crop-rotation practices, because in determining crop-rotation practices you would have to take into account what acreages are planted to the various crops, and that would, of course, take into account the acreage planted in corn.

Mr. PACE. Suppose a farmer has a perfect crop-rotation system and in that system there is no corn at all, then that is why I am insisting that if he has a perfect rotation system, taking into account maintaining and preserving his soil and everything else, but corn is not one of the crops that he plants, if he is in one of these counties then inasmuch as he qualifies under a stisfactory rotation system he can get a corn allotment, although he has not grown any corn in the last five years; is not that right?

Mr. WALKER. If this farmer changes his rotation system wherein he needs to produce corn the county committee can determine for him a corn acreage allotment, but it would be only upon the application of the producer.

Mr. PACE. If he needs to produce corn?

Mr. WALKER. If he has changed his type of farming, or his rotation system on the farm so that he now needs to produce corn the county committee can establish for him a corn acreage allotment within the prescribed limitations, but the given farmer must make application for that. Otherwise it will never be done for him.

Mr. Pace. I think you have supported exactly the statement I have made, Mr. Walker.

Mr. Bagwell. He would not be given a corn allotment against his wishes.

Mr. Parker. Could he be denied a corn allotment if he applied for it under that set of circumstances?

Mr. Walker. They could deny him an allotment if there was no reserve for an allotment for new corn farms. If there is a reserve for an allotment for him and he gets in under the wire, so to speak, then the county committee would be required under the regulations to give him his pro rata share of what is left.

Mr. Parker. Why is he put in the reserve category in view of the language of the Act?

Mr. Walker. In carrying out these programs we find it is awfully hard to get in touch with every farmer. Even though you go down the road you have missed a farm here and there, or sometimes the history on production is not adequate, you do not have the information or cannot get it. Therefore, a small reserve is generally held for the correction of such conditions as that.

Mr. Pace. Mr. Bagwell, you were interrupted. Is there anything more you wanted to say to the Committee?

Mr. Bagwell. No; that is all, Mr. Pace.

Mr. Pace. Gentlemen, the House is in session and we will have to suspend. We will ask you gentlemen to be back with us at 10 o'clock Monday morning.

Mr. Walker. At 10 o'clock Monday morning?

Mr. Pace. Yes, sir. We will not meet tomorrow. The committee stands adjourned until ten o'clock Monday.

(Thereupon, the subcommittee adjourned until Monday, March 28, 1949, at 10 a. m.)

CORN ACREAGE ALLOTMENTS AND MARKETING QUOTAS

MONDAY, MARCH 28, 1949

House of Representatives,
Special Subcommittee of the
Committee on Agriculture.

The subcommittee met at 10 a. m., Hon. Stephen Pace (chairman) presiding.

Mr. Pace. The committee will come to order.

Mr. Walker, will you please come back to the stand. I believe you have a prepared statement.

STATEMENT OF T. B. WALKER—Resumed

Mr. Walker. Yes.

Mr. Pace. Are you ready to proceed?

Mr. Walker. Yes. If it please the chairman, I would like to read this statement.

Mr. Pace. Do you want to complete it before you are interrupted?

Mr. Walker. Not necessarily.

Mr. Pace. Very well; you may proceed.

Mr. Walker. Mr. Chairman, this statement has been prepared in more or less a summary fashion, and gives the high lights of the provisions concerning the determination of the national acreage allotment and the apportionment of that allotment among counties. It indicates the regulations prescribed by the Secretary for carrying out the provisions of law. Although these regulations are not quoted in their entirety, the statement covers enough of them to indicate what they are designed to accomplish, and the instructions that have been issued under those regulations for use by the county and community committees.

Mr. Pace. Before you proceed, Mr. Walker, are you prepared at this moment to discuss the question whether or not such provisions should be revised or changed?

Mr. Walker. I am not supposed to render an opinion. I understand that the recommendations of the Department are coming up very soon.

Mr. Hoeven. Are you in position to give your personal views?

Mr. Walker. I can give my personal viewpoint; yes.

Mr. Pace. Very well, you may proceed with your statement, Mr. Walker.

Mr. Walker. First, the national acreage allotment. The national acreage allotment for corn is required by law to be that acreage in the commercial corn-producing area which, on the basis of the average yield of corn in such area for the 10 preceding calendar years, adjusted for abnormal weather and trends in yields, will produce an amount of corn which, when added to that produced in the United States outside the commercial corn-producing area and imported, will make available a supply for the marketing year beginning in the calendar year in which the crop is produced equal to the reserve supply level. Section 328 of the Agricultural Adjustment Act of 1938, as amended by section 207 of the Agricultural Act of 1948.

"Commercial corn-producing area" is defined to include all counties in which the average production of corn, excluding corn used as silage, during the 10 preceding calendar years, after adjustment for abnormal weather conditions, is 450 bushels or more per farm and 4 bushels or more for each acre of farm land in the county.

Mr. PACE. Let me interrupt you: If you are going to include silage as a part of the marketing quota, why do you not include silage in determining whether or not a county qualifies in the commercial area?

Mr. WALKER. I do not know the specific reasons for the elimination of silage in determining the commercial corn-producing area. However, it is believed that it is eliminated in determining the commercial area because that is the area where the corn is produced that moves into the channels of trade; therefore in measuring out and determining those counties to be in the commercial area the quantity of corn produced and harvested as grain will have to be used as the basis.

Continuing with the statement: "Reserve supply level" is defined as a "normal year's domestic consumption and exports," computed on the basis of the average domestic consumption and exports during the preceding 10 marketing years, adjusted for current trends, plus 10 percent of such consumption and exports.

Mr. HOEVEN. Mr. Walker, permit me to go back to the first paragraph defining the commercial corn-producing area wherein it is stated: "after adjustment for abnormal weather conditions, is 450 bushels or more per farm and 4 bushels or more for each acre of farm land in the county."

Mr. WALKER. Yes; for each acre of farm land.

Mr. HOEVEN. Now, is that not ridiculously low when you consider the corn-producing States? For instance, take the production figure for last year where the figures indicate that farmers in the Middle West produced as high as 100 bushels per acre. This would mean from 4,000 to 6,000 bushels of corn, on many farms. Yet here we have a formula which limits it to 450 bushels or more per farm and 4 bushels or more for each acre of farm land in the county. This is completely out of line with what is actually being produced in the corn producing area, is it not?

Mr. WALKER. The quantity of production per farm and per acre of farm land provided by law as the basis for determining the commercial corn area, has been under considerable discussion, but every time an attempt is made to modify that formula we do not wind up with a contiguous area. If you have the folder before you, you will note that the formula given indicates a more or less contiguous area [indicating].

Mr. HOEVEN. Yes.

Mr. WALKER. Counties outside of that area will be brought into the area if and when they meet that requirement.

Mr. HOEVEN. The point I am making is this: It is not realistic, so far as the State of Iowa is concerned. I doubt whether any section in Iowa has the kind of limited production you indicate here.

Mr. WALKER. Yes. In the south central part of Iowa there are some counties that do not and cannot produce a great quantity of corn.

Mr. HOEVEN. On second thought, there may be some in the southern section of the State.

Mr. WALKER. If you change the formula, so as to confine the commercial corn-producing area to the northern section, it will not give you a contiguous area.

Mr. HOEVEN. Let me ask you another question: Do you not think that some consideration should be given to enlarging the figure to meet the situation realistically?

Mr. WALKER. To enlarge those quantities would be to pull the areas in closer. It is believed, and it is my own belief, that this formula is just about as good a formula as we can work out. We have tried other formulas but we have not discovered anything that we felt would take the place of this.

Mr. HOEVEN. I am not fighting it, I was just wondering if we could have a formula that would be a bit more realistic.

Mr. PACE. Except, Mr. Walker, that you do have some misgivings about the use of the 10 years.

Mr. WALKER. That is the 10-year yield?

Mr. PACE. Yes.

Mr. WALKER. Yes; that could be stepped up to the last 5 years, I think.

Mr. PACE. In that connection I would like to put in the record at this point a simple statement showing the progress of corn production.

The acreage in 1930, according to the statistics filed with the committee by the Secretary, in round numbers, was 104,000,000 acres of corn, and in 1948, 86,000,000 acres.

The production in 1930, on the 104,000,000 acres, was 2,000,000,000 bushels.

The production in 1948, on the 86,000,000 acres, was 3,650,000,000.

The average yield for the United States in 1930 was 20.5 bushels per acre. The average yield in 1948 was 42.7 bushels per acre.

So that while the acreage has been cut from 104,000,000 to 86,000,000 acres, the production has increased from 2,000,000,000 bushels to 3,650,000,000 bushels, and the average yield has more than doubled, that is, from 20.5 bushels per acre to 42.7 bushels.

I am giving those figures, because some of the newspapers yesterday carried a report indicating that acres in corn for this year, 84,000,000 acres, was the lowest in 50 years. That statement is misleading if standing alone.

Mr. WALKER. That is correct.

Mr. PACE. And it can mislead the American people into thinking that the farmers will be able to produce only a very short corn crop.

And that is one of the reasons why we can consider the 10-year average to be antiquated, because the movement upward in production of corn has been so rapid.

Mr. WALKER. Yes.

Mr. PACE. That is more rapid than it has been in any other commodity that I know of during the 10-year period up to the present time.

Mr. ANDRESEN. Mr. Chairman.

Mr. PACE. Yes, Mr. Andresen.

Mr. ANDRESEN. As a part of the chairman's request I would like to have inserted in the record the figures showing the 1930 acreage, yield and the production in the corn-producing area as compared with the 1948 acreage and the yield; and at the same time, the figures for the noncommercial area giving the same data, so we can show where the greatest increase in acreage has been and the greatest yields have occurred.

Mr. PACE. You may recall that we have had placed in the record the Secretary's statement, which gives complete statistical information, including those figures you are requesting, does it not?

Mr. WALKER. Yes.

Mr. ANDRESEN. The information you have given I believe is already in the record, is it not?

Mr. PACE. Yes; I merely wanted to summarize it here.

Mr. ANDRESEN. Yes, and as a part of that same statement, so as to indicate the reduction in the commercial area, and the figures showing the yields in the noncommercial area, I would like to have that data in the record.

Mr. WALKER. Those figures are available here and can be dug out for the record.

Mr. PACE. When you revise your remarks, Mr. Walker, will you at this point put that information in as a part of your testimony?

Mr. WALKER. As a part of my testimony rather than digging it out here?

Mr. PACE. Yes.

Mr. WALKER. Very well.

(The information requested follows:)

Corn: Acreage planted in commercial corn-producing area as defined in 1943 compared with the plantings of corn in the noncommercial area

[Thousand acres planted]

Year	Total, United States	Commercial	Noncommercial	Percent noncommercial is of United States total
1930	103,915	53,070	50,845	48.9
1931	109,364	55,184	54,180	49.5
1932	113,024	55,556	57,468	50.8
1933	109,830	53,384	56,446	51.4
1934	100,563	46,097	54,466	54.2
1935	99,974	46,541	53,433	53.4
1936	101,959	50,906	51,053	50.1
1937	97,174	49,400	47,774	49.2
1938	94,173	45,851	48,622	51.5
1939	91,639	43,308	48,331	52.7
1940	88,692	40,812	47,880	54.0
1941	86,837	40,978	45,859	52.8
1942	88,818	43,091	45,727	51.5
1943	94,341	48,268	46,073	48.8
1944	95,475	51,419	44,056	46.1
1945	89,727	48,903	40,824	45.5
1946	89,788	49,664	40,124	44.7
1947 [1]	86,168	48,305	37,863	43.9
1948	86,196			

[1] Preliminary estimates; final estimates not available on county basis.

Corn: Production in commercial corn-producing area as defined in 1943 compared with the production of corn in the noncommercial area

[Thousand bushels]

Year	Total, United States	Commercial	Noncommercial	Percent noncommercial is of United States total
1930	2,080,130	1,384,190	695,940	33.5
1931	2,575,927	1,624,111	951,816	37.0
1932	2,930,352	1,970,966	959,386	32.7
1933	2,397,593	1,547,344	850,249	35.5
1934	1,448,920	793,474	655,446	45.2
1935	2,299,363	1,428,756	870,607	37.9
1936	1,505,689	843,038	662,651	44.0
1937	2,642,978	1,761,423	881,555	33.4
1938	2,548,753	1,644,084	904,669	35.5
1939	2,580,985	1,751,239	829,746	32.1
1940	2,457,146	1,540,963	916,183	37.3
1941	2,651,889	1,746,291	905,598	34.1
1942	3,068,562	2,072,946	995,616	32.4
1943	2,965,980	2,076,694	889,286	30.0
1944	3,088,110	2,158,786	929,324	30.0
1945	2,880,933	1,961,543	919,390	31.9
1946	3,249,950	2,322,477	927,475	28.5
1947 [1]	2,400,952	1,552,073	848,877	35.4
1948	3,650,548			

[1] Revised county figures not available; based on preliminary county estimates.

Corn: Yield per planted acre in commercial corn-producing area as defined in 1943 compared with the yield of corn per planted acre in noncommercial area

[Bushels per acre]

Year	Total, United States	Commercial	Noncommercial	Percent noncommercial is of United States total
1930	19.6	26.1	13.7	69.9
1931	23.6	29.4	17.6	74.6
1932	25.9	35.5	16.7	64.5
1933	21.8	29.0	15.1	69.3
1934	14.4	17.2	12.0	83.3
1935	23.0	30.7	16.3	70.9
1936	14.8	16.6	13.0	87.8
1937	27.2	35.7	18.5	68.0
1938	27.0	35.9	18.6	68.9
1939	28.2	40.4	17.2	61.0
1940	27.7	37.8	19.1	69.0
1941	30.5	42.6	19.7	64.6
1942	34.5	48.1	21.8	63.2
1943	31.4	43.0	19.3	61.5
1944	32.3	42.0	21.1	65.3
1945	32.1	40.1	22.5	70.1
1946	36.2	46.8	23.1	63.8
1947 [1]	27.9	32.1	22.4	80.3
1948	42.4			

[1] Preliminary estimates; final estimates not available on county basis.

Mr. GRANGER. Is it not true, Mr. Walker, that wherever there has been acreage control there has been an increase in production per acre?

Mr. WALKER. That is true, generally.

Mr. GRANGER. Nearly all commodities?

Mr. WALKER. Yes. Of course, farmers have engaged in conservation practices at the same time, which has improved the situation, and while they have restricted the number of acres, in doing so they could tend those acres better; and they have introduced hybrid seed corn and that in turn, has increased the yield as much as 20 percent.

Mr. GRANGER. And they have used a lot more fertilizer?

Mr. WALKER. That is correct.

Mr. PACE. Mr. Walker, one further question: If, as a matter of fact, acreage control and marketing quotas have brought about increased yields, does that not mean better farming?

Mr. WALKER. It is better farming, and better farm management.

Mr. PACE. In other words, if the farmers can produce on one-half an acre the same crop they have been producing on an acre, it is better farming, it is more efficient, and less expensive farming?

Mr. WALKER. Yes; it is better farm management.

Mr. PACE. Yes; and it leaves more acreage to be conserved for other purposes.

Mr. ANDRESEN. Will the chairman yield further?

Mr. PACE. Yes.

Mr. ANDRESEN. The reduction has been taking place in the commercial corn area, and if what the chairman says is correct, then there has been an increase in the yield of corn in the noncommercial area with the reduction in acreage.

Mr. WALKER. That would have to be checked.

Mr. ANDRESEN. Has a record been kept.

Mr. WALKER. There are some areas where we know the history.

Mr. ANDRESEN. Yes; but that is true generally all over the country, because through the application of more fertilizer, the use of hybrid seeds, the mechanization of the farm, and the things you have referred to, have meant better practices and greater production.

Mr. WALKER. That is right.

Mr. ANDRESEN. And greater yields.

Mr. WALKER. That is correct.

Mr. PACE. I would not want to be put in the light of contending that acreage control alone contributed to this increased yield; there were other contributing factors, but the acreage-reduction program has made the producers more interested in carrying on the practices that brought about increased production.

Mr. WALKER. That is correct.

Mr. PACE. Better soil conservation practices, and better cultivation practices?

Mr. WALKER. Yes.

Mr. ANDRESEN. They have had to pay more attention to getting an increased amount of corn on the reduced acreages in order to get an income from their operation?

Mr. PACE. That is right.

Mr. HOEVEN. To get the complete picture it should be stated that the estimated reduction in corn acreage for 1949 will be approximately 1.6 percent less than it was in 1948; is that correct?

Mr. WALKER. Eighty-six and nine-tenths million acres down to about 85 million acres.

Mr. PACE. Go ahead, Mr. Walker, with your statement.

Mr. WALKER. The national acreage allotment for any calendar year must be proclaimed not later than February 1 of such calendar year. While the formula provided by law for determining the national acreage allotment is quite simple, the procedures employed in arriving at such determination must take into account the "consumer safeguards" provision as set forth in section 304 of the act. This provision requires that the adjustment powers authorized under the act shall not be used to discourage the maintenance of production at the normal domestic per capita consumption levels which prevailed in the period 1920-29, adjusted for trends. This section further provides that in carrying out the purposes of the act, it shall be the duty of the Secretary to give due regard to the maintenance of a continuous and stable supply of agricultural commodities from domestic production adequate to meet consumer demand at prices fair to both producers and consumers.

In order that the national corn acreage allotment determination as derived from the formula provided under section 328 of the act conforms with the consumer safeguards provision of section 304, the Department, in computing the reserve supply level, employs a procedure which meets the requirements of both these provisions.

On the basis of the determinations arrived at through the employment of this procedure for the 1949 crop of corn, the computation of the national corn acreage allotment for the commercial corn-producing area would be as follows:

Feed for livestock, domestic consumption, 2,550,000,000 bushels.

Feed for livestock for export of meat products, 60,000,000 bushels.

Feed for workstock, 150,000,000 bushels.

That makes a total for feed of 2,760,000,000 bushels.

Adding the corn for industrial uses, seed, and direct food, aggregating 270,000,000 bushels, gives us a total domestic use of 3,030,000,000 bushels.

Adding the exports, adjusted to normal for 1949–50, of 150,000,000 bushels, gives us the normal domestic consumption and export of 3,180,000,000 bushels.

The reserve supply level, meaning the amount of corn that we are setting up as a target to produce in the commercial corn areas, together with the carry-over stock and that produced outside of the commercial area and the small imports we may get, would give us a figure of 3,498,000,000, i. e., 10 percent more than the computed "normal domestic consumption and export."

Now, deduct from that total the carry-over indicated on October 1, 1949, of 700,000,000 bushels, leaving a total United States production needed of 2,798,000,000 bushels.

Deducting the production in the noncommercial area of around 800,000,000 bushels indicates the production required in the commercial area of 1,998,000,000 bushels.

The indicated national corn acreage allotment for the commercial area, on the basis of an average yield of 41.6 bushels per acre in the commercial area, would give us an acreage allotment of 48,000,000 acres. The 48 million acres then would be compared with the 1947 acreage in the same counties of about 52.2 acres. We do not have the county acreage figures for 1948, but we do have them for 1947, the last year for which county acreage data are available. This would represent a reduction, if we had an allotment, of about 4.2 million acres for the commercial area.

Mr. Andresen. How does that compare with the anticipated planting in the commercial corn-growing area for this year?

Mr. Walker. The 1949 plantings, in the counties of the commercial corn-producing area would be around 52,000,000 acres. On the basis of the estimates of intentions to plant in the States of the commercial area of about 99 percent of the 1947 acreage, the acreage for the commercial counties would be somewhere in the neighborhood of 52,000,000 acres.

Mr. ANDRESEN. That would be a reduction under 1948?

Mr. ALBERT. There has been expressed before the committee considerable concern about feed for livestock raised by livestock procedures being included in average allotments. In your opinion would it be practical to rewrite the legislation so as to exclude feed for that purpose in setting the national acreage allotment?

Mr. WALKER. Do you mean by that, exclusion of all corn fed on the farm, where grown on the farm?

Mr. ALBERT. Yes.

Mr. WALKER. And the feed for home consumption as well?

Mr. ALBERT. Both, for home consumption and for livestock to be sold.

Mr. WALKER. In making an appraisal of that question I think you must realize that about 85 percent of the total corn production is consumed as feed on the farm, or in the immediate vicinity where produced.

That being the case the provisions of the law then would be applicable only to about 15 percent of the corn crop that moves off from the farms and out of the community.

In my opinion it would be impracticable trying to control just that 15 percent of the corn production. Disregarding 85 percent of the production would make controls on the 15 percent of the production ineffective. Corn is a feed crop, not necessarily a direct food crop, and the food that is produced from feeding of corn is the important outset.

Mr. ANDRESEN. Will the gentleman yield?

Mr. ALBERT. Yes.

Mr. ANDRESEN. It seems to be the clear intention of the Department to expand the livestock and dairy economy in agriculture, and it seems to me some consideration should be given to the point raised by Mr. Albert. Now, we want to consume the corn and other feed, and it has to be consumed by livestock so as to increase the livestock supply.

Mr. WALKER. That is correct.

Mr. ANDRESEN. Now if you are going to try to regulate the corn production through the feeding of it by saying to the commercial corn area that it will have 4,000,000 less acres of corn in 1950 than they had in 1949, there will be less corn available for feeding of livestock, so what you will do will be simply to decrease the supply of livestock for the country as a whole.

Mr. WALKER. That is the very reason, one of the major reasons, for not having an acreage allotment in 1949.

Mr. ANDRESEN. And you do not raise livestock that fast.

Mr. WALKER. That is true, but we need to build up a stock pile of corn; we have to have a stable supply of corn so that the livestock producers of the country can have a visible supply of corn, so they may know that there is a supply with which they can maintain an even keel of livestock production.

Mr. ANDRESEN. I know, but you are looking rather far ahead. Suppose for 1949 the bulk corn has from 20 to 25 percent moisture, that corn will not be much good for feeding in the summer of 1950. Is that not correct?

Mr. WALKER. That is correct, unless it is dried down.

Mr. ANDRESEN. And that is going to be an expensive proposition?

Mr. WALKER. That is right.

Mr. ANDRESEN. Then it takes around, at least, from 2 to 3 years to raise a beef animal and it certainly takes that long to raise a milk cow.

Mr. WALKER. Yes.

Mr. ANDRESEN. And of course you have got the young stock, and you must keep the young stock in order to increase the livestock economy.

Mr. WALKER. There is likely to be a stock pile of 700,000,000 bushels of corn from the 1948 production, which is good quality corn, so livestock producers would be safe for next summer.

Mr. ANDRESEN. Yes, provided they have 700,000,000 bushels of corn that can be kept.

Mr. WALKER. The 1948 crop is of good quality, and if we carry over 700,000,000 bushels of that crop it will keep for years, and that will be good quality corn.

Mr. ANDRESEN. How much of that corn is under loan; how much of it is under the CCC loan?

Mr. WALKER. I do not have the exact figures before me, but I believe there was under loan some 179,000,000 bushels, according to the last report that I saw, which was as of February 28.

Mr. ANDRESEN. All right; that is about all, is it not?

Mr. WALKER. No, we expect a total of around 400,000,000 bushels of corn to be covered by loans and purchase agreements.

Mr. ANDRESEN. They have got until when; the 1st of July to put it under loan?

Mr. WALKER. Or purchase agreements.

Mr. ANDRESEN. But I know several farmers—but I do not know how many—are sealing their dry corn, at around $1.32 to $1.36, and are going out and buying the wet corn at around 85 cents for feeding purposes.

Mr. WALKER. Yes; they are feeding high-moisture corn.

Mr. ANDRESEN. And that is a good business proposition, is it?

Mr. WALKER. Yes.

Mr. GRANGER. Referring to the figures in your table: How do you arrive at the figure in the second column, "Feed to livestock for export," of 60,000,000 bushels?

Mr. WALKER. On the basis of the exports of eggs, poultry, meat, and so on, we arrived at the animal unit equivalent, and then we determined the amount of feed that was necessary for raising that number of animal units.

In other words, the estimate represents the livestock that is produced and exported, as against the total production, and then determine the amount of feed necessary to produce the proportion that is exported.

Mr. GRANGER. I suppose somewhere there is a computation that shows the relationship of the price of livestock to the price of corn, is there not?

Mr. WALKER. Not necessarily. If you mean in arriving at this figure there is such data available.

Mr. GRANGER. Yes. There is such information.

Mr. WALKER. We do not use it.

Mr. GRANGER. I know, but there is a definite relationship between the price of corn and the price of livestock, is there not?

Mr. WALKER. I did not get your question.

Mr. GRANGER. Is there a definite relationship between the price of corn and livestock? In other words, if corn prices move up what happens to livestock?

Mr. WALKER. If the price of corn moves up the tendency is to decrease feeding. And your question is what is the ratio?

Mr. GRANGER. Yes.

Mr. WALKER. There is a definite relationship.

Mr. PACE. Just one more question with reference to this calculation you have set out here, in determining the production and the supply; is it worth the money you have to spend to get it up? What I mean is this: In answering Mr. Granger's question you indicated what you do in trying to figure out how much livestock is exported, and how much corn it takes to produce that export, and then you adjust the exports to the normal 1949–50 year. Now is it not just the same as trying to arrive at the consumption of cotton by trying to figure out how much is needed for shirts, overalls, and other garments, how much will go for export, and how much cotton you will need for the manufacture of cotton for domestic consumption, to arrive at the domestic consumption, and arrive at how many bales of cotton you need for export, and how many bales will be needed for over-all?

In other words, what you are trying to arrive at is the over-all domestic consumption?

Mr. WALKER. That is right.

Mr. PACE. Whether the corn is fed to chickens which are shipped to England or shipped to my own town, since we hear so much nowadays about the expenses of the Government, and the like, just to give an answer to this question: Do you think the information you have given here is substantially different from what you would have secured if you had merely gone out and made an investigation and estimated the amount of corn consumed domestically and how much is exported? Would you not have arrived at about the same conclusion?

Mr. WALKER. I think we would have arrived at about the same conclusion. This is only the method that we follow in arriving at this conclusion. This method was adopted in order to give us a check needed against the consumer safeguard provisions of section 304 of the act of 1938.

Mr. PACE. The question that comes to my mind is whether you think it advisable to go through this method?

Mr. WALKER. It can be done without going through all of these details.

Mr. ALBERT. It might be well to know how much food, in the form of meats, is being exported?

Mr. PACE. Well, they can get that without going through this method.

Mr. WALKER. It is a very simple method to use, once developed.

Mr. PACE. That is correct. The only thing I had in mind is whether or not you would have to do this.

Mr. WALKER. Taking up next the State allotments.

Since the commercial corn-producing area is defined on a county basis, there are no provisions in legislation for the apportionment of the national corn-acreage allotment among States.

Coming next to county allotments——

Mr. PACE. Wait just a minute. There is nothing in the law concerning that?

Mr. WALKER. State allotments?

Mr. PACE. Yes; you have no State allotments in the law?

Mr. WALKER. No. That is due primarily to the fact that the commercial area does not necessarily go along State lines.

Mr. PACE. I see.

Mr. WALKER. That area could not be defined in terms of State lines, therefore a State allotment would not have any significance.

Mr. PACE. Very well. Does that mean that all of the county allotments will be checked here in Washington, determined here in Washington?

Mr. WALKER. They will first be computed here in Washington, but before the allotments are made the figures are reviewed in the State offices with the local people. As we go through the county allotment discussion, I think it will become clear.

Mr. PACE. Then in corn, to get it clear in my own mind, you have no State allotment provided for, and you have no exact formula for farm allotment, no historical basis, or anything of that sort?

Mr. WALKER. The formula used for farm allotment does provide a historical base.

Mr. PACE. Contrary to law?

Mr. WALKER. No; in line with the law We will get to that in a few minutes.

Mr. PACE. All right, Mr. Walker, proceed.

Mr. WALKER. County allotments. Section 329 (a) of the act of 1938 provides that the acreage allotment for corn shall be apportioned by the Secretary among the counties in the commercial corn-producing area on the basis of the acreage seeded for the production of corn during the 10 calendar years immediately preceding the calendar year in which the apportionment is determined, plus, in applicable years, the acreage diverted under previous agricultural adjustment and conservation programs, with adjustments for abnormal weather conditions and for trends in acreage during such period and for the promotion of soil conservation practices. The act further provides that any downward adjustment for the promotion of soil conservation practices shall not exceed 2 percent of the total acreage allotment that would otherwise be made to such county.

Mr. PACE. Pardon the interruption, but what does that last language mean?

Mr. WALKER. You mean the 2 percent for conservation?

Mr. PACE. "Any downward adjustment for the promotion of soil conservation practices"; what does that mean?

Mr. WALKER. That means: That where corn land lays out, where you have windstorms or sandstorms, or what not, and the land lays out, or needs to be taken out of cultivation, the law provides that an adjustment can be made for conservation. As we take out that acreage, naturally, the county should not be given the full allotment; but the law itself limits the amount of such adjustments to 2 percent. That in essence is what is meant by this limitation on the downward adjustment for conservation practices.

Mr. PACE. The act itself provides that any downward adjustment for the promotion of soil-conservation practices shall not exceed 2 percent of the total acreage allotment that would otherwise be made to the county.

Mr. WALKER. Yes.

Mr. PACE. That was not in the original act, was it?

Mr. WALKER. I do not know.

Mr. PACE. Do you know of any other such provision?

Mr. WALKER. Mr. Bagwell might have that information.

Mr. PACE. Do you know of any other marketing quota law that has a comparable provision?

Mr. WALKER. Not to my knowledge.

Mr. PACE. Mr. Bagwell?

Mr. BAGWELL. This was in the original act, Mr. Chairman; this provision was not an amendment, but it was in the original act passed in 1938. And in the case of wheat, there is a similar provision, as you will see in section 334 (b), if you have the compilation of laws in front of you; it appears on page 52.

Mr. PACE. Yes.

Mr. BAGWELL. This is a similar provision to corn, but there is no limitation on the amount of adjustments that could be made under the conservation provision——

Mr. PACE (interposing). I am not saying it is not a fair provision, but frankly I did not know it was in the law. Frankly it seems to leave the gate wide open, where the Secretary, if he desires, under that provision can make any adjustment in the acreage allotment, without limitation.

Mr. WALKER. In carrying out the provisions of the act.

Mr. HILL. The 10-year allocation of allotment was in the original act?

Mr. WALKER. Yes.

Mr. PACE. Yes. We are discussing now the provision that permits the Secretary to make the adjustment in the case of corn, in a downward adjustment for the promotion of soil-conservation practices, at not to exceed 2 percent of the total acreage allotment.

Mr. GRANGER. This 10-year provision has been in there for some time?

Mr. PACE. Yes.

Mr. HILL. This same paragraph carries the language that the acreage allotment shall be apportioned on the basis of the acreage of corn during the 10 calendar years immediately preceding the calendar year in which the apportionment is determined.

Mr. GRANGER. Yes.

Mr. HILL. That might have been the beginning of the 10-year sliding scale back in 1938?

Mr. PACE. In reference to the adjustment in marketing price. No.

Mr. HILL. You could not read that into it?

Mr. PACE. Proceed, Mr. Walker.

Mr. WALKER. In carrying out these provisions, the department first determines for each county of the commercial corn-producing area the acreage planted to corn in the 10 calendar years immediately preceding the calendar year in which the apportionment is to be made.

The statistical data on acreage planted to corn used in these determinations are the official estimates of the Crop Reporting Board, Bureau of Agricultural Economics, United States Department of Agriculture.

In making allowances, by counties, for the acreage diverted from corn production under previous adjustment programs, the acreage diverted under such previous programs is determined for each county on the basis of agricultural adjustment and agricultural conservation program records.

Mr. PACE. Let me interrupt you: Does the language, 10-year production, incorporate any adjustment under the acreage diverted?

Mr. WALKER. Yes.

Mr. PACE. What was the last year?

Mr. WALKER. 1943 would be the last year; and as a base period, for instance, if we were determining allotments for 1950 crop we would use the 1939–48 average production. That would mean that the years of 1939, 1940, 1941, 1942, and 1943 would receive adjustments for diversions under previous programs. This diversion would be adding back the actual corn acreage planted in each of the calendar years.

Mr. PACE. What was the nature of that diversion?

Mr. WALKER. Under the previous allotment programs, if you planted within the allotment, a reduction would have been made from your usual acreage. Assume your usual acreage was 60 acres for the farm, and the adjustment was down to 45 acres, and if you planted only 45 acres as indicated by your allotment, the diversion then was the difference between the 45 and the 60, which would be 15 acres.

Mr. PACE. Do you have those estimates?

Mr. WALKER. They are in the county offices and in the State offices.

Mr. PACE. For 1943?

Mr. WALKER. Yes.

Mr. PACE. For 1943?

Mr. WALKER. Oh, yes.

Mr. PACE. How did you get it?

Mr. WALKER. I may not be correct as to 1943, but we do have the information for other years.

Mr. ANDRESEN. 1943 was the last year when there was acreage control?

Mr. WALKER. That is when it was modified because of the war effort.

Mr. PACE. Proceed, Mr. Walker.

Mr. WALKER. Such diverted acreage is then credited to each county for the respective years in which these programs were operative. For the apportionment of the 1943 national corn acreage allotment—the last year in which allotments were established—such diversion credit was determined for the years 1934 to 1941, inclusive.

Mr. PACE. Suppose in the year you gave the farmer a corn-acreage allotment. Did you tell him what he could do with the diverted acreage?

Mr. WALKER. Not under the allotment program itself, but under the ACP program. There were provisions for conservation practices, but there was no direction as to the specific use of the 15 acres, as to whether they should lay out, or be put in other feed crops, or in something else. In other words, he could have planted all of that acreage that was diverted to some other crop.

Mr. PACE. He could have planted it in a feed crop?

Mr. WALKER. Yes.

Mr. PACE. If he did, you have a record of it?

Mr. WALKER. I do not know the details of the record that they have in the county offices. There was a check of those farms during the years of earlier programs, and, if those records have not been destroyed, they are still in the county offices or in the State offices.

Mr. PACE. Very well, proceed.

Mr. WALKER. Adjustments for abnormal weather conditions, as provided for under the act, are made upon reviewing the plantings of corn by years during the 10-year base period for unusually low plantings caused by abnormal weather conditions. Such years for which this has been found to be the case are then adjusted to an acreage in line with what would have been planted under normal weather conditions.

After these adjustments for diversion and abnormal weather conditions have been made, the 10-year average acreage data are recomputed.

In order that such natural shifts in acreage as have taken place within the 10-year base period may be duly considered in the apportionment of the national acreage allotment among counties, the 10-year average of the acreage planted to corn is adjusted for such trends. This trend adjustment is effected by averaging the 10-year average so computed with the average acreage of the last 3 years of the 10-year period.

In other words, that is the trend formula.

Mr. ANDRESEN. Are you ready now to make a prediction for the next 10 years of weather conditions?

Mr. WALKER. No.

Mr. ANDRESEN. Well, according to this statement, you say the average acreage over the last 10-year period; that is, the weather, the growing conditions, in determining the production at least for the future year of 1950, or the acreage for 1950.

Mr. WALKER. The review of the acreage planted to corn by counties is made on a historical basis, not looking into the future, and if it is found, as was the case of several counties in Missouri, for example, where the acreage that was planted to corn was flooded by the Missouri River and they could not get the land back into corn during that season, an adjustment was made in those particular counties. But that is historical; it is not forecasting what is going to be done in the future.

Mr. ANDRESEN. Let me get back to you production figures for the 10 years, or your acreage figures, going into the 10-year period 1939–48: it looks to me as if it would average around 88,000,000 acres from your figures, of the acreage planted during the 10-year period.

Mr. WALKER. I do not have the figures with me; we do have the information at the office. You see, those figures have to be broken down by counties before averages of the commercial counties can be determined.

Mr. ANDRESEN. No. First, the over-all acreage to be planted for 1950, 42,000,000 is to go to the commercial area; is that right?

Mr. WALKER. The example I have here applies to the 1949 corn crop.

Mr. ANDRESEN. Yes.

Mr. WALKER. And they are not allocated—no allotments were announced to the commercial area.

Mr. PACE. That is 48,000,000?

Mr. WALKER. 48,000,000.

Mr. ANDRESEN. 48,000,000 for what year?

Mr. WALKER. 1949.

Mr. ANDRESEN. In this hypothetical case you have set up, the commercial corn area, without it being extended through additional acreage, would get 48,000,000 acres. You mean, on the basis of an average of 88,000,000 set up for the last 10 years for the entire corn area, the balance of that acreage—40,000,000 acres—would be planted in corn. Is that right?

Mr. WALKER. That is not quite the case. The plantings outside the commercial area, which added to this 48,000,000 acres would give you around 80,000,000 acres, according to these figures, not 88,000,000 acres.

Mr. ANDRESEN. Then you lose 8,000,000 acres in the apparent attempt to control production, but you do not control the outside commercial corn area.

Mr. WALKER. That is right.

Mr. ANDRESEN. So that still could go up to 100,000,000, if you permitted the outside commercial farm area to increase their acreage; could it not?

Mr. WALKER. If they increased the acreage, yes.

Mr. ANDRESEN. And, by reason of that acreage, which they could do, if they were to follow the recommendations of the Agriculture Department to raise more livestock, they could devote that whole program to livestock, and the farmers in the commercial area would be the ones to suffer; is that right?

Mr. WALKER. There has been some fear of that, but it actually has not worked out in practice. The acreage outside the commercial area has come down instead of going up.

Mr. ANDRESEN. Well, that may be true; but, of course, the yields have increased in the reduced acreage outside the commercial area as well.

Mr. WALKER. Well, not to the extent it has in the commercial area.

Mr. ANDRESEN. I would welcome that, but I saw where the great State of Mississippi, in a dairying area, had produced 100 bushels of corn to the acre.

Mr. WALKER. That is right in some places.

Mr. ANDRESEN. And I think that is true in some place in North Carolina.

Mr. WALKER. They have 100-bushel-per-acre crops in North Carolina under improved practices.

Mr. PACE. That is on test farming?

Mr. WALKER. Yes. In these States, if they increase production to the extent that they become a commercial area they would automatically be placed in the commercial corn area, and the acreage allotment would be applied to those counties the same as it would be to counties in Iowa, for example.

Mr. ANDRESEN. Of course, then you would have a further reduction, through expanding the commercial area.

Mr. WALKER. There are some parts of the country that I doubt if they will ever produce enough corn to push up high enough to qualify for inclusion in the commercial area.

Mr. PACE. Mr. Walker, Mr. Hunter testified that, under the Agricultural Adjustment Act of 1948, the Secretary has authority to make acreage allotments to the noncommercial areas comparable to those in the commercial areas; and hence, if the commercial area should vote quotas, the Secretary would impose comparable reductions in the noncommercial area; and, if that is true, the fears which Mr. Andresen refers to would not be realized?

Mr. WOOLLEY. With regard to that question, Mr. Chairman, I think you will find the testimony of the Solicitor was to the effect that the Secretary of Agriculture had the authority to do so, but the question of whether or not he would do so was not answered by the Solicitor, and the statement was made by some member that he might want to do so, but not by the Solicitor.

Mr. ANDRESEN. But, on the penalties involved in the noncommercial area, I do not think the penalty would be very effective, if they sell at less than the support price, or are denied the support price, because over in Tennessee or in New Jersey or in some Eastern State, they get $1.61 a bushel.

Mr. WALKER. Yes.

Mr. ANDRESEN. And in the support-price program, in the commercial area, they get around $1.33 to $1.36, and out in California, where they can grow three crops a year on the irrigated land—and where they talk about growing 3 bales of cotton—they have $1.70 for a support price in the commercial corn area.

Mr. PACE. But in carrying out the provisions of the law, in the commercial area, they can come under the 75-percent provision.

Mr. ANDRESEN. The 75 percent.

Mr. WALKER. You mean 75 percent of the rate applicable to the commercial area?

Mr. PACE. Yes. If the commercial area were to vote quotas, the support in the noncommercial is 75 percent of the support in the commercial area, but if the commercial area voted against quotas the support price is only 50 percent of parity, out of which the noncommercial would get only 75 percent, which would make a support price to the noncommercial area of 37.5 percent of parity, even though the commercial area has refused to vote quotas.

Mr. ANDRESEN. Does the gentleman mean by that that the $170 per bushel for corn in California is not the correct support price?

Mr. PACE. The difference in the support price, under the present support-price program for corn is due to the fact that they fix the support figure for certain markets and then adjust that for other areas by adding transportation charges; but, under this new law, which I hope will not go into effect on the 1st day of January, if it goes into effect, and quotas are submitted to the commercial area, and they disapprove, then the corn producers in my State will have a support price of 37.5 percent of parity, while those in the commercial area will have a support price of 50 percent of parity. Then what is happening today, I think, would be a thing of the past.

Mr. ANDRESEN. What I have been trying to point out is that there is every inducement at the present time, at least, for farmers in the noncommercial corn area to increase their acreage and production of corn because of the high support price, and then because, if there is no penalty, they can plant as much corn as they want to, and as a result of mechanical improvements and the addition of fertilizer, and the use of hybrid seed, while there has been a decrease in acreage, there has been an increase in the yield, to the extent, I understand in North Carolina they can raise a 100 bushels of corn to the acre and they are getting a premium for doing so under this program.

Mr. PACE. That is the reason they are planting it.

Mr. ANDRESEN. I want to give them every premium for planting corn, but certainly if they have got the right to plant corn with that premium then we in our area should be permitted to plant corn enough to have feed for livestock on the farm.

Mr. PACE. If they are subject to the same acreage control as the commercial area, they should have the same benefits from the support program.

Mr. ANDRESEN. I agree with that, but what I am suggesting is that there is no control over the noncommercial area.

Mr. PACE. I do not think the producers in the commercial area would ever submit to marketing quotas unless they were assured the noncommercial area would have comparable control over their acreage.

Mr. ANDRESEN. I do not know whether they will ever have marketing quotas or not; but, if they do, it is because the Department or someone will have to go out and do a selling job.

Mr. PACE. Mr. Walker, the language you read was related to the trends, and the trends over the last 3 years are the dominating control; are they not?

Mr. WALKER. Not dominating. The last 3 years are given more weight in the trend formula; that is correct.

Mr. PACE. That 3 years would give you about the same answer even though you did not take the other period into account, more or less?

Mr. WALKER. No; it would not. When we take the counties where the acreage is going down, the average of the last 3 years would be at the lowest point, but the 10-year average would be considerably higher than the average of the last 3 years, which would, when averaged with the last 3 years, result in a figure higher than the average for the last 3 years of the 10-year period.

Mr. PACE. Then how much weight did you give to the last 3 years?

Mr. WALKER. We gave 50 percent weight to the last 3 years by themselves, as against 50 percent to the 10-year average, and that also has the 3 years in it.

Mr. PACE. That is the weight you use in arriving at the percentage?

Mr. GRANGER. It would not mean 50 percent?

Mr. WALKER. It is really more than 50 percent. I have not figured it out in detail, but it would be more than 50 percent.

Mr. HILL. It would be a third greater, which would make it more than 50 percent.

Mr. WALKER. The total weight for the last 3 years would exceed 60 percent.

Mr. PACE. According to my calculation, it would be about 65. Go ahead with your statement.

Mr. WALKER. The national acreage allotment is then apportioned among the counties of the commercial corn-producing area on the basis of the adjusted 10-year average county acreage arrived at as shown above.

Farm allotments: The applicable provisions for determining individual farm corn-acreage allotments are contained in section

329 (b) of the Agricultural Adjustment Act of 1938. They provide that:

> The acreage allotment to the county for corn shall be apportioned by the Secretary, through the local committees, among the farms within the county on the basis of tillable acreage, crop rotation practices, type of soil, and topography.

It is clearly evident that, in order that due consideration may be given to these factors, it is necessary to obtain acreage data for corn and other crops for a number of years sufficient to provide the county committee with: First, a complete land use picture of the farm for determining tillable acreage; second, a basis for determining crop rotation practices followed; and third, a history of crop production which will indicate the adaptability of crops to the soil types and topography of the farm land.

Mr. PACE. What has the topography got to do with it?

Mr. WALKER. A rolling hillside in eastern Nebraska will wash like the deuce if it is cultivated to corn. In other words, if you have a cultivated crop on that hillside, you will find soil erosion; so that topography really does have something to do with it.

Mr. PACE. Well I am not going to argue with you, for I doubt that you should cultivate hillsides, but there is nothing in your other quota laws which says that topography is to be taken into account?

Mr. WALKER. In the wheat—the wheat provisions are the same as for corn.

Mr. PACE. Certainly not for cotton.

Mr. WALKER. I do not recall in the case of cotton.

Mr. PACE. Then suppose a man has a farm of 100 acres, every bit of which is hillside land, he would not get any corn allotment?

Mr. WALKER. If he has a corn history he would get some corn allotment.

Mr. PACE. How much consideration do you give to it?

Mr. WALKER. The history of the planting on the farm gives us the basis for determining tillable acreage and crop rotation practices adjustments for the type of soil and the topography, under the regulations are limited to a weight not to exceed 50 percent in the determination of the acreage allotment. We will come to these provisions later.

Mr. PACE. You are going to take that up later?

Mr. WALKER. Yes; we will take that up as we proceed.

Mr. PACE. Very well.

Mr. GRANGER. Mr. Walker, do you not think that as a general rule the areas have been pretty well established where the crops are going to be grown?

Mr. WALKER. That is correct.

Mr. GRANGER. Pretty definitely established. I remember some 25 years ago down in Missouri some of the best acreage was put into corn production, throughout the entire State, but they did not follow the practice very long until they started raising some other crops. Is not that generally true?

Mr. SUTTON. I think, Mr. Granger, your general statement would have to be limited by reason of the soil conservation practices that are now being engaged in, such as contour farming where they have converted a lot of this hillside land into tillable area.

Mr. GRANGER. Mr. Walker, that is taken into consideration.

Mr. SUTTON. Also the trends today as the result of soil conservation practices, and the conversion of these hillside slopes into areas where they can really produce corn, and where they are preventing erosion.

Mr. WALKER. Yes; through the use of terracing, strip-cropping and contour farming.

Mr. SUTTON. And different methods.

Mr. WALKER. Yes.

Mr. PACE. I have one other question, not to get too far away from the subject matter. It occurs to me, in making marketing quota laws, and in making acreage allotments, the objective of course is to try to protect the economic welfare of the producer. Would it or not be wise in future legislation for the Congress to write into all of these formulas that the Department must not only take into account the total acreage, the type of soil, the topography, and so forth, but that also some consideration must be given as to the gross income or the net income to the operator?

Congress has written into the Aiken bill a provision defining parity income, and in the soil conservation and domestic allotment act, and there is the duty on Congress and the Secretary to bring the operators income to parity, but in addition to that there are certain minimum economic needs of the farm family, and I can see where under the general marketing quota law with respect to a number of commodities you might get the operation down to where the farmer would not have sufficient acreage allotment to live on.

Mr. WALKER. Of course, you have the minimum provisions in the law now according to which up to 15 acres of corn may be grown without being subject to marketing quotas. If the farmer does not have over 15 acres he would not be affected by the marketing quota.

Mr. PACE. It might not be, if he had only 15 acres, or if he had a large acreage in some other crop, his main source of income. Now if his production from that other crop is the main source of income, the 15 acres might not represent a considerable amount.

As I say, I do not know that the Congress would ever want to enter into that field, but there are a good many people who think that there should be some over-all consideration, when we get to making acreage allotments, to give the producer a sufficient allotment to allow for the maintenance of himself and his family at a fair standard of living.

Mr. WALKER. I can see what you are thinking of, Mr. Chairman, and you could do that by imposing, through legislation, a proviso that in the determination of the farm-acreage allotment, consideration shall be given to this economic factor of income from the farm.

Mr. PACE. The total or net income.

Mr. WALKER. It sounds all right, but I do not know how you could manipulate it to bring about a balance in determining the allotment.

Mr. PACE. You see, they have written into these laws, a provision that the Secretary in fixing the national allotments of corn must take into account the welfare of the consumer.

Mr. WALKER. Yes.

Mr. PACE. For the welfare of people off the farm, which is directly taken into account, and must be, by the Secretary.

Mr. WALKER. Yes.

Mr. PACE. The welfare of people who eat the food produced on the farm, but nowhere in the law is there a comparable provision, other than the fair price provision, that takes into account the economic welfare of the man who does the work in the field. You understand what I am talking about?

Mr. WALKER. Yes.

Mr. ALBERT. What does the support-price program do about it?

Mr. PACE. What I am speaking of is where the farmer does not have enough acreage allotted to him to produce enough crop to get a sufficient return to provide a fair standard of living for himself and family.

Mr. ALBERT. That is what I am talking about.

Mr. HILL. The marketing quota is fixed without regard to the 15 acres of corn; that would be excluded?

Mr. WALKER. Exclusive of the 15 acres?

Mr. HILL. In the commercial area?

Mr. WALKER. Yes; that is right.

Mr. HILL. Does the law establish the 15-acre exemption?

Mr. WALKER. That is in the law.

Mr. HILL. It does not make any difference whether he produces 10 bushels or 100 bushels to the acre, that 15 acres would still be excluded?

Mr. WALKER. That is right; that is the provision in the law.

Mr. PACE. Mr. Walker, we have a section in the law with respect to cotton which exempts so many pounds. Why do you apply pounds to cotton on the one hand and do not apply it to bushels as to corn?

Mr. WALKER. With respect to corn the law exempts 15 acres, or 300 bushels per farm.

Mr. HILL. Is it not true, that his production is excluded on the 15 acres, even though he produces 100 bushels to the acre?

Mr. WALKER. Yes; if he had no more than 15 acres, he is excluded from marketing quotas.

Mr. HILL. And it does not make any difference if he produces 100 bushels?

Mr. WALKER. Well, let us take another farm that has an annual yield of say 10 bushels to the acre, he could have 30 acres and still the law would not be applicable to him, because he is exempt on 300 bushels.

Mr. PACE. Either?

Mr. WALKER. The Solicitor here will have to help me out on that.

Mr. WOOLLEY. It would be the larger of the two; 300 bushels, or 15 acres; whichever is the greater, whichever gives him the best production, is exempted.

Mr. HILL. That is in the law?

Mr. WALKER. Yes.

Mr. HILL. That is the point I had in mind the other day when I asked the question about protecting the farmer who did not sell any corn. That is exactly what is being done under this provision.

Mr. WOOLLEY. I do not recall that.

Mr. HILL. Someone down there said it would not do it. I am sure the record will bear me out. But, he is exempt for the 15 acres.

Mr. WALKER. Or 300 bushels.

Mr. WOOLLEY. That is written right into the law.

Mr. HILL. Why 15 acres; why not 14 or why not 10——

Mr. ANDERSEN. Does that apply to each farm?

Mr. WALKER. That is right.

Mr. ANDRESEN. So that if a farmer has 160 acres, and he has three boys, can the farmer himself take 40 acres and leave 40 acres for each of his sons and then they can have 15 acres exempt for each 40?

Mr. WALKER. Since they are members of the same household that would not work; the exemption is based on the farm, and they would only have one farm, not 15 acres each.

Mr. ANDRESEN. Is that in the law, or is that the interpretation?

Mr. WALKER. That is the interpretation of it.

Mr. PACE. Fifteen acres, but they can never get more than 300 bushels?

Mr. WALKER. If yields are high enough the 15-acre exemption would give more than 300 bushels.

Mr. PACE. In some areas it would average no more than 150 bushels.

Mr. WALKER. That is about like it is in my area, in Arkansas.

Mr. PARKER. May I ask a question there, Mr. Chairman?

Mr. PACE. Yes, Mr. Parker.

Mr. PARKER. Does the 15-acre exemption apply only to the marketing quota provision of the act or is it also applicable to the acreage allotment provision?

Mr. WALKER. It is applicable to the marketing quota provision.

Mr. PARKER. Just to the marketing quota provision?

Mr. WALKER. The farmer might have an allotment of say 10 acres that would come under the allotment for price support and can produce only 15 under the marketing quota provision.

Mr. PARKER. But if the farmer has no allotment he can grow 15 acres of corn but he would not be eligible for price support?

Mr. WALKER. That is correct.

Mr. SUTTON. He would not be eligible for price support up to 300 bushels.

Mr. WALKER. If he had, say, a 10-acre allotment and exceeds it by planting up to 15 acres, his farm would be exempted from marketing quotas, but he is not eligible for price support.

Mr. SUTTON. Could he have an allotment of 10 acres with the 15-acre exemption?

Mr. WALKER. Yes; the 15 acres is a uniform provision.

Mr. SUTTON. That is applicable in the commercial area?

Mr. WALKER. That is right, and only applicable to the commercial area.

Mr. SUTTON. Would he not have to have a 15-acre allotment less?

Mr. WALKER. Not necessarily, because of price support purposes he must plant within the allotment; his allotment would be on the 10 acres.

Mr. SUTTON. That is what I understand.

Mr. WALKER. If he chooses to grow more corn and not take advantage of the provision for price support, he can do that up to 15 acres and not have a marketing quota, but he would not be eligible to come under price support, that is, he could not get a loan.

Mr. POAGE. Would he have to be under the penalty provision for any excess production?

Mr. WALKER. Not for the 15 acres. If he had an allotment of 10 acres and he chooses to grow 15 acres—that is what you have in mind?

Mr. POAGE. Yes.

Mr. WALKER. Under the marketing quota he will not have any excess acreage, and therefore no penalty corn if he did not exceed the 15 acres of corn.

Mr. SUTTON. Is he eligible for price support benefits?

Mr. WALKER. No.

Mr. PACE. I believe you stopped down near the bottom of page five, Mr. Walker.

Mr. WALKER. I had completed through the first few lines on page six, Mr. Chairman, and had gotten down to the subject Regulations for Determining Farm Corn Acreage Allotments.

In accordance with the criteria set forth in the act for determining individual farm corn acreage allotments, the Secretary of Agriculture prescribes regulations governing the determination of the usual acreage of corn with respect to tillable acreage utilized and the crop-rotation practices followed, and the indicated acreage of corn for the farm based upon soil types and topography.

Under these regulations definite provisions are made for instructions to be followed by county and community committees in the determination of individual farm allotments.

A typical illustration of such regulations may be cited from those issued by the Secretary for the 1940 crop of corn. Among the essential provisions of these regulations were the following:

In determining the usual acreage of corn, two factors, tillable acreage and crop rotation, are to be considered. The usual acreage is determined on the basis of the average acreage of corn planted, with allowances for participation in adjustment programs.

Mr. PACE. That is where you bring in the historical base?

Mr. WALKER. That is on the historical base.

Mr. HOEVEN. That is over a 10-year period?

Mr. WALKER. No; the 10-year provision applies to the proration of the national allotment to counties. On the farm it is 2 to 4 years.

Mr. HOEVEN. That is under a regulation?

Mr. WALKER. That is a regulation, yes.

Mr. HOEVEN. From 2 to 4 years?

Mr. WALKER. Yes, for whatever the figure may be. If we should establish an allotment for 1950, under the Secretary's regulations we will probably take the years 1946, 1947, 1948, and 1949 to serve as the historical base period for determining the farm allotment. Now it might be just 1948 and 1949, but it would be the historical acreage for the base years to be used as the base in determining those two factors.

Mr. HOEVEN. Who would make the determination as to what the years would be?

Mr. WALKER. That would be within the discretion of the Secretary.

Mr. HOEVEN. And what would be the basis for such determination?

Mr. WALKER. I can visualize this situation, if the acreage, for instance, were dropping fast in some area, or was going up fast in another area, that he would include acreage data for a longer period in order that the shifts in cropping practices may be given proper consideration in arriving at the usual acreage.

Mr. HOEVEN. It is rather an arbitrary finding?

Mr. WALKER. Arbitrary I do not think is the exact word for it.

Mr. HOEVEN. It is based on some arbitrary finding?

Mr. WALKER. Yes; after taking into account crop-rotation practices followed.

Mr. HOEVEN. In determining whether or not to use 3 years or 4 years you do have in mind farm practices, such as crop rotation?

Mr. WALKER. That is right.

Three-year rotation or four-year rotation, or whatever is necessary really bring out the rotation system. Generally 4 years will do.

Mr. HOEVEN. That will be the basis for your conclusion?

Mr. WALKER. Yes. It is very seldom that more than 4 years would be needed to determine that.

Mr. SUTTON. In the 4-year plan, you have a committee of farmers handling it, but when you get to the national allotment it is determined——

Mr. WALKER (interposing). I would not say it would.

Mr. SUTTON. How does it work, over-all?

Mr. WALKER. Once you have computed the county allotments you have very little room within which to make adjustments to take care of the changing figures between areas.

Mr. SUTTON. Four years would do it?

Mr. WALKER. Four years might be an improvement; five would be better.

Mr. SUTTON. Ten would not help us?

Mr. WALKER. Well, I do not know. You do not have any corn in Tennessee under marketing quotas.

Mr. SUTTON. No.

Mr. WALKER. But the western part of Tennessee is going to come under the commercial area. It is producing a lot of corn now.

Mr. PACE. All right, Mr. Walker, will you continue with your statement.

Mr. WALKER. In determining the indicated acreage of corn with respect to soil types and topography, these regulations provided that the county committee shall determine such acreage on the basis of an appraisal made of the farm, taking into consideration the amount of corn which under good soil-conservation practices may be planted on the farm as indicated by the particular types of soil and the credibility of the soils as related to the topography of the land. Such indicated acreage of corn shall not be given more than equal weight with the usual acreage of corn in the determination of farm acreage allotments.

The individual farm corn-acreage allotments shall be determined by apportioning the county acreage allotment pro rata among the farms on the basis of the usual acreage of corn adjusted by use of the indicated corn acreage for the farm, except in cases where the usual acreage does not reflect the acreage that would normally be planted to corn on the farm because of specific reasons applicable to the present operation of the farm. In such cases, the usual acreage of corn for the farm is to be determined by committee appraisal. Such appraisal of the usual acreage shall be based on the usual acreage for similar farms in the county or community.

For those farms for which the average historical acreage is less than the acreage that would normally be planted to corn, the committee will appraise the usual acreage at not more than an amount computed by applying to the cropland on the farm the township or community ratio of such average acreage of corn to the cropland in the county or community, as the case may be.

Mr. POAGE. Does that mean that nobody could be below the average of the county or community?

Mr. WALKER. If the historical acreage is larger than that acreage and the county committee felt that it was larger because of the failure of other crops, for instance, they can cut it down; if they find that it is unusual because of a change in the rotation practices followed, they can adjust the historical acreage but they cannot exceed the community's average limitation when making such adjustments.

Mr. POAGE. That is what I meant.

Mr. WALKER. It is limited to that provision.

Mr. POAGE. Now where they want to reduce it, and where the number of acres in corn is less than the average of the historical acreage——

Mr. WALKER (interposing.) I am getting ahead of myself. When it is less than the average historical acreage, the committee can appraise the usual acreage in the community, but only if it was less because of some unusual condition.

Mr. POAGE. But does that mean that anybody, even though he has been planting less than his neighbor, will be entitled to plant up to what his neighbor has been planting?

Mr. WALKER. Not unless he has claimed, or unless his historical acreage is determined to be unusual for that farm. If it is usual for the farm it becomes his base.

Mr. POAGE. Of course, if I had been planting less corn than my neighbor and now I want to plant up to the county average, my contention would naturally be that my historical acreage was unusual.

Mr. WALKER. Then you could appeal to the county committee for a reconsideration of the allotment.

Mr. POAGE. The county committee would have the power to give me the county average?

Mr. WALKER. They would have the power to give you what the appeal procedure provides. Now let us see just what the appeal procedure is. I believe it would work out something like this: Where a man has appealed to the county committee for a higher acreage, because he has changed his type of farming and needs more acres, the county committee would take, say, three comparable farms that are engaged in the same type of farming that the appealing farmer is engaged in, and they will determine the average of those three farms, and they will say to this man, who has appealed, that that is his revised allotment; and it is based upon that comparison.

Mr. POAGE. That would get me up to the average of the neighbor.

Mr. WALKER. Yes; under the appeals procedure, but not where it is under the regular procedure.

Mr. PACE. In the next statement you used the words "For those farms for which the acreage normally planted to corn is less than the average". How do you arrive at that; what period of years do you use?

Mr. WALKER. That is the same base period that is used for determining the farm allotment, the four years that we were referring to a moment ago.

Mr. PACE. Just the 4 years.

Mr. PARKER. That is the same term used, in arriving at the acreage, on the preceding page?

Mr. WALKER. Yes.

Mr. ANDRESEN. And that would be the historical acreage.

Mr. WALKER. Yes.

Mr. POAGF. Mr. Walker, in connection with the language "historical acreage," what is the difference between the historical acreage and the acreage normally planted to corn?

Mr. WALKER. I believe if we will proceed a little further in this statement that it will clear up that question.

Mr. POAGE. Very well.

Mr. PACE. Let me ask you this question before you proceed: You said, in applying the term "acreage normally planted," you use the 4-year period.

Mr. WALKER. That is right.

Mr. PACE. And that was in the regulations for what year?

Mr. WALKER. These regulations I am citing here are for 1940; but in 1940 they were based upon 2 years: 1936 and 1937, for the average acreage planted to corn. We started the program in 1938.

Mr. PACE. Yes.

Mr. WALKER. The base period was 1936 and 1937. For 1939 we considered the 1938 acreage, but it was not averaged in with the base history.

For 1940, consideration was given to the 1938 and 1939 plantings of corn; but again they were not averaged in with the base period.

Mr. PACE. How did you use the 4 years then?

Mr. WALKER. We did not use the 4 years back in 1940. As I was saying a moment ago, the regulations would be prescribed by the Secretary for 1950——

Mr. PACE. Yes.

Mr. WALKER. And probably would be for 4 years. That is the period of time we are considering for wheat right now.

Mr. PACE. There has been considerable discussion of this same subject, and in Public Law 12, the Secretary is required to restore the normal cotton acreage; and there has been some talk about using only 1 year as normal for cotton. Of course, if he should consider 4 years for corn and wheat, I am sure there would be no reason why he should not take 4 years in reestablishing the acreage for cotton.

Mr. WALKER. I would think that is correct.

Mr. PACE. Yes.

Mr. WALKER. For those farms for which the average historical acreage is greater than the acreage that would normally be planted to corn such appraised usual acreage shall not be less than an amount computed by applying to the cropland on the farm a ratio of such average acreage to the cropland in the township or community. This is just the reverse of the other case.

In counties in which there exist two or more distinct types of land with respect to adaptation of such land to the production of corn, areas will be established for purposes of determining corn allotments which will reflect the adaptability of the different types of land to the production of corn.

As an example, let us take a township area base, where we may have river bottom lands which are level and where the corn production may be high your rotation system followed would be different. By stratifying the county into such areas the allotment may then be determined on the basis of the rotation practices followed in the particular areas.

Mr. ANDRESEN. Let me ask you a question: Suppose in my home county, along the Mississippi River, on the land adjacent to the river, going back for some 12 to 15 miles is what they would call the rolling land, gentle rolling land, a good dairying area, where they raise considerable corn, used as silage, for dairy feed. Now, as I understand the purpose of your regulations, as you have indicated here, the are to attempt to control or reduce the corn acreage on that gentle rolling land and to give greater acreage to the area where the land is more level?

Mr. WALKER. No, I did not mean to say that. I meant to say that in determining these acreage allotments, we would group farms according to the type of farming followed and the topography of the land by areas in which crop-rotation practices are similar. The use of such areas would prevent the shift of allotment from one community to another. In the operation of previous programs we found that in some counties the allotment would shift from the heavy producing areas, as level bottom land, to the lighter producing areas of hilly land, unless such allotments were determined on an area basis. But I do not recall any figures now that would indicate the actual shifts that would have taken place.

Mr. ANDRESEN. I know a number of farmers where their historical planting was around 65 acres for corn, and they were cut down to 28, under the 1940 program, so they had to go out and produce other types of feed grains in order to get enough feed to take care of their livestock on the farm.

Now there has been some talk here the other day, and the chairman will recall it, that an attempt might be made, or it might become necessary to control the acreage in the other feed grains in order to make the corn program work, and I was just wondering what that farmer would raise under such a program of trying to provide feed for his livestock. Can you answer that question for me?

Mr. WALKER. He will raise feed crops.

Mr. ANDRESEN. You mean crops that are now under the control program—barley or oats. If they control all of them and reduce the acreage, what could he raise?

Mr. WALKER. I think it must be realized that such a program would not operate to put a man out of business, that with restricted production would have to come a program of more economical production, and therefore one that would secure for the producer a higher net income from his operations.

I do not know how far we should get into this discussion, but it is a problem as to how far it can be carried; and in fact there is a conference coming up now for the purpose of determining what is to be done with the diverted acreage. The problem exists everywhere. If you are going to reduce the wheat acreage by, say, 15,000,000 acres, and corn, say, 4,000,000 acres, and cotton—I do not know how many, maybe we are going to have some 20 to 30 million acres that will have to be diverted to some other crops or land uses. It presents a very serious problem as to just what you are going to do with those diverted acres which normally can compete with corn, wheat, or cotton.

Mr. PACE. You say there is a conference to be held on that question?

Mr. WALKER. Yes.

Mr. PACE. Where and when is it to be held?

Mr. WALKER. I believe it is called for Monday and Tuesday of next week.

Mr. PACE. Who is going to attend that conference?

Mr. WALKER. It is under the A. C. P.

Mr. PACE. Who is to attend it? The State committeemen?

Mr. WALKER. The State committeemen, of the PMA.

Mr. PACE. I think it should prove to be one of the most important conferences ever called, and one in which certainly the farmers of this Nation would be greatly interested.

Mr. WALKER. That is right.

Mr. PACE. And do you think we might have the opportunity of having those attending the conference up here to meet with us?

Mr. WOOLLEY. I might mention, Mr. Chairman, that the conference is being held under the jurisdiction of the Agricultural Conservation Programs Branch of the PMA, with a view to making recommendations to the Administrator, which will be passed on to the Secretary, and, such parts as the Department of Agriculture adopts of the group's recommendations will be passed on to the Congress in the form of a statement by the Secretary of Agriculture, with reference to the long-range agricultural program.

Mr. PACE. I am wondering, since the conference will not be held until next week, if the Secretary is to include some of the recommendations in his statement, and if it will not mean a further delay in the probable date that the Secretary will be in position to present his recommendations to the committee?

Mr. ANDRESEN. As I understand Mr. Woolley's statement, the Secretary does not need to adopt all of the recommendations that this group may make, but only the part that is approved by the Department, so we will not have the benefit of all of the recommendations made by the group, which I think we should have.

Mr. WOOLLEY. I am sure, Congressman Andresen, you would not want the Secretary to transmit to you every recommendation that is made by every employee of the Department.

M. ANDRESEN. No; but I understand these are to be recommendations of the State chairmen.

Mr. WOOLLEY. They are from the State committees.

Mr. ANDRESEN. These recommendations to which you refer are assumed to speak the views of the county committeemen and others who are administering the program?

Mr. WOOLLEY. No; they do not assume to speak for them. They are the group of people in the Department who are delegated, authorized by the Secretary of Agriculture, to supervise these programs, under the law, and they make the recommendations based upon their judgments and their studies of the program.

Mr. ANDRESEN. But they are State chairmen, I understand.

Mr. WOOLLEY. They are State committeemen, not necessarily State chairmen; State PMA committeemen.

Mr. ANDRESEN. These recommendations are not usually the views of the farmers, but of the committeemen?

Mr. WOOLLEY. They reflect their own views, based upon their contacts with the farmers; they are committeemen themselves.

Mr. PACE. Mr. Woolley, what do you think would be the reaction of the Secretary to a request from the Committee on Agriculture to have an observer attend those discussions, in order that the committee might have the benefit, not only of the recommendations of the Secretary, but also of the discussions that take place?

Mr. WOOLLEY. I am sure that the Secretary would be most happy to have the members of the House committee and of the Senate committee, or any members of the committees to sit in on the conference. I am sure he would be delighted.

Mr. PACE. Will you follow that up and confirm it to the committee?

Mr. WOOLLEY. Yes.

Mr. PACE. Thank you very much. Will you continue with your statement, Mr. Walker.

Mr. WALKER. The regulations thus prescribed by the Secretary placed specific limitations upon adjustments that may be made by the county and community committees in the computed allotments. For specific reference as to the details of these regulations, there is attached a copy of the regulations prescribed by the Secretary with respect to the determination of farm corn acreage allotments for the 1940 crop of corn.

Attachment I, to which reference is made in this statement, is an example of the type of regulations under which instructions are issued for the determination of acreage allotments.

Mr. PACE. Just a moment. Without objection on the part of the committee I will file with the clerk attachment I, to be included in the record following Mr. Walker's statement. They are the regulations issued for the 1940 crop?

Mr. WALKER. Yes.

Mr. PACE. Will you proceed with your statement, Mr. Walker.

Mr. WALKER. I come now to instructions to county and community committees.

In order that these regulations governing the determination of individual farm acreage allotments be carried out in as objective a manner as is possible to assure uniform treatment, specific instructions are issued to county and community committees.

The methods and procedures provided for in such instructions may be illustrated by the instructions that were issued for the determination of the 1940 farm acreage allotments. A number of the more important steps followed by county and community committees, which are typical of the nature of these instructions are given here for your convenience.

(The matter referred to is as follows:)

The county committee shall review the historical average corn acreage and determine if any such average does not reflect the acreage that would normally be devoted to corn on the farm. Such determination shall be based upon and confined to the following:

(*a*) Failure to plant a substantial part of the usual acreage of corn on the farm in any of the years used as a historical basis because of—

1. Crop rotation practices on the farming unit of which the farm was a part;
2. Crop rotation practices no longer typical of the farm because of a change in operator or ownership of the farm;
3. The fact that part of the cropland on the farm was devoted to other than cropland uses;
4. Drought, flood, and so forth.

(*b*) The planting of a substantial excess in any one of the historical years over the usual acreage of corn on the farm because of—

1. Crop rotation practices on the farming unit of which the farm was a part;
2. Crop rotation practices no longer typical of the farm because of a change in operator or ownership of the farm;
3. The fact that part of the non-cropland on the farm was devoted to cropland uses;
4. Drought, flood, and so forth.

If the county committee determines that for one or more of the preceding reasons the average corn acreage for the farm does not reflect the acreage that would normally be devoted to corn, such average shall be adjusted to reflect a more representative acreage for the farm.

In determining the adjusted corn acreage history for the farm, the county committee shall take into consideration the usual corn acreage history for other farms in the community which are comparable with respect to tillable acres, type of soil, crop rotation practices, and topography. The adjusted corn acreage history shall be subject to the following limitations:

(*a*) Adjustment limitations in counties within which designated areas are not established:

1. Compute the county or township ratio of corn acreage to cropland by dividing the county or township total acreage of corn by the respective total acreage of cropland.
2. Compute an indicated usual corn acreage for the farm by multiplying the county or township ratio, whichever is used, by the cropland for the farm.

(*b*) Adjustment limitations in counties within which designated areas are established:

1. Compute the area ratio of corn acreage to cropland by dividing the area total of corn acreage by the total cropland for the area.
2. Compute as indicated usual corn acreage for the farm by multiplying the appropriate area ratio by the cropland for the farm.

Mr. ANDRESEN. I notice in none of these instructions or regulations, Mr. Walker, there is nothing to tie in production with the amount of livestock a man raises on the farm.

Mr. WALKER. That is true. There is no direct tie-in to the number of livestock, but the number of livestock that are used on the farm is tied in with the crop-rotation practices followed, and the feeding operations.

The history of planting of corn for feeding of hogs would be some indication of the hog raising carried on on the farm and thus indirectly would livestock production, as such, be considered.

Mr. ANDRESEN. But when it comes to the marketing quotas then you directly tie in livestock because you include the corn that is fed to livestock and sold from the farm?

Mr. WALKER. That is right, the marketing quota applies only to the corn whether fed to livestock or sold off the farm.

Mr. ANDRESEN. So there you have a definite tie-in with marketing quotas and livestock, if 85 percent of the corn is fed to livestock. On the other hand, the acreage is not determined on the basis of the need for feed for livestock.

Mr. WALKER. Except indirectly. You could take three comparable farms. You are going to make an adjustment for my neighbor, we will say. He has changed his farming operations so that his history is not usual any more. He has gone from grain farming to livestock, or maybe from dairy to cash grain.

The committee here will pick up three similar farms doing that type of farming. If he has gone into livestock they will select these farms that represent a cropping system involving the livestock when they make an adjustment for this neighbor so that livestock does get consideration indirectly.

I agree with you it is not directly considered.

Mr. ANDRESEN. We know this: Of course, in the diversified farming areas like the area that I happen to represent that a typical farm will grow so many acres of corn, so many acres of oats, and we used to raise considerable barley. We will also raise alfalfa and clover and a certain amount of our land will be in pasture. In the last few years we raised flax as one of the war crops.

Mr. WALKER. That is right.

Mr. ANDRESEN. Now we rotate the crops. I know on farms that I am familiar with, they do not plant a corn crop every year on the same land. They rotate that, as they rotate the other crops. The acreage is limited to what they can use on the average-sized farm in this rotation process.

Mr. WALKER. Yes.

Mr. ANDRESEN. Of course, this type of farming is considered good soil conservation practice.

Mr. WALKER. Yes.

Mr. ANDRESEN. About the most uncertain crop that we have in our area is the corn crop. If we have a corn-crop failure we are short of feed.

Mr. WALKER. That is right.

Mr. ANDRESEN. If we have a good crop then we will have enough feed to take care of the livestock, dairy cattle, in the form of silage corn; and to take care of the hogs that we do produce on every farm. If we have poultry and hogs and dairy cattle, we may also have a few beef cattle on each farm. That is why, in all these years, I have had this problem of getting acreage enough under the control program to produce enough even on the farm to take care of the livestock on the place.

Mr. PACE. Without objection, Mr. Walker, you will complete your statement before any other questions.

Mr. WALKER. Thank you. [Reading:]

If the historical average acreage of corn for the farm is greater than the indicated usual corn acreage as determined above, the adjusted corn acreage shall not be less than such indicated acreage nor greater than the average corn acreage reported.

3. If the historical average acreage of corn for the farm is less than the indicated usual corn acreage as determined above, the adjusted corn acreage shall not be greater than such indicated acreage not less than the average corn acreage reported.

A copy of the detailed instructions to county and community committees for the determination of 1940 farm corn acreage allotments may be furnished upon request.

I want to pause here just a moment to indicate that they are not here, because these are detailed instructions which would require a listing sheet and forms and so forth to even follow it. Hovever, if it is the desire of the committee that you have a copy, we will have them reproduce it and sent up.

Mr. ANDRESEN. Who interprets them for the county committee? Do they each have a solicitor?

Mr. WALKER. They have all the forms necessary to follow. The instruction will detail it and say, "Do this" and "Do that," but you could not follow it unless you had a listing sheet.

Mr. PACE. We have no need for those at this time.

Mr. HOEVEN. Mr. Chairman, I think we should have a copy of those detailed instructions for committee use.

Mr. PACE. Mr. Walker, will you kindly supply Mrs. Downey, the clerk of the committee, with a copy?

Mr. WALKER. Yes.

(The information referred to is as follows:)

INSTRUCTIONS FOR DETERMINING 1940 FARM CORN ACREAGE ALLOTMENTS AND NORMAL YIELDS

I. INTRODUCTION

A. In accordance with the regulations for determining farm acreage allotments and normal yields of corn for 1940, entitled "Regulations Governing the Determination of 1940 Farm Corn Acreage Allotments and Normal Yields Under Title III of the Agricultural Adjustment Act of 1938, as Amended," farm acreage allotments and normal yields of corn, subject to the approval of the State committee, shall be determined by the county committees with the assistance of other local committees in the counties in accordance with the instructions set forth hereinafter.

B. Except as otherwise provided in these instructions, the entries in all columns will be rounded to one decimal place and all factors will be rounded to not less than four decimal places. In all cases involving decimals, the results of the computations shall be carried two decimal places beyond the number of decimal places required in the result and rounded back to the required number of decimal places. In rounding, digits of .50 or less shall be dropped and digits of .51 or more shall be counted as one and added to the figure in the next decimal place to the left.

C. The applicable provisions for determining farm corn acreage allotments are contained in Section 329, paragraph (b), Part II, under Title III of the Agricultural Adjustment Act of 1938, and provide that—

"The acreage allotment to the county for corn shall be apportioned by the Secretary, through the local committees, among the farms within the county on the basis of tillable acreage, crop-rotation practices, type of soil, and topography."

II. GENERAL INSTRUCTIONS

A. *Farm identification information.*—Date identifying the farms for the purposes of determining the 1940 farm corn acreage allotments shall be listed in columns, (1), (2), (3), and (4) of form NCR–409 (1940 Listing Sheet) as follows:

1. Enter in column (1) the 1940 farm number. The farms shall be consecutively numbered in alphabetical order by townships.

2. Enter in column (2) the 1939 farm number which is obtained from NCR–309 (1939 Listing Sheet), column (1).

3. Enter in column (3) the name of the title owner(s) which is obtained from NCR–309, column (2).

4. Column (4) is for the convenience of the county committee and should contain the name of the 1940 farm operator when such information is available.

B. *Scope of procedure.*—The corn acreage allotments and normal yields for individual farms will be determined by carrying out the following procedure for columns (6), (12), (26), (27), (28), (29), (30), (31), (32), (33), (34), (35), (36), (37), (38), (39), (40), and (41), of NCR–409.

C. *General data pertinent to the procedure.*—1. Enter in column (6) the number of acres of cropland.

2. Enter in column (12) the NCR–203 (Soil Management Field Report) indicated soil-depleting acreage for the farm which is obtained from NCR–309, column (10). In counties in which corrections are necessary, the entry for column (12) shall be determined by computing the NCR–203 indicated soil-depleting acreage in accordance with the instructions for executing such forms.

3. For farms measured in 1939, enter in column (26) the 1939 planted corn acreage which is obtained from NCR–317 (Farm Report), Section IV, item (1), column (h). For all other farms a dash will be entered in this column.

4. Enter in column (27) the 1938 planted corn acreage which is obtained from column (24) of NCR–309. If this information is not available, enter a dash.

III. INSTRUCTIONS FOR DETERMINING USUAL CORN ACREAGE WITH RESPECT TO TILLABLE ACREAGE AND CROP ROTATION PRACTICES

A. Enter in column (28) the 1936–37 average corn acreage (planted) for the farm which is obtained from column (25) of NCR–309 for farms in the commercial corn area in 1939. In counties not in the commercial corn producing area in 1938 and 1939, the 1936–37 acreage corn acreage will not have been determined. Therefore, it will be necessary to execute columns (23) to (27), inclusive, of NCR–209 (1938 Listing Sheet) for such farms as set forth in NCR–210, and transfer such average acreage to column (28) of NCR–409.

B. If the entry in column (25), 1936–37 average corn acreage, of NCR–309 was stricken transfer such stricken entry to this column and enter immediately above in pencil the adjusted corn acreage entered in column (26) of NCR–309 (1939 Listing Sheet). This penciled entry will be used by the committees when reviewing this column for purposes of the following instructions.

The county and community committees shall review the entries in columns (26), 1939 corn acreage, (27), 1938 corn acreage, and (28), 1936–37 average corn acreage, of NCR–409 and determire whether any entry in column (28) is not representative of the farm. In making this determination the committee should should consider factors such as, change in type of farming operations, change in farm land, change in cropland acreage, drought, flood, and any other usunual conditions which may apply to the farm at the present time.

If it is determined that the entry in column (28), 1936–37 average corn acreage, is not representative for the farm, the entry in column (28) should be stricken through, but not erased. In the event the corn history for the farm was stricken for 1939, it shall be carefully reviewed to determine whether the reason for striking the entry all that time is now applicable.

For all stricken entries, the committee shall write a short, concise statement which adequately describes the facts. This statement shall be written by the committee at the time the change is made. In no event may a prepared list of reasons be used. Such notations as "Not equitable for the farm," "Change in operation," "Too high," "Too low," "Out of line with other farms," are not satisfactory and will not be acceptable to the farmer-fieldman.

C. If the entry in column (28), 1936–37 average corn acreage, has been stricken, enter in column (29) the adjusted corn history for the farm (Important: In counties in which areas are designated, it will not be possible to complete column (29) until column (30) is completed in accordance with the instructions for such column).

In determining the adjusted corn acreage history for the farm, the committee shall take into consideration the corn history for other farms in the community comparable with respect to tillable acreage, type of soil, crop rotation practices, and topography.

1. *For counties within which areas are designated.*—(*a*) Compute the area ratio of the corn to cropland by dividing the area total of column (28), 1936–37 average corn acreage (including stricken entries), by the total cropland for the area and enter the respective area ratios in the head of column (29), adjusted corn history, opposite the appropriate area letter.

(*b*) Compute a corn history limitation for the farm by multiplying the cropland by the appropriate area ratio.

2. *For counties within which areas are not designated.*—(*a*) Compute the respective township ratio of corn to cropland by dividing the township total of column (28), 1936–37 average corn acreage (including stricken entries), by the total cropland for the township and enter such township ratio in the head of column (29), adjusted corn history.

(*b*) Compute a corn history limitation for the farm by multiplying the cropland by the township ratio.

3. The stricken entry in column (28), 1936–37 average corn history, and the history determined in 1 or 2 above shall constitute limitations within which the entry for column (29), adjusted corn history, shall be established.

D. In the event the 1936–37 history is not available enter in column (29) the adjusted corn history determined by application of the appropriate ratio.

IV. INSTRUCTIONS FOR ESTABLISHING DESIGNATED AREAS

In counties in which there exist two or more distinct types of land, with respect to the adaptation to the production of corn, areas will be established for purposes of determining corn allotments which will reflect the adaptability of the different types of land to the production of corn.

A. Column (30), Area "A" or "B," will be used only in those counties in which there are two or more distinct types of land with respect to adaptation to the production of corn. In counties in which the county committee, with the approval of the State committee, determines that two or more different areas exist, the following instructions will be applicable. The division of the county into areas on the basis of the adaptation of such areas to the production of corn will be determined as follows:

1. The county committee with the assistance of the State committee will indicate on a map of the county the approximate outline of the different areas determined upon the basis of the different adaptations of the respective area to the production of corn by referring to aerial photographs, soil survey or relief maps when such maps are available, other similar information available in the county office, and the basis of their general knowledge of the topographic features of the county.

Ordinarily the county will not be divided into more than two such areas; the areas so determined will be designated "Area A," "Area B," etc.

2. The community committee will then be instructed to determine, upon the basis of such outline map, and their knowledge of the physical features of the several farms which have to do with the adaptation to the production of corn, in which of such areas the respective farms lie. The farms which lie in a single area will be designated "Area A," or "Area B," whichever is applicable. The county outline map will then be redrawn to show the outlines of the several areas to conform with the line of the bordering farms designated as lying within such areas.

The basis for the determination of the area in which the respective farms lie should reflect the adaptation of the land on the farm to the production of corn and should not reflect the individual history of the farm.

Examples of distinguishing characteristics of such areas are—

1. Overflow or river-bottom lands as distinguished from uplands.

2. In the Western areas hard lands' adaptation to the production of wheat, as distinguished from sandy lands especially adapted to the production of corn.

V. INSTRUCTIONS FOR DETERMINING INDICATED CORN ACREAGE ALLOTMENTS WITH RESPECT TO TYPES OF SOIL AND TOPOGRAPHY OF FARM LAND

Enter in column (31) the NCR-203 indicated corn-acreage allotment which is obtained as follows:

A. *Instructions for counties within which designated areas have been established*—1. Obtain the area and county totals of columns (12), indicated total soil-depleting acreage for the farm, and (28), 1936–37 average acreage of corn (including stricken entries), for the farms in each area in the county as designated in column (30).

2. Obtain the percentage that the corn acreage in each area is of the total corn acreage in the county by dividing each area total of column (28) by the county total of column (28).

3. Multiply the county corn acreage allotment by each area percentage as obtained in the preceding step.

4. Obtain area factors by dividing each result obtained in the preceding step by the respective area total of column (12), indicated total soil-depleting acreage for the farm, and enter each factor in the box at the head of column (31) opposite the appropriate area letter.

5. Multiply each entry in column (12) by the applicable area factor obtained in the preceding step and enter the result in column (31), indicated corn-acreage allotment.

B. *Instructions for counties within which designated areas have not been established.*—1. Obtain the county total of column (12), indicated total soil-depleting allotment.

2. Obtain a factor by dividing the county corn acreage allotment by the county total of column (12) and enter such factor in the box at the head of column (31), indicated corn acreage allotment.

3. Multiply each entry in column (12) by the factor which has been entered in the box at the head of column (31).

VI. FINAL ENTRIES AND DETERMINATIONS

A. Enter in column (32) the average of the entries in columns (28) and (31) except that—

1. If the entry for column (28), 1936–37 average corn acreage, has been stricken, the entry for column (32) shall be the average of the entries in columns (29), adjusted corn history, and (31); and

2. If the entry in column (28) is zero and not stricken, the entry in column (32) shall be zero.

B. Enter in column (33) the 1940 corn acreage allotment for the farm. This entry will be obtained as follows:

1. Derive a factor by dividing the county corn acreage allotment by the county total of column (32) and enter the result in the box at the head of column (33).

2. Multiply each entry in column (32) by the factor entered in the box heading of column (33) and enter the result in column (33).

C. Enter in column (34) the county and community committee's recommended corn acreage allotment for the farm. This entry shall be derived as follows:

Column 34.—The community and county committees shall review all cases in which the entries in column (33) are larger than the respective entries in column (28) or column (29) and all cases in which it is known that the farm is under contract to grow sweet corn for a canning factory in 1940 but was not under such contract in 1936 or 1937. If the entry in column (33) is larger than the respective entry in column (28) or column (29) and the committee determines that such allotment will not be utilized in 1940, they shall enter a recommended corn acreage allotment in column (34). This entry shall not be greater than the entry in column (33) nor less than the entry in column (28) or column (29) except, on farms where sweet corn is being grown under contract in 1940 and was not so grown in 1936 or 1937, the corn allotment may be less than would otherwise be established by an amount equal to the acreage contracted for the production of sweet corn.

No other entries are to be made in column (34) at this time.

D. Enter in column (35) the State committee approved 1940 corn acreage allotment. This entry should correspond to the entry in column (34) unless the State committee finds after a careful check of the procedure carried out by the county committee, the entry in column (34) does not correspond to that which would be obtained if the procedure set forth herein had been correctly followed. In such case, the State committee will enter in column (35) that entry which the county committee would have obtained in column (34) if it had correctly followed the procedure. The State committee entry in column (35) may vary from the allotment established for the farm by the county committee if it is determined that the county corn acreage allotment has not been met, in which case the State committee shall adjust individual corn acreage allotments pro rata either upward or downward to meet the county corn acreage allotment.

Mr. WALKER. The foregoing statement outlining the methods employed by the Department in carrying out the directives of Congress relating to acreage allotments for corn, as embodied in the Agricultural Adjustment Act of 1938, as amended, has been prepared solely for informational purposes and is not to be construed as containing Departmental recommendations. However, it may be said that the provisions of the Act governing the apportionment of the national corn acreage allotment among counties and farms have proved to be fair and practicable as a basis for the determination of such allotments.

In fact, by 1941 the farm acreage allotments for corn, determined under these provisions by the continuous application of procedures developed in accordance with the regulations prescribed by the Secretary, were established in such a satisfactory manner that they could serve as a basis for the determination of future allotments.

(The document referred to as attachment 1 is as follows:)

[Attachment I]

TITLE 7. UNITED STATES DEPARTMENT OF AGRICULTURE

CHAPTER VII. AGRICULTURAL ADJUSTMENT ADMINISTRATION

PART 721. PROCLAMATIONS AND DETERMINATIONS RELATING TO CORN ALLOTMENTS

Regulations Governing the Determination of 1940 Farm Corn Acreage Allotments * * * Under Title III of the Agricultural Adjustment Act of 1938, as Amended.[1]

CONTENTS

By virtue of the authority vested in the Secretary of Agriculture by Sections 301, 329, and 375 of the Agricultural Adjustment Act of 1938, as amended, I do prescribe the following regulations applicable for determining farm corn acreage allotments * * * for the 1940 crop in counties in the commercial corn-producing area under Title III of said Act, to be in force and effect until rescinded, amended, or superseded by regulations hereafter made by the Secretary of Agriculture under said Act.

Section 329 (b) of said act, provides that—

"The acreage allotment to the county for corn shall be apportioned by the Secretary, through the local committees, among the farms within the county on the basis of tillable acreage, crop-rotation practices, type of soil, and topography."

* * * * * * *

SEC. 721.211. Determination of farm corn acreage allotments for 1940: The county committee, with the assistance of other local committees in the county and subject to the approval of the State committee, shall determine farm acreage allotments of corn for farms in the commercial corn-producing area for the calendar year 1940 on the basis of tillable acreage, crop-rotation practices, type of soil and topography of the cropland as follows:

(a) *Determination with respect to tillable acreage, and crop rotation practices.*—As a basis for giving consideration to tillable acres and crop rotation practices in the apportionment of the county corn acreage allotment to farms, the county committee shall first determine for each farm the usual acreage of corn. This acreage shall be the average acreage of corn planted or such average acreage adjusted for participation, as the case may be during the years 1936 and 1937.

The county and community committees shall review the usual acreage for the several farms and determine whether any usual acreage is not representative for the farm. In making this determination the committees should consider factors such as a change in type of farming operations, change in farm land, change in cropland acreage, drought, flood, and any other unusual conditions which may apply to the farm at the present time.

If it is determined that the 1936–1937 average acreage is not representative of the farm, the committee shall appraise a usual acreage which is more representative for the farm. This appraised usual acreage shall be based on the usual acreage for similar farms in the county or community, or limited to a figure computed by applying to the cropland on the farm the township ratio of the average acreage of corn in the township in 1936 and 1937 to the cropland in the township.

(b) *Determination with respect to type of soil and topography.*—As a basis for giving consideration to types of soil and topography in the apportionment of the county corn acreage allotment to farms, the county committee shall determine for each farm the indicated corn acreage which shall represent the acreage of corn that should be planted in the light of good soil management for the particular types of soil comprising the farm and the erodibility as related to the topography of the cropland. Such indicated acreage shall not be given more than equal weight with the usual acreage of corn for the farm in the determination of the farm corn acreage allotment.

[1] Secs. 721.211 to 721.214 issued under the authority contained in sec. 329 (b), 52 Stat. 52; sec. 375 (b), 52 Stat. 66; sec. 301 (b) 13 (e), 52 Stat. 202, 7 U. S. C. 1329, 1375, 1301.

(*c*) *Determination of corn areas within a county.*—In counties in which there exist two or more distinct types of land with respect to adaptation to the production of corn, areas will be established for purposes of determining corn allotments which will reflect the adaptability of the different types of land to the production of corn. Such areas will be designated as "A", "B", "C", etc., for purposes of identification of the various areas within the county and will be subject to the approval of the State committee. For counties in which these areas are established the indicated acreages of corn and the cropland ratios used for determining limits of appraised usual acreages of corn, will be determined on the basis of the applicable data for each such area.

(*d*) *Adjustment to county acreage allotment.*—The farm usual acreage of corn, determined under paragraph (*a*) or (*c*) of this section, adjusted by use of the indicated corn acreage, determined under paragraph (*b*), adjusted pro rata to equal the county acreage allotment, shall be the farm-acreage allotments, except that if the committees determine that the allotment so derived does not represent the corn acreage which the farm might reasonably be expected to utilize in 1940, the committees may recommend a corn-acreage allotment for the farm. In such cases where the usual acreage is less than the computed allotment the committees may recommend an allotment which shall not be less than the usual acreage nor greater than the computed allotment, except on farms where sweet corn is being grown under contract in 1940 and was not so grown in 1936 and 1937, the corn allotment may be less than would otherwise be established by an amount equal to the acreage contracted for the production of sweet corn. * * *.

SEC. 721.213. Miscellaneous provisions applicable to farm corn-acreage allotments * * *.

(*a*) *Opportunity to furnish data.*—Any person owning or operating a farm in a commercial corn-producing county may submit to the county committee any information or data which is relevant to the factors to be taken into consideration by the county committee in determining the farm corn-acreage allotment * * *

(*b*) *Appeals.*—Any person who is dissatisfied with the determination of the county committee with respect to the corn-acreage allotment * * * for any farm in which he has an interest may, within 15 days after notice of such allotment is forwarded to or available to him, appeal from such determination by following the procedure governing appeals under the 1940 Agricultural Conservation Program.

(*c*) *Instructions and forms.*—The Administrator of the Agricultural Adjustment Administration shall cause to be prepared and issued with his approval such instructions and forms as may be required to carry out these regulations.

SEC. 721.214. Definitions: As used in these regulations and in all forms and documents in connection therewith, unless the content or subject matter otherwise requires, the following terms shall have the meaning ascribed:

(*a*) The term "Act" means the Agriculural Adjustment Act of 1938 and any amendments thereto.

(*b*) The term "Secretary" means the Secretary of Agriculture of the United States.

(*c*) The term "Department" means the United States Department of Agriculture.

(*d*) The term "commercial corn-producing area" means that area determined and established by Sec. 721.201 (the proclamation of commercial corn-producing area for the year 1940) made by the Secretary of Agriculture on November 25, 1939.

(*e*) "Farm" means all adjacent or nearby farm land under the same ownership, whether operated by one person or field-rented in whole or in part to one or more persons, and constituting a unit with respect to the rotation or crops.

If the operator and all the owners entitled to share in the crops request and agree, a farm may include any adjacent or nearby farm land if the county committee determines that—

(1) The entire area of land is operated by the one person as part of one unit in the rotation of crops and with workstock, farm machinery, and labor substantially separate from that for any other land;

(2) The * * * and productivity of the differently owned tracts do not vary substantially;

(3) The combination is not being made for the purpose of increasing acreage allotments or primarily for the purpose of effecting performance; and

(4) The separately owned tracts constitute a farming unit for the operator and will be regarded in the community as constituting one farm in 1940.

A tract of land will not be considered as a farm unless (1) it contains at least three acres of farm land, or (2) the gross income normally obtained each year from the production of crops on the land is at least $100.

(*f*) The term "acreage allotment of corn for 1940" means that acreage in the commercial corn-producing area determined and established under Sec. 721.202 (the proclamation of corn acreage allotment for the commercial corn-producing area) issued by the Secretary of Agriculture on November 25, 1939.

(*g*) The term "county acreage allotment of corn" for the calendar year 1940 means that acreage of corn apportioned to the county under Sec. 721.203 (the determination of county corn acreage allotments * * * of corn for 1940) issued by the Secretary of Agriculture on December 28, 1939.

(*h*) The term "farm corn acreage allotment" means the acreage allotment established for a farm with respect to corn by apportioning the county acreage allotment of corn among all the corn-producing farms in the county.

(*i*) The terms "State committee" means the group of persons designated, within any State to assist in the administration of the agricultural conservation programs in such State.

(*j*) The term "county committee" means the group of persons elected within any county to assist in the administration of the agricultural conservation program in such county.

(*k*) The term "local committee" means any committee, whether or not a county committee, utilized under Sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, as amended.

Done at Washington, D. C., this 26th day of March 1940.

Witness my hand and the seal of The Department of Agriculture.

H. A. WALLACE,
Secretary of Agriculture.

Mr. PACE. That last statement could be construed as saying that you can get along under the present marketing-quota laws on corn without any modification, is that right?

Mr. WALKER. Not exactly. When it comes to the apportionment of the national allotment to counties and farms, we believe that we can. Now, it would not bother us at all if we substituted for that 10-year base period a 5-year base period. That would not bother us; but as regards the determination of the national allotment I understand, there are very definite recommendations coming over on it.

Mr. PACE. Are there any other questions?

Mr. Walker, we are greatly indebted to you.

Mr. WALKER. Thank you, sir.

Mr. PACE. We also appreciate the services of the other gentlemen here.

As I understand it, it is the wish of the committee to suspend for now further consideration of the marketing-quota laws for corn until the Secretary has had an opportunity to present his recommendations.

Therefore the committee will now stand adjourned with respect to corn, subject to the further call of the Chairman.

(Thereupon, at 11:55 a. m. Monday, March 28, 1949, an adjournment was taken to meet at the call of the chairman.)

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GENERAL FARM PROGRAM

(Testimony of Secretary of Agriculture Brannan)

HEARINGS

BEFORE

THE COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

EIGHTY-FIRST CONGRESS

FIRST SESSION

PART 2

APRIL 7, 11, 12, 25, AND 26, 1949

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GENERAL FARM PROGRAM

THURSDAY, APRIL 7, 1949

United States Senate,
Committee on Agriculture and Forestry,
House of Representatives,
Committee on Agriculture,
Washington, D. C.

The Senate and House Agriculture Committees met in joint session at 10 a. m. in room 1310, New House Office Building, Representative Harold D. Cooley, chairman of the House Committee on Agriculture, presiding.

Present: Senators Thomas (chairman of the Senate Committee on Agriculture and Forestry), Hoey, Holland, Anderson, Aiken, Young, Thye, Kem, and Hickenlooper.

Representatives Cooley (chairman of the House Committee on Agriculture), Pace, Poage, Grant, Granger, Gathings, McMillan, Worley, Abernethy, Albert, Abbitt, Polk, Sutton, O'Sullivan, Davies, White, Lind, Hope, Andresen, Murray, Hall, Hill, Hoeven, Simpson, Bramblett, Dague, and Cotton.

Delegates Bartlett of Alaska, and Farrington of Hawaii, and Resident Commissioner Fernós-Isern.

The Chairman (Mr. Cooley). The committee will be in order. We are delighted to have with us this morning the Senate Committee on Agriculture and Forestry. We meet jointly for the purpose of hearing Secretary Brannan, whom the chair is glad to recognize at this time.

I would like to ask the members of the House committee to forego the privilege of asking any questions at all this morning, and I would like to ask all the members of both committees to forego asking questions until the Secretary has concluded his statement.

At the conclusion of the Secretary's statement, I will turn the meeting over to Senator Thomas for the purpose of recognizing such members as wish to ask questions. We hope to have the Secretary back with this committee tomorrow morning, at which time we will have an opportunity to ask such questions as we may desire.

We would also like to have the Senate committee come back and meet with us tomorrow morning, if possible.

STATEMENT OF HON. CHARLES F. BRANNAN, SECRETARY OF AGRICULTURE

Secretary Brannan. Chairman Cooley and Chairman Thomas, and gentlemen of the House and Senate Committees on Agriculture and Forestry, I want to say sincerely that I appreciate the opportunity of coming before you this morning and expressing some of our views and recommendations with respect to a price-support program.

This hearing deals with the heart of our farm policy.

The proposition with which I begin is that we are mutually devoted to the task of making our farm program the soundest and the strongest and best that we can design.

We have already been dealing this year with a number of important items of legislation relating to agriculture: The Commodity Credit Corporation charter, some acreage allotment and marketing quota legislation, and the international wheat agreement, among others. And now we come to one which touches directly or indirectly upon all the rest.

It concerns our effort to assist farmers to maintain a reasonably stable income at a fair level—a level which is equitable to farmers and in the best interest of the other economic groups within our population.

The principal device authorized by the Congress for this purpose is commonly referred to as agricultural price support. It is, in my opinion, the most effective method yet suggested and must remain an integral part of our national economy until and unless a better method is suggested.

Some differences of opinion have developed about the exact formula and manner under which agricultural price supports should be made available. This is healthy and can only result in improvement if we all apply ourselves forthrightly to a solution to the issues.

One issue has been popularized as a simple clash over rigid support of prices at 90 percent of parity versus flexible supports ranging from 60 to 90 percent. This is an oversimplification.

The issue was not simple in the first place, and recent events have not made it simpler. In the last several months we have seen some of the effects of the bumper crops of 1948 and witnessed the planting of another gigantic winter wheat acreage. We have put into effect a new and lower support level for potatoes, yet find the Government still buying considerable quantities of surplus potatoes. We have come closer to the point where we seriously need some shifts in farm production if we are to avoid surpluses. We can now see some important economic trends that were not evident last summer.

Specifically, prices received by farmers have been coming down much faster than the prices they pay. In March of this year, farm prices were 15 percent lower than they were at the beginning of last year, while prices paid by farmers were down only 2 percent from the peak reached last summer. In this period, some industrial prices continued to rise. Farm purchasing power turned downward in 1948 and is now at the lowest level since 1942.

In short, some additional problems have come out of the realm of theory into the here-and-now. Hence, the preparation of my first recommendations to the Congress on the important matter of price supports has required me to make a rather complete review of objectives, legislation, and alternative programs. In addition to considering simple revisions in present legislation, we have taken a new look at various ways of measuring parity and just about all of the program suggestions that have been seriously considered in the past—two-price and multiple-price systems, forward pricing, automatic pricing formulas, compensatory payments, cost reduction programs, and combinations of these alternatives.

The result of all this study is not likely to startle anyone; I have no revolutionary ideas to present to you. But I do have some definite recommendations for your consideration.

These recommendations are not advanced as the final and conclusive answers to our farm problems. I would much rather have a program that will work well in the immediate future than one which will partly do the job for 20 years. And, frankly, I doubt our ability to provide so well for the future that future Congresses and administrations will have no changes to offer. We need to be clear about policy objectives, which apply to the long-time future as well as the present. At the very least, our program must cope with problems now in sight. We proceed from where we are—not from a theoretical time and place. And the present economic situation is somewhat less favorable to farmers than at any time in recent years.

In view of the problems we face, I am thankful that we have had a great deal of excellent legislation and much good experience on which to base an effective farm program. We can learn much of great value from the farm legislation and experience of the last two decades.

The programs we have had are the firm foundation on which we can build. We have learned in depression, in a defense period, and in the initial phase of a new postwar period. Throughout this experience, we have seen that the measures dealing with the selling prices of farm products and the incomes of producers are the keys to a successful program.

What is required of a program: From our experience, we can set up realistic criteria by which to judge and by which to guide our program. Prominent among the criteria and requirements will be the following:

First. The program must effectively serve the farmer and his family. As an isolated individual, the farmer has no control over the prices he will receive, and no adequate way of adjusting the total market volume of his commodities to the changing demand. After he has planted a crop, he is at the mercy of weather, price, and many other forces with which he is powerless to cope. On many occasions in the past, he has labored all season and produced a good crop only to find that, because of circumstances beyond his control, his labor will go uncompensated and sometimes his cash investment in seed, fertilizer, and other operating costs will be only partially recovered. A program to help him meet those basic difficulties is the very minimum for which we should strive.

Second. In serving the farmer the program must not discriminate unfairly against any group. It should be fair to consumers and business people. The customers of agriculture want plentiful and steady supplies, and they have a right to expect that a program supported by the public will help meet this need. Farmers want to furnish plentiful supplies regularly.

Third. The program must be efficiently operated and the cost must be commensurate with the benefits to the Nation.

Fourth. It must serve general policy objectives, including national security, the maintenance of high-level employment, and cooperation with other nations in the interests of peace and prosperity. It can do this by conserving and strengthening our basic productive resources, providing reserves against national emergencies, and encouraging free-flowing world trade by reasonably assuring sufficient products for export.

In short, the farm program must serve the best interests of all our people, and in my opinion that is the only kind of program the farm people want or expect.

Unfortunately, too many people still think of a farm program as some kind of class legislation. There is too little appreciation of the direct and definite ways in which it can benefit all the people and can help make this the kind of a country they want it to be.

Therefore, I want to list several ways in which we can expect effective farm-production and price-stabilization programs to serve the interests of all the people.

1. It can help prevent depression. Most depressions have been farm-led and farm-fed. Farm prices traditionally go down before, faster, and farther than other prices. On the down swing of the business cycle, farm people are the major early victims of a squeeze. As their income and, therefore, purchasing power is cut by low prices or production failure, industrial producers find a contracting market for their production. This throws workers out of jobs. They in turn spend less for farm products, which in turn further forces down farm prices, and farm purchasing power is further cut.

I don't mean to say that declines in farm prices are the sole cause of depressions, but they certainly contribute greatly and would do so more now than in the past because agriculture has become a bigger customer of industry.

Farm price supports cannot substitute for good markets that come with full employment and foreign demand, and, I believe, almost every farmer now understands the importance and relationship to farm prosperity of good wages for city and industrial workers. Supports are no substitute for city markets, but they can at least slow down declines in farm prices and provide stopping points so as to keep our fluid farm prices from going rapidly into a worse and worse relationship with nonfarm prices.

2. A farm production and price-adjustment program can help build markets for industrial goods and help maintain employment for labor.

Industry today is dependent on the farm market to a far greater degree than it has ever been.

Let me illustrate this fact by listing some of the manufacturing industry's equipment that is in use on one particular farm today and which has been purchased since the last depression. This happens to be a Michigan farm—not fancy—just a good family farm. Here's the list: A combine, a corn picker, a portable elevator, one additional tractor with required equipment to go with it (including a disk, drill, and corn planter), a feed grinder, a pick-up truck, motor and pump assembly for pumping stock water, an electric pump and pressure tank for running water in the house, electric refrigerator, electric stove, and electric hot-water heater. Think of almost any good farm, and you make a similar list.

Back in 1929 there were only 827,000 tractors on American farms. At this time last year there were 3,250,000. In 1929 we had about 37,000 combines. Last year we had 540,000. The number of corn pickers has jumped from less than 9,000 to more than 300,000. These are only a few examples.

In 1929 less than 600,000 farms were electrified. Today the figure is more than 4,000,000.

Altogether the American farmer has lately been a $30,000,000,000 customer of American business.

Even so, rural people represent a vast untapped market for all sorts of goods. For example, half of the commercial family farms in this country are small, and in this group only 22 out of 100 homes have running water. For most of the other family farms, the comparable rate is 38 per 100, and, in the top group, 58 per 100 have running water.

Farm people want to buy industrial goods, but when their prices go down in relation to the prices they have to pay, they have to cut their buying. Again let me illustrate:

A farmer on route 2, Defiance, Ohio, ordered a tractor last year priced at $1,550. When it arrived at his dealer's, the price was $1,950. His soybeans went down from $3.47 in September to $2.18 in March, and his corn went down in the same months from $2 to $1.23. He canceled his tractor order.

A farmer who lives on route 1, Crane Hill, Ala., ordered a tractor in 1945 at a price of $1,500. It arrived last summer priced at $2,450. He felt uncertain at that time about the future of cotton prices and so, for the combination of reasons, turned down the tractor.

A farmer on route 1, Gettysburg, Pa., fed 40 steers for 157 days and lost $3,000. He gave up buying a hay baler worth $2,150 and building a machine shed on which he had planned to spend $1,000.

It is important to all of us to maintain balance between farm and industrial prices. A program that helps to stabilize farm prices and incomes will help to stabilize markets for factory goods and will keep thousands and thousands of "Main Streets" busy.

3. Stable farm prices and incomes encourage high-level production with the greatest assurance of reasonable prices to consumers. This is one of the most significant lessons from our wartime experience. Without the cost-plus contracts and guaranties enjoyed by many industries, and with only reasonable price protection, farmers quickly made great shifts in the use of their productive resources to meet war needs. They supplied civilians with a fourth to a third more milk and a fifth more meat than prewar while they were meeting the needs of the armed forces and also sending large amounts of food to our allies. Farmers, like manufacturers, want to produce what their customers want. But usually it is only with advance knowledge of minimum prices that small, individual producers, planning separately, can unify their efforts efficiently to increase the total supply of a particular commodity.

Furthermore, we know that American business depends on agriculture for raw materials, and business is starved if farm production goes down. About half of all the business done with United States consumers last year was based, in one way or another, on American farm commodities.

Price supports should be available at all times to assure the maintenance of this supply. If prices are allowed to remain too low too long farmers are unable to buy the machinery, fertilizer, and other materials which they must have to maintain high-level production.

4. A program that helps maintain farm income helps to maintain agricultural resources. City people, just as much as farm people, are concerned with the problem of conservation. Our soil, water, and

forest resources must support a population that is still growing, and our objective is a higher standard of living for the people as a whole. Yet, we are still losing productivity on hundreds of thousands of acres every year. Half of all our cropland is still subject to erosion.

Obviously, conservation depends on something more than good farm prices. On the other hand, resources can be conserved and improved only if they are used profitably.

The depression taught us that hard times make poor farmers and poor land. Low prices force farmers to abandon their land-conservation practices in an attempt to make up for lower price by increasing acreage to get a greater volume. For the short pull, they will be able to pile up bigger production with less outlay. But only a few seasons need pass before even production will be decreased. The low wheat prices of the depression brought increased plantings, at great cost in resources. The dust storms in the Great Plains, as well as gullies and floods elsewhere, gave dramatic evidence that surpluses and low prices can lead a nation to ruin.

Price supports can aid conservation in at least two ways: (*a*) By bringing additional stability into the farm business so that farm people can enjoy a good standard of living without mining their resources and (*b*) by directly encouraging types of farming which naturally conserve resources.

It is generally believed that, for the sake of keeping our resources permanently productive as well as to meet consumer needs, livestock production should be made a more important part of our agriculture. I agree with this. I also think the shift is not likely to take place as promptly and as fully as necessary without the assistance of a well-adapted production and price-adjustment program.

5. An effective farm program is essential to our national security, will provide a reservoir of goods which protects the Nation against crop failure, and will assure supplies for an even flow of world trade.

Reserve supplies above ground and their counterpart—reserve strength in the soil—are essentials of national defense. A large livestock population is also reserve strength. Before the last war, when we had to convert our Nation quickly into an arsenal of democracy, we were extremely fortunate in having large reserves of grain and cotton. Without having to wait for another harvest, we were able to start converting grain into the high-protein foods that were sorely needed by our friends abroad. Plenty of cotton was available for war uses. Several years of intensive soil-conservation effort had improved many acres of land which had suffered abuse.

Agriculture justly takes pride in the speed with which it converted to defense and war production. But agriculture is glad to share the credit with the people as a whole, for the storage and soil-conservation programs were made possible by the general public—by a sharing of responsibility by farmers and the whole people. In terms of dollars alone, our prewar stocks proved to be a great investment.

Reserves also provide security against dangers other than those of war. Although we have never had a drought or other disaster which threatened us with famine or anything close to it, we have had shortages which severely disrupted our economy and caused a great deal of personal hardship. The results of the droughts of 1934 and 1936 are examples. Forced liquidation of livestock temporarily increased meat production and reduced prices, but in 1935 beef and veal production dropped 20 percent and pork production dropped 30 percent. There were further reductions in 1937. It was not until 1942 that cattle numbers came back to the 1934 level.

A more recent example was the short corn crop of 1947. Farmers had already been selling meat animals faster than they were replacing them. The short crop speeded up the trend, resulting in shorter supplies and higher prices of meat. We are still feeling the effects. Reserves will help us maintain livestock production from year to year and help prevent extreme fluctuations in price.

Adequate reserves are essential for still other reasons. We believe that free-flowing world trade is necessary to world peace. To the extent that we can, we want to discourage the tendency of some of our sister nations and traditional good customers to return to nationalistic self-sufficiency with its artificial trade barriers and economic warfare. One means of doing so is to assure importing nations that they will have access to supplies they need year after year. That assurance on one commodity can be given through the pending international wheat agreement, and at the same time we and other exporters assure ourselves of regular markets. Wheat reserves will enable us to guarantee our commitments under the wheat agreement. Steady supplies of other export commodities can also be assured to importing nations by means of reserves.

It should also be remembered that a democracy with reserves and great productive power is a great comfort to nations fearing either famine or foreign aggression. Our practical ability to serve as a friend in need will determine how well we can meet our responsibilities of leadership—how well we can serve the cause of world peace and democracy.

Reserves of storable commodities are a natural adjunct of price supports. They are an aim as well as a result of the farm program. They represent an important part of the insurance which the public buys with the funds it invests in maintaining a healthy agriculture.

6. A price-support program which safeguards our rural economic strength can help stabilize the rural community and help maintain individual opportunity in our free-enterprise system.

One bulwark of democracy may be found in the prosperous rural community mainly composed of economically strong families farming in the traditional American pattern. It is an ever-present answer to communism.

We should be aware that for many years there has been a steady increase in the number of large-scale, industrialized type of farming unit. Many of these are absentee and corporate owned. According to the 1945 census, about 100,000 of the largest units—fewer than 2 percent of all farms—are selling products valued at nearly one-fourth of all the farm products marketed in this country. This is more than is sold in total by two-thirds of all our farms, including half of our family farms.

If we are to have stable and prosperous rural communities with schools, churches, health services, and other facilities, it is plain that many farm people need greater economic security and opportunity.

Price supports are the farmer's equivalent of the laboring man's minimum wage, social security, and collective-bargaining agreements.

Of course, price support does not meet the fundamental problem of the operator who cannot produce a large enough volume to make a good return at any price. But it does help on the price side of the farm income equation. There are a great many farmers on the economic border line—they can make a fairly good living when prices are in reasonable balance, but a small drop cuts sharply into the income they have available for living expense and leaves only operating expenses or less. These people are a very considerable percentage of all the independent producers in our entire free-enterprise system. While price supports alone will not solve their problem, I see no reason to think it can be solved without some kind of a sound and effective program for maintaining stable and reasonable prices for the goods they produce.

Measuring results: I have listed six ways in which a good farm income and price-support program can serve the interests of all the people. It can help do these things: Prevent depressions, build bigger industrial markets and employment, maintain high-level production of farm commodities, conserve natural resources, maintain reserves for national security, and strengthen the rural community.

A program that will meet the test I have outlined will cost money, and the returns will have to justify the cost. We may not be able to set up a balance sheet in terms of dollars and balance it every year. But then, that is not the way we have measured the public cost and the returns from the tariffs which we have used to protect various industries, the value of less-than-cost postal rates, and the public cost and returns—investment and returns from railroads, merchant marine, and air lines, and the public cost and returns from the minimum-wage law and social security.

We do know that agriculture is a basic segment of the economy. It must be highly productive, and permanently so. It must contribute to the prosperity of the Nation, and in turn those engaged in agriculture must be able to share equitably in that prosperity.

I believe we can have that kind of agriculture if we really want it. We won't get it easily or automatically. We won't get it all of a sudden. But we have already made great progress toward it, and if we will work together we can make more progress.

In my opinion, production and price adjustment with a definite income objective must be the core of our united effort, and although I will mention other measures I am concentrating at this time on the core.

Recommendations: Condensed into the fewest words possible, here are the proposals, each of which will be explained afterward in detail.

Objective: The recommended program is intended to assure a volume of farm income and purchasing power which it is in the public interest to maintain for the reasons which have just been discussed.

The standard of support has been established with reference to income criteria rather than price criteria. A recent 10-year period has been selected as the base. Simplicity of computation and application has been a constant aim.

The recommended price-support standard for any specific commodity does not represent a parity price nor does the composite average represent parity income as those terms are now statutorily defined or commonly understood. This income standard simply represents a realistic minimum below which it is not in the interest of farmers or consumers to allow farm prices to fall and above which I would hope to find most farm prices most of the time. It is the minimum level from which we would be working toward narrowing, and eventually closing, the historical gap between farm and nonfarm income.

Formulas: As the start for our moving base, we have taken the average annual purchasing power of cash receipts from farm marketings for the years 1939 through 1948. From that, with the aid of the old parity index, we have moved first to an income-support standard and then to a specific price-support standard for the individual commodities.

Application of support: Loans, purchase agreements, production payments, and direct purchases should be available for use. These several methods would be used singly or in combination as experience and prevailing circumstances warrant.

Commodity loans and purchase agreements are probably the most effective and efficient methods for the commodities which do not appreciably deteriorate in storage and for those which should be held in reserve in appreciable quantities for production stability or against national emergencies.

Production payments, on the other hand, seem more adaptable as a method for supporting highly perishable commodities and those for which storage is too costly.

In the case of both perishables and storables, it may sometimes be desirable to remove surpluses or to obtain supplies for storage or collateral programs by purchasing directly from producers or intermediate processors.

Conditions of support: The availability of price support cannot be separated from the acceptance by farmers of reasonable undertakings to advance or accompoish the over-all objectives of a sound farm program in the interests of the public and of their fellow farmers, such as (*a*) the observance of minimum and sound soil-conservation practices; (*b*) compliance with or adoption of whatever programs are found necessary to curtail wasteful production or disorderly marketing (such measures as acreage allotments, marketing quotas, and marketing agreements which may be adopted from time to time through referendums or by the authority of the Secretary under terms of specific legislation such as is now on the statute books); (*c*) the limitation of eligibility for price support to a defined volume of production on each farm—a volume high enough to benefit most farms but one which will not encourage the development of extremely large, industrialized farming.

Those are my recommendations in brief. I have left out many significant details and comparisons which we can go back to, now that you have the over-all picture.

The income and price-support standards: If there is anything new in what is here proposed, it is the recommendation that we actually start out computations with an income criterion as the base on which price supports are determined. We have had income critiera in our laws—so-called parity and income definitions—but so far we have not used them. Since income is what finally counts, I think it is time to start relating support prices to an income standard.

The factor which has discouraged real use of the parity-income definition in the past has been the gap between farm and nonfarm income. This is so wide that a program based on real dollar equality looks unrealistic as an immediate objective. Under the old definition, for example, farmers last year received 160 percent of the theoretical parity income. But actually, the average net income of farm people from all sources was only $909 per capita, including the value of home-produced food and income from nonfarm sources, compared with the nonfarm average of $1,569. This puts the average farmer's income at less than 60 percent of his urban brother's income. Such a definition of parity seems to me indefensible.

The new definition in the Agricultural Act of 1948 defines parity income as that income which will provide farm people with standards of living afforded persons in other gainful occupations. This is undoubtedly valid as a concept and as a long-range objective which we accept as such.

In developing an income-support standard which can be translated into a price schedule, I start from the firm conviction that the particular formula or formulas should be based on recent experience and not related or changed back to some distant base period. Any such formula should reflect as far as possible the advancements in agricultural knowledge, facilities, and skills.

It is recommended that the income-support standard for any year be defined as that level of cash returns from farm products which is equivalent in purchasing power to the average annual purchasing power of cash receipts from farm marketings during the 10 calendar years 1939 through 1948.

As formulas go, this is quite simple. As the starting base, it takes the average annual purchasing power of cash receipts for the years 1939 through 1948, which figures we already have. This purchasing power is determined by dividing cash receipts for each year by the same year's index of prices paid by farmers for goods and services, including allowances for interest and taxes—that is, the "parity index" as we now know it. In terms of average 1939–48 farm purchasing power dollars, this base is $18,218,000,000.

To calculate the income-support standard, this base is multiplied by the current parity index. For example, parity as of March 15 was equal to an index of 144—base 1939–48 equals 100. Such an index would indicate an income-support standard of $26,234,000,000—18,218,000,000 times 1.44.

Before going on to a discussion of the corresponding price-support standard, let me say a word about this income measure. It is not a parity-income figure, but rather what I believe to be a minimum level which we should do our best to hold, with the expectation that actual income would usually run higher. It is a level of income which I believe we can all agree should be in the interest of farm people, but equally in the interest of all our people. It is calculated from a recent and fair base. True, 1939–48 does include some high-income years, but it also includes some low-income years starting with the very low year 1939. Furthermore, farm purchasing power has been above this suggested support level for six successive years.

Some people may object on the ground that this formula relates to cash receipts rather than to net farm income. However, this has two advantages. The first is simplicity. As you will soon see, it is a very simple step from cash farm receipts to the support-price standard. Secondly, both the farmer and the American businessman are interested in the farmer's total purchasing power. Farm marketings must return enough to cover not only the farm-family items but production expenses as well.

I am aware that this standard does not close the gap between average per capita farm and nonfarm incomes. However, as I indicated earlier, one of our problems is to get something which will work here and now.

We contemplate that the base used for determining the income standard should move forward. I am proposing that this 1939–48 income base be used for 1950 and that thereafter the base should be the first 10 out of the last 12 years. In other words, there should be a 2-year lag between the base period and the year of actual operations so as to allow administrative preparation well in advance of operations and so that the Congress may become aware of the effects of the moving standard before new calculations are put to use.

After determining the aggregate income standard for a year, the next step is the determination of a corresponding schedule of commodity prices. In doing this, average farm prices for the 10 immediately preceding years—or marketing seasons—would be multiplied by the ratio of (*a*) the current income-support standard to (*b*) the actual average level of cash receipts from farm marketings during the 10 immediately preceding years. This formula will keep price relationships among commodities on a moving, up-to-date basis.

For example, the average cash receipts for the 10 years 1940–49—using an estimate for 1949 as this illustration—is $20,980,000,000, while the estimated minimum-income standard for 1950 is $26,234,000,000, assuming the parity index remains at its current level.

Since the support standard is 1.25 times the average cash receipts, the support-price schedule would be determined by simply multiplying the 1940–49 average farm price for each of the several commodities by 1.25.

Now, let us see how these formulas compare with the familiar parity-price formula. So far as income and prices are concerned, the standards are about equal to what current marketings would bring if farm prices were to average the present parity level for 1949, but with the prices for the three great staples—corn, cotton, and wheat—averaging only about 90 percent of the old parity level. At the same time, it follows that prices for a number of the other commodities, especially livestock and livestock products, would average above the current parity level. The method of calculating the income and price standards, as well as a number of price comparisons, is shown in detail in the accompanying tables. [Exhibits A, B, and C.]

Application to specific commodities: Our ultimate ability to assure these minimum income and price-support standards is of course dependent upon the availability of funds and specific authorization.

I recommend that the Congress designate those commodities which should have first priority on the funds available for price-support purposes. This list should include the agricultural commodities of prime importance, both from the standpoint of their contribution to farm income and their importance to the American consumer family.

This list should include, at least, the following commodities: Corn, cotton, wheat, tobacco, whole milk, eggs, farm chickens, and the meat animals—hogs, beef cattle, and lambs.

I recommend that the prices or returns of these first-priority, or group 1, commodities be maintained at not less than the full support-price standard. It should be clearly understood that the support-price standard is not a ceiling.

Those commodities not included in the group one or priority list should be supported in line with or in relation to group one commodities, taking into account the available funds and authorities, the ability of producers to keep supplies in line with demand, and other relevant factors. There will also need to be discretionary authority available for adjusting supports for these commodities in order to maintain desirable commodity relationships, especially in order to maintain normal feeding ratios or feed value relationships.

It may also on occasion be necessary to recommend to the Congress certain adjustments in support prices for one or more of the group one commodities in order to maintain feed ratios or feed value relationships.

The authority should be available to support any commodity at whatever level is required to increase supplies or meet national emergencies.

Price support methods: Commodity loans and purchase agreements are methods well adapted to the support of storable commodities which can be carried over without processing for a number of marketing years, if necessary. Storables account for roughly 25 percent of our annual cash receipts from farm marketings and include cotton, corn, wheat and other grains, tobacco, the oilseed crops, dry beans and peas, wool, and peanuts. These are not all equally storable, but experience has shown that loans and purchase agreements are effective for all the commodities on this list. Nevertheless, it would be desirable to have available, as a supplementary method, the authority to make production payments under certain circumstances.

The nonstorables—products which are either highly perishable or which can be stored only at heavy expense—include fruits, vegetables, meat animals, milk, butterfat, poultry, and eggs, and account for roughly 75 percent of cash farm receipts. Production of these commodities is geared largely to domestic demand and this demand fluctuates with employment, wages, and other factors which change mass purchasing power. We can hope to increase per capita consumption of all or most of these products in a healthy economic climate.

When it is necessary to apply supports to any of these nonstorable commodities, I recommend that we rely mainly upon production payments.

The term "production payment" means exactly what it says—a payment to the farmer to go on producing to meet genuine consumer needs, rather than restricting output short of that need.

Under this system the farmer would be paid in cash the difference between the support standard for commodities which he produced and the average selling price for those commodities in the market place. Because the payment would go directly to the farmer it would be an efficient support operation.

Another big advantage is that the system would induce efficient production and marketing, because any farmer who could exceed the average market price by quality of product or good bargaining would benefit to the extent that his selling price exceeded the average market price.

A third advantage of this system is that it would allow farm income to remain at a high enough level to sustain abundant production while retail prices sought their supply and demand level in the market place. This level is bound to be reasonable for consumers because of the larger supplies brought out.

It is obvious, of course, that the use of production payments must be qualified in such a manner as to avoid extremely depressed prices in the market place or a wasteful use of soil resources.

The payment method is not new. It has been used for various purposes before and during the war, and we know it is administratively feasible. We know it is a method which not only protects the farmers but gives consumers a real break.

I want to make it clear that I believe production payments should be used to encourage increased consumption as well as to support farm returns. Let me illustrate: In some of our larger cities, milk consumption per capita was much higher in 1947 than in 1940. The increases ranged from 15 percent to nearly 50 percent. Since 1947, in some of these same cities, the average person has been using less and less milk. Consumers have not simply decided they want or need less milk. The decision to buy less was forced upon them for the most part by the rising cost of the commodity. The result is bad for both consumer and producer.

Through production payments, we can keep the market price within reach of more people and maintain returns to the dairy farmers at a level which will bring forth the necessary production. As we indicated in our long-range testimony in 1947, we should be producing and consuming 150,000,000,000 pounds of milk by now instead of something less than 120,000,000,000. If it is necessary to get milk down to the area of 15 cents a quart at retail in order to have maximum consumption, and use production payments to assure farmers of fair returns, I think both farmers and consumers will want to do it.

I believe the production payment authority should be so written as to allow it to be used as a supplement to our milk marketing agreements and orders.

The same principle should apply to other commodities to which marketing agreements and orders are adapted.

Parenthetically, I believe authority to support hog and milk prices through direct payments should be available before January 1, 1950. If it becomes necessary to support prices of hogs and milk this year as now required by law, authority to make payments will facilitate the job.

Another price support method which should be available for use on perishable commodities is the direct Government purchase program. One of the biggest obstacles that fruit and vegetable producers encounter is a seasonal glut in markets. It may be local and temporary. Or it may be general and prolonged. There are times when marketing agreements and merchandising programs will not wholly meet the situation. On those occasions, it is necessary for the Government to make direct purchases and divert supplies from normal trade channels.

In preparing for this testimony, I gave considerable study to the possibility of using a "food stamp" or "food allotment" program as a price support method. The attractiveness of such a program lies in the fact that it encourages increased food consumption and aids those consumers who are most in need. On the other hand, as we now see it, such a program would be administratively expensive, difficult, and would provide only an indirect aid to agriculture.

The use of an equal amount of funds in production payments or the other price support methods would give farmers far more aid and at the same time benefit a wider group of consumers—in fact, all consumers of the commodity involved.

Conditions and limits: Now let us consider the practical conditions and limits for price supports.

Farmers consider themselves to be partners with each other and with other people in operating a program for the benefit of all. I believe they expect to and should accept responsibility. I do not believe that full benefits, if any, should be extended to producers who operate without regard to the welfare of the general public or of their fellow farmers.

As a result of increased yields, American farmers in 1948 produced the largest corn crop in history on the second smallest number of acres in 50 years. They produced the second largest crop of potatoes in history on the smallest number of acres in the past 70 years. Cotton, tobacco, wheat, and oats are among other major crops for which yields have been increasing.

There is good reason to believe that high-level production will tend to continue and that yields may continue to increase.

Even though economic activity in the United States continues at near-record levels and foreign demand for the products of our soil may remain large for some time to come, production of most agricultural commodities may easily outrun current high-level demand. Our experience in this country shows that full employment and high-level economic activity do not automatically provide a good market for everything our farms may produce. For example, with substantially full employment in 1923, our wheat prices were abnormally low because of foreign surplus production. In 1926, we had substantially fully employment and a domestic surplus of cotton. In 1929, we had substantially full employment and were struggling to get rid of our large 1928 wheat crop.

Thus, farmers have to prepare to moderate production of some items or less than maximum capacity.

Failure to provide for adjustments in production may result in burdensome surpluses as well as continued unwise use of much of our soil resources.

In view of the significant changes that have taken place in the total volume and in the pattern of agricultural production, there is a need to reexamine our adjustment policies and programs in order to insure that they realistically meet the problems that lie ahead. In making this reexamination, careful consideration must be given to providing a combination of production and marketing adjustment measures to balance supplies with demand, give producers an opportunity to contribute to farm income stabilization, and provide reasonable limits to the Government's financial assistance. My suggestions regarding these, by commodity groups, are outlined below.

Marketing quotas and acreage allotments should continue to be available or be provided for commodities such as tobacco, cotton, wheat, rice, corn, and peanuts, with improvements based on experience.

Whenever acreage allotments or marketing quotas are in effect on corn, acreage allotments and marketing quotas should be available for use on other feed grains and possibly rye. Such authorities are needed for additional commodities, such as soybeans, flaxseed, and dry edible beans.

The legislation should provide for acreage allotments, marketing quotas, and marketing agreements and orders for fruits, vegetables, and tree nuts. Producers of any one of these commodities should be provided with adequate tools to develop a program which would maintain or establish balance between supply and demand, thereby providing a basis for price and income stabilization.

The time may come when marketing quotas or similar feasible devices may be desirable for meat animals, dairy products, poultry, and eggs, although the need for improving the diets of consumers and for encouraging conservation farming would not so dictate at this time. For fluid milk, marketing agreements and orders should be continued.

Eligibility of a producer for participation in the benefits of any price-support program should be conditioned upon compliance or adoption of applicable programs of production adjustment, marketing quotas or agreements, and the carrying out of reasonable conservation-practice requirements.

Present legislation provides that the Secretary of Agriculture may invoke acreage allotments and marketing quotas in most instances on the basis of supply in relation to demand, and that producers determine in a referendum whether they will regulate themselves by approving the use of these devices. With respect to such storable agricultural commodities as soybeans, flaxseed, dry edible beans, and dry field peas, as well as the nonstorable crops, it is recommended that acreage allotments or marketing quotas should not be declared necessary until producers have been given an opportunity by the Secretary to vote on the question of invoking such measures in order to bring supplies in line with demand and to qualify for the price support requested.

A further limit on the extent of support is necessary if the public is not providing financial encouragement for the continued development of extremely large-scale, industrialized farming.

The program I have presented is designed to raise the efficiency with which resources are used in agriculture. But our emphasis upon efficiency must not be followed in disregard of maintaining a strong and self-reliant rural population in America. In my opinion, we would be wrong to allow our programs to operate in such a way as to encourage the concentration of our farm land into fewer and fewer hands.

As one means of implementing this conclusion, I suggest that the production of a farm in excess of a predetermined amount be not eligible for price support.

To determine the amount of commodities per farm eligible for support, it is suggested that we establish a common unit of measurement applicable to all agricultural commodities on which price supports may reasonably be expected at some time. I am suggesting a "comparative unit," which would be equal to 10 bushels of corn, almost 8 bushels of wheat, or a little more than 50 pounds of cotton. The equivalent in other crops or commodities may be quickly computed by relating their value to the value of corn according to prices used in the price-support standard. This is elaborated upon in the attached table, exhibit D.

It is suggested then, that not more than 1,800 comparative units per farm be eligible for support. The effect would be about as follows: The operators of all farms, no matter how large, would receive benefits of the price-support program to the extent of 1,800 units of the commodities grown on that farm. Farms which produce in excess of 1,800 units would not enjoy support on the excess. This would exclude part of the production on approximately 2 percent of the farms of the Nation.

I have arrived at this recommendation with considerable caution. If we are encouraging the initiative of individual farm enterprisers we must not set the eligibility point too low. As a matter of fact, we need to place it as high as possible and still preserve the essential rural values I have mentioned. The dividing point I am recommending has been determined on the basis of census material relating to farms. This dividing point will provide support for just about the amount of production available for sale from our largest family farms. Such a large family farm would be a modern, mechanized, efficiently-operated farm with some hired labor, particularly during peak work periods, but still a farm on which the farmer accepted full responsibility for the management and on which the farmer and his family did a great deal, if not the bulk, of the farm work.

Concluding observations: Summarizing the suggested program methods, I would like to call your particular attention to these points:

1. We would base price supports on a realistic income standard, which is a more fundamental base than price alone, and yet we would continue operations in the price field. The economy would continue to have the same price stabilizing benefits which have been important contributions of past programs.

2. This would not be just a support-and-control program. It would directly encourage the movement of a greater volume of commodites for which demand is elastic in relation to price, as well as hold down the production of surpluses. This would enable the public to realize more direct benefits.

3. The recommended program makes definite provisions for support of nonstorable commodities, which represent about three-fourths of cash farm receipts and which have not been adequately covered before. Some of these nonstorable items would be eligible for the same preferential treatment that storable basics have received. This enables the program to work more directly toward the development of a production pattern in line with people's needs and market demands.

4. The recommended program permits plenty of leeway for enlarging farms in the interest of efficiency and better living standards, but it does not encourage the concentration of production on extremely large farms.

5. This program provides a closer tie between price supports and other parts of the farm program and increases the responsibility of farmers for carrying out the objectives of national farm policy.

6. The suggested methods of operation are not new in principle, and few are new in practice.

So much for the program methods.

In the final analysis, a program cannot be judged by its aims and methods alone, but by actual results. I believe the recommended program will measure up to the standards I mentioned in the beginning. It provides farm people with price and income supports and the general economy with a large measure of stability. It provides for ample reserves of storable commodities needed for national security and for carrying out our foreign policy. It is reasonably simple and thereby subject to efficient administration. It seeks not only in general but in certain specific ways to assure the general public of abundant food at reasonable prices and thereby offers them direct and tangible returns for money spent.

Having pointed out certain advantages of the program, I also want to call attention to some of its shortcomings:

In the first place, this program does not close the gap between farm and nonfarm income. It offers a realistic beginning.

In the second place, the price and income supports I have suggested, in common with all other price-support systems, fall short of meeting the needs of those operators who lack enough good land and enough capital to produce the necessary volume with the necessary efficiency for a good standard of living. For those operators and their families, an expanded Farmers Home Administration program is a basic need. We should also remember that opportunities in agriculture are becoming more limited in number, both for operators and labor.

We need a program of job training and placement and some definite means of encouraging the development of industries in underdeveloped areas if we are to avoid a long-time problem of relief for those who are crowded out or only partially employed.

I also call your attention to the fact that neither a price-support system nor prosperity itself will assure the conservation of agricultural resources on which we as a people depend for our very lives. With the best possible price-support system, we still need an expanded soil-conservation program.

Price supports, of course, do not take care of the problems of community services such as electrical and telephone services and health and education facilities. They do not affect our need for research and education in agriculture and home economics, for cooperative credit, or for various regulatory and service functions.

The school-lunch program is also a continuing need. This program is somewhat related to the price-support program. As long as it appears necessary to make direct purchases of commodities for the purpose of maintaining farm returns, we should plan to dispose of what we acquire in constructive ways, which certainly includes school lunches. Only about 6,900,000 children—approximately a fourth of those now in school—are benefiting from the program, and on a fourth of the lunches the program provides for milk only.

These are the facts we should keep in mind when we are considering outlets for farm production, as well as when we consider the primary purpose of the lunch program—the welfare of the children.

Another program very important to maintaining farm income and a continuity of production is crop insurance. Price supports are of no immediate importance to a farmer who, because of natural hazards, is unable to produce anything to sell. The crop-insurance program is designed to help the farmer "get back his seed," at least, enabling him to get by until his next crop can be harvested and sold. Without protection of his investment the farmer who suffers a crop disaster loses not only the benefit of the current price support, but also a part of his previous profits.

I was glad to note a few days ago that the House Committee on Agriculture reported favorably on the Department's recommendation to expand this program. I also share the committee's enthusiasm for extension of the multiple crop-insurance system by which a producer of diversified crops can buy a simple policy to cover at least part of his investment. The multiple crop system fits right into our aims for price support and other programs. I hope that the sound operating experience of the Federal Crop Insurance Corporation in recent years will allow it to grow until crop insurance is available to every farmer.

In general, I would reemphasize the recommendations made by the Department of Agriculture in 1947 with regard to the programs needed in addition to price supports.

All of these matters have their individual places in our total agricultural policy of abundance. Price support is not the only matter that requires our attention. However, it is the immediate, pressing problem, and I would say, further, that it must be the heart of our policy, for it will determine to quite an extent how successful the rest of our programs can be. One thing is certain: It would do little good to have a power line to the farmstead or a hospital in the community if the crop produced will not return enough money to enable the farmer to use the available services.

In the final analysis, of course, the best basic economic aid for agriculture is a fully employed labor force at good wages. But labor is not likely to be fully employed and industry is not likely to be expanding production when agriculture is in economic trouble. Agriculture is not merely a recipient of good fortune but a partner in the making of prosperity.

I am confident that by working together we can develop a production and price-adjustment program that will actively and positively serve the best interests of all the people.

(The exhibits accompanying the Secretary's statement, are as follows:)

Exhibit A

Professional Definition of Income Support Standard

The income support standard in any year shall be that level of total cash returns from farm marketings which is equivalent in purchasing power to the average purchasing power of cash receipts from farm marketings during the ten calendar years 1939 through 1948. Purchasing power in any year shall be measured in terms of an index of prices paid by farmers for goods and services, including interest and taxes.

The following table and calculations show how 1939-48 average purchasing power would be calculated and adjusted to give an income figure for 1950:

Table 1.—*Cash receipts from farm marketings: Calculations of average purchasing power, 1939-48, and of income support level for 1950.*

Year	Cash receipts from farm marketings [1] (1)	Parity index (1939-48 average=100) (2)	Purchasing power of cash receipts in millions of 1939-48 dollars. (Column (1) ÷ Column (2)) (3)
	Millions		
1939	$7,877	73	$10,790
1940	8,364	73	11,458
1941	11,181	77	14,521
1942	15,372	88	17,468
1943	19,434	95	20,457
1944	20,360	99	20,566
1945	21,520	101	21,307
1946	24,864	113	22,004
1947	30,186	135	22,360
1948	31,019	146	21,246
1939-48 Average	19,018	100	18,218

[1] Excluding Government payments. Cash receipts for 1949 were estimated at $27,500,000,000.

1. 1939-48 average purchasing power in millions of 1939-48 dollars	18, 218
2. Prices paid by farmers including interest and taxes, basis parity index for Mar. 15, 1949 (1939–48=100)	144
3. Equivalent 1939–48 purchasing power at Mar. 15, 1949 prices	26, 234

The support price standard, or prices corresponding to the income support standard, would be calculated by multiplying average farm prices for the 10 immediately preceding years by the ratio of the income standard to the average level of cash receipts from farm marketings during the 10 immediately preceding years, as follows:

4. Income support level (at Mar. 15, 1949, prices)	26, 234
5. Estimated average cash receipts from farm marketings, 1940-49	20, 980
6. Ratio of income support level to 1940-49 average cash receipts	1. 25
At the Mar. 15, 1949, level of prices paid by farmers, the adjustment factor to be applied to 1940-49 average prices would be	1. 25

Exhibit B

Specified commodities: Illustration of calculation of price-support standards for 1950 based on parity index for Mar. 15, 1949, and estimated average prices received by farmers, 1940–49

[Work table: Illustrative calculations only; shows probable relative differences for 1950]

Commodity (grouped according to present legislation)	Unit	Income support standard 1950 [1] (1)	Average cash receipts from farm marketings 1940–49 [2] (2)	Adjustment factor column 1÷2 (3)	Average prices received by farmers 1940–49 [3] (4)	Price support standard column (4)×(3) (5)
Basic commodities:		*Millions*	*Millions*			
Wheat	Bushel	$26, 234	$20, 980	1. 25	$1. 50	$1. 88
Corn	do	26, 234	20, 980	1, 25	1. 17	1. 46
Cotton	Pound	26, 234	20, 980	1. 25	. 2239	. 2799
Rice	Bushel	26, 234	20, 980	1. 25	1. 81	2. 26
Peanuts	Pound	26, 234	20, 980	1. 25	. 0756	. 0945
Tobacco:						
Flue-cured	do	26, 234	20, 980	1. 25	. 394	. 492
Burley	do	26, 234	20, 980	1. 25	. 397	. 396
Specified Steagall commodities: [4]						
Butterfat	do	26, 234	20, 980	1. 25	. 535	. 669
Milk, wholesale	Hundredweight	26, 234	20, 980	1. 25	3. 38	4. 22
Hogs	do	26, 234	20, 980	1. 25	15. 20	19. 00
Eggs	Dozen	26, 234	20, 980	1. 25	. 366	. 458
Chickens	Pound	26, 234	20, 980	1. 25	. 232	. 290
Flaxseed	Bushel	26, 234	20, 980	1. 25	3. 44	4. 30
Soybeans	do	26, 234	20, 980	1. 25	2. 03	2. 54
Beans, dry, edible	Hundredweight	26, 234	20, 980	1. 25	6. 76	8. 45
Potatoes	Bushel	26. 234	20, 980	1. 25	1. 27	1. 59
Other commodities:						
Cattle, beef	Hundredweight	26, 234	20, 980	1. 25	13. 50	16. 90
Lambs	do	26, 234	20, 980	1. 25	14. 70	18. 40
Oats	Bushel	26, 234	20, 980	1. 25	. 66	. 825
Barley	do	26, 234	20, 980	1. 25	. 975	1. 22
Apples	do	26, 234	20, 980	1. 25	2. 09	2. 61
Wool	Pound	26, 234	20, 980	1. 25	. 398	. 498
Oranges	Box	26, 234	20, 980	1. 25	1. 57	1. 96

[1] Estimated.
[2] Cash receipts from farm marketings for 1949 estimated at $27,500,000,000.
[3] Prices for 1949 estimated basis current prices and announced or mandatory support levels for 1949.
[4] Sweetpotatoes, dry field peas, American-Egyptian cotton, and turkeys are also Steagall commodities.

Exhibit C

Specified commodities: Estimated alternative support standards for 1950 based on parity index for Mar. 15, 1949, and estimated average prices received by farmers, 1940–49

[Work table: Illustrative calculations only; shows probable relative differences for 1950]

Commodity (grouped according to present legislation)	Unit	Income support standard [1]	90 percent current parity	Support range—title II, Agricultural Act of 1948 [2]		
				60 percent	72 percent	90 percent
		(1)	(2)	(3)	(4)	(5)
Basic commodities:						
Wheat	Bushel	$1.88	$1.95	$1.24	$1.48	$1.85
Corn	do	1.46	1.42	.90	1.08	1.35
Cotton	Pound	.2799	.2745	.1739	.2087	.2608
Rice	Bushel	2.26	1.80	1.31	1.58	1.97
Peanuts	Pound	.0945	.106	.0672	.0806	.101
Tobacco:						
Flue-cured	do	.492	.406			.429
Burley	do	.496	.393			.434
Specified Steagall commodities:[3]						
Butterfat	do	.669	.582	Not more than		.584
Milk, wholesale	Hundredweight.	4.22	3.55	do		3.70
Hogs	do	19.00	16.10	do		16.60
Eggs	Dozen	.458	.476	do		.453
Chickens	Pound	.290	.252	do		.252
Flaxseed	Bushel	4.30	3.74	do		3.74
Soybeans	do	2.54	2.12	do		2.21
Beans, dry, edible	Hundredweight.	.845	7.46	do		7.37
Potatoes	Bushel	1.59	1.62	1.16		1.74
Other commodities:						
Beef cattle	Hundredweight.	16.90	12.00	Not more than		14.80
Lambs	do	18.40	13.00	do		16.00
Oats	Bushel	.825	.884	do		.840
Barley	do	1.22	1.37	do		1.30
Apples	do	2.61	2.12	do		2.28
Wool	Pound	.498	.405	.289		.434
Oranges	Box	1.96	3.32	Not more than		3.16

[1] 1940–49 average prices times 1.25. Prices for 1949 estimated basis current prices and announced or mandatory support levels for 1949.

[2] Based on parity revisions title II Agricultural Act of 1948 including transitional parity prices which are 95 percent of present parity. Transitional parity prices are for wheat, corn, cotton, peanuts, eggs, oats, barley, and oranges.

[3] Sweetpotatoes, dry field peas, American-Egyptian cotton, and turkeys are also Steagall commodities.

Exhibit D

Selected list of commodities showing quanity equivalent to 1 unit (10 bushels corn) valued at income support standard prices

Commodity	Unit	Quantity equivalent to 1 unit	Commodity	Unit	Quantity equivalent to 1 unit
Wheat	Bushels	7.77	Flaxseed	Bushels	3.40
Corn	do	10.00	Soybeans	do	5.75
Cotton	Pounds	52.16	Beans, dry, edible	Hundredweight.	1.73
Rice	Bushels	6.46			
Peanuts	Pounds	154.97	Potatoes	Bushels	9.18
Tobacco:			Beef cattle	Hundredweight.	.86
Flue-cured	do	29.68			
Burley	do	29.44	Lambs	do	.79
Butterfat	do	21.82	Oats	Bushels	17.70
Milk, whole	Hundredweight.	3.46	Barley	do	11.97
			Apples	do	5.59
Hogs	do	.76	Wool	Pounds	29.32
Eggs	Dozen	31.88	Oranges	Boxes	7.45
Chickens	Pounds	50.34			

Chairman COOLEY. Mr. Secretary, you have made a very splendid, forthright, and comprehensive statement. I hope it will be read by all of the farmers of this country, and especially do I hope that it will be read by the consumers of the country. I think you have in rather bold and brilliant fashion discussed the very perplexing problems that American agriculture is now facing. While these two committees might not agree with all that you have said or might not be willing to accept all of your recommendations, I feel certain that all of us have been impressed with your great sincerity, and I am certain that your recommendations will be given every consideration.

I now take pleasure in turning this meeting over to Senator Thomas of Oklahoma, the chairman of the Senate Committee on Agriculture and Forestry, for the purpose of permitting him to yield to his colleagues for such questions as they may desire to propound to the Secretary at this time.

Chairman THOMAS. Mr. Chairman of the House committee, I will submit the matter to the members of my committee and see if they desire to ask any questions.

Senator Anderson, have you any questions to submit at this time?

Senator ANDERSON. I am not prepared to do any questioning at this time.

Chairman THOMAS. This presentation, of course, is somewhat lengthy but the first part of the presentation sets forth the philosophy of agriculture and its relation to other industries.

The recommendations, as I understood them, are not too many and I do not believe they will be too complicated. It might be possible for us to keep our copies of this presentation and at an early date hold a meeting on our side, as I am sure the House will hold a meeting on its side, for more detailed information.

Senator Thye, I will give you an opportunity to question, if you desire.

Senator THYE. I have no questions to ask.

Chairman THOMAS. Senator Holland?

Senator HOLLAND. No questions, now, Mr. Chairman; but I would like to be further informed, if we do have the opportunity of a further meeting with the Secretary, on the question of production payments for the nonstorable commodities.

As I understand it, he undertakes recommending that the program for nonstorable commodities, which includes fruits and vegetables and tree nuts, is based on two ideas, primarily—production payments and direct Government purchases. I think I understand what he has in mind as to the direct Government purchase program, but I am not clear on what he means by the production payment program with reference to vegetables and fruits, including citrus fruits.

Chairman THOMAS. Mr. Secretary, would you care to comment on the suggestion made by Senator Holland?

Secretary BRANNAN. Senator Holland, we have had experience with production payments. For example, during the war somewhat similar payments were made, as I remember, in the field of milk. In short, because of the OPA operations at that time we put a ceiling on the price which could be charged the consumer for milk and because, at the same time, the prices of the things that farmers had to buy to produce milk, namely, feed, were continually going up and there was every reason for raising the price of milk in order to meet those needs, it was determined that in order to keep milk within reach of most of the people it would be necessary and advisable to make a payment of the differential between the price which the consumer paid, and the cost, plus a reasonable profit which the producer had to have in order to maintain continuous production at that high level.

To turn it around, if we had forced the price of milk up to the point where it would have returned the farmer his cost of production at the high cost of feed and labor, and so forth, many thousands of people, or perhaps millions of people, would have been priced out of the market.

On the other hand, if we forced the farmer to sell his milk at a price which was within reach of most of the population, all the farmers would have gone out of business. The Government stepped in between with a production payment and made up the difference and the milk flowed through the normal channels of trade.

Senator HOLLAND. Thank you, sir.

Mr. Chairman, I did not really expect the Secretary to go into detail now. I was simply indicating that since his recommendations make it clear that perishable commodities, nonstorable commodities, are to be excluded from the price-support program as such, and that the two principal recommendations which he makes for them are the two that I mentioned, the direct purchases and the production payments, I am very anxious to know just what he does have in mind, in detail, with reference to production payments.

As he states in his recommendations, that is the principal field of help which he proposes to give to the perishable nonstorable commodities which he says represents about three-fourths of the cash income of the Nation. Obviously, it is a field that has not been well taken care of up to now, and it is a field in which not only all people in the citrus industry but the people in all of the fruit industries and the vegetable industries and other nonstorable agricultural industries have first concern. I am hoping that the Secretary will spell out his program in some detail at the first opportunity of the chairman to call a meeting of our committee for that purpose.

Secretary BRANNAN. Mr. Chairman, may I please interrupt there, to say that if Mr. Holland's understanding of the first sentence coincides with the understanding of anyone else in this room, namely, that we have excluded all nonperishables from price supports, then I shall have to go back and rewrite this statement.

As a matter of fact, we are suggesting the further extension of price support into this field. Citrus fruits do not enjoy price support today.

Here is a device by which, within the limits of funds and authority, some help might be made available. It would be a very unfortunate construction, I will say to you, if it were understood that we were trying to exclude citrus or any other perishable from price support. That is not the interpretation of the document that we intended anyone to take.

Senator HOLLAND. I am glad to have that statement, but I was relying principally on the two paragraphs in the middle of page 20 of your statement, Mr. Secretary, in which you say that the nonstorables, products which are either highly perishable or which can be stored only at heavy expense, include fruits, vegetables, meat animals, and so forth.

In the next paragraph, you say when it is necessary to apply supports to any of these nonstorable commodities, you recommend that we rely mainly upon production payments. Then a little later you say that in addition to production payments you rely upon direct Government purchase.

I got the very definite impression from that—I am glad to know that I misunderstood your statement—that nonstorables were to be excluded, or at least largely excluded, under your recommendations, from price support.

Secretary BRANNAN. You were taking the definition of price support to mean only loans and purchase agreements. There are many other devices for price supports. They are now on the statute books. Price support does not just mean loans and purchase agreements. That is the area of difference in our thinking here.

If you interpret price supports to be exclusively the standard loan and the standard purchase agreement, then you must say what you have just said. However, there are many devices for price support and we are trying to suggest some of them.

Senator HOLLAND. Mr. Chairman, perhaps one question might clarify this matter.

I understand, Mr. Secretary, that in the effort to support the price of perishable, nonstorable commodities, you have two principal suggestions. One is production payments, and the other is direct purchase.

Secretary BRANNAN. Yes; those are the ones we rely on, mainly.

Senator HOLLAND. And will you be prepared to discuss those in detail when we have a meeting of the Senate committee?

Secretary BRANNAN. I will and I am so prepared now.

Chairman THOMAS. Senator Aiken, do you have any questions to submit?

Senator AIKEN. No, Senator Thomas; I think the Members of the Senate are playing truant right now, and I have no questions at this time.

Chairman THOMAS. Senator Young?

Senator YOUNG. Yes; I would like to ask one or two questions, Mr. Secretary.

Is it proposed to have the same price support level whether the farmer is under acreage controls and quotas, or whether he is not? The same price support level would prevail in both instances?

Secretary BRANNAN. In the group 1 commodities, I would say that would generally be the rule.

Senator YOUNG. And your limit of support is the production of a farmer which would apply whether or not there was a scarcity of food or an abundance, or a surplus? He would still be limited in the support level afforded him under this program?

Secretary BRANNAN. No; in order to encourage production you might well raise the support level on any one of the commodities.

Senator YOUNG. I do not think you quite understood my question. There is a limitation on the production on each family-size farm, as to which a farmer might receive price supports. Would that be the same whether there was a scarcity or an abundance?

Secretary BRANNAN. Whether there was a national scarcity or abundance?

Senator YOUNG. Yes.

Secretary BRANNAN. Yes; I would say it would.

Senator YOUNG. For instance, as I gather, if a farmer was strictly a wheat farmer and raised nothing else, his level of production at which he would receive support prices would be about 13,000 or 14,000 bushels.

Secretary BRANNAN. That is right.

Senator YOUNG. He would receive no support above that level?

Secretary BRANNAN. That is the purport of the recommendations, but in an area of scarcity you would not be relying upon the price support anyhow, because the price would be well above the support level.

Let us say we have a drought or a low wheat production. Nobody will be relying on price supports for their wheat.

Senator YOUNG. I would not say exactly that. You know I have been fussing about this rye situation. There is a low production of rye, at the present time. Rye is below the levels of any other crop at the present time.

Secretary BRANNAN. Our trouble with rye is the Canadian import problem.

Senator THOMAS. Senator Hickenlooper?

Senator HICKENLOOPER. I have no questions at this time, Mr. Chairman.

Chairman THOMAS. I believe Senator Anderson wanted to make a suggestion.

Senator ANDERSON. In view of what Mr. Young has just asked and in view of this 1,800 units, let us take a cotton producer who produces 180 bales of cotton. That is the limit on which he can get price support. Suppose you have a cotton acreage limitation program in effect and he has a larger acreage and he actually lives up to the limitations and produces 250 bales of cotton. He still is limited in price support to the 180 bales, I understand.

Would he be so limited, even though he had stayed within the quota?

Secretary BRANNAN. In my opinion, we would have to make adjustments for that kind of a situation. In short, we have not spelled this out in its very last detail.

I might confess to you that we had a sentence in there which referred to the possibility of that and the possibility of the need for making adjustments in that kind of a situation. The statement was very long, to begin with, and we cut out a lot of paragraphs. I suspect you will say we should have cut out some more.

Senator ANDERSON. I recognize the problem you had, but I thought Senator Young raised a rather important question.

If we had a wheat-acreage program and there was a limitation upon wheat, probably because of excess production, and wheat prices were going down, and yet a large wheat farmer stayed absolutely within his quotas, under this proposal he would not be entitled to price support on anything over 14,000 bushels.

Secretary BRANNAN. I think if we took the language literally that would be right.

Senator ANDERSON. And I think he ought to have some other considerations.

Secretary BRANNAN. I agree with you.

Chairman THOMAS. Senator Thye?

Senator THYE. There are many questions that will have to be asked, but I feel at this particular time, with all of us assembled, both from the Senate and the House, that I will just reserve any of my questions until such time as we have an opportunity to sit within our own committee.

Chairman THOMAS. Senator Holland asked some questions that I think should be clarified. I will give my viewpoint:

This bill, when drawn and when passed—if drawn and passed—will extend the price-support program to a greater extent than it now extends, by making loans on nonperishable products, by making direct payments on perishables, and by direct purchase. That is an extension, as I understand it, from hearing it read, over and above what we have at the present time in the way of a price-support program.

I will not ask a question directly, but only indirectly.

Is it not a fact, Mr. Secretary, that the present price-support program is pretty expensive to the Treasury, has been and is now?

Secretary BRANNAN. Yes, sir.

Chairman THOMAS. Can you give us some idea of the probable expense of this program when and if enacted? Will it be more expensive or less expensive, in your opinion, to the Treasury of the United States?

Secretary BRANNAN. Mr. Chairman, I think it would be less expensive. I realize that some people will point to the payments and say they are going to create expense, but in terms of the high production which we are now facing and some of the comparative analyses we would have to make in a projected manner, I believe it is perfectly proper to say this should cost less, considerably less, to the American people.

I will give you an example. It certainly would cost less to the American people in the potato program than the present potato program has cost.

Chairman THOMAS. Inasmuch as we will have a chance to interrogate the Secretary later, at your convenience and our convenience, we hope we will get togehter. We will have a chance at that time to submit all the questions we can think of.

Senator THYE. Mr. Chairman, there is a great question of how and in what manner can he say that the potato situation would be less expensive in the future than in the past, when we had this production of the lowest acreage planted in 70 years. That is one that you must come prepared to give us some specific answer on, Mr. Secretary, when we meet again.

Secretary BRANNAN. I believe I am prepared. At least, I will try.

Chairman THOMAS. Mr. Chairman of the House committee, on behalf of my committee I want to thank you sincerely, as well as the members of your committee, for inviting us to attend this hearing. We appreciate it immensely. It has just saved use the exact amount of time that we have devoted to this. Otherwise, we would have had to give the same time that you have given to it.

It has been a real accommodation to us. For that favor and courtesy, we thank you sincerely.

Chairman COOLEY. We thank you very much, Senator, and we thank your colleagues, for coming to meet with us this morning.

(At this point the members of the Senate Committee on Agriculture and Forestry withdrew from the joint session.)

Chairman COOLEY. Are there any questions the members of the committee would like to propound to the Secretary of this time?

Mr. HALL. I would like to ask one question.

Chairman COOLEY. Mr. Hall.

Mr. HALL. Mr. Secretary, I am very much interested in your review. I would like to ask you one question. You made a point which is significant to a lot of us in the Northeast and in some of the big cities.

What about the reference you made to 15-cent milk? I assume you meant 15 cents a quart to the consumer. How do you propose to put that into effect without damaging or destroying the very satisfactory income which the producer is now receiving?

Secretary BRANNAN. It would not injure the income of producers at all. If you remember how it operated during the war, I think that would give a complete answer to the question.

Except for the special arrangements that had to be made because of OPA—I do not think there was any WPB involved in that, but just OPA—it would be operated on just that premise.

Mr. HALL. Of course a lot of us feel that there is too much of a gap between the price received by the producer of milk and the final cost per quart of milk to the consumer. Did you anticipate doing anything with that stretch in there?

Secretary BRANNAN. We are not proposing as a part of the price-support mechanism that you will actually go in and try to examine the markets and see whether unreasonable margins are being taken out of the handling between producer and consumer. Study of this problem is authorized by the Research and Marketing Act and our studies will indicate ways of improving the situation. However, it is not involved specifically here.

Mr. HALL. I want you to know that I endorse your idea of 15-cent milk to the consumer. However, I would like to get a little further information as to how you propose to carry it out.

Mr. ANDRESEN. Will the gentleman yield?

Mr. HALL. I will be glad to.

Mr. ANDRESEN. It is my understanding that in the case mentioned by my colleague from New York where the consumer would get low-priced milk, milk at 15 cents a quart, the Government would make a compensatory payment to the farmer to make up the difference in what he should have received because the consumers get the low-priced milk.

Secretary BRANNAN. That is correct, Mr. Andresen.

Mr. HALL. Would that affect, Mr. Secretary, every milkshed in the country, the Northeast as well as other parts?

Secretary BRANNAN. It certainly would. Under the rules of trying to be equitable we would make it apply to all sections.

Mr. HALL. You do not contemplate making the producer give any ground whatsoever in the proposal?

Secretary BRANNAN. None, except as the parity formula itself may require that.

Mr. HALL. But you do feel that the program you propose will bring about the reduction of the price of milk to the consumer by the quart from, we will say, 22 or 23 cents down to 15 cents, thereby increasing production and making this vital commodity available to many more of our people?

Secretary BRANNAN. It might not have to move as low as 15 cents in order to get your maximum production moving, but I suggested that as the area in which it may have to move.

Then there is a differential between whether you buy it with delivery from the wagon to your door or in the grocery store. That is the reason I did not set my finger specifically on 15 cents. It would be somewhere in that range, maybe 1 or 2 cents above it.

Mr. HALL. I think a great many people will be friendly to the idea of milk at 15 cents a quart if it can be put into effect. There may be some difficulty involved before we can arrive at that accomplishment.

Secretary BRANNAN. We did stick our necks out to say it was feasible. I hope we are right.

Mr. HALL. I would say it couldn't be any higher than 15 cents, if you want to justify the expenditure of the vast sum it will require. I can well recall a decade ago as head of a family of six children and having had to purchase milk for them for the past 10 to 19 years. I can remember going out 12 years ago to one of the neighboring farms in my area and getting milk and carrying it back in a 2-gallon can, and the average price of the milk was 25 cents per gallon. In those days we could afford to raise children. Today it is pretty difficult to do it under the circumstances. I'm glad my job is nearly done.

I repeat, such a far-reaching subsidy program, it seems to me, must guarantee an amount no higher than 15-cent milk with no loss to the dairy farmer if it is to justify itself.

Thank you, Mr. Chairman.

Chairman COOLEY. Mr. Andresen.

Mr. ANDRESEN. Mr. Chairman, there are a good many questions I would like to ask the Secretary, but I will not do that now. There is one thing I think we would like to have cleared up.

The gentleman from New York has mentioned milk. That is one of the largest parts of our agricultural production, milk.

As I see it, virtually every farmer in the United States who milks a cow would be entitled to compensatory payments from the Government. I want to ask you a more specific question.

Considering this new period for the formula, 1939 to 1948, that 10-year period, and considering the history of prices during that period, what is your estimate as to the cost to the Government of carrying out the program to provide these compensatory payments and low food prices to the people?

Secretary BRANNAN. Let me say first of all that of course you have to make a number of assumptions in order to reach any such figure. First of all, you have to make an assumption that either all of the milk will move below the support level, or one-half of it, or one-quarter of it will move below the support level.

Mr. ANDRESEN. I was thinking about the over-all program. In the diversified farm areas, I would say approximately 75 percent of the products produced on the farm will come under the compensatory program.

Secretary BRANNAN. That is another assumption which I think has to be examined carefully. Not all fluid milk goes directly to consumption by individuals. Some of it goes into cheese and a lot of other things.

Mr. ANDRESEN. But you have milk, poultry, and meat. Those are the main products produced in the diversified areas.

Secretary BRANNAN. Because our intention to try to put the appropriate emphasis on the livestock economy caused us to refer to those specifically.

Mr. ANDRESEN. That is true. You made some estimate of the cost to the Treasury of such a program. How much do you think it will be per year, considering the historical situation of the 1939 to 1948 period?

Secretary BRANNAN. I would say to you, Mr. Andresen, that if in the course of these hearings we work out three or four basic assumptions, we will be glad to compute the dollar figures for you and bring them back to you.

I think you have to make a number of basic assumptions before you can reach any kind of computation.

Let me give you a thought, offhand. If every quart of milk in the country was sold for direct consumption by human beings, across the counter or via the delivery wagon, and all of them came in to demand the full amount of the difference between the average price of milk and the established support level, you would probably have to compute the costs in terms of percentage of differential at somewhere around $200,000,000 for each cent of difference. It might be a little more than that across the whole country. Perhaps it would be $250,000,000 for each cent per year.

You and I know, however, that every quart of milk is not going to follow that course. We also know that to get milk to the customer at any one of these figures in the area of 15 cents will raise the average of the total selling price of milk of all farmers. Therefore, it is hard to put your finger on any one figure.

Let me say that we are now getting into whole milk price-support programs, as you well know, because you have been one of the persons strongly urging us to do so.

Mr. ANDRESEN. It is not very satisfactory when milk goes down in the Middle West to $2.40 a hundred. The offer that you have made is not very satisfactory under those conditions.

Secretary BRANNAN. We tried the butter route and the dried skim milk. We tried purchases in those areas to see if they would not achieve the result. We are probably going to have to go directly into the fluid milk production, and that in itself is going to be expensive. That, comparatively speaking, is the only way you can judge this program.

Mr. ANDRESEN. You are not in a position today to give us an over-all estimate as to the cost of the program recommended in your statement?

Secretary BRANNAN. No; no more than the people who came up with the first price-support program involving loans were able to make the estimate for you then. It depends upon the whole economic situation. I do not know.

We say we are in need of 150,000,000,000 pounds of milk and that we are still short 30,000,000,000 pounds. Closing the gap between 120 and 150 would affect the price. I just do not think you can forecast the future milk prices for several years ahead accurately enough to make firm predictions of cost. I think the ultimate important fact is, How does that cost, whatever it is, relate to the cost which we will sustain under the existing legislation?

I will be frank in telling you that I do not think you will find much difference in the cost and perhaps the new program will be on the low side.

The most important thing it will do is increase production of that vital commodity and the other vital commodities and get them in the market place at a reasonable price to all the consumers and relieve us from the continual criticism which is coming out almost every day or two in newspapers across the country, that the Government is spending billions of consumers' dollars to maintain at high levels the prices of things the consumer needs. I think we have to get away from that if we expect the bulk of the people of this country to put up the money we need to run our programs as they are.

Chairman COOLEY. Mr. Secretary, you are not advocating that the Government pay a third of the Nation's milk bill?

Secretary BRANNAN. No.

Chairman COOLEY. You use the 15-cent figure only for illustrative purposes, as I understand your statement.

Secretary BRANNAN. That is right.

Chairman COOLEY. Mr. Pace desires to ask a question.

Mr. PACE. Mr. Secretary, I have just two or three preliminary questions to aid me in studying your statement overnight. You understand that this committee has just finished trying to find out what the Aiken bill meant, and now we must start anew in analyzing your proposal.

I noticed in the tables, Mr. Secretary, in calculating cash receipts, in the table in exhibit A, you do not include the Government payments.

Secretary BRANNAN. No, sir.

Mr. PACE. I presume you do not intend to include the Government payments in the estimation of cash receipts under your proposal.

Secretary BRANNAN. We did not include Government payments in reaching the figures between 1939 and 1948. In my opinion and in order to do equity in the future when we get on to the production payment type of thing we were speaking of a moment ago, we would include those payments because they are cash income of the farmer.

Mr. PACE. Do you not have to be rather definite about that., Mr. Secretary, under the proposal that you make? If you did not include your payments, your cash receipts would gradually go down.

Secretary BRANNAN. That is right.

Mr. PACE. And you would destroy the farmers' income rather than benefiting it.

Secretary BRANNAN. That is exactly right.

Mr. PACE. Do you agree, then, that these so-called production payments must be taken into account if your proposal should be approved in determining total cash farm receipts over the 10-year moving period?

Secretary BRANNAN. That is right.

Mr. PACE. One other thing I want to get clear is this: You set up a priority of commodities. There are 10 listed on page 19. As I understand it, you propose to support those at 100 percent of the income standard support; is that right?

Secretary BRANNAN. Yes, sir.

Mr. PACE. They will be supported at an arbitrary 100 percent of the income standard support?

Secretary BRANNAN. That is right.

Mr. PACE. And in addition to any marketing quotas or acreage control or marketing agreements, you also ask for authority on those to include production payments in the event you would want to break down the support level to the consumer; is that right?

Secretary BRANNAN. No; the first part of the statement is right, the second part of it is not.

Mr. PACE. You do not ask for payments on those 10 commodities?

Secretary BRANNAN. I think you will observe in the statement that we say that for the storable commodities, some of which are in this group 1, the loan and purchase contract has proven to be the best device so far, but that even in that case it might be advisable on occasion to have the production payment available for use.

Mr. PACE. Then you take those 10 priority commodities which you say represent 25 percent of the national production, and you take 75 percent of all the other agricultural commodities produced in the Nation, and you put them in a separate class. You state that they shall be supported only as and when funds are available.

Secretary BRANNAN. Just about the language which is in the statute now for the so-called nonbasics.

Mr. PACE. Taking into account the available funds?

Secretary BRANNAN. That is right.

Mr. PACE. Which means they will be supported as and when funds are available.

Secretary BRANNAN. That is right.

Mr. PACE. And only then?

Secretary BRANNAN. That is right.

Mr. PACE. And if the Congress should fail to appropriate for your use adequate funds to make these production payments, then this 75 percent of all the agricultural production of the Nation would be without support.

Secretary BRANNAN. Which, of course, is the exact same situation we are in today.

Mr. PACE. Yes, sir.

Mr. POAGE. If Congress did not appropriate those funds, you could not make the support payments.

Secretary BRANNAN. That is exactly right.

Mr. PACE. I cannot agree with my friend from Texas, because there is a great distinction in the Congress authorizing a support price program at a certain level and making it mandatory and the Congress authorizing a support level in the authority of the Secretary, subject to his discretion, when and if funds are available. Then the matter lies in two discretions, so far as the producer is concerned: in the discretion of the Congress and the discretion of the Secretary.

Secretary BRANNAN. May I say right now that I cede any discretion that is involved there to the Congress. I am not asking for any additional discretion whatsoever.

Chairman COOLEY. Mr. Simpson wishes to ask you a question, Mr. Secretary.

Mr. SIMPSON. A short question, Mr. Chairman.

Mr. Secretary, if this program were in effect as public law and you were administering it now, what would be the effect on the price of farm commodities? Would they be up or down?

Secretary BRANNAN. Our objective would be to maintain them at least at the level indicated in column 1 on exhibit C.

Mr. SIMPSON. Would the price of corn under your program, if in effect, be up or down?

Secretary BRANNAN. Let us look at corn in exhibit C. Corn is the second item. Right now it would be 4 cents up over the present parity as of this hour.

Mr. SIMPSON. Thank you.

Chairman COOLEY. Mr. Secretary, we thank you very much for being with us this morning.

The Chair would like to note the presence of a very distinguished former chairman of this committee, the Honorable Marvin Jones. We are delighted to have you with us this morning, Judge Jones.

Judge JONES. I am glad to be here.

Chairman COOLEY. Mr. Secretary, you will be back tomorrow morning at 10 o'clock?

Secretary BRANNAN. Yes, sir.

Chairman COOLEY. The committee will adjourn until tomorrow morning at 10 o'clock.

(Whereupon, at 12 noon, the committee was adjourned until 10 a. m., Friday, April 8, 1949.)

GENERAL FARM PROGRAM

MONDAY, JUNE 11, 1949

House of Representatives,
Committee on Agriculture,
Washington, D. C.

The Chairman (Mr. Cooley). The committee will please be in order.

The committee is honored this morning by the presence of 18 or 20 outstanding young farmers, First Farmers of America, from Oakland County, Mich., who are accompanied by our distinguished colleague, Mr. George Dondero.

We are very delighted to have you young men with us. I know that many of you could give us some good advice about what we are trying to do here this morning. If you will arrange it with our outstanding Congressman, Mr. Dondero, you may appear just after the Secretary has concluded his testimony.

We hope you will enjoy your stay in Washington and that you will have an opportunity to come back to see us again at some time in the near future.

Mr. Secretary, we will be glad to hear you now with reference to the recommendations which you have heretofore submitted to the committee.

If you desire to make any further statement before yielding for question, the Chair will be glad to have you do so.

FURTHER STATEMENT OF HON. CHARLES F. BRANNAN, SECRETARY OF AGRICULTURE

Secretary Brannan. Mr. Chairman, I suspect there are some who will say I have talked too much already, so I will just rest on the statements made so far.

The Chairman. May I ask you a few brief questions?

If I understand your statement correctly, you are not recommending the repeal of a single part of the present farm program; that is, the program under which we are operating during the year 1949.

I further understand that you are not asking for any additional authority which is not now in existing law except with respect to the approach to a fair determination of a fair price for farm commodities and with regard to the support program.

They are the two new things which you have brought to the committee. Is that true?

Secretary Brannan. That is correct, Mr. Chairman.

The Chairman. You recommend the retention of all the basic law which makes up the program which we refer to as the national farm program.

In other words, all the controls, acreage allotments, marketing quotas, marketing agreements, soil-conservation provisions and other provisions of existing law, you think, should be retained?

Secretary BRANNAN. I do, sir.

The CHAIRMAN. On the question of providing support prices, you are not recommending the support of unlimited production of any particular agricultural commodity, are you?

Secretary BRANNAN. No, sir.

The CHAIRMAN. Your recommendations are that you be permitted to support prices only when the producers of particular commodities accept the controls which Congress has authorized you to impose under certain circumstances?

Secretary BRANNAN. And which their fellow farmers will have voted, as in the case of tobacco, peanuts and so on.

The CHAIRMAN. In the basic commodities, two-thirds of the farmers would have to vote favorably before you could impose the marketing quotas?

Secretary BRANNAN. That is right. If I remember correctly, some 95 percent or better voted for the last marketing quota in tobacco.

The CHAIRMAN. You realize, I am sure, that on every occasion when the Government has undertaken to support unlimited production we have always come to great grief and we have spent a lot of money, as we are now doing in potatoes?

Secretary BRANNAN. That is correct, sir.

The CHAIRMAN. There is nothing in your statement that would indicate that you are in favor of supporting unlimited production of any commodity?

Secretary BRANNAN. That is correct, sir.

The CHAIRMAN. You were asked the question: How much would the program cost? Am I correct in assuming that it is not possible to determine the cost of the program because the cost would depend upon the accuracy of your estimates and your estimates would depend upon numerous uncertain factors, including natural disasters on the one hand, or very favorable and extraordinarily good growing weather on the other hand?

Secretary BRANNAN. That is correct, Mr. Chairman.

The CHAIRMAN. But it would be your purpose to fix the goals for production, having in mind the law of supply and demand and abundant production but not a surplus production?

Secretary BRANNAN. That, in my opinion, would be the objective of the program.

The CHAIRMAN. And under no circumstances would you undertake a program which could possibly be called a scarcity program?

Secretary BRANNAN. No, sir.

The CHAIRMAN. In other words, you feel that agriculture should produce adequately for the consumer but that agriculture should not produce a surplus which was going to depress and destroy prices and demoralize farmers of the Nation?

Secretary BRANNAN. Or waste resources of production. There is a level below which, in the price market, an overproduction should not force prices to fall.

The CHAIRMAN. In answer to the question, "What will this program cost?" you are in no better position to say with accuracy what the program would cost than you would be to tell what the present program will cost?

Secretary BRANNAN. And if I may say, Mr. Chairman, that is the key to this whole discussion.

The correct comparison is not one between what the proposed program may cost and the cost of no program at all, but a comparison between what the recommended program may cost and what the present program on the statute books is going to cost if it is projected into the next year or two. We have some very tangible evidence of what the present program is costing already and not benefiting consumers in any way, shape or form.

The CHAIRMAN. But before costs of the present program were actually incurred, there was no way that you could determine with accuracy the ultimate cost of any particular program, was there?

Secretary BRANNAN. That is correct.

The CHAIRMAN. In other words, you had no way of knowing that per-acre yields on potatoes, for instance, would increase substantially as they have increased?

Secretary BRANNAN. No; we began to get some intimations from our experience of the last 2 years. We knew enough the last 2 years to suggest to the Congress that some kind of real acreage limitation should have been applicable to potatoes.

The CHAIRMAN. In recent years there has been a definite increase in per-yield production with regard to practically every crop, has there not?

Secretary BRANNAN. That is right.

The CHAIRMAN. Is not that a compliment to the American farmer?

Secretary BRANNAN. That certainly is, and to the skills of our scientists and the research of our scientists.

In other words, it is the result of the investment of the American people in the Department of Agriculture.

The CHAIRMAN. You referred to production payments. We have heard a lot of talk in recent years about compensatory payments, production payments, and subsidies.

How do you regard the production payment as referred to and contemplated by you? Do you regard it in the nature of a subsidy?

Secretary BRANNAN. I do not like to refer to it as a subsidy. It is a payment to farmers to encourage them to keep their production up to such a level that all of the people could benefit from our productive resources.

The CHAIRMAN. And would it also encourage him not to go above a certain level in production, which would be devastating to the farmers?

Secretary BRANNAN. Yes, it would.

The CHAIRMAN. In other words, it works both ways. You have set certain goals and this is an inducement to the farmer to stay within those goals, yet to reach the goals that have been set?

Secretary BRANNAN. And may I add, Mr. Chairman, also to encourage orderly marketing.

We have an example of that right on our threshold in the next 2 or 3 months.

At the appropriate time, I would like to discuss that with the committee. It is the price support operations under the existing law as related to the production of pork and the marketing of pork. As you recall, there is a suggestion in the language that we might want to put the production payment suggestions into force and effect within the new few months.

That is the one exception to our proposed changes to the static law for 1949.

Mr. ANDRESEN. Mr. Chairman.

The CHAIRMAN. Mr. Andresen desires to ask you a question, Mr. Secretary.

Mr. ANDRESEN. Mr. Secretary, you state that you are retaining all the provisions of existing law. Is it not a fact that you are scrapping the present parity price system and establishing an entirely new standard based on guaranteed returns to the farmers?

Secretary BRANNAN. Mr. Andresen, we are suggesting a revision in the methods of computing the support level for agricultural products.

For at least the past two decades, certainly since 1938, we have had statutes on the books which prescribed and authorized the maintenance of support levels.

There have been a series of computations from time to time, changed from time to time by the law, for reaching those support levels. We have changed the computations. We have modernized the computations.

We have simplified the computations. But as far as going away from the basic thought, the basic principle, the basic philosophy of a price support system which means reasonable returns to farmers, we have not abandoned that.

We have changed our approach to it but we have not abandoned it in any way, shape or form.

Mr. ANDRESEN. Then the newspaper reporter for the AP who was present at your press interview misunderstood what you said when he wrote, as your answer, "By scrapping the present price system and establishing an entirely new standard based on a guaranteed return to the farmers."

Secretary BRANNAN. No, I do not think there is any difference in what you just read and what I just said.

Mr. ANDRESEN. This was a little clearer to me than what you said.

Secretary BRANNAN. That is the reason that fellow has that job and I do not.

Mr. ANDRESEN. Mr. Secretary, I think the chairman understands this, but the idea of cheaper food for the people and really guaranteed incomes for the farmers is rather intriguing if it can be made to work out.

Secretary BRANNAN. It is certainly worth talking about, is it not?

Mr. ANDRESEN. I think we ought to get down to the costs. I want to ask you some questions in connection with the cost of the program.

You are retaining a support-price system for the basic commodities of cotton, corn, wheat, rice, tobacco, peanuts, and possibly some of the other grains that can be stored. Is that correct?

Secretary BRANNAN. That is about right.

Mr. ANDRESEN. You will have a support price and a loan program, as well as a purchase program, for those commodities; is that correct?

Secretary BRANNAN. We now have, in the case of the commodities which you named, I think, and one or two others, a program of support by means of loans and purchase agreements.

In some cases we have also gone in and made some purchases under section 32 and for some other purposes.

Mr. ANDRESEN. That will be retained for those storable crops.

Secretary BRANNAN. Yes, sir.

Mr. ANDRESEN. Then you handle the other three-fourths of the crops on the basis of guaranteed payments or production payments to the farmers.

I refer to meat, beef, pork, veal, poultry, eggs, milk, dairy products, fresh fruits, and vegetables.

Those will be handled on the other program?

Secretary BRANNAN. As and when they are handled by the other program.

Mr. GRANGER. Will the gentleman yield there?

Mr. ANDRESEN. Yes.

Mr. GRANGER. Would the same thing, Mr. Secretary, obtain for these basic crops, the farm-income feature?

Secretary BRANNAN. Yes, Mr. Granger.

Mr. ANDRESEN. I was just going to get into that. I think we will have to get down to cases here to find out what the cost will be.

Do you know what the cost of the program was for putting in support prices for the 1948 crop?

Secretary BRANNAN. You mean all crops?

Mr. ANDRESEN. Yes, the cost to the Government.

Secretary BRANNAN. For 1948?

Mr. ANDRESEN. Yes.

Secretary BRANNAN. No, of course we do not, and nobody knows the answer to that.

You can never tell the answer to that until we have disposed of the commodities which we have taken under loan.

Let us take cotton, for example, or wheat, for example, or corn. We can still put corn, you know, under loan. We do not even know how much corn we are going to get under loan under the 1948 program because it can still go under loan for another 30 days.

Mr. ANDRESEN. Let's take the case of cotton, because virtually all the cotton that is coming under the loan is under the loan now for 1948.

Secretary BRANNAN. That is right, and if it is not under it now, then it cannot get under it.

Mr. ANDRESEN. How many bales of cotton do you have under loan or purchase agreement?

Secretary BRANNAN. Approximately 4,000,000 bales.

Mr. ANDRESEN. And how much money is tied up in that loan program?

Secretary BRANNAN. Let us say $650,000,000, for a round figure.

Mr. ANDRESEN. The loan is about $150 a bale, is it not?

Secretary BRANNAN. That is about right.

Mr. ANDRESEN. You have about 4,000,000 bales under loan, or 5,000,000.

I think Mr. Pace said 5,000,000 bales. Do you have 5,000,000 bales under the loan?

Secretary BRANNAN. Let us just take the figure 5,000,000.

Mr. ANDRESEN. That would be $750,000,000?

Secretary BRANNAN. All right, $750,000,000.

But you understand cotton goes out from under the loan. It is withdrawn and sold or it is disposed of and as of any particular minute you cannot put your finger on the exact amount of money loaned.

Mr. ANDRESEN. I recognized that. Under the new program as you propose to us what change would there be?

Secretary BRANNAN. There would be no change.

Mr. ANDRESEN. Will there be a reduction in the acreage and production of cotton under that program?

Secretary BRANNAN. It is recommended to be retained in the program that I have just suggested.

Nothing new has been added to the recommendations. You now have the authority on the statute books to put acreage limitations or marketing agreements on cotton and, as a matter of fact, this very Congress, at least the House side, has already made money available to us to make the necessary studies to submit that question to the cotton producers of the country.

Mr. ANDRESEN. But you are recommending that a cotton farmer be permitted to raise 180 bales of cotton.

Secretary BRANNAN. Wait a minute. Let us get that limitation on the application of price supports off in a separate category.

I think it has no bearing whatsoever on costs here and now.

Mr. ANDRESEN. Does it have any bearing on loans. If a farmer should raise more than 180 bales, will he be eligible for price supports or loans under the support price program?

Secretary BRANNAN. He would be eligible for a price support, a loan or a purchase agreement, up to the level of the number of bales which are set forth in the formula.

Mr. ALBERT. Mr. Chairman, will the gentleman yield right there?

Mr. ANDRESEN. Just let me finish this thought. Then if he raises 1,000 bales, he would only be eligible for a loan under the support price program for 180 bales; is that right?

Secretary BRANNAN. Yes, at 180 bales if the exact suggestions were followed up that are in the statement.

Mr. ALBERT. Will the gentleman yield?

Mr. ANDRESEN. Yes, I will yield.

Mr. ALBERT. Mr. Secretary, is it not a fact that the 1,800 units, which would be equivalent to 180 bales of cotton, would include all of the crops of the farmer? It might not give every cotton farmer 180 bales?

Secretary BRANNAN. It would pertain to all the crops which are under support.

Mr. ALBERT. So you could adjust cotton down on any particular farm and make adjustments on some other crop.

You are not giving a blank check to every farmer to grow 180 bales of cotton?

Secretary BRANNAN. That is correct, Mr. Albert. He could grow all sorts of things outside of the support program. If he wants to grow watermelons and market them for $100,000, it is not touched by the support program.

Mr. ALBERT. But it may include any number of basic and perishable crops to add up to the total in the support program?

Secretary BRANNAN. That is correct, sir.

Mr. ANDRESEN. That is recognized and there is no disagreement on that.

Assuming he is only entitled to a support loan for 180 bales, what happens to his other 820 bales.

Secretary BRANNAN. They would seek their price in the market place. He might sell them for more than the support loan, as he would have if this had been in force and effect the last 7 or 8 years. He would have sold them into the market place at more than the support level.

He may sell them into the market place at less than the support level.

Mr. ANDRESEN. If you have marketing quotas, there will be a penalty for the sale of extra-produced cotton?

Secretary BRANNAN. As we said on last Thursday, if you apply marketing quotas, then you have to make some compensatory arrangements between that provision and whatever kind of marketing quotas would be established.

The very fact of establishing marketing quotas would take into consideration whether or not it wanted to recognize the unit limitation.

Mr. ANDRESEN. In addition to getting a support loan on 180 bales; for example, this farmer would also be entitled to the support payment on his over-all income.

Secretary BRANNAN. Not under anything that I have recommended.

Mr. ANDRESEN. I want to get that clear in my mind. If he produces 180 bales, all he gets is the support loan on that 180 bales.

Secretary BRANNAN. Just as it is today.

Mr. ANDRESEN. He gets that on all of his cotton today?

Secretary BRANNAN. As to the 180 bales, just as it is today.

Mr. ANDRESEN. So that will be the end of his income from the Government, or the assistance the Government will give him will extend only to the loan that he gets as a support loan.

Secretary BRANNAN. That is right.

Mr. ANDRESEN. And the cost of the program for cotton will be predicated upon the production of not in excess of 180 bales per farm?

Secretary BRANNAN. Or whatever other level the Congress sets it at.

Mr. ANDRESEN. You have suggested 180 bales. How much cotton will then come under the loan program?

Secretary BRANNAN. I do not have the answer to that, sir.

Mr. ANDRESEN. Would one of your experts have the answer to that?

Secretary BRANNAN. After we do a lot of field work. We will have the answer to that after we do the field work which is partially authorized by the Congress now.

The CHAIRMAN. Mr. Secretary, could you possibly tell that? You would have to know all about export markets and domestic consumption and so on. You would have to know what the price was going to be. You cannot possibly tell what is coming under the loan at any time?

Secretary BRANNAN. That is exactly right.

The CHAIRMAN. That is what his question was.

Secretary BRANNAN. Then I missed it. I thought he was shooting at an estimate.

Mr. ANDRESEN. You could give us an estimate. We would like to find out if there will be 5,000,000 bales under the loan or only 3,000,000 bales under the loan.

Secretary BRANNAN. Nobody on this earth knows the answer to that.

Mr. WHITE. Will the gentleman yield for just one minute before we pass this point?

Mr. ANDRESEN. I will yield to Mr. Murray.

Mr. MURRAY. As I understand the Secretary, the limitation of support is on the 148 bales of cotton and if the farmer produces more than that he will not even get the support for the 148 bales. Is that right?

Secretary BRANNAN. No. Every farm in the country is entitled to support up to this limitation, wherever the Congress shall set it.

The biggest farm in the country, Tom Campbell's, and every other big farm, will be entitled to support up to the limitation.

Mr. MURRAY. I understood that he would not get any support if he exceeded the amount that he was supposed to be supported on.

Secretary BRANNAN. No, it does not say that at all, Mr. Murray. If it does, again maybe I should get that fellow to whom Mr. Andresen referred to help me write it.

Mr. ANDRESEN. When marketing quotas are in operation, the farmer would have to comply with those regulatoins, would he not?

Secretary BRANNAN. Surely. He does now, does he not?

Mr. ANDRESEN. He would not even get the support loan?

Secretary BRANNAN. Under the existing law that is true. Under the law which would go into force and effect, he could ignore the decision of his fellow farmers and still get price support at 50 percent.

Mr. ANDRESEN. Then that is another change in the law that you are recommending.

Secretary BRANNAN. You were referring to the law that is in force and effect today. I just brought in the law which goes into force and effect in 1950.

Mr. ANDRESEN. What you said about cotton applies with equal force to wheat? A farmer would be allowed to raise 14,000 bushels of wheat, approximately?

Secretary BRANNAN. I think it is that figure. I do not have it in front of me.

Mr. ANDRESEN. He would only receive the support loan for the 14,000 bushels and the rest of it would be dumped on the market?

Secretary BRANNAN. It would seek its price in the market place, which is not unusual or irregular as compared with the present situation, because many people do not put their wheat and some of the cotton growers could not put their cotton under loan, and they seek their price in the market place.

There is no revolutionary innovation about that.

Mr. ANDRESEN. I am not questioning anything revolutionary about it. I just want to get the facts.

Now, all of these commodities, cotton, wheat, corn, rice tobacco and peanuts, come under the regular support price program where they get the support price on the first part of their production and the balance of it is sold at the regular farm level?

Secretary BRANNAN. That is right, unless you would have some kind of an acreage limitation or marketing quota, in which event you would make the appropriate adjustments between the two. Whatever they might be would have to be worked out at the time the plan was submitted to the farmers or submitted here in advance.

That is one of the virtues, if I may suggest it, of the 2-year lag.

Any program which would go into force and effect under this program would have almost a year in which to be examined by the farmer, by the Congress; time for the department to get ready for its administrative side and time for the Congress to see whether in its opinion it thought equity was being done.

Mr. ANDRESEN. As I understand it, you have approximately $3,000,000,000 tied up in the loan program.

Secretary BRANNAN. That is a fair statement.

Mr. ANDRESEN. How much is it?

Secretary BRANNAN. That is about right.

Again, Mr. Andresen, I am not trying to be deceptive but while I am sitting here saying one figure, somebody has made a loan out in the Corn Belt. So you cannot give a figure.

Mr. ANDRESEN. We do not want you to commit perjury or anything like that. We want to deal with estimates.

Secretary BRANNAN. May I also say that these are recommendations in broad terms? We have tried to be as specific as we could in order to delineate and clarify the recommendations but the specific detail of exactly what pharseology you will use in a statute, I assume we have yet to lay before you and to talk about.

Mr. ANDRESEN. But that program will be continued and support prices given on specific, basic, storable commodities just as you have in the past, except that the amount on which a farmer can be loaned is limited to the units he can produce.

In the event that you have marketing quotas in operation and acreage allotments, then the farmer under existing law will be denied as much of a loan as he could get otherwise if he complied and he would be denied his soil conservation payments.

Is that not correct?

Secretary BRANNAN. Under existing law?

Mr. ANDRESEN. Yes.

Secretary BRANNAN. I understand the authority is in there to do just that.

Mr. ANDRESEN. It was in the old law too.

Secretary BRANNAN. Yes, and it has been in the law since 1938 if I understand correctly.

Mr. ANDRESEN. We are just going to assume that you will have $3,000,000,000 tied up in the loan program for these new commodities because you will be taking in rye and barley and oats and probably grain sorghums and any item that is storable.

I want to call your attention to the fact that form 80 to 90 percent of the production of the average farmer comes in the class of non-storable products like beef, veal, pork, poultry, and poultry products, milk, fresh fruits, and vegetables.

Those are the items that I would like to discuss with you to find out just how that would work out and what the cost would be.

We will take the case of hogs. Under your proposal the hogs will be set down at $19 a hundred. That is correct, is it not?

Secretary BRANNAN. Again let me point out that that is an estimate for 1950 reached by the use of as many known factors as we have. Whatever the parity index may be and whatever the income level may turn out to be in 1949 will, of course, have some influence on it.

Mr. ANDRESEN. Just for the sake of illustration, we will deal with the figures you submitted. We will assume that hogs sold for $14 a hundred. That is a difference of $5 between the price that the farmer should have and the price that he actually received in the market place.

Will this farmer receive from the United States Treasury the difference, or $5 a hundred on those hogs?

Secretary BRANNAN. In general terms, the answer will be "Yes." Let me qualify it in this way. First of all, an individual farmer does not get the difference between the price for which he sold his hogs in the market place but the difference between the average selling price of all farmers in the market place over a given period of time, either the year or the marketing season and the minimum support level.

He gets the difference between that from the Government.

Mr. ANDRESEN. On how many hogs or what weight? If a man had 100 250-pound hogs to sell, and he should receive $19 a hundred for them and he only gets $14, would he get that compensatory payment form the Government on all of his 100 hogs?

Secretary BRANNAN. That is correct, on all of them.

Mr. ANDRESEN. Suppose he had 2,000?

Secretary BRANNAN. If you are now setting aside the recommendation about units.

Mr. ANDRESEN. No; I am not setting anything aside.

Secretary BRANNAN. He would get it on as much of his hog sales in the market as came within whatever unit limitation the Congress authorized.

Mr. ANDRESEN. You recommended 1,800 units.

Secretary BRANNAN. If the Congress adopted that, there would be a cut-off period beyond which he would not get a support price in the market.

Mr. ANDRESEN. Then if a farmer is engaged in raising some hogs, some beef cattle, has dairy cows and raises some potatoes and poultry, as they do up in our section of the country, he would not be able to secure this production payment on a great deal of any one individual commodity?

Secretary BRANNAN. Well, Mr. Andresen, he would be able to sell in the composite approximately $25,000 a year of produce from his farm with that figure run out at the prevailing prices.

I do not contend for that figure or for any other figure. As a matter of fact, if I were in the farming business I would try to be as big a farmer as I could be.

Mr. ANDRESEN. And still get your check?

Secretary BRANNAN. No. But I come to you today, gentlemen, to say that if we are interested in retaining a rural community we cannot talk about the price-support program, which is the crux of all farm programs, without taking that matter into account.

I am not against big farms in any way, shape or form, but I do raise the question for consideration of this committee and of the Congress, as to whether or not price-support programs should so operate as to encourage the bigger and bigger farm and the concentration of land in fewer hands.

That is the purpose of raising this point for you. I am not going to sit here and make a great family-farm speech, but I am saying to you that if we are interested in the family-farm principle we should look at that every time we put in a major farm program.

That is all I am suggesting that you people do today.

Mr. ANDRESEN. You do not need to try to sell this committee on the idea of a family-sized farm. We are all for that.

Secretary BRANNAN. And we have all been for it for about 20 years and nothing has been done about it except the Farm Security Administration program for a little while.

Mr. ANDRESEN. The average family-sized farm does not sell farm products up to $25,000?

Secretary BRANNAN. That is right. As a matter of fact, there is less than 2 percent of the farms of the country that market that much produce off their land.

Mr. ANDRESEN. But for the sake of illustration and in order to determine the cost to the Government, we will assume that this farmer who could under prevailing prices receive $25,000 for his products, under your proposal sells them for $15,000. Then he would get a check from the United States Government for $10,000.

Secretary BRANNAN. Of course not.

Mr. ANDRESEN. Then what would he get?

Secretary BRANNAN. You do it by commodities, sir. I tried to say a moment ago that you should not tie that unit limitation into your commodity calculations because it has no part in it. It just sits out here as the last fence.

Let us take an example you gave me a minute ago. Let us say 560 hogs comprise the total of 1,800 units.

He would sell 560 hogs in the market place and if there was a differential between the average price of all hogs sold in the market place and the support level below which it is not in the public interest to allow farm prices to fall, the Government would step in and give him a check for that differential.

It has two very salient factors that I think should always be recognized. The first is that that kind of a proposal encourages efficiency because the man does not get the difference between what he sold his hog for in the market place, but he gets the average.

Therefore, if he can by better bargaining or by better handling of his commodity, by better finishing, get his price above the average price, he has made just that much in addition.

That has no relation whatsoever to the unit limitation out here on the end.

If he sells less than that, he gets the difference between the number of hogs that he sold and the market price.

Mr. ANDRESEN. If that is $5 a hundred, then he gets a check for $5 a hundred on the difference.

Secretary BRANNAN. Let us say he does.

Mr. ANDRESEN. I do not want you to be too critical. I just got this proposal last Thursday, Mr. Secretary, while you and your staff and hundreds of people have been studying this ever since November 2.

When I ask these questions from you it is for the purpose of getting information.

Secretary BRANNAN. Surely. I beg your pardon if I have appeared to have any tone of criticism in my voice. Let me say, Mr. Chairman, if I might, that Mr. Andresen just referred to a lot of other people in the Department and people outside the Department.

For the protection of the professional standing of Mr. Schultz or anyone else outside the department, I would like to say that they have not been consulted about the program.

Mr. ANDRESEN. You mean Mr. Schultz has not been consulted?

Secretary BRANNAN. About these recommendations. I say that quite emphatically.

Mr. ANDRESEN. He admits that he has. That is the Dr. Schultz of oleo fame, who used to be in Iowa, I think.

Secretary BRANNAN. I think if you will put a clear question to him he will answer that he has not been consulted. He certainly has not been consulted at my order or request, not because I don't respect his opinion but because it seemed to me that it was our job to develop our points of view. I should also like to say to you apropos of that same general thing that the decision to make the specific recommendations that are made here rests wholly on my own shoulders.

A lot of very able, valuable, and useful men, good public servants, worked long and hard on it, but the responsibility for having made the specific recommendations is mine.

Oris Wells has written a number of times in opposition to so-called compensatory payments.

Therefore, I do not want you if you do not like this, to say, "Well now, Mr. Wells, put those crazy ideas in the Secretary's head."

They are my ideas and I will stand back of them.

Mr. ANDRESEN. Just be patient with us, Mr. Secretary, because as far as I am concerned, while I might agree with some of the things that you have mentioned, I want to find out about them in the first place.

Mr. Chairman, our time this morning is limited and I know I have taken more time than I should, but I want information on this and I hope that the Secretary will be back.

Secretary BRANNAN. I will be back as often as this committee can stand to look at my face.

Mr. WHITE. Will the gentleman yield?

The CHAIRMAN. Mr. Simpson wants recognition when Mr. Andresen releases the floor.

Mr. ANDRESEN. With the understanding that you will come back, Mr. Secretary, I will not pursue this more but I do want to pursue it at a later date and I would like you to have your experts here with you so they can give us some facts on cost.

In my opinion, this is going to cost between 5 and 10 billion dollars a year to the taxpayers, and the whole program, as I see it, is predicated upon the ability of Congress to appropriate money and the Treasury to have that money to pay out.

I want the farmers to get good prosperity incomes and I want people to get food as cheaply as they can, so we are in accord on that, but we have to recognize that somebody has to pay the bill and therefore we want to know what the cost will be.

Secretary BRANNAN. Mr. Andersen, may I also at that time lay before you in the committee the cost of conducting the program which we now have in force and effect upon the books?

Mr. ANDRESEN. I wish you would, because then we will have an opportunity to make some comparisons.

Secretary BRANNAN. One guess will not be any better than the other but we certainly have some crystal-clear examples in potatoes and eggs and we have one or two coming on now in pork and milk that are not going to look too small to the taxpayers.

Mr. ANDRESEN. I tried to analyze potatoes, considering the present crop and the crop that we have just had.

Potatoes would be selling for 50 cents a bushel to the consumers of the country but it would cost the United States Treasury between 300 and 400 million dollars to reimburse the potato farmers.

Secretary BRANNAN. All right; the cost is $400,000,000.

Mr. ANDRESEN. Last year?

Secretary BRANNAN. No; the last 3 years. As of this very day, if I understand it correctly, we are spending almost a million dollars a day in potatoes under the existing law.

May I just qualify that so we will not get in trouble?

It is every working day. That is not 365 days out of the year, but every working day.

Mr. ANDRESEN. We are spending $100,000,000 a day to run the Government. Do you mean that we are spending a million dollars of that $100,000,000 a day on potatoes alone?

Secretary BRANNAN. Under the present program and if you can show me how I can cut off a nickel I will be very grateful.

Mr. ANDRESEN. Under my figures the new program would cost between 300 and 400 million dollars, but the people will get potatoes at probably a cent a pound.

Secretary BRANNAN. People get potatoes at a fair and reasonable price and if the production of potatoes exceeds the limits beyond which there is no reasonable, rational use that can be made of them, exceeds the genuine human demand in this country, then you would begin by the use of the devices which the Congress has now provided which we now have in force and effect, to cut back on the production of potatoes.

Mr. ANDRESEN. They have all come up here and been passed on the recommendation of the Department, so I think probably if there is any responsibility for it it rests on the Department.

Secretary BRANNAN. Not the potato program. We have three letters before this Congress asking for the authority to limit the production on potatoes, and we have not got the authority yet.

Mr. ANDRESEN. You had authority to limit the production of potatoes under the old law before we passed this, but there was some question about the Solicitor's judgment on it.

It was maintained that you had the authority to reduce acreage, and an attempt was made to do it. Is that not right?

Secretary BRANNAN. That is not what we advised the Congress in our letters.

Mr. O'SULLIVAN. Mr. Chairman.

The CHAIRMAN. Will the gentleman yield?

Mr. ANDRESEN. I yield to the gentleman from Colorado.

Mr. HILL. Mr. Secretary, I wonder if you are familiar with the recent appropriation bill for Agriculture in which the Eighty-first Congress, controlled by your party, increased the conservation payments to individual farmers from $750, the limit that was on it, to $2,500, and we had an amendment, and we could not get enough votes on the floor to get it back to $750.

We do not want to get into any detail on what it is but we just know what it was.

Mr. WORLEY. For the record, it was soil-conservation payments.

Mr. HILL. We are not worrying about the record. You probably supported it yourself.

Mr. WORLEY. I certainly did.

Mr. HILL. The Secretary did not know about that or he would have had you vote it the other way.

Secretary BRANNAN. No; he would not.

The CHAIRMAN. The committee will be in order. Mr. Simpson desires to ask the Secretary a question.

Mr. SIMPSON. Mr. Chairman, I have two short questions. Mr. Secretary, if this program was in effect as public law, could it still be applied if the farmers in a county in the triple-A program voted "No" on the corn program?

Secretary BRANNAN. Of course, the recommendations would be in force and effect as the present law would be in force and effect if a referendum was submitted to the corn producers and they voted "No."

Mr. SIMPSON. Is this your call for the township farmers and area men to meet to vote on whether they will accept ir ot not?

Secretary BRANNAN. That is right; just as they have done on tobacco and peanuts and as we are recommending in corn.

Mr. SIMPSON. If they rejected it in one county, then would they still be compelled to go into the program?

Secretary BRANNAN. It is my understanding that it is 66⅔ percent of all farmers voting in the referendum in the commercial Corn Belt.

Mr. SIMPSON. If 66⅔ percent of them so voted or affirmed it, all of them would have to come in; is that right?

Secretary BRANNAN. That is right.

Mr. SIMPSON. I have one other question. If this program was in effect—I think Mr. Andresen would ask this—what effect would it have on margarine?

Secretary BRANNAN. That is a question I do not think I can answer.

Mr. SIMPSON. Part of the margarine comes from a farm product and it is a food and I just wondered if your recommendations here have any effect at all on the margarine.

Secretary BRANNAN. None whatsoever.

The CHAIRMAN. Have you finished, Mr. Simpson?

Mr. SIMPSON. Yes.

The CHAIRMAN. Mr. Pace of Georgia.

Mr. PACE. Mr. Chairman, there are quite a number of features of the Secretary's proposal that I think the committee and the farmers of the Nation need to have clarified. It will probably take me some time to go through it.

I can proceed now or if the other members of the committee prefer, I can stand by and wait until they finish their questions.

The CHAIRMAN. Let the Chair observe that we have 27 members on this committee and three distinguished Delegates.

If all of us take an hour or 30 minutes, we will be here until it is time to recess the Congress this summer.

I hope the members will be brief. I realize the importance of the matter before the committee, but we must also realize the fact that we have many people, all of whom want to ask pertinent questions.

I do not know how much time Mr. Pace feels he should have but I would suggest he proceed, taking that into consideration.

Mr. PACE. At this time?

The CHAIRMAN. Yes. If you do not want to proceed now, Mr. Hoeven would like to proceed.

Mr. PACE. I am ready to proceed but I say, Mr. Chairman, that I am willing to defer to other members, should they so desire. My questions will take some time because I think it is important for some features to be developed.

The CHAIRMAN. Suppose you stand by, Mr. Pace, and permit me to recognize Mr. Hoeven.

Mr. HOEVEN. Mr. Brannan, would you say that your proposal is a flexible price-support program?

Secretary BRANNAN. No; as that term has become accepted in the public thinking, it is not the flexible price-support program which is defined in the Aiken bill.

It is not rigid, either. There is considerable elasticity in the program.

There will be an adjustment of prices to the parity index which has been the key factor in the old parity formula for a long time.

There will be a change year by year in that, both for the total farm income and for the farm purchasing power as represented by parity index.

I have copies of the formula here.

(The formula above referred to is as follows:)

Formula for computation of National Farm Income Support Standard and Specific Farm Commodity Price Support Standard

STEP I—NATIONAL FARM INCOME SUPPORT STANDARD

	Cash receipts farm marketings	Index, prices paid by farmers (1939–48=100)	Average 1939–48 farm dollar purchasing power
			Billions
1939	7.9 billions adjusted by	73 equals	10.8
1940	8.4 billions adjusted by	73 equals	11.5
1941	11.2 billions adjusted by	77 equals	14.5
1942	15.4 billions adjusted by	88 equals	17.5
1943	19.4 billions adjusted by	94 equals	20.5
1944	20.4 billions adjusted by	99 equals	20.6
1945	21.5 billions adjusted by	101 equals	21.3
1946	24.9 billions adjusted by	113 equals	22.0
1947	30.2 billions adjusted by	135 equals	22.4
1948	31.0 billions adjusted by	146 equals	21.2
Average			18.2

1949: 27.5 billions (estimate);
21.0 (average, years 1940–49). 144 (current—March 1949 index used as estimate for 1950).

National farm income support standard equals 10-year average farm dollar purchasing power (18.2 billions) multiplied by index prices paid by farmers (144) which is 26.2 (billions of dollars).

STEP II—SPECIFIC FARM COMMODITY PRICE SUPPORT STANDARD

(Projected estimate for 1950)

$$\frac{\text{Income standard} \ldots\ldots 26.2\text{ billion}}{\text{Average cash receipts, 10-year period, 1940–49} \ldots\ldots 21.0\text{ billion}} = 1.25 \text{ (26.2 divided by 21.0).}$$

Commodity	Average price, period 1940–49	Price factor	Support standard
Corn ... bu	$1.17 times	1.25 equals	$1.46
Wheat ... bu	$1.50 times	1.25 equals	1.88
Cotton ... lb	22.39 cents times.	1.25 equals	27.99 cents.

Mr. HOEVEN. Mr. Secretary, are you recommending the repeal of the so-called Aiken bill?

Secretary BRANNAN. Mr. Hoeven, I suppose you read the statement that Senator Aiken made on the Senate floor the other day. You will observe that he says there are many similarities.

Of course, to that extent I am not recommending the repeal of the Aiken bill. I am recommending some changes in the Aiken bill, the bill to go into force and effect in 1950, and those lie in the area of the formula, changes in the formula, and in the extension of the use of some of the instrumentalities we now know which have proven quite useful in some other crops.

Mr. HOEVEN. You are not recommending the repeal of the so-called Aiken bill as such?

Secretary BRANNAN. No, not to the extent that it would throw away all the ideas and principles of the Aiken bill.

I would modernize and simplify the parity formula as is indicated by the document I have just given to you.

Mr. HOEVEN. Are you a member of the Committee on Economic Stabilization?

Secretary BRANNAN. I am not aware of such a committee.

Mr. HOEVEN. I may not have the name of the committee exactly right but your name has been mentioned in connection with a supposed economic program of the President.

Secretary BRANNAN. May I answer you this way: The President has designated me to coordinate the presentation of his economic program to the Congress and as such I have assisted in the preparation of the bill.

Mr. HOEVEN. That is the thing I am getting at. Your proposal now is a part of that program?

Secretary BRANNAN. It has not been related to that program through the usual machinery.

Mr. HOEVEN. This over-all program that you have just mentioned recommends stand-by price controls, does it not?

Secretary BRANNAN. It does, sir, the stabilization bill, not the recommendation before this committee.

Mr. HOEVEN. If your proposals are enacted into law, do you think we will have price controls?

Secretary BRANNAN. I would think not; I think that is a stabilizing factor which would reduce the need for price controls in agricultural commodities.

Mr. HOEVEN. I am referring not only to agricultural commodities but to the many implications involved in our entire economy.

Secretary BRANNAN. You obviously, Mr. Hoeven, cannot treat with the whole economy by treating with just one segment, even though the segment be the heart and the core of the agricultural economy.

Therefore, anything that we would do here would not have any control on the price of steel or any other metals or oils, and so forth.

Mr. HOEVEN. Going back to the Aiken bill for a minute: Is the Aiken bill preferred to your present proposal?

Secretary BRANNAN. I am sorry, I did not understand that.

Mr. HOEVEN. Do you prefer the Aiken bill to your present proposal or not?

Secretary BRANNAN. No, sir.

Mr. HOEVEN. The present law; let us put it that way.

Secretary BRANNAN. There are some features about both of them that should be amended. This proposal is a proposal directed at both of them.

Mr. HOEVEN. Is it not a fact that the administration has proposed, and you have proposed, flexible price supports on a permanent basis at the time that the Aiken bill was enacted?

Secretary BRANNAN. Mr. Hoeven, may I respectfully say to you that that has been charged a number of times?

Mr. Taft confronted me with it 1 day on a radio program. I have asked him to produce the evidence that caused him to think we had.

Mr. HOEVEN. Mr. Secretary, I have before me a talk by Secretary of Agriculture Brannan over CBS on June 9, 1948, in which he says, among other things [reading]:

> President Truman in his special message to Congress on May 14 asked for four kinds of action. First he recommended flexible price supports on a permanent basis. As you know, our present price supports are quite rigid.

Have you and the administration changed your position since that time?

Secretary BRANNAN. No; I said to you only a moment ago that I did not want to use the term "flexible" because it had taken on connotations which were not meant by its author and which I do not think I would like to become involved with in this discussion.

Let me be specific. In the farmer's mind over the country, flexible price supports have somehow been identified with low-level price supports.

Mr. HOEVEN. From 60 to 90 percent?

Secretary BRANNAN. Therefore I have thought I should prefer to get away from that connotation and talk about this thing in other language.

I think we will get more objective consideration and more objective study of it.

Mr. HOEVEN. Just one more question.

As I understand it, you are in substance recommending a fixed income for the farmer.

Secretary BRANNAN. No, sir. We are recommending a level of national farm income below which it is not in the public interest to allow farm income to fall.

In the next sentence in the statement we say we hope, and I say to you that I would be working to keep farm incomes above that. That level, Mr. Hoeven, is now 15 percent below the average of last year.

Therefore, I am not recommending to this Congress that we fix farm income at 15 percent below the level of last year. On the contrary, I am saying 15 percent below that level is as low as we ought to allow it to go and that we ought to strive as hard as we can to keep it at or above that level.

Mr. HOEVEN. We are trying to arrive at some figure as to the cost of this program. I think it is one of the most important matters that we will have to consider.

Fixing this so-called farm income, or whatever you want to call it, covers a 10-year period as I understand it.

We hear all kinds of expressions of opinion that this program will cost from $3,000,000,000 to $10,000,000,000 a year. I am hoping you can furnish us with some figures so that we will know what the actual cost of the program will be.

The thing that bothers me is that you are using a 10-year basis and assuming that the cost of the program is somewhere between $3,000,000,000 and $10,000,000,000 a year, what is going to happen to that kind of a program if we go into a depression?

You are still going to have as a basis the 10 years of prosperity in which to pay the man his so-called income during the lean years.

How do you explain that?

Secretary BRANNAN. Mr. Hoeven, I think that is a good question and it goes to the very basic philosophy of what we in this committee and certainly we in the Department of Agriculture are concerned with.

Mr. HOEVEN. Is that not the fundamental proposition here? If and when farm prices go down, what is your program going to cost the Federal Government?

Secretary BRANNAN. Mr. Hoeven, I would like to make two amendments to your statement. It is not what this program is going to cost the people as against no program.

It is what this program would cost the people as against the existing programs if we went into a depression.

You are going to ask me to estimate what this program will cost.

Mr. HOEVEN. Mr. Secretary, you frankly admit that you cannot give us figures on the cost of the present program.

Secretary BRANNAN. I have said to you that we will give you as good estimates on the present program as we can on the recommended program.

More than that, we will give you some good experience on the present program which shows us that in the next few years the present program is going to cost considerable amounts of money.

I could substantiate to you with as much assurance and as much firmness that this program which we now have will cost as large figures as anybody can prove to you that the proposed program will cost anywhere near those figures.

It is so dependent on so many unknowns at this time that you just cannot get those figures.

Let us take pork, for example. We are going into a price-support program on pork very soon. It will be of substantial proportions.

Frankly, we will be buying a considerable amount of pork from the packer in pork products. Under the present program the price support will still remain at a high figure and as the taxpayer's dollars will be used, as some people are complaining about this program, to maintain that high price.

Under this program we would allow the pork to go into the market and seek its level and go back to the farmer, who is the producer, and give him the amount of money which is necessary to maintain the level below which we do not think the price of pork, related to the total national income, should be allowed to fall.

Certainly that is going to cost some money but we are going to be spending some money before the end of this year and the consumer is going to be paying a high price at the same time under the present program.

Mr. HOEVEN. Mr. Chairman, I do not care to ask any more questions at this time but would like to have the privilege of interrogating the Secretary at a later date.

Mr. PACE. Mr. Chairman.

The CHAIRMAN. Mr. Pace.

Mr. PACE. Mr. Secretary, inasmuch as the Aiken bill has been referred to, as well as the comments of Senator Aiken, I think the situation needs to be clarified right now. Is it not true, Mr. Secretary, that with one exception, that is, your suggestion with regard to limiting supports to a part of the crop in the case of a big operator, that leaving out that one recommendation you now have full authority under the so-called Aiken bill, the Agricultural Act of 1948, to do everything proposed in your statement to this committee?

Secretary BRANNAN. No, Mr. Pace, we do not. In general terms, I would say that your statement is correct.

Mr. PACE. The Aiken bill contains this language:

> The Secretary through the Commodity Credit Corporation and other means available to him is authorized to support prices for agricultural commodities to producers through loans, purchases, payments, and other operations.

You have recommended to us that you support prices through loans, purchase agreements, production payments, and direct purchases. You have all four of those in the language I have just read from the Aiken bill, have you not?

Secretary BRANNAN. And except for payments in the present bill.

Mr. PACE. You mean the law now in effect?

Secretary BRANNAN. Yes, sir.

Mr. PACE. Let's leave that out.

Secretary BRANNAN. I will leave it out if you will leave it out of your inclusive statement.

Mr. PACE. You do have now authority under the Aiken bill, if it goes into effect on the 1st day of January, to support prices in all the methods you now suggest?

Secretary BRANNAN. Yes.

Mr. PACE. By payments, by loans, by purchase agreements, and by direct purchases.

Secretary BRANNAN. Yes.

Mr. PACE. I repeat, you now have under that act, if it goes into effect, all the authority suggested in your recommendations to this committee?

Secretary BRANNAN. No; because you have left out the proposed changes in the support level and in the computation of the support level.

Mr. PACE. I am not getting into the support level. I mean the method of supporting prices.

This payment question that has been so much inquired about is now authorized by law, if the Congress gives you the money?

Secretary BRANNAN. That is right.

Mr. PACE. I think that needs to be made clear. You have not brought here, whether it is good or bad, a request for any authority that the Congress has not already written into the law?

Secretary BRANNAN. That is correct, sir.

Mr. PACE. Although they did it, unfortunately and unhappily, on a Sunday morning, June 20, 1948.

Mr. SUTTON. Mr. Chairman, will the gentleman yield for one brief question?

Mr. PACE. Yes, sir.

Mr. SUTTON. Mr. Secretary, then you are recommending the repeal of the Aiken bill as a whole; is that right?

Mr. PACE. He said, "No."

Secretary BRANNAN. No; just a series of changes in it, preserving most of it because after all, that preserved most of the act of 1938 anyhow.

Mr. PACE. Mr. Secretary, you, of course, have read the criticism of Senator Aiken to your statement?

Secretary BRANNAN. Yes, sir.

Mr. PACE. The main criticism was of the additional powers that he said you were requesting over farm operations. The Senator's language in his statement was, "These conditions" suggested in your statement "would convey to the Federal Government much more complete control over the Nation's 6,000,000 farms than there has ever been before."

Have you requested any control over a farm that is not authorized in Senator Aiken's own bill?

Secretary BRANNAN. None.

Mr. PACE. Does not the Senator's bill, whether with or without his knowledge, give you full authority to require compliance on the part of the producer in order to participate in the support price program, require that he comply with the quotas on all crops which are under quotas, and not merely the ones particularly supported, that he comply with reasonable soil-conservation practices, and that he comply with any other conditions having to do with farming practices on that farm?

Secretary BRANNAN. That is right.

Mr. PACE. Every one of the powers Senator Aiken has condemned in your statement is contained in the bill which he drew himself and on which he secured the enactment in the Congress.

Mr. ANDRESEN. Will the gentleman yield?

The CHAIRMAN. Who said he drafted the bill himself?

Mr. PACE. I just thought those things, whether I agree or disagree on other things, need to be clarified.

I hope you agree with me.

Secretary BRANNAN. I do and I appreciate it.

Mr. ANDRESEN. Will the gentleman yield for one question?

Mr. PACE. Not right now.

Now, Mr. Secretary, as I understand, in determining what you call the income support standard, you have gone back to the 1909–14 base period under the current parity law and picked there the figure determining prices paid by farmers.

Then you have gone to the Aiken bill and picked up the 10-year moving average. Then you have added to that this new feature of total cash receipts on the farm and you are combining the three to come up with your new formula. Is that correct?

Secretary BRANNAN. Well, Mr. Pace, the first part of the statement is not quite correct. We did not go to the 1914 index because, after all, that just constitutes a list of the commodities which farmers have to buy or pay for, or services, in making their production.

We do not borrow anything from 1914 at all. We just borrow the old parity index.

Mr. PACE. Then where did you get 73 for the purchasing power of the 1939 cash receipts?

Secretary BRANNAN. Because we relate the prices of the commodities which the farmers had to buy to 1939–48. That is where we get the 73.

Mr. PACE. That is right, but you had to pick that 73 out of your 1909–14 base in order to get it.

Secretary BRANNAN. We might have picked the commodities out of that base but not the prices.

Mr. PACE. You picked the commodities and the percentages that the farmers bought and you picked the prices.

Secretary BRANNAN. No; that is not correct.

Mr. WHITE. Mr. Chairman, may I interrupt to make a suggestion? This is such an important matter that it might be advisable for us to adjourn at this time and invite the Secretary to come back tomorrow morning.

The CHAIRMAN. If Mr. Pace will yield, I would like to inquire if the Secretary could be available tomorrow at 10 o'clock.

Secretary BRANNAN. I can, sir.

The CHAIRMAN. We must adjourn. There is a quorum call in the House. The committee will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 11 a. m., the committee adjourned, to reconvene at 10 a. m., Tuesday, April 12, 1949.)

GENERAL FARM PROGRAM

TUESDAY, APRIL 12, 1949

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D. C.

The CHAIRMAN (Mr. COOLEY). The committee will please be in order. We have Secretary Brannan with us again this morning.

Mr. Secretary, I would like to clear up one or two things, if I may. One is with reference to the limitation of 1,800 units. I would like to ask whether or not it is your recommendation that the 1,800-unit rule apply to crops under marketing quotas.

In that connection, I would like to point out the possibility that in 1950 at least three crops grown in my area will be under marketing quotas. They are tobacco, peanuts, and cotton. In that event, as you know, the producers of those commodities will have their referendum and then marketing quotas are imposed and the Secretary of Agriculture fixes the goals.

In the event the producers of any particular commodity are under control, all the surplus over and above their acreage allotments and marketing quotas is subjected to a penalty of 50 percent of the value.

Would it be your purpose to apply the 1,800-unit rule or any other rule to those major basic commodities that are being produced and sold under acreage allotments and marketing quotas, or would they be free to operate under the program which we now have in existence and under which we are operating this year?

FURTHER STATEMENT OF HON. CHARLES F. BRANNAN, SECRETARY OF AGRICULTURE

Secretary BRANNAN. Mr. Chairman, my I preface my answer to that, which is that we do not, by this statement: Whenever you attempt to prepare a statement for the committees of Congress you are always competing between two principles. First of all, you want to be as clear and lucid as you can, even though they are recommendations, and on the other hand you do not want to write a book. We had some material in our statement on this subject, but eliminated it in the interest of cutting the statement down. We are in the process of rewriting that material in fuller elaboration and if the committee wishes to have it we will have it available here in the next day or two.

The simple answer, it seems to me, to the question you have just put is that if there are marketing quotas and acreage limitations in effect on a specific commodity, they were put into effect as the result of a determination that a certain amount of production, namely, that amount of production within those marketing quotas and acreage limitations, was in balance or consistent with the national demand, the foreign export demand, and all the other factors which go to measure the annual production of a crop and its volume. Therefore, it would be inconsistent to apply the unit limitation to a crop which was under marketing quotas because already some limitation has apparently been put on that crop through the marketing quota and acreage limitation.

You referred to the fact that you have in your State—and many other States are similarly situated, I am sure—several crops which are now or may be under marketing quotas or acreage limitations. Let us take an example which may help me clarify my views about it. Let us say that a particular farm raised cotton and livestock, for example, and tobacco. The farmer raises 2,000 units of cotton. That is over the 1,800 units that I have suggested as a figure for study. He also raises 600 units of tobacco. Six hundred plus 2,000 would give him 2,600 units. That would be over the 1,800 units suggested.

He also raises a number of units of livestock. It would be my suggestion that the committee think about this recommendation in these terms, that inasmuch as cotton and tobacco are under marketing quotas and acreage limitations, if they are, that as far as the 1,800 is concerned it be not applicable in such a way as to scale down the marketing or affect the marketing of the 2,000 units of cotton or the 600 units of tobacco, but that inasmuch as the total amount of 600 plus 2,000 is over 1,800, that on any other commodity for which there is not an acreage limitation or marketing quotas he would not enjoy further benefit of the support program.

The CHAIRMAN. Bringing it down to actual application in regard to tobacco, if I understand you correctly the tobacco program would operate, under your proposal, just about as it operates now. Farmers would have acreage allotments and marketing quotas and they would have a support program which would provide for loans which could be handled in somewhat the same manner as they are now being handled through the Stabilization corporations.

Secretary BRANNAN. Exactly so.

The CHAIRMAN. In other words, the program would not be disturbed and there would be no change in it other than with regard to the fair price, which will be determined in a manner different from the manner in which it is now determined. Is that true?

Secretary BRANNAN. Yes. The support standard as distinguished from the parity formula, to get it into common terms.

May I also just elaborate one step further. This is by way of answering the argument that the proposal interferes with the tendency toward diversion or readjustment in crops. Let us say that the particular farm that we were speaking of a moment ago had 1,000 units of cotton and 300 units of tobacco. That would mean that he had about 1,300 units in two crops which were subject to quotas.

He then went into the livestock business or any other kind of business which enjoyed a support price. There would be left 500 units. Let us say it is livestock. There would be 500 units of livestock which he would sell into the market place and which would enjoy support.

I have taken an example both above and below the suggested level which, as I think I said the other day, might amount to in the area of $25,000 at present prices.

The CHAIRMAN. Mr. Hope desires to ask you a question on that point, Mr. Secretary.

Mr. HOPE. What you have just said, Mr. Secretary, leaves me somewhat confused, because I had the idea that the purpose of putting these limitations on was to discourage farming in large units.

If I understand you correctly, in the case of Mr. Tom Campbell if marketing quotas are put on wheat he would be entitled to receive a support price on all he might produce on his thousands and thousands of acres of wheat.

Secretary BRANNAN. He might, or he might not, depending on how he established his quota. That is a subject which relates to the establishment of quotas. I do not know what kind of a base Mr. Campbell or any other wheat farmer has for establishing his quotas.

If it goes back to some of the early law which you people have been discussing up here, he may or may not be in the wheat business at all. I think you have to take a look at the specific application of your marketing-quota law before we draw the conclusion that any one individual is in or is out.

Mr. HOPE. I just mentioned Mr. Campbell as an example. There are a good many wheat farmers out in the Great Plains area who produce in some years in excess of 1,800 units. My supposition was that the purpose of putting this limitation on was to discourage large-scale farming and encourage the smaller farmer.

Mr. ALBERT. Mr. Hope, will you yield for just one question?

Secretary BRANNAN. Might I be permitted to answer that first, Mr. Albert?

If you set the marketing quota basis, the determination for the marketing quota basis, Mr. Hope, the conclusion you have just reached might be true. I do say that if we put the marketing quota basis on some of the previous bases that we have for some of these commodities, it very well might not be true. I am thinking about the area in the eastern part of Colorado where within just the last 2 or 3 years entire sections have been plowed up. The country roads are obliterated and the fences are brought right along the main highway and a 40-foot gang plow has gone through and broken all the land.

Under my concept of what Congress may well do in directing us to certain marketing quotas or acreage limitations, those people would not get marketing quotas and acreage allotments. Those are the kind of people, actually, that I can say very frankly here I think we ought to discourage from getting into business. They have destroyed the farms. They have covered over what was once the farmstead building site. The well has gone under the plow and all the rest of the evidences of a rural community in that part of the country have disappeared before this immense industrial type of operation.

What is even worse about that is that the very day that a drought hits that part of the country these people will just pull out what equipment they have there. Most of the work is done by custom anyhow. They would just leave the land for somebody else to take care of and protect against blowing and all the other effects of drought.

I do think we have made great progress. I do not think by any means that under the proposal we have made here, Mr. Hope, we will in one fell swoop reverse the trend toward bigger farms. I think the precise question before the committee is how we may qualify, within reasonable limitations, the use of any price-support mechanism to prevent its acting as a strong encouragement to the big type operation. I think it would do that even under your interpretation of it, although it might preserve some which are now in status.

Mr. HOPE. I would agree 100 percent to everything you have said with reference to these large-scale developments that have taken place in the last 3 or 4 years where land has been plowed up that never should have been plowed. I think under the application of existing law that those farmers would not get very large allotments.

If you take a 10-year average, they could only qualify during the last 2 or 3 years, in all probability. They would not get very large allotments.

It is not about them that I am thinking so much, but about large operators who do have a history that goes back a good deal further than that and whom I believe under existing law and probably under any fair law we could write that would be based on history would get allotments which would enable them to produce far in excess of the units that you have recommended. It seems to me that since in most cases of that kind we would be dealing with crops that are likely to have in effect acreage allotments and marketing quotas, that it is hardly worth bothering with the detail and the controls and the red tape you have to go through in administering such a program if you are going to say that it does not apply when marketing quotas and acreage allotments are in effect.

Mr. POAGE. Will the gentleman yield?

Mr. ALBERT. Will the gentleman yield?

Mr. HOPE. I will yield to Mr. Albert.

Mr. ALBERT. Mr. Chairman, it was my impression from the Secretary's very fine statement the other day that he was establishing a new base of 1,800 units maximum. I cannot understand the matter that has been brought up by Mr. Hope now, that it will not interfere with the established systems of marketing quotas and allotments. I thought we were getting an entirely new approach to the whole matter.

Secretary BRANNAN. Mr. Albert, if we are going to change our marketing quotas and acreage allotments, from the standpoint of the family farm principle, I think we ought to work on the acreage allotments and marketing quotas themselves. If they have a tendency to create bigger and bigger farms, then there is the place to apply the remedies, whatever they may be.

Again I say to you that I put this thing in the statement in order to bring to your attention clearly and concisely and as forcefully as I could that price support operations can be so handled and so operated, and as a matter of fact are now being so operated, that they do encourage concentration of land and the elimination of the inefficient smaller producer. That was the objective of it.

I said I was not wedded to 1,800 units or to any other group of units, but I do say to you that we are not going to achieve the whole job through the price support mechanism, nor do I think we ought to achieve the whole job through one mechanism.

The CHAIRMAN. Mr. Secretary, the situation you have reference to is with regard to commodities which have not been under acreage allotments and marketing quotas. We have not had any such situation as that in the tobacco country, because we have constantly been under marketing quotas.

I can see how tremendous acreages could be planted in wheat and other crops which have not been under control, but notwithstanding the fact that they have been planted, as you say, you cannot reverse the trend overnight. In the event you impose quotas on wheat there will be a national referendum and the large man will be cut exactly in the same ratio as the small man.

Secretary BRANNAN. And if the Congress wanted to, it could step up the ratio and the higher acreage.

The CHAIRMAN. And if he sold anything above his marketing quota, he would be subjected to a penalty of 50 percent.

Mr. POAGE. As a matter of fact, Mr. Brannan, where have our bigger surpluses come from and where have our bigger farmers developed? Are they not in wheat? Tom Campbell is one illustration. He developed during a time when there was acreage control on wheat.

Delta Pine Land Co. grows cotton in Mississippi and they have operated every year that there has been acreage control. You have not eliminated them because of any acreage control.

The Anderson-Clayton Co. is operating 20,000 acres in Mr. White's district.

Just beyond is Employers Associates, Inc., with 35,000 acres producing something like thirty to fifty thousand bales of cotton.

There is where you have actually developed the big farmers. They are in the basic commodities. You have not developed them in the growing of caraway seed or asparagus. You have developed these big time farmers and the big time crops.

Potatoes is another example. All of them are the crops under which we have supports, the crops that are or have been controlled. That is where you have developed this great corporate farming. You have not developed corporate farming among the fellows who are growing a little sweetpotatoes or shetland ponies.

The Anderson-Clayton people are fine people, but they have gone into farming in a big way. If you want to talk about stopping big time development you have to talk about these basic crops, Mr. Secretary. You cannot say that because cotton has been controlled there has been no development of big operators in the cotton business.

Every year since we have had controls in cotton the little man has been squeezed out because he could not make a living in cotton production. The big man has gone into it bigger and bigger because he bought up acreage, because he wanted to get more and more production. Do not tell me they have not done it under controls, Mr. Secretary.

The very fact that you have controls encourages this big man to go out and buy up 50 or 100 little farms. The very thing you named, Mr. Secretary, is encouraged by the controls on acreage because in order to get the right to plow up a bunch of homesteads some big concern has to buy up a lot of small operators and they do buy them up and have been doing it steadily.

If you are going to stop this trend, there is where you must direct your efforts. I think it is a laudable effort, although I have not fully agreed that your proposal will stop it. You have to recognize that you must deal with the men in cotton and wheat and corn and tobacco just the same as you have to deal with the people who are in some crop we never heard of, such as radishes, if we are to effectively check the concentration of farm land.

Mr. WHITE. Will the gentleman yield for a minute?

Mr. POAGE. Surely.

Mr. WHITE. Do you not think the controls on the big people should be inflicted through the cutting down of their acreage quotas?

Mr. POAGE. Of course.

Mr. WHITE. Rather than trying to do it pricewise, because when you attempt to do it pricewise you simply lose control of the commodity which you are trying to control in price.

For instance, suppose the big people produced roughly 10 percent of the cotton. Obviously that throws that 10 percent of the cotton into a free market and at the very time when the Government is trying to maintain the price, that cotton is thrown onto the market in competition with what the Government holds and forces the Government to pay months of carrying charges and eventually breaks the market down below the figure at which the Government could get out even and finally wrecks the very thing that the Secretary of Agriculture is trying to accomplish, namely, price stabilization.

Mr. POAGE. That is right. When we take this 1,800 units and apply it to cotton, you have $140 a bale, which is the support price. You are running into a pretty substantial amount of cotton for everybody then.

You cannot say that you have to include this fellow in a support program because he had his cotton acreage cut 20 percent but still produces more than 150 bales of cotton. He was not cut down to where he was not making a living. One hundred and fifty bales of cotton at 27.99 cents, at which price you propose to support that cotton, certainly is going to buy shoes and clothes for a pretty big family. It is certainly going to put the man who produces that 150 bales at 28 cents in a pretty big sized class. He is not going to be any small farmer when he has that kind of production. You have not denied that man an opportunity to make a living by cutting his acreage.

You have simply thought that by cutting his acreage we will try to keep his price up to such an extent that he will make as much as if he had planted all his land. This program is never going to deny a man who can make 1,800 of these farm units the opportunity to make a living. Those acreage controls do cut the man who cannot make 10 bales of cotton, who does not have enough acreage to produce enough to feed and clothe his family. Those acreage controls do hurt him terribly and run him out of business, ofttimes. But they never broke a man who was in the big time production.

Secretary BRANNAN. May I say, Mr. Chairman, if the committee wants to go ahead and do some of the things that are being intimated here, I am not suggesting that you do not.

Mr. WHITE. If I may interrupt, Mr. Secretary, I do not recommend that they limit acreage or production quotas to 1,800 units, but I am simply saying that if they want to provide a stable price level, the suggestion that I made of control through production limitation is a better method of approach than removing the price support on part of the production.

The CHAIRMAN. That, Mr. Secretary, could be done by amending the law we now have, could it not?

Secretary BRANNAN. That is right.

The CHAIRMAN. Mr. Andresen.

Mr. ANDRESEN. I want to get this thing clear in my mind, Mr. Chairman.

As I understand it you have ruled, Mr. Secretary, that when marketing quotas and acreage allotments are in operation for any crop that does not come under the 1,800 unit provision unless the producer produces less than 1,800 units.

Secretary BRANNAN. Now, Mr. Andresen, let me correct your first statement. I have not ruled anything. I am trying to develop ideas and suggestions for the committee.

Mr. ANDRESEN. Excuse me. I regard you as a judge, you see.

If they have marketing quotas and acreage allotments, they come under the support loan program exclusively unless the producer produces less than 1,800 units and in such event the producer who produced less than 1,800 units gets the benefit of this compensatory payment. Is that right, or am I in error on that?

Secretary BRANNAN. I think that is correct, sir, if I understood you correctly.

Mr. ANDRESEN. Does it apply to potatoes when potatoes are under marketing quotas and acreage control?

Secretary BRANNAN. First of all, to my knowledge potatoes have never been under marketing quotas nor acreage allotments. That was one of the things that we sought power to do over the least 2 or 3 years. Secretary Anderson also sought that power.

Mr. HOPE. Is it not true that all potatoes that have been grown under the program in recent years have been grown under a system of acreage goals where each farmer was given a goal, and he did not receive the benefits of price support if he exceeded his goal. Am I wrong about that?

Secretary BRANNAN. That is true, but that, of course, was almost an idle gesture. We had very few cooperators, and the noncooperators actually got along better than the cooperators under the application of any of the laws or authorities we could have applied.

There were no penalties and there was no enforcement device whatsoever and there is really no enforcement device whatsoever today on potatoes. A man can come in or out just as he sees fit.

Mr. HOPE. It is true, though, that the national goals were complied with in the sense that never since 1943 have they exceeded the goal in planting. I am sure I am correct about that.

Secretary BRANNAN. I do not think you are quite correct, Mr. Hope, but the point is that there was not any kind of marketing quotas and there were no penalties in relation to it or any other device for securing compliance. What happened was that the noncomplying producer enjoyed the benefit of the umbrella created by the support level and the loan and purchase agreement arrangement.

Mr. HOPE. Under the figures of the Department, it is shown that the goal in 1944 was 3,480,000 acres and there was planted 2,884,000 acres, or more than 500,000 acres less.

In 1945 the goal was 3,137,000, and planted acres were 2,765,000, or between 300,000 and 400,000 less.

In 1946 the goal was 2,771,000 and the acreage planted was 2,644,000.

In 1947 the goal was 2,517,000 and the acreage planted was 2,146,000, or between 300,000 and 400,000 less.

In 1948 the goal was 2,352,000 and the acreage planted was 2,162,000.

In every case, the harvested acreage was somewhat below the planted acreage. The over-all goal was not met. The total of all the plantings was less than the goals.

It is my understanding that you did not support the price to any grower unless he complied with his goal. It seems to me that you had a pretty effective program there as far as acreage was concerned, but what happened was that they complied with the acreage goals and put on more fertilizer and more water and increased their production.

Secretary BRANNAN. You are exactly right, Mr. Hope, to the extent that you say the increased production was the result of increased yields per acre.

I do not agree, sir, that there was an effective control program for the production of potatoes, nor do I say there is an effective control program for the production of potatoes today. If there is, then I ought to confess to the committee that we have been quite derelict in our application of the authorities available to us.

I want to stop the losses in potatoes which are now going on and which we have suffered, and if you can tell me how I could have done it under the existing law or how Mr. Anderson could have done it under the existing law, that would be a great public service, I assure you.

Mr. HOPE. If the Department had put its goals lower, that would have been one way to have done it.

Secretary BRANNAN. No, because a good part of the potatoes were marketed by noncompliers, anyhow. A good share of the potatoes were marketed by noncompliers who did not pay any attention to the goals.

Mr. HOPE. Nevertheless, the over-all goals were complied with and the acreage planted was considerably less than the goals which the Department set up. Maybe if you would set your goals lower you would not have had that compliance.

Secretary BRANNAN. If we had set our goal at one bushel, Mr. Hope, it would not have made any difference, in particular.

Mr. HOPE. You would not have had to support the price of those growers who did not comply with their goals. If you had set a lower goal and they had exceeded the goals, then you would not have been compelled to support the price.

Secretary BRANNAN. As long as we undertook any kind of a program to support a reasonable percentage of the production, we provided an umbrella under which all the noncompliers came into the market and commanded the market and the compliers sold their potatoes to the Government. How you could stop the noncompliers from selling their potatoes into the market and cut off the compliers' excess to the market was the one thing we did not know and did not have authority for and do not have today, and that is the reason we are in the trouble we are in today. The goals are in one sense of the word an idle gesture.

Mr. HOPE. But you did not buy any potatoes, did you, from anyone who was out of compliance as far as his acreage goal was concerned?

Secretary BRANNAN. No; I do not think we did, but his neighbor took his place in the market place so that we had to buy all of his production. His noncomplying neighbor commanded the market price and the complier sold his potatoes to the Government.

Mr. HOPE. I do not want to pursue that any further now, because it is a collateral issue.

Mr. PACE. Mr. Chairman.

The CHAIRMAN. Mr. Pace.

Mr. PACE. Mr. Secretary, I want to get back to the plan you proposed. I want to make one comment on this discussion that has not been made here. When you attempt to support part of a crop and do not support the other part, have you given consideration to the stupendous cost to our Government? One of two things is bound to happen.

If you are supporting three-fourths or four-fifths of the crop and the remainder of it is in a free market, two things are going to happen. One is that the support level on three-fourths is going to have a tendency to raise the market price. Those not enjoying support will get part of the benefit from it.

Then it will have the second tendency of breaking the support level. It will bring the supported portion of the crop down below the support level, and you will have to pay the difference between the support level and the market price.

I can see the possibility that it will cost you hundreds and hundreds of millions of dollars to permit a part of the crop to move in a free market and therefore break your support level and require you to pay the difference.

Mr. HOPE. Will you yield for this comment? What the Secretary has just said about potatoes where he supported part of the crop and did not support the rest proves exactly what you are saying.

Mr. PACE. Frankly, I am hoping that you will consider the reverse. I am disturbed about the big operator, but instead of the plan you propose of giving him limited support, I would like to see you turn and help the family-sized farmer through his acreage allotments and see that he gets an acreage allotment adequate to make a living on his farm.

When you give a man an allotment on the basis of a family-sized farm under the quota laws, you protect the family-sized farm and it will have the result of reducing considerably the acreage of the big operators and it will not cost you one single dime.

Mr. ANDRESEN. Will the gentleman yield?

What the gentleman said is true, and furthermore, it may leave the Government holding billions of dollars worth of farm products as a result of the entire operation.

Secretary BRANNAN. Except for the last sentence, may I say I do not agree with what you have said, Mr. Pace?

Mr. PACE. You mean you do not agree that in making acreage allotments we should take into account making allotments adequate for the family-sized farmer to make a living?

Secretary BRANNAN. No, I was referring first of all to your language, to the effect that when some part of the commodity moves in the free market, that that is an argument for not using production payments. I assume that was what you were directing that argument to. I do not agree with that.

The second thing that you have just said with which I do not agree, Mr. Pace, is that you are going to solve the problem by giving the small farmer acreage allotments when a good part of them we are talking about do not have acreage. We have to give them acreage before they get acreage allotments.

Where are you going to get the acreage to give them acreage allotments to come within the range of 10, 15, 20, or $25,000 a year annual income, or any one of the lower figures in that group? That is the problem, giving them the acreage, not the quota.

Mr. PACE. Would you recommend, Mr. Secretary, that we repeal the provision in the present cotton quota law that provides a minimum allotment for the farmer in the event he has produced that much cotton in the past?

Secretary BRANNAN. No, sir, I would not. As a matter of fact, I would move to raise it.

Mr. PACE. That is exactly what I am suggesting.

Secretary BRANNAN. But that does not answer your question, because you could raise it tomorrow and you would not affect a great many of them, because they have no acreage to apply it to when you raise it.

Mr. PACE. Because they have never grown cotton?

Mr. BRANNAN. No, because they do not have the land.

Mr. PACE. If a man does not have the land, I do not see how he could be a family-sized farmer.

Secretary BRANNAN. That is right. I say that is why I do not think it helps solve the problem.

Mr. PACE. Mr. Secretary, I am trying my best to get an analysis of the other portions of your plan, in which I am very much interested, to see how they will work.

I mentioned yesterday that all the powers that would be needed under your statement are now contained in the Aiken bill. I believe you are in agreement with that.

Secretary BRANNAN. Yes, sir.

Mr. PACE. And that also in the Aiken bill is authority for the different methods of support that you have recommended.

As I see it, there are two great differences in your plan and the present law and the Aiken bill. You propose the selection of 10 or more commodities to be determined by the Congress and to be supported at 100 percent of your income support standard, which you substituted for parity.

There are six commodities in the Aiken bill described as basics, which are cotton, corn, wheat, rice, tobacco, and peanuts.

Instead of that, you propose that there be 10 or more commodities on a priority list and that they be supported at 100 percent of your income support standard. Is that correct?

Secretary Brannan. Yes, sir.

Mr. PACE. Against that, the Aiken bill authorizes you to support six commodities, so-called basics, between 60 and 90 percent, depending upon the supply. That would be one of the great differences between the two plans there.

Secretary Brannan. Yes sir; and some other factors, Mr. Pace, carry over from last year, anticipated production and two or three things.

Mr. PACE. I am including all of that in the word "supply."

Secretary Brannan. Yes, sir.

Mr. PACE. The other difference is that outside of this priority list, no matter how many it might contain, you put all the other commodities in a general class and you have recommended, which I think is so important for the committee to know, that all other commodities outside of the priority class, whether it is 8, 10, or 15, be supported in line with or in relation to the priority group, taking into account the available funds and authorities. That is entirely new language.

Secretary BRANNAN. Well, it may be, but it is very similar language, Mr. Pace, to the language which was in the old Steagall provision.

Mr. PACE. Of course, Mr. Secretary, it is not the Steagall language and the fact that it is different is significant. Here is the Steagall language in the over-all.

Secretary BRANNAN. Mr. Pace, we were trying to get the Steagall language as it was adaptable here.

Mr. PACE. Let me give you the Steagall language. You support these other commodities "so as to bring the prices and income of the producers of nonbasic commodities not covered by public announcement to a fair parity relationship" with other commodities.

If we were going to use the price support standard, then we could not use the language "fair parity relationship."

Secretary BRANNAN. I have expressed myself before, Mr. Pace, to the effect that I thought that fair parity relationship as it has been defined and used recently was not a very realistic target. That is the only reason that language has been abandoned.

Mr. PACE. Then you tell us if this provision should become the law and the act should contain that language, that the other commodities outside of the priority 10, whatever they are, would be supported in relation to the priority 10. How do you construe that? How would you administer that language?

Secretary BRANNAN. Under this general principle and subject from time to time to the instructions of the Congress, who very often when they appropriate funds also indicate how they want them spent. We have set up a national income goal. We have listed 10 or 11 commodities which, from the standpoint of the income of the farmer, are key commodities in the total income. They were also selected because they are the key commodities in the consumer budget.

As far as possible, to achieve the national standard income, that level below which it is not in the national interest to allow farm prices to fall, we would attempt to use what additional funds were available to support the other commodities in order—also keeping our eye on the national income objective—to achieve a fair level of farm economy. The national income objective we suggested at around 26.2 billions of dollars for 1950. That is how it happened to work out according to your table.

That is not, in my opinion, an appreciably different situation than what we do today. We do not support every commodity that is entitled to be classified as an agricultural commodity, but we do support many of those which have a more or less direct or appreciable impact on farm income. It would seem to me that the very same rule would apply again here.

Mr. PACE. Let me see if I can state that simply. In the interpretation of this language your policy on the nonpriority crops would be a support level which would maintain the over-all farm production at a specified level?

Secretary BRANNAN. Yes, because we are showing national farm income here as the real objective, not specific commodity prices.

Mr. PACE. Then you say, Mr. Secretary, that on the 10 top priority crops you recommend they get the 100 percent support, quoting your words.

Secretary BRANNAN. Not using the 100 percent, you are not.

Mr. PACE. I was not quoting you then, but I was about to. Here are your exact words on that—

> I recommend that the prices or returns of these first priority or group 1 commodities be maintained at not less than the full support price standard—

which I interpreted as 100 percent. Is that right?

Secretary BRANNAN. All right, sir.

Mr. PACE. Am I right in saying that you recommended that they be supported at 100 percent of the income support standard you have worked out?

Secretary BRANNAN. Yes, sir.

Mr. PACE. Then you say that they should be supported at that level, whether under controls or not. That means that you would support one of those commodities at the full 100 percent income standard whether or not they were under controls, marketing quotas and acreage controls.

My first question there is, what inducement would there be to a producer to ever vote for marketing quotas if he could get the same support without them as he could with them?

Secretary BRANNAN. Mr. Pace, where in that statement have I said that we would support them without reference to acreage limitations, marketing quotas, or marketing agreements, or anything else? If I have, let us correct that language right now.

Mr. PACE. I am quoting you on page 48 of your testimony on Thursday morning.

Secretary BRANNAN. Mr. Chairman, might I ask if I am to be given an opportunity to review my testimony before it is used against me?

The CHAIRMAN. Certainly. You have a right to revise your remarks.

Secretary BRANNAN. In this case, I might not be given that opportunity.

Mr. PACE. I will yield to your wishes, if you do not desire to be quoted.

Secretary BRANNAN. You certainly have a right to repeat what the record says.

Mr. PACE. Do you want to see it?

Secretary BRANNAN. No, you go right ahead and read it, sir.

Mr. PACE (reading):

> Senator YOUNG. Is it proposed to have the same support-price level whether the farmer is under acreage controls or quotas or whether he is not? The same support-price level would prevail in both instances?
>
> Secretary BRANNAN. In the group 1 commodities, I would say that would generally be the rule.

Secretary BRANNAN. Mr. Chairman, may I beg leave to make that answer consistent with my statement which I made at the opening of these hearings? I have stated my views a number of a times throughout my statement, and if you care to have me go through it from page to page to point my views out, I will do so.

Mr. PACE. Mr. Secretary, do not misunderstand me. If that does not reflect your mature judgment, you not only may, but I beg you to give us your mature judgment.

Secretary BRANNAN. Let us refer to page 25 of the statement, for example.

In the fourth paragraph on page 25, I say—

> Eligibility of a producer for participation in the benefits of any price-support program should be conditioned upon compliance with or adoption of applicable programs of production adjustment, marketing quotas or agreements, and the carrying out of reasonable conservation practice requirements.

That is one place.

Another place that I believe bears directly on it would be found on page 23, in the second part of the first full paragraph under "conditions and limitations." I say—

> I do not believe that full benefits, if any, should be extended to producers who operate without regard to the welfare of the general public or their fellow farmers.

Mr. PACE. I think we can clear that up very quickly.

Secretary BRANNAN. May I say that that same sentiment is expressed two or three times through my statement in other parts.

Mr. PACE. Then it would be your recommendation that in order to enjoy the support-price program, whether it is 100 percent or not he would have to comply with his existing quotas, his acreage controls, and his marketing practices?

Secretary BRANNAN. Yes, sir. If I understood correctly, the opponents—and I am not including you among them—have pointed out that I have asked for too much control. I think that is erroneous, too, sir, but it was subject to the other interpretation.

Mr. PACE. Let me say that I am in hearty accord with your present recommendation that certainly if you are going to have marketing quotas, to enjoy the support level they should conform with their acreage allotments.

Mr. HOPE. Will you yield to me for a comment?

Mr. PACE. Yes.

Mr. HOPE. I recall the Secretary making the statement in response to the question of Senator Young, but I interpreted it to mean that it would apply to a situation where controls were not in order, where you did not have a surplus which would require the imposition of acreage allotments on marketing quotas.

Mr. Pace. He has cleared it up, anyway.

Mr. HOPE. You would not say that the mere fact that acreage allotments or marketing quotas were not in order on the basis of the supply situation would be no reason for giving a farmer less than the full support price?

Secretary BRANNAN. Certainly not. As a matter of fact, that is how we used price supports all during the war. We used them as production inducements. We did not put limitations on them. We were using them as production inducements.

I can see that under this program we would still be using price supports as production inducements.

I think that is the clear intent of moving livestock into reasonably high levels of support and secondly, moving them into a preferred class in order to induce production there.

Mr. PACE. We are fully agreed on that, but you can see how I would be disturbed by your answer to Senator Young.

Mr. Secretary, there is one other matter I want to take up with you, and that is the formula. You propose to take, instead of the comparable purchasing power principle in the current parity definition, the cash receipts from farm sales for a year. You divide that by the purchasing power for that year and set up a figure to represent what should have been the cash receipts in order to provide the farmer with the proper purchasing power that year. Is that right?

Secretary BRANNAN. Mr. Pace, I do not want to be argumentative, but my answer would be yes and no. I would like to explain it in detail.

The CHAIRMAN. You may explain it your way.

Secretary BRANNAN. Yesterday I submitted a statement to you. Might I ask, Mr. Chairman, if the members of the committee do have this single document which we delivered to them yesterday, entitled "Formula for Computation of National Farm Income Support Standard and Specific Farm Commodity Price Support Standard?" There are some more copies in the possession of the clerk, if you do not have them.

Mr. PACE. Mr. Secretary, you start off with the total cash receipts for the year 1939. Is that correct?

Secretary BRANNAN. You start off with it, because you have to write some figure down first and that in chronological order would be the figure you would write down first.

Mr. PACE. Going on from there, you divided that figure by the year's index of prices paid by farmers, which is 73 on that page.

Secretary BRANNAN. That is right, Mr. Pace. You understand, however, that you could not do that until you wrote down the income figure for the next 9 years following 1939.

Mr. PACE. You take 1 year and then multiply it by 10?

Secretary BRANNAN. No; you see, in order to get that 73 you had to relate the parity index to the prices of those specific commodities during the years 1939 to 1948.

Mr. PACE. In order to get the 73, which represents the year's index of prices paid by farmers?

Secretary BRANNAN. That is right.

Mr. PACE. Dividing that into cash receipts for 1939, instead of it being 7,800,000 you come up, in round figures, with 10,000,800,000 for that year?

Secretary BRANNAN. As the purchasing power of value of the dollars the farmer got in 1939, if those dollars had the average purchasing power of a dollar during the years 1939 to 1948.

Mr. PACE. And it took the difference between the 7,000,000 and the 10,000,000,000 to give him that purchasing power?

Secretary BRANNAN. That is right.

Mr. PACE. Then you do it for 1939 and you do it for the next 9 years.

Secretary BRANNAN. Yes, sir.

Mr. PACE. Then you take the right-hand column for the 10 years, the purchasing power column, and you average it.

Secretary BRANNAN. That is right, sir.

Mr. PACE. Then you come up with about 18,200,000,000, I believe.

Secretary BRANNAN. Yes, sir.

Mr. PACE. Then you multiply that by the then current price index.

Secretary BRANNAN. Yes, sir.

Mr. PACE. In order to give that average purchasing power the amount necessary for it to have its present purchasing power.

Secretary BRANNAN. The amount of present dollars to have the comparable purchasing power they would have had during that 10-year period; yes, sir.

Mr. PACE. And to give the amount necessary to have that purchasing power at this time.

Secretary BRANNAN. And may I indicate that the selection of the 144 was an arbitrary selection and it was chosen because it happens to be the parity index figure for this very month. It may be less. The indications are that it might be a point or two less than is indicated on here.

Mr. PACE. Then when you get this general income support level of $26,000,000,000-plus, you attempt to break that down for individual commodities.

Secretary BRANNAN. That is right. That is step two. Somehow or other you have to relate a price support program to the price of individual commodities.

Mr. PACE. Then to do that you go back to the left-hand side of the column and get the average cash receipts for the 10 years.

Secretary BRANNAN. Yes, sir.

Mr. PACE. Then why in the one case do you use the average purchasing power in the right-hand column of $18,000,000,000, but when you break them down to individual commodities you go back to the left-hand side of the column and take the average cash receipts instead of the average purchasing power?

Secretary BRANNAN. You are trying to relate this individual commodity price standard to the purchasing power of the present dollar and you have not completely abandoned the top column on the right-hand side because that figure, reached as a result of the computations in the top column plus a parity index, gives you the 26.2. You do have your representation of your objective purchasing power in present dollars. That comes out at about 26.2, if you use 144 as your index. You have to relate that to the dollar income of farmers.

Mr. PACE. What is the average at the bottom on the left-hand side?

Secretary BRANNAN. Twenty-one billion.

Mr. PACE. You relate that to the $26,000,000,000?

Secretary BRANNAN. Yes, sir, by division.

Mr. PACE. You sought there to give us an estimate of support prices on January 1?

Secretary BRANNAN. That is right, sir.

Mr. PACE. You estimated 1949 cash receipts at $27,500,000,000?

Secretary BRANNAN. That is right, sir.

Mr. PACE. And you pulled that into the formula and dropped the figure for 1939?

Secretary BRANNAN. Yes, sir.

Mr. PACE. Then you struck a new average of purchasing power of $19,000,000,000 instead of $18,000,000,000?

Secretary BRANNAN. Yes, sir.

Mr. PACE. Or did you.

Secretary BRANNAN. Well, you strike a new average of about 21,000,000,000.

Mr. PACE. But you did not write the 27,500,000,000 and take that into account in figuring your 1950 prices.

Secretary BRANNAN. Certainly we did, because the 21,000,000,000 is the average of the figures for the years 1940 to 1949. Again, in order to give some kind of clear delineation, if this is a clear delineation, we had to make some estimates.

Mr. Pace. Mr. Secretary, I mean that in trying to figure support prices for January 1950, you still used 26,234,000,000, which does not take into account the 27½ billion you put in for 1949 and the figure you left out for 1939.

Secretary Brannan. It does not, but we are talking about trying to keep this formula moving forward. We do take an equally current index of prices paid by farmers, so it does move forward within those two columns very specifically and the other would follow along in due course.

Mr. Pace. What you have done, Mr. Secretary, is used your income support level for 1939 to 1948, although it is supposed to be for 1940–49. You did not adjust the 26,000,000,000 which, when adjusted, would be up to 27,000,000,000 and your percent would be 131 percent of support instead of 125.

Secretary Brannan. Mr. Chairman, that is one way of figuring it.

Mr. Pace. That is the way you figured everything else before you got to that point.

We can discuss that later.

Secretary Brannan. You could run a formula 40 different ways. This is the one we are recommending.

Mr. Poage. You have told us that it would be 2 years behind and that is the only way you can get it behind.

Secretary Brannan. We are trying to get our figure 2 years behind so we can begin to see how it would come out.

Mr. Poage. You told us you were not going to keep it right up, because you would not have the figures in time to keep it up. This is merely an estimate of 1949, and consequently you are not including it because if you did you would have the thing based on an estimate instead of on facts.

Mr. Pace. But he did include it, in part, in making out the 1950 support.

To get the 125 percent of the individual commodities, you do bring the 27½ billion for 1949 into the calculations?

Secretary Brannan. That is right, but you still have to relate your basic figures to the modern situation.

Mr. Pace. Of course, if you get 2 years behind it means you would have to use your 1939 and 1948 figures for 2 years, both in 1950 and 1951. That is the only way you can get behind 2 years.

Secretary Brannan. But if you do that and you use them all the way across the board, then you would never move forward. You would never move your index forward. You would never move your national cash income forward.

You have to move it forward somewhere, or we would be in the position 30 years from now that we are, of looking back at 1910 to 1914. This formula might be as badly out of line as I think 1910 to 1914 is.

Mr. Pace. I was not criticizing that. I said if you were going to get 2 years behind you have to use 1939–48 twice.

Secretary Brannan. That is right.

Mr. Pace. That is all I say.

Secretary Brannan. That just gives us our lag.

The Chairman. Mr. Secretary, could you be present tomorrow morning?

Secretary BRANNAN. Mr. Chairman, if you will forgive me I do have to appear before the Senate Committee on Appropriations, which is of some concern to us.

Mr. ANDRESEN. Mr. Chairman, may I get one question cleared up? I yielded to Mr. Hope, but I wanted to complete the thought I had.

When marketing quotas and acreage allotments are in operation, as I understood you the entire corp of tobacco, corn and peanuts and any other crop would come under a support-loan program and not under the 1,800 units unless the producer produced less than 1,800 units. Do I make myself clear?

Secretary BRANNAN. That is right, sir.

Mr. ANDRESEN. Am I correct in that understanding? A farmer who has marketing quotas on cotton of 1,000 bales and complies with his acreage allotment and his marketing quota can put the entire thousand bales under the loan program?

Secretary BRANNAN. That is right.

Mr. ANDRESEN. That really takes the cotton people or any other people who come under the marketing quotas out from under the general program which you are recommending to the committee.

Secretary BRANNAN. It is the qualification to the application of the limitation on price supports.

Mr. ANDRESEN. Was this interpretation agreed on this morning, or did I understand you to say that you had it prepared and you deleted it from your presentation to the committee.

Secretary BRANNAN. We had a discussion of it which came out in that general area.

Mr. ANDRESEN. But it was not included in your original recommendation, that these basic commodities under marketing quotas and acreage allotments should come under the general program here?

Secretary BRANNAN. No, it is not in the statement.

Mr. ANDRESEN. But now you have agreed that that is what it is going to be and that is a part of your recommendation?

Secretary BRANNAN. That is one of the thoughts about how it could operate which I am suggesting to the committee for consideration. I suggested, if I may say so, Mr. Chairman, for the purpose of pointing out to the committee that there is a real conflict between the principle of fixing acreage limitations and marketing quotas on crops from the standpoint that this really is an expression of the national need for those commodities on the one hand and the limitation of price supports on the other. If there are some other ways of applying it, we certainly are not wedded to any particular suggestion.

Mr. ANDRESEN. It is quite apparent to me that the producers of cotton and peanuts and tobacco did not want to come in under the general program, so this modification has been agreed to.

The CHAIRMAN. Mr. Secretary, could you be with us Thursday morning?

Secretary BRANNAN. I am supposed to be in St. Louis.

The CHAIRMAN. We will adjourn, subject to call of the Chair.

(Whereupon, at 11 a. m., the committee was adjourned, subject to the call of the Chair.)

GENERAL FARM PROGRAM

MONDAY, APRIL 25, 1949

House of Representatives,
Committee on Agriculture,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m., in room 1310, New House Office Building, the Honorable Harold D. Cooley (chairman), presiding.

The Chairman (Mr. Cooley). The committee will be in order.

We have the Secretary of Agriculture, Mr. Brannan, with us again this morning. We have before us a statement which has been furnished by the Secretary. I suppose the Secretary would like to present it at this time.

Mr. Secretary, we would be very glad to hear from you.

FURTHER STATEMENT OF HON. CHARLES F. BRANNAN, SECRETARY OF AGRICULTURE, WASHINGTON, D. C.

Secretary Brennan. Thank you, Mr. Chairman.

Since making my farm program recommendations, the committee's comments and public discussion seem to have centered on three broad questions. These deal with cost, how the proposed program would operate, and the degree of Government control involved. With your permission I should like to take up these questions a little more fully than has been possible heretofore.

First, let us look at the cost question.

As you know, this question involves many values in addition to dollars. We can and will use certain dollar illustrations but, as your own experience will verify, our economy is so complex and dynamic that it has never been possible to make accurate dollar estimates in advance for price-support operations.

It has been said that the production payments called for in my proposal would be costly and that the cost must be estimated now. Yet title II of the Agricultural Act of 1948 provides for the same kind of payments, and no estimates of the cost of that legislation were ever requested or made prior to its adoption.

Title I of the act of 1948 continued the wartime level of price supports, yet no cost estimates were called for or considered at the time of its adoption, even on potatoes for which we were then carrying out the most expensive price-support operation in history.

The same point could be made about earlier legislation. New bills and amendments have been enacted year after year on the basis of needs and the benefits to be derived. Actual results have been measured against actual costs, which is the only valid comparison.

My recommendations contemplate the operation of price-support programs through the Commodity Credit Corporation, as they are being operated today. And, as you know, Congress does not appropriate in advance for the Commodity Credit Corporation because, for a host of obvious reasons, the dollar requirements cannot be estimated accurately in advance. But Congress has a very effective control over costs. It controls authorizations and appropriations. If a particular program results in a greater outlay than the Congress is willing to continue, the Government's commitment may be changed for ensuing years. No program can cost more, over a period of years, than the Congress makes available.

Another point we need to keep in mind as we deal with the cost question is that we must always make comparisons. It helps no one to compare the costs of one program against no program at all. The American people have already taken the position that the farmer should have adequate returns, and until a better method is brought to light, the farm price support method is the one we should use. We have such a program in operation now. We have legislation on the books that is scheduled to go into effect next year. We have had considerable experience in the past.

Due to our expanded productive capacity and the possibility that our foreign markets will diminish, costs under any effective program may increase. The least expensive program in the public interest, for the long run, will be that which encourages the greatest and most efficient consumption of farm commodities which would otherwise be surplus. These facts must be taken into account as we consider the recommended program. An absolute figure without comparisons is bound to be misleading and to give substance to the fallacious arguments of the enemies of price-support legislation.

The real core of the question of cost is how effective we choose to make our program. Obviously, we are not going to get something for nothing in this farm program business, any more than anywhere else.

In my statement of April 7, I laid before you my views on the public need for a strong farm income and price-support system. I said it can serve the interests of all the people by helping to prevent depression, building bigger markets for industrial goods and jobs for workers, maintain high-level production of farm commodities, conserve natural resources, maintain reserves for national security, strengthen the rural community, and provide consumers increased supplies at attractive prices.

A program that will effectively contribute toward those ends is worth a considerable public investment.

But let us not try to kid anybody—either the farmer or the general public. Any program which is so designed that the public investment is always sure to be small is going to be an ineffective program at the very time a strong program is needed. It is not likely to give adequate service of the kinds I have listed, either to the farmer or to the general public.

What is adequate?

An eastern financial journal says that my proposal "promises to farmers more than they are entitled to." That is a matter of opinion which the Congress is going to settle. But let me emphasize this question: In the public interest, how far down do you dare let farm income slide?

Farm prices already have come down 15 percent since the beginning of last year. The prices paid by farmers have stayed close to their peak level and are currently only about 2 percent under last summer's level. The purchasing power of what the farmer sells has come down to the lowest point since 1942.

Under my proposal, the income standard from which price supports would be computed is 15 percent lower than that actually received last year.

How much lower does the public interest permit farm prices to go without similar cuts for all other groups?

Let me clear up one other point in this connection. My proposal is plainly not a guaranteed-income scheme. If the farmer's production fails for any reason, price supports do not help him. This proposal does proceed toward an income objective. It does offer a means of computing price supports from a minimum income standard, recognizing that we are more fundamentally concerned with income than with price. It does offer a means of extending price support to those commodities which are most important in the farm income picture. But it cannot provide farmers a guaranteed level of income unless Congress should make a flat commitment on every commodity produced by farmers, and I am sure nobody expects this will be done. Under my proposals, farm prosperity would certainly continue to depend upon individual enterprise and abundant farm production, as well as upon high-level employment and purchasing power in the whole economy.

Let me also point out that this is a price support recommendation—not a consumer subsidy proposal. I have merely recommended those methods of supporting farm prices which will do most to lick the surplus problem by encouraging consumption. There is a considerable difference between subsidizing consumption with the hope that the benefit will trickle down to the farmer and supporting farm prices in ways which will give consumers the most for their money. I am, of course, recommending the latter. The payment method for use on perishable commodities will enable us to go on producing and consuming somewhere past the level where straight dollar demand would temporarily stop us. That enables genuine demand and our real productive power to exert greater influence in our economy.

There have been a number of reckless estimates of the costs of the proposed program for the years ahead. None of the authors of the statements have estimated the cost of the present program. If I understand the estimates correctly, all of them assume a severe depression and low farm income. I confess that I do not assume a depression. On the contrary, the whole proposal is designed to help avoid a depression by maintaining reasonable farm income.

Some people may be planning on depression, but the Government of the United States must plan otherwise. By action of the Congress, we are committed to a policy of promoting maximum employment, production, and purchasing power. In my opinion, a strong farm program is an essential of that policy.

If national income stays high and reasonably well distributed, farm prices will not rest on the supports and, therefore, supports will not be costly.

If, however, you assume a depression, then you must be aware that farm surpluses and city unemployment will almost certainly force into existence, programs of straight relief and very likely some form of a food stamp plan which could be very costly. In my opinion, an equal amount of money used for production payments would be much more effective in supporting farm prices and would keep us on the side of preventing depression rather than waiting for it to develop.

With those observations for background, let us now look at how the proposed program would operate for various commodities and try to get an idea of costs as we go along.

For the purpose of the commodity-by-commodity discussion which follows, I am assuming one and the same level of support regardless of whether that level is established under the income support standard formula, the present formula now in force and effect, or the formula described in title II of the act of 1948—or, for that matter, any other formula. In short, I am making a comparative analysis with respect to method only. Obviously, a lower support price would mean a relatively lower commitment by the Government, and, thereby, lower losses where any losses to the Government occur. It would certainly mean lower income protection to farm people.

COTTON, TOBACCO, CORN, AND WHEAT

As has been indicated in my previous statement and in subsequent discussions, no change is proposed in methods of supporting the farmer's price of cotton, tobacco, corn, and wheat which coincide with the present price-support operations with respect to these commodities. That is, we would use commodity loans and purchase agreements. Therefore, any estimate of loss or gain on these commodities under the proposed program is equally applicable to the present or authorized program.

Mr. ANDRESEN. Mr. Chairman.

I notice you have eliminated peanuts. When you were here the last time, you put peanuts in the group where marketing quotas and acreage allotments were under operation, and that they would have the benefit of those supports. Is that just an omission?

Secretary BRANNAN. I do not think I understand the purport of that question, Mr. Andresen.

Mr. ANDRESEN. As I understood you the last time you appeared you stated that in all cases where marketing quotas and acreage allotments were in operation you would maintain the support loan under those commodities to the full extent.

Secretary BRANNAN. Mr. Andresen, I believe you do misunderstand me. We designated a group of what we call priority commodities, by reference to the commodities which contribute most to the farm income, which were in a preferential class, and which we recommended be supported at the maximum support standard.

Mr. ANDRESEN. Then you did not include peanuts in that standard, when marketing quotas and acreage allotments are in operation?

Secretary BRANNAN. If you would stop in the middle of the sentence I could say "Yes." We did not include peanuts in that group on the premise that every statistic available to us indicates that they are not among the first 10 or 15 commodities which make up the major bulk of farm income.

Mr. ANDRESEN. But they do have marketing quotas and acreage allotments?

Secretary BRANNAN. They do have marketing quotas and acreage allotments.

The CHAIRMAN. Suppose we permit the Secretary to finish his statement. Then we can come back to the questions later.

Secretary BRANNAN. The next item is hogs. Of the nonstorable or perishable commodities in group 1, hogs present one of the most difficult support problems with which we may be confronted.

For the purposes of an example, let us take a year's production goal of 20,000,000,000 pounds of hogs, live weight, and a price support level of about $16.50 per hundredweight. Then, let us assume that we have 1,000,000,000 pounds of live hogs which will not clear the market at a price which will reflect the support price to the farmer. Assuming this excess production, there is an immediate obligation to support the price of hogs through a purchase program, the only method now authorized by law. This would cost about $230,000,000. This estimate is reached as follows:

The initial obligation would be about $165,000,000; this assumes that we would buy the hogs at the farmer's gate and that the acquisition of the hogs could be accomplished with no expense whatsoever to the Government. Everyone knows that this is an unreasonable assumption because we cannot buy hogs at the farmer's gate, nor, in fact, can we buy them at the stockyards.

The only practical way to buy hogs is from the packer after slaughtering, processing, curing, and so on. Buying from the packer in the form of fresh and cured pork would involve the additional expenditure of at least $65,000,000. Immediately upon acquisition of the pork, arrangements must be made for its proper storage. This means additional handling and storage charges by the month. Pork can be kept in good condition under the best refrigeration for only 6 months to 1 year. That being the case, the Commodity Credit Corporation would have to go into the world market to find a purchaser within a relatively short time. The pork obviously could not be sold into the American market because it would break the support price again. The Government would be faced with a total loss of the $230,000,000 plus carrying and disposal charges, less whatever could be realized from sales to offshore customers.

With this $230,000,000 a production payment to farmers could be made on 21,000,000,000 pounds of hogs in the approximate sum of $1.10 per hundred, live weight, or more if payments were made only on marketings. In other words, the price of hogs, live weight, in the market place could be reduced by $1.10 before it would cost this Government 1 cent more money than it would be obligated to pay under the purchase method. This $1.10 is about 7 percent of the $16.50 assumed support level. If a 7-percent reduction could be carried all the way through to the retail level, it would be possible to reduce the consumer's price of pork by about 7 percent and at the same time give him access to the finished pork product from 1,000,000,000 pounds of live hogs. Perhaps this example is an oversimplification. There are many factors which might influence the final conclusion in a small way in either direction. But I do believe it summarizes the essential facts.

BEEF, LAMBS, AND CHICKENS

I do not suppose anyone on the committee expects us to be in a program of supporting the price of beef cattle and lambs in the near future, but if and when we are, the operation would be analogous to the hog example I have just given. This would also be true with respect to chickens.

EGGS

If we undertook to maintain egg consumption at about the present levels, it appears that an annual commercial movement of about 4,000,000,000 dozen eggs would be required. Let us assume that production or marketings exceed the 4,000,000,000 dozen figure by 300,000,000 dozen eggs. What would be the cost under the present purchase program?

Based on our experience over the last two seasons, the surplus of 300,000,000 dozen purchased as dried eggs would probably cost the Commodity Credit Corporation about $120,000,000. However, this is, again, only the initial cost. Additional costs would be incurred because of transportation, storage, and other charges, which might well run another $52,000,000. Since little or no prospective outlets are available for these eggs, the entire inventory would represent a potential loss to the Government.

Under the production payment plan, this cost of $172,000,000 would allow a production payment of about 4 cents a dozen on the 4,300,000,000 dozen eggs available for the commercial market. This ought to permit a decline in retail prices in excess of 4 cents a dozen and give consumers access to the additional 300,000,000 dozen eggs.

MILK AND MILK PRODUCTS

Under the proposed program with regard to milk and its products, we would continue full use of present marketing agreements and orders, extend those programs as and when producers and handlers desire, and continue to use purchases of dairy products as a price-support method wherever this method would be most economical and otherwise consistent with the public interest.

We would not, however, make purchases for which we could not find acceptable outlets.

We would use the purchase method mainly to relief spot surpluses and seasonal problems which could be met most efficiently in this way.

The Board of Directors of the Commodity Credit Corporation recently estimated that $20,000,000 may be required in this type of operation between now and the end of this calendar year. We are just coming into the flush milk-producing season, and it is imperative that we make the best possible arrangements to discharge the Commodity Credit Corporation obligation to support this commodity.

Whenever any large-scale operation becomes necessary, we should use the production payment method. As a rule, this would cost the Government about the same amount as would purchases and would make more milk and milk products available to consumers at lower prices than would otherwise be the case. It would also call for a greater consumption of our grain and forage production.

As I previously indicated, the payment method could be used, if Congress so decided, not merely to support prices but directly to encourage greater production and consumption of milk. Prices of fluid or class I milk to consumers over the country these past few months have ranged between 22 cents in several eastern cities to a low of 14 cents in one of the major Midwest cities. In a 4-quart container, milk is now selling in grocery stores in Chicago at 16¼ cents a quart.

To the extent that the objective is to increase consumption of milk by lowering the price to the level which will secure the greatest consumption, it may be necessary to use additional sums of money and relate the payments to costs of production, the support operation, and the reduced price to consumers.

For whatever assistance it may be to the committee, here is one guide estimate. If a payment of 1 cent were made on every quart of class I milk consumed in fluid form, the cost to the Federal Government would be around $150,000,000 per year. It is obvious, however, that to achieve the desired result such a payment would not be necessary on much in excess of one-half of the milk so consumed.

POTATOES

While the demand for the main livestock items is relatively elastic, this is evidently not true of potatoes. Small changes in market supplies cause much greater changes in market prices. I believe a satisfactory production payment program can be operated for a great deal less money than we have been spending on potatoes.

When the Commodity Credit Corporation has fulfilled its obligations under the existing law to support the price of potatoes for the marketing season of 1948, it will have expended approximately $225,000,000. This program will have maintained the price to producers at an average of $1.75 per bushel for grade A potatoes. The total production last year was 445,000,000 bushels. Therefore, in order to maintain this level it will be necessary to withdraw from the market and dispose of approximately 123,000,000 bushels. With the use of $225,000,000, we could have reduced the price to consumers to about $1 per bushel and retained the farm price at the support level.

Let me make it very clear that, in my opinion, the major portion of the potatoes withdrawn from the market during the 1948 season represents excessive and unjustified production, which by the use of production payments, acreage allotments, or marketing quotas, or marketing agreements and orders, should be eliminated in future years so that such losses to the Government on a single crop would not be incurred.

There are other commodities now receiving support, both storables and nonstorables, for which we have made no comparisons, and the general factors would be the same as those previously discussed. Some will continue to be supported.

Some of the commodities not now under support are of sufficient importance to the income of some sections of the country and are of sufficient importance to the national diet that it is conceivable that, at some date in the future, support prices should be made available to them under appropriate circumstances. But to estimate those kinds of factors now does not, in my opinion, come within the realm of practicality.

For these reasons and the others already discussed, to estimate the over-all cost of the program would serve no useful purpose.

Another misunderstanding of my recommendations which I should like to clear up has to do with the amount of Government control involved.

This is somewhat related to the cost question. On the one hand, we hear that a program will be too costly; and on the other hand, we hear it said that if we place limits or conditions upon the amount of price support, this is "regimentation." The two arguments conflict. It should be clearly understood that the only so-called Government controls involved in my recommendations are those which limit the amount of the Government's commitment to farmers.

I state categorically:

First, that my recommendations call for absolutely no form of authority or control not contemplated by title II of the Agricultural Act of 1948.

Second, that the legislation I have recommended is less restrictive than any so far enacted by virtue of the fact that it offers more encouragement to the abundant consumption and production of farm products and, thereby, offers more protection against surpluses. This program would increase inducements for desirable adjustments without ordering them.

Third, that the present legal right of producers to accept or reject by referendum any proposed mandatory limitation upon their marketing should not be infringed. As you know, a farm marketing quota program cannot be put into effect for any commodity unless at least two-thirds of the producers voting in a referendum have accepted such regulation. The Secretary cannot even propose such a mandatory limit except under carefully defined conditions which safeguard the public interest.

Farmers fought for the legal rights they now have to impose marketing limits upon themselves. In the view of those who did so, these rights represent an extension, not an infringement, of their freedom. I adhere to this principle.

For the record, let me give you the citations to provisions of title II, Agricultural Act of 1948, and preceding legislation, which carry every type of authority to which my own recommendations refer. Unless otherwise noted, the citations will refer to title II, Agricultural Act of 1948.

Production payments: Section 202 (a).

Acreage allotments and marketing quotas: Sections 311 et seq., Agricultural Adjustment Act of 1938; sections 203–208 of title II.

Marketing agreements and orders: First provided in section 8, Agricultural Adjustment Act of 1933; also see Congressional Record of July 7, 1948 (94 Congressional Record A4620), for confirmation that it was the intent of title II, Agricultural Act of 1948, that the Secretary have authority to condition price supports for certain commodities upon there being in effect marketing agreements or orders regulating the marketing of such commodities.

Soil conservation as a condition required for price support: See section 8, Soil Conservation and Domestic Allotment Act. When the farmer's income was supported in part through payments under this act, full payment to a farmer was conditioned upon observance of soil-conserving and soil-building practices. See also section 202 (a), title II. This lists compliance with production goals as a condition for price support. Under this provision, by administrative determination, a particular acreage of soil-conserving crops would be a production goal upon hich price support could be conditioned.

Parenthetically, let me say that with a realistic income and price support in effect, the farmer should be able to operate with more regard to soil conservation than he otherwise could. This is another reason why I regard this recommendation as a fair one.

Limitation of amount of price support per farm: In principle, this is not different from limitations upon the size of conservation payments. See section 8 (e) of the Soil Conservation and Domestic Allotment Act and the appropriations for such act in the Department of Agriculture Appropriation Acts for 1948 and 1949. Nor is it different in principle from limitations upon private use of the public domain such as irrigation water and grazing lands.

With regard to the recommended conditions and limits as a whole, let me make this one observation: Price supports are granted by the public in the public interest, not as a matter of inherent right. The public has also established certain other policy objectives in the field of agriculture. In my opinion, it is entirely proper that the program should connect up the various policy objectives that are naturally interrelated.

The CHAIRMAN. Mr. Secretary, I am delighted, and I am sure that the other members of the committee are delighted to have this supplementary statement.

I would like to ask you two or three questions. Your recommendations deal with price determinations in lieu of parity calculations, which we have heard a lot about in the past. Second, they deal with production payments, and the limitation upon supports.

You have now made it very clear that you are not asking for any authority to control American agriculture which you do not have at the present time and which you will not have in the event that the Agricultural Act of 1948 goes into effect in January.

Would it be possible for us to drop from our consideration your suggestions with regard to limitations upon supports, and consider and pass upon the other questions with regard to a determination of a fair price and the production payment plan?

What I have in mind is this: It seems to me that these limitations upon supports are highly controversial. In the first place, I do not see how it is feasible for us to support a part of production and fail to support the other part, nor do I believe that it would be a wise policy to control a part of production without attempting to control all the production of a certain commodity.

I believe that in every instance when we have undertaken to support unlimited production or a part of unlimited production the Government has always come to grief.

It is difficult for me to see a great deal of difference between your 1,800-unit system and the potato program, which has been very expensive. In other words, as I understand the 1,800-unit system you would support a part of the production and you would not support all of it. That means that the man who was operating a large farm, an entirely mechanized farm, who would be able to reduce the per-unit cost of production, could go into the market place and still sell at a profitable price, whereas the other farmer on the small hillside farm, who was unable to use machinery and unable to reduce his per-unit cost, would get the support program, but it would be limited.

Now, is it possible for us to separate your recommendations? In other words, could we have an effective program if we accept your price determination, which, frankly, appeals to me because it brings us up to a more reasonable date; and certainly it is a 10-year period in which the farmers of the Nation have enjoyed some degree of prosperity, at least. Could we adopt that and your production payment plan, and then resort to the controls that are now in the law, which you say you have and which are almost complete?

In other words, it appears to me that you have almost plenary power under either the Aiken bill or the present program. What is your comment with respect to that suggestion?

Secretary BRANNAN. Mr. Chairman, first of all I must say that technically the limitation upon the amount of support extended to the production of any one agricultural unit is technically detachable from the balance of the program. As a matter of fact, there are several parts of the program which could be enacted or passed over entirely without affecting at all the utility and usefulness of the part of the program which was adopted.

The CHAIRMAN. My recollection is that in your first testimony you indicated that this 1,800-unit proposal was something that you had suggested yourself as somewhere within the bounds of reason but that you were not firmly fixed on the 1,800 unit and it might be too high or too low.

Secretary BRANNAN. That is correct, sir.

The CHAIRMAN. In other words, that is a figure you just took out of the air, so to speak?

Secretary BRANNAN. Hardly that; the figure was derived from the 1945 census of agriculture, but we hold no brief for that particular figure. It might be high and it could have been low.

The CHAIRMAN. The objective which you had in mind was to protect the income of the small operator, the small family-sized farm, and at the same time not encourage the large operator to contribute to a surplus of any commodity?

Secretary BRANNAN. I think those were the general objectives, to maintain the stability of the rural community.

The CHAIRMAN. Could we not still keep that objective in mind and perhaps accomplish the same objective by using the controls which we now have in the law? We have complete control over the basic commodities, if the farmers or two-thirds of the farmers vote in favor of marketing quotas.

Secretary BRANNAN. That is right.

The CHAIRMAN. If we can use the other powers which you have in the law at the present time—that is, to withhold soil conservation payments, withhold any kind of support prices unless the farmers bring production in line with consumption—it seems to me we can accomplish the same objective which you have in mind without resorting to this 1,800 unit proposition, which, frankly, to me is complicated and somewhat confusing.

Secretary BRANNAN. Mr. Chairman, I again say that the balance of the program could move forward into enactment without that and not be handicapped. If that is the general intent of the committee, of course, it would not be necessary to get into a very elaborate discussion of things which you and I have just been talking about here.

The CHAIRMAN. Of course, I do not know how the other members of the committee feel about it, but it seems to me if we could just set that aside for the time being we could go ahead and talk about the price determinations, which are very important. Then the next thing of great importance is your production payment plan, which you say has been criticized as being too costly.

I can agree with you that it would be almost an impossible thing to determine with any degree of accuracy the cost of any of these programs. I do not believe that we have in the past even attempted to estimate the costs. We have determined what we thought was reasonable and proceeded with the program.

In other words, you cannot now tell with any degree of accuracy the cost of the potato program, can you?

Secretary BRANNAN. Not for 1949.

The CHAIRMAN. That is what I mean. You cannot tell now how much the Government will have in cotton loans until all the cotton has been delivered.

Secretary BRANNAN. Not only that, but day by day it is withdrawn. You cannot tell on any given day.

The CHAIRMAN. You could not tell about the peanut program in advance?

Secretary BRANNAN. No, sir.

The CHAIRMAN. Fortunately, the Commodity Credit Corporation has not lost any substantial amount of money on cotton, has it?

Secretary BRANNAN. No, sir.

The CHAIRMAN. It has not actually lost any money on tobacco yet, and it only has a comparatively small amount invested in tobacco at the present time.

Secretary BRANNAN. That is correct.

The CHAIRMAN. How about the wheat program? Have you lost anything on that?

Secretary BRANNAN. We have not lost any on that.

The CHAIRMAN. The peanut loss has not yet been determined?

Secretary BRANNAN. Part of it has. Can you give me a figure, Ralph?

Mr. TRIGG. It will run 30 million, estimated.

The CHAIRMAN. You could not tell us now what the Government will actually suffer as a loss on the peanut program?

Secretary BRANNAN. No. I meant for the year just passed.

The CHAIRMAN. In the event we do lose on the peanut program, it is a fact that the peanut program under which we have operated was devised during the war because of a shortage of peanut oil.

Secretary BRANNAN. That is right.

The CHAIRMAN. We encouraged production of peanuts for oil.

Secretary BRANNAN. That is right. As a matter of fact, in the case of peanuts the loss this year could have been less if we had been more severe in cutting back acreage.

The CHAIRMAN. Yes.

Secretary BRANNAN. But we were going through an adjustment process and we did not cut it back as severely as some folks suggested might have been done.

The CHAIRMAN. One other thing about cotton. It is true that you now have, say 4,000,000 bales of cotton in the loan. Had you imposed acreage allotments and marketing quotas on 1948 production would it have been effective in bringing about a reduction in the pro-production of cotton?

Secretary BRANNAN. No, Mr. Chairman, because under the existing law we would have had to assign a minimum of 27,000,000 acres of cotton whereas the farmers actually only went out and planted 22,000,000 or 23,000,000 acres of cotton.

The CHAIRMAN. All right, then. If you have 4,000,000 bales of cotton in the loan at the present time it is not due to your failure to ask for marketing quotas, but it is due to the failure of Congress to reduce the 27,000,000 down to 20,000,000 or perhaps 18,000,000?

Secretary BRANNAN. Yes. In other words, to sort of modernize the formula for assigning cotton quotas by States and by counties.

The CHAIRMAN. Under the potato program did you have any instruments of control that you could have used to minimize the cost of the potato program?

Secretary BRANNAN. We used every one we had available, and they were very ineffective. They amounted to nothing, as a matter of fact.

Mr. ANDRESEN. Will the chairman yield?

The CHAIRMAN. Yes, I yield to Mr. Andresen.

Mr. ANDRESEN. Just for a question.

If we carry out the program suggested by the chairman, where you have control of production and support-price payments, do you not lose sight of the other big objective of your proposal? That is, that would eliminate the lower prices of food to the consumers.

Secretary BRANNAN. No; it would lower prices of food to the consumers. That is exactly what it would do.

Mr. ANDRESEN. You want abundant and full production?

Secretary BRANNAN. Yes, but——

Mr. ANDRESEN. The chairman is suggesting that we have controlled production.

Secretary BRANNAN. But, Mr. Andresen, you will recall I said in the initial statement, and I again said in the statement this morning—

Mr. ANDRESEN. I recognize that, but I am talking about what the chairman said.

Secretary BRANNAN. I think he is talking about the same point. He says there is a limit of porduction of some commodities beyond which nobody would want us to go. I pointed out this morning that with respect to potatoes the consumption is inelastic. In other words, an unlimited abundant supply does not give you a proportionate additional increase in consumption because people for some reason or other just eat about so much potatoes, whether they are buying them at $1 or $1.50.

That is not true of milk and it is not true of meat. The greater the supply of meat at reasonable prices the more of the consumer's dollar is diverted into the purchase of that meat.

It is a very elastic relationship between supply and demand in that case.

The point that the chairman was making, with which I entirely agree, and I say it categorically, is that we had an excessive production of potatoes over and above any limitation of the elastic demand; at that point you should take steps to cut down supply, and by so doing you would not appreciably reduce your price.

Mr. ANDRESEN. You say you would not appreciably reduce your price?

Secretary BRANNAN. You would not affect prices in any appreciable way.

Mr. ANDRESEN. Then the consumer would not get it any cheaper?

Secretary BRANNAN. Not after the price has reached a level that will allow maximum consumption before you cut it off. Certainly, I am not contending for a program which would drive the price of potatoes to 5 cents a bushel or 10 cents a bushel. There is certainly a level or a price below which people would not expect farmers to produce potatoes for them. At that point you make a cut-off—it is easy in potatoes.

The CHAIRMAN. You are not advocating a program which would drive prices below what you consider to be fair prices?

Secretary BRANNAN. That is right.

The CHAIRMAN. In other words, if I understand it, your program contemplates a floor of fair price to the farmer who cooperates with the program, which contemplates he will engage in soil conservation practices, but you are not trying to bring the market price below what you consider the fair price?

Secretary BRANNAN. That is right; we are not.

The CHAIRMAN. On the question of where hogs can go: Suppose the price of hogs is down to $16.50 per hundredweight, you have to step in and support the price, do you not?

Secretary BRANNAN. Yes.

The CHAIRMAN. And you have to go either to the farmer's gate and buy the hogs, or you have to buy them from the packers?

Secretary BRANNAN. That is right.

The CHAIRMAN. And if you go to the farmer's gate, you have to buy the live hogs, and you would then put the Federal Government into the hog business.

Secretary BRANNAN. We certainly would.

The CHAIRMAN. Of raising hogs and slaughtering them?

Secretary BRANNAN. And the feed business, the vaccination business, and all of the many other aspects involved in raising hogs.

The CHAIRMAN. And if you go to the packer's plant, you would have to buy the hogs after they have been processed?

Secretary BRANNAN. Yes.

The CHAIRMAN. And you would have to arrange for storing the pork?

Secretary BRANNAN. Yes.

The CHAIRMAN. And to arrange for disposing of it?

Secretary BRANNAN. That is right.

The CHAIRMAN. And you cannot sell the pork in the domestic market because it will break down the program you are trying to support?

Secretary BRANNAN. Yes.

The CHAIRMAN. You would have to find a foreign market?

Secretary BRANNAN. Yes.

The CHAIRMAN. And if you did not find a foreign buyer, the Government would suffer a total loss?

Secretary BRANNAN. Yes, and, of course, hogs do not keep indefinitely.

The CHAIRMAN. Taking that as an example, how will your proposal apply to the pork situation if the price goes down to $16.50 today?

Secretary BRANNAN. Mr. Chairman, the example which I gave is a very realistic one. I think the support price today, under the existing law, is about $16.50, or in that neighborhood. We took the $16.50 as a real figure. Last year we set as a production goal approximately 20,000,000,000 pounds of live hogs. We estimated we might get another billion pounds over that. In other words, we will get about 21,000,000,000 pounds of hogs. The minute that the price goes below $16.50 it would indicate that the obligation to return to the farmer $16.50 a hundred pounds of live hogs must be fulfilled by going into the market and withholding hogs from the market, and that is the authority that we have today.

Under our proposal, in place of withdrawing the hogs from the market we would allow them to seek their level in the market place, and if that additional one billion pound of hogs forces the price down seven percent, or $1.10, with the same amount of money we would have used to withdraw the hogs from the market we could have paid the farmers $1.10 per hundredweight for live hogs, and the farmer would have had the same return, and the consumer would have had hogs at seven percent less, and also had another billion pounds of hogs to eat.

The CHAIRMAN. And the same situation could be applied to milk and other perishable commodities?

Secretary BRANNAN. It certainly could be applied to most of the commodities that have an elastic demand.

The CHAIRMAN. Mr. Hope desires to ask you some questions.

Mr. HOPE. Mr. Secretary, I think your statement today has cleared up some questions that were in my own mind, and no doubt in the minds of many others, particularly with reference to the objective of the program, and I am referring now to what you say on page five to the effect that this is a price support program and not a consumer subsidy program.

I think that the impression of many people, gained through the discussions of the program in the press and over the radio by commentators has been that it is a consumer subsidy program, and I am glad that your statement today is to the effect that it is not intended to be a consumer subsidy program.

Now, through the years, since the parity price concept was placed in the Agriculture legislation, we have proceeded with the idea that parity prices were fair prices, fair not only to the farmer but fair to the consumer. The thing that disturbs me a little bit about your program is that we are going now to a different basis, that is, an income rather than a price basis. I do not know that I want to disagree with you too much on the basic question, but I am wondering if, since the public generally has accepted parity prices as being fair prices, if we go to some other basis for measuring the return to the farmer, that we may not be losing, as far as the farmers are concerned, some of the benefits that have accrued because of the acceptance of the idea that parity prices were fair prices, both to the consumer and to the producer.

Would you want to comment on that?

Secretary BRANNAN. Yes, Mr. Hope. First of all, let me say that I realize there is some element of boldness, and particularly boldness on my part, in talking about abandoning the old parity concept as such.

On the other hand you have seen in the newspapers, and I have seen in the newspapers, some of the criticism of the parity program in this past year, owing to the fact that farmers, while we are talking about parity in terms of equality, that the farmers income, as a matter of fact on the average this past year was 160 percent of parity; that is, 160 percent of income parity using the old parity formula. Using an outmoded base period made it sound as if farmers in this country were in the position of getting 160 percent of equality, when it is not at all true.

And that seems to me to be an embarrassing position.

Second, on the other hand, it seems to me that if we are talking about equality in terms of a parity to which all of us can subscribe, we cannot talk about 90 percent of parity. In effect we would be saying that we are willing to have only 90 percent of equality for the American farmer. It seems to me therefore, that maybe the parity concept is not entirely sound and defensible, and it was getting the American farmer some criticism.

You and I know that on certain things the farmer's price on the average was 160 percent of parity, but as a matter of fact the farmer's income is no way near 160 percent of parity with nonfarm income. As a matter of fact, it is actually only 60 percent of the nonfarm income And, it seems to me therefore, that we might start with the farm income as the reckoning point, and maybe try to find some out by an equitable process of supporting farm income at a level below which it is not in the public interest to allow that income to fall. To set that up as the objective and to interpret it in terms of specific prices of commodities and see if we could not give him the opportunity, by efficient production, by diligence, in normal circumstances, to achieve that minimum which would give him a good position in the market place, make him a good purchaser, and at the same time give him the money to continue solid conservation practices, and so on.

I say to you very respectfully, that I do not say this is the only formula or that it is the exact method of approach to start from, which could not be amended or changed in some respects or another. It was our best thinking and we laid it out before the committee on that premise.

Mr. Hope. Of course if you translate your income formula, into a price formula as you must before you have any basis upon which you can determine a fair support price, generally speaking the result you get from the application of your formula is approximately the same, is it not, as the price we get by applying the formula which is contained in the Agricultural Act of 1948, with a few exceptions. Am I wrong about that?

Secretary Brannan. If we take the case of wheat, at $1.88 under the income support standard—that, of course, relates to the $1.95 which is the present support standard in force and effect right now, under title II of the Agricultural Adjustment Act, which will go into effect next year, it would be somewhere between the low of $1.24 and the high of $1.85, with the 72 percent, not quite, would be about $1.48. And, you recall we get the 72 percent, because wherever the commodity is under the high level limitation of the marketing quota, 20 percent additional support would be added to the minimum, and that would be 20 percent of 60, which was 12, which gives us 72 percent.

Mr. HOPE. I was referring, however, to these percentage figures showing the support price to be supported under title II of the Agricultural Adjustment Act, and what I had in mind in making the comparison was the full parity under the 1948 act. I do not have a column of figures here on that, but in your statement, making the comparison of both the full parity under the 1948 act, and the income under the support standard, as I have figured it there is very little difference between the two figures, except in the case of citrous, where there is a little difference.

The CHAIRMAN. There is a substantial difference in the price with regard to tobacco and lambs.

Mr. HOPE. On tobacco, the income support standard, according to these figures, is 49.2, and 90 percent would be 42.9, and if you add 10 percent to that you would make it about 47, close to 47, which would be less than five percent difference.

The CHAIRMAN. Let me interrupt, Mr. Secretary, at this point: If I understand, the point you are making is that taking tobacco as an illustration, if it actually is above parity but it is still selling at or below what you consider to be a fair support standard, it has the psychological effect, so to speak, on the public that the farmer is getting something above parity, that is, something above a fair price, in your determination, there may be other commodities, corn, cotton, or wheat which would not sell above that standard; very few of them if any.

Secretary BRANNAN. Yes, Mr. Cooley—I hope I understand you correctly. The number of commodities that are now selling above the levels which are suggested here in the price support standard, in short, the whole price support standard again is interpreted in national income, at still 15 percent below what the farmer got last year.

The CHAIRMAN. But your support standards are above, for example, parity?

Secretary BRANNAN. It is in some commodities, and it is not in others. For example, take wheat again, at 90 percent of parity, $1.95 today, and we are below that, $1.88, under the price support standard. It goes in the other direction on corn, and it would be about the same on cotton. Rice too is 90 percent of parity, at $2.26, but as a matter of fact—and the reason why it is, is that rice has been selling well above the price support standard for a considerable length of time, and will be above parity for a considerable length of time.

Mr. HOPE. I do not care to dwell too much on that. Mr. Parker has handed me a set of figures here that do include 100 percent of parity under the modernized parity, as well as the income support standard, and that bears out this statement I made, that there is very little difference between the 100 percent modernized parity and the income and support standard, except as to citrous—well I am wrong—there is very little in the case of citrous; $1.90 in one case, and $1.96 in the other. But I do not want to spend too much time on that particular point. The only point I had in mind was it seemed to me that on this income standard program you arrive at about the same figures as we have had under the modernized parity concept, and it strikes me that it would be better to keep the parity idea on which the public, I believe, has been sold, than to perhaps confuse them by using some other plan. That is the point I had in mind.

Mr. Chairman, I would like at some point in the record, to insert the comparable figures that have been handed to me.

(The information referred to is as follows:)

Comparison of alternative support standards for 1950 based on parity index for March 15, 1949

[In dollars]

Commodity (grouped according to present legislation)	Unit	Income support standard [1]	100 percent parity or comparable prices	90 percent current parity	100 percent modernized parity	90 percent modernized parity
Basic commodities:						
Wheat	Bushel	1.88	2.17	1.95	1.82	1.64
Corn	do	1.46	1.58	1.42	1.42	1.28
Cotton	Pound	.2799	.3050	.2745	.2713	.2442
Rice	Bushel	2.26	2.00	1.80	2.19	1.97
Peanuts	Pound	.0945	.118	.106	.0915	.0823
Tobacco:						
Flue-cured	do	.492	.472	.425	.477	.429
Burley	do	.496	.457	.411	.482	.434
Specified Steagall commodities: [2]						
Butterfat	do	.669	.647	.582	.649	.584
Milk, whole	Hundredweight	4.22	3.94	3.55	4.11	3.70
Hogs	do	19.00	17.90	16.10	18.40	16.56
Eggs	Dozen	.458	.529	.476	.443	.399
Chickens	Pound	.290	.28	.252	.280	.252
Flaxseed	Bushel	4.30	4.16	3.74	4.16	3.74
Soybeans	do	2.54	2.36	2.12	2.46	2.21
Beans, dry edible	Hundredweight	8.45	8.29	7.46	8.19	7.37
Potatoes	Bushel	1.59	1.80	1.62	1.54	1.39
Other commodities:						
Beef cattle	Hundredweight	16.90	13.30	12.00	16.40	14.76
Lambs	do	18.40	14.50	13.00	17.80	16.02
Oats	Bushel	.825	.982	.884	.800	.72
Barley	do	1.22	1.52	1.37	1.18	1.06
Apples	do	2.61	2.36	2.12	2.53	2.28
Wool	Pound	.498	.450	.405	.482	.434
Oranges	Box	1.96	3.69	3.32	1.90	1.71

[1] 1940–49 average prices times 1.25. Prices for 1949 estimated basis current prices and announced or mandatory support levels for 1949.
[2] Sweetpotatoes, dry field peas, American-Egyptian cotton, and turkeys are also Steagall commodities.

Secretary BRANNAN. May I say, Mr. Chairman, to Mr. Hope, that of course that is not the only area of comparison between the two formulas. There are at least one or two other areas which I think are much more important concerning the difference between the two formulas. One is that the old parity formula and the modernized, included in the 1948 act, begins its reckoning from pricing a specific commodity, and while the act itself recites some considerations of making a gesture toward farm income as the objective it does not set out to get that objective.

Another equally significant point is the emphasis in th 1948 act upon bringing supply and demand into relationship and not paying any attention at all to the genuine consumer potential, and in my opinion it may very well work this way. If the main criterion is to bring supply and demand into balance by putting a level on the prices of the things that are produced, then we will find ourselves, in the not too distant future, in a situation in which we will have an excess of some commodity, and then in order to adjust it, to bring down production of it—and bringing down production in my opinion is a very serious question, and I am undecided that it does not work—but assuming that you bring down production by lowering price the farmer is going to turn around and see what commodity he can produce, which he can realize the price best to his advantage. So, he will go into the production of that commodity and it will not be very long until that commodity begins to go up and immediately we will have to look at it and say well we will put a stop to that; we will lower the price on that commodity. The farmer then will turn around and say he must produce some other commodity, or he may look backward where he was then producing the other commodity, and say he will go back to producing commodity number one because he can get more out of it and can do better in that. So he goes back to that commodity, and we look at that and find there is a surplus again, so we lower the price again.

The effect will be, Mr. Chairman, and Mr. Hope, I am afraid, that we will be following the farmers around, lowering prices, so the farmer will be coming back to the same commodity again and producing a surplus and we will then have to begin to step down prices all around the board.

You see, if we do not have the objective up here to continue to shoot at, and if we are always putting the emphasis on supply and demand and trying to regulate it by prices, I think, since we are now in an era where we have the capacity to produce, which is unprecedented in our history and experience, we are going to get ourselves into the position where we will have to step down the prices on practically all agricultural commodities. Now, one further point, if I may just conclude?

Mr. Hope. Yes.

Secretary Brannan. The offset philosophy, as we have tried to express it, and again I say I am not sure we have fully expressed it as perfectly as we should like to, but by increasing the price on the things in short supply we will induce the farmers to move into those commodities. It is just the opposite approach, really; we are trying to induce people to go into long supply,and then support the price by giving them an inducement.

Frankly, the very objective of high meat production, why meat was put in the preferred class, for the very logical reason that it comprises one of the principal sources of income to the farmer. Dairy products and meat, and you can put one first and the other second and it really does not make any difference, but between the two of them they contribute about 25 to 30 percent to the farmers income.

Now may I make just one other point before we go on, so there can be no misunderstanding—and I do not think you have misunderstood, Mr. Hope—and that is that I would like to refer again to the second paragraph in my original statement, in which I admitted, as any person who puts up any formula must admit, that it may work some maladjustment in specific commodities. I think it may work some maladjustment, in my formula, as it has worked some maladjustment in the price on hogs, and therefore we put in the reference to the corn-hog ratio, and where there is a maladjustment, we would go back and take up with reference to a reckoning place and a corn-hog ratio, or the feed ratio, and then so we would not have any arbitrary approach, let us have this 2-year lag so there can be nothing arbitrary about it.

Thank you for letting me finish.

Mr. HOPE. I certainly do not want to disagree with the idea of expanding in livestock production, because I can see several reasons why it is a very good idea, and I think it ought to be included under any kind of a program we have. But it seems to me we could do it just as well under the modernized parity concept as we could under the income approach, if we get about the same results in the way of price.

Secretary BRANNAN. May I suggest this additional point, as I understand the modernized price formula it will go down in the future, because production will force it down.

Under the recommendation here I can conceive that for 1 or 2 years possibly that it might go up as much as 1 percent a year for the next 2 years—2 percent, possibly—and the reason it will go up is because we have put an emphasis on trying to get conversion from some excess commodities into others.

Mr. HOPE. I have not attempted to look into the future far enough to know it will work out that way—and as I say, I do not want to spend too much time on it—but if you could supply us with something definite, in the way of an estimate for the future, I think it would be helpful.

Secretary BRANNAN. We can make two assumptions, Mr. Hope, and see how it works out. I do not know that I can do it, but we can have our economists project some of these things for us. Personally I am a little hesitant to lay all of these in front of you, because first of all it does require some assumptions, and every time I make an assumption I have to go back and explain it pretty carefully, and I have made as few assumptions in my presentation here as I could.

Mr. HOPE. I would like some time in the course of the hearings to see some figures which project both your plan, as far as income is concerned, and price, and the modernized parity price. I think that would be of some help.

Secretary BRANNAN. Mr. Hope, maybe if you would like, we can project a series of assumptions, assumptions on individual products, assumption on what the wheat crop will be, what the corn crop will be, and what the demand would be, and then come out with some kind of an answer.

Mr. HOPE. If you use the same assumptions and on the basis of those assumptions you come out at the end of a 10-year period, we will say, with figures that are as close as they are now, I would say that this method generally would result in about the same figures. I do not think it is the most important question involved in your program, and I do not want to take too much time on it, but I do think it is of some importance. I would like to go to another point.

Secretary BRANNAN. Let me say, Mr. Hope, that I would agree with you that if the two formulas come out in the same way over a period of the next few years then perhaps this is much ado about nothing. But my understanding is that production is going up, as you and I and everyone is led to believe, and that prices will go down considerably under the modernized parity program, and they will go up just a slight bit under my recommendation.

Mr. HOPE. That is the reason I would like to see the figures if I can. I think they should be interesting.

Secretary BRANNAN. I do not want to fool anybody. I am on the bullish side of farm prices; and if the Secretary of Agriculture is not, who is going to be? Somebody is going to scale me down in accordance with the best judgment.

Mr. HOPE. Here is another question that has disturbed me somewhat, and that is we have gone on the assumption which I think the public has accepted that parity prices are fair prices to the consumer, and if we come in now with the idea that the consumer should be able to procure agricultural products at less than parity price, isn't that going to have the effect of weakening the very belief that we have had in this country that parity price to the farmer is a fair price to the consumer and to the farmer? In other words, you talked about 15-percent milk the other day, and you talked something about $1 potatoes, but if we should go in the direction of lowering the price to the consumer at less than what we have been saying is a fair price both to the farmer and the consumer, we will be weakening, it seems to me, the feeling that parity prices were fair.

Secretary BRANNAN. Mr. Hope, we may be. I think we have the choice between that kind, you might say, of accusation and the accusation that we are maintaining the price at unreasonably high levels by withdrawing commodities from the market.

I just feel myself that the American public is not going to stand indefinitely for maintaining the prices at any artificial level by withdrawing commodities from the market and destroying them or disposing of them by some unsound method. Essentially, you can see that is what we are confronted with here today, and that is pointed up by the fact that when we went into the price support program, we did it on the basis of maintaining prices, but we have not lost much money because we could find a sale for something almost anywhere. We could sell it to the Army or we could sell it to the interim countries, or we could sell to ECA, but that time is fast coming to a close, and we do not know that we are going to be able to sell everything today, and with one possible exception I do not know where we could get rid of any appreciable amount of a billion pounds of pork, if we came up with that much, and the only economical thing would be to let it go into the market and let somebody have the use of it, rather than to have to dump it some place as we did with potatoes.

Mr. HOPE. Just to make this thing very simple, it seems to me there are two different courses that could be followed here: One would be to go in the direction of lower prices to the consumer, to complete that goal, in which case you would, instead of restricting production you would expand production to bring about a larger supply on the market, which would lower prices to the consumer, and in that case, of course, you would not try to control what the farmer produced, just to take an extreme case, but you would have an enormous amount of money coming out of the Federal Treasury to take care of the situation.

Now, the opposite course would be to take over control of all commodities on which you are going to support the price, carefully estimate what the consumption would be at the support level, and in that case if everything worked out according to the theory suggested, you would not have a large amount to pay out, but farm production would be rigidly controlled.

Which one of the courses would you contemplate following, or trying to follow under your plan?

Secretary BRANNAN. Mr. Hope, I recognize that we can never make a definite prediction of the production of a specific commodity a year in advance. Therefore if you start out with a fixed price support level I just say again that you cannot fit it to the supply and demand, and that it would be much better to set out with your eye on the over-all income as the objective, because then you have at least your dead reckoning point to which you can tie with reasonable certainty. I would have my eye on the objective, and relate that to the given commodity, in reaching that objective, in attempting to establish price support. I would certainly be, and I am sure the committee would want me as Secretary of Agriculture to be, maybe on the high side of production because we certainly do not want to face the problem of shortages. And, if we get into excessive production, where we have a tremendous amount of some specific commodity, as we did, for example, in potatoes last year, the next year we would have to set the goals a little tighter. For example, we set the goals last year on potatoes, but we did not have very substantial compliance by all of the commercial potato growers; we had compliance of something like 28 thousand out of some one-hundred-thousand-odd-commercial potato growers, and it was the fellow who stayed outside the program and sold his potatoes on the commodity market, because he could undersell by 2, 3, or 4 cents a bushel, who took advantage of the producers who were complying, and the net result of that was that we lost a lot of money and the public got potatoes at a pretty high price.

If we had turned it around, the obligation would not have been so high; the expenditure would have been an extremely small percentage of the loss last year, and the potatoes could have gone down to a dollar.

I know, from reading the newspapers. that it sounds a bit legerdemain, as if we were trying to explain away something that happened, and I do not want us to have to keep on explaining, because I think this can be made to work.

Mr. HOPE. Let us just take the potatoes: Of course, the biggest trouble with reference to supporting the price of potatoes was that we had about one-third more potatoes raised than could be consumed in normal channels.

Secretary BRANNAN. Yes; as you said, an unusual yield.

Mr. HOPE. It was largely due to the unusual yield; the producers as a whole did not exceed the acreage allotment; but they grew a third more potatoes than we needed. If we had just the payment program under those circumstances and the price on the farm had gone down to $1 a bushel and the support price was $1.75 per bushel, then you would have had to make a payment of 75 cents on every bushel, some 450,000,000 bushels of potatoes, and it would have cost more, it seems to me, than the amount that you are going to have to pay out now.

Secretary BRANNAN. No, Mr. Hope; you have taken the figures from the example, and the figures from the example would indicate that with $250,000,000 it would figure at about the same amount as we have estimated we would pay under this plan. I do not know how accurate the 75 cents is, but in that neighborhood we would have paid out that difference to every potato producer who moved potatoes into the commercial market. There was, of course, an enormous production of potatoes and there are some 70,000,000 every year, 70,000,000 bushels that do not move into the commercial market because they are used as seed potatoes, held back on the farm for planting the next year.

Mr. HOPE. Of course we do not know where the price of potatoes would have gone had it not been for the price support program and if no attempt had been made to keep the price up; they might have gone to a dollar or they might have gone lower with that large overproduction, and under the price support program you would have had to pay out an awful lot of money if you did not have some control over the production.

Secretary BRANNAN. That is right.

Mr. HOPE. In either case you will keep on spending a great deal of money, depending upon the amount of control you are able to exercise over production.

Secretary BRANNAN. That is right, Mr. Hope, and I want it very clearly understood that if we just check up unlimited production on any specific commodity that sooner or later any program, the present program we have or any program will break it, and certainly your production payment program would be in serious financial difficulty—there would be just one difference: Under the present program, if you have unlimited production the consumer still has to pay a high price and contribute the tax money to pay for the production program, and under the production program, whatever may be consumed, the consumer will be able at least to get more commodities, and get them cheaper. But I say to you that there will have to be some limitation on production on some of these commodities. The Congress has already indicated, by putting authority on the books, and having some of them a long time ago, and your appropriation committee has made an appropriation of $9,000,000 for us to go out and get prepared to put acreage limitations on cotton, corn, and wheat this year—we have been told to get out and be prepared to put them on if and when necessary, and an additional $30,000,000 is proposed next year, and I think it is pretty well accepted across the board that there is going to have to be some limitations. But will you permit me to elaborate on one more aspect of it: If we can begin to get meat into the market places at reasonable prices we are certainly going to have less worry about where your 1.7 billion bushels of corn can be disposed of, because you can get the corn disposed of through hogs, and the only outlet on the market at the present time for hogs when pork is selling at $0.80 or $0.85, as my wife said she paid day before yesterday, and when you can begin to get pork down in price we will begin to expand the consumption of corn, and bring down that production tremendously and that will delay the day when we will have to be asking for acreage limitation and marketing quotas on corn at least.

Mr. HOPE. When you speak of getting pork on the market at a reasonable price do you mean a price lower than the income support standard? In others words, is a reasonable price for pork to the consumer less than the standard at which you are going to support the producer?

Secretary BRANNAN. It may be, and it may be because of the increased efficiency of production, but with the settlement of production payment methods to take care of that overproduction, then we should be able to take on as a hedge against possible crop failures that might occur in the future, and we could more and more try to produce the commodities in the amount that people would consume at reasonable prices. But we cannot undertake to produce just the exact amount, any more than we could undertake to produce the exact number of bullets that it would take to win a battle and have no bullets left; we would have to produce more, but under this plan we will be giving the consumer an opportunity to consume more, a part of the excess, whatever it might be, between the production payments, without withdrawing commodities from the market and taking them away and destroying them, or disposing of them in some other fashion.

Mr. Hope. Is this a fair way to sum up what you have said, Mr. Secretary: Your objective would be to support prices at a level fair to both the producer and the consumer, but since you know that you cannot control production to the extent that this would be possible you will probably wind up at times with supplies which are larger than the public will consume at the income support level. In that case you would have a bargain day as far as consumers were concerned and let the price go down to a lower level with the thought that the consumers would use all of it if they could get it at a lower price, is that correct?

Secretary Brannan. Mr. Hope, I do not think that is quite the way to state it, and I would like to state it this way: that the realistic production of abundance can be channeled—the total production of abundance can be channeled to the consumers of the country, and at the same time we can maintain a reasonable level of income to the American famers below which it is not in the public interest to allow it to fall. I certainly do not represent to this committee that it would not cost money sometimes, and I certainly say with equal certainty that there are years in which many of those programs would not cost a cent. For example, if we had it in effect today on beef it would not cost anybody anything.

We might begin by working corn and other grain into beef. We could make it more attractive to farmers because cheaper grains to the farmer mean more income to him just as much as a 2- or 3-cent increase in the market place would be income to him.

Mr. Hope. Of course, in those years it would not cost anything. It would not cost anything on beef cattle now as you do not need it now, and would not that be true generally of commodities on which you would not be losing any money? Where the farmers would be getting their price in the market place, you would not need a program?

Secretary Brannan. That is right. You would not need it on the commodities which are in short supply. You certainly would need it on the commodities which are in long supply, and the chief reason for the program at this time is that it looks as through we are getting into an era in which many commodities are in long supply, and we would like to shift from those commodities on to the commodities which are in short supply.

Mr. Granger. Will you yield, Mr. Hope?

Mr. Hope. Yes.

Mr. Granger. Take in the case of beef, you said no one was losing anything on beef except the fellows who were feeding it. How would the program operate with respect to the beef situation as it is today? It is still above parity, is it not?

Secretary Brannan. Yes, Mr. Granger.

Mr. GRANGER. And yet the fellows who are selling beef told us last Monday that they were losing $100 a head on steers. Did they all get out of kelter, or is there any rhyme or reason to it; what is the trouble there?

Secretary BRANNAN. The reason they are losing money on their feeding operations now is because they bought them at too high a price. They bought them too high at a time when the net result was that they forced the price of meat up to everybody.

Mr. GRANGER. It is in short supply, is it not?

Secretary BRANNAN. That is exactly right. I want to make it clear from my example, if I may again, that my proposal is not an income guaranty in any way, shape, or form because the Government is in no wise helping those people with a price-support mechanism actually under the suggestion I have to make.

Mr. GRANGER. That is very true, but the public who are buying meat today think that somebody is getting rich out of it when, as a matter of fact, they are losing their shirts; is not that true?

Secretary BRANNAN. That is right.

Mr. PACE. Will you yield, Mr. Hope?

Mr. HOPE. Yes.

Mr. PACE. Mr. Secretary, I think the line of questioning by Mr. Hope is to the point, and yet it is not entirely clear to me, and I have just one or two questions.

When a commodity is in balance as to supply and demand, will you ever use the payment plan?

Secretary BRANNAN. When the supply is in balance at the price-support level, no. It may be in balance at a point much higher than that, and again the answer would be no, but if it was an item in balance at a low level, at below the price-support level we might be paying some money.

Mr. PACE. Now, I think this is very important: assume that the supply and demand is approximately in balance and that the commodity is bringing in the market place the level of income standard support.

Secretary BRANNAN. Yes.

Mr. PACE. Then do you propose to use the payment plan in cases of that kind?

Secretary BRANNAN. We would not be in operation, we would not be operating at all if it were. If the supply and demand were in balance at the support level we would not be operating at all under any program.

Mr. PACE. I think you would be in operation to the extent that you would have a support price outstanding.

Secretary BRANNAN. Well, yes; there would be a notice on the board to everybody that if it went below that level, then we would come in and start doing business.

Mr. PACE. Then you would not, for the benefit of the consumer, use any payment plan in cases of that kind?

Secretary BRANNAN. That is right, sir.

Mr. PACE. Either when the supply and demand was in balance or when the supply was short?

Secretary BRANNAN. Or when the supply is short because the effect of the short supply would be to keep the price above the standard support level.

Mr. PACE. That is right. Then, the only time that you propose to use the payment plan is in those cases where there is a surplus.

Secretary BRANNAN. That is right.

Mr. PACE. And you would use the payment plan only for the purpose of permitting the consumer to have the benefit of the surplus on a price basis rather than your taking the surplus over at an equal or a greater loss?

Secretary BRANNAN. That is right, sir.

Mr. PACE. Now, those are your fixed opinions on this question, Mr. Secretary?

Secretary BRANNAN. That is right.

Mr. PACE. I think they are very important.

Mr. WORLEY. Will you yield, Mr. Hope?

Mr. HOPE. Yes.

Mr. WORLEY. I was very much impressed with the line of questions that the gentleman from Kansas was asking. I understand you to say that you will estimate production in line with what you consider an abundance; in other words that you will be on the long side of production rather than the short side?

Secretary BRANNAN. Yes, sir.

Mr. WORLEY. As consistently as you can be?

Secretary BRANNAN. Yes, sir.

Mr. WORLEY. When you secure overproduction then prices to the consumer come down and they will thereby benefit from price reduction?

Secretary BRANNAN. Yes.

Mr. WORLEY. Then, in turn, you will reach into the Federal Treasury and pay the farmer the difference between the price he gets and what he ought to get under your parity formula?

Secretary BRANNAN. That is right.

Mr. WORLEY. Then, in effect, the consumer alone will not necessarily be paying for that all by himself, but the farmer and everybody else who pays taxes will be paying his proportionate part of the program costs?

Secretary BRANNAN. That is correct, Mr. Worley. May I also add that when that surplus goes into the market under the present law you would also be spending some money and the consumer would not get the benefit of the lower price.

Mr. WORLEY. That is the point.

Mr. WHITE. Will the gentleman yield for a question?

Mr. HOPE. Yes, on this particular question, but I would rather stay on this subject matter.

Mr. WHITE. No; I would not say that it is exactly on that point. Go ahead and finish, Mr. Hope.

Mr. HOPE. I am almost through. I have only a few more questions.

Mr. WHITE. All right.

Mr. HOPE. I simply want to go a little bit further now in our suppositions here. Assuming that we do have a surplus in a good many commodities, and prices have been lowered to the consumers so that they are paying considerably less than the fair income standard level upon which the farm price is being supported, under those circumstances I am wondering if it would not be rather difficult to get prices back to a level to the consumer that would enable you to carry out a fair income support program without costing a tremendous amount of money. In that connection: I remember reading in the press lately that the British, who have had a system of subsidies during the war and since the war costing now something like $2,000,000,000 a year, have been holding down prices to the consumer by price ceilings, and at the same time taking care of their farmers very well through support prices. Recently they increased prices just on four or five commodities, meat, butter, margarine, and cheese. The very next day they had an election for the London County Council and the Labor Party took a licking much to everybody's surprise, and some people have connected the two that they increased the price of food to the consumer and the next day the party in power suffered a defeat.

Now, do you think if we have a program of this kind that the administration of it is going to be under constant pressure from consuming groups to keep prices at a low level and pay dollars out of the Federal Treasury like they did during the war and like the British have been doing since the War?

Secretary BRANNAN. Mr. Hope, I confess to you that I had not thought about the political implications of a program like this.

The CHAIRMAN. Off the record.

(Discussion off the record.)

Mr. ANDRESEN. I understand the Democratic National Committee has not thought about the political ramifications either.

Mr. WHITE. Would the gentleman yield on that question? I have a very pertinent question in that connection it seems to me.

Mr. Secretary, would you care to comment on the critical remarks Senator Taft made about your proposal in the press recently?

Mr. HOPE. I would be glad to have the Secretary answer that, but I would like to have an answer to my question before we go into it.

Mr. WHITE. He just said he did not care to answer it.

Secretary BRANNAN. Well, Mr. Hope, I suppose that people do resist a rise in prices when they have become accustomed to low prices.

On the other hand, our very experience shows us that when it was necessary to allow prices to go up for any number of reasons, people did accept them. In all events prices did go back up. There has been a steady rise in prices, I guess, all down the corridor of history since this country started.

I personally would not be too much worried about the consumer saying that you must maintain this price at this level. I am sure that is not true, and if his income is good, if he has a good job, and if he is happy, he is not going to worry too much about paying reasonable prices or fighting to maintain a low and unreasonable price.

I really think that would be about the only reaction that I could have to the question.

I would like to go on to say to you that in the case that you referred to of the British system, I hope that is is entirely clear that there is no similarity whatsoever between subsidy payment to consumers under the British system, if I understand it correctly, and a price-support program of the type that we are talking about here today.

I understand that Mr. Taft drew a comparison between them. He said that this program would cost $6,000,000,000, and he got that figure by saying that it cost $2,000,000,000 to subsidize food to British consumers, and that, therefore, since there were approximately three times as many people in the United States as there are in England, it would cost us $6,000,000,000 under my proposal.

I respectfully say to you that Mr. Taft might as well have compared the cost of my proposal to the cost of the Berlin airlift or of a military campaign in China. There is, in my opinion, no relationship whatsoever between them.

Britain buys most of its food from the outside world. That is the reason it has to subsidize it to its own consumers. It is not getting most of its food from its own people, and at the same time that it is subsidizing wheat to its consumers, wheat that it buys from America, it is also paying its own farmers another 15 cents a bushel to try to increase the domestic production of it.

In that case it is paying money in both directions, and I do not see any similarity whatsoever, and I think the analogy by Mr. Taft was wholly unwarranted and unrelated. I am sure that you do not intend the analogy as he did.

Mr. HOPE. I did not intend to compare the two systems. I was just comparing human nature. I just wondered if we were so different from the British that our people would not resent an increase in the price of food if they thought that through a Government program they could keep the price down.

I do not have to go as far away as Britain because we can take the question of rent control in this country as an example. I am not going to go into that question, except to say that we have the same arguments every year for rent control, and I think we will have the same ones 10 years from now because people who are tenants do not like to have their rent increased no matter what the change in conditions may be.

We are here now almost 4 years after the end of the war with rent control still in effect, and maybe it ought to be, but I know every year when any attempt is made to take rent controls off we are going to have resistance on the part of tenants because they have adjusted their living and their pattern of spending and everything else to rents at the present levels, notwithstanding the fact that all other prices have gone up. So naturally they are going to be opposed to any change in their status that requires the payment of any larger proportion of their income in the way of rent.

I think without going into the rightness or wrongness of continued rent controls at all that you have exactly the same thing in this question of food prices.

Secretary BRANNAN. Well, the American people have taken their increases in food prices even during the war in pretty good grace. They complained about some of the regulations that came along with the prices.

Mr. HOPE. Well, it is a fact, that food prices have gone up just about as much percentagewise as the increase in national income and the increase in weekly wages during the same period, and the increase in weekly wages has considerably exceeded the total over-all increase in the cost of living. Under those circumstances they should not object.

The CHAIRMAN. Will the gentleman yield there?

Mr. HOPE. Yes.

The CHAIRMAN. Is it not a fact, Mr. Secretary, that the cost of the ordinary raw materials to the farmer in many instances is negligible compared with the ultimate cost that the consumer pays?

Secretary BRANNAN. That is correct in the case of many commodities.

The CHAIRMAN. You are trying to protect farm income, but you are not trying to protect it by the further control of prices that farm commodities are authorized to go to?

Secretary BRANNAN. That is right.

The CHAIRMAN. Whereas when rent is either lowered or lifted it immediately reflects itself on the tenant.

Secretary BRANNAN. That is correct.

Mr. HOPE. You do not mean to say that this would not affect the ultimate consumer.

The CHAIRMAN. But in a much less degree. Suppose you add a penny a pound to the price of cotton, it never reflects itself in the price of a cotton shirt. You can add 5 cents a pound to the price of tobacco and it is never reflected in cigarettes.

Mr. HOPE. Why not put the price up then where we want it? What benefit will the consumer get if the price the farmer gets does not affect the price the consumer pays?

The CHAIRMAN. It will on certain commodities.

Mr. HOPE. That raises one more question. If you are going to achieve this ultimate objective of doing something to see that the consumer does get the benefit of these lowered prices, assuming he does not get it, there is the question of the wheat price and the bread price that you have discussed in the press and that I have discussed in the press. The price of wheat has gone down more than a dollar a bushel and yet the price of bread is still about where it was before that decrease in the price of wheat. Would you consider it part of your job or part of Congress' job to see that the Government followed through in a case of this kind and made sure that the consumer got a lower price?

Secretary BRANNAN. I think that is one of the areas into which we are intending to get, or the Congress intended us to get into in the Marketing Research Act, and that is perhaps the best avenue of approach to that phase of the problem.

Mr. HOPE. Well, of course, that is a matter of better marketing methods and that sort of thing, but would you feel the Government had an obligation to go any further than that under a program of this kind?

Secretary BRANNAN. Well, Mr. Hope, I would not like to be in a position of requiring some kind of control to establish processors' margins, freight rates, and all of the rest of the things which are incidental to getting goods from the farm to the consumer as part of the price-support program.

I think the price-support problem is sufficiently complicated without trying to get also into the processors' margins and costs and those aspects of it, although I certainly agree with you that it is an area that should be looked into.

Mr. ANDRESEN. Will the gentleman yield?

Mr. HOPE. Yes, go ahead, Mr. Andersen.

Mr. ANDRESEN. On the price of bread and getting lower bread and pastry prices for the people, how can you do that when you consider that in 1950 we may have marketing quotas and acreage allotments for wheat where you will support the entire crop at $1.88 on wheat that is raised on the allocated acreage?

Secretary BRANNAN. May I have that question read?

Mr. ANDRESEN. As I understood you 2 weeks ago today, I think, you stated that you would give complete coverage under the support loans for all wheat, tobacco, and cotton that was produced on the allocated acreages; is that correct?

Secretary BRANNAN. Yes; that is right, sir.

Mr. ANDRESEN. How can you get cheaper bread and flour to the people if you support the price at $1.88 a bushel on wheat? There will be no overflow going into the market to bring the price down because you are supporting the entire crop raised on the allocated acreage.

Secretary BRANNAN. Well, Mr. Andresen, is it entirely clear in your mind that in the case of wheat, tobacco, and cotton we do not propose to use production payments, that we propose to use the same loan and purchase agreements as we have today.

Mr. ANDRESEN. Yes.

Secretary BRANNAN. All right.

Mr. ANDRESEN. Then it means that you are going to put a floor under wheat at $1.88 a bushel, is that right? You are just going to make a loan on the basis of $1.88 a bushel, is that correct?

Secretary BRANNAN. You mean just as we do now?

Mr. ANDRESEN. Yes; just as you do now.

Secretary BRANNAN. Just as we do now; yes, sir.

Mr. ANDRESEN. That will mean that you will control the price of wheat and you cannot sell it under $1.88 a bushel, plus the carrying cost unless you have special authority to dispose of it at less than that; is that correct?

Secretary BRANNAN. Yes, sir.

Mr. ANDRESEN. So, therefore, people who will buy flour or bread cannot expect to get a very much lower price than they are buying bread and flour at today; is that correct?

Secretary BRANNAN. Well, take $1.88, and wheat is above that now, and to the extent that the price comes down from whatever is the market today to $1.88, or whatever the support price is this year, theoretically the consumer should benefit.

Now, on the matter to which Mr. Hope made reference and to which I have made reference previously, somehow or other when the price of wheat does come down to the farmer it is not reflected on to the consumer, but for a theoretical answer to your question in relation to the operation of price supports only, if the price of wheat comes down it would theoretically be reflected on to the consumer. Now, it would not go down to nothing, and I do not suppose anybody on the committee wants it to go down to nothing, or down to 2 cents a loaf for bread.

Mr. ANDRESEN. I believe the Government paid a year or so ago $3.30, and it has gone down to $2.21 a bushel now.

Secretary BRANNAN. That is right.

Mr. ANDRESEN. So, that is more than $1 a bushel.

Secretary BRANNAN. Yes.

Mr. ANDRESEN. But due to the increased manufacturing cost, increased wages and so forth the price of bread has not come down appreciably. Some of them have reduced the price 1 cent a loaf.

Secretary BRANNAN. Yes.

Mr. ANDRESEN. But there has been no great reduction in the price of bread despite the cost of wheat going down over $1 a bushel.

Secretary BRANNAN. That is right, but, of course, you can neither blame that on nor credit it to the price-support mechanism. That matter is controlled by factors which are wholly unrelated to the price-support mechanism. Theoretically, if the price goes down to the farmer, that reduction in price to the farmer should be reflected on to the consumer.

The fact that it is not is something that I say to you again we cannot do much about with the price-support mechanism. Somebody else has to do that.

Mr. ANDRESEN. You would not attempt to bring about a situation where the city consumer would get a lower flour and bread price then?

Secretary BRANNAN. Only by use of the price-support mechanism, only to the extent that it would lower the price to the producer.

Certainly I do not assume that the price-support authorizations which we are talking about, which are in title I or II of the present act, give the Secretary authority over or any jurisdiction over manufacturers and processors of bread, and I would just have to confess to you under the law we are talking about I would do nothing about it.

Mr. ANDRESEN. O course, wheat will not be handled under the price-support mechanism. That comes under the law.

Secretary BRANNAN. That is the price-support mechanism, and so is the production payment a price-support mechanism.

Mr. HOPE. Mr. Secretary, I have no more questions that I care to ask at this time, but I want to say that irrespective of how much I may find myself in agreement or in disagreement with the program which you have suggested, I do think it is a very good thing that you have brought this program to Congress. You have raised a number of questions in connection with farm programs that ought to be considered by the Congress and by the country. I think whatever the final outcome may be as far as legislation is concerned that it is a valuable thing for the committee and the Congress to consider these vital questions that you have brought before us.

Secretary BRANNAN. Thank you, sir.

The CHAIRMAN. Off the record.

(Discussion off the record.)

(Thereupon, the committee adjourned until 1:30 p. m. the same day.)

AFTERNOON SESSION

(The committee met, pursuant to recess, at 1:30 p. m.)

The CHAIRMAN. The committee will be in order. Mr. Poage of Texas.

Mr. POAGE. Mr. Secretary, before I proceed I want to, as far as one can, correct the record. I know that you have not heard about it. Nobody else on this committee has heard about it, but it bothers me.

Some 2 weeks ago I wrote an article regarding your testimony, and I sent it down to my papers, in which I said that your objective was to maintain a farmer buying power of around $26,000,000,000, and one of the major newspapers in my State took information from that and made the statement, "Poage says Brannan's plan costs $26,000,000,000 per year."

I want to make it plain that I have never been under any such misapprehension, nor ever assumed the plan would cost $26,000,000,000, because I realize full well if there is any market value to any of the crops grown by the American farmers it could not cost that much.

I offer that by way of trying to correct the record, to make apologies for any unintentional injury that might have been done, because I know, as well as anybody else, that is a mistake.

I want to discuss with you particularly, Mr. Secretary, two things today.

First, I would like to clear up a matter which disturbs me about the possibility of discrimination in your plan as against the various commodities.

All of our programs in the past, as I understand it, have recognized that the growers of commodities were entitled to a little more favorable treatment if they reduced their acreage or their production than if they, as a class, did not reduce it.

I do understand that you propose under certain circumstances to impose marketing quotas and other restrictions in production; but, as I understand it, the plan you propose right now would impose upon the growers of the staple commodities, shall I say the storable commodities, such as cotton, wheat, and corn, the necessity of reduction in farm acreage long before it would impose it upon those who produced the specialties or the perishable commodities. That is generally speaking correct, is it not?

Secretary BRANNAN. That may be the net result.

Mr. POAGE. That is what I mean.

Secretary BRANNAN. But it would be the net result, because already we have considerable stores of those commodities, or it looks as though we are going to have a considerable carry-over of those commodities in the next producing year. There would be no emphasis on trying to apply acreage limitations or marketing quotas to the storables in preference or priority to any other commodity.

As a matter of fact, one of the objectives of the program would be to increase the consumption of some of those commodities, particularly corn, by increasing livestock and reducing the cost of livestock so that more people can consume it.

Again going back to our 1,700,000,000-some bushels of corn, the objective would be to get more of that converted into hogs and into the market place at reasonable prices.

Mr. POAGE. I understand that, but as of the moment we would expect that next year there would be marketing quotas on cotton and wheat, we will say. That would probably follow, whether we adopt your plan or not.

Secretary BRANNAN. That is right. I think the possibility of acreage limitations or marketing quotas in cotton and perhaps wheat is something that stares us in the face right now.

Mr. POAGE. That is right.

Secretary BRANNAN. For which the Congress has already made provision.

Mr. POAGE. With no similar probability that there would be such marketing quotas on, shall we say, hogs and milk. Probably I should not use those as illustrations, because somebody will think I am trying to knock some particular products. Shall I say tomatoes and oranges.

Secretary BRANNAN. Yes.

Mr. POAGE. In all probability you would not have marketing quotas on those?

Secretary BRANNAN. Of course not. They are not supported, even.

Mr. POAGE. As I understand it, you do propose that under the complete program we would support all of those commodities?

Secretary BRANNAN. No, Mr. Poage. I do not think we would get around to supporting all the commodities. Perhaps we would not support a great many more than we are supporting now.

Let me give you the process of reasoning, whether it is right or wrong. The list of commodities which we put in the priority group, is the list of commodities which, taken from the list of commodities which contribute most to the farm income, are the group of commodities which do contribute most to farm income. Therefore, if you were working on farm income as an objective you would do your work on the commodities which were of most good.

I have also said in my initial statement, and again reiterated this morning, that there are other commodities which do now enjoy support and which would continue to enjoy support; and perhaps there are some others which do not now enjoy support which it might be in the public interest to bring in under support because they do contribute materially to the income of perhaps some important segment or some appreciable segment of the farm population.

Mr. POAGE. Without any desire to go into a discussion of that I am just trying to get something that I can use as an illustration without embarrassment.

Let me say eggs, because my district does not produce a substantial amount of eggs. You do contemplate supporting the price of eggs?

Secretary BRANNAN. We are now, sir, this very date.

Mr. POAGE. I know you are, indirectly.

Secretary BRANNAN. Yes, sir.

Mr. POAGE. And you do contemplate that the eggs would be included in this program and that you would pay for the support of eggs by a direct subsidy payment, as I understand it.

Secretary BRANNAN. Yes; by a production payment.

Mr. POAGE. All right, a production payment.

Secretary BRANNAN. Yes.

Mr. POAGE. Now there would be no probability that you would have any restriction on the production of eggs next year, would there, under this program?

Secretary BRANNAN. I see none.

Mr. POAGE. What I am getting at is this: Is it not rather unfair to say to the man who is producing eggs or milk or hogs, "You go ahead and produce 100 percent of your normal production. We assure you that you will get 100 percent of a fair price, which means that you get then a fair income from your farm." Then we turn to the man producing cotton over here and wheat and we say to him, "Now, we want to give you a fair price for your product, too. A fair price is 28 cents for your cotton, and $1.86 for your wheat. We are going to give you that.

We are going to assure you that you will get that much on three-fourths of your normal production."

Now, have you given that cotton man and that wheat man the same kind of living standard that you have given to the poultry man and the dairy man?

Secretary BRANNAN. Well, whether you have or have not depends on the individual circumstances, Mr. Poage, but to the extent that both of them assured him a reasonable return for the commodity they would be contributing to his over-all farm income. In other words, they would be giving him an opportunity to maintain his income at a reasonable level.

Now, the reason, I suppose, that we are talking today about limitations on the production of cotton is that we are approaching the period of time in which supplies and anticipated production will exceed any kind of demand, carry-over, export, and all other uses that we can think of. In order to avoid unlimited cost to the Government in the present price-support program or any other kind of price-support program we are cutting back the production.

Mr. POAGE. I think you have to have some production controls. The point I am making is, should there not be a difference in favor of rather than against the man who has submitted to those production controls? I mean, should not the scales be weighted on the price end in favor of the man who has taken a reduction in acres?

Secretary BRANNAN. Well, I suppose theoretically or in terms of being equitable and just that is probably correct, but the amount is another thing.

Mr. POAGE. Well, the amount the farmer gets is what the farmer lives on. I agree with you there, and I think I can see where your plan would tend to mean diversification there to that extent, and I think it is good. However, to the man dependent entirely upon cotton, to the man dependent entirely upon tobacco, and to the man dependent entirely upon wheat, if you reduce the amount he can grow by one-fourth you have reduced his income, have you not? His income is the sum of his production times the price, is it not?

Secretary BRANNAN. Well, that is right, if you make one other assumption, and that is that he can sell all of his products in the market at the support level. Well now, he can, theoretically, if we had no controls, sell all his production in the market at the support levels, but you and I know that if we continue to allow increased production and it is going into the market at the support level and the Government is obligated to take it out of the market and store it or stock it in order to maintain that support level, some day somebody is going to stop the whole price support program.

Mr. POAGE. I agree with you 100 percent on that. I think you are right on it, and I agree there should be and must be, if the Government is going to put up the money, power in the hands of the Government to limit production.

Secretary BRANNAN. Yes.

Mr. POAGE. The point I am getting at is this: Might it not be equitable to say to the man who has already submitted to this reduction in acreage, or of his production, "We are going to give you the full price support level" and to say to the man who has not submitted to it, "You who are causing a surplus in eggs will not receive this same treatment." Obviously if you have to support eggs there are more eggs coming on the market than the market will consume at the proper level, so it is obvious there are too many eggs being produced.

Secretary BRANNAN. Yes.

Mr. POAGE. You say to the man producing eggs, "We will see that you get a fair price for all those eggs that you have produced," but you say to the man producing cotton and wheat and tobacco, "Now we know you are going to be producing too much, so do not produce so much but only produce about three-fourths of what you normally produce, and we will see that you get a fair price for what you do produce."

Secretary BRANNAN. Yes.

Mr. POAGE. Instead of giving that man creating overproduction at the present time in eggs, hogs, or anything else the extra amount, should we not say to him, "We are not going to give you quite all you would make in the way of price if you had kept within the bounds of needed production?"

Secretary BRANNAN. That might be true and probably would be true, Mr. Poage, if it were not for the desire, also, to increase the production of the other commodities. Let us say the eggs are probably not such a good example, because we are supporting them now. We want to induce the production of some other foods. Therefore, if they start increasing their production in those foods we should not immediately penalize them by a lesser price support. We ought to give them a little more price support, as a matter of fact.

Mr. POAGE. Well, should we ever give price supports after the production has surpassed the Nation's needs?

Secretary BRANNAN. Well, you should, on the amount produced by people who are complying with any kind of a plan to limit it to the Nation's needs.

Mr. POAGE. I recognize, as you have suggested this morning, that it is an utter impossibility to sit down and say that we are going to eat exactly so many crates of tomatoes this year, and not one more crate shall be produced. You have to produce something in excess to care for the catastrophes of Nature which may occur, and other circumstances which may arise, which would otherwise create a shortage. We cannot afford to take a chance of a shortage, so we have to be on the long side. I agree with you on that. Beyond that point, you anticipate that we are going to need, say, a definite amount of eggs and a definite number of dozens of eggs. Included is that tolerance for unforeseen catastrophes. After the production has gone above that, should we support that additional production with support prices?

Secretary BRANNAN. Yes; because you cannot cut off that last 100,000,000 dozen eggs and say, "This is the 100,000,000 dozen eggs we will not support" without distributing it back over all the producers, which is exactly what we do with the acreage limitation in tobacco, cotton, peanuts, and so forth.

Mr. POAGE. That is right. Why should we not do the same thing with any other commodity that will get 100-percent support?

Secretary BRANNAN. I assume that when, as a result of the support, they have reached a real maximum production in terms of domestic needs charged by ability to pay at reasonable prices and all of the rest of the factors that go into that, that you may have some limitation on some of these other commodities.

Mr. POAGE. It seems to me you are going to have to, and it seems to me it should be, as I see it, the best way to put the farmer on notice to that end, and make the farmer understand the situation and see to it that he never gets the full price that he might like to have. Let us say the same as we do in cotton, when he may have rejected the marketing quotas. In other words, if a farmer does any positive action on his part to keep from complying with the limitations that are needed, then certainly we should cut down on what he is going to get.

Secretary BRANNAN. That is right.

Mr. POAGE. We say under the law now, "You can get support prices unless the marketing quotas have been voted down." We do not say they have to be voted, because you do not call for a vote if there is a short crop.

Secretary BRANNAN. That is right.

Mr. POAGE. But if there is a large crop and you have to submit it to a vote we say, "Unless the marketing quotas have been rejected you will get the support price."

Secretary BRANNAN. Yes.

Mr. POAGE. Should we not put in some provision for all other support crops, if we are going to support them?

Secretary BRANNAN. I think it is in the existing law.

Mr. POAGE. It is in the existing law that you have the power as Secretary of Agriculture to proclaim—what is it? Not marketing quotas.

Secretary BRANNAN. Goals.

Mr. POAGE. Yes. You have the power to proclaim goals, and if the farmers do not comply with the goals you can cut them off from support.

Secretary BRANNAN. You can certainly quite easily cut him off from the production payment.

Mr. POAGE. I know you can, but as I understand it you have proposed we would go ahead and pay those payments because obviously you do not have in mind cutting anybody off when you talk about letting milk sell for 15 cents, and paying the farmers a nickel or 6 cents or 7 cents or any other figure to make up the difference. Obviously, you deliberately contemplate a surplus there. That is, a surplus at the present price.

Secretary BRANNAN. That is right.

Mr. POAGE. I realize that the consumption will vary according to the price.

Secretary BRANNAN. Yes.

Mr. POAGE. But you deliberately contemplate that you will have more than will be consumed at the existing level, or the level that you want to maintain the farm income, so you propose to let him produce more than he could sell at a desirable price and then pay him the difference.

Secretary BRANNAN. Take the case of meat, for example. That is well above the support level.

Mr. POAGE. Yes.

Secretary BRANNAN. What we are trying to do is to get enough emphasis on the production of meat so that at least the price of meat can come down to the support level and be reflected on to consumers at the support level price, but if in trying to get adequate production to even bring the price down to the support level we go beyond that, all we have said is that in place of trying to get the market price back up to the support level, we let it go down and pay the farmer the difference.

Mr. POAGE. But you will not do that on cotton or wheat?

Secretary BRANNAN. No; we will not do that on cotton or wheat.

Mr. POAGE. You are not going to let it go down that much. I do not know how much more you could sell, but you certainly could sell substantially more cotton at a lower price. Obviously, the market for cotton at 28 cents is not as broad as it would be at 18 cents, and there immediately comes to my mind the use of cotton as an insulator. It was developed rather rapidly when the price of cotton was below 20 cents. With cotton at the present price it cannot compete with rock wool and inanimate substances as an insulator. You can sell more cotton at 18 cents than you can sell at 28 cents, is what I am saying.

Secretary BRANNAN. That is right.

Mr. POAGE. But you do not propose to let cotton drop to 18 cents, and let the market expand as broadly as it could, and then pay the farmer the difference?

Secretary BRANNAN. No.

Mr. POAGE. And I am not asking you to do it. I am suggesting that if you are going to keep the producer of cotton and of wheat and of tobacco from enjoying the widest possible market, and you do and we do when we apply restrictions on them, then it seems to me justice would dictate that we apply somewhat the same rules to the people who are in other agricultural pursuits, or at least that we in some way reward the man who has taken a cut in his production because he is losing income just the same as the man who is losing price.

Secretary BRANNAN. Well, Mr. Poage, I think I agree with what you are saying, all right. It is just a matter of application.

First of all, what we are striving for in reference to the commodities with which we would apply the production payment is as free a market in that commodity as possible, with all the goods produced of that type in the given year or in the marketing season.

We are not striving to induce unlimited production, and drive all prices of farm goods down to an unreasonably or ridiculouly low level, or bargain prices, or cheap food in the drastic sense of that term. What we are really trying to do is to get food at reasonable prices to all these people, and to make it possible for the Government, whenever it is obligated to operate in the market, to give it stability, to so operate that it will bring about the least cost to the Government, and for whatever cost to the Government there is to bring about the maximum benefit to the consumer.

Mr. POAGE. Well, I do not want to dwell on this further, except that I take it you would not be averse then to trying to work out some program here that would give some kind of reward to the growers of those crops which had already contributed to their own support prices by reducing their production, of giving them some advantage over the man who made no contribution himself.

Secretary BRANNAN. That, I think, is right if we do not quite term it a reward.

Mr. POAGE. Then let us say a penalty on the man who will not do it.

Secretary BRANNAN. Well, it would not be a penalty, either, although under the marketing acreage limitation, marketing quotas, penalties are possible. But in that case, of course, for the purpose of the record, you and I know they can only be applied after the farmers themselves vote them.

Mr. POAGE. That is correct.

Secretary BRANNAN. But, you see, if we were to pay a premium or a reward to each group that brought its production to the maximum level that it was necessary to apply some kind of limitation, then sooner or later we would have most commodities up here at the level where all of them would be entitled to rewards.

Mr. POAGE. I think you probably would.

Secretary BRANNAN. That is right, which is another way, I suppose, of saying we might raise the general level of support.

Mr. POAGE. But it would be simply applying to every one the same rule, because definitely the cotton man hurts himself in that he reduces his production. He has less bales of cotton to sell. He hurts the cotton industry as a whole by keeping the price high. I mean by that that there could be a larger volume of cotton sold. Cotton could compete with paper bags, where paper has now taken the market. If you could drop the price of cotton to 10 cents a pound, and let the Government pay the farmers 10 cents, instead of making the producer of bags pay it, you would find cotton going into a great many uses which it is not going into today.

Secretary BRANNAN. That is true.

Mr. POAGE. Obviously the same thing is true about many other things. It is true about milk, which will go into many other uses if the consumer does not have to pay so much. Any commodity will.

I am simply saying that the cotton industry can hold its present market at a lower figure easier than it can at a higher figure. Consequently, you do impose a burden on the industry which you do not impose upon other lines of farming when you say to the cotton and the wheat and the tobacco farmers, "You have to reduce your acreage," and say to the poultry and dairy farmers, "We do not care how much you produce or how low the price. We are going to pay the difference."

Secretary BRANNAN. Yes?

Mr. POAGE. That fellow has a decided advantage.

Secretary BRANNAN. We do not say that to the last fellow by a long ways.

Mr. POAGE. You do not say it, but the whole appeal of this program, as it has gone out to the press, has been that we were going to be able to let the consumers buy food at less than they can otherwise buy it. You make the cotton and wheat and tobacco farmers stand up there as objects of scorn for the consumers to say, "You are just robbing us, because you are just artifically reducing your production and holding that price up."

On the other hand, you take these other people whom you are paying direct production payments to, and you allow them to be the fair-haired boys who receive the plaudits of the populace, because their product is sold more cheaply, as far as the consumer is concerned, and yet those same fair-haired boys are able to grow all they want, all they can produce, at least up to a point where it is decided to be dangerous.

Secretary BRANNAN. Up to a limit.

Mr. POAGE. But you certainly intend for them to grow more than the market would absorb at present prices, or else there would not be any subsidy involved?

Secretary BRANNAN. And we do on cotton, wheat, and other commodities, also, because in those cases the distinction is that we can store them against the time when we may need them for a number of national purposes; whereas you cannot store the other commodities, you see. It is a case of getting in and getting out.

Mr. POAGE. I understand; it is a decided advantage. It is much easier for the Government, and there would not be nearly so much loss from the standpoint of cotton, wheat, and tobacco, as there would be on the perishable commodities; but instead of rewarding the fellow who is doing the thing that is going to cost the Government less, we penalize him and say, "You are not going to get the same return that this man who produces perishables gets."

Secretary BRANNAN. Mr. Poage, that is just a kind of way of looking at it. I think the very existence of the price support for his commodity is a reward.

Mr. POAGE. I do, too, but I am merely comparing it. He is certainly not getting the same reward as the man producing eggs.

Secretary BRANNAN. Well, if he had been below the maximum demand for his commodity he would be then in the same position as the beef or egg producer would be.

Mr. POAGE. Well, the egg producer is above the demand. The egg producer is not below. He is not in the same position. The egg producer is producing a surplus now.

Secretary BRANNAN. He is now. You are right about that.

Mr. POAGE. I do not want to pursue that further.

The CHAIRMAN. Let me ask one question there.

Do you propose, Mr. Secretary, to give this support price on eggs, 45 cents a dozen, on unlimited production of eggs?

Secretary BRANNAN. No, no.

The CHAIRMAN. How are you going to limit production of eggs?

Secretary BRANNAN. If we had the production-payment authority today, and the eggs began to go begging in the market place because there were no takers at reasonable prices, I think we would try to use the production payment as a limitation upon the production of further eggs, just as we have said we would like to do with the production payment on potatoes.

The CHAIRMAN. You mean, to withhold the payment?

Secretary BRANNAN. To noncompliers.

The CHAIRMAN. To bring about a reduction?

Secretary BRANNAN. To noncompliers, yes; with some kind of limitation or goal.

Mr. POAGE. But I come back to the point that you obviously intend to allow a production of more eggs than the market will consume at the present prices. You intend to allow the production of more milk than the market will consume at present prices, and what you consider to be a fair price. You intend to allow the production of more pork than the market will consume at present prices. That is deliberate. That is not merely accidental. As I understand it, that is a fundamental of the plan.

Secretary BRANNAN. Yes.

Mr. POAGE. You deliberately intend that that should happen.

I think there are some valid reasons for allowing it, but nevertheless it does penalize, by comparison, the man who produces the commodity that is going to cost you the least, to wit, the storables. You give the greatest reward to the man who imposes the biggest burden upon the Government.

Secretary BRANNAN. Well, Mr. Poage, if you do it it is in an effort to increase the production to a point where the product meets genuine human demand in this country, and that is a public objective worth working for and worth paying for.

Mr. POAGE. I think you can offer an explanation all right on the basis that it is worth while to the public. I do not think you can justify it at all on the theory you are treating every farmer alike.

Secretary BRANNAN. Well, maybe not, but I think you are treating every farmer alike to the extent that you are giving them all a price support, or to the extent that you are giving price supports to those farmers on whatever commotidies we are giving price supports, and that is all. There are even farmers to whom we give no price supports. He must go into the market place and find his own market, and if he takes a loss the Government gives him nothing, and we do not help him at all at the present time.

By comparison to cotton, surely he is being penalized or discriminated against, also.

Mr. POAGE. Right there is something I presume I was just as slow to catch as others have been to catch other features of this program that seemed ovbious to me.

I had understood from your original statement that you contemplated, in the final analysis, supporting all farm products, everything that was grown on the farm. I recognize that you propose to take these 10 major commodities first, and give them priority of treatment, but I thought that you then contemplated if you could get the money, providing support for everything on down, including celery and asparagus.

Secretary BRANNAN. Artichokes and watermelons?

Mr. POAGE. Yes.

Secretary BRANNAN. I am sorry if we were not clear on that. I can only say again, in the interest of trying to be brief in the first instance, we may have overlooked some points of clarity.

Mr. POAGE. Do I understand now you propose only to support these 10 you have named as being the most important in the economy, and if there is additional money those that have heretofore been supported under some kind of a program, which would largely be the Steagall commodities?

Secretary BRANNAN. I suppose that might be about right.

I am just simply saying this: That we are shooting at a national objective here of farm income. We may be able to insure it out of just these products, or we may be able to make it possible for farmers to reach it by giving them substantial support on these products. We might support some of the others at lesser levels, or not at all.

Mr. POAGE. While I am clearing up matters that I find I and others get confused on, may I call your attention, in order that you may make this record perfectly clear—and I thought it was clear—to the fact that today at noon I had some of the best-informed gentlemen up here discussing this thing with me, some Members of Congress and some who were not in Congress, and some who had sat through these hearings, who suggested and argued with me at great length that under your program it would be necessary to determine exactly the price that a farmer got for each and every bale of cotton he sold, for each and every bushel of wheat that he sold, for each and every shoat he sold, or each pound of butter, that he would have to bring in his receipt from the purchaser to show just what he received, and that you would then calculate not upon the average price, but upon the price that the individual farmer got, and then pay him the difference between what he actually received—no matter whether he was in collusion with the purchaser or not—and what he should have received You would pay the difference.

You have never suggested anything of that kind which I have heard.

Secretary BRANNAN. No, sir; we surely have not.

Mr. POAGE. I think I can assure you in all good faith that some very intelligent men right around here assumed that was your program, and have seriously argued that it was your program.

Secretary BRANNAN. I think if we look back to the old statement I underlined the word "average." There are only about five words underlined, and "average" at that point was underlined.

Mr. POAGE. I thought it was, and I thought it had a great deal of merit, because it eliminated a great deal of the necessity for the red tape on the part of the Government, to keep the records, and it encouraged the individuals to make the best marketing arrangements they could make, because if they could get above the market they had a personal incentive for doing so.

Secretary BRANNAN. That is right.

Mr. POAGE. Whereas, if we adopted a plan of simply paying an individual for losses which the individual has sustained, there would be no incentive to go out and work for the best market. He would immediately sell to anybody who offered him anything, and then the Government would make up the difference.

Secretary BRANNAN. That is correct.

Mr. POAGE. I think your plan would save the Government hundreds of millions of dollars, as compared to the plan that has been suggested you have advocated.

Secretary BRANNAN. It would cost us millions of dollars.

Mr. POAGE. I simply use that as an illustration.

Secretary BRANNAN. Mr. Poage, may I point out that the word "average" is underlined at page 21 of my statement. And if I may——

Mr. POAGE. That was my understanding; I simply wanted to make the comment that I know there are people right in this room who are still laboring under the impression that you will have to know what every individual farmer gets for his product, the price he gets and deal individually with them.

Mr. MURRAY. The only suggestion I would make is that personally I think you would have to have some control, and as an example, at the present time milk and dairy products are selling at from 30 to 60 cents below what the law says. The subsidy then in that case would really be the difference between what the law says and what the product brings?

Mr. POAGE. That is the market price.

Mr. MURRAY. The market price; is that right, Mr. Secretary? At the present time milk for manufactured dairy products, which we have been working on with the Department for several weeks trying to get the matter ironed out, is selling at 30 to 60 cents below the present lawful price, and that is one reason we have been working so hard to get that ironed out. Now the subsidy would only be the difference between what the law says and what the farmer is receiving, the price at the market place. That would not entail any great amount of money?

Secretary BRANNAN. That is right, of course, if you assume any established parity support level for manufactured milk, and that is another item of discussion.

Mr. MURRAY. Yes; I want to go into that a little later.

Secretary BRANNAN. Yes. If we were obligated to support the price, and if milk were selling 60 cents below that figure, under the production payment plan the Government would step in and pay the difference between what the fellow was selling his milk for on the average, and the support level.

Mr. MURRAY. I would like to discuss that a little more fully later.

Mr. POAGE. I want to ask about one other proposal, Mr. Secretary, and that is the effect upon the attitude of the people who are receiving direct subsidies. I think most of you will agree that it is not always a desirable method, if another method can be found, and I take it you have suggested the direct payment subsidy because there has been no other method found whereby you can assure the farmers of this country a definite price level, and at the same time let the markets have free play?

Secretary BRANNAN. I think that is right.

Mr POAGE. I know there are some people who think that subsidies do not do any harm, but personally I think that the very acceptance of a subsidy from the Government tends to break down the fiber of the American people, of any people for that matter. I think it had a devastating effect upon the British people; I think that it is breaking down the characteristics of self-reliance of which we are so proud, of which any people is so proud, and certainly if we could find a method that would achieve substantially the same results, substantially the same objectives without making a direct gift on the part of the Government that probably our citizens would retain a great deal more self-reliance and self-respect.

Surely we have tried to do that for everybody else. We say to the laboring man, and I think properly, that if you go into a factory the Government is going to see that you get a fair and living wage; that the strong arm of the United States Government reaches out and says that no man can pay you less than a fair and minimum wage, that we will not allow you to work for anything less than that, even though some may want you to do so, but we have set a minimum wage and below that we will not let any employer employ you.

We do not say to the laboring man that it does not make any difference if the factory cannot break even at 40 cents an hour, if they do not add that much to their product that we will let you work there, and let them pay you whatever your services will actually contribute to the output of this industry and then the Government will subsidize you for the rest of it.

We do not say that because the laboring people of America have been too proud to accept a dole at the hands of the Government—we do not say that at least without some sugar coating—and the unions have been insisting that they have the right to look any man in the face and say "I work for what I earn." I want to leave the farmer, who is just as hard working, in position to say that he works for what he earns, that the cotton picker illustrated over here in the picture on the wall is just as much entitled to say that I earned the 28 cents per pound for this cotton as the man who works in the Ford plant says he works so much for his hourly wages.

We do not say that to anybody but the farmer who has always been stigmatized with the brand of living out of the Public Treasury. We say to everybody else "you are entitled to receive, in the market place for your labor, for your product, for whatever you exchange in the market place, you are entitled to be paid a proper price for it." But we say to the farmer, and as a matter of fact, we may know that he works and makes a little crop of cotton, we know that it is not worth more than 20 cents a pound, and you cannot live on it at 20 cents a pound, so we will pay you 28, and stick the taxpayers for the balance, we will make up the 8 cents out of the Treasury; we will make a direct payment to you of the 8 cents. In other words, we will say to the man who is to get the direct payment that you do not earn it; you do not earn this, but the Government is sorry for you, you have made a failure out of your life, you have been in business and you and your family have worked all your life at it, but you have made a failure, and you cannot make enough to support yourself and your family, so the Government is going to hand you a gratuity.

So, the farmer will say to his neighbor "Well, I have gotten back; I got my subsidy check"—the man who could not make good—has his subsidy check. And I have heard about this subsidy check until I am sick and tired. Yet, we have tried to cover up in the past—except for a little bit on milk during the war—we have tried to cover it up a little bit, and I think it is worth while to cover this thing up somewhat some time, because the man will feel better, even though the result will be the same, it does not make it quite so obvious for him to receive the gratuity.

I just wonder what you might think about, instead of paying the farmer a direct subsidy, of providing for him some form of price insurance? We do that for the laboring man; we say to him that if you go out and work you do not have to worry too much because when you are out of work you will get unemployment insurance, and he gets his unemployment insurance; he pays something into the fund, every pay day, a slight portion of his wages, and his employer puts something into that fund, and for the past 10 years we have had some kind of insurance to cover everybody who was employed except the farmer. And during this period, if we had had insurance for farm prices, with prices up it would not have been necessary to pay out anything, and if prices are kept up for the next 10 years the Government would not pay a great deal toward that insurance.

Now I do not see why the Government might not secure the same results for the farmer and let the farmer pay in something, because I feel that everyone who is a beneficiary of the program ought to pay something into it.

Mr. White. Will the gentleman yield?

Mr. Poage. Yes.

Mr. White. Then in effect would not the farmer merely be getting a 50 percent subsidy instead of 100 percent?

Mr. Poage. That is right, and if the gentleman will recall I pointed out, when I started, the preface to my remark, was that I recognized the results would be the same but the psychology would be vastly different; the financial result would be the same but the psychology of it would be vastly different.

The CHAIRMAN. Will the gentleman yield?

Mr. POAGE. Yes.

The CHAIRMAN. The insurance providing for unemployment compensation requires a contribution to the fund both from the employer and the employee.

Mr. POAGE. That is right.

The CHAIRMAN. Do you propose here that the farmer make a contribution and the Federal Government make a contribution?

Mr. POAGE. That is right.

The CHAIRMAN. And then in the event that the commodity gets into difficulty that we have some fund to call upon to bail the farmer out?

Mr. POAGE. That is right.

The CHAIRMAN. At the same time relieve the Government of the necessity of suffering these great losses which we are now sustaining?

Mr. POAGE. It would reduce the expense on the Government by whatever amount is taken in from the farmer, and over and above the monetary phase, I think there is something vastly more important, it would result in saving the self-respect of the American farmers. I think the American farmer is the backbone of our citizenship; I think he knows what he wants, but he is self-reliant, a self-respecting citizen, and he can look his fellowman in the face and feel that he has earned his right to share in the national Government, and no man can feel that way who just gets a subsidy check from the Government, who simply gets something for nothing.

Mr. HOPE. Will the gentleman yield?

Mr. POAGE. Yes.

Mr. HOPE. I just wanted to comment that perhaps there is no greater subsidy to the farmer in the program that the gentleman suggests than there is to the employee in the present social-security program, where both the employer and the employee contribute, because undoubtedly the employer passes it on and the consumer of the product pays for it.

Mr. POAGE. Yes.

Mr. HOPE. So the public pays in a little different way; it pays to the Government, but I do not see much difference, as far as the result is concerned in the program you suggest, if you want to compare it with the present unemployment program.

Mr. POAGE. I do not say the effect is different.

Mr. ALBERT. Will the gentleman yield to me?

Mr. POAGE. Yes.

Mr. ALBERT. You will admit that it would be much harder to administer that kind of an agricultural program than a pay-roll program?

Mr. POAGE. No; I will not admit that, because you can collect the money as the commodity is marketed.

The CHAIRMAN. It might be easier than this.

Mr. POAGE. In each instance you could provide for a deduction from the amount the farmer receives, or you could add 5 cents tax to the bushel of wheat and could collect it at the elevator, or you could provide that the farmer would get just that much less. If he had cotton to sell, you could collect it at the mill, or we could say that the farmer would get that much less than he otherwise would have.

The CHAIRMAN. Will the gentleman yield?

Mr. POAGE. Yes.

The CHAIRMAN. As I understand, you would not deal with the individuals; you would deal with commodities?

Mr. POAGE. Yes.

The CHAIRMAN. So it would not involve a lot of bookkeeping and records.

Mr. WORLEY. Do you not think the farmer pays his pro-rata part into the tax collection?

Mr. POAGE. Yes; of course the farmer is a small taxpayer.

Mr. WORLEY. Well, in my county he is a big taxpayer.

Mr. POAGE. No; relatively a small taxpayer, because his income is not large; the total income last year was only some $31,000,000,000, and the total tax of the Nation, as you know, was substantially larger than the total farm income, and the national income was some seven times that of the farm income; in other words, the farmer got about one-seventh of the national income, and the tax would be less than that, because as you know, there are so many small individuals with small incomes, and the rate on the small income in that group is less than the average.

Mr. WHITE. Will the gentleman yield?

Mr. POAGE. Yes.

Mr. WHITE. The gentleman is not proposing, is he, that we substitute this price insurance plan for what I consider to be a very definite beneficial plan now in existence for the treatment of farmers?

Mr. POAGE. No; I am offering——

Mr. WHITE. It would be something in addition?

Mr. POAGE. I am offering merely in lieu of direct payments that the Secretary has proposed. I think that we might very well, where you have a program providing for subsidy on the basic commodities, that we might very well eliminate those, not write insurance on those, but when we pick up commodities on which we feel we must make a payment in order that the price may be one figure and the farm at another, instead of just going out and handing the man a check, why not do it through this insurance route?

I certainly have not come here with a plan, and I am not here offering a plan, but I would like to have the Secretary's comments as to the feasibility of using a program of this kind involving direct contributions on the part of the farmer, in lieu of simply dipping into the Public Treasury and thereby letting the farmer feel that he is receiving gratuity, rather than paying something into a fund and letting him feel he is receiving something for which he has paid.

Secretary BRANNAN. Mr. Poage, first of all, let me say that there was a tremendous amount of work done on the possibility of, and studies were made on the possibility of, some kind of price insurance. We abandoned it. You remember that I referred to the fact that we examined various of these kinds of things; I refer to that in my first statement. Ws abandoned it. We have a considerable file of notes over in the office and I assure you we would be glad to have you come down and point out where we have missed the boat, because we could not devise any plausible means of handling price insurance, that would in any way appear to be effective.

Mr. POAGE. Would you give us the brief reasons for it?

Secretary BRANNAN. Let me point out some of the difficulties. Let me say in the case of a given commodity that the price goes to the support level and the producer sends his commodity to the market and he gets the support level in the market place. I would assume that we would have to go and ask him to give the 5 percent back, of the price at the support level that he got in the market place, to put into the fund.

Let us say, for instance, that farmer A did that, and farmer B sent the same commodity, or took his commodity to the Government and got a loan on it and the time comes to turn in that commodity and to cancel the loan and to take a check—he already has gotten his check. Now when you get to that fellow you say he has already gotten the price for his commodity and you are to give us back 5 percent for the insurance.

Mr. POAGE. You could very easily avoid that difficulty by collecting the 5 percent at the time he gets his loan.

Secretary BRANNAN. Well, let us assume we collected the 5 percent in advance, but when he comes in to take his cotton off we have got all kinds of bookkeeping records to make.

Mr. POAGE. You could eliminate every bit of that, Mr. Secretary, simply by providing that either the exporter or the mill, where it goes to the mill, the exporter of the bale of cotton or the miller of the bale of cotton would have to pay the 5 percent tax.

Secretary BRANNAN. When you are talking about one commodity, if you insure the price by commodities.

Mr. POAGE. That is what I propose.

Secretary BRANNAN. Then you would say we could have a price-insurance plan to operate for cotton, but we would not have it operate for potatoes, let us say?

Mr. POAGE. Yes; you have just told us you do not think you should cover all of the commodities, and I am simply suggesting that in lieu of making these direct payments on whatever commodities you propose to pick out, I am simply suggesting that wherever you propose to do that, instead of doing that, that you require some kind of contribution, by way of insurance.

Secretary BRANNAN. All right, let us just follow that thought along a little further. Let us just take cotton, for one example, in 1948, and that cotton goes under loan and that we collect 5 percent from everybody who sells a bale of cotton.

Then 1949 comes along and all of that cotton goes at the loan level, and we collect another 5 percent from the cotton man on all cotton sold.

Then 1950 comes along and we do the same thing. When and under what circumstances, if we are shooting at an income standard, when and under what circumstances do we begin to give back the 5 percent for the cotton already sold at the loan level? We would always be taking 5 percent back, and if it never goes below the loan level when would we ever be paying back to the fellow who has given the 5 percent; when would the fellow ever get the 5 percent back? We collect 5 percent a year from him, and to my way of thinking it would leave him short by 5 percent. I am on Congressman Albert's side, that it would involve a tremendous amount of administrative work.

Mr. POAGE. You would have already achieved your objective; the man has received a fair price for his cotton; that is what he wanted.

You say to the man who is working out here for the railroad that you will get $10 a day, but we will take $1 a day out of your pay for your retirement and for your unemployment compensation, and so on

Secretary BRANNAN. You might do that, under such an example, but if the cotton has already been sold at the loan level you cannot sell it for more, and when does he get it back?

Mr. POAGE. He gets it back when he gets the loan payment.

The CHAIRMAN. The man working for the railroad may never get the unemployment contribution back?

Mr. POAGE. I was suggesting that more in the nature of an illustration, as a substitute for the subsidy payment, in lieu of a direct payment; I was merely suggesting this as a subsitiute for the direct subsidy payment.

Secretary BRANNAN. All right, let us take that one step further, and suppose that X-cotton grower puts his commodity under the credit loan system——

Mr. POAGE. That is, by direct subsidy?

Secretary BRANNAN. I am just drawing this analogy here.

Mr. POAGE. Yes.

Secretary BRANNAN. I am not talking about insurance; I am talking about cotton under the subsidy, and talking about loans as a result of the subsidy support; the fellow walks out——

Mr. POAGE (interposing). I said direct subsidy; I can fully appreciate the difference, that every time you give Government aid you give a subsidy, but I am talking about the direct subsidy, not where you make him a cash loan, but where he comes in and gets a subsidy check.

Secretary BRANNAN. You hand the fellow a check for his loan on the cotton for his tobacco or any other commodity, which is written on the very same kind of paper that you would write his check, and the only difference is it would be a production payment.

Mr. POAGE. But you very carefully make the loan to him, and you say to him that you have satisfied the United States Government, because you have put up your bale of cotton and we appraised that bale of cotton at $150, and if it does not bring that much we will take that bale of cotton off your hands and we will relieve you from all liability.

Secretary BRANNAN. Yes.

Mr. POAGE. That is a trade, and that man feels that he has made a pretty good trade with Uncle Sam and that "I am a pretty good trader." But if you say to him that we know the price of your cotton is $95 and we will give you $95 for the cotton, and then we will give you $55 to bail you out, he knows he is just getting a hand-out.

Secretary BRANNAN. Yes, but I am unable to follow the reasoning that he would feel different about it. I do not think that the man would feel that the check he gets for price support based on a loan, and the check that he gets by taking his cotton to the market place and sells it and gets a production payment, makes any difference to him. If I were that farmer I would say to myself, if I had the frame of mind that you have described here, I would say that I am proud of my 95, because I have gotten my 95 percent at the market place, and 5 percent from my Government, and under the loan I get 100 percent from my Government.

Mr. POAGE. I do not like the 5 percent check any better than the laboring man likes to have it.

Secretary BRANNAN. But it is 100 percent payment.

Mr. POAGE. As is suggested, in the case of the tariff situation for the benefit of manufacturers, those manufacturers who were too proud to have the United States Government give them a direct hand-out, they want to be able to say, we want to make certain that you will give us protection to be sure, but we want you to give us a club to beat the other fellow over the head with as we take the money away from him with one hand to pay it to the tax collector with the other. I grant you that the result to the public is the same.

Mr. ANDRESEN. Will the gentleman yield?

Mr. POAGE. Yes.

Mr. ANDRESEN. You will recall under the sugar act where the Government collects about $80,000,000 in taxes on sugar a year and they pay out $60,000,000 to producers and $20,000,000 goes into the Treasury. Do you have that kind of program in mind?

Mr. POAGE. I do not think the Government needs to make a profit on it.

Mr. ANDRESEN. This would be a producers tax?

Mr. POAGE. Well, I think the sugar producers feel that they are paying into the Government something which they collect, and this committee has been told time and again by the sugar producers.

Mr. HOPE. Will the gentleman yield—of course, they do not pay; the consumer pays.

Mr. POAGE. I understand the consumer pays, yes; and I think the consumer will pay for it in any case.

Mr. ANDRESEN. That is a case where there was sugar coating.

Mr. POAGE. Exactly. Mr. Secretary, I am not trying to contend for one second that the economic effect would be materially different, but I do contend that the psychological effect would be vastly different, and I am simply making the suggestion that you should give serious consideration, in a program to maintain price level, or whether it is through loan, to try to make some program available to the farmer to make him feel that he is earning the money he gets, and I think it is better for him if we could provide some price insurance, as I say, not because the economic effect would be any different but the psychological effect because it would help him to maintain his self-respect and self-reliance. I do not mean it will give him more money, but I think it is more desirable from the psychological effect it would have on the farmer. It may not mean more from the financial standpoint, but it will mean more in helping them to maintain their self-respect; in helping them to become home owners, in helping tenants, we have spent a great deal of time and effort and money, because we believe in the soundness of a program that provides homes for individuals, and for the same reason I am suggesting here that we provide a program of self-respect for this large group of American citizens, instead of asking them to take a straight subsidy that we have, if you please, a little sugar coating just as we have had for the laboring man and as we have had for the manufacturer; we have subsidized the manufacturer; we have subsidized the newspapers; we have subsidized the air lines, the railroads, the truck lines, and have subsidized practically everybody else.

Mr. WORLEY. Not to forget the House Restaurant.

Mr. POAGE. Well, we do not do it so often, but we do try to give the recipient an indirect subsidy in a way they can maintain their self-respect. And I think self-respect means a great deal. I think it means a great deal to the Nation, to the whole Nation, and I think the Nation has an interest in self-respect and in the self-reliance of farmers, and I just feel, Mr. Secretary, that in order to save a little bookkeeping, possibly, you have been willing to sacrifice that.

Mr. ANDRESEN. May I say that I believe the House Restaurant is self-sustaining, and the restaurant on the other side of the Capitol is perhaps the one you are talking about.

The CHAIRMAN. Mr. Pace.

Mr. PACE. Mr. Secretary, I would like to go back a little bit and propound this question: What are the farmers of this Nation entitled to receive as American citizens, in order to enjoy their fair share of the national income and to contribute their part to the economy of the Nation at a high level?

Secretary BRANNAN. You are asking me that question?

Mr. PACE. Yes.

Secretary BRANNAN. Well I would say it is anybody's guess, Mr. Pace. You know the figures as well as I do. He is getting about 7 percent.

Mr. PACE. I do not mean in figures; I mean in principle.

Secretary BRANNAN. Let me answer it this way, Mr. Pace: In my opinion he ought to get more than he has been getting, and I do not think, however, that we can set the support level reckoning from that point. I do think in the national interest, though, that we can begin to reckon the support level for specific commodities from a point of national income, from the amount of national income which, in terms of the whole, and in terms of the public interest we will not allow to go lower, and as we said a moment ago, we hope that the farmer's income will rise.

I do not know whether it is 26.2 billion dollars or whether it is 25.2 billion, but I do know that there is a wide disparity between the income, the average income of farm people and the average income of non-farm people, and I am trying to work to close that disparity, not completely at one time, but I think it is going to be considerable time before we can say our job is done, but by the same token I have not said that 26.2 billion dollars was a good farm income, national farm income. What I have said is that is the minimum below which it is not to anybody's interest to allow the farm income to fall, for the six or seven reasons we gave the other day.

Mr. PACE. The farmer is entitled to cost of production plus a fair profit, is he not?

Secretary BRANNAN. Yes; let us say he is, but is every farmer? Is every farmer who throws his seed out on the ground and goes to town and gets drunk all summer entitled to it? No. You have to strike an average of the diligent farmers, who are willing to use their capacity and willing to work his quantity of soil to the best advantage.

Mr. PACE. What is there in your plan to keep the drunk farmer from getting his fair share, or the same share that the hard workingman gets?

Secretary BRANNAN. If he does not have a crop to be supported—that is why there is no income guarantee plan, and this is not an income guarantee plan in any way, shape, or form, and if he does not have a crop, or if he does not have a crop of good quality, he suffers just the same under the price-support basis. We do not support prices on things that people do not raise, and there is no relationship to any previous program of that kind.

Mr. PACE. You have gone off at a tangent from where I started. Fundamentally the farmer is entitled to his cost of production plus a fair profit?

Secretary BRANNAN. Fundamentally, yes; I agree with you.

Mr. PACE. The average over the United States?

Secretary BRANNAN. Yes. The only question is how are you going to get at it?

Mr. PACE. What is there in your plan that assures him of that?

Secretary BRANNAN. Well, let me make it clear again that we are not in the business of guaranteeing it to anybody. We are in the business of giving him the opportunity to earn a profit, and to relieve him from the effect of economic forces beyond his control which might deprive him of, even though he is diligent, earning a profit on his production.

Now to get specifically to the production-payment plan, it is this: Allow his price to find the level in the market place and pay him the difference between the average of that and the support level; the support level fixed as one of the multiple objectives that you establish in an effort to furnish him security for his share of the total national income.

Now the lazy, worthless fellow that you talked about a minute ago is in this position: If he brings to the market an inferior commodity he gets an inferior price; if he is a bad bargainer he gets an inferior price. If he is a good bargainer he will get above the average, and therefore he gets a subsidy payment, if given the opportunity, in terms of 5 percent, and he sells about 5 percent above the average, and if he brings a good-quality product he may get 2, 3, or 4 percent for his quality product and he also benefits by that; it encourages initiative and effort.

Mr. PACE. What is there in your plan that assures the farmer his cost of production plus a fair profit, that is, the average farmer?

Secretary BRANNAN. Now let me again say we are assuring nobody of anything by this plan, nor are you assuring anybody anything by the present plan.

Mr. PACE. What is there in your plan that assures the farmers of this Nation of their fair share of the national income?

Secretary BRANNAN. Again, we do not assure him a fair share of the national income, but we assure him the opportunity to work for it under the most favorable conditions that the Government can provide for him, and that is in the public interest.

Mr. PACE. If you want to tie your formula to the cash receipts for farm commodities during a certain period of years, if you want to assure him of his fair share of the national income, why do you not provide in your formula that at no time shall his aggregate cash receipts be at a less percentage than it was during a period of years?

Secretary BRANNAN. All right, let us say we did provide that, the next question is, How do you achieve it? Do you take $26,000,000,000 out of the National Treasury and go out and divide it up among farmers and then take all of the commodities and sell them in the market place? That is the only way I can think of doing it. Again we are not trying to guarantee to him, we are giving him an opportunity.

Mr. PACE. What was the national income during the 10-year period you spoke of?

Secretary BRANNAN. $21,000,000,000.

Mr. PACE. The national income, average national income?

Secretary BRANNAN. No; the farm income.

Mr. PACE. Not the farm income.

Secretary BRANNAN. Well, we will have to get some economist around. About $140,000,000,000.

Mr. PACE. The national average cash sales was $18.200,000,000 during the 10 years?

The CHAIRMAN. The average purchasing power, I think you are talking about?

Mr. PACE. No.

Secretary BRANNAN. $21,000,000,000.

The CHAIRMAN. Let me get that straight; $21,000,000,000 is the average farm income over the period of 10 years?

Secretary Brannan. Yes.

Mr. PACE. The average cash farm income, or cash farm sales?

Secretary BRANNAN. That is receipts from marketing.

Mr. PACE. That is right.

Secretary BRANNAN. Cash receipts from marketing.

Mr. PACE. All right.

Secretary BRANNAN. Let me get the record straight, please, Mr. Pace.

Mr. PACE. Yes.

Secretary BRANNAN. The average cash receipts from marketing for the period of years 1939–48 would be $19,000,000,000 plus. For 1940–42 it would be about $21,000,000,000 plus.

Mr. PACE. What is the $19,000,000,000 plus? I would like to get that figure.

Secretary BRANNAN. $19,018,000,000.

Mr. PACE. All right, the average cash farm sales during the 2 years is $19,018,000,000, and the national average income during the 10 years you said is $140,000,000,000; is that right?

Secretary BRANNAN. Yes.

Mr. PACE. Then in round figures, the average cash sales was about one-seventh of the national income?

Secretary BRANNAN. That is right.

Mr. PACE. Why not add to your formula that at no time hereafter will a figure be used that is less than one-seventh of the national income? Then you will have tied the formula percentage to the national income.

Secretary BRANNAN. But I just do not want to do that.

Mr. PACE. Why?

Secretary BRANNAN. I hope it will be more than one-seventh of the national income.

Mr. PACE. You do not want to do that because you hope it will be more?

Secretary BRANNAN. Yes.

Mr. PACE. All right. What is there in your plan that gives the slightest hope of it being more?

Secretary BRANNAN. The opportunity to make more than the support level for each and every commodity.

Mr. PACE. Mr. Secretary, you agree, do you not, that from this hour on that figure will go down? Let me put it this way: if you eliminate the years 1939, 1940, 1941, and 1942, they will start down?

Secretary BRANNAN. They will start down in the column in the left-hand side of the sheet.

Mr. PACE. Yes.

Secretary BRANNAN. That will be very much compensated and offset by whatever the parity price is during the same year, and therefore the return reduction might be reasonable—would be very slow, but would be carried over in the column on the right-hand side of the sheet.

Mr. PACE. One other question.

Secretary BRANNAN. Just let me add one more factor, that in the formula that is being pushed before this committee, so far as that is concerned, now on the statute books, as a matter of fact, the formula now on the statute books anticipates that it would go down so fast that there is a check put in it, saying if it goes down over 5 percent———

Mr. PACE (interposing). I am not arguing that point, but you have demonstrated, I think, most ably and most clearly, perhaps more clearly than I have ever seen, the right on the part of the farmers of this Nation to have a fair share of the national income and a parity income. I think you have done a splendid job.

Secretary BRANNAN. I thank you.

Mr. PACE. I want to finish the job.

Secretary BRANNAN. And I am with you.

Mr. PACE. I want to write into this formula a provision, or a method by which they can look for the day when the farmer will receive parity income, and as I analyze your plan there is not one line that moves toward that ultimate objective, and if I have missed it and there is, will you tell me what it is?

Secretary BRANNAN. It lies in this fact, with some ramifications which we will have to develop later, it lies in the fact that if we keep shooting at this kind of an objective and are effective with all of the other methods we have to assist farmers, like crop insurance, production aids and all of the rest of it, we will push the income above the objective. That is only the objective we are seeking to get as a minimum, and we have said constantly we are seeking for something above that.

Mr. PACE. That is what I complain about. I think now is the hour, if you will pardon a trite expression. Here are the workers of this Nation asking for almost a double increase in the minimum wage, from 40 cents an hour to 75 cents an hour. That 75 cents an hour is for the laziest, the sorriest, and the most inexperienced worker engaged in interstate commerce. I do not know whether or not you are justified in having such great concern as to the attitute of the consumers, who certainly, if the consumers are concerned about anything entering so greatly in the cost of living, may not be concerned about that, because, as our chairman said this morning, there is not over 15 cents' worth of cotton in that shirt he has on. It is the wages, it is the wages that are paid for the processing of the cotton from the time the bales are opened on the floors of the textile mills.

Now, you have said that the farmers are entitled to parity income. What is it? It is defined by law as the gross income from agriculture which will provide the farm operator and his family with a standard of living equivalent to those enjoyed by persons dependent upon other gainful occupations. Is it doing it now? If we cannot fix prices today that allow people parity income, why can you not write into your formula a piece of machinery that will progressively move forward to it?

Secretary BRANNAN. We can.

Mr. PACE. And not depend upon some possible soil conservation payment or other possible income which, as you know, costs the farmer usually as much as he gets out of it. I want to see you write into this, at least, the beginning where each year the farmers of this Nation will realize their fair share in the standard of living in this Nation. Now, why can you not do that?

Secretary BRANNAN. We can, sir.

Mr. PACE. Let us do it.

Secretary BRANNAN. All right, sir. We can give you the language in very short order, but I will tell you this already, because the figures on the price standard as we compute them came out the way they did, and I have many economists after me now and the leaders of the major farm organizations, all of them telling me that the prices are too high now according to my formula, so I am glad to have your backing, and we will go along with you.

The CHAIRMAN. You are strengthening the floor under the farmer by providing this plan that you have offered to the committee, are you not?

Secretary BRANNAN. I think we are, sir.

The CHAIRMAN. In other words, you fix a minimum below which we cannot let agriculture go?

Secretary BRANNAN. That is right.

The CHAIRMAN. And you are not putting any limitation on the possibility of going above that?

Secretary BRANNAN. That's right. We are not putting on an upward limit.

The CHAIRMAN. In other words, you are not trying to limit the farm income to $26,000,000,000 or any other amount, but you are fixing a floor under it?

Secretary BRANNAN. Yes.

The CHAIRMAN. And hope it will go above that?

Secretary BRANNAN. That is right, Mr. Chairman.

The CHAIRMAN. And in doing that you have related the income of the farm group to the income of the nonfarm group and you have shown a great disparity or gap between those two groups, and it is your ultimate hope to close that gap.

Secretary BRANNAN. Yes, sir, and I do think this formula starts in that direction.

Mr. PACE. Now, that is just what I am talking about.

Secretary BRANNAN. Yes.

Mr. PACE. Now, Mr. Secretary, let us look at the machinery a minute.

Secretary BRANNAN. Mr. Pace, may I say this first?

Mr. PACE. Yes.

Secretary BRANNAN. I do want to make it clear that when I said a moment ago that most of the economists were objecting to the price levels, as a matter of fact, if I understand what they said to us, it was that they agreed generally with the method of computing them, but not with the height at which they come out.

Now, as to the other individual farm organization leader, I think he objects to everything, but he will be here to tell you himself shortly.

Mr. PACE. Yes, we have businessmen in this Nation, I regret to say, who object to the support price principle entirely.

Secretary BRANNAN. Yes.

Mr. PACE. And in doing so they are utterly unmindful of the contribution that a prosperous agriculture makes to their own business, and I think the time has come when we should disregard such uninformed selfish criticism and recognize that the farmers are entitled to parity income. Let us set up the necessary machinery and see that they get it.

Mr. Secretary, in taking your 10 years cash farm sales, you did not include the payments made to farmers during those 10 years.

Secretary BRANNAN. No, sir; we did not, but we intend to include them from here on.

Mr. PACE. Neither did you include the subsidy payments made during the war on specific commodities.

Secretary BRANNAN. No, sir; that is right, we did not.

Mr. PACE. Now, Mr. Secretary, I want to express the hope that you will upon reconsideration include those. Let us see what a glaring injustice that has brought about.

Let us take two commodities. You had one commodity known as flax where you wanted to maintain high production.

Secretary BRANNAN. Yes.

Mr. PACE. You supported flat at, let us say, 200 percent of parity.

Secretary BRANNAN. At 187, was it not?

Mr. PACE. Make it easy; let us say 200 percent or 187 percent.

Secretary BRANNAN. May I correct the record on that; it was 134 percent of parity.

Mr. PACE. Well, I do not know. You had it at $6, and now you put it at 90 percent of parity, which is $3.99.

Secretary BRANNAN. But the parity bases were different in the two years.

Mr. PACE. Well, whatever it was, you had it considerably above parity. On the other hand, you wanted to maintain high market production, better production during the war.

Secretary BRANNAN. Yes; but, Mr. Pace, do you not think we ought to explain why we wanted to get flax above parity?

Mr. PACE. You wanted to maintain a high market price and better production.

Secretary BRANNAN. Yes.

Mr. PACE. Instead of raising the ceilings on those commodities you made the payment of a subsidy to bring the returns to the production to what he ought to receive?

Secretary BRANNAN. That is right.

Mr. PACE. Therefore, under your formula the flax producer gets the benefit of this 10-year average. When you go to compare commodities with their respective prices in order to get them their respective parity positions, you take into account the current high support price you give flax.

Secretary BRANNAN. That is right.

Mr. PACE. But you take into account on butter, not the subsidy, but give them credit only for the low ceiling price that was put on butter. Do you not think that is a rank injustice to the dairymen of this Nation?

Secretary BRANNAN. No; I do not think that it is, but we have to go back here and find out why we got into the high price support for flax.

Mr. PACE. Let us not; it does not matter. They are going to get credit for it; are they not?

Secretary BRANNAN. Yes, but we were serving a very important national objective.

Mr. PACE. That is right.

Secretary BRANNAN. Just the same as we might be paying some kind of additional sums of money to secure the production of certain kinds of metals of which we are short.

Mr. PACE. After that national need is over, flax will reap the benefit of it.

Secretary BRANNAN. Yes, but not a very substantial benefit of it because that only happened in 1 year and that is to be equalized out over a period of 10 years; and in the second place it has to be related to the parity index, and third, we have two paragraphs in there which say that where there are gross inequities or maladjustments as a result of this formula, we should take a very good look at them and make adjustments and then give Congress a whole year to look at what we have done and the farmers a whole year to look at what we have done. Every formula that anyone can devise or that we have come across will come up with some maladjustments in it. There is one in corn or in hogs in the one that we have here. Why? Because we had a very short corn crop and we had a very high price for corn. You have got to take those rough spots off by arbitrary action, and I admit that it would be arbitrary action and then when we take some other arbitrary actions they are always subject to the review of both the Congress and of this committee.

Mr. PACE. Mr. Secretary, you proposed in testimony to the chairman and to Mr. Poage that you would support the 10 priority commodities at 100 percent of the support level, but that you did not have any intention of supporting all commodities; is that right?

Secretary BRANNAN. That is right.

Mr. PACE. Then, Mr. Secretary, what is going to happen to the parity support level of those commodities which are not supported?

Secretary BRANNAN. I do not want to be facetious about it, but if you will tell me what has happened to them in the last 2 years, or what is going to happen in the next few years, you will have the answer to your own question.

Mr. PACE. They have not had in the last several years any such proposal as you are now proposing, I understand, and the Aiken bill is just as bad.

Secretary BRANNAN. No; you do not understand my statement.

There are many of those commodities which have never enjoyed supports, and whatever has happened to them because they did not enjoy supports will happen to them in the future because they do not enjoy supports.

Mr. PACE. No; I cannot agree with you there, because you are chargeable under the present law not with fixing nonsupported commodities on a basis comparable to the price on the market; you are chargeable now with fixing those commodities at a comparable parity figure.

Let me get this straight: Under your plan you fix your over-all national income level and then you break that down to give support prices to individual commodities by comparing their respective prices in the market place during the last 10 years; do you not?

Secretary BRANNAN. Yes.

Mr. PACE. All right. You have 10 commodities over here that we will call the priority commodities.

Secretary BRANNAN. Yes; and which contribute about 75 percent of the farm income.

Mr. PACE. That does not make any difference.

Secretary BRANNAN. Yes; it does.

Mr. PACE. You have to treat them all fairly.

Secretary BRANNAN. That is right.

Mr. PACE. These 10 are supported at 100 percent support level. Here is a commodity, I do not care what it is, that has no support at all, and it moves at all times at the market price. Therefore, each year when you get your over-all total and begin to divide it among the individual commodities on the basis of their respective prices in the market place, this goes up and this comes down, and under the plan that you propose, Mr. Secretary, it seems to me that the priority prices of supported commodities will gradually move up, up, and up.

Secretary BRANNAN. Which you would like to have; is not that what you said a moment ago?

Mr. PACE. No, sir. The parity price of the commodities which you are supporting will go up and up, and the parity prices of the commodities you do not support will go down and down. When the time comes to support a commodity which has not been previously supported, its parity price will be insignificant.

Secretary BRANNAN. Mr. Pace, I am sorry to have to disagree with you entirely. I think what will control the price of that very commodity which you are holding in your right hand is the supply and demand of that commodity in the market place. Let us say it is a watermelon.

Mr. PACE. All right.

Secretary BRANNAN. Let us say watermelons are short this year, and that the purchasing power is high, as it is this year, the price of that watermelon might be four times any support price level for it, or it might be a terrifically high price.

Mr. PACE. That is so only of the 10 priority commodities; that is not true of the unsupported commodities.

Secretary BRANNAN. All right. But that high price of the supported commodities will show up in the average of the commodities in step 2 of the computation, and, therefore, it will reflect the higher price on it.

Mr. PACE. You do not contend, Mr. Secretary, that the priority price of the nonsupported commodities under this formula proposed here and in the Aiken bill, that is the comparable market price over a period of 10 years; you do not contend that the parity price of the nonsupported commodities would be as regular as would be the parity price of the 10 supported commodities?

Secretary BRANNAN. As regular?

Mr. PACE. Yes, or probably during all of the 10 years.

Secretary BRANNAN. I think you have to answer that commodity by commodity. If it is watermelons, I do not know what the answer is. If it is artichokes, I do not know what the answer is, but if it is citrus fruit, we may have a little more history about that.

Mr. PACE. Well, let us take soybeans.

Secretary BRANNAN. All right; we have them in ample supply right now in this country.

Mr. PACE. And if they enjoy no support beyond the price of oil, they will not bring very much.

Secretary BRANNAN. No.

Mr. PACE. It is not 1 of the 10 priority commodities.

Secretary BRANNAN. But that does not say we are not going to support it.

Mr. PACE. What is going to determine that decision as to whether you do or not?

Secretary BRANNAN. Two things make up our minds, Congress on the one hand by some such device as the Steagall amendment, or an extension of the Steagall amendment, or the national welfare which might make it highly important that we encourage the production of that particular kind of a commodity.

Mr. PACE. You are not going to overlook the appeal of the producer, are you?

Secretary BRANNAN. Well, of course, we have been visiting a few too.

Mr. PACE. I think frankly that in the operation of the 10-year average you very definitely benefit the regularly supported commodities in the determination of their parity price, and you terrifically punish the unsupported commodities in determining their parity price.

Secretary BRANNAN. All right, but that happens today also.

The CHAIRMAN. That is exactly opposite to the position taken by Mr. Poage.

Secretary BRANNAN. Yes; it is.

Mr. PACE. Now, Mr. Secretary, again you propose to determine the parity price of an individual commodity by its relationship, as its market price relates to the market price of other commodities; that is true, is it not?

Secretary BRANNAN. Yes, in a very broad sense.

Mr. PACE. Earlier this morning you stated that you wanted to administer this program with realistic abundance; that is true, is it not?

Secretary BRANNAN. That is right.

Mr. PACE. What is going to be the reaction upon the individual producer of a nonsupported commodity, one of the nonpriority commodities, when he learns that if he produces abundantly and his commodity sells cheaper in the market place, and he receives no production payment, do you not think he will immediately say that when he produces an abundance he is going to cut his own throat?

Secretary BRANNAN. Is he not confronted with that exactly same situation today, and was he not 5 years ago?

Mr. PACE. No, sir.

Secretary BRANNAN. Certainly he was.

Mr. PACE. I do not understand that, Mr. Secretary. The present definition of parity for the commodity is that price which will give to the commodity a purchasing price comparable with the purchasing price it had during the base period from 1910 to 1914, and consequently under the present parity definition and formula the market price of a commodity has nothing to do with the determination of the parity price.

Secretary BRANNAN. If you realistically go back to 1910 to 1914 there can be no support price for soybeans because we did not raise them then.

Mr. PACE. Yes, sir; because we put into the law the requirement on your part to give it a parity price comparable to the other commodities. When we did that we made you take soybeans and bring them up with the other commodities.

Secretary BRANNAN. They are going through a lot more complicated computations than the ones we are recommending here.

Mr. PACE. I never heard them complain about the price you gave them.

Secretary BRANNAN. Certainly we would expect to from here on.

Mr. PACE. Let me repeat, under the present parity law the producer is free to produce a commodity abundantly without reducing its parity price, but under this formula, and the Aiken bill formula you put him on notice that if he produces abundantly the commodity will not bring much in the market place and the future parity price is going to be determined by what it brings in the market place. Is not that an inducement not to produce?

The CHAIRMAN. You do not want to produce abundantly and create a surplus?

Secretary BRANNAN. No, but let us be realistic about it. What farmer is going to sit down on the eve of planting any kind of a crop and say if I produce abundantly this year it may have an effect on the market, and if everybody else like me produces abundantly this year it may affect my price support if I am ever going to get one 10 years from now? I just do not think we are being realistic about it.

Mr. PACE. Well, what then will be your appeal to him to produce abundantly?

Secretary BRANNAN. Price is the thing which induces him to produce abundantly, and the price he gets in the market place would be the only inducement I would hope we would have to rely on.

Mr. PACE. I do not want to be unfair, but I think if you pick out these 10 priority commodities and support them at 100 percent of parity that you are going to change the entire agriculture of this Nation, and every farmer is going to start the production of these 10 priority commodities. I think it would be a smart thing if he did.

Secretary BRANNAN. He would be no more induced to jump into the production of the 10 priority commodities than today he is induced to jump into the production of the so-called basic commodities. Not a single incentive is there for one over the other except we have put livestock in here and dairy products because we did want to induce the farmers to increase their production of them because the price has been too high in the market place to consumers.

Mr. PACE. You are telling me that farmers seeing 10 commodities that are supported at 100 percent of parity and probably other commodities which are not supported at all would not make plans to get into the production of those 10 commodities which are supported?

Secretary BRANNAN. You just make two assumptions which are nowhere written as a part of our proposal.

Mr. PACE. Then let us get them straight.

Secretary BRANNAN. The first is that we are not going to support any other commodities at any differential between support standard and zero.

The CHAIRMAN. May I add, if Mr. Pace will permit, that you are not going to support basic commodities of those who refuse to accept marketing quotas.

Secretary BRANNAN. That is right.

Mr. PACE. Then if this law were in effect today, or your plan were in effect, what commodities would you support next year at 100 percent of the parity support level?

Secretary BRANNAN. Those commodities which the Board of Directors decided would be supported at whatever level they decided to support them in the best interests of everybody.

Mr. PACE. Mr. Secretary, can you not go a little beyond that? I know you have a very fine Board of seven directors of the Commodity Credit Corporation, personally, but I believe Congress would like to have some more specific information than that.

Secretary BRANNAN. Well, let us say that we take the list of commodities generally over and above the basic ones which we are now supporting.

Mr. PACE. Take wool, for instance. You left it out of the 10 priorities. What would you do with wool next year?

Secretary BRANNAN. I imagine we would take a good look at a price support for wool. We put lambs into the list of price-support commodities, so the wool grower is not being forgotten.

Mr. PACE. I am just trying to get it a little more specifically.

Secretary BRANNAN. I am trying to predetermine all the actions of the Commodity Credit Corporation for the next production season.

The CHAIRMAN. May I interrupt you, Mr. Secretary, with Mr. Pace's permission.

Mr. PACE. Yes, Mr. Chairman.

The CHAIRMAN. You take the basic commodities, and start out with cotton. You have marketing quotas on cotton in 1950, and I assume that you intend to support cotton at the level fixed in your proposal.

Secretary BRANNAN. Yes, sir.

The CHAIRMAN. Is that right?

Secretary BRANNAN. Yes, sir.

The CHAIRMAN. You have marketing quotas on cotton. Now, those who comply with the marketing quota law would get that support?

Secretary BRANNAN. Yes, sir.

The CHAIRMAN. And it would be the same way with wheat if you had wheat quotas?

Secretary BRANNAN. Yes, sir.

The CHAIRMAN. And the same way with tobacco?

Secretary BRANNAN. Yes, sir.

The CHAIRMAN. And the same way with any other basic commodity. Whenever the producers or two-thirds of the producers vote in favor of a marketing quota they would get the full benefit of the support program?

Secretary BRANNAN. That is right.

The CHAIRMAN. If those who produced refused to accept the advice of the Department of Agriculture and they voted against the marketing quotas, they would get no support price at all, and that is as it is now?

Secretary BRANNAN. Yes, as it is now. They would get 50 percent under title II.

The CHAIRMAN. That is, of the Aiken bill?

Secretary BRANNAN. Yes, sir.

The CHAIRMAN. I am assuming that the Aiken bill is going to be repealed, and I hope that it will be. When you give the farmers the best advice available and advise them that quotas are necessary and desirable and then they refuse to accept that advice, they lose the benefits of the support program?

Secretary BRANNAN. That is right.

The CHAIRMAN. Then it does not seem to me you would have any problem with them. Now, if you go to a nonbasic commodity, do I understand the Board of Directors of the Commodity Credit Corporation would determine what is fair support for a nonbasic commodity not under control?

Secretary BRANNAN. Yes; I am trying to say that we would operate in that area just as we are operating now, namely, that whatever commodities Congress told us to support and at whatever level they told us to support them, we would.

Second, as to the other commodities, we tried to put in my statement of the seventh language from the existing law, and there seemed to be a little difference of opinion between you and Judge Hunter as to whether it means the same thing in this discussion the other day, but let me read the language.

I said here after naming the so-called priority commodities:

> I recommend that the prices or returns of these first priority, or group 1, commodities be maintained at not less than the full support price standard. It should be clearly understood that the support price standard is not a ceiling.
>
> Those commodities not included in the group 1 or priority list should be supported in line with or in relation to group 1 commodities, taking into account the available funds and authorities, the ability of producers to keep supplies in line with demand and other relevant factors.

Mr. PACE. At the point let me read the Steagall amendment language.

Secretary BRANNAN. All right.

Mr. PACE. I do not know what Judge Hunter disagreed on.

It states the supports of these other commodities shall be carried out—

> so as to bring the prices and income of the producers of nonbasic commodities not covered by such public announcement to a fair parity relationship with other commodities.

Secretary BRANNAN. Do you interpret that to mean that we have to bring all the commodities upon which we put support, that we can only support them at 90 percent of parity because the basic provision is at 90 percent?

Mr. PACE. I think the interpretation of the words "fair parity relationship" means the prevailing support level.

Secretary BRANNAN. Is comparable support level the identical support level?

Mr. PACE. I do not think it necessarily has to be, but I think there should be some fundamental reason for making a difference.

Secretary BRANNAN. Does not the language also make reference to availability of funds and authorities, and so forth?

Mr. PACE. Yes, sir; to the extent that funds for such operations are available after taking into account operations with respect to the basic commodities.

Secretary BRANNAN. We certainly can resolve this argument because nobody holds this language to be inviolate, and if it can be amended along the line you are talking about and that disposes of this, we certainly would be happy to do it.

Mr. PACE. Would you object to this language, Mr. Secretary:

> So as to bring the prices and income of the producers of the nonbasic commodities not covered by such public announcement to an equal parity relationship with other commodities?

Secretary BRANNAN. Well, of course, that language would have to be readapted because there is not any public announcement going on.

Mr. PACE. That is exactly the language and I think that was shooting at 90 percent of parity. This would not only shoot at it, but this would hit it.

Secretary BRANNAN. That is right.

The CHAIRMAN. You would not want to apply the same rule, to achieve the same objective in handling a nonbasic uncontrolled commodity, to a controlled commodity that was operating under marketing quotas, would you?

Secretary BRANNAN. Ordinarily not, I do not think we would.

The CHAIRMAN. In other words, if a cotton producer accepts a considerable reduction which he is going to have to accept to stay within his quota or face a 50-percent penalty for violation, there is not any reason to have the producer to tomatoes or potatoes and bring him in on the same ratio.

Secretary BRANNAN. That is right.

Mr. PACE. That is the reason I said they should be the same unless there is some fundamental reason for making a difference. I do not think you can support the commodity at a high level unless there is a limitation on production.

Secretary BRANNAN. That is where the chairman said you opposed Mr. Poage's position.

The CHAIRMAN. Do you not agree with the statement that you cannot afford high support prices unless you do have commodity control?

Secretary BRANNAN. I think that is generally true, although we did support the price on corn when we did not get production.

Mr. PACE. The Aiken bill says that the support shall be 20 percent higher either when marketing quotas or acreage controls are in effect. Do you subscribe to that?

Secretary BRANNAN. We have tried to provide substitute for it.

Mr. PACE. Let me be fair in my question, and let me go a little further. The marketing quota producers have agreed on two things. They have agreed that they do not enjoy a support price, or the Aiken bill provides that they enjoy only 50 percent of parity support. They also subject themselves to marketing penalties; that is right, is it not?

Under acreage controls they merely lose this support price. Is that distinction correct?

Secretary BRANNAN. I would like to call on Judge Hunter to answer that for me.

Mr. HUNTER. Are you talking of the present law, Mr. Pace?

Mr. PACE. The Aiken law provides that the support shall be increased 20 percent when either marketing quotas or acreage controls are in effect, and the marketing quota producers only enjoy 50 percent of parity support.

Mr. HUNTER. It is 50 percent of parity price; that is right.

Mr. PACE. They get only 50 percent, and they suffer those two penalties which I have mentioned.

Mr. HUNTER. That is right.

Mr. PACE. When they are merely under acreage controls they have one penalty.

Mr. HUNTER. No; they would be noncooperators in that case.

Mr. PACE. Yes; noncooperators, but they are not subject to a marketing penalty.

Mr. HUNTER. That is right.

Mr. PACE. Then, Mr. Secretary, whether you know it or not, there is quite a growing feeling among farmers who subject themselves to marketing quotas as opposed to those who have only acreage control, for this reason: Take producers of a commodity, you merely put them under acreage control, and then, as Judge Hunter says, they have become noncooperators and lose the benefit of their support prices, but still the farmers can produce all of that commodity they please and they will indirectly get the benefit of the support program, will they not?

The CHAIRMAN. We will take a 5-minute recess.

(Thereupon, a short recess was taken after which the following occurred:)

The CHAIRMAN. Mr. Secretary, do you recall the question that was last propounded by Mr. Pace?

Secretary BRANNAN. I am afraid I do not.

The CHAIRMAN. Then I will ask Mr. Pace to repeat his question.

Mr. PACE. Mr. Secretary, the point I am making is that it seems to me to be quite inconsistent with other principles that you propounded to the committee to operate merely under acreage controls; because then, let us say, you conform to your acreage allotment; I do not conform to my acreage allotment. Say I treble or quadruple my acreage of that commodity. As a penalty, I would suffer the loss of the Department's obligation to support the price of my commodity, and, of course, I would suffer the loss of the ACP payments; at the same time, I would receive indirectly the benefit of the support price program the Department has put into effect, say the support being 90 or 100 percent.

Mr. ANDRESEN. You mean of basic commodities like cotton?

Mr. PACE. I mean of any commodity. Let me put it this way: Under any plan where you use only merely acreage controls or goals?

The CHAIRMAN. Do you use them only on the basic commodities; do you use acreage allotments alone on basic commodities?

Secretary BRANNAN. Acreage allotments and marketing quotas on tobacco and peanuts are the only two.

The CHAIRMAN. They are the two things—one, acreage allotments and the other marketing quotas. Do you use acreage allotments on some of the basic commodities? It is suggested to me you did on corn.

Secretary BRANNAN. Today we do not. Those are the only two commodities that have voted either acreage allotments or marketing quotas.

Mr. PACE. I am sorry about the confusion. Of course, there does not have to be any vote on acreage allotments. The Department has used acreage allotments; it contemplates using acreage allotments in the future, and your testimony this morning indicates you contemplate using goals. The producers do not have to vote, and, unfortunately, under the Aiken bill, you can submit marketing quotas to the producers of a commodity; they can vote against it 100 percent, and still you can put acreage controls into effect.

Secretary BRANNAN. Yes; but you can do nothing about it. You can put them into effect, but what can you do about it?

Mr. PACE. You can penalize them to the extent of denying the producers the benefit of the support price and denying them the benefit of ACP payments.

Secretary BRANNAN. That is what we are doing; with the exception of ACP payments, that is what we do now on potatoes, and we do not get anywhere.

Mr. PACE. That is exactly the point I am making.

Secretary BRANNAN. Then we are in agreement.

Mr. PACE. That is exactly the point I am making—that it should not be part of your program to use support prices when they are supported by either goals or merely allotments.

Secretary BRANNAN. Mr. Pace, would you indicate to me where I said that is exactly what we are going to do?

Mr. PACE. No, sir; except you said during the day that on nonbasic commodities you might use goals.

Secretary BRANNAN. All right. I did not say "Goals only."

Mr. PACE. Oh, no.

Secretary BRANNAN. I might use any combination of those. Honestly, Mr. Pace, all we are trying to do is to run an effective and efficient program, and all we are trying to recommend is an effective and efficient program. And whatever it takes to get an effective and efficient operation induced by support payments is the thing we are after.

Mr. PACE. Let me put it this way: Do you recognize, Mr. Secretary, that neither in acreage allotments merely nor goals merely do you maintain any effective control over the production of that commodity?

Secretary BRANNAN. Of course. We have been complaining about it for 3 years.

Mr. HOPE. Of course, you have had a provision for acreage allotments almost ever since the beginning of the farm program in 1933. In the act of 1933, there was a provision for acreage allotments, but no provision for marketing quotas. In the 1938 act, there is a provision both for acreage allotments and marketing quotas on the basic commodities.

Mr. PACE. There is no such thing as acreage allotments on cotton.

Secretary BRANNAN. He did not say that.

Mr. HOPE. But you have got to compare both of them in their effect. And, as a matter of fact, on corn, although there were acreage allotments over a period of several years, there were never any marketing quotas. In the case of wheat, there were acreage allotments for a number of years, but only in 2 years were there marketing quotas, because only in those 2 years did the situation get to the place where the Secretary thought it necessary to proclaim quotas. Yet I would not say the program was entirely ineffective, because it did hold down the acreage and to some extent the production, although I agree with you that in the case of most commodities we could not have an effective program under present conditions without marketing quotas.

Mr. PACE. I believe you said Irish potatoes was a glaring illustration of that.

Secretary BRANNAN. Yes.

Mr. PACE. That you cannot operate under goals?

Secretary BRANNAN. That is right.

Mr. PACE. What I am trying to reach is that in the operation of the limitation of production, it should be done either by marketing agreements or marketing quotas.

Secretary BRANNAN. You mean in the commodities we are authorized to operate in today under existing law?

Mr. PACE. No, sir; under your plan—under your proposal.

Secretary BRANNAN. All right. I think I can answer that one. It depends, again, on whether you are talking about storables or nonstorables. Certainly, in the case of nonstorables, where we would be permitted to use production payments, you could run, in my opinion, in many commodities, an effective program by using the production payments and goals, or production payments and acreage allotments, and it would be a reasonably effective program.

Mr. PACE. How would it be effective?

Secretary BRANNAN. It would not be effective if you were using loans and purchase agreements, because the effect of the loan and purchase agreement is to hold the umbrella over everybody.

Mr. PACE. Of course, you would have a penalty there that does not now exist; that is, the noncooperator would not get the benefit of the payment.

Secretary BRANNAN. That is right, under production payments, and that is the real inducement to compliance with goals. Today there is no inducement to compliance with goals, or no very strong one. At least, if it is of any strength at all, it is out-backed or out-pulled by the high price.

Mr. PACE. Do not you think on many of the nonbasic or other commodities controls should properly be through marketing agreements, where you control the marketing rather than the production?

Secretary BRANNAN. There, again, I think you have to take the type of commodity—you have to take that up commodity by commodity.

Mr. PACE. You could apply that to Irish potatoes, could you not?

Secretary BRANNAN. The real possibility of getting a marketing agreement on Irish potatoes, with the potato growers diversified all over these whole United States the way they are, in my opinion, is pretty remote.

Mr. PACE. Suppose you predicated support on their getting together?

Secretary BRANNAN. All right. If you will predicate the production payments, then actually acreage allotments or marketing agreements, either one, could be possibly made an effective instrument.

Mr. PACE. You, in your statement, have asked that you be authorized to require the producers to comply with the programs of acreage allotments, marketing quotas, and marketing agreements.

Secretary BRANNAN. Yes.

Mr. PACE. The thing that disturbed me was your request to control through acreage allotments. I can see where it can be effective if you are going to use the payment plan as a supplement.

Secretary BRANNAN. That is right.

Mr. PACE. But inasmuch as you indicate you want to use the payment plan as sparingly as possible——

Secretary BRANNAN. I want to use it on all of the perishables.

Mr. PACE. On all?

Secretary BRANNAN. Practically all of them. As a matter of fact, in the case of some of them, I do not know of any other program that you can use.

Mr. PACE. I am afraid you may be right there. As I have indicated to you previously, I want it to be used in trying to do it on those commodities where nothing else could be effective, to see how it works.

Secretary BRANNAN. I think we may have to ask you for an opportunity to do that.

Mr. PACE. One other question, and then I am through.

You also ask for the authority to require producers to comply with the programs by curtailing wasteful production and also curtailing disorderly marketing. What do you mean by wasteful production?

Secretary BRANNAN. Well, I think perhaps we had in mind the potatoes again. I do not like to be talking about them, because that gives the impression we are maligning the potato growers of the country, and we are not. If I had been a potato grower, I think I would have acted as almost any one of them did. But I think it is apparent to every student of the marketing of potatoes that we have now reached a limitation or that there is a limitation beyond which the American people just won't eat potatoes almost if you give them to them. Where the demand is that inelastic——

Mr. PACE. That is what you had in mind particularly?

Secretary BRANNAN. Yes. Where the production gets beyond that inelastic boundary, then I think the production should be characterized as wasteful, and I think appropriate methods to stop production beyond that limit ought to be taken.

Mr. PACE. What do you mean by curtailing disorderly marketing?

Secretary BRANNAN. An example of curtailing disorderly marketing——

The CHAIRMAN. How about the marketing of inferior goods?

Secretary BRANNAN. Well, that would be one of the problems of disorderly marketing.

Mr. PACE. What I was trying to get to is that in my opinion one of your greatest problems at this hour must be hogs, because you have announced a support price of hogs, and Congress has not given you much machinery to make good on it. I understand one of the things that breaks the price of hogs is the disorderly marketing of hogs; that is to say that many of them are marketed during a short period, and the most of them are marketed just in 1 or 2 days each week. Is that right?

Secretary BRANNAN. Very frequently.

Mr. PACE. Now, as I see it, it would probably save millions of dollars to the Government if you had some authority to have some voice in the marketing of hogs. Do you agree with that?

Secretary BRANNAN. And I think the production payment would lend a great deal, because a great deal of the inducement to the orderly marketing is the farmer would realize then he was not running a 100 percent risk if he did not hit the market on what he had divined in advance was the ideal day, and I think he could plan for marketing over the season better than trying to get to the market first, either at the head of the season or ahead of the marketing period within the season.

Mr. PACE. Outside of the influence the payment might have on the producers, do you contemplate taking any action on your part in having a voice in the orderly marketing of hogs?

Secretary BRANNAN. No, sir; not tomorrow, not under existing law.

Mr. PACE. Although it would be quite a saving to the support-price program of hogs?

Secretary BRANNAN. That is right, sir. But, you see, until the commodity gets into the area in which the Government begins to spend money on it, then there is some question about whether or not we are justified in spending money or going to any considerable lengths to regulate the prices in the marketing.

Mr. PACE. I believe you have asked Congress to give you authority and funds to make payment on hogs before it adjourns this session.

Secretary BRANNAN. I have, sir. I suggested it may be desirable.

Mr. PACE. That is all.

The CHAIRMAN. Unless Congress provides you with the necessary funds and the necessary authority, if I understand it, you will have to support hog prices by buying them either from the farmer or the packer?

Secretary BRANNAN. That is correct.

The CHAIRMAN. In any event, you are going to be faced with a tremendous problem, and everything would indicate the Government would suffer a substantial loss.

Secretary BRANNAN. It was our fear, sir.

The CHAIRMAN. But under your proposal, you would compensate the farmer for the difference between the prevailing price and the fair price and let the hogs go on the market as usual?

Secretary BRANNAN. I would, and I think he will not be in any wise embarrassed to accept those checks.

Mr. ANDRESEN. Mr. Secretary, referring to hogs, you recall that here on April 7 you made a statement to this committee that within about 60 days you thought the Government would be buying hogs to support the price, and you have since made that statement several times. I am a little fearful that that statement coming from you as a leading agricultural authority in the country has stimulated the marketing of hogs to a disorderly stage so that the price has been forced down from around $19.63, which was the average price in Chicago on the morning of April 9, to $18.60 on Friday.

Secretary BRANNAN. It is lower again today, sir.

Mr. ANDRESEN. That is not surprising to me, because it looks to me as though a statement coming from you that the Government is going to buy hogs within 60 days puts a fear into the farmer's mind that the price is going down to $16.50 and consequently he will rush his hogs to market, even though he has an abundance of feed to put more meat on them, in order to get rid of them before they get down to the support price.

I do not want to be critical of any statement you have made, but I can see how, even if a rumor gets out from the Department that you are going to buy hogs, or buy wheat, or not buy wheat, it has an effect upon the price and upon the feeling of the producers.

I do not know whether you care to comment on that.

Secretary BRANNAN. I do, sir. I recognize that the very greatest discretion must be exercised by whoever is Secretary of Agriculture at any particular time not to be saying things which influence the market. I also believe we all recognize that very often reasons are assigned for things which would have happened anyhow to some comments by people in public places.

For example, on the 8th or on the 7th, when I made my recommendations—I did not even present a bill; just made recommendations—the next day or that afternoon prices of stocks on the New York Stock Exchange fell, and one of the explanations assigned for the falling in stocks on the New York Stock Exchange was the statement that I had made here.

I think you think that that is ridiculous, and I think it is ridiculous; on the other hand, that is one extreme. The other side of the coin is that some of the things that the Secretary does say do have an influence.

But we are also confronted with a very real problem of discussing with the committees these kinds of problems or keeping our mouths shut and being accused of having allowed the problem to develop and become aggravated before we come before the committee. You have to make all of those kinds of choices.

Mr. ANDRESEN. But you volunteered that information to the committee, as I recollect.

Secretary BRANNAN. I did, sir. I said it in my statement on the 7th.

Mr. ANDRESEN. That is right.

Secretary BRANNAN. And I think the committee might well have been entitled to have been offended at me if I had waited until today for the first time to mention the subject, because my economists tell me and the people in the livestock branch tell me that there are a number of hogs out in the fields, a number being fed, and so forth and so forth, and that they predict we would have a considerable run of hogs and it would have its impact upon the price.

Mr. ANDRESEN. Then last week—and I am sorry I do not have it with me—a release of April 17 from the Bureau of Agricultural Economics stated in their opinion the changes in the price of hogs would only be moderate unless there was an unusual change in the demand for hogs.

Secretary BRANNAN. Yes.

Mr. ANDRESEN. I suppose those are the experts in your Department who have been advising you. But I recall here a year ago last February 4, when the then Secretary of Agriculture announced the Government was going to stop buying wheat, you know what happened; wheat dropped about 50 or 60 cents a bushel in as many days. And we have had similar situations where the Government has been in the market in such a dominant way that if the Government bought the price went up, and if the Government stopped buying the price went down.

I do not want to criticize you for making the statement here, but I think it was unfortunate that the statement should have been made, because the price of hogs is going down as you predicted and these supplies are coming into the market in larger volume.

You say the price has gone down again today?

Secretary BRANNAN. Yes.

Mr. ANDRESEN. How much?

Secretary BRANNAN. It is $17.75.

Mr. ANDRESEN. I know you appreciate that any statement coming from the Secretary of Agriculture is very, very potent when it comes to the price of any farm commodity. I do not believe your statement before the committee affected the stock market at all, but I think you did influence the downward drift of hog prices.

Mr. WHITE. If the gentleman will yield, I believe it is a fact that the average index of prices of farm commodities has reached a new low just in the last few days, which would indicate that not only hogs but many other things have also dropped. I certainly do not feel the Secretary of Agriculture is particularly to blame for all of this price falling. It seems that all commodities more or less move together, and it seems that the gentleman's statement may be a little paradoxical when he speaks about the Government's buying and the price going up, and when you merely talk about buying the price goes down.

Frankly, as a dealer in commodities all of my life, I do not see that the Secretary's statement in that instance had any effect on the market.

Mr. ANDRESEN. I do not want to argue with the gentleman at this time, but I know if the Secretary would say they won't buy any cotton for the European recovery program in the next 6 months, that it would have its effect upon the price of cotton.

Mr. WHITE. But this is the reverse.

Mr. ANDRESEN. Yes. He said he was going to buy at $16.50, not at $19.

Mr. O'SULLIVAN. Mr. Chairman, I would like to ask a few questions. I do not think that this is the proper time to try to castigate the Secretary of Agriculture and make political capital, when we are considering a proposed bill and a proposed plan. This is not the place to bring up things like Mr. Andresen brings up and try to put the Secretary of Agriculture in a bad light on a subject that is not pertinent at all. I think the Secretary ought to go outside with Mr. Andresen and talk this over. Certainly I am not interested in this Republican political hay.

The CHAIRMAN. We will proceed in order.

Mr. ANDRESEN. Mr. Chairman, may I let the record show I did not start this hog proposition? I assume the gentleman from Nebraska, Mr. O'Sullivan, feels it is all right for the Democrats to critize the Secretary, but, when it comes to a member of the minority, if he asks pertinent questions, then it is all politics.

Mr. O'SULLIVAN. Some of your questions were not pertinent at all. They just illustrated the way you feel politically.

The CHAIRMAN. I do not think the Secretary is being castigated.

Mr. ANDRESEN. I did want to get down to some of the provisions of this bill, so that we can get some of the facts. There have been several changes and back-tracking on this program since you made your first statement here, but, as I understand, you divide the commodities into two categories. You have wheat, corn, cotton, and tobacco in one category that will be eligible for support loans.

Secretary BRANNAN. No; the group one commodities are corn, cotton, wheat, tobacco, whole milk, eggs, chickens, the meat animals—hogs, beef, and lambs.

Mr. ANDRESEN. As I understood it, milk and meat were perishable commodities and would be eligible to the Government support payments, but not eligible for support loans. Which is right?

Secretary BRANNAN. No; not at all. We just say that, as a support mechanism, the production payment is more applicable and useful in connection with the nonstorables. The only other division we have talked about here at all is the general division between storables and nonstorables and the method or device you use to support them. To say it another way, we have tried to divide the commodities between those which are most effectively supported by the production payment method and those which are supported by the loans and purchase agreement method.

Mr. PACE. And the commodities you mention, Mr. Secretary, are merely suggestions on your part, and you ask that Congress enumerate the priority commodities. That is true, is it not?

Secretary BRANNAN. It is very specific. It says "recommendations."

Mr. ANDRESEN. But you have recommended them to the committee, and you are asking the committee for advice and assistance in naming the proper commodities. Is that right?

Secretary BRANNAN. No, sir; not quite that. The committee asked me to come up and make some recommendations, and I am giving my recommendations. You will enact them into law, and then I will go back and enforce them to the best of my ability.

Mr. ANDRESEN. The way you refer to it here, you refer to it as "my program." That is your program. I think that is your statement today, right at the beginning. You refer to it as your program.

Secretary BRANNAN. Maybe I should not use the personal pronoun so freely, but it just made it convenient.

Mr. ANDRESEN. On page 20 of your original statement, you mentioned as amongst the first commodities, 25 percent of the annual cash receipts, cotton, corn, wheat, other grains, tobacco, oil seeds, dry beans, peas, wool, and peanuts. Now, are these the commodities upon which commodity loans and purchase agreements will be the method used to support the price of those commodities?

Secretary BRANNAN. That is our recommendation.

Mr. ANDRESEN. Then, on fruits and vegetables, meat animals, milk, butter fat, poultry and eggs—they will come under the support payment program?

Secretary BRANNAN. Yes.

Mr. ANDRESEN. Then we have two groups there. Now, as I see it, between 80 and 90 percent of the diet of the American people is found in the latter group. Is that correct or approximately correct?

Secretary BRANNAN. I am not certain, but it could very well be correct. It would be somewhere in the neighborhood.

Mr. ANDRESEN. In the other group, people do not eat tobacco; they do eat peanut butter, and some peanuts. As far as the other grains are concerned, they eat some bread, which is a small part of the diet, and corn they generally eat through the livestock and dairy products.

Secretary BRANNAN. That is right.

Mr. ANDRESEN. In the latter group, you intend to support commodities like peaches and pears, and apples and oranges, cherries, and other fruits. Are those farmers, the producers of those crops, eligible for support payments?

Secretary BRANNAN. Within the definition that Mr. Pace and I were talking about, they would be eligible for support. The method of support might be either one of those. The most of those, if I recall——

Mr. ANDRESEN. You say in your own statement, when it is necessary to apply supports to any of those nonstorable commodities "I recommend we rely mainly upon production payments."

Secretary BRANNAN. That is right.

Mr. ANDRESEN. Now, for 1950, which will be our next crop year, do you contemplate supporting all fruits and vegetables?

Secretary BRANNAN. I think the answer is "No." Certainly, you do not intend to support carrots, watermelons, cateloupes, radishes, and celery. We have not.

Mr. ANDRESEN. What I would like to know is how far you would go. Would you support peaches and pears?

Secretary BRANNAN. I, unfortunately, cannot predecide these things for the Commodity Credit Board.

Mr. ALBERT. If the gentleman will yield, I think the Secretary was just showing the method, if the Congress or the Commodity Credit Board should decide commodities would be supported, which he recommends that we use in supporting them. He is not trying to list all the commodities that might be supported by this method.

Secretary BRANNAN. That is exactly right, Mr. Albert. I thank you.

Mr. ANDRESEN. I thank the gentleman for assisting the Secretary with the answer. But we would like to know just how far you have in mind to go on the program. I want to get good prices for all of these producers.

Secretary BRANNAN. Well, all you have to do is write it in the statute.

Mr. ANDRESEN. Have you prepared a bill?

Secretary BRANNAN. We have, sir, and I hope that we may have it for you consideration in the next few days.

Mr. ANDRESEN. I have understood all the way through this discussion here that you aready have the authority in the act of 1948.

Secretary BRANNAN. Within funds and authority and so on and so forth, as Mr. Pace and Judge Hunter pointed out.

Mr. ANDRESEN. Then you would not need any authority except probably some additional funds?

Secretary BRANNAN. To support all the commodities produced by farmers?

Mr. ANDRESEN. I have not found out yet how far you were going to go, so that I cannot say how far you are going to go. You do need additional legislation then, in addition to the present act?

Secretary BRANNON. No, not to support any commodity that I can think of.

Mr. ANDRESEN. Then there is no need for additional legislation.

Secretary BRANNAN. Well, if you want to support them by the purchase method, assuming, first of all, that you do not disturb any provision of the Aiken bill, it is my understanding that the word "payments" as it appears in the Aiken bill would permit the Secretary of Agriculture to follow a type of operation which we have outlined here, and referred to as production payments.

Mr. ANDRESEN. That is what your solicitor said. I do not agree with that interpretation.

Mr. HOPE. Will the gentleman yield?

Mr. ANDRESEN. Yes.

Mr. HOPE. Is this not true: Under the Aiken bill you would be prohibited from supporting the price of perishable commodities through the Commodity Credit Corporation?

Secretary BRANNAN. That is correct, Mr. Hope.

Mr. HOPE. You are not prohibited now, as I understand it. You would not be prohibited until title II of the act of 1948 went into effect, and that expressly prohibits the support of perishables through the Commodity Credit Corporation operations.

Secretary BRANNAN. Yes.

Mr. HOPE. However, as I understand it now under the general authority of the Commodity Credit Corporation you could go in at the present time and support the price of any commodity?

Mr. HUNTER. Not through payments.

Mr. HOPE. But you could by buying?

Mr. ANDRESEN. Then you would need some additional legislation to carry out all of your recommendations, as I understand it.

Secretary BRANNAN. Yes, you would.

Mr. ANDRESEN. Now, I want to ask you about a few commodities.

As I understood it a week ago last Monday, or on April 7, you stated that a farmer would have 1,800 units, or the equivalent of 180 bales of cotton that he could get support on, and what he raised above that he would not get support on, and he would sell all of it in the market.

By the interpretation which you placed on the 11th or 12th you stated that when marketing quotas were in operation and acreage allotments on cotton and any other basic commodity, that the farmer would be protected for his entire production on the allocated acreage and he would not be governed by those units. That is correct, is it not?

Secretary BRANNAN. That is correct, sir. As a matter of fact, we indicated that possibility in answer to the question on the 7th by Senator Anderson.

Mr. ANDRESEN. You get down to these nonstorable commodities, like eggs. Under the unit system, as I have calculated it here, a farmer could raise 57,000 dozens of eggs, the unit measure 31.88 dozens. That would be around 57,000 dozens of eggs.

Secretary BRANNAN. Yes, sir.

Mr. ANDRESEN. We will say that was in operation now, producing a surplus of eggs, and you are buying eggs. You would just go on the per-unit support system. Eggs would probably sink to 25 or 30 cents a dozen at the retail figure, as against 60 or 70 cents a dozen.

Now, assume that the farmer raised more eggs than 57,000 dozen. Of course, he would not get any support on those additional eggs, and he could sell them in the market. Would you attempt to exercise any control over the amount of eggs that the farmers could produce over and above the 1,800 units?

Secretary BRANNAN. Well, if you undertook to exercise any controls over the aggregate national production of eggs it would be done without relationship whatsoever to the unit system. The decision would be reached without reference to the applicability of the unit limitation. You would reach the conclusion that eggs in the market place, if in any greater abundance, would still find no takers at anywhere near a reasonable, fair price, and therefore, you would do whatever was appropriate to try to do to curtail the production, because production over and beyond that point would be wasteful.

That would be the guiding principle in whether or not any activity or any effort were made to limit the production of eggs or limit the marketing of eggs.

Mr. ANDRESEN. Do you think there is a possibility of increasing per capita consumption of eggs which, as I understand it, stands around 380 or 390 eggs?

Secretary BRANNAN. That is the sort of problem I would like to have one of the economists answer.

Mr. WELLS. What is the question?

Secretary BRANNAN. Could you increase the consumption of eggs from 380 to 390 per capita?

Mr. ANDRESEN. I recognize the difficulty of that. The argument has been presented that as the price goes down consumption will be increased.

Secretary BRANNAN. I am reminded they were at 400 during the war.

Mr. ANDRESEN. I think that is right. Three hundred and ninety is a good per capita consumption.

Secretary BRANNAN. Yes, and during the war they were at a fairly high price.

Mr. ANDRESEN. Then, if the price went too low you plan that there could be some exercise of controls?

Secretary BRANNAN. Obviously.

Mr. ANDRESEN. Yes.

Secretary BRANNAN. This is not a suggestion of an unlimited and unbounded production wasteful and destructive of the orderly markets of the country.

Mr. ANDRESEN. Now, in the case of hogs, a farmer could raise 550 hogs. We will assume under the $19 per hundredweight figure that you have for the support price he is entitled to receive $22,000 for those hogs, but that he only received $14,000 at the market place. He would be entitled to a check from the Government for the difference between $22,000 and $14,000, is that right?

Secretary BRANNAN. Those are very wide figures, but theoretically it might be possible.

Mr. ANDRESEN. Well, it could be possible that we could say it was $16, which is closer to the present market price, and that he should have $22,000 under the $19 basis. That would be $3 per hundredweight he is entitled to have, and he would get the difference between the $22,000 and the amount he received. Is that the way it works?

Secretary BRANNAN. That is, if you are computing the lower price. If you are setting the lower figure as the average figure, and not the figure which that farmer received, that is possible.

Mr. ANDRESEN. How would you find out just what the farmer did in selling his 550 hogs? Would you have to inspect his books, or would he make an affidavit or a statement to a representative of the Department before he would get paid?

Secretary BRANNAN. He would have to supply just about the same type of information he will have to supply today in connection with most of the crops that are supported by loan or purchase agreement. He would not have to supply any appreciable additional information. He would get his check at the same place he now gets his loan check. In all respects the organization for handling this would constitute the very organization which we now have for operating through the support programs. There would be no change in it at all.

Mr. ANDRESEN. Would it be required to have any auditor go ahead and examine into the different transactions of the farmers in the sale of these farm products?

Secretary BRANNAN. Well, certainly, as a general rule, but today from time to time on loans there is some looking over of books, and I think that is in the public interest, that it ought to be continued. It avoids the possibility of fraud.

Mr. ANDRESEN. I am not questioning that.

Secretary BRANNAN. Not only on the part of the man taking the loan, but also on the part of our own employees. Surely there is an auditing system now, and we are being audited all the time in the Department.

Mr. ANDRESEN. I understand that. Now let me get over to the case of milk, because that is one of the important parts of the American diet.

Milk is very important to the income of the American farmer. Under the present production we are selling now around 100,000,000,000 pounds of milk. The production is around 115,000,000,000.

Now, in your statement on April 7 you stated that the goal would be to get 150,000,000,000 pounds of milk, and that would be looking toward a price of 15 cents a quart to the consumer.

Secretary BRANNAN. Yes.

Mr. ANDRESEN. Did you have in mind that 15-cent price, Mr. Secretary, after 150,000,000,000 pounds of milk had been realized?

Secretary BRANNAN. Well now, let us just relate the figures. First of all, we started out to see what kind of adjustments could be made in American agriculture to serve the farmers best and to serve the consumers best. By using a quantity of information that we had available and which was available over in the Bureau of Labor Statistics, we came back with the general information that if everybody had enough money in his pocket to buy about the things he would want to buy at reasonable prices, there would be a much greater consumption of milk than has been experienced in the last 2 or 3 years.

Therefore, we said that there was the potential consumer demand. We said that the potential consumer demand of this country was higher than the present demand.

You and I know that dairy animals have decreased in population in the country and so forth. That was on one occasion, when we said that.

The other day, in attempting to be reasonably specific, I said that maybe by the production payments route we might begin to work toward the area of 15 cents a quart for milk. Today I pointed out to you that in some parts of the country milk is actually selling below 15 cents, and that the range is between 22 and 14 cents and that in a major Midwest city it was 16¼ cents, if you bought it in gallons and went to the store to get it.

Mr. ANDRESEN. The national average is around 20 cents or 21 cents?

Secretary BRANNAN. No, the national average is not around 20 or 21 cents, as I understand it. The average of a number of key cities was taken and on the basis of that we got the 21 cents. Is that not right?

Mr. WELLS. Yes, from the Bureau of Labor Statistics.

Secretary BRANNAN. They took a group of large cities.

Mr. WELLS. That 21 cents is delivered in quart bottles.

Secretary BRANNAN. Yes.

Mr. ANDRESEN. You say for every cent a quart the price went down it would cost $150,000,000?

Secretary BRANNAN. Yes.

Mr. ANDRESEN. That is just on the basis of the amount of milk sold as fluid milk, which is around 35 billion pounds, is that right?

Secretary BRANNAN. That relates to the amount of milk sold and consumed as fluid milk.

Mr. ANDRESEN. How would you take care of the other 65 billion pounds of milk which goes into the manufactured products?

Secretary BRANNAN. Well, sir, I would hope—and I do not assure you that this would be true—that if we provided an active outlet for one class of milk that the fact that it flowed off freely would have a supporting effect on the other classes and on the other dairy products, as a matter of fact.

Mr. ANDRESEN. Not on 15 cents a quart.

Secretary BRANNAN. Well, that is the reason we are talking about production payments.

Let me say to you the figure you used a moment ago of 21 cents was milk delivered to the home. I do not think that talking in terms of 15 cents in the stores in some parts of this country is an unreasonable figure to talk about. Let us say it is a figure to shoot at, as an objective. Maybe we cannot reach it, but it would be worth talking about if we could do it.

As you said a moment ago, it is a very important part of our diet.

Mr. ANDRESEN. A good deal of these 44,000 milk drivers would object very much if you had all the people going to the stores to get their milk.

Secretary BRANNAN. My proposal does not change the competitive situation between the store milk and delivered milk.

Mr. ANDRESEN. You can get two quarts here for 17 cents a quart in Washington, if you go to get it, because I have bought it myself.

Secretary BRANNAN. That is right. I was not saying 15 cents delivered at the door.

Mr. ANDRESEN. Whatever it was, it looked good to a good many consumers, who thought that they were going to get 15 cent milk the next day. However, we are only producing 115 billion pounds of milk, and we have 22,500,000 milk cows. I was trying to figure out the other day just about how long it would take to get up to 150 billion pounds, and I came to the conclusion that we had to have 7,000,000 more milk cows and it would take from 7 to 10 years to produce the milk cows to produce enough milk to give us 15-cent milk.

Secretary BRANNAN. I think that is right, but still it is worth working toward.

Mr. ANDRESEN. Surely. I am for it.

Secretary BRANNAN. Yes.

Mr. ANDRESEN. I think in a lot of the areas of the country where they do not have cows now that they should have some good milk cows. It would be better for them, it would be better for their land, and it would be better for the country.

Secretary BRANNAN. Yes.

Mr. ANDRESEN. I do not think, without having the milk cows on hand, that we should hold out a hope to the people that they are going to get 15-cent milk at their door, when it will take from 7 to 10 years to have enough cows to produce the milk.

I am not saying this in criticism of your statement, because I am in agreement with your goal.

Secretary BRANNAN. You know the dairy business very well, and it may be that it would take 7 to 10 years to get that many cows and get that much increase in milk production. Maybe you could achieve a price in the area of 15 cents without getting that maximum production. There are a lot of factors which go into making up how the price could be achieved.

Mr. ANDRESEN. Well, during the time we would be producing those 7 million milk cows there would be less meat for the market because 40 percent of the meat now comes from the dairy farms of the country. There would be a pinch in some way.

Secretary BRANNAN. There might be. On the other hand, we might be able to put on a very intensive dairy animal increase program.

Mr. ANDRESEN. Well, if you have all the calves born as heifers I think you could, but that is a pretty hard thing to change.

Secretary BRANNAN. I do not say we can do it, but we have some scientists at Beltsville who will come pretty close to it, if we give them the job to do.

Mr. ANDRESEN. I do not know. I was out there on Good Friday, and I had a very nice visit with them.

Secretary BRANNAN. They are a great group of human beings.

Mr. ANDRESEN. They are doing some fine work. Off the record.

(Discussion off the record.)

Getting back to this briefly, you suggested a figure of $4.22 as the support payment price for milk. That is on a national average, as I understand it.

Secretary BRANNAN. Right, sir.

Mr. ANDRESEN. Now, the men in your dairy division tell me that for the month of February the national average was $4.21 or $4.20, just very close to that $4.22.

Secretary BRANNAN. Yes, sir.

Mr. ANDRESEN. But with the national average being $4.22 for 3.9 milk, the price to the dairy farmer out in the Midwest was $2.85 for 3.9 milk.

Secretary BRANNAN. Yes; and I think we ought to do something about it.

Mr. ANDRESEN. $2.40 for 3.5 and $2.85 for the 3.9 milk.

Secretary BRANNAN. Yes.

Mr. ANDRESEN. Will that same relationship prevail under your proposal here in figuring out what the farmer in the fluid milk area in the Midwest will get, wherever they produce surplus milk?

Secretary BRANNAN. The essence of your question, Mr. Andresen is, "If you applied the production payment device would you try to compute your averages on areas or national averages, or averages by areas"?

Mr. ANDRESEN. That is the way you are doing it now.

Secretary BRANNAN. Yes.

Mr. ANDRESEN. We have national averages. That is why we are so low.

Secretary BRANNAN. Yes.

Mr. ANDRESEN. In the marketing areas they are high.

Secretary BRANNAN. I confess to you that is one of the problems. If we are in the business of doing genuine equity to everybody, and also in the business of trying to increase production we would have to take very careful consideration of those things.

Mr. ANDRESEN. What inducement will there be for a dairy farmer out through the Midwest to go into this program, if he is only going to receive $2.85 a hundred as compared with $4.22, the national average?

Secretary BRANNAN. Of course, I admit the inducements are not so high. If they were they would be very expensive to the Government.

Mr. ANDRESEN. Do you propose to change the calculations so that the farmer, through the Midwest producing area, will get a more equitable return on his income payment?

Secretary BRANNAN. That is always an objective.

Mr. ANDRESEN. How are you going to work it out? That is what our farmers want to know.

Secretary BRANNAN. I will tell you: All the mechanics, right down to the last item of carrying out all of this program, have not been done. I think we should go far enough to be as informative as possible, but on the other hand to go ahead and do all the work which would be required to project it to its ultimate ramifications certainly is not justified at this stage of the proceedings.

Mr. ANDRESEN. But we have to write a law here. We do not have much time. If this is to go into effect January 1, 1950, our committee will have to go over this in detail, and, of course, we are expecting advice from you. In the meantime, the farmers out through the Midwest want to know whether they are going to get $4.22 a hundred for their milk, or whether they are going to get $2.85. What can I tell them?

Secretary BRANNAN. Well, I think you should tell them, Mr. Andresen, that it is an objective of the proposal to do what is necessary to induce the increased production of milk and that we recognize those inducements interpret themselves pricewise more directly and specifically than anything else.

Mr. ANDRESEN. They like to hear me talk dollars and cents. Would they get $4.22 for their milk?

Secretary BRANNAN. Mr. Andresen, I would like to tell you that they would, but I am not prepared to tell you that they would at this time.

Mr. ANDRESEN. On the other commodities, as you have told us, the figure you have set for the support payment is on a national-average basis?

Secretary BRANNAN. That is right.

Mr. ANDRESEN. Would you expect to treat the farmers in different sections of the country any different on milk than you would for any other commodity?

Secretary BRANNAN. No, unless the circumstances warranted that. Now, you would have to take into consideration the existence of marketing agreements, milk marketing agreements which are now in force and effect, and try to balance them out against the over-all task. Under the present law he is guaranteed $3.55, and your midwest farmer is not getting that, either. Is he? I see nothing in the law which would go into effect in 1950 which has any direct objective to equalize.

Mr. ANDRESEN. That which goes into effect in 1950 is such that you can pay 110 or 125 percent of parity if you want to in the interest of national security.

Secretary BRANNAN. Well, yes.

Mr. ANDRESEN. Getting more milk to the people, as I understand you, and I am in accord with it, would be in the interest of national security.

Secretary BRANNAN. That is an opinion.

Mr. PACE. Will the gentleman yield?

I do not want the record to show that under the interpretation given us by the solicitor that increasing the supply of milk would admit of an interpretation under the Aiken bill of being in the interest of national security.

Secretary BRANNAN. I did not so say.

Mr. PACE. I know you did not. What you request is authority to increase the supports in order to secure increased production.

Secretary BRANNAN. Right.

Mr. PACE. That is what we want.

Secretary BRANNAN. That is right, sir.

Mr. ANDRESEN. But that is in the interest of the national welfare, to get more milk, dairy production, and more meat to the people, at lower prices.

Secretary BRANNAN. It may be, but there may be a very important distinction between the "national welfare" and the "national security."

Mr. ANDRESEN. That is up to you.

Mr. PACE. Exactly.

Secretary BRANNAN. And what you could do on one occasion and what you could do on the other might be very different.

Mr. ANDRESEN. The law gives you the authority to do it, and I doubt very much if your solicitor, your employee, would question you on that after you had once made a decision.

Mr. HOPE. Will the gentleman yield?

Secretary BRANNAN. I would not make it until I had his advice.

Mr. HOPE. As I recall it, though I may be in error, the Senate bill in the form in which it came to the committee did make public welfare the yardstick, but the Senate amendment was adopted which changed that to national security, and those are certainly two different things, to my way of thinking.

Secretary BRANNAN. I agree.

Mr. PACE. If the gentleman will pardon me, they did it without one word of comment as to why they did it. The Senator offered the amendment, it was adopted without a word of explanation as to why the change was being made, and your solicitor is without any guidance whatsoever.

Mr. WHITE. They changed welfare to security?

Mr. PACE. They changed it from national interest to national security.

Mr. ANDRESEN. Whatever that means. Mr. Secretary, you would be the one to decide it, and your solicitor would have to pass upon the issue if you asked him to do so.

Secretary BRANNAN. Yes; but he would have to decide it within rules of reason. You could not take just anything and call it the "national welfare" or "national security".

Mr. ANDRESEN. I think it is. I think, to get more livestock and to get more dairy production would be in the public welfare and in the interest of national security. Reading between the lines of your statement, I think you can probably come to that same conclusion.

Mr. WHITE. Will the gentleman yield?

Mr. ANDRESEN. I think this: I have had a good many letters from people wondering when they are going to get the 15-cent milk and the 35-cent steak and pork chops. I do not think we should hold out a hope that they are going to get them very fast because then it may be construed as political, if they do not get them inside of a week or two. You may have lots of hogs, but I doubt if they are going through the retail channels which would ever get down to 35-cent pork chops for the American consumer.

Mr. WHITE. As I understand, the gentleman is desirous of bringing farm prices down?

Mr. ANDRESEN. Certainly not.

Mr. WHITE. You just got through, if I understood you, saying you wanted to see these prices down.

Mr. ANDRESEN. All right, let me get the record straight on that. The Secretary says that he wants to make support payments to farmers to encourage production, to get an abundance of low food prices to people. Is that right?

Secretary BRANNAN. That is right.

Mr. ANDRESEN. Now, does the gentleman from California understand that?

Mr. WHITE. I certainly do.

Mr. ANDRESEN. Anybody who knows the enthusiasm for a strong farm economy that I have had knows that, but I do not think we should fool the people by leading them to believe that we are going to give them 15-cent milk within a few days, or 35-cent pork, because it is not going to be realized.

The CHAIRMAN. Mr. Secretary, have you made any such statement, or any statement that would indicate that you believe that they would get 15-cent milk or 35-cent pork, or anything like that in the very near future?

Secretary BRANNAN. I have made no reference to the price of pork as such. I did make reference, in my initial statement, that the production-payment program could lead in the direction of getting prices down, getting milk in the area of 15 cents.

Mr. ANDRESEN. You said 7 percent on hogs, that the consumer might get meat 7 percent cheaper.

Secretary BRANNAN. If you use the same amount of money, as I indicated, required to withdraw the necessary number of hogs from the market to maintain the support price.

Mr. ANDRESEN. While pork chops are selling at 80 cents a pound now.

Secretary BRANNAN. Yes.

Mr. ANDRESEN. And we will say that they get 8 cents—72 cents, I am afraid, if they are to pay 72 cents that they would expect more. Do you not think so if they are told it would lower the price?

Secretary BRANNAN. That may be right, but going back and comparing the point I was making, I was saying we could get that without even waste, that is, by just using the money that we would otherwise use, but would be wasted in its entirety, and we could give the consumer more pork to eat.

Mr. ANDRESEN. If your Department or the Administration had permitted larger quantities of fats and oils to be sent out of the country, we would not have the difficulty we are now having with cottonseed oil and soybean oil and other oils. I recognize now that is why you let the hundred million pounds be exported, and that is a step in the right direction, but it came too late, and fats and oils are down to rock bottom, you might say, about 10 cents, which, of course, is the trouble with the fats-and-oils economy today.

The CHAIRMAN. Gentlemen, it is 5 o'clock.

The committee will stand adjourned until 10 o'clock tomorrow morning.

(Thereupon, at 5:03 p. m. an adjournment was taken until 10 a. m., Tuesday, April 26, 1949.)

GENERAL FARM PROGRAM

TUESDAY, APRIL 26, 1949

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D. C.

The CHAIRMAN (Mr. COOLEY). The committee will come to order.

The committee is honored to have present this morning the very lovely group of young ladies from Dalton High School from the city of New York. It is a very good sign to see people from the city interested not only in the Government but in the agricultural affairs of the Nation. We want to welcome you here and the Chair expresses the hope that your visit to Washington will be profitable and pleasant in every respect.

We have with us again this morning Secretary Brannan. We will be very glad to proceed with your statement, Mr. Secretary. Mr. Granger of Utah desires to question you at this time.

FURTHER STATEMENT OF HON. CHARLES F. BRANNAN, SECRETARY OF AGRICULTURE

Mr. GRANGER. Mr. Secretary, there has been criticism of your proposal in the press and elsewhere, as being a program that would regiment the farmers and, as was indicated yesterday by Mr. Poage, your proposal to give direct subsidies would be demoralizing to the American farmer and the American people. I am wondering if there is any thinking in the Department, by the Secretary or any of his people, along the lines of intentionally or otherwise advocating a program that would be extremely socialistic or which in any way would regiment the American farmer to the disadvantage of the American people and our way of doing business.

Secretary BRANNAN. Mr. Granger, I say to you most sincerely that I believe the proposals we have made will require less Government regulation or interference with what farmers are doing than will the programs now enacted into law. If I might explain that feeling, I think, in a few words, it would be this:

The important objective ahead of American agriculture in these next few years is to make certain adjustments out of the crops and away from the crops which will be in long supply if the present pattern of production is continued and into the crops which are, for the time being at least, in short supply.

There are two ways, at least, of doing that. One is by inducing people to leave the crops which are in long supply by lowering the prices on them to the place where it is attractive to go to something else.

The other method is to make the price of the other commodity attractive enough for them to leave their present crops and go into the other types of production. My proposal is the latter, that we make the prices of the other commodity sufficiently attractive that people will want to move into those enterprises rather than force them out of their present enterprises by lowering the prices to what I think can be levels which in the aggregate would lower the national farm income below the point where it is in the interest of anybody to see it.

Mr. GRANGER. Your first proposition of lowering the price would have the tendency of pushing them over into the production of some other crop. Has it been the experience of the past that when the price goes down in a certain commodity instead of moving over, the farmer tries to raise more in order to make more money?

Secretary BRANNAN. You are exactly right, Mr. Granger, for the other reason, that when the prices go down in a particular commodity the farmer usually finds himself with inadequate funds to make the kinds of adjustment that are necessary to get into another type of production, namely the new types of machinery, or get the skills and know-how together into the new business.

Therefore, he just accentuates his efforts with his existing machinery and with his existing knowledge and he attempts to make up by volume what he is losing in price on his total income.

I think that philosophy is fallacious from both points of view.

Mr. GRANGER. I agree with you.

In our American economy under the free enterprise system, certain elements of our society have done rather remarkable things. Industry has grown more or less independently and by its own efforts has become strong. The laboring people, as a result of big business, started to form big unions and through a century of bloody heads and lock-outs and so forth they have finally got in a position where they can defend themselves. It seems that agriculture is the only one that has not been able to do that. Why do we have to have a farm program? Why does the Federal Government have to wet nurse the farm, as you might call it?

Secretary BRANNAN. Mr. Granger, I really don't think the Federal Government is giving a great deal more assistance to farm people than it is to other segments of our population. You have referred, by inference, and other members of the committee have referred, to mine wage laws, unemployment compensation, the right to collective bargaining of labor. They have referred to tariff laws, to the kinds of laws which in effect assist some big industries to continue in business because it is in the public interest. That came along over a period of fifty to a hundred years. It was only in the last couple of decades that we became very much concerned in this country in farm programs and in attempting to give similar treatment by our Government to farm people.

Therefore, we have sort of bunched up our farm legislation so that it looks like it is really more than the rest of our population is getting. I believe it is not.

I would like to refresh our memories by reminding you of the fact that in the farm production and marketing picture is an element which is not present in most of the other production and marketing problems of most other kinds of goods. That is that the farmer does not know from the time he plants his crop until it is harvested what the price is going to be. Very often he can start to market with his grain, or with his cotton, and he still does not know until he actually gets to the elevator or the gin what the price will be and would not know if it were not for the price-support system.

In short, there is a particular economic factor in relation to farm production and farm sales which is not present in some other production and marketing problem. A farmer just cannot quit producing and get another kind of a job. A manufacturer can switch from one kind of automobile to some other commodity with some cost, but the farmer cannot make that kind of conversion. Therefore, he is, in effect, a trustee for the people of a food-producing resource. To that extent and to the extent that he does not have complete control over his own market and market prices, I think it is justified for the American people to step in and provide him mechanisms by which, with his own efforts, he can retain some degree of stability at reasonable levels.

Mr. GRANGER. Do you think the American farmer wants this program?

Secretary BRANNAN. I am reluctant to speak for the American farmer, Mr. Granger.

Mr. GRANGER. I do not mean your program particularly, but I mean any kind of farm program.

Secretary BRANNAN. I am certain that they do and I am certain they want the kind of program that will be efficient and in the public interest as well as serving them adequately. I do not think the farm people of this country want any special privileges, any class legislation, or any other kind of exceptional treatment. I think they just want a set of rules under which, if they are diligent and efficient on their own behalf, they can get reasonable returns for their investments, their time, their land and their work.

Mr. GRANGER. Do you find any feeling among the farmers that expresses the opinion we hear expressed in the committee that the farmers are very reluctant to receive any of these benefits? Have you ever heard of any farmers returning the checks they have received from the Government?

Secretary BRANNAN. No, I have not, Mr. Granger.

Mr. GRANGER. Is the feeling among the farmers widespread throughout the country that they do not like to receive Government aid?

Secretary BRANNAN. I am not aware of it, Mr. Granger.

Mr. GRANGER. Coming to your proposal here, which I personally think is one of the best thought-out programs that was ever proposed to the American farmers, there has been much opposition toward it because a lot of people do not like to change their ways.

As I understand your proposal, about the only difference between your proposal and the Aiken bill and the act of 1938 is on two points. That modernizes the so-called parity formula and your proposal for an 1,800 unit program for supporting the price of agriculture is the other. Is that right?

Secretary BRANNAN. Mr. Granger, we do modernize the formula. I would not correct you but I would add to your statement by saying that there is in my opinion a change in approach.

The formula itself starts with a national farm income objective for the first time that any formula has genuinely started with that approach and from that basis. The old formula, which has served us well, starts with a price relationship by commodity. If it happens to have served the national farm income well, that was incidental.

The other approach has been an income approach, not a guaranty but an income approach. I think that is the first important thing. I agree with you that under the provisions of title II, or the Aiken provisions, we could, in my opinion, do most of the production payment type of operation which we have been discussing here recently. The addition in our recommendation was first that we spelled it out so that there would be no question in anybody's mind as to what the word "payments" meant to us and so that the committees, the Congress and the people would know what was to happen as a result of that word and what our intentions were with respect to it. I do not know what Senator Aiken had in mind when he put the word "payments" in. I think he had the sort of things we have been talking about, but I am told by some other people who were interested in the bill at the time that he had no such idea, that the word "payments" would not allow such things as I have been talking about.

Therefore, it seemed to me that it was highly important that we get it out on top of the table and talk about it so that if whoever is Secretary of Agriculture on the day that the word "payments" appears in the legislation should do something as I have done, there would not be a great howl of surprise and a feeling that that is not what it meant. That is the second objective of what we were trying to say in our presentation.

The third thing was that we raised for the committee's consideration the question as to whether or not there was some limitation beyond which the application of price supports was in the public interest. That is the unit limitation.

Mr. GRANGER. I hope you have not hauled the flag down on that proposal. When you propose legislation, is that provision going to be in the bill?

Secretary BRANNAN. It is in the draft today, sir.

Mr. GRANGER. I hope it stays there. At least one member on the committee does not agree with what the chairman said yesterday. I think it is still the objective, is it not, of the farm thinking people, to maintain the man and his family on the farm in this country?

Secretary BRANNAN. There are many recitations to that effect in the record today.

Mr. GRANGER. And that is, we think, a desirable thing?

Secretary BRANNAN. Yes.

Mr. PACE. Will the gentleman yield?

Mr. Secretary, you probably want to call attention to the fact that the difference in your plan is a very material difference due to the fact that you do not resort to this flexible support feature contained in the Aiken bill?

Secretary BRANNAN. Mr. Pace, I think that is right. The term "flexible," of course, has taken on the connotation of low price supports. As I understand the operation of the mechanisms which took on the term "flexible," they would eventually, by moving down the price as the main factor in controlling production, result in lower prices.

Mr. PACE. Which is a principle you do not subscribe to?

Secretary BRANNAN. That is right, Mr. Pace. I would not want the record to show that there was rigidity and inelasticity in the proposals because as a matter of fact I think it is quite responsive. As you were pointing out yesterday, it could be too responsive to the changes in national income. It is responsive to the general economic conditions and is not a rigid, fixed objective. It moves forward with time. It reflects all of the new things which come to bear upon agriculture. It reflects the changes in our national economy.

Mr. PACE. Thank you.

Mr. HOPE. Will you yield to me just one minute?

Mr. GRANGER. Yes.

Mr. HOPE. There is this difference between your proposal and the flexible provisions in the Aiken bill, that you will not have under your proposal a price incentive for a movement out of one commodity into another by recent changes that might be made in the price support program.

Secretary BRANNAN. That is right. I do not know whether you were in your seat, Mr. Hope, at the time I said that to Mr. Granger just now. That is correct, sir.

Mr. HOPE. As to flexibility, you might say that under the Aiken bill you have a two-way flexibility and under your bill you would just have a one-way over-all flexibility. In the Aiken bill you have flexibility between the price programs for the different commodities.

Secretary BRANNAN. There is flexibility between the prices of specific commodities under my proposal. The ultimate price of a specific commodity reflects not only national farm income but it also reflects farm purchasing power interpreted into dollars and finally is related to the 10-year history of the price of a specific commodity. It might move either way in relation to that scale.

One commodity might move in one direction and another commodity might move in the opposite direction, depending upon its 10-year history. That was the reason I thought it most advisable that we see how it works and give this 2-year lag for everybody concerned to get a good look at how it is going into operation.

The farmers would know, the Department would know, and the Department could come to Congress if there were some abnormalities and talk them over and make the adjustments either by legislation or by general authorization of the Secretary, whichever the Congress felt most desirable.

Mr. HOPE. The point I had in mind was that under the Aiken bill, as I understand it, there was the idea that you, as Secretary of Agriculture, would directly influence the planting or withholding from planting of various commodities because of the authority which you had to fix, within certain limits, the price support for that particular commodity. The theory was that if you provided for a lower price support the planting of that particular crop would be less.

If you provided for a higher price support it would be increased. You do not contend, do you, that you have that type of flexibility in your program?

Secretary BRANNAN. There is all of that, Mr. Hope, coupled with the very expressed intention that in place of reducing prices to get people out of producing that particular commodity, certainly as far as the next 4 or 5 years are concerned you will give inducements to them to go into some other type of production.

Mr. HOPE. That is on the theory, I presume, that under your program the minimum price support is the income support standard.

That is the minimum under your program and the flexibility would be obtained by offering a higher price support level than that minimum to expand the production of certain commodities.

In other words, the income support level in your program would correspond to the 60 percent in the Aiken bill, as far as basics are concerned, and to the zero in the Aiken bill as far as nonbasics are concerned.

Secretary BRANNAN. I think it would, sir.

Mr. PACE. Will the gentleman yield?

Mr. HOPE. Mr. Granger has the floor.

Mr. GRANGER. I will yield.

Mr. PACE. Is not the fundamental difference in the philosophy of your plan and the philosophy of the Aiken bill that instead of driving a producer out of the production of a commodity by a reduction in support, you lead him out of the production of that commodity into the increased production of the commodity that is needed by raising the support on that commodity?

Secretary BRANNAN. That is right.

Mr. PACE. The Aiken bill tries to drive them out through a cheap price and you lead them out through a better price for the commodities that people need. Is that not correct?

Secretary BRANNAN. That is correct and I think that is what Mr. Hope is saying too, isn't it?

Mr. PACE. I do not think so.

Mr. HOPE. Is there any greater danger under your program of a total over-all overproduction of agricultural commodities than you have under the program provided in the Aiken bill? Under your interpretation of it you have as much flexibility. I understood you to say you thought you would have more flexiiblity in your program than the Aiken bill.

Secretary BRANNAN. The flexibility runs up more than down, I think, Mr. Hope.

Mr. HOPE. What effect would that have on this question of overproduction? In other words, if we shift into one thing because we have a surplus of something else, then we are very likely to be producing a surplus of that new commodity. Do you think we would be more likely to do that under your system which would provide for a considerably higher price support level than the Aiken bill?

Secretary BRANNAN. I think perhaps if you had no production limitations of any type whatsoever and you induced people out of one commodity by a price inducement that eventually would have a general tendency to increase prices. But that is the very reason that we have suggested the need for the acreage limits and the marketing quotas which are now on the statute books and we have also pointed out that by the use of production payments in perishables you could get that kind of a limitation much easier and much more simply. I think I should add to that sentence as stated a moment ago the word "relative." As a matter of fact, the level of prices is always controlled by the index of prices received by farmers related to the purchasing power of the dollar during the 10-year period and the total earnings of the same 10-year period. It does keep in sympathy with over-all national income but at the same time we try to work our adjustments by inducement rather than by a lowering of prices in each case. If the philosophy is correct, it is correct on this assumption, Mr. Hope, that farm income relative to the national income and individual average farm income in relation to the individual average nonfarm income are still proportionately low on the farm side.

Maybe 20 years from now we might have to take another look at this whole thing, or in a lesser period of time. But during that period of time we do have this area of difference, this 60 percent differential against farm people in the national average income.

Mr. HOPE. Are we to conclude from what you have said that there will be more likelihood of the need for controls in the way of acreage allotments and marketing quotas and marketing agreements under your program than there would be under the Aiken bill program because of the higher price level and consequently the greater inducement to overproduce?

Secretary BRANNAN. Mr. Hope, the only premise on which you can answer that in the affirmative would be that some day in this country we would have the production of all of the things that all of the people needed and all of our world trade completely and fully satisfied at good prices to farmers. For the time being it means much less controls because it induces the shift out of commodities in long supply now by relying on price inducement as the chief factor rather than relying on price reduction as the chief factor, which in my opinion will not achieve the result anyhow, and therefore will cause us to have to put in limitations at lower prices in any event.

I think Mr. Granger referred to the experience we had with wheat at low prices. I am sure you are well aware of that. If I may refer to that again, I will cite an example in the case of potatoes where we have reduced the support price and the volume seems to be coming along almost as great as it was last year.

Mr. HOPE. I would like to go into that a little more, but I do not want to take any more time right now. I thank Mr. Granger for yielding to me.

Mr. GRANGER. Coming to your proposal, under the special storable commodities, is wool considered one of those storable commodities? Actually, is it storable?

Secretary BRANNAN. Yes, sir.

Mr. GRANGER. Then why did you take it out of the preferred class? Under the Aiken bill you will remember that wool received treatment reverse to the treatment of other commodities because of the amount of wool produced.

It had a different status in the Aiken bill because of that reason. Why did you take that out and treat it differently under your proposal?

Secretary BRANNAN. For rules of logic, Mr. Granger. The group 1 commodities include the list of commodities the sale of which contributes most substantially to the total national farm income. As you go down the list of those commodities wool is not found very near the head of the list because it is one of the smaller items of national income.

Mr. GRANGER. Is that the reason you took out peanuts and rice?

Secretary BRANNAN. Exactly, sir.

At the same time, lambs went in because they were part of the total meat production of the country, which is No. 1 or No. 2 in its contribution to total national farm income.

Mr. GRANGER. You have that industry in two categories. You have meat in the perishable class and the wool in another class, do you not?

Secretary BRANNAN. But, Mr. Granger, there is no relationship between group 1 and group 2. Group 1 just consists of the commodities which we said to the committee should receive the greatest emphasis or should never be allowed to go below this minimum support level in our support operations. The other division between perishables and nonperishables was a division for the purpose of the application of method and has no relationship to the level of support.

For example, a commodity in group 1 such as cotton would enjoy a high level of support. At the same time, it would find itself in the list of commodities supported by purchase agreements and loans. Wool is not in the first category of group 1 commodities. Yet it is in the group of commodities along with cotton as one of those commodities which would be supported by loans and purchase agreements.

Mr. GRANGER. You say it would be supported?

Secretary BRANNAN. Yes, sir. To give an example on the other side, hogs are in the group 1 commodity because they are substantial contributors to farm income, yet they are in the group of nonstorables which we would attempt to support by production payments. In short, you have just the opposite situation. Cotton is in group 1 and in the list for support by loans and purchase agreements. Wool is not in group 1 but it is in the list of commodities supportable by loans and purchase agreements.

Mr. GRANGER. At what level would you propose to support wool?

Secretary BRANNAN. I would say, Mr. Granger, that we would support it for the time being at the levels of support which are generally in force and effect now. For the purposes of the Board's deliberations, that would represent the best advice we had on the subject at the time from the Congress and from our previous experience.

Mr. GRANGER. As I said yesterday, there is a considerable part of the meat industry in distress.

I might add, Mr. Secretary, that not only hogs but cattle also have been on the markets in greater numbers than they have in a long time. I do not suppose you had anything to do with that.

Secretary BRANNAN. I have not said anything about cattle lately.

Mr. GRANGER. Anyhow, they were there in great numbers.

Mr. WHITE. Would the gentlemean yield temporarily there?

Mr. GRANGER. Yes.

Mr. WHITE. I would like to ask the Secretary in connection with the discussion that was had here yesterday in the committee which intimated that he had been at fault in connection with the decline in hog prices if he recalls last year Mr. Stassen made the statement during the campaign that price supports held prices up.

Now, some of the gentlemen in the Republican Party here yesterday said support prices put prices down. I wonder if the Secretary does not wish, as I do, that the Republicans would make up their minds just exactly what price supports do.

Mr. ANDRESEN. Will the gentleman yield?

Mr. GRANGER. I yield.

Mr. ANDRESEN. I never figured that the agricultural proposition has a political proposition either in an off year or during a campaign year. We have never treated it that way until someone brought it in recently.

Mr. GRANGER. I understand you are going to treat it that way next year.

Mr. ANDRESEN. I think the Secretary did a pretty good job last year on the same subject. Let me say on the hog proposition, I do not think you ever heard the gentleman from Minnesota state that the support price was not intended to give the farmer a fair price and it was a floor under agriculture. But what the Secretary said on April 7 and repeated several times afterward was that he was going to buy hogs within the next 60 days at the support price. The price was at least $2 a hundred above the support price when he made the statement. If he was trying to bring the price down to the support price so that he could carry out his desire to buy hogs, he did bring about that situation, as I see it.

Mr. WHITE. I do not think the Secretary made any statement that would be construed as predicting the price. There have been innumerable times in history when price floors have been announced and for a whole season the particular commodity remained above the support price.

Mr. ANDRESEN. The Secretary's word carries considerable weight and when he said he was going to buy hogs for the Government, it it could only mean that he was going to buy them at the support price which was $16.50 and $2 a hundred under the then prevailing price.

Mr. GRANGER. Mr. Secretary, how can we avoid a situation like we have today? In my experience, the first people who have usually been hurt in declining prices have been the feeders of livestock. They are really in a tough spot now. I think the losses this year will be as great for the feeders of livestock as they have ever been in history. How could that be avoided under your program? Do not tell me they bought them too high. I know they did but we are always going to be subject to changes in price.

Secretary BRANNAN. Mr. Granger, if these people operate in the market above a reasonable level of support I do not think there is anything the Federal Government can do to help them. I have not thought of any device at all.

Mr. GRANGER. Not now, but certainly in a farm program it would not be possible for it to get out of line like this, would it?

Secretary BRANNAN. No, sir, for the reason that if the proposed program is successful and achieves its objectives, there will be a lot more animals available for feeding and there will be a greater stability to the price and they will not be forced to buy as high as they were forced to buy last year. The reason they bought at high prices was because they were buying in a highly competitive market made competitive by the shortage of animals.

The objective here is to get a bigger supply of animals by price inducement and hope that that would carry on through their hands all the way down to the consumer.

Mr. GRANGER. When I was in Denver last week the question was going around, How shall the Government support hogs when the time comes? The commission men were asking me that question and I did not have the answer to it. I do not know whether you have it or not. How are you going to support hogs when you have to support them?

Secretary BRANNAN. Mr. Granger, I can see only one method and I certainly do not recommend it and approach it with fear and trembling. That is buying pork from the packer and looking for some place to put it. That is the only authority we have under existing law.

Mr. GRANGER. You would propose to buy enough pork to keep the price at the support level?

Secretary BRANNAN. That is the theory and the mechanism.

Mr. GRANGER. Under your program how would you support the price of cattle, hogs, and other livestock?

Secretary BRANNAN. We would allow the price of hogs to seek its level in the market place and pay the farmer directly the difference between that average level and the support standard, whatever it may be.

Mr. GRANGER. I was talking to some of your people in the Department about the possibility of working out an insurance. It seemed to me that it could work very easily with livestock. Have you given any thought to the possibility of doing that?

Secretary BRANNAN. Of a price-insurance program?

Mr. GRANGER. Yes.

Secretary BRANNAN. Mr. Granger, we did do a lot of work on a price insurance program. We tried its application on many kinds of commodities. We ran into difficulties, we thought, in almost all of them. The real problem comes in any kind of insurance operation when the commodity over a period of time rests at the support level because if it does and the Government is insuring that price at that level they will again be delivering the producer a check and it will be reckoned from the same kind of premise we are talking about in production payments. As a matter of fact, it seems to me that production payments are in one sense of the word an insurance program. The only difference is that the farmer does not pay a premium in advance. The premium he pays in advance if the price stays at the support level for any appreciable period of time would be tantamount to a 5 percent or some other percent reduction in the support level.

Mr. GRANGER. Have you had any response from livestock producers as to whether or not they wanted any program? Someone told me yesterday that nobody wanted the support price on livestock. Have you heard anything about that?

Secretary BRANNAN. No, we certainly have not. There are always a few people who take the position that if the Government was entirely out of the agricultural support business farmers, producers, and customers would be better off. I think that question is settled. I think the Congress settles it every time it makes an appropriation for carrying on the programs. It settled it when it passed the several programs.

Mr. GRANGER. Then you have not discovered any way to sugar-coat the production payment other than the way you suggest, by direct payment. As a matter of fact, that was about the most effective method of payment and the most satisfactory method we had during the war where we paid a direct subsidy for milk, was it not?

Secretary BRANNAN. Yes, and I am sure that you want to go on to say that that was a purely consumer subsidy and is not comparable to what we are doing here.

Mr. GRANGER. That is right, but it was a payment that was direct to the producer.

Secretary BRANNAN. It certainly was, and from the standpoint of efficiency and simplicity of operation it was very good.

Mr. GRANGER. As well as getting the money where it belonged.

Secretary BRANNAN. Yes.

Mr. GRANGER. While the reasons are different, the method would be the same.

Secretary BRANNAN. That is right because we had to use feeds. There were many demands for livestock feeds at the time and in order to get them into the milk production it was necessary to subsidize the price of the feed.

Mr. ANDRESEN. Will the gentleman yield?

Mr. GRANGER. I will yield to Mr. Poage.

Mr. POAGE. I want to ask the Secretary a question right there. Did the farmer not come in for a lot of undeserved criticism in connection with that subsidy in the thinking on the part of the public and the numerous statements on the part of the commentators, newspapers, radio people and everyone else in this country, including politicians, to the effect that the farmer was being paid billions of dollars by the taxpayers? That was true, was it not? The public generally looked upon the farmers as getting these billions out of the taxpayers.

Secretary BRANNAN. Mr. Poage, there were so many things being said at that time. OPA was involved in the deal. There was so much crossfire that I am sure somebody said just what you said but I never felt that it was any consensus or should be given any substantial weight.

Mr. Poage. Do you think the majority of the people of the United States realized that that was for the benefit of the consumer rather than for the benefit of the producer?

Secretary BRANNAN. Most of the farmers were saying it was a consumer subsidy.

Mr. POAGE. I think most of the farmers did but what about the other 80 percent of the people?

Secretary BRANNAN. Our chief business is taking care of farmers.

Mr. POAGE. That is right, but you were taking care of consumers there and the farmers were blamed with it and charged with it. Even today, the next time you see some of these figures about how much we have been spending on the Government, you will find that in the last 10 years they will tell you that the United States Government has put out so many billions of dollars in the way of payments to farmers and they are going to include those $2,000,000,000 or whatever it was you spent on milk. I am sure Mr. Wells will verify that you are going to find those figures all over the United States, that the United States Department of Agriculture, over the past 10 years, has spent so many billions of dollars adding to the income of farmers and in that total billions is going to be every dollar that you paid out for consumer subsidies.

Secretary BRANNAN. Mr. Poage, I do not think anybody will disagree with you about that. All kinds of things appear in all kinds of situations in this great country of ours.

Mr. POAGE. Should we not try to keep the farmer from being unfairly blamed with these things if we can?

Secretary BRANNAN. Maybe that is one of the objectives we ought to keep in mind. In my opinion, the real objectives we should keep in mind are efficiency of operation, effectiveness of operation, and the real public and general welfare, the farm welfare and the general welfare. We did focus our program in that direction and perhaps did not pay enough attention to the sugar-coating business.

Mr. POAGE. Mr. Secretary, Hitler probably had a more efficient economic system than we have ever had. I never want a system as efficient as Mr. Hitler had in Germany. Yet he got the money to the places he wanted to put it, whether rightly or wrongly, but wherever the brain trust at the top wanted it, he got it done. I disagree with you thoroughly when you say that efficiency is the thing we ought to work for, at the expense of liberty. I am not nearly as much interested in the efficiency or even the economic income of my farmers as I am in their self-reliance and in that spirit that has made America a great country, the individual right of the farmer to make some decisions for himself.

Secretary BRANNAN. Mr. Poage, I only wish you were on our appropriations committee. There is where we have to show what we get dollar for dollar of the money we spend on personnel and office space and all the rest of the operating costs. I am talking about efficiency of operating costs and it will be an objective of mine as long as I have anything to do with the Government or any other place where I am working.

Mr. POAGE. After all, what is the use of the Government if it destroys the very liberties it is supposed to protect? What advantage is the Government? Government does not exist simply for its own sake. You cannot separate government and say that it is an entity entirely apart from the people. The Government exists only because of the people, to serve the people, and to protect their liberties.

Secretary BRANNAN. Mr. Poage, if you are describing a program which is designed to stabilize farm income at reasonable levels as a program which is stealing the other spiritual values you are talking about here now, then I think you have to wipe all the programs off the books and start entirely anew. We are delivering money to American farmers in the form of checks. I see little difference between delivering the farmer a check for part of the sales of his commodity and a check for all of it, which we are doing this very day. I realize that there is something to the point you are making about the spiritual values of operating in a present market and without any interference from Government. I want the least amount of interference from Government. But the most efficient program, in my opinion, is one which accomplishes the objectives and gets the least amount of interference.

That is what we are shooting for and that is what our recommendations consist of. All I can say to you is, if they are un-American, if they rob men of their social stability or a feeling of security, then I think you must wipe all the programs off the book and start over again.

Mr. POAGE. The basic difference between your viewpoint and mine is that you again emphasize the fact that you are shooting for efficiency as an end. You said it in this last statement and you have said it every time.

I am not shooting for efficiency. I am shooting for service to the American people in the American way and I know that it costs more to do it the American way than it did the Hitler way, but I still say that I would rather do it the American way than to do it the Hitler way and not get the efficiency that he got.

I am not charging you with trying to bring us to the Hitler way, but I am saying that if you simply want efficiency, that was the grandest example this world has probably ever seen. If that is what you are shooting at, then, as you say, let us go all the way. I will grant that I am willing to make some compromises. I will grant that I am not insisting that we keep the log cabin and the dug well and pull the water up in the old oaken bucket. I am willing to bring it in pipes but it does seem to me that when you can get substantially the results you desire by sugar-coating, that it is worth while to sugar-coat, if you want to use that expression.

I think there is something to the psychology expressed. I think there is something more than mere dollars involved in this program. I think the psychological effect means something just as well as the economic effect. I gather from your statements that efficiency is the chief goal, that we are not to consider the psychology of the matter. It seems to me that we must recognize that we can even sacrifice some dollars to get the psychological result we want.

Secretary BRANNAN. Mr. Poage, you just name the way you can put sugar-coating on it and if the committee wants it, certainly we will accept it, but I do not accept the premise that the American system is not efficient nor do I accept the premise that we who try to operate the system should not try to make it as efficient as we can.

Mr. Poage, I respectfully call your attention to the fact that you are now plastering a conscientious, sincere, honest attempt to make for the right declarations and recommendations to this committee with some very bad characterizations which these gentlemen sitting behind me, because they are reporters and conscientious reporters, are going to have to put in the newspapers and spread all across the papers.

Mr. POAGE. Mr. Secretary, I have not plastered the plan with anything at all. I did not even mention the plan.

Secretary BRANNAN. Mr. Poage, did you read the morning paper on the quotations of your statement yesterday?

Mr. POAGE. Yes.

Secretary BRANNAN. You plastered it as un-American yesterday.

Mr. POAGE. No, I did not plaster it as un-American.

Secretary BRANNAN. That is the way it shows up in a lot of papers this morning. If I had been a reporter sitting at that table that is the way I would have written it.

Mr. POAGE. I continue to suggest that even though direct payments might be most efficient they are certainly not calculated to help the farmer maintain his self-respect.

Secretary BRANNAN. I am now only suggesting the things which occurred to my mind. If you know how to do it with other than direct payments, please tell the committee and let us throw my plan out the window and all the rest of these plans out the window and let us give American farmers money by injection or some other method.

Mr. POAGE. I made a serious suggestion for the use of insurance but instead you gentlemen have chosen to say that I just propose to sugar-coat things. Instead of giving it any serious consideration, you have just branded it as a sugar coat. That is the consideration I got when I made an honest suggestion. It was simply branded as sugar-coating something.

Secretary BRANNAN. Mr. Chairman, I apologize to you and Mr. Poage. I am sorry.

The CHAIRMAN. Mr. Secretary, I do not know that you need to apologize to anybody at this time. Mr. Granger has the floor and Mr. Poage has ceased to talk.

Mr. GRANGER. I yield to Mr. Andresen.

Mr. ANDRESEN. I am very sorry that politics had to creep into this from the majority's side. While we are sugar-coating let us color it yellow so it looks like butter.

Mr. Secretary, what I wanted to inquire about was your statement that during the OPA days when you paid a subsidy on dairy products to get production, that was a consumer subsidy. I agree with you. But is your plan not exactly like that one? You are going to pay the farmers so they can get a decent standard of income and you are going to let the commodities sink down to their supply-and-demand level. I cannot see any difference between what they did under the OPA days and your proposal. Wherein does it differ?

Secretary BRANNAN. Mr. Andresen, let me respectfully say to you that the approach which we are recommending is a price-support approach to begin with. In the statement which I presented yesterday I pointed out that you could support the price of milk at a given level, as well as milk products, whenever there was substantial volume by the production payment route, much more efficiently, if I may say so, and with much less expense to the Government and to the benefit of the producers than you could with the authorizations we have today.

Mr. ANDRESEN. Let us get back to what you said, that your program was different from what we had under the OPA days. There we paid the farmer to get production except on butter which was virtually put out of business because the OPA put a higher subsidy on fluid milk and cheese and some other commodities and the people did not put their milk into butter and the consumers had the benefit of it. But I do not see any difference in your program here.

Secretary BRANNAN. First of all, we were not supporting prices then. We were operating in an area well above price support.

Mr. ANDRESEN. But you paid a subsidy to get greater production.

Secretary BRANNAN. You did because of reasons which are not now present at all. Federal supplies were extremely short at that time. Therefore, it was extremely expensive for American farmers to produce milk. Yet it was also in the public interest that the price of milk not go up commensurate with the cost of production to the American farmer. Therefore, in the public interest the Government stepped in and made the payment of the difference. If, during that period of time, supplies of feeds and fodders for the dairy industry had been in ample supply, there would not have been that kind of a program. No one of those factors is present today. We have adequate supplies of feedstuffs.

Mr. ANDRESEN. I thought you wanted 150,000,000,000 pounds of milk.

Secretary BRANNAN. I want 150,000,000,000 pounds of milk and I think by putting the support level at a reasonable figure and stabilizing it there you will begin to get it.

. Mr. ANDRESEN. You did that during the OPA days.

Secretary BRANNAN. That was a ceiling, not a floor. When you start into that kind of operation you must take a look beyond the day when you get your exact production and your exact demand into balance. You have to establish some kind of a mechanism for handling what may for the moment otherwise become a surplus. I say in place of the Federal Government going in and buying milk out of the market places and having it converted into dried milk and having it stored in warehouses and then having us turn around and try to find market places somewhere in the world, that we should allow that milk to flow into the market place and pay the differential. In psychology, in general philosophy and in net result you might say, "Well, you are paying the check and therefore the two programs are alike." But when you analyze the background, the objective, and realize that what we are proposing is a method and then when you also realize that we say in addition, "If you want to increase the expenditure over and above what would be essential to a price-support operation, the most efficient price-support operation, and if you want to put in some additional money, you can keep on forcing the price of milk to the consumers down considerably further."

I gave you yesterday what I thought was the formula by which you could tell how far you could go.

Mr. ANDRESEN. You did not give me a formula on milk. You said $4.22 was the national average. When I asked you what it would be in the Midwest you said that was something you would have to work out.

Secretary BRANNAN. That is something we would have to work out but I did give you this figure, that if you tried to achieve the reduction of a cent per quart on all milk consumed in fluid form in the United States, if you paid a cent on every quart consumed in fluid form, it would cost the Federal Government $150,000,000 a year to do it.

Mr. ANDRESEN. And if you paid a cent a quart on the 100,000,000,000 pounds of milk that is sold as fluid milk and used it both as fluid and manufactured milk, you would pay $440,000,000 a year.

Secretary BRANNAN. That is right. But I did not by any stretch of the imagination say that we were going to reduce the price of all dairy products by any such device. The only example I used was milk but the price-support system, if operated effectively under a production payment plan, can also bring the price of those other commodities down commensurately.

Mr. ANDRESEN. It may do that but it looks to me as though if you get this production which you are seeking in the nonstorable commodities, there will be such a heavy load on the market that the price will go down and dairy farmers and cattle farmers and hog farmers and producers of fruits and vegetables will all become dependent upon the Government for their livelihood. There will have to be bigger and larger checks all the time unless you step in and control their production. That is all.

Secretary BRANNAN. Whenever the production exceeds any genuine reasonable demand at reasonable prices in the United States, then I think milk is in the same condition as cotton may be in the next year or two and you will have to step in.

Mr. ANDRESEN. You do not want farmers to become solely dependent upon the Government for their livelihood, do you?

Secretary BRANNAN. No, sir, and I do not anticipate that time at all.

Mr. ANDRESEN. Thank you, Mr. Brannan.

Mr. WORLEY. Will the gentleman yield?

Mr. GRANGER. I will yield.

Mr. WORLEY. Mr. Secretary, what new commodities are brought in under your program that are not covered by existing law?

Secretary BRANNAN. Mr. Worley, I think the proper answer is that no commodities are brought within the scope of the program that are not now within the scope of existing law. You can support any commodity at the discretion of the Board of Directors or the Secretary at somewhere between zero and 90 percent.

Mr. WORLEY. Is beef not a new commodity?

Secretary BRANNAN. Beef has been moved into the list of commodities to receive preferred attention for price support because it is one of the principal factors which go into making up farm income. You see, if we start back from the objective which was a national farm income and just use a ridiculous example—and I do not do it facetiously—it would not make sense if you were shooting at a national farm income to go out and support the price of artichokes or watermelons or canteloupes because very few people are ever going to eat them, in the first place, and very few people are going to buy them. So you go to the items which are in largest volume and which make up the biggest bulk of farm income.

The list started off with meat animals, dairy products, and came on down to exactly the list we have included here, corn, cotton, wheat, tobacco, whole milk, eggs, chickens, hogs, beef, lambs.

Mr. WORLEY. Could you state for the record how much beef cattle contribute to the farm income of the country?

Secretary BRANNAN. I think it is about 16½ percent. We have the figure right here.

Mr. WORLEY. Did you have any requests from cattle raisers to be included in the program?

Secretary Brannan. No, sir.

Mr. WORLEY. Did you consult with any of the associations or organizations representing the cattle people?

Secretary Brannan. No, sir. We made our recommendations, Mr. Worley, realizing that they would then be laid before anybody who wanted to pay any attention to them and who could then comment on them. I understand there are a few people who do want to make comments.

Mr. WORLEY. Do you think it is essential that beef cattle be included in the program?

Secretary BRANNAN. Yes, sir. It would be inconsistent with the theory and philosophy that we have proposed.

Mr. WORLEY. They have never been included in any other program, have they?

Secretary BRANNAN. No, they have not. You are correct, sir.

Mr. PACE. Will the gentleman yield? I would like to say that the livestock producers are scheduled to be heard next Monday.

Mr. WORLEY. I appreciate that.

Mr. SIMPSON. Mr. Secretary, if beef cattle are included in your program, who would you pay the subsidy to, the producer, the feeder or the packer?

Secretary BRANNAN. You would pay it to the marketer of the live animal for slaughter.

Mr. SIMPSON. That would be the feeder?

Secretary BRANNAN. That would be the feeder in many cases but in my part of the country a good many of the animals come in off the range and go right to slaughter, too. I recognize you have a point that must be carefully weighed and will give some concern in administration. You would pay to the producer who at the same time becomes the final marketer.

Mr. SIMPSON. You have three phases in the cattle industry. You have the man who raises the calves on the range and then they are shipped to the feed lots and then you have the packers. You have three situations there.

Secretary BRANNAN. It seems to me if it were paid at the point where the animal ended his life it would reflect all the way back.

Mr. SIMPSON. If the range cattle went to the market and the Corn Belt cattle feeder bought them and fed them in a feed box and shipped them to market, he would get the subsidy.

Secretary BRANNAN. Of course, you could not make it a provision where two subsidies would be paid.

Mr. SIMPSON. No, I understand.

Secretary BRANNAN. I cannot say it in good English right now, but it would be where the animal ceased to be in the process of production.

Mr. SIMPSON. That would be where he is sold from the shipper to the marketer.

Secretary BRANNAN. Or where he walked into the stockyard for slaughter.

Mr. WORLEY. I was going to ask you for illustration, Mr. Secretary, if you would assume that Mr. X is running a thousand head of steers now. We will assume your program goes into effect and he has normally run a thousand to two thousand for years. What is going to happen to the thousand head of steers that he has now? How would he be affected under you program?

Secretary BRANNAN. He would have a support price. Next year, as far as we can tell, his commodity will move into the market at levels above the support price because beef animals are still short in the country in relationship to demand. Some day perhaps if the beef animal supply gets fully adequate it will come down to the support level and then it would start from there below the support level if the Government did not step in.

The question then arises, how does the Government step in to discharge a support obligation. We are recommending that it be done by the production payment plan rather than by the purchase plan which would be the only plan that is now available to us.

Mr. ABERNETHY. Will you yield there?

Mr. WORLEY. Yes.

Mr. ABERNETHY. Mr. Secretary, would there be any limitation on the quantity of cattle that he could raise?

Secretary BRANNAN. None.

Mr. WORLEY. Would he be permitted to raise all the cattle he wanted to?

Secretary BRANNAN. That is right.

Mr. WORLEY. With no restriction whatever?

Secretary BRANNAN. None at all.

Mr. ALBERT. Will the gentleman yield?

What about the 1,800 comparative units? Would that not come into the picture?

Secretary BRANNAN. That comes at the time he wants to market them.

Mr. ALBERT. I see.

Secretary BRANNAN. He can raise breeding stock, he can raise blooded stock, he can carry on a considerable enterprise without ever bumping into that.

Mr. ALBERT. He would be limited by the 1,800 units if that part of the program were enacted.

Secretary BRANNAN. That is right, when the commodity started to move toward the market.

Mr. WORLEY. Say he increased his herd to 2,000 head. What would happen to the remainder?

Secretary BRANNAN. Mr. Worley, are you bothered about the unit rule or about the method of operating a support price?

Mr. WORLEY. I am trying to see just what would happen to a fellow who had a thousand head of steers and who wanted to increase that to 2,000 head.

Secretary BRANNAN. I see no objection to his going right ahead and increasing it.

Mr. WORLEY. But what will happen to him? The price will go down if he gets too big a supply, will it not? If all the producers produce too many cattle the price will go down, is that not right?

Secretary BRANNAN. That is right.

Mr. WORLEY. Is there not some kind of restriction on him as to the number of cattle he can market? Where does that come into play?

Secretary BRANNAN. We have never applied one and for the next few years I do not see the likelihood of having to apply one. There is, of course, the theoretical possibility that you can produce too much of anything and some day you would reach a place where you would probably ask the livestock producers if they did not think they were producing more than the market could absorb at reasonable prices and if they did not want to do something about restricting their own production.

Mr. WORLEY. It would not be a very satisfactory program as far as the cattlemen are concerned. You say your program would not make any effort to restrict their production?

Secretary BRANNAN. Unless you want to refer to the unit thing.

Mr. WORLEY. That is one phase I also want to refer to. Where does the unit rule come into place as far as cattle are concerned?

Secretary BRANNAN. The unit provision applies only as he markets his product. If he exceeded the number of units interpreted into cattle, that the Congress should fix as a part of the law, he would enjoy no price support for the excess. If he wanted to sell the animals for slaughter they would have to move into the market place at whatever figure they could command.

Mr. WORLEY. Then the Government would give a cattleman a direct check, a check for the difference between what the cattle brought and the support price, is that correct?

Secretary BRANNAN. No. Only when the price of cattle would go below the support price would any checks be issued. We are back now on method again and away from limitations.

Speaking of methods, only when the animals are sold in the market place at below the support price would the Government step in in any manner. We do not even step in now until that time.

Mr. PACE. Then only on the 1,800 units.

Secretary BRANNAN. That is right.

Mr. ANDRESEN. That would be 154.75 head weighing 1,000 pounds apiece.

Mr. WORLEY. Suppose Mr. "X" has been running a thousand head for years. That is going to clip him, is it not?

Secretary BRANNAN. How many do you market a year?

Mr. WORLEY. Say a thousand. Say he is running two thousand and marketing a thousand. What would happen?

Secretary BRANNAN. It would clip you.

Mr. WORLEY. I would get hurt pretty bad in that process, would I not?

Secretary BRANNAN. You would not for a few years but you could. You might sell them to feeders, for example, which would not affect you. You might sell them for breeding stock. You might do a lot of things with them.

Mr. WORLEY. They just could not go on the market.

Secretary BRANNAN. You could not go in the market and enjoy the support price too. They could go into the market all right.

Mr. SIMPSON. I think the question has been answered, but you asked what would happen to the raiser of a thousand head of steers. What I wanted you to find out from the Secretary was if he had a thousand head of steers that weighed a thousand pounds apiece, then what would happen when he was ready to market them under the unit rule?

Secretary BRANNAN. I think we have answered that.

Mr. WORLEY. I have one further question, if you do not mind, Mr. Granger.

This is, to say the least, an ambitious program. It has a new look. I am not at this time critical of your plan, but there are a lot of things I would still like to know about. What would you think about applying your program now to the support program on hogs as an experiment? Suppose Congress gave you authority to start your program immediately in support of pork.

Secretary BRANNAN. I would say very frankly we would welcome it.

Mr. WORLEY. That might iron out any bugs or defects.

Secretary BRANNAN. That is right, and I admit, Mr. Worley, there will be some.

Mr. WORLEY. There are bound to be.

Secretary BRANNAN. Certainly.

Mr. WORLEY. But you would like to have the authority to experiment with some commodity at the present time?

Secretary BRANNAN. Now we are speaking of the method and not the limitation, the method of support, the production payment.

Mr. WORLEY. I am talking about the entire program. Do you not think it would be taking quite a gamble to enact all of your program, to make it applicable to all commodities?

Secretary BRANNAN. Except for the unit limitation, Mr. Worley. You have a comparable program, a similar program now applicable to all commodities, except that you do have available the method which we have referred to as production payment, and which some people refer to as subsidy and which others refer to as compensatory payments and so forth.

The CHAIRMAN. Are there any further questions, Mr. Granger?

Mr. GRANGER. I think not.

Mr. ABERNETHY. I would like to ask one.

The CHAIRMAN. Mr. Abernethy.

Mr. ABERNETHY. Mr. Secretary, in the early part of your statement today, in answer to a question posed by Mr. Granger, you stated that there would be less government regulation in the program which you propose than the one we have now. I cannot reconcile your answer with your statement.

As I understand, you propose to continue all present methods of controlling production.

Secretary BRANNAN. To have them available in stand-by position as they are now.

Mr. ABERNETHY. And you would have some similarity between your support program and the present price support program. But do you not go just a little further in with regulations? Do you not specifically require that the farmers comply with certain soil practices and soil conservation practices which are not now required in order to participate in a support program?

Secretary BRANNAN. If you will refer to our statement yesterday, I cited the provisions of the law where that can be done now. We suggested that there may be circumstances under which you would want to insist, let us say, that the farmer not engage in some soil-depleting type of production at the same time he was receiving money from the Federal Government. You would then have two policies in conflict But that can, if I understand the rules and regulations and laws today, be done right now.

Mr. ABERNETHY. Of course, we all want less regulation. I received a letter from one of my constituents this morning with reference to the present and proposed farm programs. One of the things he pointed out is that farmers desire less regulation. You have stated that there would be less regulation but I cannot reconcile your answer with your statement of April 7.

Secretary BRANNAN. Mr. Abernethy, let me give you just this short type of explanation, if I can. The fundamental objective is to get some shifts in our pattern of production out of the things in long supply into the things that are in short supply.

You can get farmers out of things in long supply by tight regulations, by limitations, marketing quotas and so forth. You may also be able to get them out by inducement. That is the reason we have put the emphasis on livestock, in order to induce some of the people who are growing row crops and grains to get out of that business and put in a little pasture and go into livestock. The best way to induce it is to make it attractive price-wise. If we could get people out of some of the row crops and grain crops into livestock and dairying by a process of price inducement, I think we would be saving the government a lot of money. We would be avoiding, at least for the time being, further regulation on the producer in accordance with his present pattern, and finally I think we would avoid much more administrative mechanism, employees and so forth, in the Department of Agriculture.

If I may give you a second example, which is a little more remote, but just as realistic, if we can get a conversion of our great grain crops such as corn into meat and into the market at reasonable prices, we are going to be able to cut down this very substantial stock of corn that we have today and convert in into hogs and beef and some other livestock for the market place. If we are successful in doing that, then we will not have to be talking about acreage limitations on corn.

Mr. ABERNETHY. That would take some period of years to work out. A man cannot immediately convert from cotton to cattle in a year's time.

Secretary BRANNAN. That is right.

Mr. ABERNETHY. A moment ago you stated that there would be no limitation on the amount of cattle which a man could raise. Under your proposal would that apply to all the commodities and farm products which you have listed—10 of them, I believe?

Secretary BRANNAN. Mr. Abernethy, as far as the unit limitation is concerned, the unit limitation does not affect what he can raise. It affects only what he can market with support.

It does not even affect what he can raise and market, but it affects what he can raise and market with support. There are limitations in the law today which we say should be retained which would limit the production of some commodities and those are the marketing agreements and acreage limitations such as you do have today in tobacco and peanuts and such as the Congress has authorized us to get ready to apply in cotton, corn and wheat.

Mr. ABERNETHY. Just to the west of my District is the so-called plantation country where they often raise several thousand bales of cotton per farm.

Of course, as you know, their cotton is produced on small farms within the farm. There is a tenant here and a share-cropper there. Would your proposed unit limitation apply to the small farm within the large farm or the man who owns the large plantation farm? Would the same amount of units be available to each individual farmer on the farm?

Secretary BRANNAN. We did not attempt to spell it out in all of that detail but we recognized that there would have to be account taken of the fact that there were legitimate tenants operating farms.

Mr. ABERNETHY. If it did not, it would practically destroy the cotton industry, I am afraid, in Mississippi. If they are limited to 184 bales that would drive thousands of tenant families who live on plantation farms into something else.

Secretary BRANNAN. You will remember, Mr. Abernethy, many of these kinds of problems were discussed and some rules established in connection with the payment of conservation program payments.

At one time they were unlimited and then they began to cut them down. When they began to cut them down to so much per farm they got into the problem of defining farms. I am sorry I do not know all the definitions that were applicable in that case and I do not say that all of them would be applicable in the unit limitation recommendations.

The CHAIRMAN. Mr. Abernethy, will you yield right there?

Mr. ABERNETHY. Yes.

The CHAIRMAN. Is it not a fact, Mr. Secretary, that you have already stated that everything indicated that cotton would be under marketing quotas next year and in the event that cotton is under marketing quotas, under no circumstances would the 180-unit apply? If that is true, then, this question becomes academic.

Mr. ABERNETHY. While I am not ready to subscribe to it, I am now of the opinion that a two-price system probably embodies the least regulation that could be imposed on cotton. The cotton farmer's problem is surplus. It is with him now and it will probably be with him in a greater degree next year.

In your study of the problem did you give any consideration to a two-price program?

Secretary BRANNAN. Yes, we did. We read a great many books on economics and discussed many plans in the two solid months of intensive work.

Mr. ABERNETHY. As I understand it, it works this way: The Government says to the cotton farmer, "We can use so many bales of cotton in this country and no more." We can only use so many pencils and so many shirts and so many tables and so forth. If they produce more than that they cannot sell it.

If the Government were to suggest to the cotton farmer, "You can raise so many bales to be sold on the domestic market, and you can produce all you wish above that but you are going to have to sell the latter somewhere else," what would you think of that sort of program?

Secretary BRANNAN. The two-price system will not operate that simply.

Mr. ABERNETHY. I know it is not exactly that simple.

Secretary BRANNAN. We would have to say further than that, that they cannot sell it in the United States. Or we would say if they sold it in the United States they could not sell it to millers who make cloth for most things. They would have to sell it to users who make insulation or paper or some other product. Whenever you get into a two-price system, your first limitation is your geography, offshore sales, and the second is classes of use within the country.

Mr. ABERNETHY. We have that in the peanut program now?

Secretary BRANNAN. Yes, you do, in oil and edibles. We have almost gotten to the place where the two different classes are treated almost as two different commodities.

When you get into perishables the two-price system is almost impracticable.

Mr. ABERNETHY. I think it would be impracticable with perishables. I do not know but what it would be impractical with nonperishables. The State Department might not go along with you on it. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Simpson?

Mr. SIMPSON. Mr. Secretary, on page 4 of your statement you stated, "How much lower does the public interest permit the farm prices to go without similar cuts for all other groups?"

Hogs have gone from about $31 down to about $18 and cattle from about $41 or $42 down to $28.

Corn has gone from about $2.25 down to $1.25. They have all gone down a third or more. With a $40,000,000,000 budget for this fiscal year, if farm prices go much lower and the laboring man does not get the wages, business is not as good, the farmer will not pay the income tax, the businessman will not pay it, the laborer will not pay it, and you will not have $40,000,000,000 to run this country.

So how can you get the prices much lower and keep up?

Secretary BRANNAN. That is a good, long economic discussion, I think, Mr. Simpson. I do not want to duck it but first of all, the prices of some of our meat animals, during the past year or so have been excessively high, I think. At the same time they have not been out of balance.

That high level was not really out of balance or out of line when you consider the supply and the demand for the commodity.

Therefore, the objective of the recommendations is to get the supply adequate enough to satisfy that demand at lower levels of prices.

On the general economic question, it seems to me that maybe just this brief comment might be helpful. We are shooting at an over-all farm income because if we can keep farm purchasing power high, if we can keep the demand high for industrial goods, our entire economy will enjoy the benefits.

Mr. SIMPSON. You will have to get the income tax in here, will you not?

Secretary BRANNAN. Yes. We can keep it for many of the durable goods which are being sold to farmers.

In other words, we can keep the economy moving and healthy and vigorous.

It is at the agricultural segment of this total pie of economics that we are devoting our attention and saying if we can stop a depression from starting here and not be unreasonable to the rest of the people, then we are rendering a service to the rest of the people because none of them wants to be infected with a depression which starts here.

Mr. SIMPSON. But there is no commodity or service that has gone down a third from the postwar high except agriculture?

Secretary BRANNAN. That is right.

Mr. SIMPSON. I still contend that if you do not keep high agricultural prices, and high wages, you will not have good business and you will not have $40,000,000,000 to run this country for this fiscal year and you will not have 41.8 billion dollars to run the country for the next fiscal year when you have $14,000,000,000 for defense, $14,000,000,000 for veterans and $7,000,000,000 interest on the bonds. You have got to keep them high, have you not?

Secretary BRANNAN. I certainly think so.

The CHAIRMAN. Are there any further questions?

Mr. O'SULLIVAN. Yes, I would like to ask a few questions.

Mr. CHAIRMAN. Mr. O'Sullivan.

Mr. O'SULLIVAN. Mr. Secretary, as I understand it, this is a proposed program for the direct benefit of the farmers, and indirectly, if at all, it is also for the benefit of our over-all economy.

Secretary BRANNAN. Yes, sir.

Mr. O'SULLIVAN. You start out with the thought in mind that this program is for farmers as a class and you realize that the farmers are very largely responsible for good time or bad times in proportion to their ability to make money at farming?

Secretary BRANNAN. Yes, sir.

Mr. O'SULLIVAN. And that our economy in this country is geared to agriculture, is that right?

Secretary BRANNAN. Yes, sir.

Mr. O'SULLIVAN. And you want to put in the hands of the farmers sufficient money to give them good purchasing power?

Secretary BRANNAN. That is right.

Mr. O'SULLIVAN. That purchasing power in the hands of the farmer will move in the course of events to the manufacturers and to industry—they will have a sale for their products—is that not correct?

Secretary BRANNAN. That is correct, Mr. O'Sullivan.

Mr. O'SULLIVAN. In other words, a farmer without purchasing power is no good to business or to any kind of industry?

Secretary BRANNAN. He certainly is not.

Mr. O'SULLIVAN. And if you give the farmer good purchasing power, that will open up great avenues of sales for manufacturers and industry, because a lot of their products have already been sold in cities and the greatest field for the manufacturer today is not overseas markets but markets right here at home—selling their products to farmers who need them and farmers who want to bring their farm life up to the city levels or standards.

Secretary BRANNAN. That is right, sir.

Mr. O'SULLIVAN. This program would then move over from the manufacturers and industry across a straight line and you would have the third big group, labor, to also receive benefits in good wages.

They would be able to get good wages for their toil—is that correct?

Secretary BRANNAN. Yes, sir.

Mr. O'SULLIVAN. So you take the three big groups, the farmers, industry and manufacturers, and labor. That moves right across the board, so to speak, does it not?

Secretary BRANNAN. That is correct.

Mr. O'SULLIVAN. And all this contemplated business and labor activity is due to the fact that the farmers have purchasing power and you have given it to them by means of a direct subsidy?

Secretary BRANNAN. On some commodities by the production payments. I do not like the term "direct subsidy," Mr. O'Sullivan.

Mr. O'SULLIVAN. Of course, subsidy is a nice word that was invented by the corporations a long time ago. If they had said "gift" instead, the American people would have rebelled. Half of the people do not know what a subsidy is. It is a direct gift. It is a nice word which was invented to fool someone.

Secretary BRANNAN. If you will remember the examples that I laid out in my statement yesterday, it is just a diversion, so to speak, of money which might be lost in another type of operation into the hands of farmers.

Mr. O'SULLIVAN. But when it gets right down to the last analysis, it is a gift, is it not?

Secretary BRANNAN. Well, I do not like to think of it that way.

Mr. O'SULLIVAN. We may as well be realistic about it. There have been many gifts to big business. They did not want to call it a gift because they could not fool anybody if they used a word like that. They used the word "subsidy." Is that not about it?

Secretary BRANNAN. That may be true.

Mr. WHITE. If the gentleman will yield there: Is not a tariff an indirect subsidy?

Mr. O'SULLIVAN. Oh, yes; it is a subsidy too. Well, when this program of yours moves across, it takes in a large group of Americans: farmers, business, and labor. By this means prices can remain stable all along the line. Then you have a larger group which is the consumer. Every one of us is a consumer. If your program was put into effect it would enable the consumers—the buying public—to get articles at reduced cost, would it not?

Secretary BRANNAN. It certainly would.

Mr. O'SULLIVAN. Prices would come down—they would seek their own level—and you would have solved this big question about the high price of all the things we buy today.

This program of yours might help to do that?

Secretary BRANNAN. It would help, sir.

Mr. O'SULLIVAN. This being a farm program, and being for the direct benefit of the farmers, would not necessarily take in packing interests or livestock feeders who are not farmers, would it?

Secretary BRANNAN. It would not take in packers. If feeders are the last to handle the animal before it goes to slaughter, they might be the direct recipients of the support operation. They would benefit under the present support operation, as a matter of fact.

Mr. O'SULLIVAN. Would not the program, then, not be a program for the benefit of the farmer, but one for the direct benefit of people in business who are not farmers?

To illustrate my point, I know many cattle feeders who do not own farms and never were farmers. They go down to Texas and other places and buy large numbers of livestock and put them in feed lots. The majority of the big feeders are not farmers. These feeders are in an independent business. This program should not help them, should it?

Secretary BRANNAN. They are handling, finishing and preparing a food commodity for the market.

Mr. O'SULLIVAN. So is the fellow who mills the wheat and the people who make corn flakes, and so forth.

Secretary BRANNAN. I suppose, Mr. O'Sullivan, the essence of your question, which would apply to the present program as well as any program I recommended, is whether we should make the support price applicable at the point where the livestock moves from the original producer into the hands of the feeder.

If you settle that question for the present you will settle it for any other program as well.

Mr. O'SULLIVAN. Is that confusion all brought about because we do not go back to the basic thing, that this is a farm program and it is for the benefit of farmers, and not for the benefit of meat packers or feeders who are not farmers, or for anyone else who finishes a farm product?

Secretary BRANNAN. That is right. The law so states today, as a matter of fact.

Mr. O'SULLIVAN. I think it is true all over the country, that most of these feeders are not farmers. They are in a business.

They finish thousands of head of cattle. Swift has a feed yard in or near Omaha, where I suppose they have 4,000 or 5,000 head of livestock being fed at all times of the year.

Another feeder may have five or six thousand, and another four or five thousand, and still others smaller numbers on feed.

None of these men are necessarily farmers. Even a doctor I know is feeding cattle and he is not a farmer. This whole thing could be clarified if we kept this in mind, that this is a farm program, could it not?

Secretary BRANNAN. Yes. It would be stabilized and helped.

Mr. O'SULLIVAN. The question has been asked here by one of the distinguished gentlemen, "Why do we need a national farm program?" Is not the answer to that that we want to and must protect the farmer against the man who in the past has "farmed the farmer"?

Secretary BRANNAN. That is part of the answer, certainly.

Mr. O'SULLIVAN. In other words, the farm group has been a rather helpless class and there were dozens of men in business whose chief occupation in life was to "farm the farmers." Is that not true?

Secretary BRANNAN. That is right.

Mr. O'SULLIVAN. So that is why we have to have a farm program, because, farming is a basic line of work. Our whole economy is geared to farming and we have to protect the farmer against the fellow who wants to "farm the farmer." It has been suggested here that it is something unholy and something which destroys spiritual values, to give the farmer any aid or financial protection. I just wanted to make this observation. I do not put it in the form of a question. I want to observe that it was not considered unholy and it was not considered a program to destroy spiritual values when all of the infant industries of this country were being subsidized and given protection. Or was it? If it was I was just wondering if that was why the big corporations and the big industries which were so protected lost all of their spiritual values and became so unholy. I doubt it.

Now, Mr. Secretary, if hogs came into the market now, would support be limited to 1,800 units?

Secretary BRANNAN. No, sir.

Mr. O'SULLIVAN. Then a couple of questions referring to the average price:

In arriving at your commodities' national average price, would you consider only the sale of the compliance part of the commodity or would you also take into consideration the sale of that part of the commodity not in compliance?

Secretary BRANNAN. You would take into consideration the sale of all commodities of the class in the market place but the complier would be the only one who would benefit from the production payment.

Mr. O'SULLIVAN. And would you consider the sale of that part of the commodity which would be in excess of the quota or total units? I guess your answer would be "Yes," would it not?

Secretary BRANNAN. I think it would, Mr. O'Sullivan.

Mr. O'SULLIVAN. Would you have a separate support price for different grades of cattle?

Secretary BRANNAN. I think there is some possibility that you would. Of course, that is a problem which we did not go into in great length because we would have to give the answer to it today if cattle were being supported today.

Mr. O'SULLIVAN. I have in mind that there is a great difference in cattle, having been reared on a combination farm and cattle ranch and being pretty close to the livestock industry as a lawyer. Some cattle are not worth very much money. They may be off color, shape or breed in which event they may not bring the same amount of money as higher grades of cattle do.

I was wondering if you would have different support prices for different grades of cattle and who would do the grading and how you would ever get it down so you could have a workable program without grade supervision.

Secretary BRANNAN. There are established grades now. I am not purporting to dispose of all the intricacies of the problem. There are now grades in the market place and the vendor of the animal in the market place would sell it at a grade. That would govern the Government's operation with respect to that sale. He would establish grades by his ability to bargain with the seller.

Mr. GRANGER. You have that very problem now with hogs, do you not? There are different grades of hogs. By using some formula you have arrived at a parity price of hogs?

Secretary BRANNAN. It is $109.50.

Mr. GRANGER. You have taken into consideration all classes of hogs in arriving at that, have you not?

Secretary BRANNAN. Yes, I think we have, Mr. Granger.

Mr. GRANGER. There is a considerable area for differences of opinion under the particular phraseology of the law and if you would like to go into that more fully I would have to ask some of my staff.

Mr. GRANGER. The problem the gentleman raises about cattle is one that confronts you now in hogs?

Secretary BRANNAN. That is right, except there are not so many grades of hogs as there are of cattle.

Mr. O'SULLIVAN. The grading is done after slaughter, with hogs; is it not?

Secretary BRANNAN. No, the grading is chiefly by weight now, sir.

Mr. O'SULLIVAN. You have not worked out any formula for that part of the program, as I understand it.

Secretary BRANNAN. No, we have not, for the reason that we have not worked it out for the existing program.

Mr. O'SULLIVAN. These cattle feeders have previously been mentioned and attention has been called to the fact that they have been losing money. That was always a very hazardous line of endeavor, feeding cattle, was it not, because, although a lot of men know how to feed cattle they do not know how to prevent suffering losses? Is this not the real remedy for any cattle feeder: He does not need to depend on the market or the price of corn or anything. He can go to the board of trade when he is going to buy feeder cattle, and after figuring out how much feed he needs, he can protect himself by the proper market transactions. Then it does not matter what he pays afterward for livestock or for feed.

He does not and cannot lose anything, if he has sense enough to be able to turn down a string of cattle and walk away from them when the price is too high—he does not necessarily need to lose money unless there is a serious break in the market when he is ready to sell.

Secretary BRANNAN. I think that is right. That points up one of the human frailties, does it not?

Mr. O'SULLIVAN. Yes. No man is a good cattle buyer who cannot turn his back on the cattle and walk away and say the price is too high.

Mr. GRANGER. Mr. Secretary, I have one question. How did you get tobacco into this program? It is not a food.

The CHAIRMAN. It is a basic commodity.

Secretary BRANNAN. It is an agricultural commodity, just as wool and cotton are not foods, except cottonseed oil. It is a basic agricultural commodity.

Mr. GRANGER. It is a robber of the soil, is it not? Is there a crop that is more depleting to the soil than tobacco?

Secretary BRANNAN. It is one of the rougher ones.

Mr. GRANGER. Why do you put it in a preferred class?

Secretary BRANNAN. Let me read the list. Here is the list of items by cash farm incomes from specific commodities, total and percentage of distribution: United States, 1948: Commodities: cattle and calves, 16.5 percent; dairy products, 14.5 percent; hogs, 13.2 percent; poultry and eggs, 9.9 percent; wheat, 8.9 percent; cotton lint, 6.8 percent; truck crops, 4 percent; corn, 3.5 percent; tobacco, 3.3 percent.

Mr. GRANGER. You sure had to dig deep to get it, did you not?

Secretary BRANNAN. That is only nine commodities and we did drop one of those out, truck crops.

The CHAIRMAN. How much tax is paid by the other commodities?

Secretary BRANNAN. None.

Mr. GRANGER. You had said before that this was a farmers' program and you wanted to stay away from soil-depleting crops. You had some doubts as to what should be done about the marketing.

Do you subscribe to the methods now employed in the marketing of tobacco?

Secretary BRANNAN. I do not think I know enough about it to comment, Mr. Granger. I do say that the producers of tobacco through accepting acreage limitation and marketing quotas have made a very realistic approach to their own problems and I think have taken good advantage of their situation.

Mr. GRANGER. Have you seen these calloused, barefooted farmers following the fellows who were giving the chant and wondering what would happen when they got to the end of the row and the tobacco was sold? They have been doing that for a hundred years and nobody knows anything about it and I think they are being robbed.

The CHAIRMAN. Robbed by whom?

Mr. GRANGER. By the people who buy their tobacco, the Big Three who control the tobacco, the Big Three who do not want any unit control.

The CHAIRMAN. I think the gentleman from Utah will agree that the tobacco program has been the most successful of any program which has been undertaken by the Federal Government in its entire history and perhaps, of agriculture. Under the program we have gotten for the farmers a better price than they have received in any other comparable period in all history.

Mr. GRANGER. Because it is an absolute monopoly controlled and directed by a few and why should not there be? Talk about regimentation. There it is in the Hitler fashion. And you come here and propose to put this kind of business into a food program for the American people. I would like to kick it out. If it goes into a preferred class, I am certainly going to have wool in.

Mr. O'SULLIVAN. Will the gentleman yield?

Mr. GRANGER. Yes.

Mr. O'SULLIVAN. This is a farm program and wherever practical, everything that is raised on the farm should be in the program. Is that not true? They certainly raise tobacco on farms.

The CHAIRMAN. But I do not suppose they smoke it out in Utah. Mr. Secretary, we will adjourn until 2 o'clock.

(Whereupon, at 12 o'clock noon, the committee adjourned, until 2 p. m., same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will be in order. Mr. Murray, of Wisconsin, desires to question the Secretary at this time.

Mr. MURRAY. Mr. Secretary, to begin with, I would like to review the idea of supports. The first support, from a Federal Government standpoint, was the old Federal Farm Board. That was the first attempt by the Government to support agricultural prices in which they appropriated money. As I remember, some $500,000,000 was appropriated to support wheat. If I remember correctly, there was a loss of about half of what was appropriated.

Then we had a support under the original triple A for the so-called basic commodities based on loans. This support was not very effective because after 7 years the price the farmer received for hogs was 5 cents plus per pound, cotton 8 cents plus per pound, and wheat 54 cents plus per bushel for August 15, 1939 according to the B. A. E. This was the second support attempt. No actual support really was put in operation until the beginning of the war when the Steagall amendment was added to the price control act. The language was changed so far as the support for basic commodities was concerned making a 90-percent support and a 110-percent ceiling which also applied to the Steagall commodities. We have been operating under that since 1941, with revisions included in the Hope bill passed in 1948. This was the third support program.

Now, we are up to your proposals or the fourth phase of an attempt by our Government to give support prices to the farmers of this country together with title II of the Hope-Aitken bill.

In that connection I want to see if I have analyzed your position correctly. I have listed a few of what I would call constructive or commendable approaches.

No. 1 is that you seem to appreciate the fact—and I say that without criticism of anything that has happened in the past—and you seem to approach this from the standpoint of thinking of the individual farmer.

I know of no better language to use than that instead of having a landowners' program you are proposing a farm owners' program.

The second point is that you have pictured the human approach, which seems to me is human conservation. You take care of the individual farmer and that is your interest in the family-sized farm.

He is taking care of his own property. We will not have to worry so much about soil conservation because if we have that type of farmer getting a decent wage it will be a rather easy matter to conserve the soil.

Do I interpret that part correctly so far?

FURTHER STATEMENT OF HON. CHARLES F. BRANNAN, SECRETARY OF AGRICULTURE

Secretary Brannan. I think those are proper observations about it.

Mr. Murray. As the Farmers Home Administration expands, I understand you feel that none of our other troubles of surpluses would embarrass us as much as they do at the present time for the reason that if you had the Farmers Home Administration expanded, which is largely on a family-sized farm operation, it would prevent so many embarassing surpluses.

I understand that your point No. 5 is the readjustment of production of different agricultural commodities in keeping with the domestic demands.

I come from a State that has an economy based on family-sized farms.

It never embarrasses me any to tell my cotton friends that I do not want to have a program that pays any subsidy for exporting their cotton after they have raised it, because they are entitled to only the support for domestic needs.

I am willing to go along with them for the amount that we need in the United States.

Or I can tell my wheat or tobacco friends the same thing. There is nothing personal involved in that. But your proposal, as I listened to it, touched on that phase in connection with livestock farming. You mention twice the 75 percent of American agriculture not included in the prewar support.

We appreciate the fact that we have been on an import basis on beef except for short periods during World War I and II ever since 1913. What you really meant by your approach to the beef problem this morning was that you want to make the country somewhere near self-sufficient so far as that phase of agriculture is concerned. If it is necessary to contract some of these operations in some other lines of agriculture that over produces that in fact create an embarrassing surplus and in which we have to use public funds to dispose of them after we get them, that is your plan. Do I interpret that correctly?

Secretary BRANNAN. I think I could generally agree.

Mr. MURRAY. I think that would apply to milk as well as beef. This last year we had the lowest milk production per capita for many years.

That would justify your position of wanting to increase the milk production and also the consumption, which would be along the same lines.

Let us take an example in lieu of that. You touched on it this morning with Mr. Granger. We will take the wool situation. Sheep have gone down one-third in the last 5 or 6 years.

Our wool production has gone down to less than 300,000,000 pounds. Yet we used 900,000,000 pounds in the United States and we imported 600,000,000 pounds.

Without getting into any foreign-trade discussion, I have always felt that our agricultural program was upside down. We are many times subsidizing a soil-depleting crop and jeopardizing the system of agriculture which is soil building, as, for example, the livestock industry.

I do not know whether you would want to build the flocks up to the point where we would produce all the wool we need, but at least I understand you would like to strengthen the position of the flocks over its position at the present time.

Secretary BRANNAN. The emphasis is on livestock.

Mr. MURRAY. It is necessary, without any explaining adjectives at all, to have a support program. There is no use to dodge the issue of having controls. That is a necessity.

If anyone wants to be supported he must subject himself to controls; otherwise it will be difficult to ever put a support program in operation as a basis of apportionment. Is that not right?

Secretary BRANNAN. It may be in the long run, but I think we can get a lot of adjustments in American agriculture without using controls by the inducement methods that I have been referring to here.

Mr. MURRAY. By making it attractive for the farmers to have a balanced agriculture. I realize those possibilities. I have always felt that if we are going to have a support program I have always felt that you as Secretary of Agriculture must have control over production or people might go out and produce so much of some of these commodities that it would be embarrassing to you and the United States Treasury.

Secretary BRANNAN. I think that is right. Even if you did not have any program of supports we might see tremendous production of some commodities.

Mr. MURRAY. Here is a point I think we should decide on. Are we justified in supporting any farm commodity in excess of what we need in the United States?

Secretary BRANNAN. In excess of what we need in the United States and for export and so on?

Mr. MURRAY. I do not want to subsidize exports. I am willing to let the export products find their own level. In the first years when I was here wheat got as low as 54 cents a bushel. That was in August of 1939. Yet at that time we were paying 27 cents a bushel export subsidy on the wheat.

The point I am trying to make is that we must have some basis on which we support only what is needed within the confines of the United States and let the exports carry their own load.

I do not want to have to milk cows to pay taxes so somebody can raise wheat and have the Government subsidize the wheat exports.

I am willing to let them have the same chance I have on what is used in the United States. Am I wrong in that thinking?

Secretary BRANNAN. Mr. Murray, it is an involved problem to give a categorical yes or no on. I think it could be in the public interest to do whatever was necessary by inducements of some character to have an adequate supply over and above domestic needs for storage.

Perhaps it should not be as a regular export arrangement. We do now subsidize—and there I think the term is used correctly—the exports of some crops and have done so in an effort to maintain our position in a world market, which market has been very critical as a result of the war. I think almost everyone would say that the efforts we have exerted to maintain our position in the world market are in the best interests of all the people.

I do not want to categorically agree with what you say because I think there are many areas of exception.

Mr. MURRAY. If we are going to treat all phases of agriculture the same, which I hope to live long enough to see, we must have some restriction on that order. I do not like to get section 32 funds largely from imports of wool and other livestock products and then dispose of them in the marketing of fruits and applesauce.

We are operating an upside down program when we do that. In respect to the chairman, I will not mention tobacco. If we have a support program as far as I am concerned, the support must be based on what we need in the United States.

However, if we need that for a foreign purpose of the United States as we have in the last 2 or 3 or 4 years, I would include that in the support.

That leads to what we are going to do about imports. I realize the powers the President has under section 22 of the triple A Act. Yet I can see that any plan will have a lot of complications before the President can put it in operation. Last year our total imports in pounds and bushels was more than our exports. Our markets will attract these things from all over the world. I know of no better way to demonstrate that than by stating that Mr. Flannagan, when he was chairman, brought that out one time, that at any time the support price was higher than the world price plus the duty we were headed for trouble. Last year we imported 419,000 head of cattle from Canada. We imported between two and three times as many dollars' worth of processed beef as we ever did before—it is estimated an import of at least a million head on a live cattle basis.

We imported the greatest amount of canned or processed beef that we had ever imported. We had been big exporters in 1946 as a result of world policy and the Government wanted to carry out this program, so I am not criticizing that.

I noticed in the paper last night that the Argentine does not want to have any meat contracts with Great Britain. They want to send more of their beef to the United States.

Secretary BRANNAN. For dollars.

Mr. MURRAY. Certainly. If we have no formula or set-up where the country will have some way of controlling that process, we will not only embarrass the Secretary of Agriculture but the whole support program and the United States Treasury as well.

I think that time is liable to come rather fast when it does come. Not only should we control domestic production but we should also control imports. That is one reason I was always interested in the FAO. The philosophy of the FAO was and is to take these surpluses and not dump them into countries that do not need them but funnel them to places in the world that are in need of them.

Is that not one of the big objectives of the Food and Agriculture Organization?

Secretary BRANNAN. I suppose so. I always had the impression that the greater emphasis was on assisting them in producing for themselves.

Mr. MURRAY. I realize that is a part of it but the international wheat agreement, which is a step in that direction, instead of making a cutthroat competition of it, should be a step in the right direction.

They have an orderly set-up comparable to what we have had in the sugar business. Is that not right?

Secretary BRANNAN. Yes. The intangible but very important and direct benefit of the wheat agreement over and above the outlet for a specific number of bushels of wheat to the United States lies in the fact that the assurance to the importing countries that they can buy wheat at a prenegotiated price which they would not have signed up for if they had not thought it was somewhere in the area of reasonable relief to them from the pressure of trying to encourage uneconomic production of wheat within their own boundries.

It thereby helps maintain for us a market in those countries. After the First World War a number of the countries of western Europe decided that they were going to get ready for the next war by making themselves self-sufficient in wheat.

One of the benefits of the wheat agreement to us is that we may be able to dissuade them from that type of thing.

Mr. MURRAY. An example would be putting $1 or more import duty on the wheat, like Mussolini did, so Italy could be self-sufficient in case of war.

In other words, the support program determines, in the final analysis; the hourly wage for the farmer's labor.

I say that for the reason that I have here a study that has been made by Dr. Wylie Goodsell of BAE. I would judge from that table that the wages, according to your proposals, probably average somewhere around what they did in 1943 or 1944. I do not know if you recall Dr. Goosdell's studies or not. That works out on an hourly basis which after all is the wages he is going to get through this program.

That is another plus so far as you are concerned.

Mr. GRANGER. Will you yield a minute?

Mr. MURRAY. Yes.

Mr. GRANGER. In arriving at the farm income did you base that figure on any wage that would be comparable to that?

Secretary BRANNAN. No, Mr. Granger; we did not. The farm in come which we use as the basis of our calculation is the actual cash receipts of farmers from marketings during those periods of years.

Mr. GRANGER. That is all.

Mr. MURRAY. May I ask, Mr. Chairman, if I may put this table in the record at this point? It has something to do with the objective here because of the years that he has used. That would have some relationship to what has happened in the past.

The CHAIRMAN. Without objection it will be so ordered.

(The table referred to is as follows:)

Return per hour to all labor, commercial family-operated farms, by type, 1930–47

Year	Dairy farms		Corn Belt				Spring wheat farms (Northern Plains)			Winter wheat farms (Southern Plains)		Cotton farms			Cattle ranches
	Central New York	Southern Wisconsin	Cash-grain	Hog-beef fattening	Hog-beef raising	Hog-dairy	Wheat-corn-livestock	Wheat-small grain-livestock	Wheat-roughage-livestock	Wheat	Wheat-grain-sorghum	Southern Plains	Black Prairie	Delta of Mississippi	Inter-mountain region
	Dollars	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*
1930	0.21	0.16	0.08	0.07	0.05	0.17	0.10	0.01	0.05	0.20	0.06	0.09	0.14	0.10	0.19
1931	.17	−.05	−.05	−.05	−.01	.07	−.02	−.06	−.05	−.01	.08	.09	.11	.10	.01
1932	.04	−.02	−.03	.01	.02	.05	−.02	−.04	.02	−.13	−.17	.12	.09	.08	−.00
1933	.08	.01	.18	.02	.06	.07	.03	.10	.04	.10	.06	.21	.15	.12	−.00
1934	.13	.03	.15	−.09	−.03	.09	−.07	−.03	−.05	−.01	.12	.01	.18	.20	−.15
1935	.22	.25	.28	.43	.31	.31	.25	.24	.19	.17	.18	.29	.22	.19	.11
1936	.18	.18	.37	.08	.06	.20	0	−.03	−.11	.31	.27	.17	.24	.25	.16
1937	.20	.27	.25	.31	.22	.24	.20	.26	.15	.10	.32	.36	.21	.20	.24
1938	.21	.19	.25	.25	.21	.22	.20	.13	.15	.19	.20	.26	.19	.19	.23
1939	.16	.14	.32	.18	.17	.17	.30	.21	.22	.07	.35	.25	.21	.21	.21
1940	.24	.25	.36	.28	.27	.22	.24	.23	.24	.22	.33	.30	.24	.20	.33
1941	.34	.43	.74	.60	.49	.41	.67	.61	.57	1.28	1.08	.66	.34	.38	.65
1912	.51	.66	1.04	1.01	.74	.59	.96	.76	.79	1.67	1.82	.76	.41	.45	.73
1943	.56	.73	1.07	.81	.61	.59	.70	.89	.63	1.22	1.38	.64	.46	.46	.73
1944	.76	.80	.89	.75	.54	.50	.93	.88	.82	1.65	2.35	.92	.43	.49	.65
1945	.76	.85	1.10	.93	.83	.71	1.16	1.16	1.06	2.00	1.64	.61	.44	.54	.84
1946	.86	1.06	1.60	1.53	1.15	1.10	1.48	1.58	1.47	3.10	2.35	.88	.50	.58	1.02
1947 [1]	.85	1.19	2.34	1.28	1.25	1.03	2.13	2.23	1.74	4.42	4.72	1.50	.71	.73	1.42

[1] Preliminary.

Division of Farm Management and Costs, BAE.

Total hours of labor used, commercial family-operated farms, by type, 1930–47

Year	Dairy farms		Corn Belt				Spring wheat farms (Northern Plains)			Winter wheat farms (Southern Plains)		Cotton farms			Cattle ranches
	Central New York	Southern Wisconsin	Cash-grain	Hog-beef fattening	Hog-beef raising	Hog-dairy	Wheat-corn-livestock	Wheat-small grain-livestock	Wheat-roughage-livestock	Wheat	Wheat-grain sorghum	Southern Plains	Black Prairie	Delta of Mississippi	Inter-mountain region
	Hours	*Hours*	*Hours*	*Hours*	*Hours*	*Hours*	*Hours*	*Hours*	*Hours*	*Hours*	*Hours*	*Hours*	*Hours*	*Hours*	*Hours*
1930	4,831	4,684	4,599	5,256	4,118	5,064	4,242	3,977	4,376	3,082	3,088	3,985	4,886	2,759	5,313
1931	4,729	4,705	4,605	5,232	4,068	5,135	4,227	3,846	4,377	3,172	3,095	4,203	5,028	3,300	5,666
1932	4,738	4,724	4,626	5,183	4,013	5,171	4,059	4,033	4,599	3,314	3,038	4,422	4,771	2,877	5,734
1933	4,650	4,739	4,642	5,256	4,108	5,141	3,760	3,826	4,228	3,259	2,895	4,601	4,750	3,010	5,767
1934	4,659	4,809	4,279	4,901	3,893	4,911	3,363	3,371	3,606	2,977	2,889	3,372	4,047	2,758	5,788
1935	4,458	4,705	4,300	4,866	3,754	4,968	3,527	3,173	4,101	2,742	2,728	3,476	4,025	2,869	5,229
1936	4,544	4,743	4,233	5,084	3,882	5,089	3,323	3,161	2,982	2,728	2,540	3,168	4,261	3,553	5,119
1937	4,752	4,778	4,204	4,935	3,771	4,996	3,468	3,390	3,274	2,745	2,782	4,007	4,747	4,357	4,875
1938	4,877	4,717	4,127	4,955	3,818	5,092	3,517	3,325	3,273	2,699	2,686	3,757	3,879	3,284	4,755
1939	4,998	4,709	4,094	5,088	3,898	5,121	3,596	3,229	3,395	2,586	2,652	3,680	3,992	3,452	4,972
1940	4,926	5,090	3,946	4,566	3,692	5,334	3,591	3,325	3,701	2,742	2,789	3,823	4,023	3,101	4,756
1941	4,963	5,017	3,938	4,667	3,767	5,321	3,788	3,490	3,747	2,539	2,800	3,824	3,817	3,253	5,012
1942	5,000	5,197	4,110	4,782	3,850	5,447	3,970	3,667	4,103	2,871	3,068	4,017	4,043	3,543	5,091
1943	4,998	5,414	4,250	4,962	3,929	5,583	4,187	3,867	4,391	3,142	3,296	4,302	4,401	3,482	5,187
1944	5,179	5,514	4,128	4,915	4,000	5,589	4,066	3,865	4,497	3,152	3,326	3,706	4,304	3,491	5,122
1945	5,216	5,456	4,033	4,846	4,026	5,634	3,960	3,764	4,473	2,962	3,219	3,219	4,409	3,440	5,016
1946	5,056	5,253	4,023	4,748	3,834	5,307	3,710	3,480	4,202	2,918	3,086	3,083	4,183	3,357	4,852
1947 [1]	4,966	5,211	3,853	4,663	3,800	5,317	3,623	3,340	3,974	2,856	3,065	3,285	4,241	3,519	4,709

[1] Preliminary.

Division of Farm Management and Cost, BAE.

Mr. MURRAY. I might mention that the tables show that in certain wheat areas the producers received $4.72 per hour for producing wheat in 1947, but I do not necessarily have to mention that at this time.

Mr. GRANGER. Who got that?

Mr. MURRAY. The farmers in the Southwest.

Mr. GRANGER. You mean the farmers got that on the basis of $4 an hour?

Mr. MURRAY. Yes. Not in Utah. You can analyze the table. It goes into that. I think it has a relationship to what the Secretary is presenting to us.

I have a question mark on some proposals. I presume it was an oversight, but I was a little disappointed, Mr. Secretary, that you did not bring out more clearly in connection with the long-range program the emphasis on the land use. I was also disappointed you did not emphasize the relationship of forestry to land use. I know from your experience in the Department, even before you were Secretary, that you would not be in favor of trying to promote agriculture in sections where it should not be promoted.

I have that much respect for your judgment based on the positions you have held in the past. Of course, that has been one of the things that has made the Farm Home Administration as successful as it has been. I would have liked it better if your statement had mentioned that subject.

I think that is a part of any long-range program, considering the use of forestry as a long-range crop in the farm program.

Mr. WHITE. Would the gentleman yield to return briefly to that $4.72 an hour?

Mr. MURRAY. Well, just read the table.

Mr. WHITE. I wanted to draw a comparison there. I presume that you have taken into account the fact that the farmer has a lot of equipment. I wonder if you have hired a man with a dump truck lately so you can see what he charges you. Five dollars an hour would look cheap. And the farmer has many times more equipment than the dump-truck operator.

Mr. MURRAY. If you will study the table you will find out the fellow received that after he hired the trucks. I know those are conditions that the Secretary did not like to see. The wheat was purchased for a definite and immediate world need.

They just happened to be the beneficiaries of that but I could not help but mentioning it.

Mr. SECRETARY. I wish you could clear up one more thing for me. I have followed agriculture all my life and I have never been in such a spot as the last day we were in session during the last Congress.

I try not to be too ornery by nature, though I have a hard job at times living up to that ideal.

When we had the conference report on the Hope-Aiken bill, of course I was willing to go along with the Hope part of it.

I could sleep when I went to bed. I am in a position to say to you without any partisanship in connection with that that I would not sign the conference report.

I felt that was a bad move at the time. You have to hold your office, of course, Mr. Secretary, but we have to run for office. I think your position is better. I just could not sign the conference report. I did not like to do that. I like to get along if I can. I always do when I have my own way.

But I could not sign that for one reason and I wish you would clear up a point for me here. Your proposal bothers me as much as the Aiken bill in one respect. I might have been misled at that hour into thinking that it would be my colleague, Mr. Hope, sitting where you are sitting today, so there is nothing personal about it.

I heard rumors, in any event.

Secretary BRANNAN. At that rate the country would have been as well off as it is today, if not better.

The CHAIRMAN. Did you say you were hoping for Hope, then?

Mr. MURRAY. No, I did not say anything about that but I thought it was going to be Mr. Hope. Here is one thing that disturbs me, using an example so I will not put you on the spot.

Suppose the Secretary of Commerce were to go to the chairman of the committee on Interstate and Foreign Commerce and say that he wanted a proposal where he could take care of all the businessmen in the country and see that they all get a fair shake whether they do much business or not. The theory of it is just the same. Or let us suppose the Secretary of Labor were to go to the Labor Committee and say that he wants to determine what the wage should be, leave it to him, it would have the same effect.

If we pass this bill and if the Secretary wants to, he can determine the wages as shown by that table I put in the record. He is going to be able to say whether they are going to be 25 cents on hour or 75 cents an hour. If he has enough money to carry it out he can do that. That is what bothered me that night, Mr. Secretary; this delegation of power.

I realize that over in England they have had a similar program but in England they have another thing we do not have. They control the food, over half of it, that comes into England because they control the boats and those Englishmen have to do about what they say or else they will not bring the boat in for them.

They all belong to one nationality. They are in a snug, small area and they are people who have been halter-broken a little better than the American people are up to this time. In England they have a food minister. I know that you use all these men who are with you. I am not accusing you of a desire to be a dictator and I do not want you to take it in that spirit. But it bothers me to think that we delegate the power to anyone, to any one man, to have this much control over the economy. You are not going to control just the farmer, but also how much every one has to pay for his groceries. Am I just unduly alarmed or am I wrong?

Secretary BRANNAN. Mr. Murray, that is one of the reasons that we provided this 2-year lag period so that there would be opportunities for the Congress to review what the Secretary of Agriculture, whoever he may be, was proposing to do for the ensuing year.

We are now very frequently in the position of announcing the price support for a given commodity after some of the people in the country have started to plant it.

In other words, today in many cases there is not an adequate opportunity to review some of the price supports on some of the minor items.

That was the thing we had in mind. I assure you, sir, that I have no interest in any more power or any more discretionary control over the farmers of this country or what they do or what becomes of their products or the prices for them than the Congress cares to vest in me.

I certainly think it should not go beyond what would give us an efficient and effective operation.

Mr. MURRAY. Mr. Chairman, I ask unanimous consent that I may be permitted to put in the record charts showing the disposition of these section 32 funds.

It shows what livestock products were bought out of the $149,000,000 expended in 1948.

The CHAIRMAN. Could you put the statement in without putting in the charts?

Mr. MURRAY. The charts will give you the official information.

The CHAIRMAN. All right, without objection, the charts will be included.

(The charts referred to are as follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE

Exportation and domestic consumption of agricultural commodities (sec. 32)—fiscal year 1948

1. PURCHASES OF AGRICULTURAL COMMODITIES FOR DISTRIBUTION THROUGH AUTHORIZED AGENCIES

Commodity	Unit	1948	
		Quantity	Value
Eggs, dried	Pound	9,045,000	$13,428,266
Fruits:			
Apricots, dried	Ton	1,415	564,207
Apples, canned	Pound	1,646,569	127,835
Apples, fresh	Bushels	884,610	2,101,170
Apples, dried	Ton	3,710	1,137,261
Applesauce, canned	Pound	22,663,760	1,580,914
Figs, dried	Ton	6,965	1,386,856
Grapefruit juice, canned	Pound	73,228,323	3,405,533
Orange juice, canned	Gallon	467,676	1,400,000
Peaches, dried	Ton	7,580	2,017,564
Pears, fresh	Box	120,404	297,965
Plums, canned	Pound	5,734,305	281,053
Prunes, dried	Ton	8,001	1,731,815
Raisins, dried	do	7,997	1,546,337
Vegetables:			
Beans, snap	32-pound bushel	67,850	111,028
Beets, topped	50-pound bag	8,681	12,664
Cabbage	do	53,404	66,948
Potatoes, Irish	Hundredweight	2,387,794	8,892,986
Potatoes, sweet	Bushel	657,845	995,468
Miscellaneous:			
Honey	Pound	5,700,000	848,130
Filberts	do	482,160	221,929
Walnuts	do	1,800,000	903,701
Total			43,059,630

Exportation and domestic consumption of agricultural commodities (sec. 32)—fiscal year 1948—Continued

2. ENCOURAGEMENT OF EXPORT OF AGRICULTURAL COMMODITIES, PROGRAM PAYMENTS

Commodity	Unit	1948	
		Quantity	Payments
Cotton	Bale	945,000	$2,038,969
Eggs, frozen	Pound	37,543,440	7,095,000
Apricots, dried	Ton	1,390	144,144
Dates, dried	do	864	41,663
Figs, dried	do	6,788	284,384
Peaches, dried	do	1,719	104,399
Prunes, dried	do	35,167	1,661,481
Raisins, dried	do	12,172	530,253
Tobacco	Pound	84,000,000	9,509,073
Total			21,409,366

3. DIVERSION OF AGRICULTURAL COMMODITIES TO BYPRODUCTS AND NEW USES

Cotton, insulation	Bale	18,584	$534,285
Pears, fresh	Box	61,640	27,739
Potatoes, Irish	Hundredweight	4,712,803	10,626,765
Total			11,188,789

Project statement

Project:	*Amount*
1. Purchases of agricultural commodities for distribution through authorized agencies	$43,098,630
2. Encouragement of export of agricultural commodities, program payments	21,409,366
3. Diversion of agricultural commodities to by-products and new uses	11,188,789
4. Administration of marketing agreements and orders	608,295
5. Administration of programs other than marketing agreements and orders	1,131,361
Unobligated balance	6,266,200
Total available	83,702,641
Allotted to:	
Office of Foreign Agricultural Relations	+18,434
Transferred to:	
Local administration, sec. 338, AAA of 1938	+142,855
Administfation of National School Lunch Act, Department of Agriculture	+65,000,000
Exportation and domestic consumption of agricultural commodities (transfer to Interior, Fish and Wildlife Service)	+160,000
Total appropriation [1]	149,023,930

[1] Based on 30 percent of customs receipts in calendar year 1946.

Mr. ANDRESEN. Will the gentleman yield?

Mr. MURRAY. Yes.

Mr. ANDRESEN. In connection with what Mr. Murray has had to say, Mr. Secretary, is it not a fact that if the commodity price level level on farm products were to drop another 50 percent, as far as the farmers are concerned, so that the income of the farmers would be 25 to 50 percent below the standard that you have made in your proposal, every farmer would become dependent upon the Government for a substantial portion of his livelihood and if there were any regulations he would have to comply with them or he would face bankruptcy because he would have to get his extra income to get that support standard from the Government.

Then he would be dependent upon Congress to appropriate the money to supplement his income from what he received from what he had to sell.

Secretary BRANNAN. Mr. Andresen, that is exactly the spot he is in under the existing law if the prices go below supports.

Let us take cotton or wheat as an example. The farmer has produced his wheat or his cotton and has taken it to the warehouse or elevator and has his receipts. He has walked into the Commodity Credit Corporation county office and he has received his check for it.

Mr. ANDRESEN. He sold it to the Government, in substance; did he not?

Secretary BRANNAN. He did if the price never goes back up or if it does and he does not want to take it out, he has still sold it to his Government and there he has received his check from the Government just the same as he would get it under production payments except with a production payment route he would get part of it in the market place and the balance of it from his Government.

You assumed that we were going to have support levels all the time. If that were true, I think under any system about which we have spoken a good part of the American farmers would be getting some portion of their income from the Government.

Mr. ANDRESEN. Under existing law, of course the Government would eventually become the owner of a very substantial portion, if not all, of a particular commodity. That is where you retain the present floor support on basic commodities.

In that manner he would become dependent on the Government for his loan.

Of course, that is the way we are operating now. But under your program the price sinks down except on cotton, wheat, corn, and tobacco, which are under marketing quotas.

The price will sink down to its natural supply and demand level. Of course, there is where your program for consumers comes in. But in the meantime the amount of commodities that a farmer sells in the market at the supply and demand level, which brings in a lower price, will cause him to be completely dependent on Congress to provide him with the difference in income between that which he received and what he should have had according to the standards set up. Is that not right?

Secretary BRANNAN. I think that is right, but I want to make the point once more that he is today in the same position.

Mr. ANDRESEN. We agree with that.

Secretary BRANNAN. If the prices of all the commodities go down to the support level or start below, he immediately is in the same position today. That is the real virtue of a price-support mechanism.

Mr. ANDRESEN. Only the Government, under this program, may become the owner of the commodities supported under the loan.

The CHAIRMAN. And the Government will become the loser in most instances when you have uncontrolled production, will they not, Mr. Secretary?

Secretary BRANNAN. That is right.

Mr. ANDRESEN. Now, we are talking about basic commodities upon which loans are made. According to the change of your program, these basic commodities such as cotton, tobacco, corn, wheat, and possibly other grains, will have the same support that they have under existing law if marketing quotas and acreage allotments are in operation.

So you will not change the basic commodities upon which such tremendous amounts of money are advanced at the present time.

Secretary BRANNAN. That is right, sir.

The CHAIRMAN. Will the gentleman yield there?

Mr. ANDRESEN. Yes.

The CHAIRMAN. Mr. Secretary, is it not a fact that the Government has lost very little, if any, money on a support program on a commodity which was under marketing quotas at that time? For instance, you did not lose on wheat, cotton, or tobacco while those commodities were being sold under marketing quotas.

Is that not true?

Secretary BRANNAN. I think that would be the history, Mr. Chairman.

The CHAIRMAN. If you have control on the basic commodities and the farmers produce within their quota allotments, you have a degree of control which you do not have over the perishable commodities and in addition to that, if the farmer exceeds his marketing quota he is penalized by 50 percent of the value of his product.

Consequently, you are going to continue to have almost complete control over the basic commodities. If our experience in the future is as it has been in the past, the Government will come out of those support programs having saved the farmer in the first instance, and saving itself by orderly and properly marketing the surplus at a later date.

Secretary BRANNAN. Yes, sir.

The CHAIRMAN. If that is true, it seems to me that we must have one program applicable to basic storable commodities and another one applicable to perishable commodities.

Secretary BRANNAN. That is our recommendation.

Mr. ANDRESEN. I would like to finish my thought on this point.

I agree with what the gentleman has said about getting rid of our surpluses. But the American taxpayer paid for virtually the entire surplus that has been sent out of the country. Then it may be a total loss not for the Commodity Credit Corporation but for the taxpayers of the United States who have paid the bill. I do not think there can be any dispute on that because that was a part of our foreign policy.

Mr. GRANGER. Will the gentleman yield there?

Mr. ANDRESEN. Yes.

Mr. GRANGER. Of course, that is not a good example. If we had had no war we would have had 12,000,000 bales of cotton. I think we ought to forget about what we did as a result of the war. That is the reason we got rid of it.

Mr. ANDRESEN. Certainly, but we have to deal with a normal peacetime program and we may have 12,000,000 bales under loan if the present crop of this year materializes.

The CHAIRMAN. The blame for that lies in the lap of Congress and not on the Secretary.

Mr. ANDRESEN. I am not blaming the Secretary. There are 27,000,000 acres of land going into cotton under the present law, even though you have marketing quotas. Is that not correct?

Secretary BRANNAN. I do not know that it is going in under the present program, but if we had applied marketing quotas we could not have limited the acreage to less than 27,000,000 acres. We did not apply them so there will be no relationship between marketing quotas and the acres planted this year.

Mr. ANDRESEN. Not for this year but if you put marketing quotas into operation next year you will have to permit the planting of about 27,000,000 acres of land to cotton.

Secretary BRANNAN. We hope the committee, which has already been studying that, will give us a different arrangement.

Mr. ANDRESEN. I mean under existing law.

Secretary BRANNAN. If the existing law is not changed; yes.

Mr. ANDRESEN. That contemplates about 13,000,000 bales of cotton and you may raise 18,000,000 or 20,000,000 bales on the 27,000,000 acres. So you have to have a change in the law to bring about an adjustment.

Secretary BRANNAN. That is right, sir.

Mr. ANDRESEN. I am sorry I took up the time of the gentleman from Wisconsin.

Mr. MURRAY. That is all right.

Mr. WHITE. Would the gentleman yield very briefly for an observation in connection with cotton? I do not want to interrupt the gentleman in his train of thought, but when this cotton matter comes up, it seems that it always comes to the point where we say if we had not had a war we could not have gotten rid of the cotton.

I want to point out that that 11,000,000 bales of cotton was hanging around our necks in 1931 and 1932 when this thing started, so in order to be fair to the program, we would have to eliminate what went before and start with a clean slate if we are going to speak about keeping prices regular without its costing the taxpayer any money under a regulated program.

I just wanted to bring that point out.

Mr. ANDRESEN. Let me say to the gentleman, when we boosted the price by putting on a tax of several cents a pound we lost the world market and American capital went into Mexico and Brazil and other countries and built up cotton production and took the world market away from the United States.

Mr. WHITE. But that was done as a result of a condition that existed in and prior to 1932 when this program started.

Mr. ANDRESEN. Cotton was pretty cheap in 1932, and we could not get rid of it. Let me point out in conclusion that our exports from the future for a substantial portion of cotton will depend upon the ability of the people in those other countries to get dollars to pay for them.

That is what they are short of now. Either we have to give them the dollars so they can buy our products—not as they are doing now, giving them dollars to buy food in Canada—or loan it to them so they can buy our products, or we will not do much exporting. Is that not about right?

Secretary BRANNAN. That is certainly part of the answer, if it is not all of it.

Mr. ANDRESEN. Or we must take the competitive items they produce and a good share of them are agricultural products which we are trying to adjust in the United States.

Secretary BRANNAN. That is right.

Mr. MURRAY. Mr. Secretary, one thing has always disturbed me, and I know you can clear it up for me. You did not clear the last point up very well for me.

The CHAIRMAN. You mean why you did not sign that report?

Mr. MURRAY. No; I did not mean that.

Mr. ANDRESEN. Let me say to the Secretary if that report had not been agreed to we would have had no price support program for 1949. We were interested in saving a farm program for 1949 to protect American agriculture, and we did have an agreement that we were to go over the whole business again and write a new law.

I will leave it to my friend, Mr. Pace, if that is not correct. We went through with that simply for the reason of giving us a program for 1949. There was an understanding that we were to write a new bill. You have brought up this proposal for us and we have been 3 months on another proposal. I hope in the end we will come out with a good farm program.

The CHAIRMAN. Mr. Murray.

Mr. MURRAY. Can you support, Mr. Secretary, on the basis of pounds, bushels, and tons, if you so desire, instead of by acres?

Before you answer that, I will call your attention to the fact that during the war under the same law, Judge Jones did do that in the case of peas.

Under the law can you support only on the basis of dozens of eggs if you wanted to? Could you limit the number of dozens of eggs produced? Could you say you will not support the price on anything over so many millions of dozens of eggs?

Secretary BRANNAN. I do not think I have that power.

Mr. MURRAY. Under the Aiken bill would you have the power to limit volumes? You told us the losses that were taken on eggs at 35 cents a dozen—under your formula they would be 45 cents a dozen. I just thought possibly we would be losing more on the 45-cent support than on the 35-cent, unless you had the power under some bill to limit the volume that was produced.

Secretary BRANNAN. I think we could have allotments and we could limit the production payment to the allotment.

In other words, we would limit the production payment to compliers. That is, under the term "payments" in the Aiken bill, not under the present law.

Mr. MURRAY. I will not go into that today because I do not want to take the time. I always have a lot of trouble in the dairy business. About the only time we bring it up here is when somebody is trying to ruin it. I am glad to know that you are not trying to ruin it today.

The artificial trade barriers put up on the basis of being absolutely false prevent the consumer from getting milk as cheaply as he could obtain it. Anyone who is familiar with the dairy business can put this milk in the consumer's hands more cheaply without any subsidy any time they want to raise the artificial trade barrier.

I realize that we have to have the health regulations, of course. I was home last week, and out of grade A milk they are making manufactured dairy products.

That has come as a result of the kick-back in the consumption of fluid milk in the places where they were selling their milk. Times are getting a little tougher in the cities, and the people are not buying as much.

That milk is bringing 6 to 7 cents a quart. There is only one city in the United States where we have anything to say about it and that is Washington.

In the rest of the cities they run their own show. One could not bring any of that from Indiana or any other State into this city because they have an artificial trade barrier in the city of Washington. I think there is an approach without taking any money out of the Federal Treasury to support that 15-cent milk.

I think it can be done solely by the agencies already producing milk. If we could just get rid of the artificial trade barriers, I think the consumer could get milk considerably cheaper than he is getting it at the present time. Perhaps some people would not like it, such as the people delivering the milk, but rather than taking the subsidy route as a way of achieving it, I am sure it can be done without costing many millions of dollars in order to put it into operation.

Secretary BRANNAN. Mr. Murray, I know you do not believe that we have represented the program could be a cure-all for all the difficulties in agriculture.

What we undertook to do at the beginning was to discuss the price-support mechanisms and laws and make recommendations with respect to them and touch upon all the important aspects. I realize that there are marketing problems and opportunities for us to increase efficiency in marketing.

Mr. MURRAY. I do not know that that is your responsibility. I do not think anyone should criticize you because these cities want to get milk cheaper. That is not your fault, is it?

Secretary BRANNAN. No, not at all. I beg Mr. Poage's pardon for using "efficiency" so often here.

The CHAIRMAN. Can you answer Mr. Murray's question, sir?

Secretary BRANNAN. I did, sir.

Mr. MURRAY. I did not like one write-up very well, but I noticed in that dairy farmers were to get $4.22 per hundredweight for the milk on a national average. Over one-half of the dairy farmers are going to get 67 cents a pound for fat. I knew very well that Wisconsin would be in that 67-cent class because they have been in that low class so long that it is a caste system.

I just wondered what there was to that.

Secretary BRANNAN. I am not sure I am in a position to say.

Mr. MURRAY. The announcement I saw in the paper gave a figure of $4.22 for bottled milk. They said the manufactured milk would have a floor of 67 cents.

Secretary BRANNAN. I am sorry I cannot verify or disagree with those figures.

Mr. MURRAY. What is the formula you propose on milk? Is it $4.22 right straight across the board?

Secretary BRANNAN. It is $4.22 straight across the board but that would be a national average or perhaps a regional average.

Mr. MURRAY. We do not come out very well on those national averages.

Secretary BRANNAN. I realize that. Mr. Andresen and I spoke yesterday about the possible need for some regionalization of these things.

That figure is right, $4.22 for all wholesale milk.

Mr. MURRAY. What is the set-up for the 67-cents for butterfat.

Secretary BRANNAN. There is nothing in this statement which refers to that.

Mr. MURRAY. But I want something in that statement or else we will have to put it on the committee because I do not like to be on the short end all the time on those things.

There is not that much difference in milk. It does not make it any cleaner and if it is not clean enough to go into a bottle it should not go anywhere else.

I do not want to go into that today. There is too much spread in there. I do not know as I want to drag the other fellows down but I want to get up in the front seat with them. I do not want to sit on the back seat forever.

I will just finish my observation with the wage scale which you have in your proposal as shown for the farm operation in table I.

No mention has been made in your proposal about taking care of the 6 or 7 million people who are working for farmers and who are not to be assured any support for their wages. This is nothing original on my part. I am just copying it from the sugar section, where you as the Secretary of Agriculture have the authority vested in you by the Congress to see to it that a producer of sugar pays a certain wage to the laborer who works in the fields.

There are 6 or 7 million people who are tied up with American agriculture in working on the farms. I think in a long-range agricultural program that should have some place.

Secretary BRANNAN. I agree, sir. That we touched upon very briefly on about page 30 of the statement of April 7.

Mr. MURRAY. As long as you have it in mind I will check that over again. I don't want to take any more time on that.

On this wage they say they are going to raise or lower the minimum wage of labor in a few days. But I think there is one thing we should all appreciate. The farmer gets his wage through this support program.

But he also gets a job along with it. The laborer as such has a minimum wage but there is no assurance that he has a job. I realize the relationship between the two. I think we must consider that the man not only has a wage, which may not be high enough to suit him, but under your program he will at least have a job.

He may not think you are paying him enough and probably you will not, because I do not think anyone ever got paid too much but I think we must keep in mind that that must have a relationship to our minimum wage, no matter whether it is changed by the Congress in the next few months or not.

If your proposal represents the hourly wage to the man who owns the farm, then the man who works as a laborer on that farm must be in the picture and you must realize that the laborers on the farm are entitled to some relationship that what you apply to the man who owns the farm.

Is that not right?

Secretary BRANNAN. That is right.

Mr. MURRAY. That is all.

Mr. ANDERSON. Will the gentleman yield?

Secretary BRANNAN. The point was that you cannot accomplish all of those purposes by devices and attachments on to the price support program.

Mr. MURRAY. I realize that.

Secretary BRANNAN. We must get at that by other routes if we are going to get into that field.

Mr. MURRAY. We did in the Sugar Act and that is where I got the idea. That was not my brain child by any means.

The CHAIRMAN. Mr. Andresen.

Mr. ANDRESEN. I just wanted to remark that under the Sugar Act the gentleman overlooks the fact that most of the employees were protected by minimum wages but were not American citizens.

They were Mexicans and citizens of other countries. It is our custom here to protect citizens of foreign countries as against citizens of other countries.

The CHAIRMAN. Mr. Lind, do you desire to ask the Secretary any question?

Mr. LIND. No, thank you.

The CHAIRMAN. Mr. White?

Mr. WHITE. Yes; I have some questions.

Mr. Secretary, it seems to me that one of the most constructive things we can do at this time is to enlighten the American people as to the reasons why it is necessary to have any control over agriculture and to have a farm program.

In traveling around my district I find a lot of people who resent the fact that farmers are catered to, as they call it, and pampered. I would like to go back with you for a moment and try to review what has happened in our Nation in the last 170 years of its existence.

The CHAIRMAN. All that in 5 minutes?

Mr. WHITE. Yes, sir. I guarantee I will not take 10 percent of the time the gentleman from Wisconsin just took.

As you know, when our Nation was first founded each family was a self-sufficient, independent unit—95 percent of our people were engaged in agriculture, so there was no necessity for any controls.

Over the past 170 years, through the advent of more and more labor-saving machines, to which I do not object, our Nation has gradually been transformed from a nation of self-sufficient independent families into a nation of interpendent specialists, like myself, for instance.

I produce mostly cotton. Another many may produce fruit. With the use of these machines, only 15 to 20 percent of our people now produce agricultural commodities. That 15 to 20 percent of our population, with these machines, can produce a veritable avalanche of commodities in one season's production unless we regulate them. Inasmuch as a depression is nothing more or less than a fall in the general price level and the price level is determined by the relationship of the quantity of products in the world compared with the amount of money in the world in the hands of the people who need those products, it is perfectly obvious that through the gradual changes that have overtaken our Nation we must regulate or we perish. Is that not about the situation, Mr. Secretary?

Secretary BRANNAN. Mr. White, I think there is a great deal of substance to what you have said. We have demonstrated in some commodities already that we must ask the producers of those commodities to impose regulations upon themselves if they are to enjoy the benefits of a price-support system.

Mr. WHITE. That is right. A lot of our people want to eat their cake and have it too. They do not want any regulation. They overlook the fact that this mechanization in agriculture has an exact parallel in the automotive field.

The invention of the automobile has robbed us of our liberty to cross the intersection at the time we choose—30 years ago there was a big hullaballo about the traffic signals. A lot of people fought against them but they have gradually come to the point where they are glad to accept them. They want them because they know at 5 o'clock in the afternoon at the street intersection they would be honking at each other in a traffic jam and could not get home. That is exactly what has happened to us in our agricultural economy. We are forced to accept controls whether we like them or not. I certainly do not like controls but I am willing to give up that amount of my rugged individualism that will produce the proper well-being of all of us.

I just wanted to get that in the record to counteract some of the things that have been said today about your desiring to be a dictator. I think that you are only asking for what controls are absolutely necessary and that you want to have a minimum of controls, as I do. I thank you for the time, Mr. Chairman.

The CHAIRMAN. Congratulations. You made it in 5 minutes on the nose.

Mr. Cotton?

Mr. COTTON. Mr. Secretary, I though one of the fine things about your proposal was the desire to utilize surpluses for the benefit of the consumer and the American people instead of going back to the old system of destroying them or curtailing production.

I understood when you came in with your second statement that the benefit to the consumer was somewhat secondary and collateral to the program which is fundamentally for the farmer.

That is right, is it not?

Secretary BRANNAN. Yes, ir.

Mr. COTTON. If the consumer is to benefit from this plan, with whatever necessary expenditure it involves, is not the next step some sort of price control for the consumer? Otherwise this will all be absorbed by the processor, or the middleman, and the merchant before it gets to the consumer. Is there not that danger, Mr. Secretary?

Secretary BRANNAN. Mr. Cotton, I believe not, and I will give you an example of why I believe that. We are talking now about perishables. If we allow the commodity to seek its level in the market place, the processors and handlers will handle it just as they do now.

Under the philosophy of the proposal they may benefit to the extent that there is an increased volume for them to handle. But when we go back to make the payment directly to the farmers there is no taking off of percentages of the money on the way back to the farmer.

It goes directly to him from his Government with the least amount of work and effort involved. The concept of the proposal is that there is no opportunity for the processor and middleman to get any more benefit out of handling the commodity under this program than he would if there was a completely free market and no price support whatsoever.

Mr. COTTON. I did not claim that. Perhaps I did not make myself clear. I mean whether you have price support or not, it has been my observation that when farm prices go down the consumer gets only a small percentage of the benefit of it. When pork is down, to be sure you buy your pork chops at the market at a little less, but it is not comparable with the licking that the farmer has taken in producing it.

I will not try to get into whether your suggestion is more costly than other suggestions, but if we are going on the theory of using whatever is necessary from the Public Treasury, first to take care of the farmer, and second, to help the consumer, are we not going to reach the point where we will require some kind of control to see that the consumer gets that benefit as a natural corollary?

Secretary BRANNAN. Mr. Cotton, you are speaking of the prevailing system, whether we need a careful look at the margins between producers and consumers today.

In some commodities I think we do. You took what I think is not one of the best examples. As a matter of fact, it is probably one of the better examples on the other side.

If I remember correctly, of the consumer's dollar paid for meat, the producer gets some 7 percent.

Mr. COTTON. I took that because it was a perishable.

Secretary BRANNAN. On some of the other commodities, of the consumer's dollar the producer gets a smaller percentage. Meat, as I indicated, is not one of the outstanding ones.

Mr. COTTON. I have one other question.

I take it that you feel that even though prices go down and even though a substantial amount of money has to be spent, the consumer is going to benefit by it so that the farmer gets a good living and the consumer gets good prices under this plan.

Secretary BRANNAN. Yes. The use of the word "low" should not deceive anybody. We are not in the business of trying to make cheap food. The proposal looks toward creating a program under which there is the maximum amount of freedom in the market place and the passing on of the benefits of our productive capacities to the consumer at reasonable prices.

I do not think this program would ever operate in such a way as to bring bargain prices on foodstuffs to the American consumer. I assume that you do not think he always ought to live by bargain prices on food.

Mr. COTTON. Do you feel that your program is a plan that gives the farmer somewhere near the standard he has had for the past 10 years, that gets his food to the consumer at a somewhat lower price, does not curtail production or impose restrictions, and does not cost too much?

Secretary BRANNAN. I do, sir. Those are four worthy objectives and those are the four we set out to try to achieve. I think we have achieved them to a very substantial degree in some factors and perhaps to lesser degrees in others but we have made progress in all of them by the recommendation.

Mr. COTTON. If you have, that is Utopia and I think everybody should be for it.

Secretary BRANNAN. It might be, sir, but it is certainly an objective worth working for and we went to work on it. We certainly have demonstrated in the four or five examples that with the amount of money we are now faced with spending we could accomplish all those objectives.

Mr. COTTON. I know it is your sincere and firm contention that it would not be more costly. Taking the present system, not the Aiken bill, will your plan, in your opinion, cost more or less than the present system of support?

Secretary BRANNAN. Let me say first of all that it would cost less than the present system, in my opinion; I think we did our best to outline that in the statement which I read yesterday. I am convinced that it would cost less than the present system in the items which we defined and made reference to.

Mr. COTTON. If you added to it all these perishable items, in dollars and cents it would cost more, would it not?

Secretary BRANNAN. Let us take hogs, for example. We have a statutory obligation to support hogs right now. We have a statutory obligation to support most of those items now. I think we would have a very strong pressure to support beef and lambs if they ever came down to what the prices was, at 90 percent of parity, at least so we are not talking about many additional items. We are also in chickens and eggs right now.

Mr. COTTON. In your opinion, would the actual expenditures be more or less than under the system which will take effect the first day of the year under the so-called Aiken bill?

Secretary BRANNAN. If under the word "payments" in the Aiken bill we could do the things we are talking about, then any difference in the amount of funds involved in carrying out the program and any difference in the amount of losses would be the difference between the two support levels.

In my opinion that would mean that much less money in the farmer's pockets with not a great deal more benefit to them.

Mr. COTTON. I realize you are taking into consideration the interest of the national economy and the element of the farmers having more money with which to purchase. But in actual expenditures from the Federal Treasury, your plan would be more a drain on the Treasury than the administration of the Aiken bill, would it not?

Secretary BRANNAN. Only inasmuch as there was a difference in the level of supports and a loss in the operation. The fact that there is a difference in the level of support does not necessarily mean that you will be in a loss operation at all.

That again goes back to supply and demand.

Mr. COTTON. Just one more question and I am done, Mr. Chairman.

I was somewhat attracted to another commendable objective in your plan, that of encouraging the family-sized farm. That is about the only kind of farm we have in the area that I represent, as distinguished from the other States represented by some of our friends. It seemed to me that after considering the situation in cotton, tobacco, and other commodities that seemed of necessity to be raised on large farms or plantations and already have quotas, you rather retreated from your position of limiting this program to a family-sized farm. Am I wrong in that?

Secretary BRANNAN. I made the error the initial day, in an effort to shorten up the statement, of not discussing the point of conflict between the acreage limitation and marketing quota laws which presumably attempt to gear total national production to total national need and the 1,800-unit limitation on application of price supports.

The information that we added later on was to the effect that where this conflict occurs the weight of the decision would go in favor of the marketing quota and the acreage limitation, namely that the 1,800-unit limitation would not apply if the crop was under acreage limitations or marketing quotas.

Mr. COTTON. But you are really convinced that there is a way of having price supports at a reasonably high level, a guaranteed profit to the farmer, a standard of living such as he has enjoyed in the last 10 or 15 years, and not have to resort to actual crop control?

Secretary BRANNAN. No, I have not said that at all, because we already have crop controls and I have asked for retention of the present statutes with respect to crop controls. As a matter of fact, I understand that one of the bases of criticism is that we would be seeking more crop controls.

I tried to make clear yesterday that I have not done that.

Mr. COTTON. It is my understanding that under your system I get support for my 1,800 units or whatever standard is fixed but I can produce to my heart's content in excess of that except that I do not get support on the excess.

Secretary BRANNAN. Unless you are in a crop which is under acreage limitations or marketing quotas, in which event you could not, except with penalties.

You can still produce in excess under acreage limitations and marketing quotas, although it is not a very good business.

Mr. COTTON. Leaving aside those that are under marketing quotas and acreage limitations I can produce all I want but my support only applies to one segment of it, does it not?

Secretary BRANNAN. That would be correct.

Mr. COTTON. So if that were eliminated or did not work out, it would be definitely a plan of crop control. That part of the plan says to the farmer, "You can raise all you want to of these particular commodities, but we limit the support to a certain fixed amount."

That is correct, is it not?

Secretary BRANNAN. No, sir. As previously indicated, the production payment can be so related to or coupled with goals or allotments that it would be applicable only to those persons who complied and could have the effect of discouraging production and assisting those people who stayed within their allotments.

Under the existing law we theoretically do that. We theoretically give the producer of potatoes his loan or purchase agreement when he is a complier with the allotment program. But it is just as profitable not to be a complier as it is to be a complier where you are using purchase agreements or loans.

Mr. COTTON. Under your proposal, would that situation exist in cattle and hogs? You put a provision in so that you can limit the production if the producer is going to enjoy support on any part of it?

Secretary BRANNAN. That is in the Aiken law and we recommend that it be a part of the present proposal.

Mr. COTTON. So that we have the support to the farmer and a lower-priced food level to the consumer, but as a protection to the Treasury, there is still a definite provision for crop control when necessary?

Secretary BRANNAN. That is right, sir.

Mr. COTTON. That is all.

Mr. GRANGER. Will the gentleman yield there?

The CHAIRMAN. Mr. Granger, do you want to ask a question?

Mr. GRANGER. Yes. Along the line of Mr. Cotton's questioning, why do you hesitate to say that you could not operate your 1,800 units in an area where crops are under control? We did that in wheat, did we not, under the present law?

Secretary BRANNAN. I do not get the analogy, Mr. Granger.

Mr. GRANGER. Under the present law, you had limitations on the production of wheat. They had to comply, did they not, on wheat acreage?

Secretary BRANNAN. Before the war?

Mr. GRANGER. Yes.

Secretary BRANNAN. Yes.

Mr. GRANGER. And it did not necessarily say that you could only raise this much wheat, but he got paid for compliance. If you produced more than your acreage allotment you suffered a penalty, did you not?

Secretary BRANNAN. That is right. That was a mandatory program which would depend upon the farmers themselves voting it, if you were going to apply any kind of penalties.

Mr. ANDRESEN. The program went to the extent that a farmer who had raised more wheat than he was allowed to raise could not feed that to the livestock on his farm if he was going to market the livestock.

Mr. GRANGER. Unless he paid a penalty.

Mr. ANDRESEN. Yes; a penalty of 50 cents a bushel.

Secretary BRANNAN. There are comparable provisions under the existing arrangements with respect to tobacco and peanuts.

Mr. GRANGER. In that connection, it seems to me you sort of hauled the flag down on the 1,800 units when you were being questioned by Mr. Pace on the basis that you did not think you could administer it where you had acreage controls.

Why could you not administer it?

Secretary BRANNAN. Where the farmers themselves have voted a mandatory program of their own under the referendum submitted by the Secretary, then it seems to me that what they have gone through is a process of determining what production is consistent with the national and foreign demand, and so forth.

Therefore, anyone who stays within those agreements with his fellow farmers should enjoy the benefits of support.

That is the theory on which we reached that method.

The CHAIRMAN. And when the farmers vote in favor of marketing quotas, they leave it to the Secretary to determine the size of the crop that shall be produced and marketed. You make that determination and fix the marketing quotas. That is all the power you need over that particular commodity, is it not? You start out deliberately to bring production in line with demand. If by chance you have a small surplus, as you have had in tobacco, which turned out to be only a temporary surplus and if you were to draw that from the market and hold up the price, then at a later date you dispose of that temporary surplus. I have one or two questions, Mr. Secretary.

Mr. GRANGER. It has not been the family-sized farmer who has produced surpluses, has it?

Secretary BRANNAN. If he had not been in the business producing perhaps the surpluses would not have existed.

Mr. GRANGER. He has not increased his acreage very much. Is it not a fact that the program that has been in effect has been the thing that has stimulated big wheat and cotton production and put the little farmer out of business?

Secretary BRANNAN. High prices have stimulated the development of larger farms, I think. During the war, there was some concentration of farm lands in fewer hands. We would fall short of our objective if we did not recognize that there were some other factors in there.

One was the attractiveness of jobs in the factories and the cities during the war, which took some of the people out of agriculture and just automatically made their land available to somebody who wanted to put it into a bigger unit.

Two, the advent of machinery which has made it much more efficient per unit of production to put some of these bigger units together in bigger crops. I would say that is the kind of efficiency which I agree with Mr. Poage that I am not too much interested in.

Mr. GRANGER. Is it not a fact that under the support price for cotton, even though the Government did not lose any money, that profit came out of the hides of the little farmers of the country?

Secretary BRANNAN. The profit?

Mr. GRANGER. Yes, we made a profit on it. The reason we did, the little fellow could not take a loan on his cotton and he got busy and sold it. The Government took it over. He had no interest in it.

Later on, when the price was good, the Government sold it but it did not sell the cotton that the big fellow had loans on. He kept his profit. It was the little fellow who suffered in the end.

Secretary BRANNAN. Mr. Granger, I think that is true only to a very limited extent and that is to the extent that the loan period had not expired. For a good part of that cotton the Government had been the complete owner of it for a considerable length of time.

The loan period expired and the right of the individual to take it back had expired. So it was really the Government's cotton. It had been sold to the Government and it consisted of the cotton of some of the big producers and the little producers as well.

The problem you point out is a very real problem but I say to you that I think adequate credit is one of the more direct ways of getting at it.

Mr. POAGE. Will the gentleman yield?

Mr. GRANGER. Yes.

Mr. POAGE. Is it not true, Mr. Secretary, that on that cotton, as it approached the end of the loan period, anybody who held those certificates representing bales of cotton in the loan, if the price of cotton was above the loan, could always find a purchaser, whether he was a large or small operator? If there was only \$2.50 difference, he could sell them for \$2.50. He could sell them for the difference between the market and the loan value if the market was above the loan.

Everybody did sell them, big or little operators. The little operators all took their $2 or $3, if there was any profit.

If there was not any profit, he let them go and let the Government take them. Then the Government held on until a much later date. No big operator held that cotton in the loan. You could not hold it in the loan after the expiration of the final date of the loan period.

Consequently, every big operator, if the price was below the loan value, let his cotton go just the same as the little one did.

Secretary BRANNAN. That is right, Mr. Poage.

Mr. WHITE. Will the gentleman yield further for an explanation on that matter? I happened to have a direct association with it. I would like to explain this.

Not only is what Mr. Poage says true, but in the cases where the Government actually assumed ownership of the cotton in the earlier stages of the program, the Government held that cotton and sold it at a profit and distributed those funds among the growers. I know that to be a fact, because I participated in it.

Mr. POAGE. What you call putting your cotton in the pool.

Mr. WHITE. That is right.

Mr. COTTON. One other reason, Mr. Secretary, that I am apprehensive (borrowing Mr. Granger's phrase of hauling down the flag on the 1,800 units) is that in the section I represent we have to import our feed for our cattle and poultry. The higher the support of grain prices in the West, the more difficult our farmers find it to buy their feed. My hopes were up the first day or two, because if it was going to be an 1,800 unit or some other unit support program and then the rest was going to be thrown into the market, it meant a more favorable situation on the matter of feed.

As I understand it, that is out because in these great basic commodities, if a farmer voluntarily enters into these arrangements for acreage control, then we are still going to have no surplus in the market at market prices and that keeps the price of feed up. Is that correct?

Secretary BRANNAN. Mr. Cotton, if I understand you correctly there is no intention in this program of allowing the price of wheat and some of the other commodities to fall below the support level and stay there any appreciable length of time.

Mr. COTTON. Any part of them?

Secretary BRANNAN. No, sir. As a matter of fact, we are in the business this very minute and have been this whole year of keeping the prices stable.

Mr. COTTON. And it is definite that under your proposal that situation will continue unchanged?

Secretary BRANNAN. Yes, sir. We are not trying to provide cheap feeds for anybody.

Mr. COTTON. Mr. Secretary, I was very much pleased and interested in your original presentation about all this being done for the family-sized farm, not necessarily to discourage the big farmer but to give the family-size farmer a chance. I understood that that support was limited so that each farmer received support only on a certain amount of his crop.

On the other hand, the surplus would go into the market and would furnish not only cheaper food to the consumer but cheaper feed for some other small farmers who are struggling in these rural communities that you and I feel are worth preserving even at some expense to the Federal Treasury. I feel that when this situation is changed you are striking at that objective which you emphasized the first day.

Secretary BRANNAN. Mr. Cotton, if I did I certainly did not state myself well. Any limitation on the application of price supports was not intended in any way, shape, or form to permit part of the commodity to go into the market at below the support levels. It was designed to encourage the bigger farmer to sell part of his farm off to another person.

Mr. COTTON. I thank you, but Utopia is fast disappearing.

Secretary BRANNAN. I am sorry, sir; but I want to be quite frank with you about that.

The CHAIRMAN. Will Mr. Granger yield to Mr. Hope?

Mr. GRANGER. I will yield.

Mr. HOPE. Mr. Secretary, I am not sure that I have reached any definite conclusions on this question of limitation of the benefit payments yet, but I am of the same opinion as Mr. Granger. I cannot see how under a program of reducing large farm operations and encouraging and benefiting the family-sized farm, there is any practical or logical reason why the 1,800 units should not be applied to commodities that are operating under acreage allotments for marketing quotas. To get to the practical end of it, if you are going to apply marketing quotas as you first put acreage allotments into effect, is there any reason why we could not pass a law or you could not carry out a regulation adopted in pursuance to some law under which you would not give any farmer acreage allotments in excess of a sufficient amount to produce 1,800 units?

If you did that, is there any reason why that in any way would interfere with the production of the needed quantity as determined by the Department of that particular commodity?

Secretary BRANNAN. No, I know of no reason why you could not give a producer of a specific commodity a limitation. As a matter of fact, the authority now exists to place a limitation on his production and the route is acreage limitations or marketing quotas. Under the existing law you ask him to vote on it.

The CHAIRMAN. Will you yield, Mr. Secretary? That limitation has to be uniform, too. What we are talking about is changing the uniformity of the present law and applying one yardstick to the little fellow and another one to the big man.

If you put the 1,800-unit program in effect on a wheat grower or a cotton grower and you let that be known, of course all of the influential big growers will use their influence to defeat the referendum and the quotas. In the event quotas were imposed, they would still go ahead and perhaps produce an abundance.

Mr. HOPE. The big grower has one vote and the little grower has one vote.

The CHAIRMAN. The big grower has a lot of influence over the little grower.

Mr. HOPE. I have never seen the time when we did not have a lot more little growers than big growers.

It is possible that unless you apply some sort of limitation under this kind of program you might sooner or later have as many big growers as you do little growers, because the experience under these programs has been that the big growers absorb the little growers. Unless you apply the limitations to those commodities which will be under acreage allotments or marketing quotas, it seems to me the idea might as well be abandoned altogether. Otherwise, I do not see where it is going to have any particular force and effect. It is certainly not going to have any application to most of the large farm operations in this country.

The CHAIRMAN. May I ask a question there, Mr. Hope?

Mr. HOPE. Yes.

The CHAIRMAN. Do you not believe that the marketing quota laws we now have are adequate and forcible enough to accomplish the desired amount of reduction in any particular commodity? When two-thirds of the farmers vote in favor of the quotas, they put the power in your hands to fix the amount at any amount you want to, Mr. Secretary. If you fix it too high, it is your fault, not theirs.

Why do you want to put any more yardsticks and limitations upon the over-all production of the commodity, if they put it up to you and say, "Here it is; you fix it"? Why should you say to Mr. Hope because he has accumulated a big farm that you are going to support him half way, and while I am a little grower or a medium grower, you will support me all the way? I do not believe that any sort of program like that will work and I do not believe you would ever get one through this Congress that is patterned after that fashion.

I think the strength of our program has been that the burden is rested equally upon the big and little growers and the blessings enjoyed by each of them alike. Whenever you try to change that, I think you will run into trouble.

Mr. HOPE. It seems to me you are applying two different programs. One is a program whereby you are going to limit the benefits that go to large farms for the reason that it is felt that the policy of the Government should be to encourage the small farmer and discourage the large farmer. That is one thing.

The other program is an effort when we have a surplus of a commodity to reduce the quantity of that commodity which may be produced in order to prevent the surplus from resulting in a breaking down of the entire program. Those are two different and distinct things.

One can be operated entirely independently of the other, it seems to me, and I think they should be operated independently. If both of them are meritorious, that is fine, but if one of them is not we should throw it out. I see no reason when you are attempting to reduce your total production by uniform acreage reductions why the other operation should not go into effect also.

The CHAIRMAN. By the same token, why not put quotas on the big man and no quotas on the little man? Then you will accomplish exactly what you have in mind; that is, to restrict the big operation and encourage the little operation.

Mr. HOPE. That would be one way of doing it, but the object is to encourage the little farmer and discourage the big farmer, as I understand it. If that is the object, what you suggest would be one way of doing it and what the Secretary suggests would be another way of doing it. One might work better than the other.

Mr. POAGE. Will the gentleman from Utah yield to me to ask the gentleman from Kansas a question?

Might there not be a logical distinction there, based upon the practicability of working one of these unit limitations on a commodity that you are trying to support by controlling the production? I agree with you 100 percent that from the standpoint of policy, if it is a good policy in the one case it is a good policy in the other.

To my mind, when you get into crops like cotton and wheat and tobacco and cattle, that is really where this limitation on size could be effective. That is where you get the big operators. But I do not see how you can support the price of wheat when you support only three-fourths of the production.

The Secretary suggested that one-fourth of the total production is produced by these people who are operating in such a volume as to produce more than 1,800 family units. If you attempt to support three-fourths of the cotton crop or three-fourths of the wheat crop and let the other fourth move in the market, I think you will find it much more expensive than you would to support the whole crop. That fourth can break your market to such an extent that it seems to me it would be an utterly impractical thing to try to carry on a support program for cotton or wheat like we have at the present time and deny it to the large producers, because the large producers can come on the market and break the support price.

Mr. Hope. I think there is a great deal to what you say from a practical standpoint. That is one reason why I am somewhat in doubt as to the practicability of carrying out that kind of a program. That is one of the big doubts I have about it. I am talking now about the theory of the program.

Mr. Poage. I do not see who it is going to apply to if you do not apply it to these people.

As the Secretary said, you are not going to put controls on cattle. It will not leave anybody, excepting hog growers, and I do not know any hog growers that are in the business on the scale of Tom Campbell or Kleberg's ranch.

Mr. Hope. If you apply it to those commodities on which there are marketing quotas or acreage allotments, I do not think you will do much toward stopping the increase of large farms. The large farmer will be able then, just as he is now, to go out and buy an adjoining farm and increase the size of his operation. He will be entitled to get acreage allotments on the same basis for his newly acquired land, and he will go out and buy another farm. So there will be nothing at all in this particular program that would keep the large farms from getting larger and the small farms from disappearing and getting smaller if you are not going to make it apply to these commodities in which large farming is practiced.

That is all I care to say about it.

Mr. Chairman. Mr. Granger.

Mr. Granger. I have nothing further.

Mr. White. Mr. Chairman, may I point out something there? I do not like this word "backing away" from something. The Secretary has simply said that he made a mistake in offering that 1,800 units here on the commodities that were under acreage control, and I do not like those words, "backing away."

Mr. Hope. I certainly mean no offense by using those words. I understood and I thought other members of the committee understood when the Secretary first came up here that this was to apply everywhere. Now he says that he did not define it explicitly enough the first time. I certainly do not mean any offense or criticism.

Mr. WHITE. I know the gentleman means no offense. He is one of the most polite men on the Committee. I will give him credit for being the most polite and generous man on the committee.

Mr. HOPE. Thank you.

The CHAIRMAN. Mr. Andresen.

Mr. ANDRESEN. Mr. Secretary, I think your first presentation here had a general over-all appeal because then it was contemplated only to give support on 1,800 units and the commmodity would be sold in the open market, as most of them will be under your proposal.

Now with the fixed support prices, even on a limited acreage, on the grains and cotton and tobacco they take on an elevated standard and they are not sold in the open market like the 75 percent of the other commodities are. So you really have two programs, one rather inconsistent with the other, when it comes to getting all kinds of cheap commodities like cotton, tobacco, flour, wheat, and grains to the consumer.

I think the way the program is outlined now, the higher prices that you will have to get for feed will be a retarding influence on the production of dairy products and poultry and beef, because of the higher feed prices. I think that it itself will be a retarding influence.

Secretary BRANNAN. Not if you are conscious of the feed ratios and certainly not on the comparative feed ratios of the figures that are in the column right now.

Mr. ANDRESEN. The price may sink if we get production so as to get 35- or 40-cent pork chops and the same for sirloin steak, and 25-cent eggs, and so on.

Secretary BRANNAN. But your volume would go up tremendously and you would use up some of these grains that you have surpluses in.

Mr. ANDRESEN. I have seen the time when they got only a nickel a pound for cotton around here, too, and there was considerable complaint about that.

You have changed the policy of the program and I will not go into that.

I did want, as a concluding question, to ask you if you figure that the amount of money that is loaned under the support program is a part of the present cost of the agricultural program.

Secretary BRANNAN. The amount that is loaned?

Mr. ANDRESEN. Yes.

Secretary BRANNAN. No, sir; I do not. It may be, if all of that money is lost, because the commodity on which it was loaned cannot be sold anywhere in the world for that price. Then it could be.

But to the extent that you recoup the losses which you have an opportunity to do in the storables, it is not in any way a loss.

Mr. ANDRESEN. Then you do not figure that in as a part of the cost of the present program?

Secretary BRANNAN. I certainly do not. When I talk about the cost of the present program or any program, I am talking about the final out-of-pocket losses to the Government on the operation, plus its administrative expenses.

Mr. ANDRESEN. Then we can eliminate about two and a half billion dollars that is tied up in tobacco and cotton and other storable grains?

Secretary BRANNAN. Corn, wheat, and sorghums; yes, sir.

The CHAIRMAN. How much have we got in the factory now?

Mr. ANDRESEN. I can tell you exactly what you have in the factory. You have $149,000,000 tied up in 379,000,000 pounds of tobacco. It has been in there 3 years. I just wanted to get it clear that we are eliminating that two and a half billion dollars.

For potatoes you have estimated $225,000,000 for the present year crop. You have estimated, as I recall your statements, around $120,000,000 for eggs.

Secretary BRANNAN. It was not that high.

Mr. ANDRESEN. You have stated several times that you did not think the new program would cost any more than what you are paying out now. Now we have eliminated the two and a half billion dollars on tobacco, cotton, and grains.

Secretary BRANNAN. I do not think anybody ever counted those costs in the present program if they understood the program.

Mr. ANDRESEN. Let us just find out what your costs are on the present program on perishable items. We will take the figure first of $225,000,000 on potatoes. That was on the potatoes, and what was the figure on eggs for last year?

Secretary BRANNAN. I think the net loss was around $75,000,000 on eggs last year. We have some of the eggs that we bought last year.

Mr. ANDRESEN. Let us just figure that they are lost and we will take $75,000,000 for a rough figure. Now, what else have you lost money in? Are there any other items?

Mr. POAGE. Did you not put a lot of money in the citrus?

Secretary BRANNAN. Not under the support program.

Mr. ANDRESEN. Your present program, then, is costing around $300,000,000 for the articles which will bear a loss?

Secretary BRANNAN. Yes. Let us take that for a figure. I think perhaps it could be more or less than that.

The reason you cannot say what the loss is, is because we have not liquidated many of the commodities we took under loan last year. If we strike them all off as complete losses that the Government will get nothing else out of, the figure will be quite high. If we strike them off as though the Government would recover fully, then of course, the losses will be low.

I want to point out, Mr. Andresen, that the key factor is that we are in an entirely different situation looking forward than we were in the situation looking backward. We were looking badkward into a period of time when most of the commodities were riding above support and when even the commodities you took under support you could find ready markets for, perhaps at some discount. We are now looking into a future in which not so many of the commodities are going to ride above support all the time and if you take them into Government ownership you are going to have an extremely hard time getting rid of them.

Mr. ANDRESEN. Do you think $500,000,000 would be a safe figure on losses?

Secretary BRANNAN. On losses under the present program?

Mr. ANDRESEN. Yes.

Secretary BRANNAN. Mr. Andresen, you have to make more assumptions than we can begin to make this afternoon.

Let us see what assumptions you will have to make in the case of any given crop next year. First of all, you are going to have to assume what the national production will be. You will know later on, but you will have to assume for the time being what your carry-over is going to be.

Mr. ANDRESEN. Carry-over on what?

Secretary BRANNAN. If there is a carry-over in a particular commodity.

Mr. ANDRESEN. I thought you eliminated the cost of these bones on storable crops.

Secretary BRANNAN. We will state it as nonstorables.

Mr. PACE. Will the gentleman yield right there?

Mr. Secretary, you have another assumption. If you assume that the Aiken bill is going into effect on the 1st day of January, under the terms of the Aiken bill many of the support prices will drop considerably below their present support prices that you, under the direction of Congress, have made on all commodities. For instance, there is the possibility that under the Aiken bill the support price on cotton next year will be substantially lower than it is this year and if it is as you say, it will cost you an unknown figure.

Mr. ANDRESEN. I am not talking about the Aiken bill at all. I am talking about the Hope bill for 1949.

Mr. PACE. I do not think the Secretary can give you anything like an accurate statement unless he takes the Aiken bill into account. If the Aiken bill goes into effect, if the Congress permits it to remain on the statute books, it can cost the Government billions of dollars.

Mr. ANDRESEN. I may agree with you.

Mr. PACE. We may as well say so now.

Mr. ANDRESEN. I am dealing with the present year.

You have stated, Mr. Secretary, that your proposed program will not cost any more than the present program.

Secretary BRANNAN. That is right.

Mr. ANDRESEN. What I am trying to get at is what will the cost of the present program be? Do you have any estimates on that?

Secretary BRANNAN. No; and I do not think anybody can make that kind of an estimate.

Mr. ANDRESEN. Then you cannot make any estimate on the cost of your program?

Secretary BRANNAN. No; but we can make a commodity-by-commodity comparison which would begin to give you some ideas.

Mr. ANDRESEN. We will just take one commodity. You have stated that on milk, if it comes down 1 cent a quart it is going to cost $150,000,000. Did you state that?

Secretary BRANNAN. I said if you wanted to arbitrarily reduce the price by 1 cent a quart on every quart that was consumed, it would cost $150,000,000, but you and I know that you could get a reduction on all the milk consumed without paying the cent on every quart of milk that was consumed, because you and Mr. Murray have been pointing out that in some parts of the country the milk is already selling in that neighborhood.

Mr. ANDRESEN. What the farmer gets out in my district now is between 5 cents and 6 cents a quart. But you do not propose to take care of that. That is a matter we have to talk over at a later date.

I am trying to get at some comparable figure to go by here. I know that you are the only authority we can go to unless we use our own judgment in figuring these things.

Assuming that the price of milk goes down 1 cent a quart and is below that $4.22 figure that you have given as the support figure for fluid milk, that is $150,000,000 there.

If it goes down 5 cents a quart, it would be five times that much, or $750,000,000. That is correct, is it not?

Secretary BRANNAN. That is not correct, because it would be incorrect to assume that you would have to pay it on every quart which was sold in the fluid market. That is what I tried to point out.

As a matter of fact, I say that if you paid it on about half of it, you would begin to get the desired results and even help some of the other dairy products.

Mr. ANDRESEN. Well, if pork goes down in price you have to buy it under your program and we would still have the same national income. You would have to pay out about $550,000,000 on pork if the consumption kept up.

Secretary BRANNAN. You are assuming some levels of consumption. We assumed a level of marketing of live hogs over and above 20,000,000.000 pounds, which 20,000,000,000 pounds of live hogs would approximately maintain the present support level. Those are all three assumptions.

Then we tried to compute for you how much it would cost you under the present program to handle that.

Mr. ANDRESEN. Under the suggestion you have made of a support price of 19 cents—and we will assume that hogs go down to 16 cents—that is a difference of $3, if that is the average over the country. According to my calculation, that would cost the Treasury $570,000,000.

Secretary BRANNAN. I also said to you every time I testified that the $19 figure on hogs was a figure that was out of line because of the short corn crop and the high demand and the shortage of other kinds of meats. So you are again taking an assumption of $1.50 to $2 above where I would be.

Mr. ANDRESEN. Where would you peg it if you did not use the $19?

Secretary BRANNAN. Let us just say offhand it comes out at $17.

Mr. ANDRESEN. So the $19, so far as you are concerned, is not a firm figure?

Secretary BRANNAN. No, sir, and I so indicated.

Mr. ANDRESEN. I thought that was based on the 10-year formula of taking 1939 to 1948.

Secretary BRANNAN. Any formula will have some abnormalities and we wanted a 2-year lag. To adjust abnormalities, even if you have to do so by a purely arbitrary basis. That is why we asked for that period of time.

Mr. ANDRESEN. Then I can take this as a safe conclusion, that there is no way that you can calculate the cost of the proposed program, any more than you can calculate the cost of the program under existing law?

Secretary BRANNAN. That is right. I have said that all along.

Mr. ANDRESEN. So any statement that might be made that your program would not be more expensive than the present program is just a conjecture without any proof to substantiate it?

The CHAIRMAN. That is just an opinion, is it not?

Mr. ANDRESEN. That is an opinion.

Secretary BRANNAN. That is an opinion and I have only advanced it as such. I gave you four examples of why I thought that would be true.

Mr. ANDRESEN. I think we have come to an understanding there, that your guess is as good as mine on what the cost would be.

Mr. GRANGER. Will the gentlema yield?

Mr. ANDRESEN. Yes.

Mr. GRANGER. I remember the first day when we were here and you sat there 30 minutes and got it estimated at $6,000,000,000. Where did you get that?

Mr. ANDRESEN. I have figures here that I calculated when I spent last week here instead of going home. I have it figured out that it costs between 5 and 9 billion dollars or will cost that much, and closer to the $9,000,000,000 figure.

Secretary BRANNAN. And you assume a depression?

Mr. ANDRESEN. No; I am assuming an abundant production and lower food prices.

Secretary BRANNAN. And no producing power?

Mr. ANDRESEN. I am still figuring we will have about the same purchasing power, because as far as meat is concerned, the purchasing power of meat depends largely on the individual income. If an individual has good income, he is going to buy more meat. If his income goes down, he will buy less meat.

Secretary BRANNAN. That is right. He will buy some cheaper kind of food.

The CHAIRMAN. Mr. O'Sullivan?

Mr. O'SULLIVAN. That is, if he is not a vegetarian he will buy more meat when he has more money.

Secretary BRANNAN. That is right.

Mr. O'SULLIVAN. There are a lot of vegetarians, too.

Secretary BRANNAN. That is right, and if we make meat more attractive to him in price he will buy more meat.

Mr. O'SULLIVAN. I wanted to ask you a few questions. Is it not true that come farm commodities cost a great deal more to produce than others do?

Secretary BRANNAN. That is right, sir.

Mr. O'SULLIVAN. Is not the 1,800-unit idea really based on a demand gross return of $25,000 to the producer?

Secretary BRANNAN. It was not so based, Mr. O'Sullivan, but the figures came out somewhere in that neighborhood and it would fluctuate up and down as the price of the commodities fluctuated up and down in the market price.

Mr. O'SULLIVAN. Then it is also true that producers of different products may have far different net profits out of $25,000?

Secretary BRANNAN. That is right, sir.

Mr. O'SULLIVAN. You do not have a set formula for certain farm commodities under your proposed program; do you?

Secretary BRANNAN. A formula for what, the cost of production?

Mr. O'SULLIVAN. Yes.

Secretary BRANNAN. I think probably the Bureau of Agricultural Economics has a number of estimates of cost by commodities.

Mr. O'SULLIVAN. Could a bill be written up so that every formula would be in the bill and not leave it to the discretion of anyone to make decisions as to whether certain things shall be supported or not supported, and what the support should be? Do you think that could be possible?

Secretary BRANNAN. It could be possible, sir. It would be quite a long bill. There are at least 130 agricultural commodities.

Mr. O'SULLIVAN. That is right. Would that not pass the burden on to Congress instead of having the Department assume it?

Secretary BRANNAN. That would be the result.

Mr. O'SULLIVAN. Then it might satisfy some of these fearsome souls who see in everything regimentation and dictatorship and a thousand other bogeymen. It might ease their minds, at least. Is that not correct?

Secretary BRANNAN. Yes, sir.

Mr. PACE. Mr. Chairman.

The CHAIRMAN. Mr. Pace.

Mr. PACE. Mr. Chairman, if everyone else has completed their questions, I think there are two or three clean-up or summary questions which should be asked to close the record in this case. I will ask them very briefly, Mr. Secretary, and you can give very brief answers.

Where do we stand at the closing hour of the hearing with regard to the limitation on support, the 1,800 units? I believe you testified that it could be left out of the plan without endangering the other features of the plan. Is that correct?

Secretary BRANNAN. Technically, it can.

Mr. PACE. Do you still leave it with the committee as your recommendation that it be enacted into law?

Secretary BRANNAN. I leave it with the committee for consideration.

Mr. PACE. Mr. Secretary, do you recommend to the committee that it report legislation to repeal the Aiken bill and submit to the Congress legislation along the lines of your present recommendations?

Secretary BRANNAN. I think it would be in the best interest of this country if we did.

Mr. PACE. Would it not be a matter of absolute necessity, inasmuch as the philosophy of the two plans are diametrically opposed? In the Aiken bill, the philosophy is to reduce prices in keeping with supplies and move backward from parity income, while under your plan the idea is to try to move forward toward parity income.

Secretary BRANNAN. I believe so, sir.

Mr. PACE. Due to that irreconcilable conflict in philosophies, do you not think the repeal of the Aiken bill would be required?

Secretary BRANNAN. It certainly would if you enacted this plan or any other plan.

Mr. PACE. Also taking into account the flexible support features of the Aiken bill.

Mr. HOPE. Will the gentleman yield right there?

Mr. PACE. Yes.

Mr. HOPE. Taking into consideration everything you have just said, could you not amend the Aiken bill so as to provide for the new method of computing parity and then change the price-support levels? That would be all you would need to do; would it not?

Mr. PACE. He has quite a different formula in arriving at this support level. He would have to change that.

Mr. HOPE. This formula is practically the same when figured out in dollars and cents as the formula in the Aiken bill.

Mr. PACE. At the moment it is, but in a few years it will be quite different.

Mr. HOPE. I do not know whether it would be different or not.

Mr. PACE. I think you could amend the Aiken bill in the same manner that the Lesinski bill amends the Taft-Hartley Act.

Now, Mr. Secretary, you stated in your statement that production and price adjustment with a definite income objective must be the core of our united effort. It is not yet quite clear to me, and I think to other members of the committee. There you have used production adjustments and price adjustments. Exactly where is the line between abundant production and a leveling of supply and demand? Where is that line?

Secretary BRANNAN. Mr. Pace, I do not think anybody can put his finger on any precise number of units of any commodity and say, "the line is here." I think it lies somewhere in the area of the consumption of a given commodity at prices which allow it to reach most of the people who want it, not the people who are in the character of relief or indigent or institutions, or any such thing as that. There is a consumer demand in this country for most of the foods and other items which we produce, which in a land of abundance ought to be reached and can be reached at reasonable prices. That is the best kind of line I can draw.

Mr. PACE. Could it be said that you would in the administration of this program seek an ample supply of food for all of the people, on a good diet, at reasonable prices?

Secretary BRANNAN. That is right.

Mr. PACE. Is that the philosophy that would obtain?

Secretary BRANNAN. That is right.

Mr. PACE. Mr. Secretary, you said in your statement, "I am aware that this standard—" that is the income support standard—"does not close the gap between average per capita farm and nonfarm income."

Secretary BRANNAN. Between $906 and $1,565.

Mr. PACE. Would you object to this committee giving the Congress a gadget which would move up toward a full parity income and realize it within 5 years?

Secretary BRANNAN. I would have no objection to it.

Mr. PACE. Would you recommend it?

Secretary BRANNAN. I would recommend the consideration of such a gadget or whatever you might call it. I would also recommend the consideration of a year or two of delay in its application.

Mr. PACE. In order to see what it was doing?

Secretary BRANNAN. Yes, sir.

Mr. PACE. Mr. Secretary, you have set out in effect four different groups of commodities in your recommendations. I want to put them all in one place.

The first is group 1, which you recommend be given first priority and which you recommend be supported at the full support-price standard, those being corn, cotton, wheat, tobacco, whole milk, eggs, farm chickens, hogs, beef cattle, and lambs.

On the first four—corn, cotton, wheat, and tobacco—you now have production-control machinery through marketing-quota laws. On the other six, you have none. As I understand, you propose to control production there through the payment method; that is, production payments. Is that right?

Secretary BRANNAN. Allotments and the application of production payments where possible.

Mr. PACE. In the case of milk, eggs, chickens, and so forth, what is your difference between allotments and goals?

Secretary BRANNAN. There is no difference. They are interchangeable terms.

Mr. PACE. Then outside of those 10, in the first priority of group 1 commodities, you recommend that all other commodities, 100 or more, be supported in relation to group 1 commodities, taking into account the available funds and authorities. Therefore, if you should be left with only sufficient funds to support group 1, then you would have no machinery and the producers of these other commodities would have no hope of support; is that right?

Secretary BRANNAN. That is right.

Mr. PACE. The method of support is where you come up with an entirely different 10, which I think should be clear. You have 10 in group 1. In supporting 10 commodities, you recommend that it be done exclusively by loans and purchase agreements. They are cotton, corn, wheat, other grains, tobacco, oilseed crops, dry beans, dry peas, wool, and peanuts. You propose to support them entirely by loans and purchase agreements.

Secretary BRANNAN. I am looking at that now.

Mr. PACE. I think they are listed correctly.

Secretary BRANNAN. I think so. But I think there are the words "such as" these commodities. In other words, we were not trying to make an exclusive list of these commodities. These were characteristic of the storable type of commodities; for instance, sorghums and some of the other storables.

Mr. PACE. That is the suggested list, then, and not a fixed list?

Secretary BRANNAN. Yes.

Mr. PACE. I am glad to know that. You propose to support them with loans and purchase agreements, but you do ask authority to use production payments under certain circumstances with regard to those commodities.

What do you have in mind in making production payments in the case of wheat, we will say?

Secretary BRANNAN. My own feeling is that from time to time there may be a commodity in there that you could handle better by direct purchase. It has been indicated on some occasions that perhaps direct purchases of wool would facilitate our operations.

Mr. PACE. But you do ask authority for the discretion to use that in the way you believe it can be handled best?

Secretary BRANNAN. Yes, and some cases where we have said other grains, for instance, where there are very small quantities it might be advisable to purchase small quantities of them.

Mr. PACE. I did not say purchase agreements. I said production payments. Where would you use production payments in wool or wheat?

Secretary BRANNAN. Offhand, I am not certain that there is any place where we would use it.

Mr. PACE. You asked for that authority under certain circumstances, and I was interested to know what those circumstances were.

Secretary BRANNAN. I recall that we had wool in mind.

Mr. PACE. Mr. Secretary, you have a third list known as nonstorables, either on account of being highly perishable or on account of the cost of storage. You list there fruits, vegetables, meat animals, milk, butterfat, poultry, and eggs. You propose to control those largely by production payments.

Secretary BRANNAN. By production payments.

Mr. PACE. Supplemented by direct Government purchases.

Secretary BRANNAN. Yes, where necessary.

Mr. PACE. On direct purchases, do you propose to use that in connection with the school-lunch program, whatever commodity is purchased?

Secretary BRANNAN. School lunches may be a disposal outlet for them.

Mr. PACE. Do you propose to confine those direct purchases to section 32 money, or do you ask for additional funds to make direct purchases?

Secretary BRANNAN. There is section 6, which is used sometimes for direct purchases.

Mr. PACE. Section 6 of what, Mr. Secretary?

Secretary BRANNAN. It is part of the school-lunch section. Sometimes, rather than going into a market and establishing all the machinery which might be necessary to carry on a production-payment program, we might go in and withdraw them by some other means.

Mr. PACE. I agree with you entirely, but the question in my mind was what money you proposed to use.

Secretary BRANNAN. We would use Commodity Credit Corporation funds in those cases, and we might be reimbursed in the commodity credit by section 32 or out of section 6.

Mr. PACE. You also propose that in case the situation requires it you be authorized to use the surpluses you purchased by direct purchase in a stamp plan. Does the legislation you propose to submit set out a stamp plan?

Secretary BRANNAN. No, sir, and we say we think this will be a substitute and eliminate the need for a stamp plan.

Mr. PACE. I think in your statement you asked for authority to make direct Government purchases of these nonstorables to divert them from normal channels of trade through methods such as the stamp plan and the school-lunch program.

Secretary BRANNAN. No; I do not think so. We very carefully tried to say that we had weighed the use of the school-lunch program and thought that a production-payment plan might allow the food to flow out far enough that it would not be necessary to conduct a stamp plan.

Mr. MURRAY. Will you yield?

Mr. PACE. Yes.

Mr. MURRAY. I wanted to see if I got that straight on perishables. I wondered when they have a milk-marketing agreement in the milksheds how this would apply to that. Would you discontinue the milk-marketing agreements?

Mr. PACE. No; he recommends that they be continued and the payment plan be supplemented.

Mr. MURRAY. Then, how about the manufactured dairy products that would have 67 cents instead of the 59 we have now? Would that apply to all manufactured dairy products?

Secretary BRANNAN. We have not said anything about 67 cents.

Mr. MURRAY. You had that in your list. I have looked it up since I questioned you about it.

Secretary BRANNAN. You mean for butterfat on the list of support-price estimates? That is right.

Mr. MURRAY. Now, let us spell it out so we know where we stand. What does that 67 cents mean—the butterfat that goes into butter or the butterfat that goes into cheese or ice cream or other products? We have $4.22 as the national average on fluid milk, which is roughly a third of the milk in the United States, but I want to know what is going to happen to the other two-thirds.

Secretary BRANNAN. I will have to beg your pardon. I do not understand the purport of the question.

We have suggested that if, as, and when it is necessary to support the price of butterfat under the support-standard formula the price would be at 67 cents.

Mr. MURRAY. But it is confusing. In one place is says $4.22 for milk.

Secretary BRANNAN. That is for wholesale fluid milk.

Mr. MURRAY. Most of the milk leaves the farm in fluid form now. A very small part of it leaves the farm as manufactured products. The farmer does not know what becomes of the products after he sells the milk. During the past years they have been able to buy that on a manufactured basis, and they sell it, many times, on a bottled basis.

What I am trying to do is get this spelled out so I will know what the milk is going to be supported at when it is used for manufacturing purposes.

Secretary BRANNAN. Let me ask Mr. Wells to explain that.

Mr. WELLS. This term "wholesale milk" has been generally used to cover milk going into fluid or class I consumption, milk going into cheese, milk going into condensed and evaporated milk, and milk going into the dry milks where you use all the butterfat and all the milk.

Mr. MURRAY. But they do not use just butterfat to make any of those commodities.

Mr. WELLS. But I say the wholesale milk covers those uses of milk where all the milk is used by the manufacturer in the plant or by the fluid milk market for human consumption.

Mr. MURRAY. I realize that over a third of it goes into bottles, but what I am trykng to get straightened out is what happens to the other two-thirds. There is a lot of difference here, Mr. Secretary. At $4.22, that is $1.07 a pound for fat, national average. For manufacturing purposes, it is only 67 cents for fat.

Mr. WELLS. Let us say it this way very roughly. About a third of the milk goes into fluid or what you call bottled usage. About a third of it goes into the production of cheese, condensed and evaporated milk and dry-milk combinations where all the milk is used for human consumption. About a third of it goes into butter. The butter portion is covered under the butterfat price. The other manufactured and fluid milk is combined in the $4.22 figure. Ordinarily, the fluid milk means something above the $4.22. The other is something below the $4.22.

Mr. MURRAY. I have been through this several times in the least 2 or 3 years, and I hope we get this spelled out.

Mr. PACE. We will let you spell it.

Mr. MURRAY. No; I do not think you will.

Mr. PACE. Mr. Secretary, the fourth list of commodities is where you recommend that the marketing quotas and acreage allotments be continued for tobacco, cotton, wheat, rice, corn, and peanuts, and you recommend that marketing-quota legislation be enacted to add soya beans, flaxseed, dry beans, dry peas, and possibly others.

The question is, on those commodities, which would be under marketing quotas and, when marketing quotas are in effect, what support level will they enjoy? When a commodity is under marketing quotas, what support level will it enjoy?

Those commodities will be tobacco, cotton, wheat, rice, corn, peanuts, soya beans, flaxseed, dry edible beans, and peas and others.

Secretary BRANNAN. On that, we would expect some guidance from the committee. The recommendation is that as to group 1 or priority commodities we try to keep it at the approximate price-support standard. As to the others, they may be at the price-support standard.

The CHAIRMAN. You meant to say minimum; did you not?

Secretary BRANNAN. The maximum of the price-support standard. The price-support standard is in itself a minimum, in our view.

Mr. PACE. Then you are drawing a distinction between commodities which are under marketing quotas as to those in group 1 and those not in group 1.

Secretary BRANNAN. That is right, sir.

Mr. PACE. That is very important.

You propose to support tobacco at 100 percent of the income support standard.

Secretary BRANNAN. That is right.

Mr. PACE. What do you propose to support peanuts at?

Secretary BRANNAN. I said this morning that I would expect to support them at somewhere in the neighborhood of where they are being supported now. If the committee wishes to give us some specific guidance on that, that will be satisfactory to us.

Mr. PACE. As to peanuts, the parity is not only substantially reduced, about 2 cents or more under your formula, but then you would not give it the same support level as to reducing it to 9 cents.

Secretary BRANNAN. That is right.

Mr. PACE. Then you would not only reduce its parity price but you would reduce its support level as a percentage of parity under the group 1 commodities?

Secretary BRANNAN. No, sir. If you put the commodity in group 1 forthwith, it would still be under the recommendations, 9⅘ cents.

Mr. PACE. That is the way I hope it will wind up, but that is not the way you put it.

Let us take wool and get off peanuts.

Secretary BRANNAN. No; let us stay with peanuts.

Mr. PACE. All right, we will stay with peanuts. It is recognized that peanuts are not as great a commodity as wheat or cotton.

Secretary BRANNAN. In contributing to the national farm income. That is the only reason it was left out.

Mr. PACE. But to those producers of peanuts and wool, Mr. Secretary, so far as their economic welfare is concerned, it is just as important as cotton or wheat, particularly when they do not have a cotton allotment or when they do not have a wheat allotment.

Secretary BRANNAN. I recognize that.

Mr. PACE. If we are going back to the family farmer, it is not clear to me that if any commodity, whether it is soya beans or peanuts or dry peas, if they submit to the limitation of production through marketing quotas, it has been the philosophy of the Congress up to now that when they do that they enjoy a higher level of support because they must enjoy a high level of support on a limited production in order to get the same return as a lower price would bring them on an unlimited production. Frankly, the philosophy is not clear to me. Maybe there is some soundness in the philosophy back of that.

The CHAIRMAN. Let me ask him a question. You have no objection to moving peanuts into a different category; have you? You just put it into that category because it was not one of the big crops in volume?

Secretary BRANNAN. That is correct.

Mr. PACE. But do you not agree with me that so far as the individual producer is concerned, that is very important?

Secretary BRANNAN. Certainly, that would apply to wool and celery and carrots, too.

Mr. PACE. In addition to these recommendations, Mr. Secretary, you do recommend that this committee give consideration to the perfection and strengthening and improvement of the other parts of the present farm program?

Secretary BRANNAN. That is right, sir.

Mr. PACE. In that you include soil conservation, rural electrification, rural telephone service, rural health, rural education, agricultural research, extension service, home economics, cooperative credit, school-lunch program, and crop insurance. You specifically recommend that those programs be retained, perfected, improved, and strengthened; is that right?

Secretary BRANNAN. Because they are all part of a very fine farm program.

Mr. PACE. Then your recommendations would be that the Committee give consideration to their improvement and strengthening along with their other considerations?

Secretary BRANNAN. That is right, and I understand that they have.

Mr. HOPE. Mr. Chairman, before we adjourn, as I understand it the Secretary will furnish the committee with a comparison, as far as the statisticians can work it out, as to the income support level and the parity formula of the Aiken bill as projected in the future?

The CHAIRMAN. You understand what Mr. Hope is driving at?

Secretary BRANNAN. Yes, sir; and I think what we will do, if we may, sir, is get a little material outlined and check it with you to see whether it is what you want.

(The information requested follows:)

The following tables have been prepared to indicate the probable trend in the price-support standard proposed by the Secretary of Agriculture and the price support and parity formulas under title II of the Agricultural Act of 1948. These tables show (1) projections of the price support standard proposed by the Secretary for the group I or priority commodities under specified assumptions for the years 1950 through 1953, (2) projections of the probable price-support ranges for major commodities according to title II of the Agricultural Act of 1948 under specified assumptions relating to the trend in parity prices under the same act for the years 1950–53, and (3) projections of the parity prices under specified assumptions according to title II upon which the probable price-support range estimates are based.

Briefly, the assumptions on which these tables are calculated are that the index of prices and rates paid by farmers (the "parity index") will stabilize at or somewhat below its current level, that cash farm receipts or the average purchasing power thereof will stabilize somewhere about the level now in prospect for 1949, and that prices of the several farm commodities over the next few years will maintain approximately the same level relative to each other as prevailed during the 10 years, 1940–49. It should be noted that the relative prices of different commodities under both plans are strongly influenced by their common starting point of average commodity prices for the 10 years, 1940–49.

Under the price-support standard the moving income base would call for the substitution of the current and following years for the low-income years of 1939–41 and, if farm income continues at the assumed level, this would cause the over-all level of the price-support standards to rise by about 2 percent a year for perhaps the first 3 years following 1951. The proposed legislation would allow support prices for the livestock commodities which would be supported under the Secretary's proposal to be reduced by not more than 15 percent below the full price-support standards to levels which the Secretary determined would reflect desirable feed ratios.

Again, assuming that the index of prices and rates paid by farmers stabilizes at either of the levels indicated, the average level of title II parity prices would also stabilize at the current level except for some small decline in the first 2 or 3 years due to the use of transitional parities for such commodities as cotton, corn, and wheat. Under title II, however, the parity price is not the support-price standard. For the basic commodities (and potatoes) title II provides that support prices shall range between 60 and 90 percent of parity, depending upon conditions relating to supply, to whether or not acreage allotments or marketing quotas are in effect, and other factors. In line with this, the tables showing projected price supports under title II simply indicate the range within which price supports would likely fall, assuming that the prices of nonbasic commodities, beef cattle, lambs, whole milk, chickens and eggs, might also fall within this range.

Actual support-price standards and parities for any year would, of course, depend upon a number of factors, and it is doubtful if there is much validity in projections beyond 1953. Should conditions continue at about the assumed level over the years 1952 forward, the support-price standards or probable support-price ranges under the two plans would tend to stabilize at or somewhere fairly close to the projections shown for 1953.

The prices-paid index of 144 (1939–48=100) used in the calculation of the price-support standards is equivalent to the index of 246 (1910–14=100) used in the projections of the title II parities. This is also true of the 136 (139–48=100) and the 232 (1910–14=100).

TABLE 1.—*Projections of price support standards for group I or priority commodities under specified assumptions, 1950–53* [1]

I. ASSUMING PARITY INDEX AT 144 [2]

[Work table: Illustrative calculations only]

Commodity	Unit	Projected price support standards			
		1950	1951	1952	1953
Wheat	Bushel	$1.88	$1.85	$1.92	$2.00
Corn	do	1.46	1.45	1.50	1.57
Cotton	Pound	.2799	.2783	.2874	.2961
Tobacco, flue-cured	do	.492	.490	.501	.509
Beef cattle [3]	Hundredweight	16.90	16.70	17.10	17.60
Hogs [3]	do	19.00	19.00	19.60	20.20
Lambs [3]	do	18.40	18.10	18.60	19.20
Milk, wholesale [3]	do	4.22	4.16	4.27	4.41
Chickens [3]	Pound	.290	.285	.292	.301
Eggs [3]	Dozen	.458	.451	.461	.474

See footnotes at end of table.

TABLE 1.—*Projections of price support standards for group I or priority commodities under specified assumptions, 1950–53* [1]—Continued

2. ASSUMING PARITY INDEX AT 136 [4]

Commodity	Unit	Projected price support standards			
		1950	1951	1952	1953
Wheat	Bushel	$1.77	$1.74	$1.81	$1.89
Corn	do	1.38	1.36	1.42	1.49
Cotton	Pound	.2642	.2620	.2711	.2803
Tobacco, flue-cured	do	.465	.462	.473	.483
Beef cattle [3]	Hundredweight	15.90	15.70	16.20	16.70
Hogs [3]	do	17.90	17.90	18.50	19.00
Lambs [3]	do	17.40	17.00	17.50	18.20
Milk, wholesale [3]	do	3.99	3.91	4.02	4.17
Chickens [3]	Pound	.274	.268	.276	.285
Eggs [3]	Dozen	.432	.425	.435	.448

[1] Calculated according to the procedure outlined in exhibit A of Secretary Brannan's statement. The following special assumptions are involved in both sections of the table: (1) Cash receipts in 1949 are assumed to be $27,500,000,000; (2) cash receipts in 1950 and after are calculated on the basis of their normal relationship to prices received by farmers and the physical volume of farm marketings; (3) the physical volume of farm marketings is assumed constant at current levels of 143 (basis 1935–39=100); (4) it is assumed that in each year 1950 through 1952 market prices are exactly equal to the price support standards.

[2] The March 1949 level, basis 1939–48=100.

[3] The proposed legislation provides that the prices at which these commodities are to be supported may be reduced by not more than 15 percent below the full price support standard to levels which the Secretary determines will reflect desirable feed ratios.

[4] Basis 1939–48=100. Is equivalent to a drop of one-half point a month from March 1949 to July 1950.

TABLE 2.—*Estimated support price range for major commodities based on projections of title II parity prices United States, 1950–53* [1]

1. ASSUMING PARITY INDEX OF 246 [2]

[Work table: Illustrative calculations only]

Commodity	Unit	1950 range of support level		1951 range of support level		1952 range of support level		1953 range of support level	
		60 percent of parity	90 percent of parity	60 percent of parity	90 percent of parity	60 percent of parity	90 percent of parity	60 percent of parity	90 percent of parity
Wheat	Bushel	$1.24	$1.85	$1.17	$1.76	$1.12	$1.67	$1.12	$1.68
Corn	do	.900	1.35	.864	1.30	.864	1.30	.870	1.30
Cotton	Pound	.1739	.2608	.1648	.2471	.1651	.2477	.1645	.2468
Tobacco, flue-cured.	do		.433		.433		.429		.422
Beef cattle	Hundredweight	9.90	14.80	9.78	14.70	9.72	14.60	9.72	14.60
Hogs	do	11.10	16.60	11.20	16.80	11.20	16.80	11.20	16.70
Lambs	do	10.70	16.10	10.60	15.90	10.60	15.90	10.60	15.80
Milk, wholesale	do	2.47	3.71	2.45	3.67	2.44	3.66	2.44	3.65
Chickens	Pound	.170	.255	.167	2.51	.167	2.50	.166	.248
Eggs	Dozen	.302	.453	.286	.428	.270	.405	.268	.401

2. ASSUMING PARITY INDEX OF 232 [3]

Commodity	Unit	1950 range of support level		1951 range of support level		1952 range of support level		1953 range of support level	
		60 percent of parity	90 percent of parity	60 percent of parity	90 percent of parity	60 percent of parity	90 percent of parity	60 percent of parity	90 percent of parity
Wheat	Bushel	$1.17	$1.76	$1.10	$1.66	$1.06	$1.59	$1.06	$1.59
Corn	do	.852	1.28	.810	1.22	.822	1.23	.828	1.24
Cotton	Pound	.1640	.2460	.1553	.2330	.1570	.2354	.1554	.2331
Tobacco, flue-cured.	do		.408		.408		.408		.399
Beef cattle	Hundredweight	9.30	14.00	9.18	13.80	9.24	13.90	9.18	13.80
Hogs	do	10.50	15.80	10.60	15.80	10.70	16.02	10.50	15.80
Lambs	do	10.10	15.20	10.00	15.00	10.10	15.10	10.00	15.00
Milk, wholesale	do	2.33	3.50	2.30	3.45	2.32	3.47	2.30	3.45
Chickens	Pound	.160	.240	.158	.237	.158	.238	.157	.235
Eggs	Dozen	.284	.427	.269	.404	.256	.383	.253	.379

[1] Title II of the Agricultural Act of 1948 provides for minimum price support levels for basic commodities (wheat, corn, cotton and tobacco of the commodities included here) which vary with the supply percentage. The 60 percent given in the table is the minimum without allotments or quotas when supplies exceed 130 percent of normal. The maximum support level is 90 percent of parity. If acreage allotments or marketing quotas are in effect the minimum support level is increased by 20 percent (from 60 to 72). Support levels given here for nonbasic commodities assume supports in line with supports for basic commodities. Tobacco support prices are at 90 percent of parity whenever quotas are in effect.

[2] April 1949 level (1910–14=100).

[3] Equivalent to a drop of one point a month from April 1949 to July 1950 (1910–14=100).

TABLE 3.—*Projections of title II parity prices for major commodities under specified assumption. United States, 1950–53* [1]

Commodity	Unit	1950	1951	1952	1953
1. ASSUMING PARITY INDEX 246 [2]					
[Work table: Illustrative calculations only]					
Wheat	Bushel	[3] $2.06	[3] $1.95	$1.86	$1.87
Corn	do	[3] 1.50	1.44	1.44	1.45
Cotton	Pound	[3] .2898	.2746	.2752	.2742
Tobacco, flue-cured	do	.481	.481	.477	.469
Beef cattle	Hundredweight	16.50	16.30	16.20	16.20
Hogs	do	18.50	18.70	18.70	18.60
Lambs	do	17.90	17.70	17.70	17.60
Milk, wholesale	do	4.12	4.08	4.07	4.06
Chickens	Pound	.283	.279	.278	.276
Eggs	Dozen	[3] .503	[3] .476	[3] .450	.446
Potatoes	Bushel	[3] 1.71	[3] 1.62	1.57	1.56
2. ASSUMING PARITY INDEX 232 [4]					
Wheat	Bushel	[3] $1.95	[3] $1.84	$1.77	$1.77
Corn	do	[3] 1.42	1.35	1.37	1.38
Cotton	Pound	[3] .2733	[3] .2589	.2616	.2590
Tobacco flue-cured	do	.453	.453	.453	.443
Beef cattle	Hundredweight	15.50	15.30	15.40	15.30
Hogs	do	17.50	17.60	17.80	17.50
Lambs	do	16.90	16.70	16.80	16.70
Milk, wholesale	do	3.89	3.83	3.86	3.83
Chickens	Pound	.267	.263	.264	.261
Eggs	Dozen	[3] .474	[3] .449	.426	.421
Potatoes	Bushel	[3] 1.70	[3] 1.62	[3] 1.53	1.49

[1] These calculations assume that for each year the price of each commodity is equal to its parity price and that the index of prices received is equal to the parity index. The effects of transitional parities on the index of prices received has been disregarded.
[2] April 1949 level (1910–14=100).
[3] Transitional parity prices.
[4] Equivalent to a drop of 1 point a month from April 1949 to July 1950.

The CHAIRMAN. We want to thank you very much, Mr. Secretary, for your appearance.

The committee will stand adjourned and the special subcommittee will meet at 10 o'clock in the morning.

(Whereupon, at 5:10 p. m., the committee was adjourned.)

X

GENERAL FARM PROGRAM
(Testimony of Farm Organizations)

Bind in IV.

HEARING

BEFORE THE

SPECIAL SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

EIGHTY-FIRST CONGRESS

FIRST SESSION

PART 3

APRIL 27, 28, 30, AND MAY 10, 11, 12, 1949

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GENERAL FARM PROGRAM (TESTIMONY OF FARM ORGANIZATIONS)

WEDNESDAY, APRIL 27, 1949

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE OF THE
COMMITTEE ON AGRICULTURE,
Washington, D. C.

The special subcommittee of the Committee on Agriculture met at 10 a. m. on April 27, 1949, Hon. Stephen Pace presiding.

Mr. PACE. The committee will come to order, please.

It is the pleasure of the committee this morning to have with us the president and representatives of the National Farmers Union. It is our pleasure at this time to hear from its president, Mr. James G. Patton.

Mr. Patton, you may proceed.

STATEMENT OF JAMES G. PATTON, PRESIDENT, NATIONAL FARMERS UNION

Mr. PATTON. Mr. Chairman, we very much appreciate the opportunity of appearing before this committee. We consider these hearings of extreme importance since last summer we have held a considerable number of meetings, including meets of our full board of directors, which is composed of all of our State presidents, and have brought to this hearing the chairman of our executive committee, Mr. Glenn Talbott, and the president of the North Dakota Farmers Union, Mr. Wyum, who is the president of the Sargeant County Farmers Union and president of the North Dakota Rural Electrification Association and a director in our very large Farmers Union Grain Terminal Cooperative and chairman for the last several years of our National Farmers Union convention program committee which drafts the program on which we predicate our proposals and is, as well as Mr. Theo Steed, a cotton farmer from central Alabama, a member of the Alabama Farmers Union.

Mr. Talbott will make the principal proposals in relation to what we have to say in the form of a discussion of the bill. My statement will be general in character. I do hope that some arrangement can be worked out with the committee so that all of our witnesses can be heard because they have come a long distance and we do consider the matter very important.

Mr. PACE. I think if it accommodates the wish of the members of the committee we will let all the witnesses make their statements and question you all as a group.

Mr. PATTON. I think that would be excellent, Mr. Chairman.

Mr. PACE. All right, you may proceed.

Mr. PATTON. First, let me express to the committee on behalf of our membership our gratification that you have pushed ahead and are pushing ahead toward the adoption of legislation that will revise the existing laws governing general agricultural programs. As our members have seen successive breaks in the prices of farm products while their own costs have continued to rise or have remained at very high levels, they have become increasingly concerned about the outlook. Too many of the so-called economic indicators are parallel to some of those of the early 1920's for them to feel comfortable. They very earnestly and deeply believe that Congress should act now in the interest not of farmers alone but of economic stability for our whole people.

The legislative situation that we face may be compared, to some extent, with that obtaining toward the end of the Eightieth Congress. At that time, you will recall, the wartime legislation putting reasonably good floors under farm prices was still in effect. They afforded pretty much the same governmental protection that farmers now enjoy. But those supports were scheduled to expire at the end of the year, and the support levels then would have reverted to the much lower levels of the old AAA program.

In that situation, I put my principal emphasis, in testimony on behalf of the Farmers Union both to this committee and to the Senate Committee on Agriculture, on the dire need for some sort of action by Congress. While it was clear that the general agricultural bill then pending in the Senate meant relatively much lower levels of prices than were desirable, it was far preferable to a return to the old AAA levels. At that time, I put the matter as follows:

> Agriculture as usual finds itself in an extremely vulnerable position in the aftermath of war. Farmers for several years to come face a condition where failure to continue exports of farm products at very high levels would almost certainly bring about another and worse decline in prices of the things farmers sell. At the same time this could well be accompanied by continuing and even increasing inflation of the prices of things farmers buy.
>
> Therefore, the National Farmers Union alone, I believe, among the major farm organizations, has taken the position that the support levels guaranteed in the so-called Steagall amendment to the Price Control Act of 1942 must be continued unless something were done to control the rest of the economy. In fact, we have advocated price control right across the board, backed by adequate credit control, for agriculture as well as for everybody else.
>
> The enactment of S. 2318 or similar legislation would assist materially in quieting our fears. It would not, however, in my judgment, remove the necessity for strong action to curb inflation. We think both things ought to be done.
>
> If, however, it appears later that it will not be possible for the committee to obtain favorable action on a satisfactory long-range bill, I appeal to it today to do all it can to obtain the extension for at least another year of the Steagall amendment levels of price support. In an uncertain world, there appears to be no other way available immediately to assure farmers against at least some of the worst effects of inflation.

Now, we are again faced with the prospective end of the guaranties afforded farmers in Congressman Hope's House bill of last year, which became title I of the law finally enacted. There is one major difference, however, in that time remains to adopt more far-reaching and more significant legislation than was provided in the Senate bill of 1948, which, so far as price supports are concerned, became title II of the completed bill. Most important of all, since that time Secretary of Agriculture Brannan has presented to Congress his historic proposals for an agricultural program. Thus, this committee and Congress as a whole are confronted, in the main, with three alternatives. These are:

(1) To leave matters as they are and to permit title II of the Hope-Aiken Act, with its lower support levels, to go into effect on January 1, 1950;

(2) To propose simple extension of the existing supports and either postpone or eliminate the title II provisions;

(3) To adopt legislation embodying the proposals made by the Secretary of Agriculture.

In these circumstances, the National Farmers Union is strongly back of the Secretary's proposals and urges this committee to place them before the House in legislative form.

Naturally, members of the committee are not to be expected to accept every dotting of an "i" and crossing of a "t" in the secretary's suggested program. We realize that in detail there is room for honest difference of opinion upon the part of men of good will. Indeed, the Farmers Union witnesses whom I shall next present to the committee will make many such suggestions. But this does not impair in any way our conviction that the secretary's program is sound, statesmanlike and by far the best of the general alternatives before Congress.

The proposal of the secretary can be regarded as a milestone both in the struggle to maintain and preserve the family-type farm, and in the effort to tie together the interests of producers and consumers. Especially significant is Mr. Brannan's suggestion that a differential be established in type of farm benefiting from price support.

Never before has a Secretary of Agriculture in a general farm program suggested that special consideration be given family-type farmers as distinguished from large "factory farm" operators. Congress for many years has sought a means whereby its often expressed sentiments favorable to family farms could be translated into actual program term. The Secretary has suggested such a device and principles which can be followed.

The proposal does not go as far as we had hoped. It is an excellent beginning and a long step in the right direction.

Likewise, the proposals for the use of production payments to stabilize farm income and to maintain consumer food prices at reasonable levels are timely and significant, as is the new minimum income standard for support prices.

Of the other major alternatives before Congress, one would mean severe contraction of farm income. This is the alternative of letting the title II "sliding scale" provisions go into effect on January 1. The severity of this impact upon farmers' incomes has not been generally realized. It has been dramatized in terms of a single family farmer by Mr. Roy F. Hendrickson, himself a former top official of the Department of Agriculture and now Washington representative of the Natianal Federation of Grain Cooperatives, in an analysis presented last December 14 to the annual meeting of the stockholders of the Farmers Union Grain Terminal Association.

Thus, with 3,100 bushels to sell—

Said Mr. Hendrickson—

with the loan again important to John X. Doe, he finds his gross income is 3,100 times \$1.20, or \$3,760 less interest and service charges. Doe remembers 1948 with \$7,200 gross against 1950 with \$3,760 gross. I could, but I will not, quote what he says when he gets his check. But at home that night, after deducting costs from his gross income and eyeing the red in the net figure, he will say very little except: "There won't be much to spend for Christmas this year, mother."

Two other things might happen to Doe in 1950. They are worse. Farmers could vote down quotas. Then the support price would drop to 50 percent of new partiy-transitional parity * * * If he got a loan on 4,000 bushels, Doe's gross, before CCC loan interest and service charges, would be $3,084.

Or it might be that he would get 60 percent of new parity plus transitional parity, in case acreage allocations and marketing quotas were out and the price rested on the support level due to a large supply in relationship to normal supply * * * Before loan interest and service charges, with 4,000 bushels to turn over to CCC, Doe would gross $3,674.

In short, his alternatives as gross income in 1950 would be $3,674 or $3,084 or $3,760—any of which is around 50 percent of what he grossed in 1948.

Mr. Hendrickson's paper is of such interest that I should like to offer the whole of it for the record of this hearing, in order that members of the committee, if they desire, may look more closely at the assumptions he makes and his reasoning in arriving at his figures. Mr. Hendrickson was citing wheat but in general his analysis will apply to most other commodities, and indeed the sliding-scale supports do nothing about perishables at all. I might say that he was citing wheat, Mr. Chairman, but I think it applies in a general way to the rest. I would like to have your permission to put it in the record.

Mr. PACE. I have had the pleasure of reading Mr. Hendrickson's statement and, without objection, it will be inserted in the record following the completion of your statement.

Mr. PATTON. So drastic a decline in storables obviously would have a strong, depressive effect on all commodities.

What is the other alternative now before Congress? It is simple extension of the legislation in effect this year. Naturally, we believe this would be far better than permitting the flexible-support legislation to become effective this winter. If present support levels were accompanied by severe restrictions on planting and marketing, their continuation at least would assure to agriculture a reasonably good income.

But the hazards of such action are great, indeed. Two major objections, among others, may be stated briefly to this proposal. One is that the controls that it would necessitate would be far more stringent than under either of the other alternatives. The other is that the cost to the Treasury is likely to be enormous, without corresponding benefit to the consumer. These points need not be argued exhaustively. If the cotton and wheat carry-overs alone be taken, in conjunction with the prospective 1949 crops, the prospect becomes clear—and it is a very difficult prospect, indeed. It now appears that the total cotton carry-over at the end of this year's harvest will amount to 6,000,000 bales, while the wheat carry-over may be as much as 400,000,000 bushels.

Without bold and sweeping action to meet this condition in a way that will not only stabilize farm income but will give consumers the benefit of such abundant production—without such action the problems arising under a simple extension of this year's program are going to become insurmountable. Yet failure to surmount them could well mean the complete collapse of the price-support system.

For all of these reasons the National Farmers Union urges upon Congress the very great advantages, as compared with the other kinds of action open to Congress, of a program of the kind outlined by the Secretary of Agriculture.

In conclusion, let me emphasize to the committe our view that the matter before you is a very urgent matter. The Nation stands now at an economic cross roads. During and since the war years, the United States has achieved a level of national income of gross national production, that was undreamed of even a decade ago. It also has acquired an equally undreamed of national debt and service charge, as well as national budget and national tax bill.

In doing this, we have shown that, as a Nation, we can accomplish miracles. We have established an economy of abundant production with almost unlimited possibilities. It is true that the content of this production contains a large proportion of sterile items, such as armament expenditures, and that income is not as yet sufficiently well distributed to raise levels of living as rapidly as the total national income goes up. But we can work toward the correction of these conditions within the framework of an expanding economy, operating at a high level of activity that provides at least enough jobs for all of those able and willing to work.

There is one thing, however, that we cannot do, and that is to pursue a national policy of drift comparable to that pursued in 1929–33. The United States came through the ordeal of those years in relatively good shape, despite the vast suffering of millions of people. The stakes today are much greater. The economy is more complex and yearly each of its infinitely complex parts becomes more closely dependent upon each other. Indeed, national solvency has become contingent upon the continuation of high incomes, high production, high total employment, and high taxes.

Thus, it seems to me of the greatest importance that certain passages in Secretary Brannan's statement here be repeated again and again. These are the paragraphs that begin "most depressions have been farm-led and farm-fed." The seeds of the great 1929–34 crash and depression were sown in the years 1919–21, of which Chester C. Davis has written:

> Agricultural prices were the first to break in 1920. The July index of prices paid to producers was ten points under the June index; the August index, 15 points below the July; and the September index, 15 points below the August. In contrast there was no noticeable drop in nonagricultural prices until near the end of the year. The blow struck the farmers at about the time the grain crop of the United States was coming on the market. Within a few months every industry and producers of every class were swept along under the avalanche of descending prices. The boom market, which had endured while credits granted to Europe remained unexpended, and while, at home, citizens were cashing bonds to buy goods, had come to an end. The collapse of agricultural prices, particularly while the rigidity of nonagricultural prices and wages was creating a new and alarming disparity between farm income and costs, produced vehement protest from farmers everywhere.

Agriculture did not recover from that blow, and the failure of the McNary-Haugen bills left us peculiarly vulnerable when the even greater crisis of 1929 occurred.

I submit that the only difference between what Mr. Davis has described and what we now face is in the matter of timing. Our credits to Europe under the European recovery program will last longer, but eventually they will end. Already Europe seeks to shift from buying agricultural to nonagricultural goods. Consumer buying power is being very severely strained, and citizens are dipping into their savings to buy goods. In other words, we have merely slowed up the impact of postwar deflation in agriculture; we have by no means averted it.

I might say parenthetically that if peace should happen to suddenly break out in the world I am afraid we would really be in for a rough go.

And if we do not avert it, then we are helping to pave the way toward serious and recurring crises through every part of the economy. Not only is agriculture an indispensable industry in keeping the Nation physically healthy; it is indispensable to its economic health. The incomes of nearly one-fifth of the American people cannot be permitted to fall to degrading levels without shaking the whole economic structure.

Thus I should like to put my concluding emphasis upon the urgent need for action, for action to avert the drastic decline in agricultural income that will occur if the title II provisions of existing law are allowed to become effective January 1.

(Statement of Roy F. Hendrickson, referred to previously, is as follows:)

THE NEW CONGRESS AND JOHN X. DOE, WHEAT FARMER

AN ADDRESS BY ROY F. HENDRICKSON, WASHINGTON REPRESENTATIVE, NATIONAL FEDERATION OF GRAIN COOPERATIVES, TUESDAY, DECEMBER 14, 1948, AT THE ANNUAL MEETING OF STOCKHOLDERS, FARMERS UNION GRAIN TERMINAL ASSOCIATION, ST. PAUL, MINN.

In January the new Congress, the Eighty-first, will meet. It has a big job to do in the field of farm legislation if farmers are going to get a square deal.

Today I will discuss the major pending legislation that concerns farmers. We will examine particularly the Aiken-Hope Act, passed in the last hour of the Eightieth Congress, which still today, 6 months later, is little understood in terms of what it means to a specific farm.

The Nation is fortunate that once more we will have one party responsible for both the executive and legislative branches of Government. Then, too, we are most fortunate that some Members of Congress have been retired from duty.

Three men who listened to the propaganda of the National Tax Equality Association and the Associated Businessmen of various States, directed against farm cooperatives, and who mistook this propaganda for (*a*) the gospel, (*b*) the voice of public opinion, and (*c*) the popular thing to do, were voted out of office. These men were (*a*) Chairman Harold Knutson, Minnesota, of the House Ways and Means Committee; (*b*) Congressman Walter Ploeser, of St. Louis, Mo., chairman of the House Small Business Committee which tried, with dismal results, to "expose" farm co-ops. He was also chairman of the House Subcommittee on Appropriations for Government Corporations where he set out to cripple the Farm Credit Administration; and (*c*) Representative Robert A. Grant, of Indiana, a member of Knutson's committee who specialized in seeing farm co-ops as sinister.

These men were all Republicans; and, as they were all rather noisy, they were in part responsible for the loss of confidence in Republican campaign promises to farmers among farmer voters of many agricultural States.

Their defeat, plus other changes, has eliminated, for the time being, any real chance for passage of legislation favored by NTEA to tax farm cooperatives before the distribution of patronage savings or the payment of refunds.

Note that I used the words "for the time being." The election did not eliminate NTEA or the rash of promoters for organizations calling themselves "Associated Businessmen."

NTEA is still fighting farm co-ops; it is still raising money, lots of money, among businessmen, mostly large ones, who refuse too frequently to understand that farm co-ops are healthy and useful for our economy. The NTEA hopes to see its bill to penalize farm co-ops reintroduced in the Eighty-first Congress by Senator Williams, of Delaware, and Congressman Noah Mason, of Illinois, both Republicans. If introduced by these men, or anyone else, the bills will now fail of passage, but they will be used as propaganda by NTEA. Meantime, an effort may succeed publicly to list NTEA contributors, at long last.

Shameful and untruthful as much of the NTEA propaganda is, I am convinced that NTEA is a farm co-op asset and not a liability. The NTEA has stirred up farmers to become better informed about their co-ops—they are working together better in the defense of their own organizations, and they are showing the signs of health and vitality that unfair opposition always generates. As far as I can find, NTEA has not changed its tune except to quit calling (in print) co-ops "communistic." That's something, anyway.

The second piece of legislation which has a better chance of passage this time is a bill to make it possible for farmers through their co-ops to acquire the capital stock and gradually take control of the district and central banks for cooperatives of the Farm Credit Administration.

These banks were capitalized and financed with around $200,000,000 in 1933 with part of the unspent funds from the old Federal Farm Board. The capital is intact, and about $40,000,000 has been earned on co-op business. The banks have helped farm co-ops meet their credit needs, but on a more modest scale than RFC for private business generally. The dollar has declined in value, and credit needs of the co-ops are increasing.

Therefore, a defect of the original law must be corrected so farm co-ops can increase the bank's capitalization, acquire control, and make their institutions more useful, in keeping with the objectives of providing farmers with an adequate credit system which they own.

The legislation to do this is modeled after legislation under which bankers are acquiring the stock of one of their Government institutions, the very useful Federal Deposit Insurance Corporation which insures private bank deposits.

The legislation which will get the most time and the most headlines, however, is in the field of permanent farm legislation involving price supports, the permanent CCC charter, and an adequate farm, terminal, and subterminal storage program, and associated programs of soil conservation and USDA reorgnization.

The biggest center of controversy will be the Aiken-Hope Act. This was the measure which passed in the last hours of the last session. It had two parts to it.

The first part has no serious opposition. It extended 90 percent price supports to the basic commodities—wheat, corn, cotton, tobacco, rice, and peanuts—from December 31, 1948, to December 31, 1949. It also extended supports to the so-called Steagall commodities—those where the Secretary of Agriculture asked for big wartime and postwar increases in production to feed our armed forces, our allies, and the hungry and starving of the postwar world.

The second part of the act wil provide the argument. This is the so-called permanent farm act which changes or modernizes the parity formula, sets up a system of flexible support prices, and which contemplates use of acreage allocations and marketing quotas.

This part of the act is complicated—so complicated that it is safe, without falling into the error of Gallup, Roper, et al., to say this:

(*a*) Many Members of Congress do not know what the act means in terms of income to farmers—which the act will drastically reduce.

(*b*) Less than one-half of 1 percent of the 4 to 5 million farmers affected by the act knows what it means in terms of income from their farms in the years ahead.

Just what does it do? I think the best way to get at the white meat is to take a specific case, sharpen our pencils, and dig out the figures of income in prospect year by year ahead.

We will take the case of John X. Doe, a wheat farmer. He has 500 acres of land. He grows 300 acres of wheat annually, somewhere in the Great Plains. His average yield, to help make the case simple, we will make constant at the national average for some years past—15 bushels to the acre. His freight and handling charges to get his wheat into and through his co-op elevator and over the rails to his terminal co-op are 20 cents a bushel, and his loan price locally works out to be exactly 20 cents below the national average loan value, which is the loan value at his terminal.

John X. Doe is like thousands of wheat farmers—his operation is perhaps a little larger than most. Actually, like the average farmer, he runs great weather risks. He has no cash income except from wheat sales, a common situation. Like most of his neighbors, he has a family-sized farm for his low-rainfall area. He has a wife and three children, and one of his main jobs in life is to earn for them, year in and out, a decent living; to pay his taxes, his bills, and keep his land in shape for posterity. He loves his land, but nevertheless he can't raise corn, tobacco, cotton, or peanuts on it. Nature intended it for wheat, and his responsibility in the national picture is to grow the stuff from which bread is produced.

This year, Doe's 300 acres of wheat, averaging 15 bushels, brought 4,500 bushels. He saved 500 bushels for seed and home use. He sent 4,000 bushels to his local co-op elevator for sale. At his harvest time, like most wheat farmers, he found the market price below the support level. So he had the local manager send the grain on to an approved warehouse, and he obtained a CCC loan at his local loan rate.

The national parity price for wheat was $2.22 on June 15. The support price, nationally, at 90 percent of parity was $2. His local loan rate, allowing for freight and handling charges, was $1.80.

He realized for his crop—his total gross income before the service and interest charges on his loan—$7,200. Out of this he met production costs, interest, taxes, and family-living expenses.

While the new parity formula was not in effect this year, if it had been, Doe's loan value would have been 40 cents a bushel less. That would have been 18 percent down. If new parity had been in effect, even at 90 percent of parity his gross income would have been about $5,904, instead of $7,200.

Now in 1949, next year, Doe again will have 300 acres of wheat, produce 4,500 bushels, and he will again put 4,000 bushels under loan.

Come next harvest time, even the old parity is likely to be lower. The loan rate will be fixed on the June 15 report of what BAE finds farmers pay for a list of items used by the average farmer. Included are feeds. Doe buys no feed; some of his wheat is used as feed, especially bran and middlings ground from his grain. Feeds have gone down, so Doe's wheat parity will be down. Doe has to buy a lot of what the parity index calls "tractors and machinery." It's his biggest expense next to tractor fuel.

The price for machinery and tractors has a weight of 5.4 percent in the parity index of prices paid by farmers, because a lot of other farmers don't spend much on that item. Tractors and machinery are not going down. They went up in 1948, and they'll go up in 1949. So actually, Doe's costs will not be lower next year; they will be higher, but the index of prices paid by farmers, largely due to lower feed and food prices, will go down. It is expected that, instead of $2.22 recorded as wheat parity last June 15, the old wheat parity next June 15 will be $2.13, and it may be lower.

Next year's 90 percent of old parity support price will probably be around $1.92, if parity is $2.13. Doe's local loan rate will be $1.72. Before service and CCC loan interest charges, he will realize $6,880. If the new parity were in effect, even with 90-percent support he would gross about 18 percent less, or approximately $5,642.

Now, recalling that Doe's net income, like every farmer's net income, is quite different than gross income and that his costs in 1949 actually will be higher than in 1948, Doe in late 1949 becomes really interested in the new long-range farm act which is at present due to go into effect January 1, 1950.

Assuming that the Eighty-first Congress does nothing—which I am sure would be an erroneous assumption—this is what John X. Doe would find when harvest time rolled around in 1950:

First, he would find that the support price was flexible—like the ground under the tractor tires on a very wet day—a bottom, but not a very sure or comfortable one. As shortages disappear, the support price tends to be the price.

The support price will depend in 1950 and subsequent years on what the "supply" of wheat, the carry-over plus the new crop, is found to be in relationship to "normal" supply. "Normal" supply is made up of what it is estimated we used in the U. S. A., what we will export, with provision for a carry-over. If "supply" is 100 percent of "normal" supply, the support price is to be 75 percent of the new parity. If supply is below 100 percent of "normal" supply, ranging down, the support price can go as high as 90 percent of the new parity, but no higher. If the supply is large, the support price can range down to as low as 60 percent in case the supply is 130 percent or more of "normal" supply. When the supply is 120 percent of "normal" supply, the Secretary of Agriculture, the law specifies, must proclaim acreage allotments and call for a vote on marketing quotas. Such quotas go in effect if voted by a two-thirds majority of producers.

(Remember, too, we have used, mainly because of high exports, a lot of wheat in recent years. We have produced big crops but used them. The outlook for the future isn't as bright as the past for wheat markets.)

Second, by harvesttime in 1950, Doe has learned that, while old parity was based on relationships of prices paid by farmers for a list of things the average farmer used as compared to the prices of those things back in 1909 to 1914 and prices received by farmers, the new or "modernized" parity is a different baby, somewhat undersized, but fast stepping.

The old parity as of last June 15, for instance, was arrived at by (first step) taking the average price received by farmers for wheat August 1909 to July 1914, of $0.884. (Second step) You multiplied this by the figure 251. This was the BAE index of prices paid, interest, and taxes, as of June 15, 1948, the 1910–14 index number having been 100, or normal. (Third step) Multiplying $0.884 by 251 gave us $2.22, which was June 15, 1948, wheat parity.

If you had been figuring new parity last June, this is how you would have gone about it.

First step) You would have started with the figure of $1.22, which was the average price for wheat realized by farmers from January 1938 to December 1947. New parity uses the last 10–year period averages.

Then you (second step) would have hunted up the index of prices received by farmers for some 155 farm commodities, ranging from apples to grapes for wine and raisins, during the same period January 1938 through December 1947. The index figure is 168, or 68 points above the old 1909–14 figure of 100.

Now (follow this closely if you can), as your third step you would have divided 168, the index of all commodities, into the average price for wheat for the 10 years, or $1.22, and you get an adjusted base price for wheat under modernized parity of 72.6 cents per bushel.

Then (fourth step), you multiply the adjusted base price of 72.6 cents by 251, which was the June 15 index of prices paid by farmers. That series of computations gave us the new, modernized wheat parity price of $1.82.

You can see that it costs money to learn to dance the four-step.

That third step was especially costly. Instead of multiplying $1.22 by 251 and getting $3.06 as the new wheat parity, you wind up with $1.82. It is truly a four-step magic dance of index numbers that will make the wheat farmer turn and twist—not with joy—but to make ends meet.

Why do you figure new parity differently than old parity? The new gimmick in this four stepper is adjusting the base price of a commodity by the index of prices received for all commodities. The theory of that is that the relationship between various commodities has changed in the past 30 years. Wheat has been lower in the past 10 years relative to other farm prices than it was in 1909 to 1914. The efficiencies that wheat farmers have gained in production and through cooperative marketing, relative to other commodities, are to be recaptured by this device.

The parity prices for all grains are dropped by the new parity formula, while the parities for livestock products move up a little.

As of June 15 last, parity for corn would have dropped from $1.61 to $1.42; oats from $1 to $0.82; barley from $1.55 to $1.21. Hogs would have gone up from $18.20 to $18.70; beef cattle up from $13.60 to $16.30; lambs up from $14.80 to $17.80; wool up from 45 to 52 cents a pound; chickens up from $0.286 to $0.304 a pound, and so forth.

Because the reduction in parity for a number of commodities, especially wheat, promised to be very painful, another new gimmick was introduced.

This gimmick wears percentages for earrings, instead of index numbers. But for the wheat farmer, she's another four stepper, and she costs money.

This gimmick is called "transitional" parity. It means that support prices shall not drop from the old to the new parity basis at a rate faster than 5 percent per year. With an 18 percent drop due in the case of wheat, this means that the adjustment from old to new parity will be made gradually over a 4-year period.

It is reasoned that it will be less painful for 18 inches to be removed from the tail by chopping off a piece at a time.

I have not had time to see just what Confucius has to say on this subject, but I have a good notion what John X. Doe will say when he finds that it's his tail that is involved.

He may ask, for instance, when does the axing take place in the case of steel prices, tractor costs, gasoline prices, and many others which mean much to him but which have mystified him because they are always going up and never, or hardly ever, downward. I say "hardly ever," because, if John X. Doe has a grandfather who lived to a ripe, old age, he may have heard some significant drops outside of the limited adjustments in the worst depression years.

So this is how Doe gets at his wheat price, assuming that again he has to take recourse in a loan or purchase agreement around harvesttime in the year 1950, as is more than likely.

One of three things will happen:

First, acreage allocations might have been ordered by the Secretary of Agriculture and marketing quotas voted by a two-thirds majority of producers in the fall of 1949. In that case, if Doe cooperates in the program, as he should, he will plant fewer acres and market fewer bushels in 1950, but he would get 72 percent of the new parity as the basis for his loan, plus due allowance for the one-swipe-at-a-time transitional parity.

Instead of 300 acres planted to wheat, he will be allotted 20 percent to 30 percent less. If it is decided to cut the Nation's wheat acreage back from 79 or 80 million, in prospect in 1949, to 55 million, which many forecast will be more than enough in 1950, the Nation's wheat farmers face a cut of 30 percent in acreage. Domestic consumption is not increasing; exports will drop in all likelihood.

In this case, we will assume that in 1950 Doe cuts his acres 20 percent to 240 acres, harvests 15 bushels to the acre, or 3,600 bushels in all. He offers for sale 3,100 bushels (his quota). He still needs 500 bushels for seed and home use. A cut from 4,000 to 3,100 in the volume for sale is substantial.

We expect parity to decline further in 1950, from 1948 levels, because feed and food will be cheaper. We can reasonably assume old parity, by that time mainly an interesting historical fact, would be $2.05 and that new parity would be $1.68. But transitional parity keeps the decline from being that much. It means that support prices would be figured from a base 5 percent under old parity, or at $1.94¾.

Seventy-two percent of this would be $1.40. Without an increase in rail rates Doe's loan price would be $1.20, but a freight increase of 8 to 15 percent by that time is almost certain, but we will leave it out of the calculation.

Thus, with 3,100 bushels to sell, with the loan again important to John X Doe, he finds his gross income is 3,100 times $1.20, or $3,760 less loan interest and service charges. Doe remembers 1948 with $7,200 gross against 1950 with $3,760 gross. I could, but I will not, quote what he says when he gets his check. But at home that night, after deducting costs from his gross income and eyeing the red in the net figure, he will say very little except: "There won't be much to spend for Christmas this year, Mother."

I said two other things might happen to Doe in 1950. They are worse. Farmers could vote down quotas. Then the support price would drop to 50 percent of new parity-transitional parity. Fifty percent of $1.94¾ would be $0.97¼. Take off 20 cents for freight and handling, and Doe's local loan price would be $0.77¼. If he got a loan on 4,000 bushels, Doe's gross, before CCC loan interest and service charges, would be $3,084.

Or it might be that he would get 60 percent of new parity plus transitional parity, in case acreage allocations and marketing quotas were out and the price rested on the support level due to a large supply in relationship to "normal" supply. Then the calculation would 60 percent of $1.94¾, or $1.16¾ less 20 cents freight, or $0.91¾. Before loan interest and service charges, with 4,000 bushels to turn over to CCC Doe would gross $3,674.

In short, his alternatives as gross income in 1950 would be $3,674 or $3,084 or $3,760—any of which is around 50 percent of what he grossed in 1948.
His prospects for 1951 are roughly 5 percent worse than in 1950; for 1952, 5 percent worse than 1951. By 1953, they are still worse, but his tail is cut off and transitional parity is finally buried with the last scrap of tail.

By 1953, naturally, he is not a very friendly fellow and, what is more important, he has become a very poor customer for what the industry of the Nation produces. And you know what it means when purchasing power dries up on farms.

I wish I could share the optimism of those who, having lost the art of using a pencil, endorse the long-range price-support provisions so heartily. I have even heard it called the farmer's "Magna Carta."

They talk of shrinking—get that word "shrinking"—wheat acreage by cutting the prices so the so-called marginal lands will be withdrawn from production.

The farmer's income will do the shrinking—he isn't Sanforized.

They say, with enthusiasm, that the act will shift wheat production effort to cattle, chickens, milk, bees, fur farming, and what not.

They say all this will help "balance" the enterprises of the farmer. Maybe it will, but it will unbalance the wheat farmer's books, too.

They say it will help arrest inflation and supply a floor under farm income, establish the principle of forward pricing, all while American agriculture "adjusts" to the laws of supply and demand.

A floor that sinks below the level of the cellar isn't weatherproof. People have drowned in bathtubs on the second floor.

Forward pricing that promises John X. Doe well below a dollar a bushel for wheat is just a matter of breaking the bad news earlier, rather than later.

Of course, a better deal is possible, and plainly essential.

The able men, Democrats and Republicans alike, men like Senators Thomas, Aiken, Lucas, Young, Ellender, and Thye and Representatives Cooley, Pace, and Hope, who sit on the Committees of Agriculture of the Senate and House, will give these possibilities careful consideration. I am sure of that; they will welcome your ideas, too.

1. In recognition of the sharp changes that the new parity formula involves, eliminate transitional parity and have the support prices range from 85 to 100 percent of new parity, thus keeping the flexible principle in effect but within reason. For wheat, the difference of 18 percent between old and new parity is a shocking change. This is especially true coming after a tremendous reduction in grain prices already in effect, which has hardly influenced the price of bread. If the farmer gave his wheat away, a 16-cent loaf of bread would still cost 14.7 cents.

2. As an alternative, extend the provision, already applicable to tobacco, of 90 percent of new parity support prices whenever acreage allocations and marketing quotas are in effect, to cooperators in the program.

3. Before drastically cutting the incomes of grain farmers, make certain in the interest of national defense in wartime, in the interest of fair and stable prices in peacetime, and as insurance against drought all the time, that we stock pile.

We should have on hand at all times upward of 500 million bushels of wheat and a billion bushels of corn. In this uncertain world, we must secure our food defenses. But don't have the farmer pay the whole cost of that insurance against want. Remember always that the law of averages is bound to catch up with us; our good luck with weather can't last forever, and 1934 and 1937 should not be forgotten.

4. Repeal the legal bar, erected by the last Congress, to action by CCC to build or lease storage. Instead, establish a substantial fund under which CCC could lend, on the basis of approved plans in needed locations, funds to associations of producers. These should be low-interest, self-liquidating loans along REA lines. The associations of producers should subscribe funds to provide an initial equity of 10 percent.

5. Congress should consider the idea of establishing a commercial wheat area comparable to the commercial corn area used for some years in the AAA Act and used also in the Aiken-Hope Act. Corn and wheat can be grown in every State. But the Nation depends on certain areas for its year-in and year-out supply. It might recognize this dependence in the case of wheat areas which have so few alternative crop uses, by extending a higher support price. For instance, the noncommercial corn areas are scheduled to have a support equa lto 75 percent of the support price available to farmers in the commercial area, under the flexible support plan of the long-range act. Wheat could have similar treatment.

6. The committees will be well advised to study zealously the trends in margins and profits in the handling, processing, and distribution of farm products. These margins are up and still upping. A reliable and comprehensive study, which only Congress can make, has not been made by Congress in the memory of man.

Unfortunately, millions that Congress has invested in marketing research in the Department of Agriculture in recent years is being spent on other projects, with scarcely a cent devoted to significant examination of margins and profits.

The heavy concentration of industrial power we find in the steel, chemical, cement, automotive, and many other industries, which creates power to fix and protect margins, is not one single step ahead of the concentration going on in the food and allied industries.

Who will be the first to bell that cat by hunting out the facts?

Above all, let us recall now the costly lessons this and other nations have been taught repeatedly by cycles of war and depression. If farm income is neglected, the Nation suffers greatly and overlong. Purchasing power declines, city pay rolls drop, deflation takes over. We can prevent that and a lot more by legislative action in the next Congress.

The very least that can be done is to unyoke the grain farmer from a cart marked "Deflation parade leader." That is what he got in the last hour from Taft and Martin in an atmosphere of political cynicism from the Eightieth Congress because 1948 was an election year.

Let's have a fair and practical refiguring of the Aiken-Hope Act, and then rebuild it in an atmosphere that will ring with a sincere effort to make the word "parity" mean "parity," just as the dictionary spells and defines it.

Let's be done with passing off a jitterbugging, four-stepping impostor as parity. His name is "fractional parity" and nothing else. Neither wheat farmers nor the Nation can afford to take him into the family.

Mr. Chairman, although, as I have stated, we agree with and support the principles of Secretary Brannan, we have some specific things which Mr. Talbot is going to cover.

This is Mr. Glenn Talbott, chairman of our executive committee and president of the North Dakota Farmers Union.

Mr. PACE. Mr. Patton, we thank you and we will be delighted at this time to hear from Mr. Talbott, who is chairman of the executive committee of the National Farmers Union.

I might state again to the members of the committee that we hope to have the four witness make their statements and then we will question them en bloc.

Mr. Talbott, we are delighted to have you before the committee and will be glad to hear from you at this time.

STATEMENT OF GLENN TALBOTT, PRESIDENT, NORTH DAKOTA FARMERS UNION

Mr. TALBOTT. We felt for the purposes of analysis of a proposed bill that it would be most difficult to present a prepared statement and I believe our office agreed with the secretary of the committee that it might be an extemporaneous statement.

Mr. PACE. Do you want to address your remarks to the proposed bill and Mr. Patton's statement?

Mr. TALBOTT. Yes. I would like to make a few remarks preliminary to that and then address my remarks to the background thinking of our organization as interpreted in this draft of a bill.

Mr. PACE. You may proceed.

Mr. TALBOTT. First, let me say that we are highly pleased with the proposals made by the Secretary of Agriculture when you met in joint session with the Senate Committee on Agriculture and Forestry earlier this month.

These proposals, we feel, dealt in a most statesmanlike manner with the problems of agriculture and the family-type farmers within it, in a most realistic relationship to the total economy of our country. Agriculture and the multiple problems of the farm families within it are a most important part of our total economy. Certainly the principles enunciated by the Secretary and his recommendations to the Congress are, in themselves, a great victory for the working farmers and their long struggle to halt the continued concentration of our productive land resources into fewer and fewer hands with the result and the substitution of farm workers for independent farm operators.

We should like for the record to show that we fully support the principles proposed by the Secretary. However, there are a few points where in our judgment the Secretary's proposals, while sound in principle, do not go nearly far enough in their suggested application.

I shall hope to make myself completely clear in each such instance as I proceed with my statement.

Following adjournment of the last Congress and the passage by that Congress in its closing hours of the 1948 Farm Act, and upon complete analysis of the law which, lacking positive action by this Congress, will become fully operative on January 1, 1950, we were strengthened in our conviction that the law fell far short of meeting the needs of the country, of agriculture, or of the working farmers within agriculture.

As Mr. Patton stated to you, immediately following adjournment of the last session of Congress, we started staff work in our national office and in our various State offices in regard to the framework of the program adopted by the members of the Farmers Union in convention on our interpretation of the problem in an effort to have ready for presentation at some point during this Congress a draft of legislation. This staff work concurrently was carried on with periodic conferences and meetings on the problem of not only officers and elected leadership but lay people, members, working farmers in the Farmers Union, and finally culminated in February, this year, with the appointment by President Patton of a drafting committee to seek to get down on paper the thinking and the work that had been up to that time accomplished.

That committee did prepare a draft. That draft was presented in mid-March to the delegates and members in attendance at the biennial leadership conference of the National Farmers' Union held in Denver, where a thorough analysis was given. There were a few minor changes suggested, and the final draft up to this point of the bill which, parenthetically, I may say has not been introduced and is merely being presented here as the result of our thinking in the Farmers Union in relation to this total problem.

I should say also, before I start in on an analysis of our thinking as expressed in the bill, that the draft, copies of which I believe are before the members of the committee, is not in any sense an omnibus bill which might seek to deal with all phases of the problems of agriculture or family-type farmers, but only seeks to deal with those things which we think are so essential in the present calendar framework that it seems to us they require first priority in terms of the attention of Congress.

Mr. PACE. Mr. Talbott, without objection there will be inserted in the record at this point a copy of the bill that is presented to the committee.

(The bill referred to is as follows:)

A BILL To assure the stability and adequacy of agricultural income, with special reference to that of family-type farmers, and the stability and adequacy of national supplies of food and fiber, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the Family Farmers' 100 Per Centum of Parity Act of 1949.

TITLE I—MAINTENANCE OF FARM INCOME

SEC. 101. It is hereby declared to be the policy of Congress to promote the expansion of family-type farming as the most desirable pattern in American agriculture, and, pursuant to that policy, it is the purpose of this Act to insure that family-type farmers shall receive the major share of governmental assistance authorized under the Act. It is further declared to be the purpose of Congress to give, so far as may be feasible, equal treatment to all agricultural commodities in the extension of Government assistance of any kind, to the end both that equity may be served and that shifts into and out of production of particular kinds of agricultural commodities may be encouraged without resort, so far as may be possible, to acreage reductions, marketing quotas, or other similar controls, although it is specifically provided herewith that present authorities for invocation of such controls shall remain intact for use when imperative. It is further declared to be the policy of Congress to encourage shifts in production, where necessary, through incentives in the form of increases in parity above the levels herein provided for Government assistance.

SEC. 102. The Secretary of Agriculture shall determine within two years following the enactment of this Act, and biennially thereafter, the relative value of "family farm production units", as hereafter defined, of each agricultural commodity entering into interstate commerce, and shall report to Congress such adjustments in value of the units as may be deemed desirable. Pending such determination, the commodity value of each family-farm production unit shall be the monetary equivalent of the average parity price of one bushel of wheat in the calendar year 1948. In determining values of the family-farm production units to be applied to all agricultural commodities, the Secretary shall so calculate the value of the unit as to insure that 5,000 units of any one of them shall have the equivalent monetary value of 5,000 units of any other agricultural commodity. Such determination shall be upon that median grade or variety of each product which will produce the most equitable levels and relationships of support prices. In the making of any such findings, all commodities shall be regarded as "basic" and entitled to equality of treatment within the terms of this section.

SEC. 103. Each head of a household in the United States the major portion of whose income is derived from farming shall be entitled annually for purposes of this Act to receive 100 per centum of parity upon 5,000 "family farm production units", or such less total as he may produce, determined according to the formula provided in section 102.

SEC. 104. Each person who shall be entitled to receive 100 per centum of parity upon that amount of production equivalent to 5,000 family-farm production units, shall be entitled also to receive 80 per centum of parity upon the next 2,500 family-farm production units, and 60 per centum of parity upon all production in excess of 7,500 family-farm production units.

SEC. 105. The Secretary is herewith directed and authorized to submit to Congress within 90 days following the enactment of this law a report on (1) desirable changes in weighing of elements of the parity indices; (2) such revisions as may be indicated by reason of shifts in production, and (3) such other revisions of the parity formula as may render it more equitable to all groups of producers of agricultural commodities.

SEC. 106. The Secretary of Agriculture annually shall proclaim, not later than August 1, in the case of fall-or-winter-planted crops, and not later than January 1, in the case of spring-planted crops, national production goals for all agricultural commodities, such production goals to be determined in consultation with the State and county agricultural conservation program committee. Such goals shall be determined only after the conduct, on a local, State and National basis, of a survey of farmers' production plans and intentions to plant for the coming season, at such time as shall enable farmers to be informed of nationally desirable adjustments in production of the incentives, if any, to be provided to promote such adjustments. At the time of announcement of production goals, the Secretary also shall determine and proclaim such increases in parity support prices, above those levels described in section 103, as he may determine are required in order to obtain increased production of agricultural commodities which, for reasons, of national defense or of the well-being of the people of the United States, it appears will not be in sufficient supply.

SEC. 107. For the purposes of this Act, the county agricultural conservation program committee shall certify to the Secretary each person entitled to participate in the program authorized by this Act, and the kinds and volume of agricultural commodities produced by each such person. In all cases, the Commodity Credit Corporation shall be responsible for providing 100 per centum parity or such lesser percentage as is specified in section 104 for each qualified person by storage loans or purchase agreements on storable commodities and by compensatory payments on all commodities. Compensatory payments shall be the difference between parity prices and regional average prices computed monthly.

TITLE II—MAINTENANCE OF CONSUMPTION

SEC. 201. It is herewith declared to be the policy of the Government of the United States to maintain adequate and comprehensive reserves of food, fiber, and fats and oils, for the purpose of providing for the national defense and insuring the well-being of the people of the Nation. To that end, the Commodity Credit Corporation is herewith authorized to acquire and to store the equivalent of not less than one year's average production, in such form as it may be most readily storable, of any agricultural commodity produced in the United States.

SEC. 202. Section 4 (a) of the Commodity Credit Corporation Charter Act is amended by deleting the second sentence thereof and inserting in its place the following: "The Corporation shall have power to acquire personal property necessary to the conduct of its business; but shall not have power to acquire real property or any interest therein, except that it may (a) rent or lease office space necessary for the conduct of its business, and (b) acquire real property or any interest therein for the purposes of providing storage adequate to carry out effectively and efficiently any of the Corporation's program, or of securing or discharging obligations owing to the Corporation, or of otherwise protecting the financial interest of the Corporation." The Corporation is herewith authorized to make loans, on reasonable terms and conditions, to individual farmers, for the construction of on-the-farm storage.

SEC. 203. In order to carry out the purposes and provisions of this Act, the Commodity Credit Corporation is herewith authorized to make loans for construction of storage and processing facilities, in an amount not exceeding $500,000,000 to cooperative association of producers. In the extension of loans to cooperatives, the Corporation shall give preference to existing cooperatives unless the Corporation shall find that there is a clear need for facilities additional to those afforded or proposed by existing cooperatives. In the extension of loans to new cooperatives the Corporation shall take into account the physical capacity of existing storage facilities, the ability and willingness of the management of existing facilities to meet the needs of farmers and consumers and such other reasonable standards as it may prescribe. To qualify for loans any such new cooperative shall make memberships available to qualified, persons for an initial fee or investment of not more than $5. In all cases, loans shall be made only to genuine farmer cooperative associations such as have fulfilled the requirements of eligibility specified in the Agricultural Marketing Act of 1929.

SEC. 205. Loans to cooperative associations shall be for a period of not more than 40 years, repayable at not less than 2½ per centum interest per year: *Provided*, That the Corporation is directed to work out and apply a reasonable variable repayment plan which will enable the borrower to increase payments and decrease payments according to savings, as may be agreed upon between the borrower and the Corporation.

SEC. 206. The Corporation is specifically directed, where it is determined that additional facilities are needed, to assist in the formation of new cooperatives, and to assist new and existing cooperative associations in the recruitment and training of personnel.

SEC. 207. Facilities to be provided under this Act shall include facilities for storage on the farm, areal or sectional storage near farms, subterminal and terminal storage, and shall include facilities for such first processing of agricultural commodities as may be required to render them storable and so to effectuate the purposes of this Act.

SEC. 208. There is herewith established a Food Distribution Administration in the Commodity Credit Corporation. The Food Distribution Administration shall be directed by a General Manager, appointed by the President and confirmed by the Senate, responsible to the Board of Directors of the Corporation. The compensation of the General Manager shall be $15,000 per annum. It shall be the function of the Food Distribution Administration to release through such channels as may be available and at such times as may be desirable those quantities of agricultural commodities stored under provisions of this Act which are requisite to the provision of an adequate diet and to the general welfare of the American people.

Mr. PACE. You address yourself to the bill now, Mr. Talbott?

Mr. TALBOTT. Yes. Title I, section 101, of the bill is in the nature of a preamble, the first paragraph of which, as you will note, would express the policy of Congress to promote the expansion of family-type farming and, further, quite definitely states the policy of Congress that family-type farmers should receive the major share of any benefits available under a farm program.

I think I need not take any time to inform the committee that the Farmers Union, since its beginning, 46 or 47 years ago, has been interested primarily in the welfare of the working farmers on the land versus the interests, if I might put it that way, of the large industrialized type of agriculture.

I might say also that for nearly 30 years now the administrations that have been in power in Washington in both parties have, on many occasions, stated their conviction that independent farm families in agriculture was the most desirable pattern of agriculture in this country and should be encouraged.

In studying agricultural legislation over a period of more than a quarter of a century, I find any number of pieces of legislation where the Congress, particularly in the preambles of bills, has stated its conviction that family-type farming in the United States was most desirable and should be promoted.

In any case, as you will note as we go through the bill, the whole context of it is very definitely to promote the interests of family-type farmers without too much regard to the other kind of agriculture.

The next important point is in the second paragraph in section 101. You will readily note a rather radical or wide departure from past treatment of agricultural commodities where we say to the extent feasible we want all commodities given equal treatment, all commodities. That is one of our points of perhaps minor, although it seems rather major to us, disagreement with the Secretary where he selected, in addition to the historic basic commodities, the six basic commodities, a few additional ones, and called them group 1 commodities which should have priority in terms of treatment.

We believe that all commodities need to be treated on an equal basis in order to effectuate democratically the necessary shifts into and out of production of various kinds of crops; in other words, the adjustments necessary within agriculture. We believe that that can be done for reasons that I shall attempt briefly to outline without, in most instances, having to resort to acreage allotments, marketing quotas, or other similar production controls, although as a safety factor we make it clear in our draft of a bill that the present authorities for invocation of such controls shall remain intact for us if, as, and when they might become imperative.

In connection with that departure from the historic treatment of agricultural commodities, I should like, in effect, to challenge the rather long-time assumptions which have run like a thread through all farm legislation, particularly since 1933.

No. 1 is the assumption that agricultural surpluses are sort of an inevitable proposition, that we have them and we will have them. Our own thinking in that regard is predicated on what we believe to be facts.

First, we have not nearly come to the point as yet where we are even breaking even on the depletion of soil resources. We have not as yet, in our judgment, a total soil-conservation or soil-building program that is maintaining or rebuilding our soil even with the speed with which it is being depleted.

Secondly, new land available for agricultural production is practically nonexistent other than to such extent as irrigation may open up relatively small amounts of land at some point in the future.

Thirdly, we have continuing the problem of population increase and the best estimates that I have been able to get, which I know of no reason to challenge, are that probably by 1975 our population will increase by about 20 percent over its present levels, which would give us a total consumer population in this country of around 170 million people as a minimum by 1975. Of course, we are not dealing at the moment with 1975, but in our projections we have to think in those terms.

Next, the best information which we have been able to get indicates to us that if we had adequate adjustment within agriculture and production emphasis of the various crops, taking into account, of course, a full-production economy, a high-level economy with substantially full employment so that we might have a high domestic use of agricultural commodities, taking into account what seems to us to be the direction of foreign policy in terms of international trade, and taking into account another matter which I shall mention later and that is the need for adequate reserves of storable agricultural commodities, it seems to us that counting those factors in with adequate adjustment within agriculture, our productive plant is not only not too big, but in the years rather immediately ahead we may be hard pressed to find ways and means and we will need all of the things that science can develop and that technology can develop to give our plant the productive capacity to meet our total needs, domestic and foreign, with adequate, sound reserves.

The second long-time assumption that I should like to challenge, and this assumption seems to be more definitely implied in title II of the 1948 Farm Act, is that low prices on a crop that happens to be in surplus will, of themselves—and I have heard many statements made to that effect—without so-called regimentation—result in reduced production of that commodity.

I challenge that statement, Mr. Chairman, on the basis of any records of agriculture that have ever been available. I have searched the records as far as I have been able to find them and there are no records to substantiate that assumption. Without a program where a farmer knows he can work in cooperation with all other farmers, the only answer that an individual farmer could possibly have to low prices for his crop is to do everything within his power to increase production so that the multiple of increased production times lower and lower prices might, he hopes, yield him enough revenue to enable him to stay in business.

It seems to me as far as I have been able to check the records that that is the record of the production pattern in agriculture as far back as any adequate records have been kept.

You will recall, of course, that up until the designation of the Steagall commodities during the war, we dealt primarily only with the so-called six basic commodities. Mr. Chairman, I have read the 1948 Farm Act over and over and I recognize that I am just a reasonably dumb sort of fellow and because I could not understand it I had several economists give me analyses of it. Upon studying their analyses I found the economists could not agree on title II of the 1948 Farm Act so I can only preface my statement by saying that if my understanding of the 1948 Farm Act is correct, on January 1, sans any positive action by the Congress, the specific authority for the 90 percent of the Steagall commodities will expire and therefore we will be back to the six basic commodities, plus, I believe, wool for a period of 1 or 2 years additional, and some discretion on the part of the Secretary of Agriculture which would only be implemented if the

Congress, of its own volition, made adequate funds available for support of anything other than the six basics.

In that connotation, I should like to ask the members of the committee for just a few moments to leave this wonderful committee room and go out to my farm in Dickey County, N. Dak. We are back now to six basic commodities. We have too much wheat, we think. We need to adjust that wheat. We are supposed to do it without any regimentation. Parenthetically, let me say that I have heard more so-called farm leaders worry about reginentation than I have ever heard farmers worry about it.

I just do not run into that up in our country at all. I do not mean to limit that to North Dakota, because I travel, as you perhaps know, rather widely over the Midwest and I have heard very few farmers worry about the regimentation. They worry about whether they are going to have income enough to stay in business. My farm is in Dickey County, N. Dak., which is a mixed farming area. North Dakota has usually and historically been considered a wheat State and I might state for the information of the committee that since 1935 a very substantial majority of the gross income in agriculture has been derived from livestock and allied products of livestock and not from wheat and cereal grains. On my farm we are back to six basic commodities and no particular consideration that I can be sure of on anything else. I cannot raise cotton or rice or tobacco on my farm in North Dakota. I can eat peanuts, but I cannot raise peanuts on my farm in North Dakota.

I am a little too far West to be in the so-called commercial corn area. I can raise a lower quality of corn which I can utilize rather efficiently for feeding of hogs or cattle. But in terms of my farming operations, the one commodity that I can have any assurance of any kind of support price on is wheat.

I consider myself, as most farmers are, a reasonably good citizen and I want to be loyal and patriotic and I want to gear my operations, to the extent I can, to the needs of the country. But after all, I have to stay in business as a farmer. My income has to somewhere near meet the outgo in the operation of that farm if I am to stay in business. My county AAA committee comes out to me and they tell me all of this story about how we have so much wheat and we need to reduce wheat and we need to expand certain other commodities which are in short supply. After they get all through with me and we analyze the thing, I am up against the problem of leaving the one commodity that I can produce, which has any kind of support in a farm program, and transferring the acres on my farm to commodities that do not have any consideration.

I want to be loyal and I want to be a good guy and I want to do what the country needs to have done, but if I operate on that basis I will go out of business very fast, as I am sure you can readily understand.

Therefore, you are not going to get me, as an individual farmer, to quit the production of the one crop that I can raise which might have supports in order to shift over to other crops which do not have any kind of price support or program at all.

Now, on the assumption that we set forth in our draft of a bill that all commodities are given equal treatment, I can raise a great many things on my farm besides wheat. I can raise barley and oats and corn for feed and I can raise flax and I can raise rye. I can go into the dairy business. I can raise poultry or hogs or cattle or sheep or wool, any one or any combination of those commodities. Under that kind of an assumption, let us go back to my farm. The county or community committeeman comes up to me and tells me this problem of the surplus of wheat. You do not need any regimentation, any acreage allotments for marketing quotas dealing with me on that basis.

I say to the committee, "Sure, I know the situation. What is the over-all pattern? What is the over-all need for wheat as well as these other commodities? What is it we are short of? What do you want me to produce? I do not raise wheat because I am in love with wheat. I raise wheat because I am more apt to be able to stay in business under our present program than I am raising anything else. But if I can have the assurance that with a reasonable crop I can make just as much money raising barley or oats or rye or flax or hogs or corn or cattle or sheep or wool or going into the dairy business or poultry and eggs and all of the rest of it, just tell me what it is that you want me to shift into and I will be glad to cooperate."

It is our judgment that a program should be worked out so that all commodities in agriculture can receive comparable treatment. I do not mean comparable treatment in terms of dollar values, but I mean so that a farmer can see that he can come out just as well from a cold-blooded financial economic standpoint with changing commodities.

It was our belief that within the limitations of soil and climate is credit—if he needs credit where a problem is involved of completely junking his equipment and buying new equipment to raise a different crop, which is another problem besides prices—and within the framework of one other thing which exists in some part of the countries within that limitation, that in relation to some of the crops in some areas that perhaps could be produced that are needed there are presently no existing facilities for handling and marketing that crop.

Within those limitations it is our belief that if a farm program treated all commodities on a comparable basis that with a few exceptions and in a reasonably short period of time we could get the adjustments of production within agriculture and get them with less so-called regimentation than with any other device that has as yet been proposed.

There is one other thing. In the final paragraph of section 101 you will note the language that—

> It is further declared to be the policy of Congress to encourage shifts in production where necessary through incentives in the form of increases of parity above the levels herein provided for Government assistance.

We have one illustration. I think, that is perhaps as good as anything we could have. Many of the things we talk about in the farm program are, of necessity, theory. Anything is theory until it has been done and the results have been demonstrated. We have demonstrated what support prices on a parity-plus basis will do on a voluntary basis among farmers.

I cite you the example of flaxseed, which may not be generally familiar to many people because the flaxseed is a crop that is raised largely in a relatively small area in the United States. The country, a few years ago, desperately needed more flaxseed for feeding to livestock and its byproducts and from the standpoint of the need for linseed oil. The country needed it. I did not need flaxseed on my farm. The country needed it. Much of the area that can grow the kind of flaxseed which has the high iodine, high oil content, which is of value commercially, is in the edge and out in the so-called high risk, high plains area, where farmers, without any Government program, learned a long time ago that raising flax is a very "chancy" crop, that perhaps in much of the area three crops out of five is the best they can hope for. In some parts of the area, two crops out of five is as much as they can hope for. The farmer would not take a chance on a crop where he just knows from all down through history that he is going to have two or three crop failures out of every 5 years. He is just going to raise something else that is more sure in terms of production. But the country needed more flaxseed.

The gentleman on the committee, Mr. Chairman, will remember that beginning back in 1944 and 1945 many different devices were tried. As I remember it, one time we promised farmers $5 an acre for additional acres that would be put into flax because of the country's need and we tried various schemes and devices until finally the need for flaxseed became sufficiently great that the parity price of flax was plussed in terms of an advance announcement of a support price up to approximately 150 percent of the parity price of flax. Then on a relative basis a great many farmers felt they could take a chance on price that might fail entirely because of the then better relationship of $6 a bushel at Minneapolis as compared to a parity price of $4 a bushel.

As a result, voluntarily, democratically, a great many acres in 1947 and 1948 were taken out of wheat and other crops and put into flax on an incentive support price basis rather than to reduce the prices of the other crops to try to force farmers to go into flax and, as a result, the country got all of the flax it needed.

This year, for 1949, and announced to farmers last fall, was the fact that we had all of the flax we needed. We had adequate reserve stocks, we believed, and therefore the support price for 1949, far in advance of the planting season, was announced to be 90 percent of the parity price of flax.

Mr. Chairman, let me tell you that without any regimentation or acreage controls you are going to have a lot less acres in flax at a price of $3 and $6 a bushel in most of North Dakota than you had in flax at a price to the farmer of $5.71 a bushel. It seems to us that that is a device and we are delighted that that theory and philosophy was incorporated in the Secretary's proposal.

Having worked completely as an independent organization and through our own committees and officials and lay people, it was of considerable interest to us to note that in the definition of a family-type farm the Secretary of Agriculture and his staff apparently arrived at conclusions similar to the ones we had arrived at. It may be that the committee had some advance knowledge of the Secretary's proposals but I can assure you that so far as we are concerned we did not.

You will note from section 102 that we also arrived at the conclusion that if legislation was ever to be passed—and we have in the past and will continue to urge its favorable consideration by Congress—to give preference and definitely favor family-type farmers in agriculture, it became immediately apparent that some kind of definition had to be determined as to what is a family-type farm. Many times in the past while I have spoken for family-type farms—and it is a general theory that is accepted and it is a general concept that is accepted—when someone nailed you down to determine exactly what is a family-type farm, you immediately concluded that you could not say it is so many acres. You immediately concluded you could not say it was so many bushels or pounds and freeze it to a particular commodity. We arrived at consideration and adoption of a unit system in agriculture.

In that connection, as I stated a moment ago, we were happy to see the Secretary's proposals use a unit system because of what we believe to be inherent in it in terms of a farmer's individual operations, the flexibility that it permits him in operations, where he can produce single commodities or multiples of commodities within the total of units available for a family-type farmer, where we use the gross income instead of a net-income figure, for two reasons. One is that the gross-income figure leaves wide open the incentive for increasing efficiency on the part of the farmer rather than to try to assure a net income which might leave opportunity, or at least we might be charged with encouraging sloppiness in production and unsound methods of production.

Dealing with the gross-income factor leaves great incentive plus the fact that the economy as a whole depends much more on the gross income which is the purchasing power for capital equipment, for gasoline, for fuel, for farm machinery, for all of the things that industry and labor produce that are needed in agriculture. Most of that is bought out of gross income. Largely, the family living expenses and such things as that might be added too, if there is a net left.

The gross income, it seemed to us, was a great deal more important to the economy as a whole than to try to think in terms of net income. That seemed to us to be the only way where we could set a bench mark beyond which there could be substantial reductions or elimination of supports on the part of Government farm programs for the large industrialized type of operation that by no stretch of the imagination could be considered family-type farmers.

As a matter of fact, if all of agriculture was made up of the assembly-line type of factory farms that we have in too many parts of the country, I doubt very much if the Congress would need to consider or would be considering a farm program at all. It seems to me the essence of consideration of agricultural legislation relates itself to the farm families on the land and dealing with their problems.

Our particular point of difference with the Secretary is our belief that his farm family 1,800 units is substantially larger than ought to be considered for a sound, efficient, economic family-type farm.

Let me say that the larger is the breaking point. In effect what we then propose is that less land and less of the productive resources are available to individual, independent operators and farm families. I believe after the discussion that this committee has had on the Secretary's unit proposal that there is enough similarity that I probably need not spend too much time on it.

I believe you have been furnished with a copy of this chart. If you will turn to it you will note that whereas we have used, for purposes of easy calculation before this committee, the same commodities that the Secretary listed on the back of his statement which was given to the committee on April 7, that same group of commodities, where the Secretary used as a common unit 10 bushels of corn and where his family-type farm was designated as 1,800 units, we, in our bill, have used as the unit merely for purposes of arriving at the proper weighting of the commodity units in terms of family-farm production units, a bushel of wheat, whereas the Secretary used—and I should like to comment a little bit later on that, rather favorably, I think—a new formula in terms of pricing, we, not having available the statistics of the Bureau of Agricultural Economics, were forced to start our calculations for purposes of developing the formula on the present relationship of prices in terms of the parity index.

(The formula referred to is as follows:)

Selected list of commodities showing quantity equivalent of family farm production units

Commodity	Commodity unit	Family farm production unit	Commodity volume of 5,000 units	2,500 units	Combined 7,500 units	Parity price, Jan. 15, 1949
Wheat	Bushel	1	5,000	2,500	7,500	$2.19
Corn	do	1.377	6,885	3,442.5	10,327	1.59
Cotton	Pound	7.122	35,610	17,805	53,115	.3075
Rice	Bushel	1.084	5,420	2,710	8,135	2.02
Peanuts	Pound	18.4	92,000	46,000	138,000	1.19
Tobacco:						
Flue-cured (types 21–24).	do	4.60	23,000	11,500	34,500	.476
Burley (type 31)	do	4.741	23,705	11,857	35,562	.462
Butterfat	do	3.358	16,790	8,395	25,185	.652
Milk (wholesale)	Hundredweight.	.0552	2,760	1,380	4,140	3.97
Hogs	do	.1216	608	304	912	18.00
Eggs	Dozen	4.108	20,540	10,270	30,810	.533
Chickens	Pound	7.73	28,690	14,345	43,035	.283
Flaxseed	Bushel	.5227	2,614	1,307	3,921	4.19
Soybeans	do	.9202	4,601	2,300	6,900	2.38
Beans, dry edible	Hundredweight.	.262	1,310	655	1,965	8.36
Potatoes	Bushel	1.21	6,050	3,025	9,075	1.81
Beef cattle	Hundredweight.	.16343	817.15	408.575	1,225.72	13.49
Lambs	do	.1500	750.00	375.00	1,125	14.60
Oats	Bushel	2.212	11,060	5,530	16,590	.99
Barley	do	1.423	7,116	3,558	10,674	1.54
Apples	do	.0920	4,601	2,300	6,901	2.38
Wool	Pound	4.824	24,120	12,060	36,180	.454
Oranges	Box	.591	2,955	1,477	4,432	3.71

Support value of 5,000 units	$10,950
Support value of additional 2,500 units	4,376
Combined support value of 7,500 units	15,326

Mr. Talbott. You will note that a bushel of wheat is listed as equal to 1 unit and we say that family-size farmers should be supported by 100 percent of parity up to 5,000 units of production. In wheat that would equal 5,000 bushels. Then we say we will break them to a support of 80 percent of the parity price on an amount equal to 50 percent of a family-type farm, or 2,500 units.

The combined units, then, that would have 100 percent support on 5,000 and 80 percent support on 2,500 would be 7,500 units. In wheat that would amount to 7,500 bushels. In corn, the weighting of the unit would be 1.277 bushels per unit, or a total for 5,000 units of 6,885 bushels, a total for the 7,500 units of 10,327 bushels.

I am not sure, Mr. Chairman, unless there are later questions, whether it will be necessary to go through the entire calculation. I have only a single copy of the calculation. If the committee would be interested, we could prepare in the next day or so a complete list of all farm commodities for which a parity index has been formulated and determined, give the unit weighting and the poll of the commodity that our concept of the size of a family-type farm amounts to in terms of 5,000 units for full 100-percent support, 2,500 for 80-percent support, and any commodities beyond that at 60 percent of the parity price for support purposes.

Mr. FACE. I think that is sufficiently representative for our present needs.

Mr. TALBOTT. It seemed to me that it would be, Mr. Chairman. You will note, Mr. Chairman, that whereas the Secretary's breaking point, as he suggested, in the 1,800 units with the pricing formula, as he suggested, and the relative unit value in terms of commodity units, that his gross-income figure for a family-type farmer who would receive full support was around $26,000 in round figures.

You will note at the bottom of this table that the support value, using the parity index, which is the only one we had at the moment to work this out, the support value in terms of dollars at the present parity level would be $10,950 gross on 500 units.

If a man was able to produce 7,500 units, he would have a total gross income of $15,326 and beyond that the support would be limited to 60 percent of the parity figure, whatever that might be.

Now, if we might move next to section 103 so that I may give you the essence of each section and the thinking that has gone into it; first you will note at the beginning of that sentence in section 103 it says that each head of a household in the United States, the major portion of whose income is derived from farming, shall be entitled annually for the purposes of this act to receive 100 percent of parity on 5,000 family farm production units.

It is important to note that we say "or such less total as he may produce." That is to say, this is not an attempt to guarantee a gross income of $11,000 or to guarantee a parity-support price on 5,000 units, but 100-percent support on any production of a farmer up to 5,000 units. If he has no land and no equipment and no other facilities to produce that volume of commodities, then it seems to us that it has to be dealt with in other ways rather than through a price route.

I want to call attention to the wording there where we say "the major portion of whose income is derived from farming." We know of no reason why the Federal Government should appropriate money and make payments or offer supports of any kind to a man who incidentally or for speculative purposes owns one or more farms but whose primary source of livelihood is from other sources. We think that the support of the Federal Government ought to be given to those who operate the farms. We would propose to limit the allocation of a family-farm production unit goal to those whose income in major part is derived from agriculture.

Section 104 merely gives the break-down of the 80 percent on 2,500 additional production units and 60 percent upon all production in excess of 7,500 family farm production units. It seemed to us that rather than to have a flat breaking point of 5,000 units, we do have the problem within agriculture of farmers getting old and wanting to be in a position to start their sons out farming, and it seemed to us if they could expand a little up to 7,500 units and were willing to take 80 percent of support up to that amount, that might help to solve some of those individual human problems within agriculture. We propose, for these reasons, that supports on the balance of production over the 7,500 units be held at 60 percent. Our thinking on that relates itself to the possible need—I say the possible need—for the use of the judgment of the Congress and the administration in acreage allotments, marketing quotas or such other devices and the need in that instance to get the so-called big boys into the program. We do not think the 60 percent in any event is ever apt to cost the Federal Government anything, because as nearly as we can calculate, Mr. Chairman—and we have not got all of the figures available to us to give other than what we think is a pretty close guess—our 7,500 units at 100 for 5,000 and 80 percent for 2,500 would, we believe, cover the total production of something around 94 or 95 percent of the farmers in the United States.

We think it would cover a much smaller proportion of the total prouction in agriculture than the Secretary's proposal, as nearly as we can analyze thus far. It appears to us that we would be covering perhaps around 75 percent of the total crop in the 100 percent or 80 percent support. If that proportion of the total crop was covered under support prices, it is our thinking that probably the free market would not be apt to get down to the 60 percent level.

That is a question, however, and I might say that in terms of our thinking back over a good many years, because of our knowledge of the great harm that has been done to the small farmer, the farmer who has just about enough land and facilities with a reasonable price to stay in the break-even class, that when we apply acreage quotas on a horizontal basis, as they have historically been used, we reduce the size of the smaller farmer to where in effect we put him out of business. Our thinking is that in the event that some controls have to be used, marketing quotas would be much more efficient than acreage quotas because acreage quotas depend on the weather and yield and a lot of other factors, whereas marketing quotas can be tied specifically to a definite volume of commodities.

If, in the judgment of the Congress and of the administration, acreage controls or marketing quotas or other such controls should become necessary or be deemed necessary, we would certainly urge strongly that either they be sharply graduated or that family-type farmers under this definition or a definition this committee or the Congress might arrive at, be given an exemption from the application of those acreage controls and that sharper reductions might be made on the fellow that is large enough to be able to stand it and still stay in business.

I suspect you have heard a little about potatoes and support prices in 1948. One of our people who helped in the drafting of this proposed legislation was for years a member of the State PMA committee in North Dakota, and he was assigned to the potato division. He assured us that it was his and the committee's thinking out there that had marketing quotas—allotments in terms of marketing quotas—been used rather than the necessity of using under the then existing legislation acreage quotas, we would not have had nearly the problem, because you just give a fellow a quota of so much potatoes and he gets nothing more. We have a question about this 60 percent.

I assure you it would be quite all right with us if in the judgment of this committee it is felt that we could handle the problems I have outlined by eliminating the 60 percent and tying any controls which might be necessary in the future to marketing quotas which do not require the 60 percent at all. Then it would be quite all right if the 60-percent feature was dropped. We put it in there because we were not sure that it would not be needed for the reasons I have outlined.

Now, in section 105 I should like to point out that this enters into a discussion that I should like to present in relation to the parity formula itself. I may say that for a good many years the Farmers Union has been on record as being for a parity of income as compared to a parity of price because there is some difference, let me assure you, and we are pleased with out studies thus far of the Secretary's proposal where we move over to an income-support standard rather than the old parity base.

I am not in a position to give unqualified endorsement because we have not yet had an opportunity in the last couple of days to make a sufficient number of projects of the new income-support standard to see how it might apply in the years rather immediately ahead and the relationship between commodities to know whether or not we could support it fully, but it seems to us that the principle is entirely sound. We did not have the facilities to design a new formula ourselves, so we took the existing, presently existing, parity formula.

You will notice we directed the Secretary to submit to Congress within 90 days following the enactment of this law a report on desirable changes in weighting the elements of the parity indexes. I would like to pause there for just a moment.

The old 1909 to 1914 base out in our country—and I am sure over most of the country—meant, among other things, horsepower for farming with a very great amount less mechanization and high-priced equipment. The equivalent of the parity formula based on the 1909–14 basis and relationships gives to farm machinery a weighting among the 160-odd commodities that go into the price cost indexes of only 5.6 percent. That very probably was reasonably accurate in 1909 to 1914, but in 1949 and 1950, in the years ahead, it is about as unrealistic as anything one could imagine in much of agriculture.

Throughout the Great Plains area—and I am sure that Congressman Hope could substantiate that—in order to have an efficient operation now the capital investment in machinery, the cost of gasoline and fuel oil for machinery, the depreciation on the very high-priced machinery and repair parts, constitutes a great deal heavier weight in terms of its relationship to a farmer's cost than 5.6 percent.

Just a couple of weeks ago I was confronted with the necessity of buying some equipment to clean up some quack grass, which is a bad perennial weed in our country, on my farm. I had to have a fairly good-sized tractor in order to do the job for all of the reasons I will not take the committee's time to outline. It cost me $5,355.40 for an H. D. 5 Allis-Chalmers crawler tractor large enough to do the kind of work I had to have done on my farm.

In 1945, before we disposed with the economic stabilization program, that same tractor could have been purchased, if one had been able to get it, for less than $3,500.

I might say also that a year ago last fall I sold malting barley off my farm for $2.57 a bushel. Last fall, I sold the same kind of barley, grading identically the same, for $1.12 a bushel. The cost of my tractor went up about 80 percent as compared to 3 years ago, and the income from my barley went down about 140 or 150 percent as compared to a year ago. That is part of the problem that farmers are confronted with.

The second major thing that I think needs revision in the weighting of the cost indices in the parity formula is, to illustrate the point, feed grains. Out in the area where farmers raise cereal grains, the cost of feed is given the same weighting in terms of the farmer's cost that it is given in the feed-deficit area where the cost of feed to a dairy farmer or a poultry producer is a very substantial part of his costs.

It seems to us, therefore, that we need a very careful review of the weighting of the cost factors, perhaps by groups of commodities, Mr. Chairman, which have similar characteristics, similar production problems, similar capital investment requirements, and similar operating cost, deprecation, and so forth. It seems to us that perhaps four or five parity formulas by groups of commodities might be a good approach if we are to continue to use the parity formula that we have thought of in the past.

The second thing that we ask the Secretary to do is to bring in such revisions as may be indicated by reasons of shifts in production and such other revisions of the parity formula as may render it more equitable to all groups of producers of agricultural commodities. I would like to say before I move on from section 105 that if we are to stay with the old parity formula rather than the Secretary's new formula, go to income support standards, we very definitely wish to urge that—perhaps it can be done administratively—the Congress consider a revision and a bringing up to date, on the basis of a modern base and on the basis of realistic weighing of the cost indexes that go to make up the parity index for agricultural commodities.

I think, as I stated a moment ago, that we may find ourselves—my own belief is we probably will—in support of the Secretary's new formula. Until we have time for more projections and more opportunity to discuss it and work it out, we cannot at this time be completely sure of that.

Section 106. As a matter of forward plannnig and forward announcement of support prices and the determination by the Department of Agriculture, we consulted with the community, county, and State PMA committees for the goals in terms of which we should shoot in agricultural production, and in relation to agricultural commodities those goals, of course, will be set in relation to domestic need, the problems of foreign difficulties appearing, and the problem of the need for adequate reserves. That largely deals with the administrative problem. It is our thinking—and this largely is done now—that the intentions of producers to plant are gotten through the community and State PMA committees and can all be funneled into Washington and related to the over-all needs for each commodity on the part of the country that goals them. In terms of what we need and how it might be broken down most efficiently among the States and the areas and the counties, it could be sent back through the community committees.

As I stated earlier, if all commodities are given comparable treatment, we think then we have an opportunity to get very great voluntary shifts in production emphasis among the commodities. This largely is an administrative problem. There is one thing that I should like to mention that has not, I believe, been done as yet, and that I think constitutes one of the reasons for a difficult problem in terms of increasing production to needed levels of livestock and livestock products.

Historically, it is my recollection that the announcement of price supports has been on a 12-month basis, substantially. It has not always been a calendar-year basis or a fiscal-year basis; but, from some point to 12 months hence, that certain prices would be supported at that level.

Let me tell you, gentlemen of the committee, that when you expect a man to increase the production of hogs—and that means breeding his sows to farrow in the spring and breeding them back to farrow in the fall—that a support price which will be available, so far as he knows, only for the marketing period for his spring pigs and where he has no knowledge of what the price might be on his fall crop of pigs to be marketed the following spring—leaves him in a rather uncertain position as to how much of a fall pig crop he should produce, and particularly is it important in relation to any need that we may have now or in the future for the expansion of beef cattle or of dairy products. That applies particularly in beef, because, after all, from the time a farmer or a rancher determines what his foundation herd shall be, how many cows to breed, to calve in the fall, or at whatever period of the year he determines, he knows that it is not going to be just 12 months, but it will be 2 or 3 or 4 years from the time he makes that determination before his crop, so to speak, is ready for market. An announcement of a firm support price for a period of 12 months is of absolutely no concern or no value or no help to a farmer in that kind of business.

It seems to me that we might most readily handle that problem in the interests of the country and give a farmer the protection so he could expand production in the fields of need by merely determining the support prices on the basis of the need and announcing them for a production cycle in relation to whatever the commodity might be.

If it is for veal calves, then announce that the calves that are born this spring will be supported at the time they are ready for market next year on a basis of so much money. If it is for 1-year-old or 2-year-old or 3-year-old steers, announce the support price for that period. It seems to me that administratively that could be worked out rather readily and might be of a very great help if support prices were announced for a production cycle in relation to the commodity, whatever it was, and that is particularly true, of course, in relation to livestock.

Section 107 is merely in relation to the administrative machinery so that the Secretary or those responsible for the maintenance of support prices will have some certification from someone, first, that a farmer is a farmer or that his major income comes from farming and he is entitled to the family farm production units, and secondly, as to what volume of commodities he marketed because we are not supporting or proposing to support anything beyond what a man raises and with a maximum of these ceilings on family farm-production units.

The latter part of section 107, where we direct that the Commodity Credit Corporation shall be responsible for providing 100 percent of parity or such lesser percentage as is specified in section 104—that is the 80 and 60 for those groups for qualified persons—we suggest storage loans or purchase agreements on the storable commodities.

I should like to call the committee's attention to the second line to a word that was deleted through error, and that is the word "other" following "all." It is at the end of the second line. We suggest compensatory payments on all other commodities, not all commodities.

So far as we know and so far as we can determine, the support prices can be maintained on storable commodities through the currently used devices of loans or purchase agreements. There may be instances and probably are where direct Government purchases may be of value or the authority to make them may be of value. We have been unable in all of our deliberations to see how we can give comparable treatment to the nonstorables or the crops that move daily or weekly or monthly from the farm into processing or consumer channels on a similar basis to that to deal with storable commodities.

I believe the Secretary said production payments. We call them compensatory payments, which we suggest. I should like to make this point clear in connection with the last line in that section. We say compensatory payments shall be the difference between parity prices and regional-average prices computed monthly. May I illustrate, Mr. Chairman, what we mean and why?

Thus far, to the extent that such payments have been made or offered on nonstorables—let me use eggs as one illustration—the computation has been made, as we understand it, on a basis of national averages computed annually. The result has been the average price for eggs in the United States for 1948, the calendar year 1948, computed once a year on a national average, was 53½ cents a dozen. That is almost to a fraction of a penny what the parity-support price of eggs was supposed to be.

I am not in a position to say how much some farmers got for their eggs who might happen to be close to large consuming centers for fresh eggs immediately available to them, but I do know that out in the Dakotas and that general part of the country farmers who produced eggs sold them for 29 and 30 and 31 and perhaps as high as 35 cents a dozen. Yet, at the end of the year we were told that the average price of eggs equaled, substantially, the support price for eggs and therefore there would be no support prices paid to them. That is one of the troubles with averages. Whenever you have an average of something, somebody is usually above it and somebody is below it.

In that instance, a great many people were very substantially below that average. It is my information—and I am not an expert on milk—that a similar situation obtained in relation to whole milk and many of its allied products, but particularly whole milk as the differential between the milkshed producers and those out in the hinterlands where they had heavier freight rates, where fresh-milk markets daily were not available to them, and where national-average prices, computed annually, gave them a very poor break, in our judgment, in terms of support prices.

We certainly feel and are as insistent as we may be that on any compensatory payments or production payments that are made to farmers, being the difference between the average market prices available to farmers and the support price, whatever it is, that those computations should be made on a regional basis and not less often than monthly.

Another thing particularly important to dairy farmers—and we have a great many of them in our organization—is that historically in the flush production period in the dairy business during the spring and early summer months when the cows give a great deal of milk, usually the market goes down during that period and as the volume of milk tapers off in the hot dry weather and when the heavy fly season comes later during the year, the market goes up when the farmer has less to sell and it is down when he has most to sell and the average is an average nationally and annually and that is an unhappy situation for him.

In those instances we hope that the committee will give consideration to that problem.

Now, we move on to title II of this bill, section 201. You will note some rather wide departures from any suggestions that have been made as to surpluses or reserves. I should like to say, Mr. Chairman, that all of us undoubtedly have participated back over the years in helping to build or to permit to obtain a psychology generally throughout the country to the effect that a so-called surplus of an agricultural crop was not only a calamity to farmers but was a great national disaster.

I should like to call to the attention of the committee that in 1940 and 1941, particularly, we had the largest carry-over of wheat, and I believe the same thing was true of corn, and I believe you gentlemen in the South had a similar problem with cotton in 1941. Everyone was shedding crocodile tears about this gigantic surplus. What would we do with it? It would cost the farmers and the country a great deal of money. A few months later came Pearl Harbor. We were immediately able to convert, then, and our terminology was rapidly converted. We talked about reserves of wheat and corn, not surpluses. Our ability to immediately convert those great reserves of wheat, corn, and cotton into the things needed by our allies without having to wait for another production cycle to try to build up production beyond our minimum domestic needs was a great value to us.

I have had men high in the military counsel of this country tell me that had it not been for those reserves immediately available it is conceivable that the conclusion of World War II might have been postponed as much as a year and perhaps more, with its cost in money and lives.

It seems to me that all of us ought to join in building an understanding and a national psychology that not surpluses but adequate reserves of storable agricultural commodities are a great national asset and that they can be handled so as not to disadvantage farmers and to be of great value to consumers and as a part of the insurance for which consumers, through their capacity as taxpayers, buy when they pay taxes to support an agricultural program.

We suggest that the Commodity Credit Corporation be directed as early as may be to accumulate storable commodities, all of them that may be stored, in an amount equal to not less than an average year's production of each of those commodities, not just in the fear that we might have another war sometime, but as just plain horse-sense insurance against the belief that we cannot expect, through the years ahead, to have the weatherman, the good Lord, treat us so well on the production side as He has done year after year for the last 8 or 9 years.

With population growing, surely, it seems to me that the cost of accumulating those reserves and the cost of carrying them would be a small price, indeed, for 140 or 150 or 160 or 170 million people in this country to pay for having adequate insurance that we would not be desperately short of those basically needed commodities.

I would like to use one other point as an illustration, if I might, Mr. Chairman. I had an opportunity to listen to a few of the questions offered by the committee and the answers given by the Secretary in the last day or so and I noted that there was some concern on the part of some members of the committee as to the possible cost of the so-called suggested production payments which we here call compensatory payments on hogs. It is interesting to note that there is a quite definite relationship between the market prices of edible and inedible fats and oils. That enters into the field not only of livestock, but of cotton and peanuts and the oil crops as well as the edible fats and the inedible fats from livestock.

During the war, you will remember we had all the housewives saving the drippings from the bacon grease because the country needed those fats and oils. The shortage was so great that inedible fats and oils sold as high as 27 cents a pound as recently as a year and a half ago. Today inedible fats and oils are selling at 3.5 cents a pound on the open market.

I doubt if you have noted any corresponding decrease in the price of soap and allied products at the consumer level.

The thing I want to point out is that when inedible fats and oils take a nose dive because of an alleged surplus at the moment or some stocks in somebody's hands, when inedible fats and oils take a nose dive from 27 cents a pound to 3.5 cents a pound, that edible fats which are a part of the hog industry, and edible fats which are a part of the peanut industry and the soybean industry and the cotton industry, while they have not gone down as low as 3.5 cents, have had very sharp reductions.

I submit to the committee that when edible fats and oils took a very sharp reduction following inedible fats and oils, then probably that constituted a considerable weight on the current prices of livestock and the possible cost to the Government in supporting hogs or any other crop which has as a direct product or a byproduct either edible or inedible fats and oils would be greater than it would be if we were prepared to stock pile, let us say, an adequate reserve of both inedible and edible fats and oils and hold their weight off the market place. It might be pennies spent in one way to save dollars in another way on the part of the Federal Government.

Section 202 of title II of the bill:

The committee will note that the language is identical, with the exception of an addition of the last sentence to what I understand to be language already in the process of moving through Congress in regard to amending the Commodity Credit Corporation charter.

I am sure the members of this committee are thoroughly conversant with the impact upon farmers of the fact that the Commodity Credit Corporation a year ago was prohibited from owning or providing storage facilities, particularly in Kansas, Oklahoma, and Texas, where adequate storage facilities were not available either in private hands or any other hands, and because of the needed regulations of the Commodity Credit Corporation that a commodity had to be put in an approved warehouse where it could be safely kept before it was eligible for a loan, a great many wheat farmers in Texas and Oklahoma and Kansas, and some parts of Nebraska suffered a loss of anywhere from 15 to 30 cents a bushel because the cash market through which they had to move their crop was that much below the Government support level which they could not benefit from by reason of having storage facilities unavailable to them.

We hope that section will receive favorable consideration by the Congress, and of course if it is previously acted on, then it could be dropped from this draft of the bill.

I might say, Mr. Chairman, not in connection with this bill, that I understand the Senate took action to take the Commodity Credit Corporation out of the Department of Agriculture and set it up under an independent board.

I am unable to understand that thinking. I do not see how the Secretary of Agriculture can hope to administer the programs put in his hands by the Congress of the United States when one of the major implementing agencies is taken out from under his control and direction entirely.

I would hope that when that bill gets back over to the House it might receive somewhat different treatment than I am informed it received in the Senate.

The last line of section 202 merely seeks to make clear what we hope would be the authority of the Commodity Credit Corporation to make loans to individual farmers for the construction of on-the-farm storage.

There are many areas and many crops which can very efficiently be stored on the farm. Many farmers do not have adequate storage facilities to carry their own crops on their farms and probably many of them can buy it and will, but there undoubtedly are many who cannot, and it seems to us in connection with the total over-all storage program, that is needed, that the Commodity Credit Corporation specifically ought to have the authority to make those facilities available on a loan basis because they are adequately secured in terms of repayment.

Mr. Pace. Mr. Talbott, in the interest of time I might suggest that unfortunately this committee does not have jurisdiction over the Commodity Credit Corporation legislation and it would not have jurisdiction over section 202 or 203.

Mr. Talbott. I understand the direct jurisdiction would rest in another committee on the Commodity Credit Corporation, Mr. Chairman, but in the interests of an over-all program for agriculture, I would hope that the members of this committee would be informed of our thinking in regard to it.

I think I can conclude my remarks rather briefly now.

Section 202, section 204, 205, 206, and 207 deal with that particular problem.

I should like to call attention to one suggestion which we make which may seem a wide departure and may to some people seem very radical: In section 207—I believe it might have been referred to earlier in the bill, directly or indirectly—the facilities which might be provided under a loan program from the Commodity Credit Corporation should include such processing facilities as are necessary to put nonstorable agricultural commodities in storable condition and effectuate the purposes of the act.

I would like to call the attention of the committee to one instance where that becomes very important. We are not suggesting that the Government spend a lot of money to build storage. We are suggesting that the funds be made available on a loan basis either to individual farmers or to cooperative associations of farmers because, after all, the storage of farm crops is merely an extension of a farmer's business.

Out in Wasatch Valley in Utah last summer the Independent Cannery—that is an area where they raise peaches and apricots particularly and primarily—closed down last fall at the beginning of the canning season. There was no other place where the farmers in Davis County, Utah, could take their peaches or their apricots. They approached the owners of the plant and offered to lease the plant on their terms.

They refused. They offered to pay them in advance for the pack and carry that themselves. They refused. Finally, during the course of the discussions they said to the group of farmers from Davis County, Utah, "Those who financed my operations will not permit me to open this cannery this fall because the warehouses are full of canned goods and if we pack this crop it will have the effect of breaking the retail market on canned goods."

That was at a period when peaches and apricots were as high as they had ever been. The farmers in that area and a number of others had to let their apricots and peaches fall on the ground and rot.

They lost the total crop because facilities could not be made available to them, and the consumers of canned fruit in the United States paid the highest price in history while the farmers' crop rotted on the ground.

That was in 1948, Mr. Chairman. We suggest that where a situation of that kind arises funds ought to be made available to a group of farmers to organize a cooperative cannery or whatever the facility might be, so that he could do the first processing of their commodity and put that in a position where it could be stored against a time of need.

I should like to say also that if you study the language of those sections, those three or four sections that we are proposing, not something that is radical, but something that is generally accepted and has received as much favor from the Congress and as much favor from the farmers of the United States as anything that the Congress has done in years.

We are suggesting that an operation be carried on similar to the operations of the Rural Electrification Administration.

Mr. Cooley. Will the gentleman yield for a question?

Mr. Talbott. Yes, sir.

Mr. Cooley. Cannot the canneries borrow money from the banks for cooperatives for the purposes you mention here?

Mr. Talbott. They can borrow that money if they carry on the initial phases, if they can find management that is adequate and acceptable, and if they can raise an adequate portion of the cost of the facilities and an adequate portion as determined by the bank for cooperatives for the cost of operation.

Mr. COOLEY. You would not want them to have loans unless they could meet those minimum requirements, would you?

Mr. TALBOTT. May I suggest that I believe directly and indirectly I could answer your question, Mr. Congressman, in just a moment, with the following suggestion. There are many areas where there are existing cooperatives where they have the management, know-how, and the capital base where expansion of facilities could be carried on through loans and that would undoubtedly be done in the banks for the cooperatives.

But there are areas where storage facilities are needed, where there is no knowledge among farmers' cooperatives.

They do not have the management or the know-how, and undoubtedly there are areas where they do not have the capital to meet the 40 or 50 percent requirements for the cost of facilities and the additional requirement for operating capital.

I should like to call the attention of the committee to the record of the Rural Electrification Administration, not to analyze that, but for this purpose: Insofar as anyone can determine, the funds loaned by the Rural Electrification Administration have not resulted in any losses or even prospective losses to the Federal Treasury.

There are loan funds. They are organizations which are directed by the Congress to be promoted in their organization by the REA and areas where people do not have the know-how, management, training, supervision, the technical studies and all of that to organize the REA cooperative, and 100 percent facility loans and capital to be paid back over a long period of years at a reasonable interest rate.

Mr. COOLEY. The REA is the only agency of the Government making those loans. We have the Bank for Cooperatives created for the very purposes of making loans to cooperatives. If we have that facility and the funds available, why would you suggest giving the Commodity Credit Corporation the identical power to make identical loans?

Mr. TALBOTT. It was our thought that the reason for thinking in terms of the Commodity Credit Corporation was that this deals with the storage of agricultural commodities and that relates itself to the whole problem of the Department of Agriculture, the building of reserve stocks and all of the rest of it.

Mr. COOLEY. That is just one activity of a cooperative. They have other purposes. Every farm cooperative may embrace the rights of storage. If you have an agency of the Government, let us not create any new areas.

Mr. TALBOTT. But there are many areas of the country where there are not existing cooperatives with a capital basis.

Mr. COOLEY. It may be that the farm leaders of this country have not educated the farmers. The Government is ready and willing to help them through an existing gency. To create another agency is not going to inform the farmer any more than he is informed right now.

Mr. TALBOTT. May I submit, Mr. Congressman, that if we had merely set up loan funds for the Rural Electrification Administration in 1935 and merely said to the public at large if farmers wanted to get together and organize a power distribution coperative and if they want to find and train the technical people and management, then

60 percent of the needed funds will be available, and I submit to you that we would not have a baker's dozen of REA cooperatives serving rural America.

Mr. COOLEY. Is that not what we did? We created the agency in Washington and when the farmers heard about it they called meetings all over the country and they organized and obtained these loans and went to work.

Mr. TALBOTT. I believe there are two differences in my understanding, Mr. Congressman, and what you have just expressed. One is that it was the responsibility of the Rural Electrification given them by Congress, to promote the organization of that kind of REA cooperatives with low membership, not for the purpose of raising their capital requirements but for the purpose of letting everyone who needed their services in on a contract for service and 100-percent loans to be paid out of the operating earnings of the cooperative.

That is my understanding.

Mr. COOLEY. Are we not still sending out representatives of the Federal Government to aid farmers in the promotion of cooperatives all over the country.

Mr. TALBOTT. Not so far as I know.

Mr. COOLEY. I know we were until recently, if we are not now. There was a cooperative division of the Farm Credit Administration.

Mr. TALBOTT. It has not been my understanding, Mr. Congressman, and I have no knowledge that the people in the cooperative division of the Farm Credit Administration have ever taken any initiative in an area to organize a cooperative.

Their technical people are available to give some information and aid to cooperatives already organized and existing.

Mr. COOLEY. Any time a group of farmers get together and indicate they want to organize, the Government will furnish them every aid and assistance and advice in connection with it.

Mr. TALBOTT. Yes; I think that is right.

Mr. COOLEY. All right, that is all.

Mr. TALBOTT. The last section, Mr. Chairman, of the proposed draft of a bill establishes—and I should like to comment only very briefly on it—that again, because of the relationship of operational functions, that when the Commodity Credit Corporation, a food distribution administration, be created with a general manager, and so forth.

The language, I think, is clear but perhaps it does not as clearly as might be needed, set forth our thinking on it.

I should like to say that it is our judgment that reserves of storable food commodities are important to both farmers and consumers but that we must not—and I know that farmers in my knowledge do not—expect that the utilization of storage facilities to impound reserve stocks against the time of future need and also to prohibit or prevent a crash in farm prices, to be used in the event of a short crop to multiply farm prices to two or three or four times the parity price.

I am sure no one would attempt to justify that sort of thing. Therefore, we think that in times of a short crop the Commodity Credit Corporation ought to be directed to move such amounts of the reserve stocks into consumer channels as are necessary to protect the consumers of this country. It is not to bankrupt the farmers, but in the event of short supply, to see that adequate supplies are made available out of the combination of the current year's production and the reserve stocks.

Secondly, we do not believe that the impounded stocks or reserves of agricultural commodities should be permitted to be used in such a manner as to create an artificial scarcity of the commodity so that administered margins of processors and distributors could be permitted to go beyond reasonable levels.

We just do not think it is justifiable in anybody's language for a farmer to be supported on potatoes at $1.85 a bushel and consumers in Pittsburgh to have to pay $6 a bushel for potatoes.

We do not think that is justified. We certainly think that farmers do not expect it or want it and we know of no reason to believe that consumers will or ought to stand for that sort of thing.

We think that the Commodity Credit Corporation ought to have the authority to move in either the event of a short crop or of unjustifiably wide margins between the price to farmers and the retail price to consumers through such channels as they may find or may be available to them, to move stocks into consumption so as to protect the consumer both in his supply and as to reasonable prices in relation to the prices farmers receive for their commodities.

Mr. Chairman, that concludes the analysis of the bill. I am sure that you understand that we are for a great many other things. We believe, with the Secretary, that a sound soil conservation program ought to be tied in with whatever program of support prices the Government carries on. We think that is a national necessity. Of course, we are for a health program and a housing program and we are for a better credit program and education and REA and the Congressman's RTA bill with which we are in full agreement. Lastly and in conclusion, it is our judgment that unless we do enough other things to maintain a high level economy with full employment, any program that is adopted for agriculture will break down of its own weight and we will live from one emergency to another and the Congress will be confronted with all of the kinds of programs that they may have to deal with emergency phases of a complete economic collapse in this country.

Thank you very much, Mr. Chairman.

Mr. Pace. Mr. Talbott, I think you have made a very splendid statement.

The next witness will be Mr. Theodore Steed, who is a member of the Alabama Farmers Union.

Mr. Steed, we will be glad to hear from you at this time.

STATEMENT OF THEODORE STEED, MEMBER OF ALABAMA FARMERS UNION

Mr. Steed. Mr. Chairman and members of the committee I appreciate the privilege of appearing here before this committee today.

I am not going to try to talk to this committee about theory because I think you have plenty of people around here who can talk to you about that.

What I want to do is to give you a picture of some of the difficulties that face family-type farmers today. I feel that I can contribute something to your thinking in this respect because I am one of these family-type farmers myself.

First, let me relate that I am a small farmer from northeast Alabama where cotton is our main cash crop.

We as farmers look to God for seasons to grow our crops. We also look to our national Congress for laws to assure us a fair price for our crops.

We farmers must have laws to protect us from the shortcomings in our economic system. We must have stable prices to make a living and to have the necessities of life. The farmer had much fear last year that the Congress would not give to us a new farm program to continue some protection on prices.

The farmers have much fear today that under the Aiken bill farm prices may drop to 60 percent of so-called parity. We as farmers know what that means. It means losing our homes and having our families be in great need. I have talked with hundreds of these farmers and this is their feeling. These small farmers do not write to the Congress very often. They have no organization to speak for them. But I assure you that they are now and have been, living in fear of the outcome of the farm program.

We have now had several years' experience in farm programs, advocating from 92 percent of parity to as low as 40 percent of parity.

It seems to me that we should now work for 100 percent true parity income.

I agree with the statement Mr. Pace made last Monday, that it is time now to go all-out for the farmer. We farmers are confronted with rising prices for what we buy and falling prices for what we sell.

If you will pardon me for referring to my personal experience, may I relate some of my experiences in the crisis in the last 12 months?

Last year by the help of my 5 children we planted 21 acres in cotton. We produced 20 bales which, with the seed, brought a gross of $3,722. My expenses for growing were: fertilizer, $630; gas and oil for the tractor, $117.42; rent, $930; plows, plow points, shop work, and other incidentals, $185.95; depreciation of tractor and equipment, $300; picking cotton with some hired labor, $517.50.

My total expenses were $2,680.87, leaving me a net profit for myself and my family of $1,041.15.

Since we own our own farm, we got the rent, which was $930, making our total income $1,971.15.

That was from our chief money crop, which is cotton. This year I do not know how it will be because gas on March 18, 1948, for my tractor cost me 23.3 cents per gallon. On March 25 of 1949, about 1 year later, tractor gas cost me 25.3 cents, or 2 cents higher than it was a year ago. Everything in hardware is very high. What my profits will be this year I cannot tell. We raise some corn. Our fertilizer authorities tell us to have more than one cash crop so we grow some corn and a few pigs on our farm.

But just growing hogs instead of cotton does not solve the farmer's income problem, as I think my experience will show on a small bunch of hogs.

Last October at our market place hogs were selling for $28.40 a hundred. I had eight pigs worth a hundred dollars, at 7 weeks old.

I put them on a dry lot of 2 acres, I fed them 100 bushels of corn, which was worth $1.20 a bushel on the market. I fed them tankage and other feeds at $29.80, thus making my total cost of feeding these pigs and furnishing them of $249.80.

On April 19, which was last Tuesday, a week ago, I sold the eight hogs. By then they weighed 1,400 pounds. I sold them for a net price of $238.18. While I was feeding them, prices for top hogs dropped $10 per hundredweight. Therefore, my loss was $11.62 on the eight hogs. In other words, I paid $11.62 for having the privilege of feeding eight hogs from October to April.

Gentlemen, you see our problems first hand. I have been attending these hearings all this week. In my mind, Secretary Brannan has a great plan that will benefit the farmers—also other groups—by keeping the farm group a strong consuming or purchasing group, I agree all depressions have been farm-led and farm-fed.

Let me beg you to use this unit system or one similar, to insure the existence of the family-type farmer. History both recent and ancient, tells us that when nations let the big farmers eat up or crowd out the small farmers, these nations fail. One of the three main causes of the fall of the ancient Roman civilization was that big, forced-labor farms could produce cheaper than the small farmers; therefore pushing the small farmers out of business. The family farmer and his farm have meant much to America and our way of life through the years and at the present time. We plead with you to make secure the family farmer on his land. I shall return to Alabama and tell my neighbor friends about the Brannan plan. I will tell them about the Farmers Union bill. Best of all, I will tell them of the interest this committee has shown this week in these plans.

That means so much to the way of life of these farmer friends of mine in Alabama. In conclusion, let me urge upon the committee the very great need of some kind of action now to keep us from having our prices go down to the low levels that are provided in the 1948 bill.

My neighbors are very much worried about what they have heard of this change of prices that will go into effect next year under the 1948 bill.

As you can see from the figures I have read to you concerning my farming operations, I cannot afford to have prices of my products reduced while my costs are still going up or staying up.

My experience is typical of many others. We are bound to have a very much reduced standard of living if this happens. For all of these reasons, I strongly urge the committee to adopt a bill along the lines of the Brannan program and the Farmers Union bill.

Thank you.

Mr. Pace. Thank you very much, Mr. Steed. We are delighted to have a family-sized farmer from Alabama to give the committee his views. The last witness will be Mr. Wyum, who is chairman of the program committee of the National Farmers Union.

Mr. Wyum, we will be delighted to hear from you at this time.

STATEMENT OF OBED WYUM, CHAIRMAN, PROGRAM COMMITTEE, NATIONAL FARMERS UNION

Mr. Wyum. Mr. Chairman and members of the committee, I appear before you today in a dual capacity. I am a farmer and operator of a family-type farm. I am also chairman of the program committee of the National Farmers Union.

You are considering farm legislation and particularly changes that should or might be made relating to farm price supports and income.

It may not be so recognized but that really implies family-type farms.

For, as I understand the history of farm legislation, it was really the pressure of families—people working on the farms and dependent on farm income for a living—that forced the issues that have resulted in support prices and in fact the whole agricultural program.

There are many forces today who try to avoid facing the issue on that basis. But our farm organization has consistently battled to make family-type agriculture the dominant force and keystone in our Nation's farm policy.

That means farms in sound economic units, well enough financed to be mechanized, stocked, and equipped so they can be operated efficiently and earn enough income so that families who are living on the farm and doing the work on the farm can enjoy the same standard of living that people living off the farm in the cities and towns have.

Decent American standard of living includes modern housing, electricity, telephones, benefits of technology, good all-weather roads and highways, complete and adequate health care and facilities, as good schools and opportunity for education for our farm children as though they lived in the cities, good community facilities including church, broad recreation opportunities including cultural development.

And as part of this American standard of living, not only that these facilities and opportunities are available, but that there be time and leisure to partake of them, enjoy them, use them.

Some of these things cannot be secured with income alone. They can only be secured through cooperation in various forms. Some of it only through cooperatives—electricity, REA co-ops, telephones for many farmers will only be secured the same way—through farmer cooperatives, probably financed by the REA.

Schools, roads, recreation, hospitals, health clinics—these too will come only through cooperation, much of it Government cooperation—people using their Government to serve their needs. That is how we got rural free delivery, REA, roads, schools, many of the hospitals that we do have.

A broad program that brings all of these things to farm people is our conception of the farm program. It includes aiding in financing of family farms in all its needs. It includes encouraging cooperatives to provide an efficient, effective marketing and distribution system, at least enough co-ops to serve as a yardstick and measure the extent to which the competitive principle is operating in private enterprise.

But specifically, it is my understanding this hearing is concerned with the phases of the farm program that deal with the income and prices that the farmer gets for the products he produces on the farm. It is this income that will determine whether he can avail himself of those things that go with a decent living that income can buy.

We face a crisis. Farmers fear for the future. I might as well bluntly tell you they fear the effect of the present farm program, the 1948 Agricultural Act. They do not want 60 percent of parity, nor 72 percent or 50 percent. We had those kinds of prices following the First World War.

We need a farm program that will prevent agriculture from being the fall guy and shock absorber for inflation that it was following

World War I. It must not happen again. Already farm prices have dropped drastically.

From the high point of a few months ago, feed grains are down 50 percent, wheat down 35 percent; cattle, 30 percent; hogs, 40 percent; butterfat, 30 percent.

Everything the farmer has to sell is down 13 percent last year.

But what we buy for farming is up 10 percent in the same period. Our purchasing power is already cut more than 20 percent. Under the present law if you do not repeal or amend it, it might cut our purchasing power 50 percent. That applies to a corn-hog farm as well as wheat.

For example, a monthly report from the Department of Agriculture shows in the January issue what a 70 percent farm program can mean to the family-farm corn-hog-dairy operator.

This farm is 144 acres:

In 1947, total cash receipts	$9,175
Cash expenses were	2,998
Net cash income	6,177
Interest and amortization on loans	1,100
Left for family living	5,077

Under a 70 percent program:

Cash receipts	6,423

Allowing for cut in feed, seed, etc.

Cash expenses	2,891
Net cash income	3,532
Same interest and amortization	1,100
Left for family living	2,432

or less than one-half of present income.

What will that do to our Nation's economy?

Farmers are coming more and more to realize how interdependent we all are—agriculture, labor, industry—one on the other.

Farmers know there must be real purchasing power among all nonfarm people if there is to be a good market for our farm products.

That is why we stress full employment at good wages for all people able to work. But we also know it is just as essential that the mass purchasing power of family-type farmers be maintained.

In our Northwest six States farm income in 1932 was $794,000,000, in 1947 was $6,558,000,000—increase in dollars eight times—in terms of buying power, four times; twice prewar.

United States as a whole: 1932, $4,747,000,000; 1947, $30,186,000,000. Increase in dollars, 6 times; buying power 3 times; 1½ times prewar.

Can we manage our national debt economy of $250,000,000,000 by cutting the farm purchasing power 50 percent?

What about farmers' income? Is it too high? Are they out of line? As we know them, the actual facts are that even their so-called high present 90 percent parity income is only 58 percent of the farm fair share of national income.

We are still 42 percent short. Last year farmers received $909 each —men, women, and children. Nonfarm got $1,569—men, women, and children. Will we some day get a farm program that makes possible fair exchange clear across the board?

Some people will not agree, but family-type farmers in general want a stabilized economy. They want to know in advance of planting and breeding time what they can except for their production.

They want a fair relationship between their work and investment and those of other people who produce the things farmers want to exchange for. That is supposed to be parity. Fair exchange is another word for it. That is the kind of a farm program farmers want. We do not see any sense struggling, fighting, working for any other kind.

There are at least 4,000,000 of us farmers producing food for sale. We are not organized. We have no marketing organization strong enough to market our products on a stabilized basis. The world, and surely America, needs our food. We produce in abundance, or try to, no matter what we get for it. We believe in abundance. So after the bitter experience of the past we have arrived at the conclusion in which nearly all farmers concur—that it is a proper function of Government to help stabilize agriculture in the public interest.

Then why not do an effective job? That means full parity—fair exchange—if the best interests of farmers, business, labor, and consumers are to be served. That is what we would like to have done. The Brannan proposals as amplified by the Farmers Union's recommendations discussed by Mr. Patton and Mr. Talbott will at least be a good beginning.

Maybe I should say a word about regimentation. You hear that term used whenever someone advocates something that will help make democracy work for the rank and file of people.

Even the proponents of the 1948 Agricultural Act have raised a hue and cry about regimentation. Speaking from a farmer's viewpoint, there are no provisions in either the Brannan or Farmers Union proposals that worry us in that respect.

As a matter of fact, there is perhaps more regimentation involved in operations of the present 1948 Farm Act. For the 1950 operations under the 1948 Farm Act will use both marketing quotas and acreage allotments as an integral and mandatory part of securing even 72 percent supports. In addition, it includes all the regimentation and regulation that past farm programs have required.

On the other hand, with the equitable relationships provided for in the new proposed programs together with use of incentives when found desirable, it is most likely that shifts in farm praduction can be brought about on a voluntary basis with a minimum of regulation.

There will be no dictation—no arbitrary unreasonable provisions. The thing to remember is that the cornerstone in our farm program is the local farmer elected committees.

They can always be the contact and medium to keep the farm program responsive to the needs and desires of the farmer on the land. The key to successful cooperation with Government set-ups of any kind must depend on decentralization of policy and administration and building up local understanding and responsibility in the aims and needs of all Government programs. To be ultimately successful, policy-making must stem from the grass roots up—not from the top down. We will never need to fear regimentation if that policy be adhered to.

One final observation. Family-type farms need full parity income on their normal, sound, full production capacity. Anything less than that will have to come out of their family's standard of living.

Mr. PACE. Thank you very much, Mr. Wyum. That is a splendid statement.

We will stand recessed until 2 o'clock.

(Whereupon, at 12 noon, the committee recessed until 2 p. m., same day.)

AFTERNOON SESSION

Mr. PACE. The committee will come to order.

Under the arrangements made this morning, all four of the witnesses will be on the stand; that is, Mr. Patton, Mr. Talbott, Mr. Steed, and Mr. Wyum.

You may answer at your choice, gentlemen, the questions asked, according to who is the best qualified to reply.

FURTHER STATEMENTS OF GLENN TALBOTT, CHAIRMAN, EXECUTIVE COMMITTEE, NATIONAL FARMERS UNION; THEODORE STEED, MEMBER, ALABAMA FARMERS UNION; OBED WYUM, CHAIRMAN, PROGRAM COMMITTEE, NATIONAL FARMERS UNION; AND JAMES G. PATTON, PRESIDENT, NATIONAL FARMERS UNION

Mr. PACE. Mr. Albert, do you have any questions at this time?

Mr. ALBERT. I have two or three questions to ask Mr. Talbott.

First of all, I thought it was a very fine presentation, Mr. Chairman.

Mr. Talbott, I was interested in your discussion of the provision of your proposed legislation under which you would treat all commodities alike as a means of encouraging shifts where desirable and your follow-up on assistance in marketing.

I just wonder how practical that is when we consider the difficulties that would confront the farmer who is operating on a very small margin. I must say there are many of those in southern Oklahoma, where a shift in equipment would be difficult and where the farmer who has been raising cotton, for example, may not be able to shift over into another cash crop. Do you have any comment to make on that particular phase of your recommendations?

Mr. TALBOTT. Congressman Albert, as I indicated at the outset of my statement this morning, we had not sought in this draft of a bill to draft a sort of omnibus thing that sought to deal with every phase of the agricultural problem.

I believe I mentioned that there were many instances when credit would become a very important part of the thing that needed to be done in relation, particularly to the thing that you mentioned. It is our conclusion, after many years of study and the intensive work of the last 7 or 8 months, that if all commodities were treated substantially alike in terms of any Government program we would then have created the basis to make that possible within certain limitations for a voluntary adjustment of production within agriculture.

Those limitations I might list. One is the one that you have mentioned. I know there are many farmers who do not have enough land for an adequate, sound, economic unit where their know-how, so to speak, is limited to experience with one or two crops. There are the factors of soil conditions and annual precipitation which govern in many instances.

There are the factors of the unavailability or inadequacy of present marketing facilities for crops that have never been raised in some areas.

A farmer, of course, in order to shift into a new crop, even though all other factors are permissive, would have to have those facilities available which would make in some areas and perhaps in some commodities those shifts a little more slow.

I might say that that is the reason that after a great deal of consideration we have left the provision in specifically that acreage allotments or marketing quotas or other similar devices should be left in present legislatation with whatever strengthening or improvement the Congress might see fit to provide or might feel was needed to deal with those situations.

I know of one area in relation to wheat that is a single-crop area where the hard-pan texture of the subsoil, the limited precipitation, where farmers have gone bankrupt for many years until they learned that that area would only produce wheat.

That is on the west side of the triangle country in Montana where they cannot raise barley, flax, or anything other than letting that go to range land for livestock or wheat.

It is a great wheat country. They summer fallow half of their land and keep it black to conserve 2 years' moisture. That is about adequate to raise one very good crop of wheat. They keep the weeds out that way.

In an area like this, if we utilize horizontal acreage allotments in an attempt to force them into production of another crop, all you do is to get down 1 day to the irreducible minimum in the size of a sound unit, and you put the man out of business because he cannot shift to something else.

There are many, a great many, areas in agriculture where there is, in our judgment, sufficient know-how among farmers, where there has been sufficient experience in diversified types of production, where the utilization of currently used mechanized equipment is made among wide varieties of crops, where rain fall, soil texture and all of the factors would make possible the major beginnings for a basis of adjustment of crops, with the other things available to us in those instances where those factors were not so favorable.

Mr. Albert. On another point, your graduated scale of supports, 5,000, 7,500, and so forth, do you think that might tend to overproduction unless we carried acreage controls or some other control program along with it? I can conceive of situations where a certain type of operator might be able to make money with supports at 80 or 65 percent.

Mr. Talbott. I think that is probably true. It seemed to us that the graduation downward was in many ways more desirable for some of the reasons I outlined this morning than supports at whatever level, and naturally for family-type farmers we recommend full supports on the parity concept, or than to cut it right off at that point because of the volume of the total production which would be left out of any consideration and the difficulties as we view them, and the case of necessity for the use of acreage allotments.

The fellow who was only going to get support on what to him would be a relatively small percentage of his crop would probably say, "I am not going to cut my acreage or abide by anything that I am not mandated to abide by just to get full support on a relatively small percentage of our total year."

We have a rather limited knowledge of some commodties and a basic knowledge of some commodities that we have studied.

We had available to us only the results of the 1944 census and there were inherent difficulties in breaking that down into the categories to meet the situation we hope to meet.

We think it is a close estimate that we would cover, under the 5,000 units and the 2,500 units in combination, about 95 percent of all of the farmers in the country as compared to the 98.3 percent that the Secretary's proposal would cover, and that in volume of commodities, excluding for the moment the 60 percent level, the two top levels would cover some place between 75 and 80 percent of the total production of the commodities. We understand the Secretary's proposal would cover about 88 percent of the total production of the commodities.

As I understand it, he proposed to cut off any support at 1,800 units.

Mr. PACE. Would you yield, Mr. Albert, to let us go into that feature?

Mr. ALBERT. Yes.

Mr. PACE. Mr. Talbott, the difficulty I have had—and I have had the opportunity to talk to Russell Smith about it, in accepting this principle of supporting part of the crop, is, first, the probable expense, assuming, as you just stated, that you would support 75 percent of the crop.

Then you would have 25 percent either in the free market or under 60 percent support.

I think 25 percent of any crop in a free market can only have one result. That is to lower the general market price of that commodity.

Let me illustrate cotton. Let us say you have a 12,000,000-bale crop of cotton. Under your plan about 9,000,000 bales would have either 100 or 80 percent support.

You would have 3,000,000 bales with either no support or at 60 percent.

In the first place, I think the unsupported part of the crop would get some benefit from the supported part. I think it would have a tendency to raise the general market level.

Then, on the other hand, while the supported part would bring up the general average, I think the unsupported part would bring down the other and that you would wind up with a market price, we will say, at 80 percent of parity.

Then that would mean that under the support program at 100 percent, the Government would have to pay to the producer the difference between 80 percent and 100 percent if the market price came down to 80 percent.

That would be 3 to 5 cents a pound for cotton. Consequently, that could be $25 a bale on, we will say, eight or nine million bales.

It would be quite a sum of money. Do you agree with me that those two things would happen, that the unsupported part would go up and that the supported part would come down?

Mr. TALBOTT. Let me answer it this way:

You will be interested to know that on that particular point we had some difference of opinion in our own group in arriving at conclusions. Some of us felt that, in drafting this program with the support on that large a percentage of the total volume of the crop, the present market would be very close to the support levels.

The other school of thought in our own group was that it would be down.

I state very frankly, as I am sure you know, that we are definitely for family-type farmers and we are interested in advantaging them and in disadvantaging the industrial type of agriculture.

Some of us even felt that we should suggest going so far as to levy a production tax in inverse ratio to the step-downs in the support levels on volumes greater than the units provided, and put the production tax back into the Commodity Credit Corporation to help finance the whole program. We were overruled in our own group on that so I recognize there is an honest difference of opinion.

Unless the program was tried I do not know how a definite, specific, provable answer could be given. Some of us felt that the free market would be very close to the top support price and the 60 percent would not be a factor and others thought that the free market would be down pretty close to the 60 percent.

It seems to me that basically the fundamental answer to that question is, what does Congress in the end propose to do about really implementing a program of protecting family-type farmers in the United States?

If we prepare to do that, then the answer is very simple. If we are prepared to go clear across the board and implement it, then all we have to do is use acreage allotments and marketing quotas and give the family-type farmers under this unit formula a complete exemption from acreage adjustments or marketing quotas and take the whole cut in either quotas or acreage in the bigger operators.

That would answer the problem that you have raised. I do not know, however, what the Congress proposes to do.

Mr. PACE. I think the entire committee is concerned about the rapid increase in what I call industrial farming.

Mr. TALBOTT. It is alarming in my own State of North Dakota.

Mr. PACE. The record shows that in the last 10 years, that it has practically doubled. As I have said before, I do not know of anything that would be as damaging to our form of government as for our farmland to get into the hands of a few where the only job left for the individual would be to work on the farm.

I think the subject needs to be studied and treated with. It seems to me that we should deal rather with the family-sized farm and cure it from that side, rather than to deal with it from the big operator's angle.

We have in the law now provisions with regard to minimum acreage allotments.

That is in the cotton quota law. I do not know that your suggestion of totally exempting the family-sized farm would permit us to live with it very long because I think even the family-sized farms would plant more cotton than we would want.

I very definitely think that if we gave a fair support price level the family-sized farms themselves would more than absorb what the national cotton quota should be.

I do not know that we can totally exempt them. But why can we not approach this from the angle of protecting the family-sized farmer in his allotments, in his quotas, in the amount he can market and the acreage he can plant under the marketing-quota law?

We have a provision in the cotton law now that says that a man who has planted 5 acres or more should get a minimum of 5.

Then there is machinery to build him up to 15. When you build him up to 15, the balance of the cotton acreage in that county is allotted on a percentage of tilled soil in the county available for the protection of cotton.

I think you have a small exemption in the corn-marketing quota law. I believe it is 300 bushels.

Mr. TALBOTT. It is very much of a token proposition.

Mr. PACE. There is one in the wheat law. Would that not be a better approach to the problem?

Mr. TALBOTT. Mr. Chairman, I believe that I, and I suspect that the rest of our organization, could agree with you if this unit system could be employed and equal treatment given to all commodities so that when acreage allotments or marketing quotas on certain crops had to be imposed the man would have the opportunity to shift into something else that would pay equally well.

Mr. PACE. You understand this committee must submit legislation to Congress to change our quota laws—in writing into the act the Secretary must take into account the past acreage, the land available and for cultivation, the topography of the land, and there should be written in there a provision to allot an adequate acreage to assure that the farmer can maintain a proper standard of living on the farm.

Mr. PATTON. Mr. Chairman, if I may comment, you will recall that when I testified before you on the cotton matter I suggested as a rough figure 25 acres which could be divided between cotton and other cash crops as a minimum. I do not know that 25 acres is the figure.

Supporting what Mr. Talbott has suggested in relation to the farm plan, it seems to me if you went beyond one cash crop and made a minimum below which this man did not have to go and yet gave enough room to shift so that he would have a minimum allotment, that would be better.

Mr. PACE. I think we will very definitely write in there that in making the cotton allotment, the Secretary shall take into account the other cash crops to be produced on that farm.

Mr. TALBOTT. I think that is a very important point, Mr. Chairman, for two reasons: First, I am one of a school of thought, and practically all of our people in the Farmers Union subscribe to that school of thought, that there are many things that have to be done besides dealing with price alone to solve the problems for family type farmers.

I am sure you will agree there are many additional things from what I have heard you say back over the years.

The second is that regardless of the area, regardless of the crop or crops produced, there is an irreducible minimum below which the multiple of cash crops for sale times even a higher and higher price, below which a family cannot subsist.

Mr. PACE. If I knew how and I had the power, I would write in the provision that that man should have a right to produce sufficient crops at a sufficient price to assure him a parity income.

Mr. TALBOTT. In other words, a horizontal acreage adjustment that is supposed to be fair because of its 10 percent. It hits everybody alike. It hits the man with 5,000 acres of wheat much lighter to cut off 10 percent of it than it does the fellow who has so few acres already that 10 percent of it puts him out of business.

That seems to me to be the basic thought there.

Mr. PACE. Then when you are taking care of the family-sized farmer you are necessarily going to take away something from this big commercial operator?

Mr. TALBOTT. That is exactly right.

Mr. PACE. Is it not a better approach than supporting just part of the crop, when the danger is that it would cost so much that it would soon crash of its own weight? I can see where it would cost millions of dollars.

Mr. TALBOTT. In my calculations and in all of our discussions we have been unable to find the basis for those conclusions as to the cost.

Recognizing the possibility that we might be wrong, we have left in specifically all the provisions for acreage allotments in the hope that the committee and the Congress might do the thing that you suggest in the event that it is necessary in making some kind of an exemption.

If you will thoroughly analyze the proposals in the unit system where either single crops or multiples can be produced, then I think with an exemption for whatever number of acres it is estimated will produce those minimums below which a family cannot stay in business on the farm, it seems to me that that would reasonably answer the question as you see it, Mr. Chairman.

Mr. HOPE. Would the gentleman yield?

Mr. ALBERT. I will yield now.

Mr. HOPE. Isn't the answer the effect which the unsupported part of any farmer's production or the production that is supported at a lower rate would have on the whole program, depending a good deal upon the question of the controls that you have as to that particular commodity?

In other words, if you have acreage allotments and marketing quotas on wheat based upon what would appear to be a normal yield, about the quantity needed, it does not seem that there is much likelihood that the amount of wheat that would be outside of the maximum support-price level would break the market. In other words, if you do not have controls to the extent that they will keep the production within reasonable limits as compared with demand, you will probably have a very difficult time keeping the market price up to support-price levels under any conditions.

Mr. TALBOTT. I agree with that and I gather by inference from what you said that if the authority is there it is conceivable that you might not always have to use it.

Mr. HOPE. I think very frequently you might not have to use it.

Mr. TALBOTT. The authority there would certainly have something of a salutary effect upon farmers and also upon the trades if they knew the authority was there and would be invoked.

Mr. PACE. If the gentleman will yield, under that idea the family-sized farm would still get the little allotment and the commercial operator would still get the big allotment.

You would not have advanced one single step as I see it. I agree with the gentleman from Kansas that if you are going to keep your production within demand, then all of it will sell at the support level. Still the big operator would have the big quantity to sell and enjoy and the little operator would have only a little to sell.

Mr. HOPE. He would not have any assurance that he would have a big quantity to sell at the support price. He would only have the assurance of a limited quantity on which he would get the full support.

Mr. POAGE. I do not understand anything in this program to say that Tom Campbell could not grow the same amount of wheat that he can grow under the present program, let us say.

Mr. HOPE. There is not anything that would prevent that except in the program which has been suggested here by the Farmers Union, there is a certain quantity upon which the full support price would go into effect. There is an additional quantity of production at which 80 percent of the support price would go into effect and all over that would be supported at 60 percent. That would not affect his allotment, if you had allotments, or it would not affect marketing quotas if they were in effect, except as we might change the basis of allotments and give some preference to a small farm.

The large farmer would know when he went into the planting of his crop that in all probability a certain portion of it would not receive the full support price.

Mr. POAGE. I understand that, but as far as I understand this program—and I use Mr. Campbell simply because everyone knows who he is and what he does—he would still have the right to plan just as much wheat as he would have under the present law, would he not?

Mr. HOPE. As far as this particular provision is concerned, yes.

Mr. POAGE. You suggested he might not plant that much because he could only get a support price on $10,000 worth of wheat, that that is as much as he could produce and sell profitably. That would be the only reason why he would not plant; is it not?

Mr. HOPE. Yes; and I do not think that would hold him down.

Mr. POAGE. That is exactly the point. I do not think that could possibly hold him down if you had reduced the total production to such an extent that you were merely meeting the needs and were going to hold the whole price up.

Then he would know that on that production on which he did not get a support price, that the market would give him that price.

If you are going to guarantee him $2.19 a bushel for 5,000 bushels and you are going to guarantee him some more for 2,500 bushels beyond that point, if he figures he will only get $1.25 a bushel for the other 100,000 bushels, he will not raise that large amount. You must either restrict it so at this time that you do not have any surplus at all, and then you have run the cost of living up to everybody, or you are going to have some surplus and if Mr. Campbell only grows 10,000 bushels excess, what happens to your price here? Your price is fixed at $2.19 a bushel. Mr. Campbell offers 10,000 bushels of wheat at $2.09 a bushel. Who sells the wheat? Is the Commodity Credit going to sell any wheat at $2.19 as long as there is a single bushel of wheat on the market at $2.09? I do not think the Commodity Credit could unload one single bushel of wheat until every surplus bushel had been purchased and had found a home, except at a loss, which it cannot do under the present law.

Mr. HOPE. I do not disagree with that at all and I do not think I have said anything that is in disagreement with it. My question was directed at a point which Mr. Pace made, which was that if you had a certain quantity outside of the support, what would likely happen would be that that quantity, being thrown on the market, would pull down the general level of prices but it would increase the price that this unsupported wheat might bring.

I agree that that is probably true unless you have a situation such as I described where you have the allotments, and the quotas somewhere near what the market will absorb.

I think that finally boils down to what Mr. Talbott has suggested, that probably the chief benefit you would get from that would be that you might discourage some of the larger operators.

Mr. POAGE. But if you keep your quotas so low that you are going to hold the market price up, then you give the big operator just exactly the same price that you give the small operator.

Mr. HOPE. That is right, I am not arguing about that. I am just suggesting that that is one condition under which Mr. Pace's theory would not work out.

Mr. PACE. Will the gentleman yield?

Mr. HOPE. Yes.

Mr. PACE. I am trying to look at the thing realisically. The Secretary of Agriculture, and I am sure these gentlemen before the committee now, are all advocating an abundance of production, not squeezing the supply to the exact demand. I think we have to look at it, for the moment at least, in the attitude it is brought to us. Both the Department of Agrnculture and the National Farmers Union supplement that proposal with an abundance of production. The question of keeping supply and demand in balance is out of the picture in the present discussion.

Mr. HOPE. I do not know what you mean by an abundance of production. You surely do not mean producing so much that you are going to accumulate great quantities that cannot be disposed of.

Mr. PACE. You are going to have to put your own interpretation on that.

Mr. POAGE. The gentleman testified this morning that he wanted to keep a year's supply on hand all the time.

Mr. HOPE. That is all right, I am not objecting to that. That would be an abundant supply. But if on top of that you are still going to continue year after year to produce more than we can consume, then I do not think there is any question but what the program is going to break down sooner or later.

Mr. PACE. You will recall that the Secretary's last statement, made yesterday afternoon in response to my questions, was that his philosophy in production would be to produce that quantity which would supply all the people with plenty to eat, with a good diet at a reasonable price.

You can take all that and put it in a basket and come up with the answer.

Mr. Hope. If you knew what a reasonable price was and what a good diet was and what a reasonable supply was, you could do that.

Mr. Pace. You know what he is thinking about, do you not?

Mr. Hope. I am not sure that I do.

Mr. Talbott. As long as the gentleman raised the question of Tom Campbell and wheat, let's talk about wheat for a moment more.

After we build adequate reserves—and we recommend that the country as a whole ought to have an adequate year's crop in reserve as a safety factor for the whole population—could we not conceive of a program where we gave family-type farmers an exemption of this irreducible minimum that you talk about or our suggestion of the acres normally necessary to raise a reasonable number of units in relation to the multiple prospects of the unit system? Then could we not use marketing quotas which would restrict the sale? We have done that in the past. We could give Mr. Campbell the same kind of quota we give anybody else and let him build granaries until he gets tired of raising wheat and putting them in his own granaries and keeping them and then maybe he would decide it was not so profitable to raise half a million bushels of wheat and take 90,000 acres of cheap land in Montana that displaces 300 families that could be making a good living on that land.

Mr. Poage. You can do one or two things. I think certainly you can put on marketing quotas and restrict your production so as to hold the price to any level we want it.

I am one of those who believes you can hold a price to a reasonable level if you restrict production sufficiently. But you cannot restrict that production and at the same time preach an economy of abundance. I recognize that you can carry out the program of widespread production and make direct payments to the farmers to make up for the loss that he suffers in the market place by reason of the drop in prices.

But I do not think you can have both this abundant production and a high price in the market place. You can have either one you want. I do not think there is any question about our ability to have either one. But nobody has ever been able to show me how we could have both at the same time.

Mr. Andresen. Will the gentleman yield?

Mr. Poage. Yes, but I would like an answer to my question.

Mr. Andresen. Before he answers, I would like to observe that when you have marketing quotas you have to have a heavy penalty in addition to the marketing quota for the excess production over the allocated acreage. Otherwise, it will not work.

Mr. Talbott. That is right.

Mr. Andresen. And in the penalty you come to the point where probably the Government will have to sue every farmer in order to recover the penalty.

Mr. Talbott. I do not recall that we had great difficulty during that period when we did have marketing quotas.

Mr. Andresen. Maybe not out in your country but in Ohio and several other States they did. We did not in Minnesota because we do not raise very much wheat.

Mr. Talbott. We raise quite a lot in North Dakota and I do not recall any difficulty at all. I carried a marketing card and everything I marketed had to be marked on the card and certified and turned in to the county committee to see that I did not sell more wheat than my quota.

Otherwise there were certain penalties.

Mr. ANDRESEN. But you may have put your wheat on the market and sell it at a loss. As I understand it, you contemplate a support-loan program for a certain amount of the production. I do not know whether you use the 1,800 units that Mr. Brannan proposed.

Mr. TALBOTT. We use basically a similar formula.

Mr. ANDRESEN. Of course, if you have a support loan under a certain portion of your production, as I see it, and you let the rest of it go at the market price, then the Government may become the owner of what is under the loan and the price, naturally, if we produce an abundance, will go rather low in the market place.

Mr. TALBOTT. I believe that would not be quite different from the way we have handled the storable commodities that have been handled with the support loan or the purchase agreement or direct Government purchases.

I thoroughly agree with the theory of production payments or compensatory payments because I think in the long pull the consumers have to have some kind of a break out of this. It relates to their living costs and their income.

Mr. POAGE. Clearly you can give the consumer that break if the Government will pay that difference and you can still allow full production if the Government will pay that difference. But the point I am getting at is, how you can give the consumer that break and give the farmer the opportunity to have full production and at the same time hold your price up in the market place.

I just do not think you can do both. I am asking for information as to how you are going to do both under any program. I will agree, you can do either one, but I don't think you can do both at the same time.

Mr. TALBOTT. As I outlined to the chairman earlier, there was some difference of opinion in our group. Some feared that the open market price might be higher than it ought to be to give substantial advantage to family-type farmers and others thought it would be right up substantially to the two top brackets in our proposed support, the 100 percent and the 80 percent.

I do not know any way that that can be proven until something is tried.

Mr. POAGE. As long as you are restricting the acreage produced or as long as you have marketing quotas, then the man who is getting his support out of the sale of his product, even though it be through the Commodity Credit Corporation in the form of a loan, is getting it only on a portion of what he would normally produce, is he not? I go back to that picture on the wall.

Those people are picking cotton. Under all of the plans that have been proposed for the support of the price of cotton, it has been suggested that somebody reduce his production.

Nobody has come in here and said, "Go out and find Carl Albert. He has 100 acres that he normally plants in cotton. We are going to let him plant 100 acres and the price is going to drop 9 cents but we are going to pay him the difference between that 9 cents and the fair price."

They all say "No, Carl, you cut your cotton acreage down to 60 or 75 acres. Then if you grow six-tenths of a normal crop we will see that you get a fair price for that six-tenths."

That is what we tell the cotton man under any of these programs. When it comes to somebody else who is producing a perishable commodity, you say, "You go out and continue to produce all you have ever produced. You keep all your cows. You keep all your hogs. You produce all you have ever produced. Of course, the market is going to go down because you are going to produce more than the market will take at a proper price, but the Government will pay you the difference."

The Government pays that man the difference on 100 percent of his normal production. To Mr. Albert, who is growing cotton, or Mr. Hope, who is growing wheat, we say, "Before we will give you a fair price for your commodity, you cut off a third or a fourth of your production and we will pay you a fair price. We will see that you get a fair price on the remainder."

Do we not have a double standard in your program and in the secretary's program that works decidedly to the advantage of the man who creates surpluses and restricts the man who does not create surpluses?

Mr. TALBOTT. My thinking on that is that we should be the last ones to propose, as I am sure our stand on various pieces of farm legislation back over the years has shown; it continued unwise utilization of the land resources in terms of production of totally unneeded and unwanted crops.

We believe the proposal for the unit system gives the opportunity, subject to the other things that I mentioned in reply to Congressman Albert's question earlier this afternoon, for those shifts within agriculture to balance production.

It seems to me one of the key things in this matter, from our viewpoint, based on all of the information we can get and which we believe to be accurate, is that our agricultural plant is not too big.

If we can get the proper adjustments within agriculture, our total volume of production, one with another, will not be larger than can be fully utilized.

We have in terms of dietary needs and consumer needs and foreign markets and what we conceive to be needed reserves of storable commodities, a tremendous and growing volume of need against, in effect, a decreasing farm plant at the present time in terms of draining out of the soil more fertility and plant life than we have been putting back into it over the years.

I am not one, and certainly the Farmers Union is not one to say that Tom Campbell or anyone else should go on regardless of the public welfare or any thing else and raise 90,000 acres of wheat each year merely because he may be able to do it at 60 percent of parity or some other alleged figure.

It seems to us that with the provisions in the proposed legislation for the imposition of acreage allotments or marketing quotas the Tom Campbells in agriculture can be adequately handled when we get to the point where we have all of the reserves that the Congress decides we should carry on a crop.

Then surely it will be possible to give the family-type farmer an exemption either from marketing quotas or acreage allotments on whatever that irreducible minimum is and we suggest the unit system on the family-type farm and imposition of acreage allotments if for no other reason than to protect the soil which belongs in effect to all of the people of the United States, or marketing quotas which, in our judgment, is just as effective.

The thing we do object to and have objected to over the years is the imposition of horizontal acreage adjustments because when you get down to that basis to the fellow who starts with an irreducible minimum, you just put him out of business, as we have had a great many of them in the last 15 years.

Mr. POAGE. Let us go back to your own farm. I think you described it to us this morning. You raise wheat, for one thing, and chickens, for another.

Mr. TALBOTT. I do not, but I could, if I thought I could make the same amount of money.

Mr. POAGE. I believe you said you have hogs.

Mr. TALBOTT. I have hogs and cattle and sheep.

Mr. POAGE. What I wanted to do was take another commodity that was in surplus. Eggs are in surplus at the present time. I believe the Secretary told us that there were 400,000 dozen eggs over what the market would absorb under present prices.

So the Commodity Credit Corporation has been buying eggs. They have not been doing a remarkably good job of keeping the prices up.

Now, let us suppose you are producing wheat. How many acres do you normally produce?

Mr. TALBOTT. I am not a heavy wheat farmer personally. I raise anywhere from 60 to 160 acres.

Mr. POAGE. We will say your normal production of wheat is 120 acres. If we follow your program, as I understand it, you propose to keep the price of that wheat up to $2.19 by seeing to it that everybody has to cut down their wheat acreage somewhat. If we keep the price of wheat, at $2.19, we will roughly say, you would have to cut that acreage next year from 120 acres to 100 acres. I do not believe you could have that much wheat acreage left. I believe you would have to have even a greater cut over the Nation in order to assure any $2.19 next year, do you not?

Mr. TALBOTT. The answer to your question is a multiple answer.

I think this ought to be made very clear. We are not proposing that the price of wheat be frozen at $2.19. We merely used that as a basis to start from, which was the parity index on all farm commodities, to get the weighting of the interchangeable unit values in the unit system.

From then on a unit of wheat or a unit of corn or whatever it is, is worth the parity index, whatever that may be determined to be.

Mr. POAGE. But you would attempt to pay the parity price of wheat.

Mr. TALBOTT. That is right. The second thing that is important, I think, is the interchangeability of the commodity units.

Again going back to my farm, if the farm program assures me that there is comparable support for hogs, for cattle, for sheep, wool, flax, barley, oats, rye, any one or multiples of all of the crops I can raise on my farm, I do not have to have acreage allotments or marketing quotas to get me to cut my 160 acres of wheat down to 100 acres or 60 acres or cut that out entirely in a year or so.

Mr. POAGE. Let's see if we do not. We are going to assure you of getting $2.19 a bushel for wheat. The only way we are going to be able to do it is to see that you do not produce so much wheat and that your neighbor does not produce so much and they do not produce so much in Kansas or Texas or Montana.

We are going to cut down the total production of wheat in the United States so that you can not grow more than one hundred acres of wheat.

On that hundred acres of wheat you will get the full parity price of $2.19.

I readily see how that can be done and I recognize that it is perfectly feasible and practicable. You have to grow something besides wheat because you have twenty acres there that is out of wheat.

We will assume you grow some chickens. You say you would just as soon change into chickens as to grow wheat because you are going to get the same comparable price on them, which would mean that if you sold them as eggs you would get 53⅓ cents for those eggs, which is a good deal higher than you have been getting.

As I understand it, you contemplate in this program that if you had to sell these eggs for the 30 cents that they have sold for in your county the Government would simply pay you or any other producer the additional 24 cents.

Mr. TALBOTT. That is right, but the basic point you may have missed in this discussion because I did a bad job in analysis this morning, Congressman Poage, is this: Whether it is $2.19 for wheat or whatever the parity index will be, it will be a comparable price for eggs, a comparable parity price, calculated into the units. I do not have to go from wheat to eggs.

Mr. POAGE. I understand that, but I am getting at another point.

Mr. TALBOTT. The whole purpose, Mr. Congressman, as I outlined in the provisions for administration of this program, is that I can and do file voluntarily with my county committee, at least we do in that county, as a matter of information, whether it is required or not, our intention to produce far in advance of the cropping or breeding season.

If all of the voluntary plans of farmers all over the United States are funneled in here and measured against the total needs of the country as determined by the Department of Agriculture, those can be broken down into goals and brought right back to each individual farm, not on a must basis unless that should in the end be required in certain commodities, but brought back to me, as I outlined this morning, where the county committee is in a position to tell me, "We need more hogs, more feed for hogs, more barley, more oats," or rye or whatever it is of all of the ranges of things I can produce.

We have too many eggs, too much wheat, too much of some other things.

He can ask me if I will make the adjustments. I would quite readily make the adjustments.

Mr. PACE. That is assuming that your returns on the eggs and other commodities would be comparable.

Mr. TALBOTT. That is exactly right. That is what the conversion of these comparable unit systems does.

Mr. PACE. Let me say one thing at this point. I think the fallacy of Mr. Poage's position is this: I understood the Secretary of Agriculture and I presume you gentlemen contemplate that in the payment plan there will be some goals.

Mr. TALBOT. Certainly.

Mr. PACE. There will be controls?

Mr. TALBOTT. Informed planning and informed announcement of goals.

Mr. PACE. Controls through goals somewhat comparable to controls through marketing quotas on cotton.

Assuming that is true, the thing I am having difficulty with is figuring how in the world you are going to get statistical data to keep the producers happy in fixing their goals.

In other words, how is the Secretary of Agriculture, in the case of eggs, going to determine exactly what your goal should be as compared with the national need for eggs when there is no statistical data available anywhere on all these commodities.

He would be saying that you could produce 100 dozen eggs, taking into account what your past production of eggs has been. Therefore, I see that fallacy in your idea, that it is perfectly all right with you to jump from wheat to eggs if you can be assured that your return is going to be comparable.

But if you have not been producing eggs and there is already being produced across the Nation an adequate supply of eggs by old egg producers, how is the Secretary going to give you an egg goal?

Mr. TALBOTT. I would not think he would.

Mr. PACE. Then where would be that freedom of shift that you admire and that I would admire?

Mr. TALBOTT. I would not think the Secretary, Mr. Chairman, would recommend that I shift from one surplus crop into another surplus crop.

I would think that he would recommend that the shifts would be from out of a crop in long supply into the many crops that are in short supply.

Mr. POAGE. You have just related a circumstance that makes me want to tell you of a thing that happened to me last fall.

I was in Great Britain last fall and had been riding around out in the country seeing some of their operations and had come back into town. The members of Parliament were very kind and invited me to lunch on the terrace of the British Parliament and we were sitting there and, of course, as would happen here, they asked me what I though about what I saw in their country, what were my impressions. I said, "It looked to me as if you have too much good grass going to waste. You ought to have some stock on that."

They said, "Don't we have all the stock we can carry?" I said, "I just came from Holland and I saw they had similar grass and it seemed to me they were running many times as much stock on the same grass as you have going to waste. Why don't you have more cattle and sheep on it?"

They said, "We have been turning a lot of our grass into grain."

I said "I can see that. I was here in 1944 and I saw you plowing it up then and and you still have it in grain and it seems to me that is a mistake, that these pastures would be worth more to you growing livestock than growing grain and you ought to import your grain from Canada and the United States and grow your livestock at home."

They said, "The Under Secretary of Agriculture is here. Maybe we can get her opinion on this."

So they called the Under Secretary, who turned out to be a lady physician who had practiced medicine all her life and who did not know anything more about farming than I know about coal mining. I say that in all kindness. They related the situation to her and she said, "We are utilizing our land to the best advantage."

I said, "That is the whole question." That was where the difference of opinion arose, I thought. "It occurred to me that you were not utilizing the land to the best advantage."

She said, "There is no question about it. In every county in England we have a county agricultural committee that prescribes exactly what the farmer can grow on his land and tells the farmer just exactly how much stock he must have and exactly how many acres he shall put into grain and they know better about that than anybody else.

"There is no question about it. It is settled and final and complete."

And if you are willing to turn the control of your farm and every other farm in the United States over to either a county committee or the Department of Agriculture or a czar or anybody else who has the power to say definitely and finally that they know more about this than anybody else and they are the final and absolute judges and you may grow six hens and no more, and if one of them dies they will throw you in jail and if you happen to have an extra egg, in jail you go, then you can accomplish these controls.

But for my part, I had rather go on eating turnip greens and cornbread and growing my own turnips and planting them at the time of the moon I like than to depend on somebody else to read off an act for me.

I do not like that kind of complete control. That gives you efficiency. There is no question about it, Mr. Talbott.

The CHAIRMAN. Mr. Wyum has a remark to make.

Mr. WYUM. All during the war I sat on the State agricultural advisory counsel in our State. In those days they had used this matter of setting up production goals. We passed from the old scarcity period in our agriculture and found out that we had to raise an abundance. This is how it was done. The people who have the statistics and know what our needs are, figured out how much we needed of wheat and corn and cotton and all the other things.

Then on the basis of what the normal production had been in all the other States they transmitted that information down to the various State councils and they said "This is what you used to raise. Can you people help us in getting the production that we need from your State?"

Then we as a council batted that back and forth and figured out where we could raise more of this and that in order to bring that about. We suggested that these people, probably due to the method of farming, the kind of soil they had, could probably raise more of this thing or that thing. That information was relayed to the county committees.

We have every year a sign up going on all over in the United States. It is going on in my township today. There they sit down with their local committee. They fill out a work sheet and they tell their county committee what their intentions are.

Now, then, if there is a goal that should be raised, if they need more wheat or if they need more beef or more of some other thing they will tell this farmer, "This is what we need. Could you help shift your production this coming year to bring that about?"

Some farmers are in a position to do it. They voluntarily say, "Yes, I can put in 25 acres more of this and I will put in 16 acres less of this." That is how it is done. That way you get a voluntary shift. If that helps meet the answer, well and good. If it does not, then you probably have to see somebody again to see if he can make still further shifts. After this is agreed on, the people have agreed on so much production, then maybe the good Lord enters in and he gives you a superabundant crop, a bumper crop, we will say, of wheat or cotton or any of these other things, greater than what your goal is.

That is where our proposal for a strong, ever-normal granary comes in.

We want to put that into the granary and not be alarmed by a 300,000,000-bushel surplus.

We want to have a full year in there before we get excited about it. In that connection, I would like to call this to your attention. So far, they tell me that the biggest surplus of wheat that this country ever had was only 600,000,000 bushels, which is only about half of our last year's production.

You could have two or three big bumper years before you would ever get a surplus that should really worry you. The only thing is we will have to have a good, strong checkbook to back that up. That will not be any different than what we have always had farmers in every community doing. In my township we have had three or four farmers that have always practiced that.

They never worry if they get a big crop and the market does not suit them.

They just put it in that granary and leave it there until there is a demand for it.

Mr. Pace. Mr. Wyum, in this volunary shift that you mention, of course, when you ask one of your farmers to shift out of one crop into aonther you usually give him an assurance that he will make as much out of the one as he made out of the other. I just wanted to mention in passing that that is one of the wrinkles that must be ironed out in Mr. Talbott's plan because there is no assurance in the Secretary's program that there is going to be this equality of return on commodities in comparison with prices paid.

The Secretary's program abandons the comparable purchasing power in the things the farmers buy.

The prices of commodities are going to be worked out on what those commodities each brought in the past 10 years. It might be that if Mr. Talbott expresses his willingness to come out of wheat and go into eggs or hogs or something else, when he looks at the support level worked out under the Secretary's formula he will find it is not worked out with the language of the Steagall amendment that the parity should be fixed on a comparable basis.

That principle is abandoned. I think that was a good principle. The Secretary's plan abandons that. He does not try to fix the parity and the support levels of the commodities on a comparable basis. His formula fixes them on the patricular price they happen to have brought respectively during the past 10 years.

Mr. ALBERT. Will the gentleman yield?

Mr. PACE. Let me finish. So it may be that the support price on wheat would be at a high level and the support price on hogs on a comparable basis would be at a lower point.

It might happen that the price of hogs during the past 10 years was not as high on a comparable basis as wheat had been. Therefore, there would not be, I fear, that utter abandonment on the part of the farmer, the feeling that it does not make any difference and that he will shift into anything we say.

The farmer is going to say, "O. K.; what will I get?"

Mr. ALBERT. I would like to ask a question there, Mr. Chairman.

Mr. PACE. Is yours worked on a comparable basis?

Mr. TALBOTT. Yes; ours is based on the parity index.

Mr. PACE. Even the parity index is a comparable basis.

Mr. TALBOTT. A comparable weight of the parity units.

Mr. WYUM. You are entirely right in what you say. Farmers do want to know when they make these shifts what they will get for it, and if it is not comparable, they will tell us.

Mr. PACE. It has to be comparable in order to have this voluntary shift you speak of.

Mr. WYUM. That is correct.

Mr. HOPE. If I understood the Secretary correctly, his program is a flexible program. The support price is really a minimum. He will go above that, if necessary, to expand production. I do not understand there is any question about the flexibility of the Secretary's program.

If it is necessary to make it 125 percent of the support-price level, he will do so. I do not see where your thought applies there. It will be whatever is necessary in order to get the volume of production that is required, as I understood the Secretary.

Mr. PACE. I rather agree with the gentleman that the Secretary does ask for authority, which I think he should have, in order to get an increased production to raise the support level.

Mr. TALBOTT. We provided for the same thing, if you will recall.

Mr. PACE. If he exercises that authority wisely, then there can be not only a comparable return, but a shift into a better return.

Mr. TALBOTT. That is for this reason, if I might illustrate. I personally do not like to milk cows. Just a comparable return on a financial basis would not get me to milk cows. They would have to plus it so far as I am concerned as an individual.

Maybe there are other farmers who do not like to milk cows, too. Maybe you have some psychological inhibitions. There are economic factors that required plussing the parity price up to nearly 150 percent on flax to get the production that the country needed. Maybe some other of these deficit crops have to be plussed. That is the reason that we provided also for that authority.

Mr. POAGE. Mr. Chairman, I wanted to call attention to the very thing that Mr. Talbott said this morning, that we got this shift in flax not by telling farmers that we needed flax but by making it profitable.

As you pointed out, it took about 2 years where we did not get the shift even though we were paying parity and an alleged comparable price. We did not get the shift until we offered a monetary reward. Then we got it without any hesitation.

We have gotten that right along and frankly, I think that is the way we should get these shifts. I think it is the way we will get the shifts and the only way we will get the shifts. You have to do one of two things: You have to make it profitable and give a man a money incentive to shift or you have to use the force of Government. I think that holding out the monetary reward is the proper way of getting it.

That is not, however, the way that it has been accomplished in those countries that have resorted to complete control, Mr. Wyum. It never has been done. It did not work in this country when we tried to get it just by voluntary action.

In the north Panhandle and in your country, Mr. Hope, we wanted grain sorghums grown during the latter part of the war. Did we get anybody to shift out of wheat into grain sorghums? We paid a comparable price and put a parity support under it. No, we did not. Wheat was more profitable than grain sorghums. The result was that we lost 500,000 acres of grain sorghums in the Panhandle of Texas, Mr. Patton, that shifted into wheat right at the time the county committees were all sitting down with those farmers, asking them to grow more grain sorghums. They grew more wheat because it was more profitable.

At the time we wanted dry beans in California, they shifted practically all of their land in Kern County out of that crop and put it into potatoes, which we did not want, although the county committees were all telling them we were fixing goals, and that sort of thing.

The only way you can stop that is to make it so profitable to the farmer that he will shift, as we did in flax, or do what Britain has done, where after this all-wise and all-powerful county committee decided exactly what acres the farmer should plant; if he does not plant them they take his land away from him.

Mr. Wyum. Let us not do it that way.

Mr. Poage. That is the way they do it and it is the way they get results in Great Britain. It works. You can either use the molasses and draw the flies by paying the money, or you have to apply the lash, and it seems to me you are reaching a point where the lash will have to apply under this program.

Mr. Talbott. I beg leave to submit that a complete concept of what we here propose is quite the opposite of what you tell us is the situation in Great Britain.

Mr. Poage. Did not the British when they started their system put out the honey-coated words, that it was for the benefit of the farmers and they were all going to get together and have these county committees?

They still have county committees over there. But once a county committee speaks, it is the law of the Medes and the Persians that if the farmer does not grow what the county committee says, they will take his land away from him and he grows what the county committee says and you will grow it, too.

When we give the county committee of this country the same kind of power, that is what will happen.

Mr. PATTON. Mr. Chairman, may I make a remark?

Mr. PACE. Yes. I want to complete this particular item so we can give the witness back to Mr. Albert.

Mr. PATTON. Even with the authority vested in the county committees in England—and I have studied it some and have been there several times—they have also had to use incentives. The National Farmers Union of England goes and bargains with those people.

Mr. POAGE. You mean they used incentives, Mr. Patton, in addition to passing these force laws?

Mr. PATTON. Even with the force laws. That is a different country.

Mr. POAGE. They started with incentives and the force laws came last.

Mr. PATTON. Then they had to add incentives to that, Mr. Congressman.

What I am saying is that we are not suggesting anything like that and as long as we have a Congress with men like yourselves who are opposed to those things and who believe in a free, democratic system, and as long as the county-elected committees are elected every year and know that Republicans and Democrats alike will bounce them out if they do things wrong, we are not going to any Hitlerian type of society.

I just have too much confidence in you men and men like you to believe that we will ever see this country in that condition.

Mr. POAGE. I have as much confidence in us as you have, but I do not believe any group of men can be trusted with the liberties of the people. You should not rely upon the wish of Bob Poage or Cliff Hope or Steve Pace or any other individuals. You should have the right to rely upon the law to protect your rights, not some individual.

Mr. PATTON. We have to depend upon you, though, Mr. Poage, to write the laws. That is what I am speaking of.

Mr. POAGE. Let us have the laws so the law protects the individual and he does not have to depend upon the judgment of some other individual.

Mr. PATTON. Mr. Congressman, I have enough faith to put it the other way. If you fellows start writing the kind of laws that will put the farmers in the kind of shackles you describe, there will be a different Congress.

Mr. POAGE. No people ever got in that kind of shackle or ever fell into the hands of a dictator in the history of the world, except a foreign conqueror, where they did not start out placing their confidence in the character and the integrity and the judgment of the men who were in charge of a government. I just do not have that much confidence in men as individuals.

Mr. PATTON. Mr. Congressman, I do not believe in anarchy. It seems to me that you have a choice between anarchy on the one hand, with which I thoroughly disagree, or totalitarianism, with which I thoroughly disagree, or the democratic procedure, which is not always good. It has faults and it will have as long as we life. I am sure that with a fine group of people—and I am not trying to polish any apples, but you men are all sincere men, interested not only in the welfare of this country but of agriculture—that we will not come out with the final answers you have suggested.

I am sure, if there is a concept of the grass roots that Mr. Wyum points out and the conviction that we should keep a close eye on what happens in this town and in every State legislature, that we can use the devices of government. We will make some mistakes and may go too far in various instances, but as long as a basic faith and a basic integrity on the part of the people resides with the people, we are not in any danger of a Hitlerian sort of thing.

We have gone through two World Wars and we have vested in the military—in whom I personally do not happen to have too much confidence, but that is neither here nor there—great powers, and of necessity. I was for vesting them in that time. We vested in the Presidency and administrative officers great powers. Possibly we will not regain all of those powers that we vested. But at least we have enough objections and minorities to come out.

The only reason I am making this statement is because I think that we can do these things in an American way, Mr. Congressman, that we can use the elements of government. We started with the Farm Board. The farm organizations, along with some of the men in this committee have fought for 25 years. I do not see any alternative, if we are going to use the instruments of Government, to the public having some protection through the Government in itself.

Mr. PACE. If there is no serious objection, I want to move off from the unit plan and get into the other features. Do you have any questions about the unit plan, Mr. Albert?

Mr. ALBERT. No.

Mr. HOPE. I have one question.

Mr. PACE. Will you wait a minute, Mr. Albert, and clear up Mr. Hope's question?

Mr. HOPE. The question I wanted to ask was this: Secretary Brannan, when he was before the committee, stated that he did not believe the unit plan should be made applicable to those commodities upon which marketing quotas were in effect. I would like to have your comment on that.

Mr. TALBOTT. Mr. Hope, I did not hear the statement. I was busy on this work and could not attend the hearings, but got the benefit of the discussion.

My own reaction is that you would completely cripple the unit plan if you excluded any of the commodities. It seems to me that to give the multiple flexibility in terms of the choices that a farmer can have in an effort to adjust production, we need to have the unit value weighted to the farm commodities so that you have an equal break on all of them.

As I stated this morning, I am not sure that it does. I should like to see it brought up to date and some other factors added, particularly the factor of labor cost and reweighting or at least a review of the weighting of the cost factors, and indexes in the parity formula, but assuming that the parity formula does have a reasonably proper relationship to prices of commodities, then the conversion into the multiple-unit system would give a man producing a thousand units or 5,000 units of any one of the commodities exactly the same dollar income that producing a thousand or 5,000 units of any other commodity would bring.

If you will follow the table you will note that that works out to be exactly accurate, and if there should be changes as a result of a recast-ing of the parity formula, then, of course, the commodity-unit value of the family farm-production units, as we have them in this schedule, would have to be reweighted, so that the commodity unit of each commodity at the parity price of that commodity would equal the same total dollar income that the commodity unit of any other family farm-production unit would be.

That, it seems to me, is the secret of the whole thing. If you exclude any commodity, particularly that large group of storable commodities which constitute, as I understand it, a fairly substantial part of the value of the total agricultural crop, from the unit computation, it seems to me that you have almost an administrative impossibility in effectuating the basic purposes of the unit plan itself at the outset.

Unless all commodities are taken into it, it would seem to me that it would be almost fully unworkable.

I do not like to challenge the Secretary's thinking, in a sense. I do not know the basis of his thinking, but my own thinking would indicate that it would be almost fully unworkable unless it goes clear across the board.

Mr. ANDRESEN. Mr. Chairman, will Mr. Albert yield to me for an observation?

Mr. ALBERT. I will yield.

Mr. ANDRESEN. It seems to me that this shift in production has been bandied around here as a pretty easy thing to do. I know you can do it with grains and other storable crops.

Between 80 and 90 percent of the diet of the American people consists of perishable crops, meats, poultry products, dairy products, fresh fruits, and vegetables. I know you can shift on chickens, so if you start to shift to chickens you can get your eggs and hatch out the chickens and get chickens in a year. You can probably get hogs if you get hold of the sows or the young pigs and do that in a year or 14 or 16 months, but when it comes to shifting to meat and dairy cattle, you are going to take from 2 to 4 years to get your production up and make that shift into that type of commodity that goes into the human consumption.

These shifts do not take place as rapidly as most people think they do. You do not do it in a year. You can raise potatoes, but we are raising too many potatoes now.

Mr. TALBOTT. Obviously you are correct that some commodities you cannot get into and out of as readily as some other commodities.

Mr. ANDRESEN. Now, you recognize that, but you also recognize that these perishable crops make up between 80 and 90 percent of the diet of the American people and the Secertary says he wants to get 150,000,000,000 pounds of milk.

We are producing now around 115,000,000,000 pounds of milk, and it is going to take 7,000,000 more milk cows to produce that extra milk to give people lower-priced milk. That will take from 7 to 10 years to accomplish. That is generally conceded by the dairying authorities.

Mr. TALBOTT. Obviously, it will take longer to do that than to shift from one grain crop to another.

Mr. ANDRESEN. And it takes time to go into the production of beef cattle.

Mr. TALBOTT. Congressman Andresen, that ties back into what I said this morning. I do not believe you were here at that time.

Mr. ANDRESEN. I could not be here. I had another committee meeting.

Mr. TALBOTT. We see a necessity for forward announcement of support prices for a production cycle so that in regard to a commodity where we need increases in production, a farmer ought to know if he is asked to expand his beef herd, to illustrate, that the price announced is not just for a 12-month period. That is of no value to him and no assurance at all to him.

It ought to be for whatever period it takes him to start an increase in his production herd and get the results of that increase in marketable condition. If that is a year or 2 years or 3 years, or whatever it is, he ought to be able to depend on that announcement for that support price in relation to his plan.

Mr. ANDRESEN. But a good many people who have been producing cotton or wheat are not even in the livestock business now. In the last few years we have lost 28 percent of the milk cows in North Dakota. Our milk cow population has gone down 4 or 5 million head in the last 4 or 5 years. It takes time.

I want to point out that the county committee cannot go to the farmer this spring or during the winter and say, "Now, we want you to shift into some of these other crops or livestock." They can do it on grain, of course, but I am speaking of some of these other commodities. They will have to give the farmer, as you have stated, a long-range program in which to make the shift.

Referring to what my friend from Texas has said about the situation over in England, I happened to visit one of those farms where the farmer would not produce what the county committee told him to produce. They took the farm away from him. They brought a group of men and women out from London to operate that farm.

Joe Parker was with me on that farm. Of course they did not run it as well as the farmer did himself, but they did run it. They had a system where they took the farm away from the operator because he did not run it the way the county committee said he should.

We do not want anything like that to happen in the United States.

Mr. TALBOTT. Mr. Congressman, I do not know the British system. I have heard more about it here than I have heard any other place.

Mr. ANDRESEN. We happened to observe that at that time.

Mr. TALBOTT. I am assuming that that is accurate.

Let me tell you a great many things were done in this country under the pressures of alleged wartime necessity—and they do not question it now—where plenty of farmers were put out of business in North Dakota during the war by two things. It was under the guise, and probably justifiably so, of the necessities of wartime.

If a fellow was a reasonably small farmer where his production did not seem to be as important as that of a big farmer, he could not get machinery. If he did not have something he could patch up, he went out of business. If he was a small farmer so that the labor power on his farm was not as important in the total national production needs as the big operator, his boys were drafted off the farm, and if he got a hired man, he was drafted, if he was of draft age, and he went out of business. That was done under wartime necessities.

I hope we do not even think of continuing that sort of thing in peacetime.

Mr. ANDRESEN. When we give a tremendous amount of discretionary power into the hands of someone who is not responsible to the people and he enforces that power and makes his own rules and regulations even during peacetime, he can make such rules and regulations as would function temporarily to put restrictions on farmers that would absolutely control them and he could virtually put them out of business.

I know men in Ohio who before the war raised wheat on their farms to feed to their own livestock. They raised in excess of the acreage allotment and marketing quota purely for feed on their own farms. They were taken into court and fined. They were given penalties of 50 or 60 cents a bushel for the wheat they raised to feed their own livestock.

That is going pretty far, to my notion. I think we, who come from the dairy areas, should be permitted to raise enough feed to take care of our own livestock, which we were not permitted to do under the controlled-acreage allotment system. We could do it, but we would lose the benefits. Now when we had marketing quotas you did not have anything to say about it and if you produced 2 acres more than you were supposed to produce, you were assessed a penalty and taken into court.

Mr. PACE. Mr. Albert.

Mr. ALBERT. Mr. Chairman, I have one other question and that is on the Secertary's parity-income formula.

I would like to ask these gentlemen whether they think that formula without further minimum safeguards sufficiently protects farmers and their income as compared to other segments of our society.

Mr. TALBOTT. Mr. Albert, we have not had any opportunity to have any conference of officials so as to have an official position of the National Farmers Union organization that either I or Mr. Patton could state to you.

I stated this morning that just a cursory glance on such studies as we have been able to give it caused it to appear to have some of the elements that we had hoped might be incorporated in a complete review of the parity formula. That is to say, bringing it up to date, getting away from a 4-year-old base, and getting up to the realities of the 1949 period and the years ahead and a moving base and that sort of thing.

I had assumed that that could be done with a parity formula which seems to me possibly has some closer relationship to cost in terms of the production of each commodity, at least it ought to have, than the Secretary's suggestion.

I stated to you this morning that those elements inclined me to think that we might be able to support the new type of formula fully, but I could not say that we do and certainly I do not want to leave the impression that we are just "thumbs down" on it because I do not know, and I do not think it would be fair to our organization or the Secretary to say "Yes" or "No," until we have at least had an opportunity to discuss it and project it and project it in relation to each commodity and what it would look like down the path of the years ahead.

Of course, I know that the Secretary has not suggested this lightly, but only after great and lengthy consideration, the abandonment of a formula that we have used for 16 years in favor of something new. I am certain that his deliberations indicate to him that it is highly preferable to the one that we had.

I just do not feel that I ought to make any positive statement, in fairness either to ourselves or the Secretary, until we have had more opportunity to make the projection so that we could have sound conclusions based on a fact rather than an opinion.

Mr. ANDRESEN. Will the gentleman yield?

Mr. ALBERT. I will surrender the floor.

Mr. ANDRESEN. All of us here received a copy of the National Farmers Union Weekly for last week. I got the impression from the first page of the paper that your organization claimed that Secretary Brannan's proposal was the proposal of the Farmers Union and that you were back of it 100 percent. I do not know whether I was the only one to get that impression.

I understand from what you have said here that there are certain objections that you have, as far as you have been able to learn, to the Secretary's proposal and that you would like to have a change.

Mr. TALBOTT. I stated this morning, Congressman Andresen, that insofar as we could analyze the principles of the proposals of the Secretary, we felt we could endorse them wholly, but the application of some of those principles falls in some respects considerably short of what we think needs to be done in our viewpoint as representatives of family-type farmers.

Mr. ANDRESEN. The Secretary has been here for several days, and we have been trying to get details as to application of his program.

Mr. TALBOTT. I did not have an opportunity to listen to the hearings, so I am sure you are much better informed as to the details of the Secretary's proposals than we are.

Mr. PACE. Mr. Talbott, in that connection the Secretary declared the desirability of bringing about parity income to the farmers of the Nation. One of my complaints with the Secretary was that, while he made one of the most splendid statements that I have ever listened to in that connection, he presents a program which does not assure the farmers parity income, nor does it contain the accelerating clause to lead toward parity income.

Late yesterday afternoon he stated that he did not object to, but would recommend, if his plan should be enacted into law, the inclusion of a provision which would gradually move up over a period of, we will say, 5 years toward a complete parity income for farmers.

Would you be in accord with such a provision?

Mr. TALBOTT. I think I woud, although I have a sufficiently technical mind that I would like to be able to project it myself to see what the ideas are before I could say "Yes" or "No" definitely. Of course, we are in accord with the principle of parity income. Whether the application of a particular program would result in parity of income, or whether prospectively it would result in it or not, I do not know.

Mr. PACE. Of course, he makes a statement on that. He says his program would give about 60 or 70 percent of parity income. If I had my way, I would write into this bill today complete parity income.

I think if a wage earner is going to realize a minimum wage of 75 cents an hour, almost double the present minimum wage, now more than any other time the farmer should get himself on a comparable basis and not wait. The Secretary fears that to do that would bring about prices that might not be generally acceptable. Certainly we should have in any legislation a provision which will work toward complete parity income.

Mr. TALBOTT. I agree with that thoroughly, Mr. Chairman.

Mr. PACE. There is one other thing I want to ask you. I want to say that, in the event the production-payment principle should be adopted by the Congress, I think you have made quite a contribution to the plan in section 107 of your proposed bill.

In the last sentence of that section, at the top of page 3, you provide:

Compensatory payments shall be the difference between parity prices and regional averages computed monthly.

Both of those suggestions are new, and I think they are most worth while. As you explained this morning, we could have one farmer near a great market and another man in a different region of the country who is not within reach of a good market. The prices he receives as against the price to the farmer near the highly populated area might be quite different. Therefore, it should be determined on a regional basis, although there might be some difficulty in working out the regions.

The next point is that it be calculated on a monthly basis. In addition to the arguments you made this morning to support the monthly basis, I want to suggest that it is also advisable to do it on a monthly basis to keep the farmer from having to wait an entire year to receive his payment.

And it is highly important. That is one thing that disturbed me about the Secretary's suggestion: That he would get only the market price in the market place, and then he would have to wait, on the average, at least a year before he received his compensatory payment. That delay might be rather disastrous in many cases.

We do not know that his creditors would be willing to wait for that length of time for a determination of what his payment would be.

Mr. TALBOTT. There is one other factor on the regional calculation that I think should be given consideration. It is wholly overlooked in the national averages. That is geography in relation to freight rates.

Certainly you men on this committee are familiar with what we think is a very gross discrimination to the South and West on the freight structure. Then you add to that the farmer who is 2,000 miles from his market as compared to the farmer who lives close to it.

An illustration is a wheat farmer in Congressman Andresen's territory close to Minneapolis. He is within 6 or 7 cents a bushel in terms of freight haul. But in Great Falls, Mont., that man is about 34 cents a bushel away from his market, which is a deduction in terms of the price he gets. That same thing is true whether the eggs or milk or whatever the commodity might be are under consideration.

Mr. PACE. Are there any other questions on that point?

Mr. ANDRESEN. One thing that sort of irritated me was that, under the present support loan on corn, in our section it is $1.36. But in Kentucky and Tennessee it is $1.63. Of course, I know they figure the freight rate between Chicago and Kentucky, but we are discouraged from producing corn in the commercial corn area, and they put a low loan rate on it and then encourage production in a noncommercial area and tell them they can raise all the corn they want and they will give them 20 or 25 cents more per bushel in support.

Mr. TALBOTT. Maybe we should have a postalization of railroad freight rates. I am not prepared to propose that.

Mr. ANDRESEN. My father used to have a farm in North Dakota. It seemed about half of his money went for the freight.

Mr. PACE. Mr. Hope.

Mr. HOPE. I want to compliment you upon your statement. I think it was a very fine presentation and one of the best I have ever heard, including the statements of all of the representatives of the Farmers Union. I congratulate you on your presentation.

But I was perturbed by the assumption that it would be easy to make these shifts that we are talking about. Of course, it was easy during the war to make shifts when we needed almost everything. But right now, if you had a program along this line that you wanted to depend upon voluntary shifts to bring it about, just where would you shift? We are assuming that we are going to have to cut down the acreage of wheat. Where would you shift?

Mr. TALBOTT. Mr. Hope, going back to one of the statements I made this morning, to the best of my knowledge and belief our total agricultural plant is not too large. I get that from the census report and economics and BAE and all of the other sources that I have been able to check. It would not be too large if we had adequate adjustment.

That obviously means that if we have unusable surpluses of some crops, if the first statement is true, then we must have deficit production or needs that are unsatisfied for many other crops.

I believe Congressman Andresen just mentioned milk. It was assumed that we need 150 or 160 billion pounds of milk. I do not think milk has received comparable treatment from such information as our people in the dairy section of Wisconsin and Minnesota and Iowa give us. It apparently has not had comparable treatment under the old parity formula. Perhaps that can be changed with a complete review and weighting of cost factors for the Federal deficit areas and so forth. It seems to me, from all the information we have, there are so many deficit crops that could be produced in much of the area which is producing some of the surplus crops that it is possible to get the shifts.

I hope I did not leave the impression that our group thought it was just a "heebee-jeebee" matter, that it was a very easy or quick thing to make the shifts. We feel that, if comparable treatment is given to all commodities, then we will have the basis and that many shifts can be made quickly. Shifts can be made from surplus to deficit cereal grains quickly and certainly on a voluntary basis if there is a comparable treatment of those crops. A shift into greater production of dairy products obviously would take at least 7 or 10 years.

We have deficits in many of the protective foods. I would think that many areas raising surplus crops could, taking into consideration all of the factors and with comparable treatment of all commodities, shift into other crops. It might not be complete, because you may have the factors of a lack of know-how or credit. Maybe they will have to junk their machinery if they are going to shift from a one-crop system into a multiple-crop system. Those things have to be considered. On some of them it is going to take acreage allotments or marketing quotas for a period of years during that transition period.

I hope I did not leave the impression that we thought it was a very simple business to get all of the adjustments within agriculture. We do think it will be almost impossible without very rigid regimentation if we go back as we did prior to the Steagall amendment to the Price Control Act to the consideration of only six basic commodities and just hope that enough crumbs will automatically fall off to take care of the others.

I think you are not going to get farmers generally to shift out of supported crops to nonsupported crops without handling it in such a way that they do not have any choice about it.

Mr. PACE. Will the gentleman yield?

Mr. HOPE. Yes.

Mr. PACE. But you do think that the shifts can be brought about more easily and more happily through the inducement of higher prices rather than the force provided in the Aiken bill?

Mr. TALBOTT. That is exactly right. The Aiken bill, in my judgment—and I say this without criticism of Senator Aiken, whom I personally think is a great gentleman and a good friend of agriculture—has the theory, as I understand it, which is only a matter of degree—of going back to pre-1929 and the so-called survival of the fittest, dog-eat-dog, and the fellow who could not make it would go into the ranks of migrant farm workers, or unemployed lines in the cities, or wherever it is.

The difference between 60 percent of parity and no percent of parity is just a matter of degree. Parity, as I understand it, and as it has been sold to the American people as a concept, is that price for agricultural commodities which is supposed to be fair. Perhaps I should qualify that by saying it is supposed to be the nearest fair of any period that we had up to that time. It does not mean it is too much or too little, but the best period, presumably, from the standpoint of farmers in terms of price relationship, that we have ever had.

On that theory, I know of no basis, Mr. Chairman, from an ethical standpoint, from a moral standpoint, and certainly not from an economic standpoint, by which we can justify any drop in parity for family-type farms. Parity is supposed to be parity. If the parity formula is inaccurate and is not in itself parity, that is an entirely separate question and we would be glad and we hope to be able to discuss either with the Congress or administratively all the points on that problem. But, whatever is presumed to be parity, I know of no justification to talk about any fraction of parity.

While there are more dollars for a farmer at 90 percent of parity than at 60 percent of parity, personally, I do not think 90 percent of parity is any more justifiable from an ethical or moral standpoint than 60 percent of parity or 20 percent of parity. If parity is parity, I think that is what we are entitled to; and, if we are not, let us recast parity and determine officially that we are entitled to something less than that.

Mr. HOPE. I still have not had my question answered.

Mr. TALBOTT. I am sorry, Congressman Hope.

Mr. HOPE. I am not putting myself in the position of being a lobbyist for the Aiken bill, because I disagree very much with some points of it. In spite of that, the general over-all theory of the Aiken bill is the same as your bill, and that is that you should have shifts in production.

You say it cannot be done and should not be done on the basis of support prices. I am inclined to agree with you on that, but the theory, after all, is that you are going to have a flexible program and that the farmer will make shifts based upon improving his income if you have a program flexible enough that you can offer inducements to him to go from a crop which is in surplus to one which is in deficit.

The theory of the Aiken bill and of your proposal is the same in that respect; is it not?

Mr. TALBOTT. I do not know of anyone that would disagree with the theory that we do need adjustments within agriculture. I have not heard anyone who disagrees with that.

Mr. HOPE. And the proponents of the Aiken bill contend that that is all you ned to bring about the shifts and that when these proper shifts come about farm prices will automatically adjust themselves. That is the theory.

I think the same thing applies to the Aiken bill that would apply to your program here, and that is the difficulty in bringing about shifts at a time like this when the per capita consumption in this country is going down, when our exports are going off, and when our productivity is still on the increase. Under that set of circumstances, it seems to me it is going to be very difficult to carry out any program that is based upon the idea that we must continue to expand production and expand it on a price basis which is not lower but higher than it is now.

I will grant that in the case of some commodities we could undoubtedly consume more, as the example of milk that has been given, but it would be only on the basis of a low price to the consumer. Yet, if we are going to expand the production of milk, we are going to have to offer a greater reward to the producers, presumably, so that more people who are now growing wheat will shift into the production of milk. That will put it on a higher-price basis, and the result will be that you will probably have a reduction in the consumption of milk unless you reduce the price and compensate the farmers through payments. Perhaps that is the way to do it.

I can see that you are going to run into a situation where the cost of such a program might reach a tremendous sum in a period like this, where consumption is declining and productivity is increasing. That is the thing that bothers me about the Aiken bill. It bothers me about the Secretary's proposal and it bothers me about your proposal. They all seem to be based upon the fact that we are not producing enough and that consumers will consume more at high prices, and that all we need do is make shifts from the production of one crop to the production of another crop.

Mr. TALBOTT. Congressman Hope, there are three things in relation to the adjustments: The unit system with comparable values or comparable treatment for voluntary shifts insofar as that will obtain voluntary shifts; the incentive support authority to the Secretary for the parity plus where the country very greatly and in almost an emergency basis needs expanded production in some crops; No. 3, the stand-by authority for acreage adjustments and marketing quotas if, as and when they are necessary.

On the other side of the coin, I do not think that the National Farmers Union, the Secretary, or anyone else is prepared or could hope to present to this committee a program to deal with these phases of agriculture that we are seeking to deal with, and that is not all phases, as we have stated, in a declining economy, if wages are to go down, if mass-purchasing power is to go down, if employment is to rise.

Our whole theory and proposal is based upon a full economy so that the Congress itself will have to deal with other segments of the economy in its relationship to the problems of agriculture and maintaining support prices or anything else, in my judgment, unless we can maintain a high level of economy that can hope to service a Federal debt of 250-odd-million dollars and the multiples of that in terms of State, county, and municipal debt, and on top of that the private debt in this country.

If we are to service that kind of thing and maintain a standard of living for farmers or anyone else, we will have to have a full, high-level economy with substantially full employment and minimum-wage levels in our judgment are going to have to be related to the requirements of a high-level economy for a distribution of mass-purchasing power to consumers in this country.

Certainly the lower wages go and the more unemployment there is, if you start with compensatory or production payments on nonstorables regardless of consumer needs, the lower mass-purchasing power goes, the lower the market will, in effect, reflect that mass-purchasing power and the wider would be the gap the Government would be expected to make up in terms of compensatory or production payments. With a high-level economy as we have experienced in the last 7 or 8 years, with substantially full employment, large pay rolls, and more nearly adequate purchasing power, I think we have had an experience with that kind of an economic level in this country that people do drink more milk if they can afford to drink it, and that the limitation on milk presently is in terms of the price and its relationship to the buying power of the consumers in the lower-income brackets. That, I think, holds true with most of the so-called nonstorables.

I should say, and I am sure you will agree, Congressman Hope, that it applies almost in an inverse ratio to wheat. As purchasing power goes down the curve of consumption of wheat goes up slightly. The curve of per-capita consumption is very nearly level, but such fluctuations as there are usually for domestic use, for human food, the consumption of wheat and its products, are slightly higher in periods of low economic activity and great economic unemployment and slightly lower in periods of high level economic activity for the simple reason that when a fellow's pay check or lack of it is to low, he quits drinking milk and eating butter and foods and vegetables and pork chops and beefsteaks and he gets down to the very irreducible minimum to keep soul and body together.

As his purchasing power goes up, he will eat more of the protective foods and more meat products and dairy products and all of the rest of it, and slightly less of wheat and its products.

Wheat is one of the major farm commodities that I know of where that theory works in inverse ratio and it works very slightly that way.

Mr. HOPE. Potatoes might be another one. The demand seems to be about as inelastic for potatoes as wheat.

I would agree with you that this would certainly be a much more simple problem if we were living in a constantly expanding economy, but we have our ups and downs and always have had and presumably we will continue to have them. The more stable we can make it, the better it is, and I agree with you that that has to be done across the board.

We cannot do that in agriculture and we cannot do it in industry and we cannot do it in any particular segment of the economy. It has to be done clear across the board.

At the same time, it seems to me that we could hardly expect that we were going to have a constantly expanding economy. There will be ups and downs as we go along. Maybe the general trend will be up as we go along and certainly there is room for improvement in our diet.

I feel optimistic about the general outlook, but I do not feel too optimistic about our ability to handle this problem as easily as I get the impression you think that it can be handled.

I am not too pessimistic about it, of course.

Mr. Talbott. Of course, organizations like ourselves sometimes have difficulties in making our position clear, that we appear here dealing with certain phases of agriculture and price support legislation and its related phases. We have to go before another committee of Congress to discuss other important segments that relate to agriculture in relation to what we conceive to be the total, so we do not have the opportunity to take the time of this committee to make a complete program as we visualize it clear to the committee in terms of what our concept is of all of the things that have to be done.

As I understand it, the Council of Economic Advisers have stated that the cost of the so-called depression of 1929 to 1932 to the people of America was about $300,000,000 and that a comparable decline in the economy now would run to a cost of about $800,000,000, That is probably going to be somewhere in the realm of the cost if we do not do some of the things that need to be done.

Then on the various concepts of a farm program, I suppose anyone can make whatever his best judgmetnt indicates to be an estimate of the cost if we went along with section 2 of the 1948 Farm Act. Everyone, I suppose, will make his own judgment as to a concept of the cost to the Government of what our proposals are as compared to what the Secretary's proposals are, and any other proposals there may be.

There could be, I suppose, some kind of a guess as to the probable cost to the Federal Treasury for a mere extension of the Steagall supports for another 2 years. Those are all things that are alternatives

Surely we have to do the best we can to deal with all phases of the economy in order to try to maintain our high level.

Mr. Pace. Right there, Mr. Talbott, I have a question. You have just very clearly described the problems that face your organization. I hope it gives you some idea of the problems that face this committee. For example, it is 20 days today since the Secretary presented his plan to the committee and you tell us that there are still some features of his program that you need to analyze before your organization can take a position on them. No doubt that is going to be true of other organizations.

The hearings before the committee will continue for probably three more weeks. It is already near the 1st of May. Whether this committee has the wisdom and foresight to work out this problem hurriedly, I do not know. I have my doubts about it.

Mr. HOPE. Will the gentleman yield? We do not have any bill yet and when we get a bill we will have to start in all over again, will we not?

Mr. PACE. I am afraid some people will want to be heard again, probably the organization now appearing before us.

In the light of the magnitude of the problem, would it be a good program for us to use hogs as a guinea pig, no better guinea pig being available on this production-payment plan?

The Secretary in his statement to the committee appealed to the committee to give him payments authority on hogs immediately because he has already announced a support price and he is helpless, in a way, to make good to the producers.

We might draft a bill to give him payment authority on hogs, first because he may need it badly, and secondly, because it would then give the country and the Congress an opportunity to see the payment plan in operation.

Secondly, we could do something about the potato problem. I do not think the Congress can afford to continue that expense much longer. It has been so great and the public has so thoroughly misunderstood it that I think it is liable to endanger the entire farm program if it continues. We could give the authority to the Secretary for payments on hogs and take whatever appropriate action is necessary on potatoes, as well as continuing the present plan for 1 year. We could suspend the operation of the effective date of the Aiken bill in the meantime and see what is the best farm program for the farmers and the Nation, tying it in with this over-all economic condition that you have referred to.

How does that strike you?

Mr. TALBOTT. Mr. Chairman, first, let me say that our organization and those of us who are familiar with the individuals who comprise this committee have a great regard for the membership of this committee and we know that you will do the utmost in your power to put together a long-range program.

We well recognize the difficulties at this late date against the tremendous load of work that the Congressmen undoubtedly still have in front of them on other matters, as well as a farm program, and the probabilities of a date of adjournment of this session of Congress, the very great difficulties starting at this late date against those factors to really put something together on a long-range program.

We would hope that it could be done for all of the reasons I am sure that you can understand.

As a minimum it seems to me that the suggestion that you have made would certainly be a great deal more acceptable to us than to default on any action and let title II of the 1948 Farm Act go into operation for a year. We think that would be a great tragedy.

Mr. PACE. There are certain things this committee must do. We must rewrite the cotton-quota laws. We must rewrite the corn-quota laws. We must rewrite the wheat-quota laws. The Congress cannot possibly adjourn before those laws are rewritten. That, in itself, is a stupendous task, because we have not even heard from the wheat growers yet. We have heard from the cotton growers and some of the corn growers.

We are contemplating the need for wheat quotas next year and I do not think that many people doubt the need of the corn growers for quotas and certainly the needs of some other growers.

If that should be the wisdom of the committee, you would think it would be a reasonable conclusion?

Mr. TALBOTT. If you would try the compensatory payments on a couple of commodities such as you outlined as a pattern maker. I would hope, however, that costs on one or two commodities where we do not deal across the board with all of them would not be used as firm criteria of what costs per commodity or per group of commodities might be if we do later decide to go across the board, because I think that would be an unfair comparison.

Mr. PACE. At least it would be a very helpful experience for this committee.

Mr. TALBOTT. It would be a helpful administrative experience in terms of application of the principles of either production or compensatory payments.

Mr. PACE. No doubt there are many features of it that even the Secretary has not thought of. Evidently, he did not even think of this suggestion of yours of monthly regional computations.

Mr. TALBOTT. We would hope in the meantime and as quickly as possible to try to get the full benefit of this Department's thinking on your suggestions to see whether or not or to what extent our position could be brought into conformance with theirs, or perhaps some of their positions could be brought into conformity with ours. That may sound like an optimistic statement and doubtless it is. I do not mean it that way.

If that could happen we could state positively to the committee, instead of having to hedge, that we do support this part of the program and that we do not support that part of the program.

I would hope that we could do that and certainly we would think it was a very great victory for family-type farmers, as a minimum, to have an extension or a postponement for a year while the Congress had an adequate opportunity to give thorough consideration to the whole problem rather than default and not take any action.

Mr. PACE. I share fully your great respect for the great Senator from Vermont, but I do not know of anything that would bring about a tailspin, or depression in this Nation quicker than for the Aiken bill as presently written to go into effect on the 1st day of January.

Mr. TALBOTT. We are in thorough agreement with you on that.

Mr. PACE. It is going to break farm prices and, as the Secretary of Agriculture so well said, farmers lead the way up and down.

The committee is indebted to you and your organization.

We will adjourn until 10 o'clock tomorrow morning, when the Farm Bureau representatives will appear.

Mr. TALBOTT. May I say, Mr. Chairman, that we are very appreciative of the courtesy extended to us by you and the members of your committee.

Mr. PACE. You have been very helpful.

(At 4:20 p. m. the committee was adjourned until 10 o'clock Thursday, April 28, 1949.)

GENERAL FARM PROGRAM (TESTIMONY OF FARM ORGANIZATIONS)

THURSDAY, APRIL 28, 1949

HOUSE OF REPRESENTATIVES,
SPECIAL COMMITTEE OF THE
COMMITTEE OF AGRICULTURE,
Washington, D. C.

The special subcommittee met again at 10 a. m. April 28, Mr. Pace presiding.

Mr. PACE. The committee will please come to order.

It is the privilege of the committee this morning to hear witnesses in behalf of the American Farm Bureau Federation. As listed with the committee, the witnesses will consist of Mr. Kline, the president; Mr. Schenck, the president of the Indiana Farm Bureau Federation and one of the directors; Mr. George Wilson of the American Farm Bureau Federation of California, one of the directors; Mr. Walter Randolph, president of the Alabama Farm Bureau and one of the directors; and Mr. Wilson Heaps, president of the Maryland Farm Bureau, and a member of the board of directors.

Mr. Kline, we will be delighted to hear from you at this time.

STATEMENT OF ALLAN B. KLINE, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. KLINE. Mr. Chairman and members of the committee, I am happy to present a statement on behalf of the American Farm Bureau Federation with regard to the over-all farm program. I can save some time for the committee by speaking extemporaneously with regard to the first page and a half of my prepared testimony.

It merely recites the fact that there are in this organization 1,325,000 farm families, that we make it our business to develop in the most democratic method possible over-all policies for farmers so that we may speak with authority in trying to determine things which are for both the welfare of farmers and the general welfare.

In doing that we have two great problems. One is to compromise differences which arise between areas and which arise between commodities and develop out of full discussion the best over-all policies which we possibly can in the interests of agriculture. It also recites a little about the method of the development of policies, how they are founded basically on activities at the county level and come up through the States, and finally, voting delegates to the annual meeting determine on the basis of reports of a resolution committee what the Farm Bureau is to be for during the coming year.

Then the officers and the board of directors do their best to carry out the policies of the organization.

With that much, we can turn over to the middle of the second page of my prepared statement which concerns the basis of farm prosperity.

General prosperity is essential to a successful agricultural program. High production per man in the rest of the economy and a well-distributed real income are of the utmost importance to farmers. This furnishes the goods for which farmers trade, and purchasing power to our customers. Farm surpluses over the years have always been surpluses in relation to effective demand, and not surpluses in the absolute sense of the word.

High production per man is also of vital importance in securing a high per capita income to farmers. To say it another way—all that a farmer can expect to get over the long pull is what he earns. He has two great jobs to get done. One is to earn. This also necessitates protection of the right to earn. The other is to get what he earns. Here, let us also note that a prosperous and productive agriculture is necessary for general prosperity. They are interdependent.

At the same time, we are not going to do well in this country unless the international situation makes it possible. The idea that somehow you can build a fence around the United States and let the rest of the world go by can hardly survive two world wars in one generation. There is no truth in it.

If we are to have a prosperous economy, of which a prosperous agriculture is an integral part, we need desperately to do these things:

(1) Work out and effectuate the means to a more stable general price level. This can and must be done.

(2) Foster policies which will stimulate the maintenance of a full employment economy.

(3) Promote international trade consistent with peace and prosperity.

While these things are of the utmost importance, they leave a gap which is filled by what we ordinarily refer to as the farm program. Actually, the farm program includes much more than a farm-price policy. In addition to things already enumerated, it includes research, education, farm credit, rural electrification, soil conservation, rural roads, hospitals, and many other things necessary for satisfactory farm living.

A farm program becomes a necessity because farm production is relatively stable year in and year out; whereas farm prices tend to fluctuate widely. In contrast, in a highly organized industrial economy, industrial prices and wage rates tend to remain relatively stable, whereas production and employment levels fluctuate.

It is a fact that farm prices go up faster and further than the general price level, and drop faster and further than the general price level. This condition makes farming especially vulnerable to swings in the business cycle.

Food and fiber, including the soil that makes this production possible, are important to everyone. The historic stability of farm production in the United States has caused many people complacently to ignore this fact. There is no country in the world where consumers have more assurance that there will be adequate food and fiber available than is the case in the United States.

Farm and nonfarm people alike should be interested in our adopting and following agricultural policies which will protect the ability of farmers to produce needed food and fiber, and to manage the soil in a way which will conserve and improve its productive capacity.

The rest of the economy has a double interest in farm legislation—a firm supply of food and fiber and an agriculture which furnishes dependable markets for production and consumer goods. Everyone has a direct interest in farmers getting what they earn through high and balanced production. This brings us to the question of support prices and their role in American farm policy. There are some real differences of opinion as to what purpose Government price supports should serve.

Two principal viewpoints prevail with regard to the role of farm price supports in our economy. Some people view support prices as fair prices—that is, as profitable prices for producers. These people appear to view the Government price-support level itself as the objective of farm price policy. If price supports are to be used to guarantee farm income rather than as a protection against unreasonable price declines, it follows that the Government must assume responsibility for determining what is a fair level of farm income. In our judgment, in the final analysis, this can only result in the reduction of the farmer's capacity to get a high income.

The American Farm Bureau Federation views Government price supports as appropriate and necessary protection to farmers against unreasonable price declines. We want to preserve and increase the productive efficiency of American agriculture. We want to fit a workable price support program into a free competitive enterprise system. With these objectives in mind, we support the basic principles of the Agricultural Act of 1948, the permanent provisions of which act are designed to provide farmers a workable, permanent farm price-support program. We believe the price-support program provided in the Agricultural Act of 1948 to be sound and workable.

On this point, I should like to quote from our resolution of last December:

> We commend Congress for its recognition of the need for a long-range farm program in the enactment of the Agricultural Act of 1948. We believe that the major provisions of this act, which provide a modernized parity formula and variable price supports, are sound and in the best interests of American agriculture. In view of the clearly stated expressions of support for these principles embodied in the Democratic and Republican platforms, we urge continued bipartisan congressional support of the principal provisions of this legislation during the coming years.
>
> The flexible price-support program is one that recognizes the needs of consumers as well as the rights and needs of producers. This is essential, for unless we can maintain a sound, workable farm program, circumstances similar to those which brought disparity and ruin to farmers after World War I may again prevail.
>
> We specifically recommend that the permanent provisions of the Agricultural Act of 1948 become effective in 1950, as provided by law.

The wartime price-support program was designed to stimulate needed increases in production and to allow for a reasonable period of readjustment after the war. The permanent price-support provisions of the Agricultural Act of 1948 are designed to fit into a peacetime economy. In making the choice between the different philosophies represented by high administered prices and flexible supports, we must recognize that we are dealing with a fundamental issue, not only of economics, but—probably more importantly—of philosophy of government. Our price-support policy is a powerful force—one which can be designed to strengthen, to weaken, or even to destroy individual initiative and responsibility as the prime moving force in our economy.

During the course of the evolution of the permanent provisions of the Agricultural Act of 1948, much hard and thoughtful work was done. I should like to call the committee's attention to a statement which was made on April 21, 1947, by Clinton P. Anderson, who was then United States Secretary of Agriculture, in his recommendation to the House Committee on Agriculture, which was holding hearings on long-range agricultural policies and programs at that time.

> We need to develop a long-range system of commodity price floors to protect producers against excessive or abnormal declines during the market season and to generally cushion declines in farm prices and incomes in the event of business recessions. We should make sure, however, that we do not establish a rigid system of price relationships. We will do well to heed the warning of the House Special Committee on Postwar Economic Policy and Planning. It spoke of the danger of pricing our commodities out of the markets; it said the needed long-run adjustments in agriculture are "not necessarily accomplished by present support programs together with systems of production quotas"; it spoke of the need to meet producers' problems by expanding both markets and production. Prices are, and should be, an effective means of encouraging changes in production as the conditions of production and demand change.

On October 7, 1947, Carl C. Farrington, then chairman of the Department of Agriculture's Committee on Price Policy and Production Adjustment, and Assistant Administrator of the Department's Production and Marketing Administration, testified before the House Committee on Agriculture and a subcommittee of the Senate Committee on Agriculture and Forestry. Included in his testimony are the following recommendations:

> Our committee spent a great deal of time studying this question in light of our past experience and arrived at several general principles which we believe should characterize future price-support programs.
>
> First, a high degree of flexibility, both as to support, levels and methods, is essential in view of differences between commodities and constantly changing conditions that cannot be foreseen.
>
> Second, mandatory loan and purchase operations probably should be limited generally to storable commodities. Mandatory loan and purchase operations on perishable commodities inevitably lead to dumping and waste.
>
> Third, the minimum support level should be considerably below the general level of prices sought to be achieved over a period of years. This would allow price to influence the allocation of resources among different commodities and bring about basic shifts in the pattern of production. However, there should be discretionary power to establish price supports of any commodity above the mandatory level in order to encourage needed production shifts and better meet the basic food needs of our people.
>
> We have given much thought to the percentage of modernized parity which might be used as a minimum price floor. Our studies indicate that 50 percent of parity, for example, might not be high enough to act as an effective stop-loss mechanism and 90 percent might force us into a completely managed agricultural economy.

On May 14, 1948, President Truman sent a letter to the Congress of the United States, asking for the development of a flexible price support program. In his letter he said:

> Now we must look ahead to a farm price support policy geared to our improved farm economy. Many shifts in production will have to be made, and

flexible price supports will help us make them in an orderly manner. This will require authority to make prompt adjustments in support levels in line with current and prospective supply-and-demand conditions. It will also require flexibility in the choice of methods or programs that are designed to be most effective for individual commodities, that avoid waste, and that help bring about needed adjustments in production, distribution, and consumption.

We think it highly significant that both the Democratic and Republican platforms specifically endorsed "flexible price supports." The farm program has been developed essentially on a bipartisan basis. The long-time interests of farmers will certainly be jeopardized if the farm program is considered purely on a partisan political basis.

As the members of this committee know, the President's Council of Economic Advisers makes an annual review of the economic situation and reports their findings to the Congress. Their January 7, 1949, Economic Review, under a heading entitled "Farm Price Supports," contains the following quotation:

Intercommodity price relationships must be kept consistent with basic trends in demand and supply conditions. To the maximum extent possible, parity-price relationships and support-price programs should encourage shifts to those commodities that are most wanted. Rigid systems of support, in violation of this principle, can only lead to rigid systems for restricting output that violate our tenets of economic freedom, that work against our objectives of maximum production, and that in the end take away from farmers incomes through decreased volume as much as, or more than, they add through increased prices.

The Agricultural Act of 1948 represents an important step forward in recognizing the difficulties associated with overrigid supports.

In his Budget Message to the Eighty-first Congress, President Truman included the following paragraph relating specifically to farm-price supports:

As I said a year ago, price supports should be regarded "chiefly as devices to safeguard farmers against forced selling under unfavorable conditions and economic depression." Their purpose is to bring an element of stability into agriculture. At the same time they should not place excessive burdens on the Treasury and taxpayers or inhibit shifts in production needed to meet peacetime demands and to promote adequate conservation of our soil resources. The postwar revisions in the price-support programs, which take effect largely in the fiscal year 1951, need certain amendments to make the price-support mechanism and the quota provisions more workable.

A recent congressional appraisal of farm price-support policy is to be found in the Report of the Joint Committee on the Economic Report. As you know, this committee, which is headed by Senator O'Mahoney, of Wyoming, and Congressman Edward J. Hart, of New Jersey, is composed of congressional leaders of both political parties representing both the Senate and the House. After holding several meetings with the Nation's leading economic experts, and after receiving many suggestions from leaders of industry, labor, and agriculture, this committee, on March 1, 1949, issued a report on their findings. The following two paragraphs are included in their analysis of governmental farm policy:

In order to fit a prosperous and equitably treated agriculture consistently into an economy seeking to operate continuously at maximum levels, agricultural price supports must be kept as floor prices; not as a means of price fixing, nor to guarantee a profit, but to provide a barrier against the sort of devastating price declines which in the past have made agricultural depression the forerunner of business and industrial depression. The real question is not whether farmers can or will continue to produce abundantly, but whether they will be severely penalized for doing so.

* * * * * * *

The need to put into operation a flexible, well-integrated and varied farm program is urgent. In addition to flexible price supports intelligently adapted to postwar conditions, consideration should be given as parts of a coordinated program to such measures as the provision of adequate storage facilities, more adequate credit accommodations, crop insurance, food stamp or allotment plans for orderly marketing of bumper crops, production of diets of children and low-income families by devices assuring levels of consumption consistent with real food needs, guided redistribution of farm population, rural electrification, and Federal aid for improved rural medical, hospital, education, and research facilities.

The American Farm Bureau Federation does not view the Agricultural Act of 1948 as a complete farm program instead, we view it as the cornerstone around which a more complete program may be built.

I should like to discuss with the members of this committee the features of the act which we deem to be especially important.

First of all, we think the philosophy of the legislation is sound. It is based upon the premise that we can develop in this country an economy of balanced abundance, and we subscribe to this approach because we believe it is the only way really to protect the opportunity for farmers to get adequate income. We do not believe the American people can permanently get more by producing less. Therefore, we hope to use every available opportunity to provide markets for farm production and thereby avoid undue Government restrictions and production controls.

We are convinced that unwise farm-price policy in this country may cut us out of badly needed export markets. The effect of such policies will be less rather than more farm income. This is especially important in the commodities which historically have had an export market—particularly cotton, tobacco, and wheat.

We are convinced that we cannot protect farm income by adopting price policies which will unduly restrict the use of products or encourage the use of substitutes. In addition, farm overhead costs on individual farms are relatively fixed and there is a definite point at which net income falls as output is restricted in order to maintain price. This is true even though it be assumed that price can be maintained and output controlled without cost.

We are convinced that the level of price support should be tied to farm supplies, and that farm prices should be used in helping to guide farm production.

We are interested in trying to develop policies and programs which will avoid burdensome surpluses in feed grains by encouraging the translation of increased feed production into greater livestock production. A recent study conducted by Michigan State College shows that if, during the period 1930–48 we had had 2 percent more livestock in this country, we would not have had a wheat surplus during this period. Likewise, if during this same period, we had had 5 percent more livestock, we would not have had a surplus of any of the feed grains.

Many people are convinced that, with the tremendous expansion in wheat production which has occurred in this country, and the probability of reduced foreign outlets, American wheat producers must look to expanding their market in the United States. The principle way this can be done is through the expansion of the use of wheat for livestock feed. A diet with liberal livestock products included is, of course, more expensive; hence, our direct interest in other groups prosperity and in their appreciation of dietary needs.

The Agricultural Act of 1948 takes account of, and makes considerable allowance for, many of the differences which exist as between the six so-called basic commodities. For example, the law takes account of the apparent greater willingness of tobacco, peanut, and cotton producers to accept production controls.

Tobacco producers get 90 percent of parity any year marketing quotas are not rejected by producers. Tobacco production involved only 1,537,700 acres last year; approximately a 2½-year supply is maintained on hand at all times; a relatively few large buyers purchase the crop (making marketing quotas easier to administer); and the commodity appears to lend itself to production controls better than any other farm crop.

Inasmuch as peanut producers have the option of having marketing quotas every year, they have the opportunity of getting approximately 90 percent of parity price supports, 75 percent plus 20 percent premium, every year their control program effectively controls production.

Under the act, cotton producers have a floor price of not less than 72 percent of parity, at any time either acreage allotments or marketing quotas are proclaimed unless quotas are rejected by producers. The law provides for a vote on marketing quotas when supplies are 108 percent of normal, as defined in the act. Acreage allotments may be put into effect at any time at the discretion of the Secretary of Agriculture. The American Farm Burêau Federation last spring recommended to Congress that cotton producers be authorized to vote on marketing quotas when cotton supplies are normal or above and the price is 90 percent of parity or less, thus making it possible for cotton producers to get 90 percent of parity supports whenever production controls are effective.

These special provisions for tobacco, peanuts, and cotton have been agreed to by the farmers in the other areas of the country in recognition of the special problems involved in these instances and the historical pattern of farm programs as well as conditions in production and use which make marketing quotas easier to administer when applied to them.

The act likewise takes account of the very great difficulties involved in administering marketing quotas on grains which are primarily produced for feed or which may be used for feed. Here, again, the outlet for livestock products is a major factor. Its influence on the production-control angle is emphasized by the fact that it takes seven times as many acres to feed a people on livestock products as it takes if the people eat the grain.

Differences in viewpoint toward production and marketing controls derive, then, from many factors such as the use to which crops are put, the acreages involved, the extent to which production has been or can be mechanized, and the availability of alternate uses for land and labor.

The problems involved in reducing acreage are vastly different in the case of peanuts and tobacco than in the case of corn and wheat. In 1948 tobacco was harvested from 1,537,700 acres, and peanuts from 3,214,000 acres, while corn and wheat were harvested from 85,000,000 and 72,000,000 acres, respectively. Cotton, peanuts, and tobacco combined occupied less than 28,000,000 acres last year. The principal feed grains—corn, oats, barley, and grain sorghums for grain—occupied approximately 145,000,000 acres. Wheat, soybeans, and flaxseed, all of which affect the over-all feed picture, occupied approximately 87,000,000 acres. This is a total of 232,000,000 acres.

Corn and wheat production is highly mechanized, while the production of peanuts, cotton, and tobacco involves large amounts of hand labor. The ownership of machinery creates certain fixed costs which eat into profit when volume is reduced. At the same time, mechanization makes it possible for a farmer to obtain a satisfactory income through volume, with a smaller profit per unit.

Corn producers, unlike the producers of cotton, tobacco, and peanuts, do not get their farm income directly from the sale of their crop. After all, between 85 and 90 percent of corn produced is sold in the form of livestock and livestock products.

It was with these facts clearly in mind that provision was made in the Agricultural Act of 1948 for having wheat and corn producers not vote on marketing quotas until the supply percentage equals 120 percent of normal. A similar provision is applicable on rice.

With regard to so-called nonbasic commodities, the act provides broad discretionary authority for the Secretary of Agriculture to deal with the problems of these comodities. This part of the act undoubtedly needs some further clarification and strengthening.

In passing, I should like to point out that the Agricultural Act of 1948 provides, on a permanent basis, for the highest level of price supports we have ever tried to operate in peacetime. We think the flexibile price support provisions of the act, together with modernized parity formula, provide the foundation structure upon which we can build a really comprehensive long-range program.

At the same time, we do not view this legislation as being perfect. We are vitally interested in helping to improve it whenever it can be clearly demonstrated that a proposed provision will actually improve the usefulness of the program.

On behalf of the American Farm Bureau Federation, I should like to present the following specific recommendations for improvement of the act:

RECOMMENDATION NO. 1

We favor an amendment which would permit the producers of cotton to vote on marketing quotas whenever the supply is normal or above, and the price is 90 percent or less of parity. Farmers in the South, where agricultural income is lower, are more anxious to use marketing quotas as a means of adjusting production to market demands, than are producers in other regions. This affords them an opportunity to adjust supplies to demand before their industry is in trouble, and if successful, maintain conditions which would bring about a balance between supplies and market requirements. If these programs fail to accomplish their purpose, then according to the variable schedule, loans would decrease. This is the identical recommendation that we made on this subject to the Congress last spring.

RECOMMENDATION NO. 2

We urge that the Agricultural Adjustment Act of 1938, as amended, be clarified:

(1) To make it mandatory on the Secretary of Agriculture to establish acreage allotments on all basic crops prior to or at the time of announcement of marketing quotas; (2) to provide that an adverse referendum vote on marketing quotas shall not invalidate provisions for acreage allotments, except in the case of tobacco, and (3) further to provide that an adverse referendum vote on marketing quotas shall not prevent cooperators in the acreage-allotment program from receiving loans at the scheduled rate, without the 20 percent premium which would otherwise be available with acreage allotments, but that no loan shall be available to noncooperators.

RECOMMENDATION NO. 3

We recommend that section 302 (h) of the Agricultural Adjustment Act of 1938 as amended, by the Agricultural Act of 1948 down to the word "except" be amended to read as follows:

The Commodity Credit Corporation shall not sell any farm commodity owned or controlled by it at less than a price midway between the parity price and the level of support for the price of such commodity for the marketing year in which such sale is to be made, or at less than 90 percent of the parity price therefor if the price therefor is not supported in such marketing year, except * * *.

RECOMMENDATION NO. 4

We recommend that subsection 302 (c) of the Agricultural Adjustment Act of 1938, as amended by the Agricultural Act of 1948, be further amended by inserting new language at the beginning of said subsection as follows:

(1) Insofar as feasible, price support shall be made available to the producers of any nonbasic agricultural commodity, whenever acreage allotments, marketing quotas, or marketing agreements are in effect for such commodity. In determining the feasibility and level of price support operations for any nonbasic commodity, the Secretary of Agriculture shall give consideration to the factors specified in subsection (a): *Provided*, That no program shall be planned under authority of this subsection, the estimated cost of which in any year with respect to any nonbasic commodity will exceed an amount equal to 10 percent of the estimated value of the United States production of such commodity in the preceding year, unless otherwise provided by law.

RECOMMENDATION NO. 5

We recommend that legislative authority be provided for the establishment of acreage allotments and/or marketing quotas on the nonbasic commodities. Such legislation should provide for marketing quotas to become effective only when approved by a two-thirds majority of the affected producers voting in a referendum.

RECOMMENDATION NO. 6

We favor the enactment of legislation to extend the provisions of the Agricultural Marketing Agreements Act of 1937 to all commodities for which producers can demonstrate the feasibility of, and the need for, this type of program.

RECOMMENDATION NO. 7

We urge an amendment to the parity formula provisions of the act to require that the subsidy payments made to farmers to hold down prices to consumers during the war period shall be included as a part of the prices received by farmers in the computation of parity prices under the 10-year moving average formula.

RECOMMENDATION NO. 8

We favor an amendment to section 302 (c) of the Agricultural Adjustment Act of 1938, as amended by section 202 (a) of the Agricultural Act of 1948, to eliminate the requirement that the Secretary of Agriculture must support all classes of poultry at the same percentage of parity whenever he undertakes to support either chickens or turkeys. The present provision of the law unduly restricts the ability of the Secretary to adjust price-support operations to the different conditions that may prevail within the various classes of poultry at any given time.

RECOMMENDATION NO. 9

We recommend that Congress authorize and direct the Secretary of Agriculture to follow the provisions of title II of the Agricultural Act of 1948 in making determinations relative to marketing quotas and acreage allotments on 1950 crops where such determinations must be made prior to January 1, 1950, notwithstanding the fact that this title does not become effective until that date. The need for this action is illustrated by the fact that the Secretary must determine the need for acreage allotments and marketing quotas on the 1950 wheat crop within a few weeks.

We have already presented to this committee our recommendations with regard to necessary revisions in the law to make possible the proper functioning of acreage allotments on cotton. We are planning to make some specific recommendations to the committee with regard to how we believe the provisions of the law with regard to acreage allotments and marketing quotas on other crops might operate with less difficulty than would be the case under the existing law.

A proposal has been made recently to this committee by the Secretary of Agriculture. So far it is a statement of politico-economic philosophy—not a farm program.

The following are among the more obvious objections to the proposal:

1. The parity price approach to a fair exchange value for farm commodities is discarded. This concept has been the basis for agricultural unity for the last 20 years.

2. It repeals, in effect, the philosophy of fair farm prices in the market place which is contained in the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1948.

3. It means Government-administered farm prices and farm income, with Government control of all land and livestock production.

4. It introduces a cheap food philosophy. It seeks to establish the principle that taxpayers should pay a considerable portion of the grocery bill of consumers.

5. The proposal would place a ceiling on opportunity in agriculture. This, in turn, would result in penalizing efficiency. Food prices eventually would reflect this inefficiency. We view any unit limitation as a dangerous precedent—an opening wedge which eventually would result in Government supervised and stabilized agricultural poverty.

6. The cost of implementing this proposal would be staggering:

(*a*) We have made some estimates as to the cost of the proposed milk subsidy proposal, exhibit A.

If you will turn the page you will find a reasonable estimate of the cost of appying the milk subsidy proposal.

In Secretary Brannan's testimony he stated:

> As we indicated in our long-range testimony in 1947, we should be producing and consuming 150,000,000,000 pounds of milk by now instead of something less than 120,000,000,000. If it is necessary to get milk down to the area of 15 cents a quart at retail in order to have maximum consumption, and use production payments to assure farmers of fair returns, I think both farmers and consumers will want to do it.

Now, in order to make a reasonable estimate of cost, let us assume that this proposal is made seriously; i. e., that it is the wish and intention of the Secretary to devise a program which might be expected to produce 150,000,000,000 pounds of milk and to furnish it at 15 cents a quart at retail.

In the first place, it will be necessary to get the milk produced. The income standard proposed by the Secretary for payment to farmers would not get it, since the costs are to be held relatively stable, and since the income standard is very close to the present wholesale price of milk, and current production is less than 120,000,000,000 pounds—not 150,000,000,000. In 1948 we had an increase in milk production from the 1935–39 period of 12 percent. This increase resulted at the same time the price was increased 169 percent. To get an increase of production of one-eighth, the price was increased 1.7 times.

Parenthentically, of course, there was different competition for the use of resources at that time.

We shall be very conservative. Let us assume that a 25 percent increase in production as proposed by the Secretary can be secured with an increase in price of 20 percent. The cost would be $1,224,000,000. Twenty percent of the March 15, 1949 price of $4.08 equals 81.6 cents per hundredweight. One and a half billion hundredweight times 81.6 cents equals $1,224,000,000.

Now, we have got our 150,000,000,000 pounds of milk produced. Everyone knows, of course, that the Secretary's assumption that this would be cheaper is true. The demand for milk at the going rate of 21 cents per quart is satisfied now.

Again, let us take the Secretary's inference that if there were 25 percent more for sale, the price would be 15 cents a quart. Now, in order to carry this calculation forward, it is necessary to get our figures into quarts of milk consumed. Thirty percent of the total production of milk is currently consumed as fluid milk. This would mean that out of 150,000,000,000 pounds, 20.9 billion quarts would be consumed as fluid milk. Costs of distribution would be relatively stable on a per unit basis. This leaves no place to get the difference, except from the taxpayer (20,930,232,550 quarts, at 6 cents a quart would be 6 times 20,930,232,550 in cents, or $1,255,813,953). It is rather obvious, I think, that the wholesaler could not buy this milk from the farmer without money, and the thesis is that the consumer is not going to pay it. The proposal is that the Government pay it.

Now, we have made a careful analysis of the cost involved. First, the price of milk is going to have to be higher to the farmer. We have assumed that the rise in production can be secured with a modest increase in price. We have taken the Secretary's own assumption in the decrease of the price of milk to the consumer from that volume of production. From these assumptions the cost of this program would be $2,480,000,000.

Any reasonable calculation requires a set of assumptions. I submit to this committee that this is the most realistic set of assumptions that they have yet seen on this subject. Furthermore, I would remind them that this applies to only one product. It applies, as a matter of fact, to only one part of one product. We got the milk produced and we distributed the fluid milk but the supply of all other products would be likewise increased, the price would go down, and the people who handled them would also have to have some place to get the money to buy the milk.

We have not paid all the cost involved on that commodity. We have paid the cost of producing 150,000,000,000 pounds of milk and distributed the 30 percent of it which is used as fluid milk only.

(*b*) The problem of estimating the cost of this proposal is made more difficult by our not knowing exactly what is being proposed. As yet, no bill including the recommendations contained in this proposal has been presented. Furthermore, evidently the proposal changes from time to time. For example, when the proposal was first made to the Congress, a figure of $19 per hundredweight was used as the income support standard price for hogs. In a prepared statement to this committee on Monday, April 25 on the estimated cost of this new proposal, the Secretary used $16.50 as the support price of hogs. A drop of $2.50 per hundredweight in the price of hogs during a 3-week period is rather serious. It makes a difference of $525,000,000.

7. The income of American farmers should not be made dependent upon annual appropriations from the Federal Treasury. No economic group in this country would be willing to stake its future welfare on such a precarious possibility. Farmers will not abandon a sound program, developed out of experience, to chase after an "economic mirage."

That is all of the formal statement, Mr. Chairman.

Mr. PACE. Mr. Simpson.

Mr. SIMPSON. Mr. Chairman, I would like permission to insert this telegram I received this morning in the record.

> We concur in the American Farm Bureau Federation position on farm program to be presented to Agricultural Committee 10 a. m. Thursday. I hope you are able to be present when testimony is presented.

It is signed by Charles B. Shuman, president, Illinois Agricultural Association.

Mr. PACE. Without objection, that will be inserted in the record.

Thank you very much, Mr. Kline, for your statement.

Gentlemen, Mr. Kline is ready to submit to questions. Are there any questions? Mr. Cooley?

Mr. COOLEY. Mr. Kline, under the normal law of supply and demand, prices of farm commodities are ordinarily related to supplies of a particular commodity. Is that true?

Mr. KLINE. Yes.

Mr. COOLEY. So when you make a statement to the effect that you are convinced that the level of price support should be tied to farm supplies and that farm prices should be used in helping to guide farm production, what is the difference between the situation you have in mind in that statement and the ordinary situation where the law of supply and demand operates without any artificial interference?

Mr. KLINE. If I understand your question, Chairman Cooley, it might apply to a situation where a support price came into effect and interfered with the normal supply and demand situation. Is that what your question refers to?

Mr. COOLEY. Yes. In other words, you say here that you want to tie the support price to farm supplies. That is exactly what happens when no legislation is in effect and when no program for supporting prices is in effect. In other words, you mean by that statement when supplies go up, prices should go down and when supplies go down, prices should go up. That is exactly what you accomplish by the Aiken bill. It is the same thing that would be accomplished without the Aiken bill.

Mr. KLINE. There are a number of factors which affect price, of course, of which supply is one. In many cases there is rising demand for some commodity. We think that price is a perfectly legitimate and, in fact, the best means of determining as between commodities what the demand is for.

Given a fixed demand, then, of course, supply becomes a more important factor and as supply goes up, the price would go down. The whole philosophy of the act of 1948 is that there is a point at which the public and the farmers cannot afford to have the law of supply and demand be fully operative because agricultural production is so extraordinarily stable compared with the production in other areas of the economy.

After this point is reached our terms of exchange just are not fair. So we set in a basis for determining at what point the Government, representing the public, will not allow a further deterioration of farm prices. That, of course, interferes with the supply and demand proposition but it is, we think, a reasonable interference.

Mr. COOLEY. Does it actually interfere with it at all?

Mr. KLINE. Yes, sir.

Mr. COOLEY. If your supplies are abundant, it is only natural to suppose that your price will be affected by that abundance and the price will be low.

Mr. KLINE. That is right.

Mr. COOLEY. And, of course, the reverse of that situation is true. What is the difference between the program contemplated in the language which I read to you from your statement and no program at all?

Mr. KLINE. The difference is that prices could not do what they did after the First World War because they would hit these floors.

Mr. COOLEY. And the floor would be so far below the farmer he would hit bankruptcy before he hit the floor, would he not?

Mr. KLINE. No, indeed. The different philosophy seems to me to be that there is some suggestion here, perhaps, that the price set in the act is to be the price. As a farmer, I am unwilling to have an act set the price for all these various agricultural commodities. I am only willing to have a proposition set in under which agriculture can operate as a part of a really dynamic economic set-up.

Mr. COOLEY. How can it be very dynamic if it is only getting about 50 or 60 percent of parity?

Mr. KLINE. This 50 or 60 percent has been bandied around a good deal. Any price-support program would, of course, require acreage allotments for a basic commodity.

Mr. COOLEY Do you oppose acreage allotments and marketing quotas?

Mr. KLINE. May I answer the first question first, please? With acreage allotments in effect, the minimum in the act of 1948 is, of couse, 72 percent, not 50 or 60.

Mr. COOLEY. Are you willing for American agriculture to operate on 72 percent of a fair price?

Mr. KLINE. As I said a moment ago, that would be the minimum floor. That is not the price at which we expect it to operate.

Mr. COOLEY. Why should those interested in agriculture be willing to weaken the floor under agriculture to 72 percent while labor, for instance, is pushing now up to a 75-cent minimum wage and the tendency with labor is in exactly the opposite direction from the tendency which you are leading us into.

Mr. KLINE. First, there are a lot of world-wide tendencies in which I think we can afford to take part only with some reluctance.

Second, the minimum wage is probably fairly close to this kind of floor. It certainly is not the wage for which the unions would be willing to settle.

Mr. COOLEY. Which minimum wage are you talking about, the 40- or 75-cent minimum wage?

Mr. KLINE. Seventy-five, if you please.

Mr. COOLEY. You think 75 cents as a minimum wage for labor is equal to about 72 percent of the support price of crops?

Mr. KLINE. Probably not. At any rate, I make this point, that the labor unions would certainly be loathe to settle for a 75-cent price for labor. It is a minimum wage, not the price of labor. If you make a comparison with farm prices it is like saying that labor is ready to settle for 75 cents an hour.

Mr. COOLEY. Suppose you apply the 75 cents an hour to farm labor and it takes 200 hours to produce a bale of cotton. You come up with \$150 merely for the labor in producing the cotton, not including the land rent, fertilizer and other incidentals that go into the crop.

Mr. KLINE. What is the question?

Mr. COOLEY. The question is, Do you think that is a fair relationship?

Mr. KLINE. It does not sound fair to me.

Mr. COOLEY. That is your recommendation, though, is it not?

Mr. KLINE. No, sir.

Mr. COOLEY. Under your formula the farmer would not get \$150 for a bale of cotton.

Mr. KLINE. Under the proposal of the American Farm Bureau Federation the farmer would get all for cotton that there was any possibility of getting. The act furnishes him a guaranteed floor and under the proposal which we have suggested here, marketing quotas could be put in at any time that the price was 90 percent of parity or below, and the supply was normal or above.

Mr. COOLEY. What would that give the farmer, 72 percent of parity, would it not?

Mr. KLINE. It would give him a support of 90 percent of parity if the marketing quotas were effective. I am not talking about the price, I am talking about the support price.

Mr. COOLEY. Why should you weaken the support under agriculture at a time when we should be strengthening it?

Mr. KLINE. The fact of the matter is that this does not weaken the support. This is the highest support program we have ever tried to operate in peacetime. It is not yet in operation, this Agricultural Act of 1948.

Mr. COOLEY. When you use the word "peacetime," do you consider this is a normal period for American agriculture?

Mr. KLINE. No; this is not a normal period. This is a period during which we are trying to make a reasonable readjustment and we hope it can be a readjustment to a time when America can be truly prosperous and when agriculture can take its place in that economy with the right to earn and the capacity to earn a very high standard of living.

Mr. PACE. Will the gentleman yield there?

Mr. COOLEY. I will yield. I do not want to take more time.

Mr. PACE. Just one question. Mr. Kline, you referred to the fact that the act of 1948 gives the highest support program in peacetime. Is it not true, however, that the American Farm Bureau Federation, for which you speak, did in the year 1940, in a time of peace, recommend that the support level be raised to 85 percent of parity?

Mr. KLINE. We made a recommendation in 1940. It is also true that that was hardly a time of peace. The declaration of war was September 1, 1939, by Great Britain. The whole world was seething at the time.

Mr. PACE. Under that viewpoint, Mr. Kline, certainly we would not say this is a day of peace
not say this is a day of peace.

Mr. PACE. Mr. Sutton.

Mr. SUTTON. Mr. Kline, you, as president of the National Farm Bureau Federation, are very much interested in the farmer, are you not?

Mr. KLINE. Yes, sir.

Mr. SUTTON. You are interested in his welfare?

Mr. KLINE. That is right.

Mr. SUTTON. At your convention, was this resolution passed by unanimous consent?

Mr. KLINE. I have forgotten what the vote was on the resolution. It is seldom that a highly controversial issue gets a unanimous vote.

Mr. SUTTON. Can you show me one way how that would help the American farmer, the flexible price support?

Mr. KLINE. You can read the whole statement. It is all full of the philosophy of the method by which it would help.

Mr. SUTTON. I followed your statement here. I cannot see how it would help the American farmer one bit. I would like to make the observation that I am indeed glad that the Farm Bureau of the State of Tennessee does not agree with it because if they did I would have to disagree with them. I believe they have the farmer at heart and not big business, as I feel your statement does.

Mr. KLINE. I am reluctant to question the Congressman but I believe the State of Tennessee does agree.

Mr. SUTTON. Not the farmers.

Mr. KLINE. The Farm Bureau in Tennessee certainly speaks for the farmer in Tennessee. There are compromises inside a State, of course, also.

Mr. SUTTON. But when you come along and suggest a flexible price support of 72 to 90 percent, following the chairman's suggestion, labor and management are continuing to ask for more. Then you come along and suggest that the farmer take less. What is the reasoning behind that?

Mr. KLINE. In the first place, I do not suggest that the farmer take less. I suggest that this is a reasonable support program but the farmer has every intention both to earn a high standard of living and to get it.

Mr. SUTTON. Do you not know that when price support is 72 percent, instead of being a floor that is going to be the top?

Mr. KLINE. That is your statement. I hope it is not true.

Mr. SUTTON. That is my firm conviction.

Mr. KLINE. That, of course, is the philosophy of defeat. I do not subscribe to it.

Mr. SUTTON. That is a conviction that I have, that it is a philosophy of defeat for the farmer if you have it.

Mr. KLINE. I have every sympathy with that approach, but the difficulty with it is that it means that we have come now to the time when we are ready to say that the free enterprise system does not work and that the only way to get a reasonable distribution, production, and distribution of goods, is to have the Government set the prices. If that is done, I can assure you that it is my best judgment that we come to a system where we do not get the production that America has enjoyed in the past, that it puts the premium on inefficiency, not on efficiency. It does seem to me that a people, of one hundred forty-odd million, in a world with two and a quarter billion, ought not to go around so apologetic for, or so distrustful of the system which has made it possible for us to have half the industrial productive equipment in the world.

Mr. SUTTON. Then if we have the free enterprise that you speak of, I would like to follow Chairman Cooley's suggestion as to whether we need this program. Do we need a support price at all?

Mr. KLINE. I would call your attention to the paragraphs in our statement which point out the difference between the stability of agricultural production and the instability of our prices compared with the stability of prices in the other areas of the economy and the relative instability in the production. It is because of that relationship that a sound agricultural program makes real sense in a free-enterprise system. It is as a system of protection to agriculture against bankruptcy from its own productiveness at a time when the economy has, itself, gotten into something of a recession.

Mr. SUTTON. You speak of free enterprise. Would you suggest we go back to the 1914 levels without any price supports or farm legislation for the farmer whatsoever.

Mr. KLINE. Of course, it is always a purely academic question as to whether you would like to go back to 1914. Personally, I would. I was a junior in college and having a very good time, but the chance is not very good.

Mr. SUTTON. We cannot physically go back to that time, but that is what is embodied in your recommendations.

Mr. KLINE. I think it is quite as impossible to go back physically as it is to go back any other way.

Mr. SUTTON. That is what I am driving at. Today when the administration and the people are asking for an increase in the 40-cent minimum wage up to whatever point it might be, and in the present bill a 75-cent minimum wage, and yet at the same time when we have been enjoying 90 percent of parity in some cases and you are recommending that we have 72 percent of parity in some cases and a tendency to get down to 60 percent of parity, why is there that difference in discrimination between the farmer and the labor organizations?

Mr. KLINE. It seems to me that there is another assumption there which is not correct. It is that the prices enjoyed by farmers over the past 10 years have been 90 percent of parity and have been that because of same legislation. They have not been 90 percent of parity. They have been up to 132 percent of parity and in many individual cases very much higher than that. They have averaged probably 118 to 120 percent of parity most of the time and have not been there because of some legislation guaranteeing them 90 percent of parity.

Mr. SUTTON. Do you object to that for the farmers?

Mr. KLINE. I certainly do not. I said a little while ago that we expect to earn a living and we are going to try to get it.

Mr. SUTTON. But if you cut him down to 60 percent, can he earn a living?

Mr. KLINE. There is nothing in this law which prevents what you were holding up a minute ago as a good idea for the farmer.

Mr. SUTTON. But the Aiken bill will cut him down, will it not?

Mr. KLINE. No. It sets the floor, not the ceiling.

Mr. COOLEY. Do you think the farmers would have enjoyed those prices over recent years had we not provided a support program?

Mr. KLINE. I see no reason why they would not have.

Mr. COOLEY. Do you think cotton would have brought what it did bring in 1948 and what it is bringing now but for the support program?

Mr. KLINE. Now is not the time we are speaking of. Cotton is on the support program now, that is quite right.

Mr. COOLEY. Do you think tobacco would have brought anywhere near a fair price if we had not had the marketing quotas and acreage allotments and support prices and stabilization corporations and all the agencies we have working in behalf of that purpose?

Mr. KLINE. I do not.

Mr. COOLEY. You do not think we would have?

Mr. KLINE. Nobody knows.

Mr. COOLEY. I thought you just made the statement that we have enjoyed good prices but not because of anything we had done about it.

Mr. KLINE. There are some exceptional cases. We have treated them separately in our statement. We have talked about cotton, peanuts, tobacco, and of the very special cases involved. They do, however, occupy a relatively small amount of the acreage involved under cultivation in America and we do need to fit the special programs which we have evolved into an over-all situation which makes sense both from the standpoint of American agriculture and from the standpoint of America itself.

That is the best protection of a tobacco program that I know of, i. e., to have it adequately fitted into an over-all program which meets the problems of other commodities as well as the tobacco program meets the problems of tobacco.

Mr. Cooley. Just one other question.

Mr. Sutton. Let me follow with one more question right there. Then had it been 60 percent of parity or 72 percent of parity, the farmer would not have enjoyed as much prosperity as he has under 90 percent of parity, would he?

Mr. Kline. The question is not specific with regard to commodity. Do you mean to make it that way?

Mr. Sutton. I am talking about cotton and tobacco. If it had been 60 or 72 percent of parity, the farmer would not have enjoyed the prosperity he has under 90 percent of parity, would he?

Mr. Kline. I would much prefer to let Mr. Randolph, president of the Alabama Farm Bureau, make an estimate, if he cares to, with regard to what the price would have been had there been no program.

Mr. Sutton. But just common sense will tell you that since the cotton farmer is getting a support price today of 90 percent his position would have been worse had it not been that high.

Mr. Kline. I would like to have Mr. Randolph indicate what he thinks the effect would have been over the last 10 years.

Mr. Sutton. That will be all right. It is perfectly obvious.

Mr. Cooley. Will you make a general statement yourself to answer a general question? Do you think this 90-percent support program has been in the interest of the farmers?

Mr. Kline. You mean during the war?

Mr. Cooley During the last 10 years and during its entire operation.

Mr. Kline. We promoted the thing. We thought it was a good thing and especially we thought it was a good thing to have a continuation of it for a short time after the war in order to make for possible readjustment to peacetime conditions. It involved expansion in some areas and capital investment in other areas and agriculture deserved the same sort of consideration as other groups. Those were two theories upon which the support program was put into effect early in the war. The first was that we could get production by high supports in areas where they were essential to public welfare and especially to the national defense.

The second was that the farmer deserved that much protection if he went into new business and invested capital and so on. I certainly concur in both those judgments. I think they were good.

Mr. Cooley. Do you think that the 90 percent program has served well the cause of agriculture in recent years?

Mr. Kline. Yes, sir; I am perfectly willing to agree.

Mr. Cooley. Although you admit that it has been a benefit to the farmer, you are still not willing to lower than 90 percent?

Mr. KLINE. This was a wartime proposition and as part of the wartime proposition I think it was quite sound. As a long-term proposition, I think it is unsound.

Mr. COOLEY. Why is it unsound if it is fair?

Mr. KLINE. The most unsound thing about it is that it will not react to the betterment of farmers. It will not result in higher per capita income for agriculture over the long run to strait-jacket agriculture as it will be necessary to do if the Government guarantees the high price and if we take out all of this free enterprise approach to the proposition and get into completely administered prices.

Mr. COOLEY. We had free enterprise and American agriculture went through bankruptcy. We had no control programs or support programs and the farmer was helpless. When we provided the programs which have been provided, the farmer enjoyed prosperity. Now we are coming into the postwar period and you must admit, Mr. Kline, that everything indicates that surpluses are more likely to appear now than in former years. Is that not true?

Mr. KLINE. The prospect of having more to sell than there is an effective market for is very good at the moment. That is quite true. It does not follow, however, that the prosperity which agriculture has more recently enjoyed was a result of the program. I repeat emphatically it was not. It was not the major program. The support program was far below the average prices for agricultural commodities. There was unlimited demand for everything produced. It was out of those factors that the prosperity arose.

Mr. COOLEY. Then tell me one purpose that the 90 percent support program has served.

Mr. KLINE. The 90 percent support program served, first, to give farmers the confidence to go ahead, especially in the early stages of the war and produce freely. Here was something which said the Government is not going to let you down. We did not know whether the war was to be short or long or whether we were to get in or how far we were going in or how long we would stay in. That is the first one it served.

Second, it has served an admirable purpose in the postwar period in saying to the farmer, "You expanded your production and built a new dairy barn or something to help win the war and now you are entitled to a continuation of the wartime supports during the readjustment to peacetime demand."

Mr. COOLEY. But from that statement, the 90 percent program actually did not support agriculture at all.

Mr. KLINE. It was not the major factor in the agricultural income during the war, that is certain.

Mr. WHITE. Will you yield for a moment?

Mr. COOLEY. I am through.

Mr. PACE. Mr. White.

Mr. WHITE. Mr. Kline, did you not say that the 90 percent support prices did not hold up the price of the market; in other words, that agriculture would have gotten just as high an income without those supports? That is what I understood you to say.

Mr. KLINE. By and large, yes.

Mr. WHITE. Then you do not agree with Mr. Stassen in the political campaign last year when he said they did hold up prices, do you?

Mr. KLINE. I have no intention of getting into a pro and con argument on the political campaign.

Mr. WHITE. We know all this is political, Mr. Kline. The whole thing. You cannot escape it.

Mr. HOEVEN. Will the gentleman yield?

Mr. WHITE. Yes, I will yield.

Mr. HOEVEN. I am assuming you are also including the Brannan proposal as being political.

Mr. WHITE. I say we cannot escape the inevitable fact that all agricultural plans are involved in politics. I want to be honest about it.

Mr. KLINE. I should like, if I might, to enter into the record a very brief statement on that point. We have made tremendous progress in a national approach to the agricultural problems of this country in my time. We have done it by working sincerely together on a bipartisan basis. I hope that we can continue to take the elements that are good and the elements that are bad of various proposals and work with the outstanding leaders of Congress and work on a bipartisan basis for the welfare of agriculture and for the general welfare. It is the determination of the American Farm Bureau to do exactly that.

Mr. WHITE. Let me enlarge on that just a minute, if I may, Mr. Chairman.

I agree with the gentleman that we should work on a bipartisan basis. I point out that within each party there is a difference of philosophy. It seems that one philosophy is that philosophy which says we can return to the free enterprise system and the other extreme philosophy which says we ought to tie up everybody so they cannot move. I submit that there is a middle ground but the middle ground is certainly not in proposing a plan on a so-called flexible basis which is tantamount to handing a crippled man a pair of rubber crutches and saying, "Here, walk with these." They will let him fall flat on his face and that is what will happen to agriculture if we adopt the so-called flexible price system.

Mr. ANDRESEN. Mr. Chairman, a parliamentary inquiry. The House will be in session this afternoon beginning at 12 o'clock reading the bill for amendment. I am sure all the Members want to be here. I understand we have three or four witnesses and that this is the only day for the Farm Bureau Federation to testify. I would like to inquire if we are going to hear these other members in the next 40 minutes.

Mr. PACE. I previously announced that it was my intention to ask for the testimony of the other witnesses at 20 minutes of 12.

Mr. KLINE. I think, Mr. Chairman, it might be well to hear the other witnesses first and then continue questioning all or any of us, if it would meet your approval, because it is a little rough to ask the four people to appear in 20 minutes.

May I also make one point here in response to this last statement? It is to the effect that under the law which we have proposed the support itself can also be 90 percent of parity. It is 90 percent on tobacco and other commodities when acreage allotments or marketing quotas are in effect and the supply is in line with demand. They can get it under the law.

In addition to that we have made some special proposals with regard to cotton because of the special conditions involved in the production and sale of cotton and conditions in the areas where it is produced. We feel very strongly, indeed, that it is a mistake to get into administered prices with any idea that they mean high per capita income in agriculture. They mean quite the opposite, gentlemen.

Mr. HOPE. It seems to me, Mr. Chairman, that we cannot conclude with the Farm Bureau in 40 minutes and permit the members to ask the questions that I know they all want to ask. We have had other witnesses here for much longer periods. It is simply not going to be possible to have a satisfactory hearing for the Farm Bureau if we are going to conclude at noon today. I am wondering if it would be possible to have this group back here at some later date to complete the questioning based on the statements this morning.

Mr. PACE. I agree with you quite readily and I am quite sure Mr. Kline agrees, recognizing the fact that his views are so diametrically opposed to the views of some members of this committee that it would not be possible to conclude the interrogation today.

Everyone understands, I am sure, that the schedule has been made. Tomorrow we will hear from the National Council of Farm Co-ops. Saturday we will hear from the Grange. Monday we will hear from the representatives of the livestock producers. Tuesday we will hear from the representatives of the milk and milk products producers. Wednesday we will hear from the representaitves of the Irish potato producers. Thursday, Friday, and Saturday we will hear from the representatives of the wheat producers, their organizations and associations and groups. The schedule for this week and all of next week and a portion of the following week is now established. Of course, if the committee has an opportunity it will hear from State groups which are not in accord with the views of the national organization.

I should think, gentlemen of the committee, that it might be well to hear these other witnesses, particularly those that are from a distance, with the idea that Mr. Kline might be able to make himself available to the committee at almost any time.

Mr. KLINE. I shall be happy to do that, Mr. Chairman, but, of course, our main office is in Chicago so I would need to know a day or two ahead of time. I would be very happy to do that.

Mr. HOPE. Mr. Chairman, could we have it understood that following the completion of the schedule which you have just announced Mr. Kline would be back and such others of his organization as he might care to bring?

Mr. PACE. I would like for it to be agreed that there will be a substitute date, but as I see it for the moment, with the problem before this committee and its magnitude, we will probably ask Mr. Kline to meet with us in a night session within a very short time. I think the importance of the views of your organization and the membership of your organization is such that you should be heard throughout at the earliest possible moment.

Mr. KLINE. Mr. Chairman, I shall be here all of next week. I could meet with you any time next week at your convenience.

Mr. PACE. I will get together with you and we will settle that.

Mr. HOPE. Mr. Chairman, that is certainly not going to be a very satisfactory conclusion of the matter. You are not going to get very many members here at night. Certainly this great organization is entitled to come here during the daytime. We do not have to have a night session, surely, for the American Farm Bureau Federation. I do not believe that arrangement will be satisfactory at all. Every member of the committee is likely to have other engagements at night that would conflict. It would be very difficult. I think it is better to hear them during the day.

Mr. ALBERT. Mr. Chairman, a parliamentary inquiry.

Mr. PACE. Pardon me. We are taking up a great deal of time. If the testimony is not concluded this morning, further hearings will be arranged for the American Farm Bureau Federation at the earliest possible moment.

Mr. Kline, if you will kindly step aside and present your next witness.

Mr. COOLEY. Mr. Chairman, before he does, I would like to ask Mr. Kline one question. The witnesses that you call now are substantially in accord with your statement, I assume?

Mr. KLINE. That is right.

Mr. COOLEY. Is it not a fact, Mr. Kline, that most of that testimony will be cumulative and in support of this statement? If so, could you not in 30 minutes submit their statements?

Mr. KLINE. These gentlemen are all presidents of State Farm Bureaus and they may have a statement they wish to make which would be either covered by this or which would be substantive to it, but not covered by it.

Mr. COOLEY. In other words, you do not think you could conclude those statements in 30 minutes?

Mr. KLINE. It would be up to them. They are informal.

Mr. PACE. We will try to do that. Mr. Kline, will you present your next witness?

Mr. KLINE. Mr. Hassil Schenck, of Indiana.

Mr. PACE. We will be delighted to hear from you at this time, Mr. Schenck.

STATEMENT OF HASSIL SCHENCK, PRESIDENT, INDIANA FARM BUREAU FEDERATION

Mr. SCHENCK. Mr. Chairman and members of the committee, I am Hassil Schenck. I am an Indiana farmer, owning, living on, and operating a farm.

I represent an organization of 93,000 Farm Bureau families representing something like 350,000 farm people in the State of Indiana and about two-thirds of the potential within our general organization. If we were to add to it the affiliates sponsored by the general organization we would have between 90 and 95 percent of our farmers.

In making a statement this morning, I would like to recall a few things in the discussion this morning. I want to say first that I wholeheartedly endorse the statement presented by President Kline. A comparison was made here a while ago between the 72 percent support level, which is the low support level, as related to 75 cents per hour for labor. I would like to call the attention of the committee to the fact that labor's 75 cents is not guaranteed. It is guaranteed conditionally upon that laboring man having a job. We saw the time when we had better than 12,000,000 people out of jobs. Regardless of support levels per hour, their income was absolutely zero.

This 72 percent of parity will give a substantial income to the farmer because he always has a market at that level.

I can further state that I am absolutely not satisfied with 72 percent or even 90 percent of parity for the American farmer. I think to contemplate that he shall receive less on an average for the commodity which he sells, less than 100 percent of parity, is to be discriminatory against the American farmer.

I do, however, regard supports as a stop-loss, and absolutely, gentlemen, not as a farm program. It is only one factor among a great many factors that will go to give the farmer a farm program. The farmer was beginning to approach the parity level in 1939, but gentlemen, we did not have a support level at 90 percent of parity at that time. We do have, under the 1948 program, the highest support level in legislation that we have ever had at any time in peacetime history.

Another thing I want to call your attention to and emphasize is that if the farmer is to look to the Government for support prices and it becomes a heavy drain upon the Federal Treasury at a time when we have an all-time high in Federal income, near an all-time high in Federal tax load, operating at this very instant on a deficit, I can easily foresee the day when the deficit, without a very substantial increase in tax rates, may put the Congress in a position that they are going to be reluctant to support an appropriation which will guarantee the farmer parity income, if we are going to look to support prices for that guaranty. It makes us subject to year by year appropriations by the Federal Congress if that is the farm program

I woud like, gentlemen, to enumerate a few things that I think are extremely important, in my opinion much more important than a support-price level, to give a farmer 100 percent of parity. In either one or any one of these numerous things which I have jotted down here there is a speech, but I shall not take time to more than mention them. I refer to monetary and fiscal policies as a definite program:

Federal debt manipulation. What can be done to our economy through that? How deflation and inflation can be controlled.

Commodity Credit Corporation mentioned in this act;

Farm credit policies;

Marketing agreements;

Reciprocal trade agreements;

International commodity agreements;

Agricultural marketing and purchasing cooperatives;

Rural electrification, crop insurance, soil conservation, agriculture extension, distribution, transportation, nutrition.

A very long dissertation can be given on the importance of nutrition to a national farm program.

Full employment and a substantial purchasing power on the part of that employment.

Research into the fields of production, marketing, utilization.

I would like to comment just a little bit on what we are doing in marketing. Almost nothing, gentlemen. I can go back a very few years when as a producer of wheat if I had had a mule team sufficiently well trained to go to the elevator and back without a driver that mule team would have marketed that wheat just as intelligently as I could. The farmer has never been a marketer. He has been a producer and a deliverer to market, but he has not sold. We need a lot of research. We are doing something on that score right now.

I had the economics department of our organization make a survey of a typical county in Indiana to scee what the farmer had put into production plants in that county. They selected Boone County, Ind. We have over $44,000,000 invested in a production plant. Less than $43,000 is invested in a marketing plant.

In other words, for every thousand dollars invested in production they have less than $1 invested in a marketing plant, or less than one-tenth of 1 percent. There is a broad field for opportunity in research and marketing and production in recent years. We have made very progressive advances there. Research and utilization is another.

I would like to emphasize this because we are living in a day, gentlemen, when adjusting production to fit a demand seems to be the popular thing to do. I want to always have that right, and I will fight to maintain that right to adjust production to fit a demand. But we had better spend a lot more time in thinking about expanding a demand to utilize the production that the American farmer can produce.

I had a number of other things I wanted to talk about, but I want to divide my time with these people, and that concludes my statement, gentlemen.

Mr. PACE. Thank you very much, Mr. Schenck.

Mr. Kline, will you present your next witness?

Mr. KLINE. Mr. Walter Randolph, president of the Alabama Farm Bureau Federation.

Mr. PACE. We are always delighted to have you before our committee, Mr. Randolph. We will be glad to hear from you at this time.

STATEMENT OF WALTER RANDOLPH, PRESIDENT, ALABAMA FARM BUREAU FEDERATION

Mr. RANDOLPH. Mr. Chairman and gentlemen of the committee, my name is Walter Randolph. I am a member of the executive committee of the American Farm Bureau Federation.

All I want to do is try to answer the question that was raised with reference to the price of cotton and the loan level since 1941. I think it would be well to have that in the record. I hope that I will be accurate. I did not bring along any figures, because I did not know this was going to come up.

I believe in every one of those years except one the support level was the major factor in the price of cotton, and even in a part of that one year. I believe it was 1947 when the price level was considerably above the support level. You asked what we thought the price would have been in 1948 without the supports. No one knows that except that you can state what you think. I would guess it would have been about 20 cents a pound. That is what I have said before. That might be about right, though it is only a guess. I think the support was around 30 cents a pound.

I hope for the sake of clarity to state how the Agricultural Act of 1948 might work with respect to cotton. In order to do so, of course, I would have to make some assumptions. We will assume that this fall the Secretary of Agriculture finds that the supply is 108 percent or more of normal. That is in the law now. Of course, we are recommending that it be changed to enable producers to vote on marketing quotas for cotton at 100 percent normal supply. But, if it is not changed, it will still be 108. Then he would call for a vote on marketing quotas. We will assume that the producers will vote for marketing quotas.

That, I think, is a fairly safe assumption, since they always have in the case of cotton. Then marketing quotas would, of course, be in effect for the 1950 crop. If the crop in 1950 was such in volume as to raise the supply to 130 percent or more of normal, which I do not think it would do with the marketing quotas, then the loan rate would be 72 percent of parity. If the supply, as determined by the carry-over on August 1, 1950, and the prospective crop was less than 130 percent of normal, the loan rate would be 1 point higher for each 2 points the supply was below 130 percent of parity. If the supply was to turn out to be normal, the loan rate would be 90 percent of parity.

I think we all know how it works on tobacco. In peanuts it is similar to cotton, with one exception, and that is that in the case of peanuts under the present law marketing quotas will be in effect every year provided producers vote marketing quotas.

Thank you, Mr. Chairman.

Mr. PACE. Thank you, Mr. Randolph.

Mr. Kline, will you present your next witness?

Mr. KLINE. Mr. George Wilson of California, a member of our executive committee, Mr. Chairman.

Mr. PACE. Mr. Wilson, we are delighted to have you here and will be delighted to hear from you.

STATEMENT OF GEORGE WILSON, MEMBER, EXECUTIVE COMMITTEE, AMERICAN FARM BUREAU FEDERATION

Mr. WILSON. I am George Wilson from California. In our State in the farm bureau we divide the responsibility, Mr. Wiser being the president and I being the representative to the American Farm Bureau Federation and, while home, actually operating my own farm as do many of our directors whose entire time is not taken with their State responsibilities.

We in California are interested, of course, in the basics, but largely in the nonbasics, because we have so many of those commodities. We feel that it has taken a tremendous amount of work on the part of this Congress and of American farmers to try to work out a reasonable program for the relatively few basics, which have many similarities.

We feel that the nonbasics are so many in number and of such great dissimilarity that it has been difficult to work out a program that would apply to all of them. We feel we are making progress, however, in that field. We feel that we will make greater progress in that field within the act of 1948 than we will be able to under any other proposal of which we have heard. That is largely because we believe that the amount of Federal money required to make the act of 1948 effective on the basic commodities will not be as great as it would be under some other proposals, and consequently that there would be more probability and possibility of getting financial aid from Congress with which to meet the special problems of our nonbasic commodities. One of the factors which I think is quite important in this whole thing which I think probably does not get enough consideration, often from farmers themselves, is the rapid movement of crops within areas.

I am assuming that is much more true in the newer areas in the West than it is in some of the older agricultural areas, although I think it is probably a little more true in some of the older areas. Some of us realize that. In my own community, where I started farming 25 years ago, it was entirely barley with a little wheat. In the next 4 or 5 years it was almost all beans. Certainly that was the great major commodity.

The next major commodity was sugar beets. The next major field we got into was vegetables. We are now working around again to a grain, alfalfa, and a pretty general economy. So that any agricultural program which tends to fix, by continuing quota or allocation allotments, a particular crop in a particular area would be very much to the detriment of our country. There are many reasons for this movement. It is partly economic, because we see an opportunity to make more money by growing another crop. It likewise is very largely biologic, if that is the right word, in that we have soil diseases and other diseases which affect crops, and for that reason it is certainly in the best interests of the efficiency of the Nation that we keep this movement either by strict rotation on the farm or in many cases by rotation by areas because of some infestation, because of the soil, or because of some organism coming in that makes it almost impossible to continue the production of that crop.

It is very essential that we keep an elastic program which will permit these economic changes.

I might just comment to our friend from California, a cotton producer with whom I certainly hesitate to disagree, but certainly under a fixed high, and I say a high support for cotton, his problem is going to be more difficult, probably, in this Congress because our people with new land can do very well at 90 percent of parity, and it will be difficult to keep them from doing it.

I hope you will not work too hard at keeping them from doing it at the moment, but that will be an increasing problem as the fixed supports get higher.

The other point that I would like to raise is that I know of no place in the world where we have got fixed prices for agriculture, where we have an agriculture that can begin to compare with the freedom, the independence or the production or the cheapness of production of the agriculture that we have in the United States. Many of these countries to whom agriculture has been supplying such tremendous supplies in recent years have found it necessary to import that agricultural production from the United States largely because the production of their own country has been limited by fixed government prices, quotas, and programs. I certainly would like to see some example that we could point to in the world of the success of a fixed government-price-and-control program before we abandon this condition that we have in this country which is the envy and the admiration of the world, the salvation of the world, in many cases, to go to a fixed Government-control program in this country.

Mr. PACE. Thank you very much, Mr. Wilson.

Mr. Kline, I believe you have another witness.

Mr. KLINE. Yes, Mr. Chairman, Mr. Wilson Heaps, president of the Maryland Farm Bureau and member of our board of directors.

Mr. PACE. We are delighted to have you with us, Mr. Heaps, and we will be glad to hear from you at this time.

STATEMENT OF WILSON HEAPS, PRESIDENT, MARYLAND FARM BUREAU

Mr. HEAPS. My name is Wilson Heaps. I am president of the Maryland Farm Bureau and a director from the northeast region of the American Farm Bureau Federation. I am also a dairy farmer in my own right and I am shipping milk wholesale. It so happens that a recent conference of the State presidents and secretaries and members of our region in Wilmington prepared a well-considered opinion on the Brannan proposal. While it was not prepared for this occasion, I think it serves very well that I might read it at least in part.

The Agricultural Act of 1948 has been thoroughly discussed and favorably considered by a vast majority of farmers in both major political parties. We urge that it be given a fair trial for at least the 3 years starting January 1, 1950.

Second. From information available, we believe that the Brannan program would cost the taxpayers more money than the present law.

I want to add to that that we are vitally interested, as taxpayers as well as farmers, in this program.

Third. We feel that the production-payment phase of the program, involving subsidies paid to farmers—but, in effect, consumer subsidies, if you please—would actually increase the true cost of food to consumers. Factors in this true cost would include the market price plus the subsidy plus the cost of the administration among 6,000,000 farmers.

The Northeast region, I might remind you, is composed very largely of small farmers, dairying and poultry being the main industries, so we can well say that the American Farm Bureau Federation speaks for the small farmers of America.

Within its membership it boasts a total of small-farm members which is greater than the total of all members of any other farm organization. With this background, we oppose the 1,800-unit-limit provisions as unnecessary and unfair.

Again, we differ with the philosophy of high support prices for the purpose of guaranteeing the farmer a profit. We hold, rather, that the farmer be guaranteed the right to the pursuit of profit.

Then, as a dairy farmer, I should add that we much prefer voluntarily production controls. I have produced milk under voluntary production controls for a number of years, voluntarily provided by our own cooperative. We believe that voluntary controls can be very effective in times of surplus production.

Thank you.

Mr. PACE. Thank you very much, Mr. Heaps.

Are there any questions of any of the latest witnesses?

Mr. ANDRESEN. I have questions, Mr. Chairman, but I do not begin asking questions in 8 minutes' time.

Mr. WHITE. I have a very brief question.

Mr. PACE. Mr. White.

Mr. WHITE. I do not want to impugn the motives of anyone, but I think it would be helpful to the committee if these gentlemen would also state the other businesses they are in outside of being farmers and representatives of the American Farm Bureau Federation, if they would not object.

Mr. KLINE. We would be very happy, Mr. Chairman, to do so. Since the question has been asked, I think it should be answered.

Mr. HILL. Mr. Chairman, a question here. Are you going to adopt that as a policy?

Mr. WILSON. I would like to answer it.

Mr. SCHENCK. I will be glad to answer it.

Mr. WHITE. I am willing to withdraw the question since my colleagues seem to object to it.

Mr. WILSON. I received, for a short time, $83 a month as an instructor in the University of California. Outside of that, my sole income has been from farming, getting $10 a day, however, as a director of the American Farm Bureau Federation—if that is additional—and for a short time, for 6 years, being a Director in Farm Credit. There has been no other income in my lifetime. That was $10 a day when I served.

Mr. RANDOLPH. My answer is none, n-o-n-e.

Mr. ANDRESEN. Do you get $10 a day just when you are serving or $10 for 365 days a year?

Mr. WILSON. $10 a day on the days we serve.

Mr. ANDRESEN. Do you raise cotton?

Mr. WILSON. I did 1 year, previous to the first war. I have not since.

Mr. ANDRESEN. Then you are not a cotton merchant in any respect?

Mr. WILSON. No, sir.

Mr. HOEVEN. I would like to ask the gentleman from California what the purpose of his inquiry is.

Mr. PACE. I think the inquiry is rather unusual but the witnesses seem to be eager to answer it.

Mr. HOEVEN. May I ask this question? Is the gentleman from California a member of the Special Subcommittee on Agriculture?

Mr. WHITE. The full committee has the right to ask questions and make statements. I do not claim the right to vote.

Mr. PACE. Let it be made clear, Mr. Hoeven, that not only was the full committee invited, but it was urged to meet with the subcommittee and to freely and fully participate in the questioning of witnesses.

Mr. Randolph.

Mr. RANDOLPH. I wanted to answer the question and I thought I did. I am in no business other than farming and being president of the Alabama Farm Bureau Federation.

Mr. PACE. Thank you.

Mr. Schenck.

Mr. SCHENCK. I have no other business save farming and being president of the Indiana Farm Bureau.

Mr. PACE. Thank you, sir.

Mr. Heaps.

Mr. HEAPS. I indicated, sir, that I am more a dairy farmer than anything else. I just serve occasionally on these boards on a per diem basis.

Mr. PACE. Mr. Kline.

Mr. KLINE. Mr. Chairman, I am also a farmer and I farm for a living except that presently I happen to be working for the American Farm Bureau.

Mr. PACE. I assume everyone knew that.

The committee will stand adjourned until 10 o'clock tomorrow. The farm co-ops will be the witnesses.

(Whereupon, at 11:55 a. m., the subcommittee was adjourned, to reconvene at 10 a. m., the following day, Friday, April 29, 1949.)

GENERAL FARM PROGRAM (TESTIMONY OF FARM ORGANIZATIONS)

WEDNESDAY, MAY 11, 1949

House of Representatives,
Subcommittee of the
Committee on Agriculture,
Washington, D. C.

The Special Subcommittee on Agriculture met at 10 a. m. May 11, Mr. Pace presiding.

Mr. Pace. Gentlemen, the committee will come to order.

It is the pleasure of the committee this morning to have with us again Mr. Allan B. Kline, president of the American Farm Bureau Federation, who submitted a statement in behalf of that organization on April 28, but due to the legislative situation we were unable at that time to submit questions to him.

Mr. Kline, it is a pleasure to have you before the committee again. If you will have a seat, we will proceed.

Is there anything in the nature of a supplemental statement you wanted to make?

FURTHER STATEMENT OF ALLAN B. KLINE, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. Kline. Mr. Chairman, we considered the proposition of a supplemental statement but decided that it would be better all around if we proceeded on the basis of the statement which was presented to the committee previously. There are no major changes which we would make in that presentation if we were making it today.

Mr. Pace. I would like to state to the committee that there are one or two other witnesses present in behalf of the Farm Bureau who desire to testify. If possible, I would like to conclude the questioning of Mr. Kline within an hour. Is that agreeable to the committee?

Mr. Hope. I am wondering, Mr. Chairman, if it would be better to hear the other witnesses first.

Mr. Pace. I think they would rather have the questioning proceed first.

Are there any questions of Mr. Kline?

Mr. Hoeven. Yes, Mr. Chairman.

Mr. Pace. Mr. Hoeven.

Mr. Hoeven. Mr. Kline, first, I want to compliment you on the comprehensive, intelligent, and thought-provoking statement you presented to this committee on April 28. I hope it may be read by every farmer in America.

I am interested in a release which came to members of this committee from the Secretary of Agriculture's office recently setting out questions and answers on the proposed Brannan program. In the heading it says, "The following questions and answers have been prepared in response to the numerous requests for additional information."

I have searched that questionnaire very carefully from question No. 1 through question No. 46. Strange to say, there is not a single reference to the cost of the program.

When Mr. Brannan appeared before this committee, among the first questions asked him was, "What will the program cost?" Mr. Brannan could not answer that interrogatory at that time and apparently he has entirely overlooked, among the many questions asked about this program, the cost of the program.

Mr. Kline, I think you gave us some very enlightening information the other day when you referred to only one specific item, to wit, milk. You said the cost in regard to that program would be approximately $2,480,000,000. In your judgment, is the cost of this program, as proposed by the Secretary of Agriculture, going to be such as to not only be staggering, but that it is also going to completely bankrupt the Federal Treasury?

Mr. Kline. Mr. Hoeven, it is difficult, of course, as we suggested in our testimony previously, to make a well-considered estimate, since we do not have more than the Secretary's recommendations which are in general terms. With regard to what it might do to the Federal Treasury, so many circumstances are involved that it is difficult to say. Therefore, it is necessary to set up some assumptions.

We have set up some assumptions which seemed to us to be reasonable. We used milk. We reasoned that you could get the increased milk produced for an additional 80 cents a hundred. It is a very modest increase in the price to get an increase of 25 percent in production. This we estimated would cost $1,224,000,000.

Then we noted that a 25 percent increase in milk available for sale would naturally drive the price down and assumed that it might go down to 15 cents, which had been suggested as a price, and noted that that would cost an additional $1,200,000,000.

It does seem an unreasonable amount and I would therefore call attention to the predicament in which producers of milk would find themselves, having increased their ownership of cattle and barns and milking machines and distribution equipment by 25 percent, having done it on the basis of a price which was enough to bring forth that sort of production in competition with other sorts of production, having the public accustomed to a price that much lower than the actual cost of production, and having their income dependent upon an annual appropriation from Congress.

Eventually, the Congress says this movement toward a bankrupt government has gone far enough and we should cut out the appropriation or drastically reduce it. Then the public is used to cheap milk, and it is at the price at which it will move into consumption and the farmer takes the rap. We think it is a very unsound basis from the farmer's standpoint for a national program.

Mr. Hoeven. Is that not the disturbing feature, Mr. Kline, that the program is entirely dependent upon the whim and the will of the Congress in making the appropriations?

Mr. KLINE. It is most disturbing as far as farmers are concerned.

Mr. HOEVEN. And there is no guaranty to the farmer that any Congress will appropriate the amount of money that would be required to carry on the program.

Mr. KLINE. That is quite right.

Mr. HOEVEN. And that uncertainty, in turn, would very much disturb our entire agricultural economy.

Mr. KLINE. Yes; and, of course, you would always be replacing the interest of the farmers in markets and consumer demands and so on with a major interest which they would of necessity have in getting an agreement from Government, first, with regard to what a fair price was, and second, an appropriation to cover it.

Mr. ANDRESEN. Will you yield?

Mr. HOEVEN. I will yield.

Mr. ANDRESEN. The program proposed by the Secretary, Mr. Kline, contemplated abundant production, particularly of the perishable items. It further contemplated that these perishable commodities like meat, pork, veal, dairy products, eggs, and fresh fruits and vegetables would be sold on the supply and demand level in the open market. According to my theory of economics—and I want to see if you will agree with me—the greater the production of these commodities sold in the open market, the lower the price will be in the open market. Consequently, the farmers will render themselves completely dependent upon the Federal Government for a substantial portion of their income if they produce in abundance and general abundant production is secured. Am I correct in that theory?

Mr. KLINE. Certainly. The more you have, the lower the price, and if you are depending upon the Government to pay the price, then your theory is quite correct.

Mr. ANDRESEN. So that every farmer in the country must of necessity come under the program if he is to continue in the farming business and his livelihood will therefor depend, upon what he gets in his check from the Government.

Mr. KLINE. That would certainly be true if you got over to a system of completely administered prices. It would be determined, it seems to me, taking this indefinite plan which has been suggested, largely by the level of administered prices. If the level is very high, then your conclusion is entirely correct. If the level is somewhat lower, then there would be some area in which we could expect supply and demand still to operate. It depends a great deal on the level.

Mr. ANDRESEN. Let us consider the case of hogs. I know you are very familiar with hog production.

Mr. KLINE. That is quite right.

Mr. ANDRESEN. Under the 1800-unit proposal made by the Secretary for support you can raise 550 hogs. The Secretary has suggested an average of $19 a hundred for those hogs and we will assume that the farmers produce, like they did in 1943, 122,000,000 hogs instead of around 85,000,000 which they estimate will be produced this year. Under the support standard fixed by the Secretary a farmer should have if he only produces hogs, 550 of them weighing 200 pounds apiece, $20,000 for those hogs on the basis of $19 a hundred I am just taking rough figures as an illustration.

We will assume that we have a big supply of hogs and the market price goes down to $14 a hundred. That is a difference of $5 a hundred between the $19 support and the price in the market. We will assume that the farmer should have $20,000 for those hogs and he only gets $14,000 in the market place. That is a difference of $6,000. Of course, the farmer selling for $14,000 will not have his cost of production covered when you consider that corn will still be under the support loan program and really taken out of the picture as far as cheap feed is concerned. If that farmer is going to continue in business, he will have to have a check from the Federal Government for $6,000 to keep going and get up to his support standard income. Is that not correct?

Mr. KLINE. That is right. That is the suggestion, as I understand it.

Mr. ANDRESEN. That looks like a pretty good scheme. We are only taking one commodity as far as the whole picture is concerned. The thing that disturbs me is where we are going to get all this mony to pay the bill. We have figured and I have estimated about 2½ billion dollars on milk if we are to treat all of the dairy farmers of the country the same. I do not think the Secretary's plan contemplates that for the Midwest dairy farmers. There he deals with a national average of $4.22 a hundred for milk. We have a national average now, I think, pretty close to that, but the farmers out through the Midwest, including Minnesota, Iowa, and Wisconsin, are only getting about $2.65 under the national average for 3.5 milk.

When I asked the Secretary if he intended to do anything about the midwestern farmers where most of the milk went into manufactured products, he said that that was a matter that he would have to think over. If you add on $500,000,000 to support the price of hogs, $2,500,000,000 for supporting the price of milk, and then you go to eggs, poultry, meat, and all these other items. It comes to a staggering sum.

The farm income, as far as the farmers of the country are concerned, including dairy farmers, has slipped off tremendously in the last 6 months. Is that not correct?

Mr. KLINE. Yes, that is right.

Mr. ANDRESEN. So we cannot expect to collect much more taxes from the farmers. In fact, the tax income from the farmers of the country will be less for 1949 and 1950 than it was in 1948. Is that a correct assumption?

Mr. KLINE. Yes, sir. Every calculation of net farm income for this year is down compared with last year.

Mr. ANDRESEN. As far as general business is concerned, if we are to believe what we read in the papers, it has dropped off and the profits in many cases will be less than they were in 1948. Consequently, there will be less tax income from that source.

We have appropriations here that, before we get through with the first session of the Eighty-first Congress, will run close to $45,000,000,000, and it is quite apparent that we will go into a period of deficit spending. Can you see where we can increase the taxes on any part of our American economy to raise 5 or 10 billion dollars additional to carry out the Brannan proposal?

Mr. KLINE. We have no suggestion to make with regard to the increase of taxes at this time. The fact is, we think this might not be the proper time to increase taxes. We feel a little more positively about it than that, as a matter of fact.

Mr. GRANGER. Did you think last year was a time to make increases in taxes?

Mr. KLINE. No, as a matter of fact we thought last year was a good year to leave them alone.

Mr. ANDRESEN. You have already stated that your recognize it is going to cost considerable money to carry out the Brannan program and you have no recommendations for us as to how we can raise the money. You do not think it is an advisable time to increase taxes. How do you think this program could be carried out?

Mr. KLINE. The Federal Government, of course, can find dollars. They can always inflate if they decide cold-bloodedly to do that, the way you fight wars, for instance. But the most vulnerable point in this whole thing from the farmer's standpoint is tied up with this question you raised.

Let us take the hog situation and take your assumption, which would be that approximately 30 percent of the farmer's gross income is represented in a check from the Government. Anyone who knows the farm business at all knows that the top 30 percent of a gross price has all the net income to the farmer in it because his expenses have to be paid out of his gross income. Here is the farmer in a position where his ability to make a net income depends upon a check from the Government. It is an extraordinarily vulnerable position. I do not think any group of producers in this country would be willing to tie their future to an annual appropriation from Congress. It just does not make good sense.

Furthermore, it violates the principles upon which America has become a great nation. It controverts this whole effort on the part of the farmer to determine what the demand is and to create the kind of goods and services the public wishes to buy.

Mr. ANDRESEN. I am glad to hear you say that, because that coincides with my views. The farmer, for the success of his business, would become completely dependent upon the Federal Government for 30 percent or more of his gross income. My friend mentioned that he would probably be dependent upon the whim of Congress. Congress might be helpless in the matter.

Mr. KLINE. That is quite right.

Mr. ANDRESEN. Because Congress has to find a source to get the money to meet the obligations, not only this obligation, but other commitments that have been made. We have numerous permanent commitments that we must meet, not only in the foreign field, but also in our domestic field. One commitment is taking care of the disabled veterans of the country and paying better than $5,000,000,000 interest on the bonds. Certainly if we do not service those bonds the financial stability of the country will be gone. Is that not correct?

Mr. KLINE. Yes, sir, and certainly the Congress is, of necessity, forced to consider the things which you are talking about. I might suggest also that the unreliability of this sort of thing as it applies to the farming business, taking into consideration the point you are making, which is the inevitable circumstance that Congress must consider the public budget and the public's interest. The point is demonstrated clearly by the fact that in considering a program the figure of $19 per hundred for hogs was used. It is a calculated figure based on the income standard. In discussing with the Congress the matter of cost some 3 weeks later, the figure $16.50 was used.

As a producer, one is reluctant to depend upon a thing which has in it that sort of uncertainty. It is the kind of thing I think any group of citizens would seek to avoid.

Mr. ANDRESEN. Of course, the objective of the Secretary about having prosperity income for the farmers is something we will all subscribe to. We want to obtain abundant production and reasonable food prices to the people. I think the time has come when someone must tell the people the truth about the program and some other things that are going on in the country.

I have one other question. It has been suggested that this program be put into operation for hogs at the present time. Have you any views on that, Mr. Kline?

Mr. KLINE. Yes. I might, in the first place, read a very brief statement in the resolution of the American Farm Bureau last winter with regard to the use of compensatory payments.

> We feel that compensatory income or price payments are not a desirable way of supporting farm prices or of bringing income into agriculture.

The reasoning back of that statement is exactly that reasoning which we have put in the record during the past few minutes. On the other hand, I would note that the provision for compensatory payments is in the act which was passed by the Congress last year, and that if anything is to be done it should be done on the basis that what we are going to do is to implement somewhat earlier a provision which is already in the act. It could well be done by setting back the effective date of that provision to the 1st of September, for instance.

Mr. ANDRESEN. Do you think it would help maintain the price of hogs if we would export more pork?

Mr. KLINE. Yes, any export would change the supply-and-demand situation domestically.

Mr. ANDRESEN. Some of us have been trying to get the Department of Commerce to remove the controls on the export of pork to Europe. I note in a report that I received yesterday that the ECA is using American money to buy bacon and other food products in Canada. I think they should be purchased in the United States as long as we are taxing the American people for the purpose of getting food to these countries.

In our conversations with the Department of Commerce on removing export controls on pork, we get very little encouragement. However, last week they did remove export controls on pigs' ears and pigs' tails and pigs' feet. That is as far as they went. They did not remove them on fatbacks and sowbellies and sides.

Mr. HILL. Mr. Chairman, they have started at both ends so perhaps they can do something for the in-between.

Mr. ANDRESEN. I think that is mostly wind.

Mr. HILL. You mean my question?

Mr. ANDRESEN. No; the acts of the Commerce Department. But they actually removed the export controls on pigs' ears, pigs' tails, and pigs' feet. As long as the American people are being taxed to pay around five or six billion dollars a year to people in the other countries such funds should be used to buy surplus American products.

Mr. KLINE. Let me say that we are in favor of the best export program we can possibly get. Referring to ECA, one of the things we ought to get out of it in the long run is an effective demand abroad. We are trying to build up the ECA countries so they will be trading countries and we are hoping that in the interim now we can get them in the habit of buying some of these good commodities out of the United States so that we can have an effective demand for them after the period of ECA.

Mr. ANDRESEN. They are not doing that.

Mr. PACE. Pardon me a minute. In the interest of time, I am going to have to ask that questions be confined to Mr. Kline's statement. We cannot possibly get off on ECA in an hour, if the gentleman from Minnesota does not mind.

Mr. ANDRESEN. I do not mind except that here we have the Secretary proposing now that he is to put his plan into operation on pork. I think Mr. Kline has expressed himself on that.

Mr. HOPE. Will the gentleman yield to me for one moment?

Mr. ANDRESEN. I will be glad to yield the floor. I do not want to take any more time.

Mr. PACE. I do not mean to take the floor away from the gentleman, but I am sure that the gentleman appreciates that if each of us is to take time to go into the ECA, we will be unable to finish.

Mr. ANDRESEN. I have one more observation.

Mr. HOPE. I would like to have the gentleman yield to me before he yields the floor for other questions.

Mr. ANDRESEN. I will do that. I want the record to show that 575,000,000 dollars of ECA money was given to the 19 Marshall plan countries to buy wheat, flour, and other food products in Canada since April 3, 1948. That program is being continued at a time when we have a surplus of wheat in this country, when the price is being supported by support loans on wheat, and when our flour mills in the United States are running only about half time and people are not able to work in those mills. The cost to the American taxpayers is staggering.

I am afraid, Mr. Kline, that under your suggestion, the benefit of our price support is being shifted to other countries where they are all producing surpluses at the expense of the American farmer and the American taxpayer.

I yield to Mr. Hope.

Mr. HOPE. A few moments ago, Mr. Kline, in response to a question by Mr. Andresen about the matter of hogs, you read the provision relating to subsidy payments in the resolutions adopted at your annual convention, I believe.

Mr. KLINE. On December 16, 1948.

Mr. HOPE. That resolution expressed disfavor for that method of price support. You have offered in the statement you made the other day a number of suggestions for amendments to the Aiken bill but nothing was said at that time about the provision in the Aiken bill relating to payments, which apparently your organization does not approve.

I would just like to have that matter clarified. Do you favor continuing in the Aiken bill, if it continues to be the law of the land, a provision for payments? Further, if that provision is retained, what is your idea as to how it should be administered?

Mr. KLINE. Let me answer the first queston first with regard to the attitude of the organization. I could also read from the resolutions a concrete statement of support for the Agricultural Act of 1948. It is also a matter of record that we aggressively supported the act with that provision in it. It is further true that the support of prices for many nonbasic commodities, which we are also for, is an extraordinarily difficult proposition and that there is, therefore, in our testimony a clear-cut attitude that this may be necessary but simply pointing out that it has these dangers for farmers inherent in it and that therefore we do not wish to set it up as a major dependence.

Further, it is true that we have proposed some amendments to make effective the act of 1948 and that we have not made any suggestion with regard to the elimination of this provision. In fact, we do not suggest it.

Now, with regard to how to make it effective. I know of no way to make that sort of thing effective except by appropriations by the Congress to make the difference between what is determined to be the support price and what the market price turns out to be.

Mr. HOPE. I take it your view is that there may be times when it will be necessary to use payments in your price support programs.

Mr. KLINE. It certainly is in the statement of the American Farm Bureau Federation that that is true, that there is this possibility that we may be forced to do that sort of thing even though we would hope that it could be held to a minimum.

Mr. HOPE. This committee has before it now a bill to provide for authorizing the Secretary to use payments in supporting prices on hogs for the remainder of the present calendar year. You commented briefly on that a while ago. I did not understand clearly whether you felt that that was a good thing to do, that is whether you thought we should change the law so as to provide for price supports on hogs for the remainder of this calendar year and before the provision for the Aiken bill would go into effect which would permit that.

Mr. KLINE. We should like very much, Mr. Congressman, to study the bill and to make available to you the results of our study on it and our attitude with regard to it. I have not so far seen it.

Mr. HOPE. You are not in a position to express your views on it at this time?

Mr. KLINE. That is right.

Mr. PACE. Mr. Hill.

Mr. HILL. Mr. Chairman, I have a question or two on the statement made by Mr. Kline.

On page 7, Mr. Kline, you discuss the flexible price supports showing, as I suppose you attempted to do, that the Democrats and Republicans in their platforms supported price supports. My question is, What was the idea in the Aiken bill of giving it such a variation from nothing to 90, or from 60 to 90? What I would like for you to make plain to me is why we should not, in an amendment to the Aiken bill, bring up the base. No farmer can produce crops at 20 to 30 to 40 to 60 percent of parity. Why not cut down that flexible price support relation and put a floor or a base under which no farm product shall be sold?

I am asking you to give me a little enlightenment on why we should not cut down that distance between nothing and 60.

Mr. KLINE. The provision for zero to 90 percent supports is in the nonbasic area and is qualified by the eight different and specific qualifications in subsection a of section 302 of the act of 1948, with which I am sure you are familiar.

Mr. HILL. I am not interested in the qualifications. I am just interested in the fact that you simply break all the farmers. That is what I am driving at. Do you want to do that?

Mr. KLINE. I want to comment on the suggestion of breaking all farmers. This zero to 90 percent is with these qualifications: They are qualifications such as the public interest, the number of farmers involved, the importance of the national welfare, the ability of the Government to have an effective program, the ability of farmers to cooperate in an effective program; they are all qualifications based on the necessity of instituting a successful program.

With those qualifications you have the authority for supports from zero to 90 percent on certain nonbasic commodities. With regard to the act itself, it seems to me that there is a tremendous lack of concrete understanding with regard to what is in the act, even at this late date. It is not loosely 60 to 90 percent on the commodities covered in the act. Tobacco is at 90 percent. Quotas are always in effect unless they are voted down. The provisions of the act amount to just that. In the case of peanuts, the producers may, unless they vote down quotas, have them in effect at all times and if then the program is successful in adjusting supply to demand, the loan rate would be 90 percent of parity.

With regard to cotton, the act provides that quotas are to be voted upon at any time that the supply is 108 percent of normal or above and if quotas were put in effect this fall and not voted down and the farmers were successful in adjusting production to normal supply, which includes a 30 percent carry-over, by the first of next August the loan would be 90 percent under the act as it now stands.

It is quite true that with regard to corn and wheat, which may be used as feed, that after very careful consideration, we provided for somewhat less immediate application of the quota system.

We have with us this morning Mr. Charles Shuman, who is president of the Illinois Agricultural Association, and if the committee would like, I should be very happy to have him discuss the application of marketing quotas to the Corn Belt area. Of course, you understand that price supports with either acreage allotments or quotas in effect are not loosely zero to 90. They are 72 to 90.

Mr. PACE. In the interest of time, the gentleman's question was directed at zero to 90.

Mr. KLINE. He said 60 to 90 also.

Mr. HILL. I included all of it, because you cannot get away from 60 to 90 and get away from zero to 90 in the law. It is there.

Mr. KLINE. We recognize that there is this inevitable interrelationship between the various crops because the fundamental resources are soil and men. In many areas they can be used to produce a vast array of commodities which compete one with the other. Therefore, the interrelationship is there whether you recognize it or not. That is quite right and I think that is your point.

Mr. HILL. Was it your theory that under the Aiken bill you were going to force the farmers to comply with acreage controls and acreage allotments?

Mr. KLINE. If you are comparing that with some higher level of supports, the answer is that we had hoped to avoid them somewhat longer and to make a dramatic effort in the meantime to so adjust production and also to so develop demand that you could avoid unnecessary controls. We have made the point repeatedly that our real hope is a prosperous America and an improvement in diet, which means an increase in the use of livestock and livestock products, and the balance is just this narrow that if in the past 20 years we had had an increase of something less than 2 percent in the use of livestock products it could have taken care of the wheat surplus that you have heard so much about. If we had had an increase in the use of livestock and livestock products in America of a little less than 5 percent it would have used all of our grain surpluses. It is a relatively narrow balance. It does hinge rather dramatically on this matter of a prosperous America, but I doubt the possibility of having in America a really and truly prosperous agriculture without a completely prosperous economy.

Mr. GRANGER. Will the gentleman yield there?

Mr. HILL. No, I wanted to ask another question first and then I will yield.

Would it improve that part of the bill called the Aiken part if we increased the parity payment up to a level where the farmer could actually produce it at least at cost and get it away from zero to 60 and say 75 or 90 percent on all basic or nonbasic crops? I do not think those words mean a thing in the world because when you call some of these crops basic and then leave out some important crops, you are just playing with words. Would that improve the Aiken bill, in your opinion?

Mr. KLINE. You said parity payments.

Mr. HILL. I mean the percentage stated in the Aiken bill. It must drop down as the supply increases.

Mr. KLINE. You mean minimum price supports?

Mr. HILL. That is right.

Mr. KLINE. And you wonder whether the minimum should not be raised to 75 or 90 percent?

Mr. HILL. In other words, become a floor and the flexibility would be above the floor. That is the question I am asking.

Mr. KLINE. It is certainly the hope of our farmers that we can have a price which will not be a Government price. We believe that the problem of getting real income in agriculture, and particularly per capita income—and this is a case which cannot be overlooked—divided by the number of people in farming includes some problems which are not primarily agricultural. They are national problems and they are concerned with a great many people with too little resources and price has but little effect in that area. Per capita income requires that there be per capita production. It is certainly our intention both to earn a high standard of living and to get it, but it is not our firm belief at the moment—in fact, our belief is to the contrary—that that sort of income is to be had by a Government support price. We think that will inevitably reduce the standard of living in rural communities by restricting the efficient production of agricultural commodities on the basis of what a farmer furnishes to society and expects to get paid for.

Mr. HOPE. Will the gentleman yield for a question?

Mr. HILL. Just a question because I want to pursue this one step further if I can ever get to it.

Mr. HOPE. You spoke, Mr. Kline, about the delay in the application of restrictions upon the production of wheat and corn under the Aiken bill. Do you see any reason to hope that we can avoid having acreage allotments and marketing quotas on wheat next year?

Mr. KLINE. I would hope that the Congress would set up the effective date of last year's bill so that all the arrangements could be made to put acreage allotments into effect and to do it by the beginning of the marketing year on wheat.

Mr. HOPE. That is all.

Mr. HILL. If you have a flexible price support, would the Aiken bill be strengthened by saying that a floor should be placed under all these products of not less than 75 to 90 percent of parity, rather than to go down to zero? Would it be strengthened? Is it a better bill if we change that? Opposition has developed from the angle that the farmer can go from nothing to 60. He does not know but what it is going to be nothing from the way the market looks.

Mr. KLINE. The answer is "No." I can discuss it indefinitely. It takes a long time to lay this thing out. We listed the agricultural commodities on which there were figures showing the number of producers, the number of acres, the agricultural income, and so on. We had some 273 plus when we decided we had most of them. I think it is an exactly wrong approach, completely contrary to good sense, in a country with the record that we have had to try to set prices at some particular level or any particular level on all these commodities, which seems to be what your question suggests. So I say "No," I think it is a very bad idea and I think it is especially bad from the farmer's standpoint.

Mr. HILL. I did not suggest that. I was trying to get some information as to what we could actually do by way of setting a floor or a base under all these products.

Mr. KLINE. I think I should state what, categorically, it seemed to me it would end up in. It would end up in the vast expansion of government services to agriculture that we would have to pay for.

Mr. HILL. When you say that, you assume the floor is set too high, do you not? We have been setting the price of gold for years and I, for one, know we have been setting it too low. You say the farmer can go down to zero but gold has to stay higher. What about that?

Mr. KLINE. I certainly did not say that the farmer could go down to zero and I have not the least intention of getting there.

Mr. HILL. That is what we are getting to when we talk to our friends. They say the Aiken bill could operate at zero. How long could it operate at zero. You know. One season.

Mr. KLINE. I refer them to the testimony of the American Farm Bureau 2 weeks ago.

Mr. COOLEY. Will the gentleman yield for questioning?

Mr. HILL. I still have a second step here.

Mr. COOLEY. I just want to say this: Either price supports are good or they are bad. What do you say about it?

Mr. KLINE. They are good.

Mr. COOLEY. Why do you want to weaken them? If they are good at 70 would they not be still better at 90?

Mr. KLINE. That is like the philosophy that if it is a good thing to have a little socialism we ought to socialize everything.

Mr. COOLEY. Oh, no. If it is a good thing to have a little money, it is a nice thing to have more money.

Mr. KLINE. I agree with the latter and disagree with the former.

Mr. PACE. Mr. Hill, have you finished? Our hour is nearly up.

Mr. HILL. I will say to the chairman that there is nothing more important than price supports.

Mr. GRANGER. Mr. Hill, it seems to me the answer to your question on the flexible provision of the 60-percent parity is that it provides that the farmer gets 90 percent of parity when he does not need it. When he is down and broke, they give him 60 percent or zero. The theory of regulating the acreage breaks all these fellows and their ground goes back to tumbleweeds. You then feel you have solved the whole problem.

Mr. KLINE. I disagree.

Mr. HILL. Now, I will ask you to turn to page 2, Mr. Kline. You make a very interesting suggestion. That is what I was trying to get to when we got into all these difficulties. You simply say, "We think it is highly significant that both the Democratic and Republican platforms specifically endorse flexible price supports."

Then you make this suggestion, which I want you to develop for just a second in the interest of time. "The farm program has been developed essentially on a bipartisan basis" and here is one member of the committee who does not totally agree with that. Will you tell me what you mean by the farm program and what you mean by essentially developed on a bipartisan basis? Where did you come to that conclusion and how?

Mr. KLINE. Mr. Chairman and Mr. Congressman, this whole matter of agricultural legislation, since we began working on it in the twenties, has been a very successful effort.

To get together the best thinking on agricultural matters, to get it from farmers, from farm organizations, from people who were in administrative positions in the Government and out of the Congress in both Houses, and to put it together in the farm legislation, we had what was called the farm bloc for a number of years. It was quite nonpartisan. It was certainly bipartisan. It sponsored a good deal of farm legislation. At least they got together and discussed the elements of it and came out with a certain amount of agreement. The agreement finally eventuated in legislation on the books in the interest of agriculture and what was thought wise. The Agricultural Act of 1948 was developed on a bipartisan basis in the Senate and, after all, it finally was agreed upon. There were a lot of difficulties which it is not necessary here to recount, but the Farm Bureau has gone all the way in attempting to give credit to those leaders in both parties who cooperate sincerely in an effort to devise agricultural legislation which is both wise and in the interest of farmers. We certainly hope that in this Congress as in other Congresses we may have the most sincere efforts of Members, regardless of party.

It seems to me the agricultural program is one which has such public interest that we must keep it off a partisan basis if there is any possibility of doing so and we will continue to work to that end.

Mr. HOPE. Mr. Chairman, will the gentleman yield to me for a question?

Mr. PACE. Will the gentleman yield?

Mr. HILL. I will yield to Mr. Hope.

Mr. HOPE. It is a fact, is it not, that the Agricultural Act of 1948 was based upon the recommendation of your organization and other farm organizations and upon the testimony of the then Secretary of Agriculture and other officials of the Department of Agriculture?

Mr. KLINE. It was based on recommendations of our present Secretary and his predecessor, and we worked consistently with the Department all through the development of the legislation, as you know.

Mr. HILL. That answered my question. To close out that part of my first question, I would say that I certainly hope the farm program can be worked out on a bipartisan basis. But to read what you say on page 7 one would naturally infer that you were referring mostly to the flexible price supports in regard to your bipartisan approach.

The second question is on page 16. Mr. Chairman, I am sticking right to the script.

Mr. PACE. I realize that.

Mr. HILL. On page 6 at No. 5, we read:

> We view any unit limitation as a dangerous precedent and opening wedge which eventually would result in Government supervised and stabilized agricultural poverty.

That is a terrific statement and has been missed even by most of our newspaper reporters. In fact, I have never read that anybody said you ever said that, but there it is. "We view any unit limitation." I suppose you are talking about that 1,800-farm unit. It might as well have been 2,400. "We view any unit limitation as a dangerous precedent and opening wedge which eventually would result in Government supervised and stabilized agricultural poverty." Just tell us what you are talking about. I need information on that.

Mr. KLINE. I agree with you that it is not the place at which this unit limitation comes in, but it is the principle involved which is important. It has in it the idea that the Government is going to distribute the right to produce and that it is going to do it effectively. It will be inevitably true, I think, that the more uneconomic—and I simply mean there the greater the difference between the administered price and what a price would be if it were a free price—the more pressure there will be on the Government to distribute the right to produce on a per capita basis.

The difficulty with the proposition, which has some merit in the distribution of the good things in society, is that it begins immediately to squeeze the economic producers down and to bring in more and more the less efficient producers with the assumption that thereby society gets rich. I think the assumption is a false assumption.

There is also the assumption that as we go further in the direction of our social aims we also end up with somewhat less production and somewhat less of the capacity of society to solve its problems in the end.

May I say it this way: The productive capacity of America is the marvel of the world. On the economic end everything is encouraged which will create genius and the rewards of individuals and the right to earn rewards by extraordinary application, unusual ability, or whatever means are at the command of the individual if he applies himself. He can get unusual rewards. That has obtained for us extraordinary production.

On the other end we have, to be sure, some slums in some cities, some areas which require immediate attention in agriculture and in the country. We have some jobs to do. One of the difficulties in doing it by changing over your system, which is what we think this thing would do if it were put into effect as it was suggested, would be actually to reduce your capacity on the production end where America has done the unbelievable by enhancing its economic production. That we must preserve, as we see it, and apply it to the problem on the other end, which we ought to approach first on the things with which there is best agreement. It is by creating the capacity in the individuals, by extension of education, by certain kinds of public works, the things which encourage new capital in the area. It is a different sort of proposition.

America's capacity to do that job depends upon her encouragement of the efficiency of her production, which again I say is the marvel of the world.

Mr. Hill. Thank you, Mr. Kline. That closes my questioning.

I might say, Mr. Chairman, since you have been so nice to me this morning and everyone has listened so quietly to this last statement, I think in my own experience that with the county agent work and the great production of America and education that we have given to these people on the farm, while we have given them the education of how to produce efficiently, we have failed utterly to develop the market and the use of the products to the extent that we have developed production. I think that might also apply to our industrial production. That is all.

Mr. Pace. Mr. Poage.

Mr. Poage. Mr. Kline, I had hoped you might suggest some variations of the proposed plan and bill this morning. In fact, I had hoped to get your views on the possibility of using insurance rather than direct subsidy payments, but I see that that would take a long time. Our time is getting so short that I will probably confine myself to just one or two questions that relate to things in which we are most definitely interested and which were mentioned in your statement. I would like to ask you about the philosophy behind the whole thing.

Mr. Andresen, who is not here at the moment, asked you about the cost of the Brannan plan. While I do not think you made any estimate of the cost, I think it was generally agreed between the two of you that it would probably be rather excessive. Then I understood you to respond, in reply to questions by Mr. Hill, that if we could accomplish a shift of as much as 5 percent increase in livestock culture instead of crop culture of our land that we would have taken care of all of the so-called surpluses.

Mr. Granger. Will you yield there? I think he meant a 5-percent increase in consumption.

Mr. Poage. That is right. That would have cared for all our crop surpluses. Is that not substantially what you told Mr. Hill?

Mr. Kline. I believe I said in the use of livestock and livestock products.

Mr. Poage. The use of livestock and livestock products contemplates the production of more livestock or you could not use it. If this balance was that close, then it would seem to me that possibly we are not faced with anything like the excessive costs that we had supposed we might be. It would not cost the tremendous figures that have been suggested to encourage enough shift to increase your livestock consumption even if you simply subsidized it to the extent of carrying it out in the middle of the ocean and dropping it in the middle of the ocean.

You could increase your livestock production without the expenditure of as much money as has been suggested, could you not?

Mr. KLINE. I am not at all sure that you can. What is your theory?

Mr. POAGE. If you simply followed the potato program, which I am not advocating, on an additional 5 percent of livestock production, it would not cost any 12, 15, or 20 billion dollars as has been suggested, would it?

Mr. KLINE. In the first place, what you are suggesting we in the Farm Bureau believe is the most effective method. A little demand in the market place has an extraordinary effect on farm prices.

Mr. POAGE. I agree with you on that.

Mr. KLINE. With regard to what you can do in the matter of surplus disposal, again we are in agreement with regard to such things as the stamp plan, the school lunch, and that sort of thing, to do the things you suggest. Of course, we could not take it out and dump it in the ocean because socially and politically it would not be feasible at all to do that with livestock or livestock products.

Mr. POAGE. That is true but socially and politically if it is money in the pockets of the American farmer and a saving to the American taxpayer, if those two things could be accomplished by an increase of 5 percent in livestock, then we could ship it to the Chinese or ship it to almost anybody else and let them eat it and save ourselves a substantial amount of money, as I understand your testimony.

Mr. KLINE. Let me go to hogs because I know them best. If we have a support price of $1.46 on corn, which was suggested under the income-standard plan that has been recently proposed to this committee, and if we had $19 on hogs, we would then have a corn-hog ratio of 13. If, on the other hand we had a price of $16.50 on hogs and we leave the price of corn, then we have a corn-hog ratio of 11.3. We do not end up, then, with an increase in pork. We probably end up with a decrease in pork. What I am saying is that there is an interrelationship between these things that when you get into administered prices then you substitute someone's judgment ahead of time for a lot of these things which are an interplay that the individual farmer takes into consideration in the fall when he breeds sows for spring and in the spring when he breeds sows for fall, in calculating what the various things are that he could do with feed. He could increase his dairy herd and feed some cattle or raise some more hogs. He figures all these various costs and then he decides whether to increase his hog production or not.

That does not give a direct answer to your question. It raises what, to my mind, is a very difficult area in the discussion. It is one where I think that you could be overconfident that with a little money you could do this thing. I think it would probably cost a great deal more than is envisioned.

Mr. POAGE. Mr. Kline, all I am trying to get at is that if you are correct in your statement to Mr. Hill, by increasing our livestock population and being able to sell an extra 5 percent, we could care for all our crop surpluses. I have been trying to find the figures here as to what the total value of the livestock in the United States is. Do you have any idea, Mr. Kline, as to what that figure is?

Mr. KLINE. I do not have the figure in mind, but we can get it very readily.

Mr. POAGE. I know we can, but it is obviously only a portion of the $30,000,000,000 farm income of the Nation. It is actually about 30 percent, as I recall.

Mr. KLINE. I think probably somewhat higher, Mr. Congressman, because grains and livestock are almost 75 together.

Mr. POAGE. Assuming that it is 75 percent, that is only about $22,000,000,000. Five percent of that is about a billion dollars. In other words, assuming it was 75 percent, which we know it is not, you could not have more than a billion dollars to pay for 5 percent of all the livestock in the United States. If that 5 percent will care for all of the surpluses and maintain all of our other crops in the desirable position we want to maintain them, then certainly it is impossible that we would have to spend the 6 to 15 billion dollars that you and Mr. Andresen discussed.

Mr. KLINE. That sounds reasonable. On the other hand, one must remember the other 95 percent. What we are assuming, if we say that 5 percent will take care of it, is that the 95 percent is moving at a very profitable price and that people have the wherewithal to buy the 95 percent. It is in the 95 percent where the big deal is. That is the question of everybody's purchasing ability. That is the question of production per man in the area outside agriculture, whether this is a prosperous and productive economy that we trade our goods in.

Mr. POAGE. I think that is right, and I think unquestionably the soundest way of maintaining that prosperity on the part of everybody is to maintain that farmer prosperity. If we have been able to maintain that farm prosperity, which I understand could be maintained this way, then certainly, as far as I can see, we are going to have prosperity on the part of everybody because I do not think you can have a depression in the United States when you have a high farm income. Do you think we can have a depression in the United States with a high farm income?

Mr. KLINE. It certainly would be a lot more difficult, but I do not think it would be impossible. Actually, these depressions, which are drops in prices, sometimes have implications which are even far wider than domestic. When the prices fall all over the world there are tremendous implications.

Mr. POAGE. But the farmer's income always falls before the other people go broke, does it not?

Mr. KLINE. It falls faster and sometimes first. The argument is a long one and I doubt that we should expand the record with it.

Mr. POAGE. It seems to me that we have here evidence that we probably are not going to have to go into this thing as expensively as we had thought in order to maintain farm prices.

Mr. HOPE. Will the gentleman yield to me on that particular point?

Mr. POAGE. For a question. I want to proceed.

Mr. HOPE. I just have this question: I did not understand that Mr. Kline stated that if we were able to increase our consumption of livestock by 5 percent that that would bring our whole farm price structure up by any appreciable amount. We could get rid of our surpluses and still have farm prices and farm incomes way below the cost of production. If that is what he meant, that certainly would not mean anything.

I would like to have you clarify that, Mr. Kline, as to just what you meant.

Mr. KLINE. Your statement is quite correct. That is what I meant by the 95 percent. Also important is the price it moves at and the terms of exchange for agriculture in the economy. The point I made is simply that there is a relatively fine balance on the use of livestock products, on the demand for high quality foods in America. It has been a continuously narrow balance but a relatively narrow imbalance is disastrous to agriculture.

On the other hand, we could be in a depression and have a relatively fair balance with other groups and all be in a very bad way. The corn-hog ratio was not too bad in 1932, but the hog farmer was not doing very well. He was doing very badly.

Mr. POAGE. I think that in trying to reconcile the effort to minimize the necessity of doing anything on the one hand and on the other side trying to magnify it as far as possible. We probably will not get anywhere in a discussion of that nature.

I do want to get down to one thing on which I need some assistance. As I understand, you said here that "we," meaning the Farm Bureau, "are convinced that the level of price supports should be tied to farm supplies and that farm prices should be used in helping to guide farm production." As I understand it, farm prices can be used in either one of two ways to guide farm production.

The Brannan proposal, as I understand it, attempts to encourage production in the desired fields by making it profitable to go into those desired fields. The Aiken bill, as I understand it, uses the same technique to direct farm production but it proposes to lower the price so low on those commodities that are not desired that it will force producers out of them. Do you agree with me on that philosophy of the two bills, that that is their philosophy, or do you feel that I am mistaken?

Mr. KLINE. It is not inconsistent with it, but it is stated in a way that is inconsistent with our thinking on it. When you say that prices are to guide production, relative prices do have a very material effect on the production of various agricultural commodities. It starts first with the use of land. What is wheat to be worth and what is corn to be worth? So you plant either wheat or corn. It continues in the use of feed grains. It includes, for instance, wheat and corn because about 200,000,000 bushels of wheat equivalent goes into feed annually. Shall I feed this corn or shall I not? Then shall I feed it to hogs or shall I feed it to cattle or do I get some more dairy cattle or do I feed some lambs? It is all in the question of what I do with it. Price is a very important factor in determining what ought to be done with the feed.

We think also that demand is an important and justified factor because we want to try to find out whether the public wants more pork or whether it wants more beef or whether we can sell more high-quality beef or whether we have to produce somewhat lower quality beef for the public and how much we can sell of these various classes. There is another point in it.

When we sell a commodity like a grain for direct consumption—about 12½ percent of corn goes into consumption—the farmer gets a very small percentage of the net which the consumer pays for the commodity. But when we sell a higher quality food which is more processed—and in this instance, because corn is a feed, you think of dairy products or of meats particularly—we get from 50 percent up of the consumer's dollar. The consumer has a relatively stable amount which goes into the food budget. Again, the balance which is taken in that area, in which there are, after all, about 142,000,000 acres in feed grains alone, has an effect on all other commodities which compete for the land. If you can raise some feed grain and feed it to livestock and have an outlet for the beef, then you are not tempted to plant it to some other commodity if the income on the other commodity is lower.

That is where you come in on a lot of the minor commodities, dozens and dozens and dozens of them.

Mr. POAGE. I do not want to stop you there, but I realize time is passing very rapidly and I think everybody is in agreement that both the Brannan bill and the Aiken bill attempted to give the producers of livestock a relatively larger share of farm income than they have enjoyed in the past. They both pointed up the support prices for livestock and livestock products as compared with the support prices on the storable commodities. They both recognized the truth of all that you are saying there. When we get beyond that point, the Brannan bill did not attempt, in the event that there was too much cotton grown in this country, to force every man out of cotton by completely breaking him and making it impossible for him to get the credit to plant a crop.

As I understand the Aiken bill, that is the way it proposes to effect these shifts of production. When there is too much of a commodity, whether it be livestock or anything else—but they both presumed there would not be too much livestock—the way to get these people out of that commodity, such as cotton, is to get the price so low that nobody can grow a crop next year. Is that not the philosophy of the Aiken bill?

Mr. KLINE. I want particularly and very carefully to answer that question because it was on that point that our board of directors spent a very long time. I have already pointed out that with the act as it is and with an acreage allotment and marketing quota program which worked, we could, under the law now on the books the first of next August, have a 90-percent loan on cotton.

Mr. POAGE. Mr. Kline, I want to go into that with you because I cannot agree with your assumption. I do not understand that. I may not understand it correctly but I heard you make the statement that we could have 90 percent of parity on cotton. However, that is assuming that we will not have any extensive surplus of cotton next August. Let us look at the facts. We have every reasonable prospect of having a tremendous surplus of cotton next August. I do not think that a man familiar with cotton growing in the United States does not assume that we will have not only a substantial but a crushing surplus of cotton next August. You assume that if we do not have any surplus of cotton, if we have only 90 percent of what we need, then we can get a support price of 90 percent, which is just what

Mr. Granger said a while ago, that every time the farmer does not need it you give him a high floor. You assume that we are not going to have that surplus. You assume that we will have a 90-percent floor because you assume that we will not need any floor.

Let us consider just what we are faced with. We are faced with a production this year that will probably exceed anything we ever grew with the possible exception of 1937. Recognizing that fact, how are you going to get a 90-percent floor under that cotton under the Aiken bill?

Mr. Kline. Mr. Congressman, I want sincerely to go back and finish this other question and not avoid the present question.

Mr. Poage. I do not want you to work on the assumption that you have satisfied us that we have a 90-percent floor under cotton.

Mr. Kline. I shall be very happy to come back to that question. I was trying to make the case in the very briefest terms with regard to cotton as the American Farm Bureau Federation has approached the problem. I have made my first point.

Secondly, if we are unable, under marketing quotas and acreage allotments, to get production in line with consumption, most of our cotton people, even those who are in favor of higher supports to start with, are agreed that we ought to do something about it, something with regard to the support level.

The third is one of the most important factors in the application of a marketing quota and acreage allotment proposition to cotton. With either in effect, if production will keep supplies at normal the loan rate under our recommendations would be 90 percent of parity.

I do not ask you to make the assumption. I merely point out that the opportunity is there. Naturally it would have to be implemented by reducing production. In the reduction of production, acres come out. One of the most important things of all in the income of the farmer is freedom to use those acres to match the most effective demand that he can figure out in the country. If you take the acres out and you squeeze down his total over-all contribution to society, inevitably you squeeze down his income. So he should be able to use those acres taken out as freely as possible. It is not true that all the members of our board have agreed on that point, but it is true that it is still the position of the American Farm Bureau Federation and that we are in favor at the moment of free use of all these acres taken out. It is an important point.

Further, we recommended last spring and we recommend again an amendment which would permit cotton producers to vote on marketing quotas when supplies are normal or above and the price is 90 percent or below. We have made this suggestion—still with the free use of acres taken out—because of the special conditions in cotton itself. It does not have the variability of use that you have with a feed grain, for instance. You just do not have that. The acres are somewhat fewer than in some of these other commodities. The people in the area have a situation which makes it more necessary that we work out of what is probably, as you say, a bad situation with regard to supply. I just wanted to make that case.

Now, will you restate your second question, please?

Mr. Poage. I am asking you how you are ever going to get this crop down to a normal supply next August.

Your whole assumption, as I understand it, is based upon the theory that we will only have a normal supply next August. I think it is perfectly obvious that we will have far more than a normal supply.

When you get us up to 130 percent production—and I think most of us agree that we will clearly have it—we are down to 60 percent of parity support.

Mr. KLINE. You say next August. You mean August 1950, I am sure, because we have washed out the possibility of doing something in August 1949. The law states that it shall be the purpose of the acreage allotment to achieve an amount which is equal to the normal supply. The purpose of the allotment program would be to have a normal supply on August 1, 1950. I agree with you that the supply situation is such now that it will probably be most difficult to get down there. On the other hand, we should be able to make a lot of progress in that direction. That is the purpose of an acreage-allotment program or a marketing-quota program, to adjust to effective demand.

Mr. POAGE. In other words, you hope that we can cut the acreage enough next year, which is the very thing that you said a minute ago, when you were talking, which we should not do, as I understand.

Mr. KLINE. As a matter of fact, I do not see any alternative. It is in the law as we have suggested. We are in favor of it.

Mr. POAGE. And under the law as you have suggested it, as I understand it, if you are going to bring the supply of cotton down to normal in one fell swoop next year, you will probably plant not more than 50 percent of the normal cotton acreage. You have done, by that method, just what I suggested you would do by the price method. You have put the cotton farmer out of the cotton business only by breaking him. You have just pointed out that you can break the farmer by cutting his acreage so low that he cannot make a living. You can also break him by reducing his price to the point where he cannot make a living. You hold out, as I see it, the encouraging choice to the cotton farmer that on the one hand he can go broke by having his acreage reduced to the point where you will support him or if he does not go broke that way, you will assure him that he can go broke for want of a fair price.

It is just a choice as to which way he wants to go broke, as I see it. I would like to know which way you want us to go broke.

Mr. KLINE. I think, Mr. Chairman, that that question is at least unfair.

Mr. POAGE. I will withdraw that question. I do not mean that you want us to go broke, but I do think that is the result of the philosophy. Can you show us any other choice than to go broke one way or the other?

Mr. KLINE. Certainly.

Mr. PACE. Mr. Kline, I understand he withdrew his question.

Mr. KLINE. But he asked a new one.

Mr. POAGE. I am asking if he can show us what we can do.

Mr. KLINE. It is the same question but it is with good will both ways.

Mr. POAGE. Certainly.

Mr. KLINE. All that we can do with any kind of program is to get into consumption all the cotton we can. There are some things afloat, as you well know, which suggest that we may be able to do rather well, better than we had confidence in a couple of months ago, with regard to the supply situation next summer.

I sincerely hope that that can be done. Second, we have suggested that there be a minimum below which we will not go under any circumstances of 10,000,000 bales in the national allotment, even though it did appear that the demands for cotton were such that we could not get down to normal.

We think we should be protected at not less than 10,000,000 bales because after all the farmer cannot be going in and out of cotton all the time. The fact that we had a very large supply in a particular year does not mean that we do not want to have a supply of cotton coming along which will match the effective demand for cotton to the best of our ability.

Let me make the point again that as the thing now stands the acres taken out of cotton—and they are in the area that will grow a lot of other commodities—are perfectly free to be used so that even in making a temporary adjustment he can produce all the kinds of commodities that other farmers can produce who do not happen to have a cotton allotment.

Mr. Poage. Mr. Kline, you cannot change the economy of the South that way. We have been trying for 30 years, and we have made a little progress. In another 30 years I think we will have made tremendous progress, but if you try to force us to do those things overnight, you will have broken everybody in our country, whether you want it or not. We will still be just as broke. It seems to me that you cannot escape the philosophy of this Aiken bill, which is to get people out of production by breaking them. Certainly I think we should have your views on this point. If you just starve them down to the point where the children have one pair of shoes between them and do not quite break them, then you do not reduce the acreage of a crop except by acreage controls. You do not reduce it by price simply by cutting down that farmer's total income to where he can just barely subsist because as long as he can barely subsist, he attempts to recoup his losses by increasing rather than decreasing his acreage except to the extent that you have acreage controls. Do you agree with the philosophy that Senator Aiken has announced that you can reduce a crop in those one-crop areas, such as cotton in our section and wheat in the plains area? Do you agree that you can reduce that kind of a crop materially simply by reducing the price on it, as long as the farmer does not go completely broke?

Mr. Kline. I appreciate all the difficulties involved in it, and I have farmed myself ever since 1920. It was not a condition confined to some particular area which created this situation in agriculture in the depression following the First World War. As president of the American Farm Bureau Federation, one could be quite angry with the suggestions which you have made, simply implying that they are the attitude of the Farm Bureau Federation or of its president. I do not feel that way at all because I am sure that the question was asked sincerely for an honest answer. I must say that the intent of our position on this thing is exactly contrary to what you suggest. It is to try to assist in the encouragement in the kind of thing that will make higher per capita income but not to force it.

If you take the 30 years you have been suggesting and take your 50 percent reduction in cotton, it has been that much in acres during that time. Yet it has contributed in many areas to an improvement to the agriculture in the area. We have been certainly working and shall continue to work to enhance the market to every possible extent. But if it is true that we have currently a plant capable of producing more cotton than we are able to make a market for, regardless of price, then it is going to be to the advantage of those who have acres in cotton to try to shift. Our plan at the same time is designed, especially if we can have our recommendation No. 1, to provide to the producers of cotton during the shift the capacity of having the 90 percent support at that time.

Mr. Poage. I just do not see that we get the assurance of that 90 percent of support. I am not here trying to condemn the American Farm Bureau Federation. I am a member of it. Rather than trying to discredit you, I want you to give us some hope that I can carry back to the people of Texas whom I would like to see members of the American Farm Bureau Federation and who will be members if they can feel that their interests are being fully recognized but who certainly are not going to be members very long if they feel that their basic crop is not being given any consideration at all. I say consideration but I should possibly say not receiving treatment that is going to give them the results that we all want. I do not question your sincerity in desiring the results. It is a question of whether this procedure is going to get those results.

I think you are thinking in terms of a man who lives on high-priced land in Iowa who can shift from almost any crop under the sun and you are not thinking, as I see it, of those farmers who are tenant farmers and who do not have the ability to plant a crop even next year unless they can get a loan from the landlord. You are not thinking of the kind of people and the kind of agriculture that makes up that Cotton Belt when you are telling them that they can shift and they can go into the dairy business if they have the $50,000 capital to get into it. They do not have that money and there is no way they can get it. There is not even any way they can plant a cotton crop next year unless somebody will put up the money.

You have a vastly different situation through that great Cotton Belt where half the farmers of America live.

Mr. Kline. I should like to make an observation. First, with regard to thinking these problems out I just do the best I can and that is what everyone has to do. Even though I were to apologize for coming from Iowa, which I have no intention of doing, it would not help the situation any. If I lived in Texas I would be in the position of seeing the Texas picture. The position which I present here and which I defend is not my own. It is the position of the American Farm Bureau Federation. It has been developed by the Farm Bureau Federation through all the difficult processes of achieving national compromise. It has in it, I am bound to insist, a very considerable appreciation of the differences between the producers of cotton on the one hand and the producers of feed crops on the other. It was, I can assure you, made only with very hard work indeed to get the kind of agreement where you can have support for this sort of position. We believe sincerely that if we can have the opportunity of working with this thing, not that it is perfect, but that we shall then build on experience, that it is better to do that than it is to jump off the deep end into uncharted waters.

Mr. PACE. Mr. Cooley.

Mr. COOLEY. Mr. Kline, I have listened with great interest to your statements this morning but I still have not received satisfaction from your answer to Mr. Poage's question with regard to the statement contained in your prepared statement of the 28th of April, in which you said farm prices should be used in helping to guide farm production. Can you tell me what you mean by that, briefly, without making a long speech about economics?

Mr. KLINE. Yes. We do not think that the farmer can afford to overlook the factor of demand.

Mr. SUTTON. Will the gentleman yield?

Mr. COOLEY. Yes; I will yield for a question but that is still not satisfactory to me.

Mr. SUTTON. I am glad you brought that point out. Let us get down to a little common sense, Mr. Kline, without all the economic figures. We all had those in college. You realize that there is a surplus of every agricultural commodity today. Everybody knows that. You realize as well as I do that we are going to have a surplus next year. In the future it does not look like we will have anything except a surplus of agricultural products unless we do something drastic. You say the price should depend upon the supply. Yes at the same time you endorse flexible price support.

You further realize that whatever the price support is on any surplus agricultural commodity, that is going to be the price of that commodity on the market. The perfect example of cotton is here. Yet when you endorse flexible price supports and you come down to 60 or 72 percent, you are just endorsing the farmer taking a kick in the seat of his pants by reducing the price of his commodity. Am I correct in that?

Mr. KLINE. I certainly hope not. I have confidence that there are a number of statements which you have made that are going to prove inaccurate, or at least I hope so.

Mr. COOLEY. In this statement you certainly clearly intend to indicate that prices could be used and should be used to guide production. Is that correct?

Mr. KLINE. Yes; that is right.

Mr. COOLEY. Then if you want increased production you would give them high prices, would you not? High prices would guide production upward. Is that right?

Mr. KLINE. That is right.

Mr. COOLEY. If you start out on a program to reduce the cotton crop to the point where it should be, you do that by lowering the price of cotton, do you not, and you let the lower price guide production downward.

Mr. KLINE. You let it assist. Our statement does not say that you should depend on prices to do this job. It says that they should be used in helping to guide farm production.

Mr. COOLEY. This is a double-barreled statement you made in one sentence.

Price support should be tied to farm supplies and that farm prices should be used in helping to guide farm production.

Mr. Kline. That is right.

Mr. Cooley. If that is true, as I understand that sentence we do not need to do anything but adjourn and go home. These supplies of cotton are going to put us in bankruptcy. Supplies of all these other surplus commodities are going to put us in bankruptcy. If that is what you mean by it, I want the record clear on it. If you do not mean it, I want you to clear it up.

Mr. Kline. I want to make the record clear that that is not what we mean.

Mr. Cooley. What do you mean by it?

Mr. Kline. If we had meant that we could have written that sentence and gone home, but we have written some 20 pages of testimony.

Mr. Cooley. You have done that same thing this morning. On every question that has been asked of you, you have made a great speech and I have not had a single direct answer that gives me any satisfaction as to what you mean.

Mr. Hope. Mr. Chairman, will the gentleman yield?

Mr. Cooley. Yes, sir.

Mr. Hope. On that point I have always had a lot of trouble in understanding just what was intended in the Aiken bill because I got the impression from what you have said and from what others have said that you expected flexible price supports to influence the quantity of the crop that might be planted and produced. Yet in the Aiken bill the provision under which you would put into effect the formula which determines what the price supports shall be, is not determined until just before the beginning of the marketing year.

How any farmer can be expected to decide whether the price is going to be profitable or unprofitable and thus chart his course when he does not have that information before he plants his crop is something I have not been able to figure out. It has always been a puzzle to me why that provision was placed in the Aiken bill in that form.

Mr. Kline. The bill does provide that any acreage allotment shall be put into effect prior to the planting season. It also provides that the marketing quota be voted, for instance, on cotton in the fall, and that it be effective the next year.

We could go back further, I suppose, but that seems about as early as one can get together all the most pertinent facts and is about as fair, we think, as you can be to the farmer.

Before the planting season he has only certain alternatives. There are areas that are one-crop areas because of climate or conditions of some sort where it is rather difficult to change. There are other areas where you can have a vast number of different approaches to the use of your land.

Mr. Hope. What you are saying is that you are going to regulate it by giving the man acreage allotments and marketing quotas.

Why can you not advise him what the price is going to be at the same time that you give him acreage allotments and marketing quotas instead of waiting until the beginning of the marketing year, which is just at the time of harvest, rather than before the planting time.

That is the thing about this bill that has always been so mysterious to me, why you do not give him the price before he plants the crop.

Mr. Kline. You mean why we do not put in some forward pricing provisions with various arrangements for deciding what they are to be? There is, of course, a forward pricing provision provided in the act at the discretion of the Secretary.

With regard to the crops which are covered by the flexible price-support provision, first the grains are set at 72 to 90 percent if there are either acreage allotments or marketing quotas in effect prior to the planting season.

Second, the farmer knows that if he is successful in this operation he will have the higher loan. But if the farmers are unsuccessful, then it will encourage the use of the commodity competitive with the other commodities. The farmer can then make the adjustment the following year.

We believe that amount of flexibility is probably going to be easier to live with and in the long run, more in the interest of the producers of the commodity involved than one with less flexibility.

Mr. Hope. Do you mean he will be better off if he does not know what the price is going to be when he puts his crop in than he would be if he did know what it was going to be, when the price was expected to influence his planning?

Mr. Kline. He knows the range of prices. Furthermore, our whole philosophy is that we want to avoid administered prices.

We are not going to say to a farmer that wheat is going to be so many dollars and cents next fall. We want to say to the farmer that under certain circumstances he may expect the support price of wheat to be in this range.

Mr. Pace. Will the gentleman yield there?

Mr. Hope. Yes.

Mr. Pace. Mr. Kline, let me contribute this much to the discussion because I am not positive that you have the point Mr. Hope is trying to make.

To begin with, under the Aiken bill, when you submit quotas, the growers have no information as to what the support price is going to be.

Consequently, they must vote for or against quotas in the dark. The price, as Mr. Hope has said, is not fixed until you begin to harvest the crop. The first criticism Mr. Hope has of no forward pricing is that you put the farmer to a vote with no information except a scale of from 60 to 90 percent of what his support is going to be if he does approve the quotas.

The second is that if the philosophy of the Aiken bill and your statement are to contribute toward the control of production or the shift out of surplus commodities by price, how can a farmer shift out of the production of a commodity when the price is fixed at the harvesting time and the crop is already planted and matured.

Is that right?

Mr. Hope. Yes, that is right.

Mr. Kline. First, with regard to the last question the aim is going to be on the basis of the best possible figures to balance the production of that year with normal supply.

Second, the farmer does know when he votes on this quota that if it is in effect he is going to get 72 to 90 percent of parity.

He has in the bill the provision that if he votes it down the loan is going to be 50 percent.

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We recommend changing that. We believe that with acreage allotments in effect the scale of loans ought to be available because there are very great difficulties in some crops of administering quotas.

Mr. HOPE. You have given no reason that I have understood as to why you object to having forward pricing if you expect the price to influence shifts in production.

Mr. KLINE. If we were going over to a complete system of forward pricing that is one thing. There is provision in the act for forward pricing in the case of very unusual necessity for some production.

The Secretary may announce support levels, and they may even be above 90 percent if that is deemed wise in the national interest.

It is true that we do not favor eliminating our long-range program which we have developed out of the experience of some 20 years plus and supplant it with one whether either by discretion or by some attempted formula we set the prices by edict a year ahead of time.

Mr. HOPE. You set them by edict at harvest time instead of planting time. What is the difference as far as the edict is concerned, as to whether it is at planting time or harvest time?

Mr. KLINE. First we set the loan value and not the price.

Mr. HOPE. We are talking about the loan value at both times.

Mr. PACE. Will the gentleman yield?

Mr. HOPE. Yes.

Mr. PACE. Mr. Kline, at the present time, and up until the 1st day of next January, when marketing quotas are submitted to a producer he knows exactly what his price is going to be, subject to a minor fluctuation in parity. He knows it is going to be 90 percent of parity as of the 1st day of July, the 15th day of July, the 1st day of August and the 1st day of October, depending upon the commodity.

We have not looked upon that as dictatorial. That has been our system for a long time, letting the farmer know before he plants and before he votes, what he may expect if he approves marketing quotas.

You are not going to let him know what this support price is until he gets ready to go to the field to harvest his crop. How that could cause a shift in production is beyond me, because the crop is already produced. I share Mr. Hope's concern as to what I consider a new philosophy in the Aiken bill:

> We are not going to tell you what you get until you get ready to harvest. You must vote blindly and you must plant blindly.

I think that a range of 72 to 90 percent of parity means to millions of farmers in this Nation the difference between a profit and a loss.

Mr. COOLEY. Mr. Chairman, let us see if he will agree with that.

Mr. PACE. I do want his views.

Mr. KLINE. What is your specific question?

Mr. PACE. You indicated it was a new policy and a good policy, this philosophy in the Aiken bill.

Mr. KLINE. The fact of the matter seems to me to be that this act of 1948 is far more a continuity in the thinking on agricultural programs than the one you have been talking about now in effect, for the reason that we developed and operated, beginning in 1933, national agricultural programs in the area in which we are now talking.

The level of loans which was supplanted by the wartime legislation was 52 to 75 percent of parity. They were exact, to be sure, but they were 52 to 75 percent of parity.

During that period of time we discovered in many areas rather dramatic difficulties.

One of them is in the field of controlling feed units. Livestock is the major use for a vast amount of production from the land. We had very great difficulty in that area.

Now we have come along in a period subsequent to the war and have suggested price supports at 60 to 90 percent, to be sure, but with any of the sort of the controls in effect which would be necessary to give us 90 percent under the proposals for a higher and rigid price support, it is 72 to 90 percent.

The old one was 52 to 75 percent. We think there are very good reasons for discovering the difficulties involved here and working them out to the very best of our ability rather than stepping over into what seems to us a completely new and different approach, of which the major element is administered prices.

We make the point that we are thoroughly convinced that it means a vast extension of regimentation and control and that the further one tries to vary from the economic price, the greater the control.

If you want to dam a stream and change the level of the water 5 feet, there is no great intent on the part of the water, seemingly, to get through the dam.

But if you change the water 50 feet, it is quite different.

Mr. HOPE. Do you contend that if you announce the price before the crop is put in the ground, that that is an administered price and if you anounce it at harvest time that it is not an administered price?

Mr. KLINE. No; I would not make that contention.

Mr. HOPE. Then what is the real objection to announcing, prices before harvest time if you want to influence production so the farmer will not be proceeding in the dark but will have some idea of what he is doing.

Mr. KLINE. It is tied up with the statement which we made that farm prices should help in guiding production. Farm prices also will help in getting consumption. If we are successful in controlling production we will have a higher loan; if we are unsuccessful, we will have a somewhat lower loan, but it will help us to move the commodity. There are some commodities where it is not as apparent as in others.

But in a commodity like corn, it is very obvious that people decide whether to feed their cattle a little corn or not on the basis of the price of corn and the price of cattle.

Mr. HOPE. But we are talking about influencing the production. That is where you have to start. If you are going to influence the production of corn you do not wait until after it is harvested.

That might have some influence on a farmer's feeding operations but it certainly would have no influence on his planting operations.

Has the American Farm Bureau Federation at its national convention or at its board meetings ever considered this question of forward pricing or whether the price should be announced in advance if you expect to influence production?

Mr. KLINE. Yes, sir; we considered, I think, all of the proposals which were currently in the air when we made out our program. I think we do every year consider all these major propositions like forward pricing. It is just a question, it seems to me, of whether we are ready to supplant the best judgment of thousands and thousands of individual farmers with the judgment of a few people in Washington to try to figure out what the price ought to be.

On the basis of the past record, I believe it is fair to say that the farmers' record is fairly good in that respect.

They know what the level of loans is. They know that if they do get down to normal supply they will have a 90 percent loan. They know that if they are higher than that they can have a somewhat lower loan.

I would like to call your attention to a paragraph that bears on this thing with regard to the level of loan and the elasticity of demand.

It is this paragraph on page 9:

> We are convinced that we cannot protect farm income by adopting price policies which will unduly restrict the use of products or encourage the use of substitutes. In addition, farm overhead costs on individual farms are relatively fixed and there is a definite point at which net income falls, as output is restricted, in order to maintain prices. This is true even though it be assumed that price can be maintained and output controlled without cost.

That varies with different kinds of agriculture.

If it is an agriculture in which the hand labor of the farmer himself is a major factor, this is a less important item.

If it is an operation in which capital invested in machinery, for instance, is a big factor, this becomes a very important item.

I merely cite the fact that it is not just price that decides this whole thing. Price is the most important single factor, but it is certainly not the whole picture.

In agriculture we certainly do want to insist that we have the right to earn and that we get what we earn. We are going to try to get it, but we do not think that the best way to get it is by Government edict.

Mr. Hope. The only question is whether the edict is going to come before he plants his crops or at harvest time.

What you have just said may all be very true but has just about as much to do with what we are talking about as does the Einstein theory.

I cannot see any connection between what you have said and the question I asked. I am not going to take any more time.

Mr. Cooley. Mr. Hope, I have had no better luck than you, but I would like to ask him another question.

You do agree that forward pricing tends to influence production, do you not?

Mr. Kline. Yes; the level of prices influences production.

Mr. Cooley. And you realized that when you made the statement to the effect that prices should be used in helping to influence production. I want to see if I can get one thing cleared up. Did you intend by this statement to say that if you wanted to decrease production the best way to do it was to decrease the price and if you wanted to increase production the best way to do it was to increase the price.

Mr. Kline. That is not an accurate statement. We did not say it was the best way but that it would help.

Mr. Cooley. You will admit, then, that price will influence production up or down?

Mr. Kline. Yes.

Mr. Cooley. You approve the Aiken bill, as I understand it.

Mr. Kline. Yes, sir.

Mr. COOLEY. Did you approve the tobacco-quota provisions and the support price for tobacco in the Aiken bill or did you disapprove them?

Mr. KLINE. We supported the bill with those provisions.

Mr. COOLEY. If the tobacco program is good as it is written into the Aiken bill, and you say that you think it is because you supported it, then why is not a similar program good for cotton and peanuts and wheat?

Mr. KLINE. Mr. Cooley, one of the difficulties is that you want a short, sweet answer to that proposition, yet you ask a question that covers four major commodities and hundreds of millions of acres.

Mr. COOLEY. It covers one theory and that is all.

Mr. KLINE. But I ask you not to forget that tobacco was grown last year on about 1.6 million acres, that it was sold to very few major buyers, that if it was sold to somebody else it sold for a minor use at a low price. That is quite different than is the case with many other crops.

Mr. COOLEY. May I ask you a question?

Mr. KLINE. Surely.

Mr. COOLEY. What has all that to do with the theory of the law? One is that you are going to tell a farmer before he plants what his price will be if he complies with the acreage allotments, and marketing quotas. You are dealing now with tobacco at 90 percent, strict marketing quotas and acreage allotments.

That is one program. You take all the others and surround them with doubt and uncertainty. I just want to know how you can ride two horses going in opposite directions and embrace two theories which are entirely at variance with each other.

If you support the statement that you have presented to this committee, I do not see how you could support the tobacco program.

Mr. KLINE. We did support the tobacco program in the statement presented to this committee.

Mr. COOLEY. That is right, and you supported that because you knew that you could not as a farm leader and a farm organization go on record in opposition to it because it is the best program of any that we have ever had.

Mr. KLINE. We stated in our printed statement which you have at hand the reasons by virtue of which tobacco as a commodity differs from a lot of other commodities.

The asssumption that because you can do a thing with one commodity you can do it with all commodities seems to me to be an assumption that you may make if you wish, but I do not care to be guilty of it.

Mr. COOLEY. Have we not been successful with cotton over the years? We have not lost any money on the cotton program. We have made money for the Government, a quarter of a billion dollars.

Why would you change a program which has worked very well for one of the major agricultural commodities of this country?

Mr. KLINE. We are changing it only in the suggestions which we have made and if you eliminate the wartime experience we are changing it only to make it more possible for the cotton people to do what they wish to do with regard to making their 90-percent loan more effective, making their local program more effective, and more effectively adjusting our production to demand.

Mr. COOLEY. Was that sponsored by any of the cotton people in your organization?

Mr. KLINE. Yes, sir.

Mr. POAGE. Will the gentleman yield?

Mr. COOLEY. Yes.

Mr. POAGE. How many of the cotton States in the Farm Bureau supported that at the convention?

Mr. KLINE. I cannot give you the figures, Mr. Poage. I am not sure.

Mr. POAGE. Mr. Kline, I am still faced with the situation these gentlemen are faced with. I just asked you how many of the cotton States—Texas, Louisiana, Mississippi, Alabama, Georgia, North and South Carolina—supported that in your convention in Atlantic City?

Mr. KLINE. I do not know.

Mr. POAGE. Do you recall any of them opposing it? There was some word that went around down in Texas that there was some opposition to this thing.

Mr. KLINE. Yes, but again I am not sure exactly how many States opposed it.

Mr. POAGE. But you tell us that you did this simply to let the cotton people do what they wanted to do, to let the cotton people have the kind of program they wanted to have? Who spoke for the cotton people of Texas asking for that sort of a program?

Mr. KLINE. That is an oversimplification. We did in an effort to arrive at a national program for agriculture in which we had programs for the various commodities fitted together in such a way that they made a consistent whole.

Mr. POAGE. That is a different thing from what you tell Mr. Cooley. You told him you did it to enable the cotton people to handle the matter like they wanted to handle it. I wanted to know who from the Cotton Belt wanted it handled this way.

Mr. KLINE. As president of the American Farm Bureau, I would not say this fellow was against us and this fellow was for us, because we arrived at a position for the American Farm Bureau.

Mr. POAGE. I am not asking about the director's meeting. You had a meeting at which a lot of people from my district were present.

Many of my friends were present. Unfortunately I could not be there at that time. You had a meeting of a lot of fellows who were just farmers, not all of them being directors or presidents or anything else.

They were just farmers. Was there just a groundswell of voices from the cotton-producing areas that came up there and urged you overwhelmingly, saying, "This is what cotton people want to be allowed to do" and you just simply modified your cotton program so the cotton people could do what they wanted to do? Was there anything approaching that at Atlantic City?

Mr. KLINE. There certainly was and as a result of that we have the compromise which we have.

Mr. POAGE. I am not trying to put you on the spot with any of your officers, because I can talk to them, but do you remember any of the people from my section of the country who urged any such procedure in your convention?

Mr. KLINE. No, I do not remember any.

Mr. PACE. Mr. Cooley?

Mr. COOLEY. I finished.

Mr. PACE. Mr. Kline, I have one or two questions.

As I understand from your direct statement, you disapprove of the proposal of the Secretary of Agriculture to use the production payment plan. Is that correct?

Mr. KLINE. I read the position of the American Farm Bureau on that. We think it is a less desirable means and should be used as a last resort, not a first one.

Mr. PACE. Then as I understand, you maintain your support of the Aiken bill with the payment authorization there—and check me closely on this—because you think it should be what you might call a stand-by service used in time of emergency. Is that the reason you say you want the payments kept in the Aiken bill?

Mr. KLINE. You mean production payments?

Mr. PACE. Yes.

Mr. KLINE. Again, you just cannot answer yes or no because conditions are so indefinite and one finds great difficulty in finding any definition of when is an emergency. Some people think it is now.

Mr. PACE. If the proposal of the Secretary of Agriculture is bad and yet you propose to leave a provision in the Aiken bill whereby all that, then, becomes necessary to put it into operation would be a congressional appropriation, well, then have you given thought to this feature, that you have invited the American consumer to drive upon Congress an appropriation of funds for production payments in order to reduce the price of their food?

Mr. KLINE. We certainly have.

Mr. PACE. Do you not think it is an unfortunate situation to create?

Mr. KLINE. Yes. We have indicated our misgivings with regard to it in this testimony.

Mr. PACE. If it is a bad thing, Mr. Kline, why do you not suggest it be taken out of the law and remove that temptation on the part of the consumer?

Mr. KLINE. There are a lot of other bad things with which we are also threatened and which I assume the committee is not unaware of. We sometimes have to make choices between things which we would prefer not to choose between.

There could be a likely possibility that it would be necessary to do something in the case of some nonbasic commodity not subject to acreage allotments where we would ourselves be in favor of using this provision.

We believe, however, that as an independent group we ought to be able to help protect the Congress against unreasonable appropriations and to help to guide the Administrator in making reasonable ones.

Mr. PACE. It seems to me, Mr. Kline, in all fairness, that the position you are taking now is that you are just placing the Congress in a position to become subject to the greatest lobbying the Nation has ever known.

Let me go one step further. Do you agree that the increase of the minimum wage to 75 cents an hour would increase the cost of food?

Mr. KLINE. It would depend on whether it was widely applied in the areas where we have tried to keep it from being applied but if it were applied in a good many of those areas it would increase the cost of food.

Mr. PACE. Even if it did not apply by law, Mr. Kline, I think it is generally agreed that it would have its effect.

Mr. KLINE. I think the point is well taken.

Mr. PACE. Then do you agree that there is a point in the consumption of agricultural commodities and in price where there comes consumer resistance?

Mr. KLINE. Yes.

Mr. PACE. Then if raising the minimum wage to 75 cents an hour would increase the cost of processing and the handling and the transporting and the retailing of food and thereby more nearly approach the price where consumer resistance becomes active, would that not further bring about a drive upon the appropriations committee for the appropriation of funds to use by way of payments in order to reduce the cost of food to the consumer?

Mr. KLINE. I believe that is right.

Mr. PACE. I have great difficulty in understanding your attitude on this point, when there is not one word in the Aiken bill, and may I add, not one word in the proposal of the Secretary of Agriculture, giving the slightest assurance to the consumer that if production payments are made the consumer will benefit thereby.

Do you understand what I mean? By way of making that clear, as we have all said, the price of wheat has gone down about 20 or 25 percent in a year's time.

Yet, the American housewife today is paying identically the same price for bread that she was a year ago. Therefore, is it not possible and likely that if production payments are made to the farmer in order to give him an income at which he can sell his crops in a free market, that it may result merely in a further increase of the profits of the middlemen and that the consumer will enjoy no benefit from it?

Mr. KLINE. I recognize the possibility there and as a personal opinion, I think such a program which guarantees high prices to farmers and low prices to consumers or suggests by inference that that is its end, would inevitably take over, in addition to the control of prices, the distribution, transportation, and other costs in between.

Mr. PACE. But you do not know?

Mr. KLINE. I certainly do not.

Mr. PACE. Yet you say, "Let's leave the things in the law."

Mr. KLINE. We leave it in the law in a far different position, however, than it has been sugegsted.

Mr. PACE. But Mr. Kline, you propose to leave it in the law in the light of administration by the Secretary of Agriculture who has come here and explained how he proposes to use it and which proposal you condemn.

Mr. KLINE. I agree with that. On the other hand, we have the difficulty in the nonbasic field of finding an effective way to do anything.

Mr. PACE. All right, I am taking no exceptions there. I have said in this committee that there may be two or three or a dozen commodities where the payment plan is the only way to bring about the assurance to the producer.

I have made no blanket condemnation of the plan as such but I do say that the Congress should determine when, if, and how it should be used.

But you do not say so. You say that you propose to leave in this law one word "payments," without any definition, without any limitations, without any instructions, and you leave it to a man who has been here and told you how he proposes to administer it and you say you do not approve of that method.

It just does not add up, Mr. Kline.

Mr. KLINE. First I think that we should put in the record here what we are for, and that is this, 1, 2, 3, 4, 5, 6, 7, 8, in section 302 (a) of the act which limits the discretion.

Mr. PACE. Wait a minute. It does not limit the discretion of the Secretary in administering the act.

Mr. KLINE. I agree with that but it sets out the basis on which he is supposed to administer the law. It sets out the basis on which consideration is given according to the law. This is instructions of the Congress in the law with regard to how these things ought to be done and under what conditions so that if one were to get outside of them as an administrator, certainly the American Farm Bureau Federation would not expect to be tongue-tied and we would give to the Congress the kind of support I think they would want in that case. Also, I want to point out that one of the limitations is appropriations.

Mr. PACE. Mr. Kline, let me say that my views and yours are very contrary when you say that 1 to 8 are instructions by the Congress.

They are no such thing. They are an almost unbridled and unlimited discretion in the Secretary of Agriculture. There are no instructions in the elements that he can consider.

The Secretary of Agriculture under section 302 (a) has absolute, unbridled discretion as to when he will support a nonbasic commodity, how he shall support it, and what conditions of eligibility he shall put upon the producers of that commodity. That is not a letter of instructions.

Mr. KLINE. I must note, Mr. Chairman, that we as a farm organization must insist that that is one of the provisions the Secretary shall give consideration to, and we are ready to insist that he give consideration to that, and that we have something to say about what is reasonable.

Mr. PACE. Mr. Kline, if it does not inconvenience you, we will stand recessed until 2 o'clock.

Mr. KLINE. Thank you.

(Whereupon, at 12 o'clock noon, the committee recessed until 2 p. m., same day.)

AFTERNOON SESSION

Mr. PACE. The committee will come to order.

Mr. Kline, will you return to the stand, please?

FURTHER STATEMENT OF ALLAN B. KLINE, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. PACE. Mr. Kline, before we get back on the general program there is one thing I want to inquire about.

On page 13 of your statement, as I understand, you recommend that in the event the producers should fail to approve marketing quotas the Secretary should put acreage allotments into effect and that the producers should enjoy the support level, whatever it might be under the flexible schedule, without the 20 percent supplemental support.

Is that right?

Mr. KLINE. Yes, sir.

Mr. PACE. I have two questions on that. One is, do you think acreage allotments, independent of quotas, really offer any control on production?

Mr. KLINE. We think that they would, yes, because of the flexibility in the price-support program and because of the certainty on the part of the producers that unless they did get in and make the acreage allotment effective they would get the lower level of supports rather than the higher one.

Mr. PACE. Would they? That is the point I am making. Let's take a hypothetical case and say that under the formula corn would be at 75 percent of parity. Then if quotas were in effect it would be at 90 percent of parity.

Mr. KLINE. That is right.

Mr. PACE. And your proposal is, notwithstanding the adverse result of a referendum, that corn would be supported at 75 percent on acreage allotments?

Mr. KLINE. That is right.

Mr. PACE. Assuming that you would have 95 percent cooperation, that 95 percent of the producers stayed within their allotments, the truth about the matter is that the other 5 percent would get about 74 percent of parity support.

Mr. KLINE. We do not propose any loan or support provisions for the noncooperator.

Mr. PACE. I understand that, but if 75 percent of parity is $1 per bushel, those noncooperators would be able to sell their corn at about 98 cents a bushel, would they not?

Mr. KLINE. The history of the last few months would suggest that they would not. We had a support price which varied from $1.39 to $1.42 in the corn belt. There was a vast amount of corn that moved at 70 to 90 cents a bushel.

Mr. PACE. When was that?

Mr. KLINE. All the way from the first of December through the first of March.

Mr. PACE. You mean this year?

Mr. KLINE. Yes, sir.

Mr. PACE. There is where you had an enormous production.

The point I am making is that notwithstanding the fact that there would be no direct support benefit to the noncooperator, he would benefit from the support program up to a point, that if I had corn that went to the mill and the support price was $1 and you were demanding $1 for your corn and I offered the man corn at 95 cents, he would probably buy, would he not?

Mr. KLINE. I should think so.

Mr. PACE. Therefore it seems to me that it will to that extent reward the noncooperator and that when you have that type of program you are doing the very thing that you and I do not want to do.

You make it beneficial to noncooperators. I have the feeling that if the Government is going to give us support prices that we should be willing to play ball to a reasonable extent with the Government in return for the protection we receive.

To bring the situation out into the open, which is the way I would rather do things I realize that the corn growers have never had marketing quotas and from the testimony we have had before this committee I do not know that we ever will have marketing quotas on corn until most of them go broke. That has been the experience with marketing quotas.

On the other hand, with cotton, peanuts, tobacco, so far as I know, the Secretary has never gone through this formula of having merely acreage allotments.

We have to submit to quotas. If we did not submit under the old law we got no support, and under the Aiken bill, we would get only 50 percent of parity support.

Therefore, I have had misgivings as to the advisability of using acreage allotments alone.

The second question is: What would happen to those of us in the noncommercial areas who have had no voice in the referendum, no vote as to whether or not quotas shall be in effect?

We get only 75 percent of the support that the corn growers of Illinois and Iowa enjoy. As I see it, if marketing quotas were voted down by the commercial corn area, then the only support for corn in the noncommercial area would be 37½ percent of parity. Is that right? It would be 75 percent of 50 percent.

Mr. KLINE. I think that is right; yes, sir.

Mr. PACE. To what extent does your recommendation go in that connection? Do you recommend that if the commercial area votes down quotas both the commercial area and the noncommercial area will get the level of support fixed by the flexible formula? Under our assumption it is 75 percent of parity.

Mr. KLINE. I am not sure I got that question, Mr. Chairman.

Mr. PACE. Assuming that the support on corn would be 75 percent of parity and that the corn growers in the commercial area voted against quotas, then you recommend acreage allotments in the commercial areas.

What do you propose to do about the support price of corn in the noncommercial areas?

Mr. KLINE. First, our proposal is that the support price in the condition which you cite would be 75 percent of parity, not 50. That is our proposal.

Mr. PACE. I was assuming on the basis of the supply of corn your support under the flexible schedule would be 75 percent of parity. We will make that assumption.

Mr. KLINE. And then that we have subsequently neither acreage allotments nor marketing quotas?

Mr. PACE. No; if your recommendation is carried out and the corn growers in the commercial area vote against quotas, then you recommend that they have acreage allotments for the 75 percent of parity support, assuming that would be the level under the flexible formula.

Then what do you propose to do for the corn growers under those circumstances in the noncommercial area?

Mr. KLINE. Under the act as it now stands, their level of support would be three-quarters of 75, if I am not mistaken, 75 percent of the loan in the area.

Mr. PACE. That is not the law now. Is that what you propose to change it to? Under the law now, the noncommercial area would get

75 percent of the 50 percent. Under the law now, Mr. Kline, if the producers fail to approve quotas they get support at 50 percent of parity. Then this act provides that the noncommercial area gets 75 percent of that, 37½ percent of parity.

Mr. KLINE. This 50 percent of parity if quotas are voted down is not the recommendation of the American Farm Bureau Federation. It is in the law, however. All the advantages would accrue in the noncommercial area to producers of corn which accrue to the noncooperators in the commercial area, of course, the ones you have been talking about.

The price would, after all, be affected by the cooperators. That would be true insofar as they are sellers of corn. As a matter of fact, the differentiation between commercial and noncommercial areas is primarily one which is designed to separate the farmers who are not primarily or even very considerably commercial producers of corn. They produce that for uses in the area which are not concerned primarily with the sale of corn.

Mr. PACE. But that is not the definition of the commercial area?

Mr. KLINE. Well, a commercial area, as you know, has a definition of so much production in the area.

Mr. PACE. What do you contemplate in your recommendation would be the support price of corn in the noncommercial areas if the producers in the commercial area disapproved quotas?

Mr. KLINE. Well, 75 percent of the loan in the commercial area, if I am not mistaken.

Mr. PACE. Then you propose to make it 75 percent of 75 percent, assuming that is where the support level is?

Mr. KLINE. I believe that is right.

Mr. PACE. Then you would change the provision entirely. You would strike entirely that part of the Aiken bill contained in paragraph (b) on page 7 which says that in the event of the disapproval of marketing quotas the support price will be 50 percent of parity.

You would repeal that section?

Mr. KLINE. That is right. That is our proposal.

Mr. PACE. Mr. Poage mentions that that would then leave the noncommercial area with a support price at 56¼ percent of parity, assuming the commercial area has 75 percent of parity?

Mr. KLINE. That is right.

Mr. PACE. Before leaving that, let me repeat that it may be necessary but I do not believe acreage controls will control, and I think if we are going to have any contorls we might as well have marketing quotas.

That is exactly what happened in the Irish potato program as you know. . They had goals and they paid no attention to the goals The noncooperators enjoyed the same benefits, in effect, as did the cooperators.

Mr. KLINE. Mr. Chairman, the application of marketing quotas to corn, as I am sure you have thought yourself, is an extraordinarily difficult thing, not only because of the widespread production of corn but because of the extraordinary number of people and the lack of necessity for a clear-cut sale, whereby by arrangement it may be sold for its highest priced use. The Illinois Agricultural Association has done quite a lot of work on this thing. Mr. Shuman is here and if you wish, I would be happy to have him discuss some of their findings with regard to the difficulties involved in the administration of corn quotas.

It is entirely up to the committee, however.

Mr. PACE. We are trying to get to him. I do say it must be admitted that the high percentage of your crop that is fed on the farm and the high percentage that goes to silage does present a problem that is peculiar to corn.

I think that must be admitted. It presents a problem with which this committee will have extreme difficulty.

Getting back briefly to the general program, Mr. Kline, on page 3 of your statement you say that we can and must have a more stable general price level. How can you reconcile that statement with the flexible price-support program? What is stable about flexible price supports?

Mr. KLINE. Again, Mr. Chairman, I must make a very brief answer but apologize, not because of any failure on my part but because the proposition is a complicated one. The brief answer is this: We believe that we can maintain a tremendously greater number of the advantages of the free-enterprise system by working in the area of maintaining a more stable general price level than we can by fixing hundreds of different prices of specific commodities.

Mr. PACE. You mean this stable price level to apply not only to farm commodities, but to all commodities?

Mr. KLINE. The general price level is the price of money expressed in goods and services, the weighted average of the price of money.

We have an index on the general price level long-time curves showing inflation in the Napoleonic war, the Civil War, and this war.

That is the general price level. We believe that America must do something in the field of inflation and deflation as it applies to money itself. It is in the field of the collection and spending of public funds, the management of the public debt, the contraction and expansion of credit and money itself.

That is the monetary and fiscal field.

Mr. PACE. Well and good, Mr. Kline, but this committee has no jurisdiction over that.

Mr. KLINE. I agree.

Mr. PACE. The most that we have been able to do is through the parity formula to attach farm prices to those conditions you mention. That seems to me the limit of our jurisdiction.

Mr. KLINE. I believe that is right, but I think it probably is complicated by the other situation, regardless of the jurisdiction of the Agriculture Committee.

On the other hand, the parity formula we are in favor of. We should like to see farmers get 100 percent of parity. We are not interested in 90 or 72 or some other figure, but we do not believe that the best way to improve per capita farm income is by the Government fixing prices at a profitable level.

Mr. PACE. I beg your pardon?

Mr. KLINE. If I may use an illustration which some committee member used, sir, this morning, the minimum wage is not a wage which the automobile workers, for instance, would be willing to settle for. I am certain that the automobile workers would not be willing to have the Government set the wage of automobile workers.

Neither is the farmer willing to have the Government set the price. The farmer is insisting that we have the counterpart of a minimum wage, which is price floors.

Mr. PACE. But in effect, Mr. Kline, the Government does set the wage of the automobile worker when it says that the sorriest, the laziest, the most inefficient, the most unskilled common worker on the yards of the manufacturing plants get 75 cents an hour and no less.

Then the semiskilled man falls into a slot just as naturally and inevitably as if the law fixed it for him. The skilled laborer falls into his slot and the expert falls into his slot.

You have fixed those wages. But it is not so on farm commodities. When you come here and fix in the light of the abundant production which we now enjoy, a support, in 99 cases out of a hundred that is the price.

We all know that except when we invoke marketing quotas. Do you not agree with that?

Mr. KLINE. No, I am sorroy to say I cannot agree with it. In the first place, a very vast amount of the commodities which farmers sell are apparently not covered by any such provision of law.

In the second place, I doubt sincerely that the point can be sustained that these wages fall into slots so automatically. All the arguments that go on in collective bargaining seem to me to belie the assertion.

Mr. PACE. That is one of the very points I am making. That helps fix the slot. When they meet across the table to fix wages and they talk about paying a skilled man a dollar an hour, the skilled man says, "Are you crazy? I am skilled. That man outside gets 75 cents an hour. I am worth twice to you what he is; am I not?"

I do not think my view is modified by collective bargaining but magnified by it. It sets up a standard for collective bargaining to operate under.

Mr. KLINE. I should make the point here that I am not definite about the 75-cent rigid minimum. We think it is probably higher than the minimum ought to be.

Second, we think that the minimum ought to be tied to the cost-of-living index. We believe very sincerely that it should be; and, therefore, we do not think the Government ought to promise so many cents an hour to everybody under all circumstances. We think it would reduce opportunity for a lot of people that you are talking about who can be employed and can render both themselves and their employers good service.

Mr. PACE. Mr. Kline, you say it should be tied to the cost-of-living index. Why do you not tie it where you propose to tie farm commodities? You have tied the price of farm commodities to the supply; have you not?

Mr. KLINE. Only partly.

Mr. PACE. The Aiken bill is where the supply determines whether it is 60 or 90.

Mr. KLINE. Yes. There are two points. One is, it is the support price which we have tied to the supply and the second is that we certainly expect to bargain for the prices of agricultural commodities.

Mr. PACE. Bargain with whom?

Mr. KLINE. We have not quite discarded our belief in the free-enterprise system. We think the market has some uses left.

Mr. PACE. We have nobody to bargain with. The point I am making is, if you propose to tie the price of farm commodities to the supply of those commodities, why do you not propose to tie the minimum wage to the supply of labor?

Mr. KLINE. The minimum wage does have some ties to the supply of labor because all the prices above the minimum would be subject to negotiation.

There the supply of labor in a very important factor.

Mr. PACE. I am sorry I cannot agree with you on that. I think the 75-cent minimum fixes the basis for negotiation.

I am not proposing that you tie the minimum wage to the supply of labor; but, if you are going to tell the farmers of this Nation to produce abundantly and then tell them that when they do it they are going to get a low-support price, I cannot understand why, if you did exactly the same thing with labor, you would not tell them that when there are only 1,000,000 or 2,000,000 unemployed the minimum wage would be 75 cents, but if you have 10,000,000 men walking the streets then it is 50 cents, or something of the kind.

What is the difference? What right have you or the Government or anybody else to cry for abundant production, and then propose a plan that says to that farmer, "You produce abundantly, but I want to tell you that, when you do, we have a law on the books that will cut your throat."

That is exactly what the Aiken bill does. No farmer who is halfway intelligent, who understands this law and understands that his price depends on the amount of that commodity that he produces, is going to follow your lead or my lead or the President's lead in trying to get abundant production in this country.

If he did, he would be a common, ordinary imbecile. When we tell him, "If you just raise not more than 70 percent of the normal supply, you will get 90 percent of parity; but, if you have 130 percent of the normal supply, you will get 60 percent of parity," What do you think he is going to do? What would you do?

Mr. KLINE. Well, in the first place, I am a farmer. You have used some very strong language in describing any farmer who would support this bill, and I do support it.

Mr. PACE. Let me retract that. I think that is unfair.

Mr. KLINE. I thought so myself.

Mr. PACE. I think that was improper because you would not come under that term under any conditions. You are a very able and learned and fair man.

Mr. KLINE. I try to be fair. I object to the "learned" part of it.

Mr. PACE. I still say, Mr. Kline, that when the farmer has an understanding that when he produces abundantly his support price is going down, there will be no encouragement to produce abundantly. Is that fundamentally wrong?

Mr. KLINE. No; that is the fundamental reason for setting in acreage allotments and marketing quotas and marketing agreements and all the other provisions of the act which are designed to enable the farmer to get his production into line with effective demand so that he can get a fair price.

We recognize fully and have stated in this statement the proposition that the farmer is vulnerable on exactly the point you suggest.

He continues to produce abundantly in these recessions we have, whereas the rest of the economy tends to have its production unstable and its price stable.

That is the reason you and I struggle with this matter of farm programs. I think all of us would be delighted if they were not necessary and if the farmer could count on getting a reasonable exchange value for farm commodities without them.

We recognize the facts of the case; and, therefore, we are for a program.

Mr. PACE. That is what confused me. There you said that, therefore, you have recommended machinery to control production.

Yet, at the top of page 9, you say, "We do not believe the American people can get more by producing less."

A control is producing less; is it not?

Mr. KLINE. It attempts to adjust to effective demand, but any time demand increases or any time by any means the farmer can increase the demand we are ready to increase production.

There is nothing in this that is the kind of monopoly which wants to gouge the public. It is an effort to get a fair return value only.

Mr. PACE. Let us understand each other. What do you recommend? Are you recommending a program whereby the production would be pretty well in balance with the demand?

Mr. KLINE. We hope to do that.

Mr. PACE. That is your recommendation?

Mr. KLINE. We should like very much to be able to have the amount of production which will be reasonably balanced with demand.

Mr. PACE. Then, that is not abundant production.

Mr. KLINE. We certainly hope that it can be, and we believe that it can be if we can adjust the production in other areas so it is likewise abundant. This is a defensive mechanism in agriculture to try to protect us when other people are not productive, when other areas do control production in order to maintain prices.

Mr. PACE. I think I see the thing a little more clearly. You are recommending in effect, a control program?

Mr. KLINE. We have suggested in the testimony and in our support of the bill that not only in the areas covered by the bill by specific provisions—as, for instance, in the basics—but that in other commodities there should be available, wherever possible, such provisions and techniques as the application of marketing agreements, for instance, to do exactly what you suggest by various means, as, for instance, by the diversion of inferior quality or the diversion to secondary uses or by whatever means is reasonably available, to adjust the marketed amount to the effective demand.

Mr. PACE. Are you recommending that where the Government supports a price there be put into effect either a limitation on production or a control on marketing under a Marketing Agreement Act?

Mr. KLINE. It is a very broad statement. In general, the answer is "Yes." There may be exceptions, but in general that is our approach.

Mr. PACE. Other than through the payment plan proposed by the Secretary, what is there in the Aiken bill or the present Marketing Agreement Act that will reach out into this great field of nonbasic commodities? There is no Marketing Agreement Act now that will cover a hundred of these commodities.

Mr. KLINE. There is the whole field of distribution outside the marketing system such as the stamp plan, such as the school lunch, such as the current subsidy for certain exports under certain conditions, the purchase program by the Government where the Government steps into the market and secures for whatever use it has available for distribution other than the regular channels.

All of those things are involved, and I do not suggest that the list is complete. I am merely giving you examples.

Mr. PACE. An enumeration of those brings up a very interesting point in this Aiken bill. It says here in section 302 (a):

> The Secretary, through the Commodity Credit Corporation and other means available to him, is authorized to support prices of agricultural commodities to producers through loans, purchases, payments, or other operations.

As one of the active supporters of the Aiken bill, what is your interpretation of "other operations"?

Mr. KLINE. That is in the area where I say I am not prepared to make an exhaustive analysis of it, but I have given you examples of the kind of things that are suggested.

Mr. PACE. Is it not true, Mr. Kline, that that leaves any type, character, or kind of program that the Secretary in his discretion might determine?

Mr. KLINE. Excepting for the eight qualifying provisions which are in the same section.

Mr. PACE. The eight qualifying sections state, however, that "Consideration shall be given to" these things.

Mr. KLINE. One of those is the availability of funds, which is a very important limitation.

Mr. PACE. Are you in favor of that limitation?

Mr. KLINE. Yes, sir.

Mr. PACE. Do you mean that you think, if the Congress appropriates funds to the Commodity Credit Corporation and they use them all in supporting corn, wheat, cotton, tobacco, and two or three other commodities, that all of the other producers in this Nation should be left without hope of any kind of protection?

Mr. KLINE. No, indeed.

Mr. PACE. When you place upon the Secretary the right to turn you down because he says, "I think I am going to need all the funds I have on the wheat program or the cotton program." then you have left the producers across this land without any hope at all?

Mr. KLINE. That certainly is not our intention. We shall try to get from the Congress the kind of cooperation on this point which would make possible a reasonable attention to these limitations.

Mr. PACE. Thank you, Mr. Kline; but the thing that disturbs me is that you are here this afternoon putting your stamp of approval on the thing now, as is, to go into effect on the 1st day of January.

Mr. KLINE. If the Commodity Credit Corporation ran out of funds in the normal application of the provisions of the act, we should be the first to insist that it ought to be able to carry them out: that the limitation on funds should no be made a qualification or limitation.

Mr. PACE. If these commodities that I have mentioned—grains, cotton, and so forth—take up a great percentage of the support funds, do you not think Congress should make some provision to see that funds are available for these others and that authority should be in the law for that?

Mr. KLINE. Yes, sir; but I also think it should be within the reasonable limits which we can expect Congress to exercise judgment with regard to.

Mr. PACE. Mr. Kline, have you been over to the Department in the last few months to try to get a support price on a nonbasic commodity?

Mr. KLINE. I have been to the Department a number of times in the last several months on various subjects.

Mr. PACE. Did you try to get a support on a nonbasic commodity?

Mr. KLINE. Yes.

Mr. PACE. Did you get it?

Mr. KLINE. The Department has seemed to be very busy, and it has been a little difficult.

Mr. PACE. That is right, but you are putting your stamp of approval on an act that leaves it entirely—and, I repeat, entirely—in the discretion of one living human being. That human being has been before this committee and has stated that he thought supports ought to be on 10 selected commodities and that the others should be put in the classification of getting support as, when, and if, subject to his discretion.

Mr. HILL. And one of those is wool, which is important.

Mr. PACE. I think, Mr. Kline, it is fair for me to say that the producers of any commodity that contributes the food and clothing of this Nation are entitled to equal treatment with any other commodity?

Mr. KLINE. Yes; that is a very fair statement and, within reason, we should like to see it done. However, as I pointed out this morning, there are dozens and dozens and dozens of agricultural commodities competing for the primary resources of land and labor.

I believe that agriculture will do far better with less government than it would take to administer programs on these several hundred commodities. I think, if we can get the major areas of agriculture stabilized, we can leave something to the judgment of farmers in the question of which direction they go on minor commodities.

Mr. PACE. Mr. Kline, why cannot you come here speaking for the farmers of this Nation, and speaking for me? I am a member of the Georgia Farm Bureau and proud of it.

If you want to stabilize agriculture and if agriculture, as a matter of fact, does contribute to the economic stability of this Nation, that we should stabilize this thing and that we should fix a fair general level support across the board for every single agricultural commodity produced in this Nation?

Then when you want to get shifts you could induce them by increasing support for one commodity. You could do exactly like the Secretary did in flax and other commodities, getting your shifts by taking the farmer gently by the hand and leading him out instead of taking this Aiken bill and by force and bankruptcy driving him out. That is what this bill does, in my judgment.

Mr. KLINE. I should comment that your judgment and mine are different on that point. I should also say that there is no counterpart which guarantees to people with capital in some other business a profit or guarantees to people with a job in some other industry a job at a fair price and that it is the position of the Farm Bureau that if we went this way in agriculture we would be going toward the kind of completely administered price system in the economy which we think is contrary to the interests of agriculture.

We think it is contrary to the theory of high per-capita income in agriculture.

Mr. PACE. Let us suppose we guarantee them a job and that he will get a minimum of 75 cents an hour if the bill passes.

We will guarantee that if he does not get a job he will get unemployment insurance. We will guarantee him many things under the Social Security Act, of which the farmer enjoys no part.

We will guarantee him by law the right of collective bargaining. We guarantee industry protection under the tariff law.

Mr. Kline, it seems to me that the man who works in the sun in the field and produces the food for all of these millions to eat is entitled to the same degree of security and protection that is enjoyed by the people who eat that food.

Mr. HILL. Mr. Chairman, you left out one of the finest illustrations there is.

Now we have an 8-hour day. I am sure Mr. Kline would agree if we have to establish in this Nation of ours a day's work of 8 hours in industry, we could establish the same floor by saying that wheat shall never sell under 75 cents a bushel. That is the thing I cannot understand. That is what I was trying to get at this morning.

Certainly we should have a floor under which these products cannot be sold. I still think we can do that, Mr. Kline.

Mr. PACE. Somebody said there were 130 commodities and somebody said 250. Which is right?

Mr. KLINE. Two hundred and seventy-five is closer.

Mr. PACE. You have a law which gives flexible support to cotton, corn, wheat, rice, tobacco, peanuts, wool, and irish potatoes. That is eight. Out of 273 commodities you have given them a support price of from 60 to 90. Eight from 273 is 265. The producers of the other 265 commodities under this law have no protection other than the discretion of the Secretary of Agriculture. I ask you to point out to me one sentence or one word in the bill that gives them any protection outside of the discretion of the Secretary of Agriculture.

Mr. KLINE. With the limitations which are included on the top of page 14, we have made a suggestion with regard to nonbasic agricultural commodities. It says, "Insofar as feasible price supports shall be made available"—and no one should argue about feasibility—"to the producers of any nonbasic agricultural commodity whenever acreage allotments, marketing quotas, or marketing agreements are in effect."

Mr. PACE. But you have no recommendation in that connection, Mr. Kline.

Mr. KLINE. Yes; we are recommending the extension of marketing agreements to all commodities. That is recommendation No. 6.

Mr. PACE. Are you willing to suspend the effective date of the Aiken bill until we can get ready for the Aiken bill?

Mr. KLINE. It is our opinion that the sooner we try to get to a more permanent relationship the better off we shall be and the less difficulties we shall have in administration.

Mr. PACE. I think that is comparable to the proposal of the President to have a national health-insurance program when he, in the next line, admits that there are not enough doctors in the United States to even start such a program. I think it is putting the cart before the horse.

Mr. COOLEY. Mr. Chairman, will you yield for a question?

Mr. PACE. Yes.

Mr. COOLEY. Mr. Kline, if I understand your proposition, it seems to me that you are of the opinion that all that we have done in the last 14 to 16 years in the interest of agriculture has been wrong, that our idea of supporting farm prices has been bad, that we have supported farm prices at a price too high. Is that a fair interpretation of your present recommendation?

Mr. KLINE. No, sir; it is certainly not.

Mr. COOLEY. Then let us take them one at a time. You do recommend a drastic change in the methods now employed in the interest of agriculture; do you not?

Mr. KLINE. That is right.

Mr. COOLEY. And the drastic change is that you lower the support price from a fixed 90 percent to a flexible basis.

Mr. KLINE. On the commodities now covered by the 90 percent.

Mr. COOLEY. If a flexible base for a support program is good, then a fixed 90 percent support program must be bad, according to your views.

Mr. KLINE. When you say 16 to 19 years you are taking in the period prior to the war and in the period prior to the war we had developed an agricultural program based on acreage allotments, marketing quotas, and various devices for adjusting production to demand and based on certain levels of price support. They are materially lower than those which we have suggested as possible of achievement now, but they did secure for us some knowledge of the difficulties involved in that sort of program. We have tried to profit by experience and to suggest here a program based on that experience with, as I said a moment ago, materially higher supports than we have ever tried prior to the war.

Mr. COOLEY. We have gone a long way since then, and we have grown progressively better. The farmer has grown progressively more prosperous over these recent years. If 90 percent was good for him then, why is it not good for him now?

Mr. KLINE. The assumption that the basic reason for agricultural prosperity during the war was a minimum support program seems to me not to be well founded. There was unlimited demand for any kind of thing that you produced in an agricultural way, first.

Second. There was a very considerable reduction in the number of people on farms, among whom agricultural income was divided.

Third. The cost of producing agricultural commodities went up far more slowly than the general price level. That rise in prices was not a result of a farm program; it was a result of an over-all and almost unlimited demand.

Mr. COOLEY. In other words, you admit that this farm program was not responsible for the farmers' prosperity in any degree at all?

Mr. KLINE. I would not say in any degree at all.

Mr. COOLEY. Was it or was it not a contributing factor to the prosperity enjoyed by the American farmer?

Mr. KLINE. It was a contributing factor and the American Farm Bureau Federation was instrumental in getting it put into effect. However, the major factor during the war was not supports at 90 or 92 percent of parity. The prices belie that assumption because prices averaged about 120 percent of parity through those years.

Mr. COOLEY. Did you not hear one of our associates make a statement in this committee room the other day to the effect that but for the support program on cotton in 1948 cotton would have sold for 18 to 20 cents a pound?

Mr. KLINE. That is right.

Mr. COOLEY. Do you agree with that statement?

Mr. KLINE. I am willing to defer to the judgment of the man who did make it.

Mr. COOLEY. If you defer to his judgment, then but for the support program the cotton farmers of this Nation would have been forced into bankruptcy. Yet you are now attempting to weaken that program.

I would like to ask you one other question. Do you not think your recommendations come somewhat as a shock to the American farmer when he is faced with the fact that industry is pushing up the floor from 40 to 75 cents an hour and above that minimum wage labor has all the powers that have been conferred upon it by legislation which enable it to negotiate above the floor level and get fair wages?

Now, you come out as one of the farm leaders of this country recommending that we pull the rug out from under the farmer and let his support program go down and down as supplies go up and up.

Mr. KLINE. First, I want to beg the privilege of commenting on the statement which you made that it is our proposal to weaken this program and force the farmer into bankruptcy. I should like to point out that with regard to cotton, which is the commodity you mentioned, we make specific recommendations which are designed to make it possible under the program for the cotton farmer to get 90 percent of parity in a support program.

Mr. COOLEY. You make it possible for them to do it, but why do you object to fixing it so you know the farmer is going to get that if he does what the Government tells him to do?

Mr. KLINE. We see no reason why the farmer—and I think there is great support in the cotton area for this—should demand that the Government fix the price unless the farmer cooperates in the program.

Mr. COOLEY. You could take the same support program with regard to tobacco. But for the 1948 support program we would have gone into bankruptcy in the tobacco areas of this country, and every intelligent man knows it. Why should you expect us to embrace the program that we know is going to lead us to bankruptcy? That is what I cannot understand.

Mr. KLINE. What I would say with regard to tobacco is that the American farmer has recognized the peculiar conditions of tobacco and supported a program which is satisfactory to handle that situation.

Mr. COOLEY. We would face the same devastation in our area if we dropped to 50 or 60 percent of parity. We cannot live on it.

Mr. KLINE. There are special recommendations in our presentation with regard to tobacco, cotton, and peanuts.

Mr. PACE. Mr. Kline, I do not like to disagree with you. You are one of the great farm leaders and you are leading more farmers than anybody else in this Nation. What I would like to do more than anything I know is to take you by the arm and go right down the road with you.

Mr. KLINE. We are both ready.

Mr. PACE. You have made nine recommendations here for changes in the Agricultural Act of 1948. They are all very constructive recommendations. With one exception, the last one, I find myself in general accord with them. That is the one that makes the Aiken bill effective immediately.

You have recommended an entire reworking of the Marketing Agreements Act to apply to all of the nonbasic commodities. I agree with that, but you know what that means. That means weeks of hearings and of legislating. It is now May 11. You have recommended these changes as to cotton and tobacco and peanuts and other commodities which are very necessary changes.

Tomorrow, I hope by noon, we are supposed to see the bill presented by the Secretary of Agriculture, which will contain the legislation which he has recommended for price supports to go with numerous changes in the marketing quota laws as to corn, wheat, and cotton. This committee has enough to do, working day and night until the day Congress adjourns. You know as well as I know that we cannot get these recommendations into effect this year. You see how this committee feels on the whole. You have sensed that.

I understand there are some claims that the Senate committee may be found to feel differently about it, but I have found no great difference over there except in one or two places.

Is there anything wrong with us extending title I of this act for this year and sitting down with you and others and doing the things you recommend and the things we suggest and building a program?

That will not only contribute to the welfare of the farmers of this Nation but, as our distinguished chairman has said, will contribute to the economic welfare of the entire Nation and in some respects to the world.

I think we are playing with too big a game to let go into a law that you admit is not satisfactory, which the Secretary of Agriculture has recommended that we repeal, and which I think nine-tenths of this committee feel should never be permitted to go into effect in its present shape.

Is that an unreasonable request to make of you?

Mr. KLINE. Mr. Chairman, I appreciate more than I can say the spirit in which your suggestion is made and concur wholeheartedly with the suggestion that we work together on this thing.

First. The American Farm Bureau, and I am personally in agreement with its position, has recommended certain revisions in the act, the most important of which are concerned with merely timing so that the act of 1948 may become effective at an appropriate date, so that agriculture doesn't get into trouble needlessly and, secondly, we disagree with the assumption that the extension of what we call the wartime legislation for another year is an appropriate answer to our dilemma.

What we fear there is that we shall develop a habit of approach on a fixed-price basis which we believe to be inconsistent with the welfare of agriculture.

It is basic in our presentation, as I am sure you have appreciated this difference of opinion.

Mr. PACE. You understand that the Grange, the co-ops, the Farmers Union, have all come in here and have made recommendations for changes in this act.

Senator Aiken sat here less than 2 weeks ago and stated that the act should be amended in three respects. I do not know of a living human being in this Nation who thinks this is good law as it stands. You know how it was passed. There are a lot of things, well you know you never expected and the Senator never expected it to become the law of this land.

.It passed the Senate with the idea of coming over here to be reviewed and go to conference. Many of these things should have been worked out.

Senator Aiken told me himself that he had left hired labor out of the parity formula because he wanted to give us the privilege of writing it in there.

Nobody ever expected this bill the day it passed the Senate to become the law of this Nation. You know the circumstances on a late Saturday night and early Sunday morning.

There came a cry from Philadelphia, "We must have something."

Now they have something they wish to goodness they could get rid of. I say in final conclusion that any man who comes before this committee and says he is against great controls on agriculture—please understand. I am trying to be kind—anybody who says he is against the control of the agriculture of this Nation and will read the hearings of this committee—where the Solicitor of the Department of Agriculture testified for 2 weeks giving the interpretations of the controls that are in this bill—cannot reconcile the statement with his support of this act.

Everything the Secretary of Agriculture asked for is in this act except the 1,800 units. Yet we hear your great organization, the Grange, the farmer co-ops say "We do not want so much control of agriculture."

Yet unless you or someone agrees to stop it, there will be put on the farmers of this Nation on the first day of January the greatest control measure ever conceived by man and which every Member of Congress admits he had no comprehension was in there when it was passed. There must be some ground here on which we can get together.

Mr. COOLEY. Mr. Pace, if it is put on the necks of the farmers it will turn out to be a collar filled with thorns because it will absolutely wreck the agriculture of this country.

I think we know that if we know anything.

Mr. PACE. Are there any questions?

If not, we thank you very much, Mr. Kline. We are greatly indebted to you. I hope this hearing will be beneficial to all of us. I hope in your further consideration, you will find some common ground where all these diversities of opinion may be reconciled.

Mr. KINE. Thank you, sir, sincerely.

Mr. PACE. We have two distinguished gentlemen here.

It is the pleasure of the committee to hear now from one of whom I am personally very proud, a leader of the farmers in my State, the honorable H. L. Wingate, president of the Farm Bureau of Georgia.

STATEMENT OF H. L. WINGATE, PRESIDENT, FARM BUREAU OF GEORGIA

Mr. WINGATE. Thank you, Mr. Chairman, and gentlemen of the committee.

I appreciate very much this opportunity to appear before the committee and especially since one of our most beloved Congressmen is chairman of this subcommittee.

We think a lot of him down in Georgia. I was just sitting back there thinking a moment ago, if he is for this Aiken bill, I was wondering how quickly things could change down there.

They have been very nice to me down there and if I was for it, it would change very quickly on me. The farmers of Georgia are not for it. They are opposed to it.

Mr. POAGE. Do I understand you to suggest that the farmers of Georgia did not go up there to Atlantic City and cry out that they wanted the Aiken bill to control the cotton situation that they might control it like they wanted it?

Mr. WINGATE. They rose up on the other side.

Mr. POAGE. I had an idea that happened, Mr. Wingate.

Mr. WINGATE. Gentlemen, I do want to say that I am very sorry that I do have to appear in opposition to the Aiken bill which the American Farm Bureau is supporting. I want you to know that I believe I have worked as hard as anyone for the Farm Bureau for the past 8 years and this is the first time during the 8-year period that we have had a program before us where the difference has been so keen that I would have to appear in opposition to the Farm Bureau's thinking.

Certainly it is not a pleasure in that respect. I believe in working out things and putting up a solid front. I feel that this would be very detrimental to the farmers and for that reason I am appearing in opposition to the Aiken bill.

First, I would like to call your attention to the fact that we had a farm program in 1933 and 1934. Some people talk about less government in the programs. We had all the government in the world in the program right then. We had controls then.

Our guarantee was a sliding scale then, 52 to 75. The trouble was that it did not slide. It was 52 and it stayed there and finally after many struggles we got cotton up to 56 percent of parity.

We had controls on then and there was government in it then. Regardless of what price protection we have, whether it is 50 percent, 75, or 90, I doubt that there will be very much difference in the amount of control that would enter into it.

When you set price guaranties automatically you have to accept controls.

Mr. PACE. Let me point out right there that that is the peculiar thing in the Aiken bill. Even when the farmers have voted against quotas they are still controlled.

Mr. WINGATE. Absolutely.

Mr. PACE. Under the present program if the farmers voted against quotas they were free men, but they have written a control provision in the Aiken bill that when they vote against quotas their support shall be 50 percent of parity and whenever supports are in effect the whole control machinery becomes operative.

Mr. WINGATE. That is right.

Mr. PACE. Under the Aiken bill, there is nothing in the world a farmer can do to get out from under controls. Is that your understanding?

Mr. WINGATE. That is right.

Mr. PACE. That is the law?

Mr. WINGATE. With reference to the Aiken bill, the 60 to 90 percent sliding scale, gentlemen, the real thinking behind this—and it has been a struggle in our organization for 3 years—is that if the price gets down to 60 percent it will force them out. I agree with you that is one way to control, if you will bankrupt a fellow and get him out of the way.

You can control that way. I am opposed to that kind of control. In the Aiken bill they set 75 percent guaranty when supplies are normal or less. Ninety percent could not cost the Government anything because the supply is normal.

Mr. PACE. It is 90 percent at 70 percent of normal under the schedule?

Mr. WINGATE. But if we forget the schedule and say when the supply is normal or less, if you get 90 percent guaranteed you are merely preventing the speculators during the unloading season from taking the farmer's price down to 75 percent. That is where they would take it. It would not help the consuming public at all. It would disrupt your economy. If you let such a program as that go into effect, you can go to a banker who is financing a man growing cotton and see how much he will lend you.

He will have the 75 percent in mind when he lends to you. If you drop that to 60 he will have 60 in mind. And, gentlemen, if you drop it to 40, he will have 40 in mind.

Mr. PACE. May I interrupt you there?

Mr. WINGATE. Yes, sir.

Mr. PACE. Is it not true that when the support price is from 60 to 90, depending upon the supply, and the price is not fixed until harvest time, all in the world that the farmer can borrow on is a 60 percent of parity basis? That is all the bank can afford to lend him on?

Mr. WINGATE. That is the thing the banker would have in mind.

Another bad thing about this bill is that you do not set the price and the farmer does not know what the price is until the time when he starts to harvest his crop. How in the world can he operate under any such set-up as that? I think that is simply ridiculous.

Another thing about this bill that I do not like is when you go into controls—using cotton as an example again—and you have a bumper crop, as some of you have suggested we might have, and we are way above normal, you are going to cut the farmer's acreage, we will suppose, 20 percent and you will cut his price, too.

You might just as well draw a knife across his throat. You are just putting him out of business. It does not sound fair to the farmers or to me.

Mr. COOLEY. You mean you might as well cut their throats as to put the Aiken bill into effect?

Mr. WINGATE. I agree with you on that.

Mr. PACE. I hate to interrupt you so much, but let me ask this question: Assuming there will be a carry-over of cotton on August 1 of 5,000,000 bales, and assuming there is the possibility of a 15,000,000-bale crop this year, and that the carry-over on the 1st of August 1950 will be between 8,000,000 and 10,000,000 bales, do you not see that under the Aiken bill we will have acreage controls and 72 percent of parity support for the next 5 years or more?

Mr. WINGATE. That would be my guess, with a crop like that.

That is exactly the point I was trying to bring out, gentlemen. If you went in with this production, you would cut his acreage tremendously and then cut his price down to 72 percent. I have been in this fight for a long time, sir, with our own group.

Gentlemen, I want you to know that I have thought about this part of it and I do not think enough stress has been put upon it. We have a staggering debt facing us, over $250,000,000,000.

This year in the budget there is one item of $5.4 billon-plus for interest alone. Just 16 short years ago, gentlemen, the total national budget of this Nation was less than $5,000,000,000. The point I am stressing there is that we are going to have to maintain a high national income for a long time to come.

We are going to have to maintain a national income sufficiently high that we can drain off enough taxes to finance the situation.

Otherwise we are facing disaster. That sounds like common sense to me.

Mr. COOLEY. And you cannot do that with a decline in commodity prices?

Mr. WINGATE. You cannot do it with a decline in prices, Congressman. I want to say that agriculture is absolutely basic, gentlemen, in our national economy. One of you mentioned this morning that you have never had a depression when the farm prices did not lead it off. I state to you that we have never had a depression in the history of this Nation when farmers were prosperous. They say that it might be possible, but I do not believe it is possible to do that. So agriculture is absolutely basic in our national economy and we are going to have to maintain good prices. I say to you if we put this 60 to 90 sliding scale in, regardless of what point you guarantee, you are going to have just as much control under it as you would if you had 90 percent.

It is necessary that the farmer have this purchasing power if we keep the national economy up.

Mr. GRANGER. Will the gentleman yield?

Mr. WINGATE. Yes, sir.

Mr. GRANGER. In your opinion, if we accept the theory that agriculture is basic, should the Federal Government support agricultural prices; and how much money would the Congress be justified in spending to keep agriculture prosperous and thereby avoid a depression?

Mr. WINGATE. I would be unable to guess how much we would have to spend on it, but I would like to bring out the point that we have had this farm program in operation since 1934 and the records of the Commodity Credit Corporation show that when they closed their business on June 30, last year, they were $79,000,000 to the good.

I know the war had something to do with that, but with the proper controls, Congressman, for instance, cotton guaranteed at 90 percent and corn and so on, guaranteed, those commodities cannot be sold in competition with the farmer's price until they reach parity.

As it now stands in the Government, they are bound to handle these storables at some time and it will not cost them too much.

I think we should be very careful and farmers should have to agree to some kind of program that would not cost the Government too much.

We set up the Commodity Credit Corporation in 1933 or 1934 and they set up 4.75 billion dollars to finance it.

That same money would do more then than it will today because prices are higher today, but I do not think the loss would be tremendous.

Mr. GRANGER. You heard the questioning this morning. We are spending $15,000,000,000 for the military, and perhaps nearly that much more for overseas expenditures. We also have this great debt. The question was asked: Should we go ahead under those conditions and support farm commodities?

There was a lot of weeping on the other side on that question this morning.

Are we willing to start to curtail on something that is basic to the American people and basic to the world? Is this the place to start?

Mr. WINGATE. I would say that we are in a peculiar situation here, when the European recovery program is on and we are going to watch it very carefully and try to have our programs work in with the ECA and not get the props knocked out from under us by having it all cut off at one time.

I think it can be worked out, Congressman. I would like to call your attention to one thing, gentlemen. We are called upon to maintain surpluses in tremendous volume. They say a normal surplus for cotton is somewhere between 5 million and 6 million bales of cotton.

That surplus is included in normal supply. That takes in your domestic consumption plus your exports plus a fair carry-over.

That is your normal supply.

We are right on the point of what we call the normal supply now. Gentlemen, if you take the guaranties out from under cotton and if they had not been under there this year, cotton would sell for less than 15 cents a pound.

There would have been no way around it at all this year. Still it would be just a normal supply.

Mr. GRANGER. Then it would have an effect on every other agricultural commodity in the country.

Mr. WINGATE. That is right, sir. This is the reason I am disturbed about the normal with the guaranty at 75 percent.

That would be the price.

Mr. PACE. What does the Aiken bill to do to cotton? First it reduces the parity price of cotton. Secondly, it reduces the support price of cotton. Thirdly, there, it changes the basis of making the support price from seven-eighths inch Middling and takes off another 2 cents.

The Aiken bill cuts the heart out of cotton three ways. Is that right?

Mr. WINGATE. That is absolutely right.

Mr. PACE. Yet they expect the cotton farmers of the United States to support the Aiken bill. Have you found one yet who was in favor of the Aiken bill, a single cotton farmer in the United States?

Mr. WINGATE. No, sir; and I have not seen very many of any other kind. I have been in a lot of States of this Nation and I do not believe that the Aiken bill represents the thinking of the farmers.

Gentlemen, I want to tell you that if this Aiken bill is in effect in 1950 without controls on wheat or corn and no control on cotton this year, the farmer is going to be asking who supported that bill.

The farmers will find out who supported that bill and why it is there.

Mr. PACE. And it is going to throw the economy of this Nation into a tail spin?

Mr. WINGATE. That is right, and it will head us for a depression. We can never survive a depression like we had following World War I.

With the basic commodities the Aiken bill has only wool and Irish potatoes. I believe they would have to be protected at 60 percent or better.

Mr. PACE. Sixty to ninety percent?

Mr. WINGATE. That is your eight commodities.

Gentlemen, you discussed this this morning and I want to be brief about it.

It is terrible if you are going to have controls on some commodities and then leave it to the discretion of the Secretary as to whether you will get 1 percent of parity or whether you will get 10 or whether you will get 40 or 75.

That is a bad situation.

Mr. HILL. Mr. Chairman, may I ask a question?

Mr. PACE. Mr. Hill has a question.

Mr. HILL. You heard my question this morning regarding a floor. Would the gentleman favor a floor for most basic agricultural products under which the Federal Government would not permit crops to be sold on the market?

Mr. WINGATE. Yes, sir.

Mr. HILL. You would want that floor to be reasonable?

Mr. WINGATE. That is right, sir.

Mr. HILL. Then your flexibility could be above the cost of production.

Mr. WINGATE. That is right.

Mr. HILL. Is that not a fair proposition to start off with?

Mr. WINGATE. Congressman, you were not here a moment ago when I mentioned the surpluses which we carry. Remember, parity is a fair exchange. If we accept 90 percent you know somebody else is getting that 10 percent.

Gentlemen, you are agreeing to back off and take that price. With the surpluses we have to carry I feel that this guarantee should not be less than 90 percent. I want to mention one or two things just to show you how ridiculous this looks to me.

We will take bread, for example. According to the official figures of a few months ago, bread was selling for 16 cents a loaf. Had the farmer made the first man his present of his wheat and said, "I don't want anything for it" and had every bushel been delivered that way, the consumer would still be paying 14.7 cents for that loaf of bread.

Let us take a shirt, a $3.50 shirt, as another example.

If the farmer just gave his cotton away, that shirt would still cost $3.25.

Cigarettes are from 20 cents up where there is a tax. If the farmer who produced the tobacco gave his tobacco away, those cigarettes would still cost you 17⅗ cents a pack.

If the farmer gave away beans, a 10-cent can of beans would still cost the public 8.7 cents.

A suit of clothes that costs $50 would still cost better than $43 if the farmer gave away the wool.

I bring this out to show you that the little bit that the farmer has in the price that the consumer pays is going to be dropped from 90 to 60 percent now.

Do you think the consuming public would ever know the difference in that little bit?

Still, that is enough, gentlemen, to wreck the economy of this Nation through agriculture.

I am disturbed about our whole economy at the present time. It is not just the farmers, gentlemen. I am trying to look across the horizon on this whole matter. We are not out to fight anybody or try to make people pay exorbitant prices for food and fibers. I say we have two real problems facing us. I think we have whipped one of them already. The two real problems facing us in this Nation are wild inflation and a wild depression.

I think we have whipped the inflation part of it. I say this advisedly, gentlemen. We are going to have to steer to a great degree between these two courses if we maintain a natioonal income that will keep us on safe ground.

Mr. Hill. Mr. Chairman, will the gentleman yield for a question?

Mr. Pace. Mr. Hill.

Mr. Hill. Is it your opinion that the whole Aiken bill is so bad that it cannot be remedied by amendment?

Mr. Wingate. You can amend it until you can just strike all but the title and I think that is almost what needs to be done to this bill.

Mr. Hill. Then what would you follow it with; the Brannan plan?

Mr. Wingate. No; if you do not mind, I am coming to my suggestion. I can answer that right now.

Mr. Hill. Go right ahead.

Mr. Wingate. I think the point that I was trying to bring out about steering is important. I say "steering" advisedly. I do not want any few or a dozen people steering this thing. Two-thirds of the farmers have to vote for this farm program we have and I think they are controlling it themselves.

It is not regimentation. If it is, they are regimenting themselves. I think we have had a very good farm program so far. I think it can be improved.

Mr. Hill. You are speaking of acreage control and acreage allotment?

Mr. Wingate. Yes, sir. I think with the experience that we have had with the present farm program that we can expand it and continue to improve it and make a better farm program.

Gentlemen, let me just say this: You know we have been a long time trying to get the farmers to understand our farm program. They understand it pretty well now.

To make a drastic change like this Aiken bill, to make a drastic change like the Brannan plan, would put us where I do not know when we would ever get anything done.

I would hate to have the job of explaining to the farmers in any State that to set the price floor on a commodity before you planted it was an edict and to set it after you had produced the crop was not.

I could not explain that. That would be a hard thing for me to explain to them. You brought that point out this morning. We have a good farm program and I say we should improve on it and not make these drastic changes.

With reference to the Brannan plan, I would like to say that it is revolutionary in our way of thinking.

It is foreign to my way of thinking. I think the day you started indicating the people in this country to giving away their food you have started in the wrong direction.

We all know that if you are going to pay your grocery bill through the United States Treasury, every time you want to pay $2 on it you send them $3 or better.

Mr. COOLEY. In that connection, you just pointed out the fact that the cost of the raw agricultural commodity was only a negligible amount of the total cost paid by the consumer, so it would be difficult under any circumstances to pass any of the actual benefits on to the consumer, would it not?

Mr. WINGATE. Yes, sir; that is the point exactly. You are just passing practically nothing on to them.

Mr. COOLEY. In other words, the fact came out this morning that wheat has declined substantially in recent months but bread has remained at the same price.

Mr. WINGATE. That is right. The differences of the cut from 60 to 90, if passed, would be unnoticeable and that means the difference in a healthy situation in agriculture.

I want to speak of the Brannan program for a minute.

Gentlemen, we did not reach a hundred billion dollars a year total income in World War I. We did not reach it until this war.

Now, should we drop back to one hundred billion a year total national income at this time, we would be in a worse depression than we were in the thirties.

At that time less than $5,000,000,000 was your total national budget. You know what your budget will be this year; around $42,000,000,000. Suppose we whittled it down to 33⅓ billion dollars and you dropped back to a hundred billion and then added another $12,000,000,000 taxes for your cities, counties and States. It would bring you up to where practically 50 cents on the dollar would have to go to pay for these things.

I say to you that we would be in a worse depression with $100,000,000,000 total national income than we were during the depression.

I will venture to guess that we will be treading on dangerous ground if we ever go below $150,000,000,000 total national income in this Nation.

With reference to the Brannan plan I can be very brief on that because I am just opposed to it. It was brought out this morning that if you do not get the money you will not have the program.

Gentlemen, I challenge anybody to figure out anything that will cost less than 5 billion to 10 billion dollars a year to finance that plan. Just use your milk program, the liquid part of it, as an example.

I do not see how in the world you can figure it. The Farm Bureau gave an estimate. But just on the liquid side, the 30 percent, I think it would cost beyond a billion or maybe 2 billion on just one item.

We have to come to Congress to get this money and I do not think Congress would give it to us.

Mr. HILL. If you go ahead and give it $2,000,000,000, will you solve the problem? Money never solves a problem.

Mr. WINGATE. I do not think you will have solved the problem. That is all I am going to say about the Brannan plan.

I just say that certainly we would not want to produce a control for scarcity. If you are going to produce so the people can have an abundant supply, you will have that low price. There is no telling how low it will go.

Mr. COOLEY. Mr. Wingate, one question:

Of course, the Brannan recommendations are several in number. There is one about the 1,800 units and one about the production payments.

Have you given any consideration to his calculation of fair prices, the 10-year period that he uses in determining the fair farm price?

Mr. WINGATE. You mean that 10-year moving average?

Mr. COOLEY. Yes.

Mr. WINGATE. I have not been able to give that much thought to it. I do not think the Secretary under the Brannan plan used the 10-year moving average.

Mr. COOLEY. Not the 10-year moving average we have known in the past but he has a new idea of taking the 10 most recent years and relating the farm income to the nonfarm income group and arriving at what he considers a fair price.

He takes the figures from out of the sky.

Mr. WINGATE. I was just going to say that is where they came from.

Mr. COOLEY. Anyway, he arrives at something that is near the old parity formula. It seems to me that he has picked out the last 10 years as a period when the farmers would be more prosperous than any other period.

I just wondered if you were willing to make any statement as to that, whether you approve that or whether you think it is worthy of our further consideration?

Mr. WINGATE. To be perfectly frank with you, Congressman, I think unless you are planning to be here a long time we had better give a lot more time to studying the Brannan proposal.

Mr. COOLEY. He has promised to give us the figures based on some assumptions showing how the program might operate 10 years in the future.

I do not suppose any member of the committee has made up his mind on that and will not until he can see the figures.

Mr. WINGATE. I think his price of $26,000,000,000 for the agricultural income of the Nation is around the level below which we cannot afford to go.

Mr. POAGE. Mr. Wingate, I do not want to try to go into the merits or demerits of the Brannan plan as a whole because I find much that I do not agree with.

If we are going to consider the Brannan plan would you think it might make any difference as to where or how the payments are made to the farmer to give him what the Brannan plan calls a standard income level? Under the Brannan plan payments are just direct hand-outs?

Mr. WINGATE. Yes.

Mr. POAGE. The farmer is told in effect under that plan—

> You have worked all your life in farming. You grow a crop here and people eat it or wear it but you are not contributing enough to society to make a living yourself. We are not going to just kill you off: we are just going to let you die slowly. We will hand you out some money. You go down here and sell your crop for whatever you can get and whatever that lacks of keeping you and your family will be handed out by the Government and you will be the Government's wards to that extent.

That is the way I understand the Brannan plan proposes to get this $26,000,000,000 buying power in the hands of the farmer.

I do not think we can say that the Government does not subsidize other groups, both industry and labor.

They are perhaps not subsidized so directly by the Government but they are subsidized so they get an income that comes out of the other people.

The tariff takes from all the people of the Nation and gives to a favored few, of course.

The mail subsidies take from all of us and give to the operators of the air lines.

The land grants took from all the people and give to the railroads.

We say to the laboring man, "You are going to enjoy social security, you are going to enjoy an unemployment insurance."

We do not say, "We will just give you something." That would be too crude. We must not embarrass him by giving him something.

"We are going to let you, Mr. Laboring Man, buy this insurance, 1 percent for unemployment, and then we are going to take something out of your employer which is passed on in the cost to everybody."

The Government enforces it. Well, when that man gets out of work he feels that he is just as much entitled to receive this unemployment compensation as is the man whose house burned and who had paid the fire insurance company for insurance.

He bought it and paid for it and it is his. He is not an object of charity.

Might it not be better—not speaking of the whole Brannan plan but just the manner in which we are paying it—if the farmer contributed something, possibly a processing tax and in return received a guarantee such as labor receives, such as industry receives in many instances, that he would be paid a certain price for his products and if they did not bring that price in the market he would get it in the form of insurance.

If I have an automobile accident I get paid by the insurance company for my damage.

Mr. WINGATE. That is right. That plan is being studied, I understand, Mr. Congressman, but I think if we could operate a plan that would not cost the Government very much it would be better.

You would have a hard job checking insurance all the way around. It would be a pretty mean proposition. Under this Brannan plan I do not see how in the world you would ever get enough accountants to check on all these things.

Mr. POAGE. You would probably have to collect it through a processing tax such as has been proposed in the past. We might take 2 or 3 percent of the sales value of every commodity as it went into the market. There would not be a great deal of difficulty in collecting that way and we would be doing substantially what we are doing for people in other lines of endeavor.

At least we would not be stigmatizing the farmer as being the only man who was taking a direct hand-out from the Government. We would be doing another thing, as I see it. We would be greatly stabilizing the program because I frankly do not believe you can get a program like Mr. Brannan has suggested to continue year after year having Congress going into the public till to take out this money.

If you have a trust fund to which the farmer has contributed Congress is going to be much more reluctant to default than where it is merely a proposition of keeping a program going with tax money.

I think you would have a great deal more stability in your support.

Mr. WINGATE. Congressman, I would like to say that I think your farmers are faced with a different problem there. We have to pay for these surpluses and there is enough surplus that your price is going to stay low. If we agree to a 90-percent program, I do not think you ought to make him pay insurance too.

He is paying somebody 10 percent there.

Mr. COOLEY. Suppose you made it 100 percent.

Mr. WINGATE. Then I would agree to go along with the insurance plan and paying some on it. I say the money cannot be obtained in the amount that it will be needed for the Brannan plan and I think that would wreck it.

My plan is that we should have a farm program that will guarantee us for commodities where the farmers comply that they will have 90 percent so long as the supply is normal or less.

Certainly that could not cost the Government. They would just stabilize the situation there.

Then when it passed normal I think we should call for quotas.

In the Aiken bill it is mandatory that the Secretary call for quotas at 108 percent of the normal supply.

If we can hold it between 108 and 110 we will have a little latitude. We can give him 90 percent of parity. If you do not control and surpluses keep piling up certainly there must be penalties.

I would just put the sliding scale into effect and let them see that there must be controls.

Mr. POAGE. Mr. Wingate, is there any advantage in sliding down your supports? Can you not accomplish exactly the same thing by cutting further on your acreage?

Mr. WINGATE. That is what I say. They would have to take the cut or take the price. They can handle it either way. That is exactly the point, Mr. Congressman. That is my plan. I appreciate this opportunity to come before you.

Mr. PACE. Thank you very much, Mr. Wingate.

We are always glad to have you. Our distinguished chairman will present the next witness.

Mr. COOLEY. Mr. Chairman, Mr. Shaw has been before this committee many times.

He is very highly regarded and is held in high esteem in North Carolina. He is one of the great farm leaders of the Nation. I think he is familiar with the program as it has been in operation and with the Aiken bill and the Secretary's proposal.

STATEMENT OF FLAKE SHAW, EXECUTIVE VICE PRESIDENT, NORTH CAROLINA FARM BUREAU, GREENSBORO, N. C.

Mr. Shaw. Mr. Chairman, I am executive vice president of the Farm Bureau in North Carolina and a farmer of Guilford County.

I have always lived on a farm.

Mr. Cooley. He is a master farmer, Mr. Chairman, and is so recognized.

Mr. Shaw. By way of presenting my remarks:

In the last 17 years I have been interested in farm problems, meeting first at the White House at the call of the distinguished President, now deceased, and down through the years and until this hour.

I consider this perhaps the most important appearance I have ever made in the interest of agriculture.

I think this committee is dealing with the lifeblood of this Nation, not only from the standpoint of agriculture but from the standpoint of the Nation as a whole.

This is a big country and we have a lot of problems to work on. I would like to say that I can see in my experience in dealing with the agricultural problems plenty of latitude for a lot of different ideas that might be needed and could be developed in support of many of the arguments that have been presented from time to time.

I think the people in our State want the people in other States and sections and communities to have as nearly as possible what they want in a farm program.

I think that is the way we feel about it. It is unfortunate that we in North Carolina fall right in the middle of many of the problems that affect the Nation as a whole. We of course have had to defend and carry the critical tobacco program as far as responsibility is concerned.

We make no apologies for that program. We think it has been successful and the farmers have stayed with it to the extent that they support acreage quotas and along with that a penalty for overplanting.

Mr. Poage. May I interrupt right there? Do you know any reason why the farmers who produce cotton or peanuts or other crops should not be privileged to have the same kind of program that has been so successful in tobacco?

Mr. Shaw. I see no reason why she should not have.

Mr. Poage. Yet the Aiken bill singles out tobacco and denies its consideration to other commodities.

Mr. Shaw. We are very grateful for that consideration in tobacco and we thank everybody for the Cooper amendment.

Mr. Poage. But you are willing to see that others get the same treatment?

Mr. Shaw. That is right.

Mr. Pace. Are you prepared to fight to see that others get it?

Mr. Shaw. If they want it we certainly are. It is unfortunate that we do not get together in the American Farm Bureau all these problems. There are a lot of things we do agree on. I would not be the one to say there was no support for flexible support principles, or any program in agriculture.

I have been in meetings where there are farmers who believe that kind of a program will work with their respective commodities and they seem to want to try.

I think we have had to a major extent many of the things that are included in the Aiken bill back through the thirties. I remember the struggle with the parity payments when we were trying to get the farmer's head above water and when the provisions in the law were permissive and not mandatory. They just did not work.

Cotton never got above 10 cents a pound until we got the 85 percent mandatory loan that raised it overnight from 9 to 16 cents.

We do not think these programs have hurt anybody down in our country. We think our State has benefited as much as any State in the Union.

We have a substantial interest in cotton, a substantial interest in peanuts, and our major interest is in tobacco, being third, I think, among the States from the standpoint of the cash income in the Nation.

In addition to that we have better than $50,000,000 income from poultry and sixty million-odd dollars in income from dairying and substantial livestock interests.

We want to work with all the different interests of this country in helping them to get the type of program they want.

But we fail to see how a program that denies a man support when he needs it worse could be helpful to him.

We fail to see how a passive program or a permissive program and not a positive program could be more favorably accepted by people when other conditions are as they are at this time.

I believe in putting it squarely up to the farmer and I deny the charge that the farmers are regimented when they are given the right to vote.

When 66⅔ percent of the farmers agree to adjust their production, they are running the show and the Government is not running it.

They are not being regimented. They are running their own program. We believe in that kind of program. If the other fellow does not want it we want him to have what he wants.

Mr. PACE. You are willing for the hog and corn farmers to have whatever program they want?

Mr. SHAW. Exactly the kind of program they want, regardless of what it is.

Mr. PACE. And you do not think that the whole philosophy of the Farm Bureau should be controlled by those two commodities?

Mr. SHAW. No, I do not, and I do not think the American Farm Bureau wants to do that. I submit that by a majority vote on the board of directors and through the voting delegates the majority report shows that that is what the American Farm Bureau is for.

Mr. PACE. It is pretty close, though, is it not?

Mr. SHAW. Well, it was pretty close at times. I thought it was unfortunate that we could not get together but I do not think it is too bad because it does show that you have an organization that is democratic and one that operates in a democratic fashion.

Mr. POAGE. Did you see a great group of cotton farmers come to Atlantic City and demand that they be given the right to control their cotton program like the Aiken bill sets out? Did you meet any of them?

Mr. SHAW. I do not think I did.

Mr. POAGE. Did any of them overpower you while you were up there?

Mr. SHAW. I do not think so.

Mr. POAGE. It was suggested by one of the witnesses here that this position was simply in response to the overwhelming demand of the cotton farmers to carry out their own program. I just wanted to know if you had met any of them.

Mr. SHAW. Well, there was a lot of people there and I did not see them all.

Mr. PACE. You saw plenty who did not want this bill to go into effect, though?

Mr. SHAW. That is right.

Mr. ANDRESEN. May I ask a question?

In our tobacco program which has been very successful, of course, the success of that program has depended to a great extent upon the amount you were able to export.

Mr. SHAW. That is true, and the loyalty of the farmers in supporting it.

Mr. ANDRESEN. That is true. Of course, a lot of the exports in the last few years under the reduced tobacco acreage has been paid for by the Federal Government, has it not, to get it out of the country under the relief program or under the ECA program?

Mr. SHAW. Not too much. There has been some of that done but not too much.

Mr. ANDRESEN. One of the best salesmen you have had in selling that to foreign countries has been our very distinguished chairman, Mr. Cooley.

Suppose that is cut off so you do not get the volume of export. That means reducing tobacco acreage, does it not?

Mr. SHAW. Exactly.

Mr. ANDRESEN. What are you going to plant on that acreage that is reduced from tobacco?

Mr. SHAW. We would probably shift our production to some type of foods that might be used at home. There is a very limited acreage producing tobacco anyway. The average man has only 2 or 3 acres of tobacco. The amount of land he took out of tobacco would not be a great factor. We reduced it at one time as much as 42 percent and I do not think it upset any part of our agricultural economy at that time.

Mr. ANDRESEN. Well, you have gone into livestock and dairying and poultry and other things.

You raised feed crops down there and potatoes?

Mr. SHAW. The acreage in tobacco is still so small that it would not in any way upset other segments of agriculture.

Then you went as low as 18,000,000 acres of cotton against 37,000,000 acres of cotton and it did not upset things there.

Mr. ANDRESEN. I am more worried about cotton than any other commodity.

Mr. SHAW. I observe the fact that it did no harm at that time.

Mr. ANDRESEN. This year we have around 26,000,000 or 27,000,000 acres, I think, and we will probably produce 18,000,000 to 20,000,000 bales of cotton.

Mr. SHAW. That is probably true.

Mr. PACE. About 15.

Mr. ANDRESEN. The Department of Agriculture experts tell me that it may be between 18,000,000 and 20,000,000 bales. Fifteen million would be better but under the proposed program submitted to us by the Secretary, cotton is not included in the support payment plan. It comes in under the loan plan. What bothers me is when the Federal Government is holding a year's supply of cotton and the Commodity Credit is unable to get rid of a great deal of it in the foreign market you may have to come to the situation where you cannot produce any cotton at all in 1 year.

Mr. COOLEY. Will the gentleman yield?

Mr. ANDRESEN. Yes.

Mr. COOLEY. It is a fact, is it not, Mr. Shaw, that but for the provisions of existing law the cotton farmers would very gladly have refused their acreage this year and would have voted for quotas.

Mr. SHAW. Absolutely, but with your maximum and minimum gadgets in the law the Secretary could not put it into effect.

Mr. ANDRESEN. That is what he says now, but I think he could have put it into effect.

Mr. PACE. There would be a lot less acreage if he had put it into effect.

Mr. ANDRESEN. We were rushing to get through a bill. We started in on January 4 with cotton hearings to get through a bill so as to let the cotton farmers know that if they planted more acreage in 1949 it would not be considered as a part of their base for future years. That is the law now. We did not get it through as quickly as we had hoped. I guess the cotton farmers had planted all their cotton by that time. I think we should be very much concerned about the future of cotton in this country.

Mr. SHAW. We are deeply concerned about it.

Mr. ANDRESEN. You will probably have to get down to a production of around 8,000,000 bales of cotton.

Mr. SHAW. That is probably true.

Mr. ANDRESEN. You can do that on about half the acreage you have in this year, so you will have to shift to some other type of production. You cannot shift to peanuts because we will not be able to export the peanuts.

You will not be able to shift to potatoes because we are producing too many potatoes.

I am just wondering what you are going to go into.

Mr. SHAW. In our State it will not be a problem because the acreage involved in any commodity will be very limited and we are not self-sufficient on many of the food items we need and we can shift our acreage to subsistence commodities that we are short on and those that we have a deficit in.

Mr. ANDRESEN. I think you ought to go into more livestock and dairying. I think that would be good for the State.

Mr. SHAW. We can do that to a limited degree but our feed and fiber crops to products are limited too so we cannot get too far with that because of the high-priced land and other things.

Mr. ANDRESEN. I know the tobacco land is $500 an acre so a newcomer cannot come in and plant tobacco. He must buy some existing tobacco land.

Mr. SHAW. You are wrong about that; he can. There is a new-grower provision in the law.

Mr. ANDRESEN. But he will have to suffer a penalty for two or three years.

Mr. SHAW. He will fare better then than the tobacco growers usually have.

Mr. ANDRESEN. I think you are mistaken about your State. We have been told repeatedly by the chairman and many witnesses that North Carolina was the greatest State in the Union and had the greatest diversity of production.

Mr. SHAW. I agree and I observed that fact and said we were right in the middle of every problem in the Nation except citrus fruits.

Mr. ANDRESEN. I am not trying to minimize the greatness of your State.

Mr. COOLEY. You will never find any North Carolinian who will do that. May I ask a question?

Mr. ANDRESEN. Go ahead.

Mr. COOLEY. Mr. Shaw, what is your honest opinion with regard to what the situation would have been in our section of the country last year if we had not had on the books a support program for tobacco and cotton?

Mr. SHAW. It would have been acute from an agricultural point of view. I have no idea how low tobacco might have sold.

Mr. COOLEY. Do you not think it would have meant bankruptcy for the whole area?

Mr. SHAW. It would have bankrupted the agricultural economy for the whole State. I think we need to be realistic about the problem of agriculture and a program. The farmers want a program which is as near what the farm people want as we can get.

Secondly, they want one that is sound enough to defend before businessmen.

They are diametrically against incentive payments, all of them that I know, on any commodity and we do not think too much of the Secretary's proposal about how he arrived at his support principles based on his principles of purchasing power.

We think the present parity formula is much more defensible and easier to understand and one that you can depend on to gear your agricultural economy to the rest of the economy in a defensible manner.

Since it does not improve the farmer's lot to a great extent, we wonder why it is necessary to lay down a principle that can be made to work with certain adjustments and with the leeway the Secretary already has and adopt one that we know nothing about where we must start in to educate the people again. Of course we would doubt the wisdom of a program that would entail the expense of Government funds to the tune of what it looks like his proposal might suggest.

Mr. ANDRESEN. I agree with you about shaping that kind of program.

I am mindful of the fact that I have been on this committee going on 24 years and we have had this same problem before us during every session of Congress. It is not an easy matter to sit down and write an agricultural program.

I can say in all sincerity that our committee has tried to do that. There has been no politics in it except once in awhile when we got to oleomargarine. That was also an economic battle.

By and large, during all these years this committee has tried to write a workable and sound program.

Mr. SHAW. You have done a good job. I think we have a good one now.

Mr. ANDRESEN. It has been largerly a matter of compromise because of the diversity of agriculture. If some of you farm experts could sit around and help us write a program and make it work and do the business for agriculture, you would be performing a distinct service. We try to do that and we want your help if we can get it, because that is what we need in order to work it out. Otherwise we will have to try something and if it does not work we will have to amend it again.

Mr. SHAW. I have one suggestion I would like to make in the form of a compromise that we definitely worked hard to sell in view of the fact that there seems to be in some areas support for the flexible principles of this Aiken law that some would like to see maintained in whatever program we have. We suggest that we begin at 90 on any commodity when we vote quotas for the first year.

If within a year after that you failed to bring that commodity in line with the principles or the schedule of the Aiken Act, we would be willing to submit to a scale that would come down 1.42 as has been prescribed.

We offered that in the form of a compromise, thinking that it would be a businesslike approach to a rather serious problem at that time.

That would bail a man out and save his hide and not have the effect of cutting his acreage and reducing his price at the same time.

If you were operating a factory, you might say to me, "Flake, I have to cut down. I can only run 4 days a week." I would go along.

But if you said also, "I am going to cut your wages 25 percent," I would not like that a bit. That is in effect what you do with the Aiken bill and we have never liked that principle but if the other fellow wants it we are perfectly willing to let him have it.

We will let the farmers make the determination themselves as to whether or not to use it.

Mr. ANDRESEN. If you were satisfied, you would not go so far as to agree with the program over the country that might be injurious to the country, would you?

Mr. SHAW. If a man said he wanted it.

Mr. ANDRESEN. You say you are against the Secretary's proposal. Do you think we should put it on for the rest of the country?

Mr. SHAW. I was not talking about the Secretary's proposal. I was talking about the flexible principles of the Aiken bill.

Mr. ANDRESEN. That is different.

Mr. PACE. Thank you very much, Mr. Shaw.

Gentlemen, we have tomorrow morning Mr. Goss and Mr. Sanders, representing the National Grange.

We will stand recessed until 10 o'clock.

(Whereupon, at 4: 10 p. m., the committee adjourned, to reconvene at 10 a. m., Thursday, May 12, 1949.)

(The following letter was submitted for the record:)

HAMPSHIRE COUNTY FARM BUREAU,
Florence, Mass., April 27, 1949.

Hon. JOHN W. HESELTON,
House Office Building, Washington, D. C.

MY DEAR MR. HESELTON: The Hampshire County Farm Bureau has voted to oppose the agricultural plan as recently proposed by Secretary of Agriculture Brannan. It is our desire to give the Aiken-Hope law an opportunity to operate.

Very truly yours,

NOEL V. W. SMITH, *Secretary.*

GENERAL FARM PROGRAM (TESTIMONY OF FARM ORGANIZATIONS)

SATURDAY, APRIL 30, 1949

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE OF THE
COMMITTEE ON AGRICULTURE,
Washington, D. C.

The subcommittee met at 10 a. m., Hon. Stephen Pace (chairman), presiding.

Mr. PACE. The committee will please come to order.

Gentlemen, it is the privilege of the committee this morning to hear from the representative of another of our great farm organizations, the National Grange, and we have before us the Master of the Grange, Mr. Albert Goss, and its legislative counsel, Dr. J. T. Sanders. They both have statements and have suggested the advisability of both completing their statements before questions are asked.

Mr. Goss, it is a pleasure for the committee to hear you at this time.

STATEMENT OF ALBERT S. GOSS, MASTER, THE NATIONAL GRANGE

Mr. GOSS. Thank you, Mr. Chairman. We appreciate the committee's making it possible for us to postpone our testimony and to meet on a Saturday. I know what that means, and we certainly appreciate it.

The problem before your committee is not new. Its essential features have been a subject of study, discussion, and proposed legislation for over 25 years. During the war, and immediate postwar years, the issues were largely submerged due to wartime prices and Steagall supports, but we have always realized that the problem was still with us and would have to be faced sooner or later. We feel grateful to the sponsors of legislation in both the Eightieth and Eighty-first Congresses, and to the Secretary of Agriculture for the work done in bringing the issues definitely to the fore, because we believe the ground work laid, and full discussions will pave the way for sound comprehensive legislation designed to meet the problem which we have temporized with so long. We do not think any of the proposals so far made are fully sound or complete, but we believe that out of them the committees will be able to develop a program that will do the job.

Our immediate problem is to maintain abundant, well-balanced production and equitable prices. It is complicated by many factors including the large number and wide variety of products involved, by the fluctuations in demand, the large number of producers, and the vagaries of weather. We believe our failure to meet it successfully in the past has been largely because we have been looking for some single magic legislative cure-all that would meet the problems of cotton and milk, oranges and wheat, hogs and tobacco. We backed the equalization fee, the export debenture, the domestic allotment program, the ever normal granary, and, more recently, price supports, acreage and marketing allotments, claiming for each the magic powers of curing all the ills to which a hundred varieties of commodities are subject. All this time each of us has been measuring the worth of the program chiefly by its effect on the commodity with which we were most familiar.

There is no such cure-all. There are almost as many problems as there are commodities. The problem changes from year to year, and the whole picture is frequently compliated by geographical differences. At the outset we feel it might be helpful to summarize our approach by saying that we advocate a number of different devices for meeting the wide range of conditions which exist, trusting to administrative discretion to apply the remedy best fitted to cure the disease. We would not try to cure appendicitis with castor oil nor smallpox with surgery, but we would try to supply a practical and substantial stock of remedies, to be used as best needed. Such a program involves both the type of available remedies and assurance of their being used with discretion. We propose a commission or advisory board to safeguard the administration, operating within the framework of the act, with power to use the remedies to attain certain goals all of which we will discuss in detail.

We propose handling as much of the problem as possible through the ordinary channels of trade with certain aids designed to enhance the effectiveness of these efforts. We recognize the possible necessity of limited controls, but our general plan is to give every possible aid to individual initiative and determination, relying on Government control and subsidies only to the extent necessary as a sort of last line of defense not too frequently used.

We believe the greatest danger of failure lies in repeating our mistakes of the past in which different groups, with different backgrounds of geography and production, each have fought for their own particular program, without recognizing the need to meet a tremendously diversified problem. On the other hand, it would be a mistake to encumber a bill with extraneous matters not directly involved with the problem we are trying to meet.

There seems no need to take the time of the committee to point out the need for maintaining a substantial farm income if we are to have stable prosperity, for almost everyone now recognizes this as a necessity. We heartily approve of the first dozen pages of Secretary Brannan's testimony on this point given before this committee on April 7. We would only emphasize the validity of what he said by pointing out that farmers are operating the greatest manufacturing industry in America with a larger investment than all other manufacturing industries combined, and with a constant expenditure for labor, machinery, building, and raw materials limited only by their gross income. We also believe additional emphasis might be placed on the social and economic value of maintaining the prosperity of the family-size farm, with its tremendous contributions to our industrial centers in the form of a continual flow of young men and women of such education and resourcefulness that industry looks to them largely in the selection of many if not most of its top executives. There is practically no disagreement over the necessity of finding ways to maintain a stable rural income if we are to avoid another disastrous collapse. The question is, How is it to be done?

In considering the answer to this question, we must recognize that this is not a farm problem alone. It is part of a tremendous economic problem affecting every phase of our national life and cannot be considered solely from the standpoint of agriculture. We are too much inclined to think in terms of returning to normal conditions and to measure those conditions by prewar standards. We fail to recognize that we are living in an abnormal time; in a period of transition between war and stable peace; and that a stable peace must be measured by different standards from those to which we are accustomed.

During the war we sent more than 10,000,000 of our young men into the armed services during their most productive years, and yet at our maximum, we increased farm production by a third, and industrial production possibly even more. Despite this enormous production increase we developed extensive shortages both at home and throughout the world. With the end of hostilities we have been engaged in meeting our normal demands, while at the same time catching up on this unprecedented backlog of demand, and sending 4 or 5 billion dollars worth of goods to Europe and other war-torn countries. In other words, with the aid of modern equipment and methods we have learned to produce at a tremendously expanded rate which is enabling us to catch up with the backlog very rapidly with a lot of productive capacity to spare. Very soon we will also reach the end of European aid. The real question America faces is what will we then do with the unprecedented production, both agricultural and industrial production.

We face one of two alternatives. Either we will reduce our production to meet our demand, or we must find ways to increase our consumption to absorb the supply. We are referring, of course, both to farm and industrial production but with emphasis on the latter. If we are to reduce production to fit the demand, as we eventually did after World War I, it will mean fewer jobs, less buying power, further reductions, and more shut-downs, and a spiraling deflation leading inevitably to deep depression, suffering, and want in the midst of plenty. If we are able to develop means to consume our abundant production, it will mean higher standards of living and stable prosperity. Russia is confidently expecting that we will follow the depression route, and we must face the disturbing fact that we have always heretofore followed that route. We have never yet learned to develop sufficient buying power in like circumstances to prevent a collapse. If we succeed this time, we will have to employ quite different techniques from any we have heretofore relied upon. We must meet new problems in new ways. We must recognize the interdependence of all segments of our economy and approach the problem from a national viewpoint. We simply must not fail.

The problem will require the cooperation of every segment of our economy, but agriculture has a particularly important part to play. Although farmers constitute only about one-fifth of our population, their busines is different from most. They are in the manufacturing business and consume enormous quantities of industrial goods in their trade. They and those directly dependent upon them for a livelihood make up possibly 40 percent of our people and constitute the largest consuming segment of our economy. Heretofore this group has been historically the first to feel the impact of the forces leading to depression. Its income has been the first to be curtailed, and the resulting decline in rural spending power has been the leading element causing spiraling deflation. No more important contribution to stability could be devised than to prevent the break-through at this particular spot. If farmers could receive reasonable compensation for what they produce, it is altogether probable that their normal spending would provide the largest single stable element needed to enable us to make adjustments to normal conditions without a collapse. We therefore feel that the determinations on the problems before your committee are possibly the most important of any before the Congress.

It was in circumstances somewhat similar to those of today that the Grange developed its three guide posts, and we will do well to keep them in mind in seeking the solution to our present problem:

(1) All prosperity springs from the production of wealth.

(2) The compensation of each should be based on what he contributes to the general welfare.

(3) The prime purpose of government is to protect its citizens from aggression—both physical and economic.

We would also do well to recognize the fact that in good times and bad, farmers produce a remarkably stable volume of crops; while industry invariably begins to curtail production when markets lag; that the result of such trends is for the farmer to exchange full production for a restricted volume of industrial goods, bringing lower prices and bankruptcy to agriculture; in fact, agriculture is the single industry which continues to produce in abundance in times of depression. Ample production is the only means of maintaining prosperity, or of restoring it when once lost, yet farmers, the only group to continue the one essential practice necessary to maintain or restore prosperity, are the first to feel the impact of so-called surpluses and are the most heavily penalized. This does not make sense in anybody's language, yet we have never found ways to avoid it. That is the heart of the problem now before your committee.

In order that we may not undertake it blindly, we might first take a look at the over-all problem. We are convinced:

That stable prosperity demands abundant production, making possible reasonably full employment.

That abundant production demands the maintenance of ability to consume what we produce.

That such consumption demands wide-spread purchasing power.

That such wide-spread purchasing power demands that each segment of our economy receive fair and equitable compensation for the service it renders, and

That if all groups do their part in the production and distribution of the wealth necessary to maintain a stable economy, including the various services entering into our complex economic life, and if all are fairly compensated, there is no limit to what we can produce and consume, and no limit to the standards of living possible to attain.

On the other hand, if some do too little, or receive too much, others will suffer; the purchasing power will be curtailed; and our whole economy will suffer in proportion to the inequities which exist.

There can be no exact rule of measurement, nor any completely equitable means of determining what each contributes to the welfare of this complex society, but we believe that agriculture has a duty to do its share in providing ample production, and a right to expect fair and reasonable compensation for the service it renders. Farmers want to work for what they get and get what they work for.

The most vulnerable spot in our farm economy lies in the lack of an efficient and equitable marketing system. Agricultural production cannot be controlled with exactness. Even if 6,000,000 farmers could be compelled to plant or sow exactly what some official would prescribe, the uncertainties of weather, pests, and other uncontrolable factors would produce widely variable results. If we produce the abundance our people need, there will always be many surpluses, and farmers are entitled to protection against the impact of such surpluses in breaking the market to ruinous levels. On the other hand, farmers who deliberately and chronically produce more than the market needs should not expect the public to foot the bill.

In brief, if depression and collapse are to be avoided, the Congress has the responsibility of taking the necessary steps to avoid the errors of the past, and assist in attaining that breadth of income which will make possible the consumption of a fully employed and gradually expanding economy. If reasonably equitable compensation for services rendered can be attained, our constantly increasing capacity to produce the things people need will assure a stable prosperity far beyond anything the world has ever known.

These are high stakes, but not too high. In fact we are almost compelled to reach the goal if we are to avoid depression. Agriculture cannot do it alone. Industry, finance, and labor have very definite obligations to meet if we are to succeed, but this committee is concerned particularly with agriculture's part.

In seeking practical steps to attain such a goal, the first problem is to determine what is a fair and equitable income or price level. Agriculture has led the thinking of the Nation in its search of a quarter of a century for an honest answer to this question. We developed a rather crude formula based on measuring the purchasing power of farmers as compared with nonfarmers. We used as a base the last normal 5-year period under a wholly free economy (1909–14) which, it may be noted, were 5 years of relatively high prosperity for our economy as a whole. This formula proved too rigid, for it gradually got out of kilter as our production and consumption habits changed. The new modernized formula as enacted by the last Congress greatly improved the formula but left much to be desired. There are two major defects. As long as the parity price level is to be measured by production costs, all significant costs should be included in the cost index on a properly weighted basis. The formula omits agriculture's largest single item of cost—hired labor. The formula will continue to register a false level until this item is included.

We recommend an amendment providing that hired labor, properly weighted, shall be included in the cost index.

The formula is further defective in that it selects a static period as the base for establishing the relationship between agriculture and the rest of our economy. This relationship is constantly changing, and while the results of failure to recognize the change are not presently serious, the time will come when the inequities resulting from it cannot be defended. Secretary Brannan has recognized this and has provided for a moving base. We doubt if this is an improvement. Experience has shown that sometimes, for extended periods, prices are too high to be equitable—and sometimes too low. A moving base of this nature would reflect these inequities. If we should have an extended depression, the formula would be a serious handicap to recovery. We prefer the 1909–14 base to such a moving base, but we are presenting in appendix A for your consideration a formula based on a sound national income which we believe superior to either. In submitting it, however, we believe we should say frankly that with so many items of major import before your committee, we would urge first action on them, including the simple amendment of adding labor to the parity cost index of the 1948 formula before undertaking consideration of a completely new parity formula, for the 1948 formula thus amended would be relatively sound for some time to come.

Having determined what is an equitable or parity price level, the next problem is how to attain it. Before discussing details, it may be best to set forth the goals we are trying to attain.

GOALS

(*a*) A well-balanced national economy;

(*b*) Efficient production of an adequate supply of farm products reasonably well balanced to consumer demand as to amount, quality, and form;

(*c*) A reliable supply of farm products to meet emergencies of nature or war;

((*d*) A marketing system and price structure which will return reasonable compensation to producers, with equity to consumers;

(*e*) Conservation of our soil resources;

(*f*) Preservation of a system of operator ownership, of family-sized farms under wholesome social conditions with maximum freedom of operation;

(*g*) A system as nearly self-sustaining as possible, and relying to a minimum extent on public funds for its operation.

In seeking ways to attain these goals, it would be well to recognize some limitations.

A. There are many farmers whose problems cannot be solved by any price-support program. Among them are:

(*a*) Those with inadequate acreage.

(*b*) Those with inadequate capital.

(*c*) Those with inadequate education, or native ability, or those suffering from physical handicaps.

(*d*) Those on submarginal land.

Obviously in cases where sufficient production is impossible, marketing methods at equitable prices will not solve the problem. Nevertheless there are a great many of such, and their problems are very real and acute. Special measures, some of them of a social nature, should be provided to aid in meeting such problems, but we do not believe such measures should be incorporated in a bill designed primarily to meet the problems of marketing and price.

B. With hundreds of different commodities each with its own special problems, it will be impossible to enact legislation of such detail and scope that it will meet all the contingencies which may arise. Legislation should avoid too rigid details, should establish goals to be attained, and should grant adequate discretionary powers to some responsible board or official to administer so as to attain the goals or desired results set forth in the law.

C. No single remedy will meet the complex problems of diversified commodities under all kinds of conditions and locations. Any program should consist of an ample number of stand-by devices with adequate flexibility and latitude of use to assure maximum results.

The essential purpose of any program is to attain equitable prices for farmers for their products while maintaining abundant production. There are two major suggested approaches to the problem, one being through employing effective marketing practices, and the other by the use of price supports. We believe both are needed.

In the matter of supports there are many ideas, but we hope it is not an oversimplification to divide them into two groups: (*a*) Definite fixed supports or price guaranties, maintained through subsidies, or the monopoly of restricted production: and (*b*) supports designed to attain reasonable stability with more or less flexibility in their application. Considerable controversy has arisen over the merits of these two approaches. We maintain that in some cases, one type may serve best, while in other cases the other type may best be used to attain our goals. Again we believe legislation should be broad enough to permit the use of whichever type will most fully attain the end sought as outlined in the law.

The 1948 legislation drew a line between basic crops and others, with very definite means of treating basics. Secretary Brannan has quite logically differentiated between storable and perishable crops and has recommended definite fixed supports for the former with subsidies for the latter.

We rather like the Secretary's differentiation, but we do not like the subsidy approach. We believe that in most cases there is a far better way. We believe it possible to develop marketing methods which will largely solve the problem of perishables and avoid the undesirable elements of any subsidy program.

Committee members are aware, no doubt, of the effectiveness of drives to market certain items of surplus products, when well conducted and widely particpated in. We believe effective and sound marketing practices can be so developed as to meet a large part of our problem, if participated in by producers, processors, and distributors.

We recommend the creation of a marketing commission or advisory board made up of representatives of producers, processors, and distributors, appointed by the President in consultation with the duly elected representatives of these industries, as nearly as practicable on a bipartisan (or nonpartisan) basis, confirmed by the Senate, for definite terms of office. This board would have as a major responsibility the task of keeping a continuing record of supplies and prospective demand for farm products, having available to it all the statistical facilities of the Government for the purpose. It would then make recommendations from time to time to producers and processors as to production, and to distributors as topushing items in surplus supply and withholding items in short supply. We believe that if these groups had the legal means for assembling information and making such recommendations, a large part of the problem would be solved by sound production and marketing practices. Any widespread attempt to use such common-sense methods today may subject the participants to danger of Sherman antitrust prosecution, so definite enabling legislation is necessary. We have suggested further details as to the make-up of the board in appendix B.

We recommend that there be made available for use on recommendation of the board, or otherwise, under adequate legal safeguards, marketing agreements on any commodity which could advantageously use them, and such other devices for making a two-price or multiple-price system affective as the Congress may determine, such as an equalization fee, export debenture, the parity certificate plan, or the use of section 32 funds for export aid. We believe widespread markets in the chemurgic field can be developed if practical multiple price systems are available.

We believe that a board so equipped with power to employ a variety of devices, can develop ways of meeting most of the marketing problems likely to arise in the field of most nonstorable crops and many storable crops, so that they will finance their own way to market either through cooperative or noncooperative channels, without resorting to the payment of cash subsidies, with all the disadvantages inherent in any subsidy system. These we will discuss in further detail later.

We believe that broad latitude should be given to the Board, or given to the Secretary subject to the approval of the Board to select and apply the device best fitted to get the desired result. Among the different determinations delegated to the Board, or to the Secretary in consultation with and subject to the approval of the Board, would be: (*a*) The device to be used with reference to each commodity, (*b*) the level of support in case of support, (*c*) the nature of the support, i. e., loan, purchase or other, (*d*) acreage or marketing allocations, if any, and (*e*) all similar matters of policy.

We believe sharing the responsibility with a board so selected has many advantages. First, it would bring to the consideration of every problem concerning Government aid or controls, the experience and judgment of practical men in direct contact with the three major groups concerned. Second, it would be conducive to the maximum cooperation from these three major groups in working out any plan agreed upon because of their participation in the formulation of such plan. Third, it would be a safeguard against the use of politics or the charge of political motives. Fourth, the responsibility for the use of such wide discretion as we believe to be essential to the sound administration of any such law, would be exercised only after as thorough consideration by men of ability and experience as could well be provided. We have discussed with Secretary Brannan the necessity for leaving wide areas of discretion to the Administrator, and each time he has indicated extreme reluctance to having too much responsibility placed on the Secretary for reaching decisions on these complex problems. Under such an arrangement as we are recommending this burden would be much lighter. Fifth, there would be a tendency toward a continuity of general policies in the event of change in administration. It would mean that producers, processors and distributors could plan ahead with greater assurance, each in their respective fields. We have discussed the make-up of the Board in greater detail in appendix B. And I hope your committee goes into that quite thoroughly, because we have given it a lot of thought and study, and we think such a Board could be provided that could do the job.

Returning to the question of supports, we believe the Congress will make a serious mistake if it enacts legislation providing exclusively for either fixed supports, or for flexible supports. Each has its place in a well-rounded program. Believing wholeheartedly in an economy of abundance, in most instances particularly in perishables, we prefer a flexible support which would rely in large measure upon the level of price supports as a controlling factor in promoting shifts in production from one commodity to another, rather than mandatory acreage controls. Potatoes furnish an excellent illustration. An unsound parity formula resulted in a support price which was too high. Then came DDT, and improved fertilizer practices, which materially increased yields, reduced costs, and made potato growing at the support level so unusually profitable that it invited the production of unwieldy surpluses. It seemed to be a clear case of the support being too high. Obviously such supports could not be continued on unlimited production. Either the supports had to be reduced so that the excess potato production could be directed to other crops, from which at least part of it came, or the acreage had to be cut down. If the supports were too high, we believe they should be changed, rather than limiting acreage with all the complications arising therefrom. Clearly there is need for flexible floors.

We do not believe it practical to apply the same rule for varying support levels to all crops. The effect of supply on the price level varies too greatly. Here again discretion is needed to attain the stability we seek. In the use of flexible floors, we also emphasize the need for reasonable "stop loss" provisions established at levels low enough not to induce surplus, but high enough to prevent serious loss. Here, too, the level should vary with different crops.

On the other hand, it is extremely doubtful if flexible floors can be relied on to accomplish needed adjustment in some other commodities. In the present case of wheat, as one example, we find a tremendously expanded production due both to high prices, and the urge of the Government to raise this particular crop for war and postwar purposes. In all probability major acreage readjustments will be necessary in the next few years. To hope to accomplish this on a sound and equitable basis through reduction of support prices alone is simply not being realistic. It is inviting bankruptcy for thousands of growers who have made tremendous investments in complying with the Government's request for wheat and more wheat. We should recognize that many farmers cannot shift from wheat to other adaptable and profitable crops. We are not attempting to predict how the readjustments can best be made, but we believe that the same Government which fostered the expansion so vigorously will probably be able to find ways for aiding readjustment which will not leave a trail of bankruptcies in their wake.

We also feel that export crops are in a somewhat different position from domestic crops. If supply and demand are to be the sole factors in determining the level of supports, we should not overlook the possibility that governments, most of which now control the commerce in foodstuffs, are in a position to use tariffs, embargoes, subsidies, premiums, and similar devices to modify materially the effective supply and demand on commodities moving in large volume in world trade. By such devices other nations could influence our support levels materially. In such circumstances discretion in maintaining support levels would seem essential. We feel that fixed floors may be as definitely essential in some commodities, and in some circumstances, as flexible floors in other commodities and other circumstances.

We do not believe it possible for Congress to determine all the conditions which may make either the fixed floor or the flexible floor the most practicable method of dealing with all commodities. We believe it necessary to leave this to administrative decision in the light of the circumstances which may be governing, and we believe the safest course lies in the use of a board such as we have discussed in previous paragraphs.

Among other methods made available to the Board should be some form of "stamp plan" designed to meet emergencies and distressed cases, school lunches as they may justify themselves as a worth while part of our educational system, and stock piling of many storable products as insurance against future needs. The policies governing the use of these methods should be established by the Congress, but the problem of choice and administration of the various devices should be left to the discretion of the Board and Secretary. Special provisions are necessary in the case of stock piling to minimize the pressure of stored commodities upon the current price structure. Provision that items going into stock piling to be held as insurance against future needs, could be made quite effective by a requirement in the law that they could be released for consumption, only in the case of well-defined shortages or for lower and noncompetitive purposes as set forth in the act. The threat of dumping for speculative or political purposes would thereby be largely removed.

One of the most practical and effective means of stock-piling food resources lies in promoting sound development of pastures and storing increasing amounts of fertility in the soil. These practices yield little prompt cash returns to the farmer, yet they are of great value to the Nation. Despite the great cost and in many cases the great waste of so-called soil conservation payments, which were frequently made solely to curtail production, and resulted in vast areas of idle land growing to weeds, on the whole we probably got more than our money's worth during our war emergency in the stored fertility where culturally sound practices were followed. We have deplored the abuses involved in many cases of "not growing crops," and have hoped for a sound basis for encouraging culturally sound summer fallowing and pasturing practices. In some areas a method of tax adjustment may prove helpful.

Taxes must be paid either out of capital or from income. Of course income is the one sound source. Most land in summer-fallow or pasture produces far less cash income than land in crops, yet, except for permanent pasture land, there is seldom any difference made in the tax base. Justice in taxation and encouragement for storing fertility could both be accomplished if land which was in well-managed summer-fallow or pasture were taxed at a much less rate than cropland. Property taxes, of course, are a State or local function, and it is recognized that it may be difficult to get the local authorities to act, although the Nation as a whole will benefit increasingly through the years by practical soil and fertility conserving practices. Your committee may want to consider the practicability of the Federal Government encouraging action by providing grants-in-aid to States, and through them to local governments, where substantial incentives are provided in the form of tax reductions on land properly devoted to such conservation. The administration of such a program should be under the Board.

We are convinced, however, that the greatest aid in developing pastures will lie in the promotion of a livestock economy from which multiple benefits flow, such as building up and storing fertility, providing markets for surplus grains, and raising our health standards and our living standards generally. We have no suggestion for special legislative action designed to encourage such a wholesome development except to point out that a Board, such as we are recommending, whose chief purpose would be to promote stability and balance, would undoubtedly use such means as were available to attain the objectives sought.

Inasmuch as a proposal has been made that, in the case of nonstorable crops, supports be abandoned, and prices be allowed to seek their own level, with a system of subsidies or production payments to make up the difference between sales price and parity, and inasmuch as we have proposed marketing methods which we believe are preferable, but have not pointed out why we feel them preferable, we feel that we should explain our reasons. Basically it is because we prefer a free economy to a controlled economy. We realize that in our complex economy, full freedom is neither possible nor desirable, that respect for the rights of others necessitates certain controls, and that there must be controls to prevent monopoly, unfair practices, and other undesirable elements. However, we want to maintain as much freedom as possible for each to use his own talents and resources to work out his own destiny in his own way. We view our present marketing system, or lack of system, as one incapable of meeting the problem of producing an abundance without involving many injustices, and believe steps must be taken to prevent the occurrence of injustice as far as possible, although these steps may constitute greater or less controls. We feel that cash subsidies ordinarily involve far greater controls than are wise. To some extent, therefore, it is a matter of degree of control.

We recognize that under cash subsidies more precise adjustment of acreage is possible, and that direct incentives for family-sized farms with penalties for excess commercialization are possible, though subject to evasion. However, we believe these advantages are very strongly offset by disadvantages to some of which we invite your consideration.

Subsidies once accepted are very hard to abandon. They break down that commendable independence of spirit which is largely responsible for progress that substitute a dependence on Government which is abhorrent to our strongest traditions. They tend to make beggars of us.

Subsidies would throw agriculture directly into politics. The annual volume would run into the billions, and there would be the constant necessity to besiege Congress to make sure that funds were available for payment. Each year great uncertainty would rule until Congress acted. The availability of funds, and their extent, would inevitably become campaign issues, and one of the soundness and most independent segments of our people, instead of thinking in terms of our national welfare, would be compelled, as a matter of self-preservation, to inject purely class considerations in their voting, and many would doubtless vote for the candidates promising the juiciest subsidies. Important issues involving the welfare of the Nation or other groups would be bartered to get bigger and better subsidies or to prevent ruin by farmers who could not live without them.

We strongly deplore two tendencies which have shown up in disturbing strength in recent years. One is to lean on Government for everything, and the other is to create a class consciousness under which loyalty to class is placed above loyalty to country. Both are responsible for a tendency to evade taxes for ourselves and endeavor to "soak the rich" and get as much out of them as possible through public services supported by income taxes paid by the other fellow. We have been strong supporters of the graduated income tax and inheritance tax, and of a tax system based on ability to pay and benefits received. However, we recognize that there are limitations beyond which we cannot safely go; that practically all taxes find their way back to consumers in the form of rents and high prices; and that not much can be furnished the public below cost without indirect tax payments which frequently are compounded far beyond the apparent savings made. It may be said that the cost of the subsidy program might be no more than under our present plan. We don't like this argument. We don't like our present plan and are seeking improvements in it, one improvement being less drain on Government funds. Reckless taxation is one of the greatest threats to democracy.

We do not believe that the Government should furnish food to the public below cost as a means of holding down living costs and the general price level. If this theory is sound, we should start with labor, establishing a low basic wage, with subsidies from the Treasury based on living costs. We advocate no such plan, but it would be far more sound than starting on foodstuffs for two basic reasons:

First, the price of food has not had a corresponding effect on the general price level. When in the twenties we had a long period of very low food prices, the general price level mounted steadily.

Second, as will be shown by Dr. Sanders, the general price level fluctuates in very close conformity to wage rates, rather than to food prices. For this reason, if this method of controlling the price level is to be used, it could be used very much more effectively in connection with wages than food. However, we believe neither is sound.

No subsidy program can be administered equitably. To avoid obvious abuses it has been suggested that subsidies paid be based on the average difference in price between amount received and a designated level which we refer to as parity. Let us suppose an average price of 25 percent below parity. This average is made up of some who received the parity price or close to it, and others who received very much less, including many below the average. The latter, of course, would not receive an equitable price while the former would receive more than an equitable price, in many instances no doubt a price sufficient to cause them to produce to the utmost and thereby augment the surplus, unless the program were accompanied by further production controls. I might add here we do not believe it would be possible to administer it without almost complete production controls.

We are greatly disturbed by the tendency to increase taxes for such purposes in the belief that they can be shifted to the other fellow. We see most disturbing results in some of the European democracies which promptly vote out of office anyone who supports a sound tax system with balanced budget. We feel justified in quoting a few sentences from a recent column of Dorothy Thompson on this subject, commenting on what she found in England:

> The workingman must look to the state to care for him in every emergency of life; he cannot provide for his own emergencies. And, as Sir Stafford Cripps recently reminded him, he cannot "have his cake and eat it too," and social services are not free.
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> A married couple with two children begin to pay income tax at $1,600 per year and it goes up quickly and steeply. From $2,400 they pay $255 to the Government; from $3,200 it is $432; out of $4,000 they pay $720. If they earn $10,000 they give back $3,260. If they earn $40,000, they keep less than $14,000.
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> Most people in Britain really don't know what the basic things of life are costing them, because of the system of subsidies and social services.
>
> A large part of their food—meat, eggs, sugar, fats, bacon—is rationed and sold to them at way below the cost of production. Actually, the cost of food in Britain (to the Government) is almost exactly the cost of food in the United States to the consumer. The consumer here (in England), however, buys breast of lamb for 8 cents a pound, lamb chops for 30 cents, steak for 44 cents—in very small quantities. He gets 90-cent eggs (three per person per week if his grocer has them) for a pittance by American comparisons. He pays 40 cents a pound for 80-cent butter and so forth. The prices simply are concealed and taken out of his taxes and the taxes of the higher earners.
>
> The subsidies, and, therefore, concealed costs, have given the British worker the habit of looking at his wages as pocket money. (On this Laborites and Conservatives agree.) When the prices rise, however infinitesimally, as they do in Sir Stafford Cripps' new budget, there is huge disappointment among the workers, who still, I think, do not really understand that either prices or the taxes that conceal them must rise and that the subsidies cannot conceivably be met by taxes on the rich.

How much of the Government's contribution to furnishing food to British consumers at less than cost comes from American loans and American aid, we do not know, but surely part of it. We have no outside source to draw upon to support such uneconomic practices.

For the Government to administer subsidies to producers would require a tremendous administrative and policing force which in our opinion is almost a total economic waste.

Despite our basic objection to subsidies, we recognize that conditions may arise justifying support of commodities which may be under destructive economic pressure, where neither the purchase nor loan method is practical. We recommend that "cash production payments" be made available under proper safeguards designed to assure that their use is confined to cases where no other method is practical. However, if cash production payments are to be made, we believe they should be financed by a self-supporting price-insurance method. Obviously, if some method of price insurance has been in effect the last half dozen years, we would now have funds available for meeting all ordinary risk of disastrous price declines for years to come. There would be no politics involved. There would be no doubt as to the availability of needed funds. There would be no reckless taxation. Agriculture would be relying on a well recognized beneficial business practice rather than charity. We urge that your committee give careful consideration to price insurance as an alternative means to cash subsidies.

It will be noted that we have proposed granting wide administrative discretion to a Board, or to the Secretary with the advice and approval of a Board. The problems to be met are so varied that we believe much must be left to administrative discretion, for we concur with the Secretary that "any single formula works some maladjustments." However, in doing so, the Congress should set forth the objectives it seeks to attain, and the Board should be limited in its action to carrying out the policies laid down by the Congress in attaining the objectives. We, therefore, believe it essential to provide a section of the act defining the policies and objectives which the Congress desires to see carried out.

The difficulties of developing adequate wording for such a section are such that we hesitate to make suggestions. However, it is our aim to help where we can, and with the explanation that we feel the following is far from a finished product, we submit the following suggestions for whatever they may be worth.

It is the purpose of the Congress—

(*a*) to aid in the development of a well-balanced stable national economy best designed to promote maximum employment and maximum production and widespread distribution of crops and industrial products in the quantities, form, and location calculated to serve the best interests of all the people; (*b*) to promote a system of agriculture, industry, commerce, and trade calculated to provide equal opportunities for all to employ their energies and talents as they see fit without interference with the rights or opportunities of others;

(*c*) to promote foreign trade on a basis mutually helpful both to producers and consumers of the interested nations;

(*d*) to attain reasonable stability in price of farm crops at levels which will return to producers income commensurate with their service in a well-balanced free economy;

(*e*) to provide ample reserves of raw materials to meet tentative unusual demands;

(*f*) to conserve our resources of soil, water, timber, game, and other resources and to store maximum fertility in our soil;

(*g*) to promote efficient practices in production, processing, and marketing of our crops, timber, and fish resources;

(*h*) to assist in making available practical and adequate insurance of crop production and price on a sound basis;

(*i*) to promote the family-sized farm and farmer-owner operation;

(*j*) and to assist in developing agriculture on a sound, prosperous, self-supporting basis.

We recommend a section authorizing the Board, or the Secretary with the approval of the Board, to use any of the devices of the act, or those existing other acts, to attain the purposes set forth, using them in such an order of preference, as far as practicable, as will make first use of the self-supporting measures requiring the least governmental aid, and resort to the more drastic aid and controls as the least desirable, and the least frequently to be used.

In closing we want to make it plain that we believe in the American way under which individual initiative and responsibility have been the principal factors in making our Nation the strongest and most productive on earth, with the benefits of our high standards of living most widely distributed among those who toil. We have observed with deep concern the growth of government controls throughout the world. One control leads to another, and they all lead to curtailment of freedom, undermining initiative and independence of character, and the gradual but sure encroachment of dictatorship. We recognize the need of governmental action in protection against the impact of some aggressive or economic forces which arise in any economy as complex as ours, but in enacting legislation designed to provide such protection, let us use every care to assure the maximum of freedom of action and determination for those who produce, so they may be free to enjoy the fruits of their toil in their own way.

Now, Mr. Chairman, I have indicated we were presenting the details of a parity program in appendix A and further comments on the Board in appendix B. We did not get appendix A completed in a form that was satisfactory to us, but we will submit it to the committee for the record next week, if that is agreeable. Inasmuch as we have suggested that it might be considered only after some of those other pressing things are gotten out of the way, because we have a fairly workable parity formula now, we hope that will be agreeable to the committee.

Mr. Pace. That will be agreeable, to submit it at your convenience next week and file a copy with the clerk to be inserted in the record at this point in the hearing, and then supply the clerk with sufficient copies to give each member of the committee a copy.

Mr. Goss. That will be provided. We will be glad to discuss it with the committee later, if they so desire.

(The following is appendix B submitted for the record by Mr. Goss. He did not submit appendix A, mentioned above.)

Appendix B

We recommend an advisory board made up of producers, processors, and distributors with whose approval any device authorized by law could be made effective in attaining the purposes set forth in the bill. The problem is so complex from an agricultural standpoint that we feel that at least half the members of the board should be selected from those connected with farming, and should consist of members familiar with our major crops widely distributed geographically. We therefore feel that a board of 24 members would be none too large. We recommend that the agricultural representatives be selected one from each Federal land-bank district and six representatives of processors no two of whom should be from the same farm credit district and six representative of distributors with the same limitation.

We feel that a board of this size would probably be too unwieldly to deal with the details necessary to develop the data required in making decisions, and we recommend an executive committee of not less than three nor more than five selected from the members of the board by the board itself. We recommend that the board elect its own chairman and that he also be chairman of the executive committee.

We recommend that the full board meet bimonthly or in special meetings upon call of the Secretary, the executive committee, or any five members of the board.

We recommend that the executive committee meet at least monthly or on call of the Secretary, the chairman of the board and at such time as the board or the executive committee deems necessary to perform its functions.

We recommend that the board be authorized to delegate any of its functions which are to be carried out between meetings of the board to the executive committee.

We anticipate that the executive committee will make reports to the board of the bimonthly sessions and from time to time between sessions; that the board members will be required to give more or less time to the consideration of problems to the board between sessions; and that the basic compensation be set at $2,000 per year plus $25 per diem and necessary actual traveling expense when attending a board meeting or in transportation thereto or therefrom or when away from home performing other services in the interest of the board by order of the board.

Great care should be used in the selection of the board to assure men of experience and stability able and willing to devote the necessary time to the affairs of the board, free from political motive or bias, familiar with the problems of the group they represent, and enjoying the confidence and support of the leaders in agriculture, processing, and distribution. We believe they should be appointed by the President but to assure the type of men desired, we recommend some safeguards in appointments which may be unprecedented but which in our judgment would contribute toward the selection of the type of board needed to do the job.

We recognize that it is not sound to tie the hands of the President and expect to hold him responsible for the administration of a Board the members of which have not been of his free choice, but we believe that if the purposes are set forth definitely in the act the likelihood of securing the right type of Board will be enhanced.

We recommend that in the appointment of the members of the Board the President be required to take practical and reasonable steps to secure recommendations from the recognized leaders of the various industries involved in various sections of the country; that up obtaining a list of nominations which he deems to be representative of the desires of farmers, processors, and distributors, he consult with a joint committee representing the Committees on Agriculture in House and Senate, reviewing the list before him and receiving recommendations from them as to the members on the list, or others, before making final appointment. We do not believe it sound to require that the appointment be restricted to names from such lists or recommendations, but we believe that if confirmation by the Senate is required, it will be a most exceptional case if the President ignored all the wishes of those who participated in making the recommendations.

We recommend the term of office should be 6 years and that the terms should be staggered so that four would be appointed each year.

Mr. PACE. Are you ready now for Dr. Sanders to submit his statement?

Mr. GOSS. Yes. This appendix B we have in describing the Board, we think, has some things in it which your committee will want to review; but we have tried to give you the picture, and that is one of the details we think we can take up afterwards when time permits.

Mr. PACE. Thank you very much, Mr. Goss.

Dr. Sanders, we will hear from you at this time.

STATEMENT OF J. T. SANDERS, LEGISLATIVE COUNSEL, THE NATIONAL GRANGE

Mr. SANDERS. The broad outlines of a sound program for agriculture have been given by Mr. Goss. I will undertake to show the underlying economic reasons for, and give figures backing up, our advocacy of this program, to show how these economic reasons or forces determine the kind of program that we believe will or will not succeed; and, finally, I will deal in some detail with specific parts of the proposed program. This statement, therefore, is mainly supplementary to the statement of Mr. Goss, but at places it is complementary to his statement.

Mr. Goss has indicated that one of the most common errors made in dealing with the farm problem is to try to deal with a single crop or product as though it were an independent separate problem; ignoring the fact that there is a vital relation between one crop and another, between crops and livestock, between all crops and livestock products and finally between farming and the rest of our economy. Unless we look at this over-all maze of interrelationship we are sure to come out with patchy thinking on the problem, and with piecemeal attempts to solve the farm problem. It goes without saying that to that extent we will fail in finding a proper solution.

The period immediately ahead will be a time when farm programs will surely be put to the acid test. The farm problem usually shrinks to small proportions in war periods, and looms to its greatest extent shortly after great wars. On all sides we hear great fear expressed, fear of burdensome surpluses, fear of overproduction. These are times that call for clear, calm, capable, statesmanlike action on the farm problem. The real test of our system over Russia's will lie in whether we can solve the farm and unemployment problems to a reasonable extent.

For 25 years or more we have made efforts to solve this problem. Sometimes we are inclined to believe we are no nearer a solution than we were when we started almost 3 decades ago. The Congress can meet the urgent present responsibility of solving this farm problem by continuation of emergency measures or by more fundamental long-time programs. We of the Grange believe that the future trends are sufficiently discernible for you of the committee to place the emphasis of your efforts on the more fundamental long-time phases of the problem.

I. THE EXTENT AND NATURE OF THE FARM PROBLEM

We have indicated that unless we look carefully at the over-all picture of agriculture, and the relation of agriculture to our whole economy, as well as at the problem of each product, we shall certainly make grievious errors in seeking a solution. In line with the need for doing this let us first look at the extent of disparity of farm income and the earnings of industrial laborers.

The extent of disparity of farm and nonfarm incomes

The estimated net labor earnings of farmers from 1910 to date by 5-year periods expressed as a percentage of industrial workers' average earnings were as follows:

	Percent		Percent		Percent
1910–14	53	1925–29	48	1940–44	71
1915–19	80	1930–34	25	1945–48	89
1920–24	31	1935–39	46	1910–48 (all years)	60.1

Two facts stand out in these figures. First, the wide fluctuation in the amount of farmers' earnings for different periods compared with wages, and second, the generally much lower level of pay for farmers. In the 1920–24 period farmers averaged 31 percent, and in 1930–34 only 25, of industrial wage workers' earnings. Only in the two war periods, 1915–19 and 1945–48, did farmers get anything like as much as wage workers, for the entire 39 years, only 60 percent as much.

Why do farmers earn only two-thirds as much on an average as do wage workers? And why does this percentage of farm earnings to wages vary all the way from lows of 6 percent in 1921 and 12 percent in 1932 to as high as 101 percent in 1917 and 98 percent in 1947? (See table 1 in appendix for details.) Some of the answers lie in the nature of farm production, in its stability; some of the answers lie in the constant surplus of farm people; and other parts of the answer lie entirely outside agriculture, that is, in the nature of industrial production.

Some contend that farmers receive a lower income because they are a less competent worker than the average factory laborer. Others say intangible values of farm life cause the farmer to be satisfied with a low relative income. I personally think that when all family-living values from the farm are included farmers should receive incomes on a par with industrial wage workers. Time does not permit detailed justification of this belief.

Six basic reasons for low farm prices and income

We believe the following six basic reasons cover the most important phases of the farm-price problem and that programs which overcome these causes of farm disparity will cover the essentials of a sound farm program. The six causes of low prices are:

1. Low farm prices that arise out of the general failure of the non-agricultural parts of our economy to maintain physical outputs at a high steady level comparable to, and in balance with, the high stable over-all output that comes from the farming industry;
2. Low prices caused by temporary surpluses, favorable weather, and abnormally high yields;
3. Low prices that result from unsound year-to-year shifts from one crop to another by farmers due to relatively high prices the previous year for some crops and low prices for other crops;
4. A generally chronically lower level of farm prices and farm income than prevails in the nonagricultural section of our economy. This disparity arises mainly out of uninterrupted pressure of surplus farm population on land use which is caused by high birth rate on farms and increased per capita productivity. It also arises (and is especially accentuated during periods of general depression) out of the constant full output nature of the farm;
5. Inefficient farm marketing machinery and unjustified spread between the prices of producer and consumer;
6. Finally, low price difficulty since World War I arising out of disrupted international trade relations that are so vital to some of our major export crops.

We believe that the solution of almost every important economic farm problem that confronts us can be found in measures dealing with these six causes of low farm income and prices. Obviously if the farm problem encompasses these six causes it is a problem of great complexity.

These six causes of low farm prices and income, as Mr. Goss has so repeatedly said, indicate that a cure-all for farm woes is not to be found; that the farm problem cannot be solved exclusive of important necessary corrections in the whole economy of the Nation and the world; and that the best and most practical approach requires a large number of means ready for use in dealing with the numerous and complex aspects of the problem. Many of these cannot be clearly seen in advance. A stock of remedies with as much flexibility of administration as it is safe to give the administrator is a necessity of a sound permanent program.

We propose to discuss these six causes of disparity in turn and will point out ways of correcting their influence on farm welfare.

II. STABLE FARM OUTPUT AND UNSTABLE NONAGRICULTURAL OUTPUT AS A CAUSE OF THE FARM PROBLEM

We believe a far greater part of the problem of low farm prices and income arises out of unbalance in farm and nonfarm output than has generally been recognized. Unless we clearly understand why overall farm production is very stable and industrial output is extremely unstable we are likely to rely on production control of farm output when it will do more harm than good. Clearly reasonable stability of output of all economic goods from year to year is desirable. If so, the chief problem does not lie in reducing output on the farm but lies in bringing more stability to industrial output; rather than in bringing instability to farm production.

First, let's look at the facts of stability of output from our farms and the unstable output in industry and see how these influence incomes in the two. For the 32 years from 1910 to 1942, year to year changes in farm output averaged about 4 percent up or down per year compared with 13 percent for industrial output, or more than 3 times as much change in industry as in agriculture. During these same years net labor income of farm operators changed on an average of 25 percent each year up and down compared with 8.8 percent for industrial workers' annual earnings.

Farm output is remarkably stable and farm income remarkably unstable; while industrial output is remarkably unstable and rates of pay only half as variable as in agriculture.

In these opposite or crisscross movements rest the major seat of the problem of low farm income; and indeed much of the difficulties of labor and industry. If we expect to meet the challenge to our free enterprise system we must find ways of keeping industrial employment and output parallel with high farm output and prevent their periodic movement in the opposite direction.

This truth of opposite tendencies on the farm and in industries can be shown convincingly by the outputs and income of industry and agriculture in 1933 compared with 1929. In 1933 industry as a whole turned out just about half as much goods as in 1929, and agriculture only 3 percent less. There was only one-half as much goods of industry to exchange for a full measure of farm output in 1933. No wonder farmers' labor earnings in 1933 struck rock bottom at only 25 percent of their earnings in 1929.

We are not pointing these facts out to imply that this committee's function is to try to find ways of stabilizing industrial output. Rather we point these facts out to show that the trouble and solution of the production problem lies largely in industry rather than on the farms.

Does it appear sensible to bring instability to farm output in order to stabilize the farmers' income? That is exactly what control of production proposes. Or is it not better to try to stabilize industrial production as a means of helping to stabilize the amount of industrial products available for exchange for the stabilized farm output? This would help to stabilize both the income of farmers and wage workers.

Although it is not the primary responsibility of this committee to try to stabilize industrial output, you as Members of Congress do each have a responsibility to find a solution to this vital problem and influence on farm incomes. We have two suggestions to leave with you on this problem. The first one is an official Grange viewpoint, the second is the writer's personal viewpoint.

As a practical approach to unemployment, why, as farm advocates, do we not insist that labor and management, through their wage contracts, introduce the policy of parity of wages similar to the basic and equitable principles of farm parity which we accepted two decades ago? Willford I. King has revealed in his studies that wages constitute 60 to 65 percent of value of all goods turned out by industry regardless of full employment and high output or high unemplyoment and low output. Rigidity in wages which amount to two-thirds of costs of all goods is a vital reason why managers close their plants and cut their flow of goods that mean so much to farmers whose goods during such time flow forth in an undiminished volume. Why should we not insist that the currently considered minimum wage be tied definitely to a sound index of the cost of living in order to make it vary both geographically and with time as the cost of living rises or falls? There is no sound reason against, and numerous sound reasons for, a parity wage provision in all wage contracts. Such a provision would not only be good for the laborer, but it would greatly help agriculture and make for needed adjustability in our too rigid present economic structure. It would certainly help to raise low farm income that is caused by instability of industrial output, and it would be a most important factor in stabilizing employment.

I personally believe the Nation or private industry can find practical means of setting up and carrying employment and output insurance as contrasted to our present emphasis on carrying unemployment insurance as a safeguard against depressions. As strange and difficult as this task of developing and using employment insurance sounds, I do not believe that it is impractical or unsurmountable. Why have we, as farm leaders, not placed more emphasis on pushing for a solution of unemployment and of stabilized industrial output, when it is universally recognized among us that no fully satisfactory solution of the farm income problem can be found without first bringing reasonable stability to nonagricultural employment and output? I must confess that I have no sensible answer to this question.

Although I personally freely recognize that the development of a system of "employment and output insurance" for industry as contrasted to our present system of "unemployment insurance" entails many complex considerations, I am certain in my own mind that a practical system can be set up and that it can be made a strong force for making it more profitable for factories to be kept in operation and for laborers to adjust wages downward with general price levels in order to stay on the job and to stabilize industrial output with farm output.

III. PROGRAMS TO DEAL WITH TEMPORARY SURPLUSES THAT ARISE LARGELY OUT OF GOOD CROP YEARS

The nature of farm surpluses

More storm clouds of controversy on the farm problem have centered around the question of surpluses and of overproduction than any other phase of the problem. There are two kinds of surpluses, a temporary surplus due to good yields or unjustified shifts from one crop to another, and general surplus that is too much of everything or an oversupply of a crop or product that lasts for several years. These two general classes of surpluses are often confused in discussions of the farm problem. Also it seems to us the true nature of each of the two classes of surpluses is often not understood.

Temporary surpluses in the great majority of cases arise out of good yields and good weather more than a shift of acreages by the farmer. From 1920 to 1946 acreage changes, most of which may have been due to the action of the farmer, amounted to an average of less than 2 percent a year for crops in the country as a whole; but yield changes were 4.4 times as great, or 8.8 percent, changing total output or production of crops by 7.5 percent per year. Thus the natural changes in production are four times those made by farmers. Actually changes in acres by farmers had an over-all net stabilizing effect in certain years on production in that they often reduced acres when yields increased.

It appears, therefore, that about one-fifth of the total year to year changes in farm output is traceable to things the farm operator decides upon and four-fifths are due to nature's vagaries which we will deal with in this portion and will deal with programs arising out of man-made shifts in the next section. People wedded to production control seem at times oblivious to this basic fact that they really can control only about a fifth of the changes in production.

When these over-all changes are broken down to a single crop or group of products, the problem of dealing with these seasonal surpluses is more clearly shown as is the case with the following table:

Average of percentage changes from year to year in production of an income from farm products for period 1910–46 [1]

Product	Average annual percentage change		Product	Average annual percentage change	
	In production	In income		In production	In income
Dairy	2.1	11.0	Potatoes	14.5	35.5
Poultry and eggs	4.1	14.7	Corn	16.1	27.5
Cattle and calves	4.6	15.2	Fruits and tree nuts	16.2	14.2
Meat animals	5.9	15.4	Tobacco	15.3	21.6
Sheep and lambs	6.7	15.1	Cotton	16.2	23.1
Hogs	8.6	19.1	Feed crops	21.4	18.7
Wheat	13.1	23.7	Oil-bearing crops	22.5	26.1

[1] Source: Article by Dr. T. W. Schultze, Economic Stability of American Agriculture, American Farm Economic Journal, November 1947, pp. 809–826.

The year to year change it will be seen is relatively small in livestock products except pork production and income. The figures for potatoes show why this problem has been and will continue to be troublesome to handle. Production changes of potatoes are high, 14.5 percent a year; and income has varied by 35 percent, the greatest value change shown. The fruit and nut crop changes in production runs high but income changes run less high.

Although it cannot be said that the degree of variability of the production and income measures the degree to which concerted action and programs for handling seasonal surplus can succeed, the extent of these variations do reflect relative needs of seasonal surplus removal programs—that is, sales campaigns and annual market agreements. To the extent that these extreme year to year strains are placed on the various crops, and products and if aid in surplus removal can be used successfully, to that extent Government programs to assist both the consumer and producer in the disposal and use of these surpluses are justified and should be provided by the Congress.

As has been indicated by Mr. Goss, we believe programs for dealing with these seasonal surpluses can be very useful in easing their influence on low prices. An agricultural board with authority to recommend sales campaigns could frequently push the greater uses of products in long supply, and thus help out, we believe, in many acute trouble spots.

Also we believe that the marketing agreement law should be extended and made applicable at any time and to any product for which the Secretary of Agriculture or the Board finds that use of marketing agreement will help in carrying out the basic purposes of our national farm programs, and where a reasonable majority of the growers are in favor of the use of an agreement. In other words, the present narrow and restricted application of these agreements should be authorized for extension to any product on which its use at the discretion of the Board is practical.

IV. PROGRAMS FOR DEALING WITH SURPLUSES AND LOW PRICES CAUSED BY SHIFTS WHICH FARMERS MAKE IN PRODUCTION

Since it is evident from facts previously presented to show that year to year changes which farmers make frequently offset changes due to yield, and since such changes probably amount to less than a fifth of all changes in production, we think the problem of surpluses caused from increases in acreage is frequently very much overemphasized. The most important measure to help correct this part of the farm problem is that of developing a parity formula that is thoroughly modernized and that keeps the parity prices for the farm products in sound balance with each other.

Unbalanced price relationship has far greater influence on shifts than any other cause. This is an important reason why parity support should avoid raising price of one product out of line with general parity levels such as was the case last year with potatoes.

The average crop area on a farm is usually quite fixed and surpluses of given crops arise out of shifts on this fixed area rather than from an expansion of total cropland. Fixity of cropland holds true for large areas or regions as well as for farms. It is remarkable, in a way, to note that the Nation had 402,000,000 acres of cropland in 1920 and the same in 1948. Besides a modernized parity we would also advocate an extensive and thorough use of outlook information and research. There is good reason for great expansion of this work at the local, State and national levels.

V. PROGRAMS FOR CORRECTING THE GENERAL DISPARITY IN FARM AND NONFARM INCOME

We believe that the general situation of lower prevailing income in agriculture than in nonagricultural occupations, which we pointed out yielded farmers an income from 1910 to 1948 that averaged only 60 percent of the earnings of industrial workers, arises out of two main causes. One of these is the continuous surplus of farm peoples that has averaged annually about a half million surplus during the past three decades. The other major cause of farm disparity is the inherent nature of farms to continuously turn out a full output during depression and prosperity periods alike.

The continuous surplus of farm people has resulted in a total net balance of immigration to urban centers of 15,000,000 since 1920. Since this surplus of farm peoples is the combined results of relatively higher birth rates in rural districts than in cities and of continuously increased productivity per worker in agriculture, and since both these factors are evidently to continue in force into the foreseeable future, it is neither desirable nor possible to check these causes of low farm income.

This surplus of farm people affects farm income in two ways. First, by constant pressure on the use of more workers on the land than are needed and, secondly, by a tremendous drain of wealth in costs of rearing and educating these excess boys and girls. In the 11 Southern States this net drain amounted to over a third of the net income of farmers from 1920 to 1929.

The second major cause of general disparity is the inherent nature of the farm business to turn out a steady full output at all times affected only by bad crop years. Farmers and farm family workers furnish 80 percent of all labor needed to operate the farm. Contrary to the belief of many, mechanization has constantly increased and will continue to increase, the proportion of labor supplied by the family and has thus greatly increased the economic strength of the family farm. To all effects this unpaid family labor is a fixed cost and other fixed costs of operating the farm such as taxes, insurance, seed, etc., brings the average of fixed costs to around 75 percent of all costs of farming. Nonagricultural industry and business operates with an average of around only 25 percent of all costs as fixed costs.

Farmers, because of these high fixed costs, can't close down their plant and output without greater losses than they would sustain if they operated at full output. The opposite is true with nonagricultural industry. This inherent difference plays a vital part in keeping farm prices and income at a general lower level than the prices of industrial goods.

Although there are other causes of general farm income disparity, these two as stated are the major causes. Since neither of the two are preventable, only direct rural aid and price-support measures will offset their influence on the welfare of farmers.

Since Federal aid to rural districts for schools, hospitals, roads, etc., to offset in part the wealth depleting influence of surplus peoples, is not in the province of the Agricultural Committee, we will not discuss these aspects of the problem. They are mentioned merely to show the complex nature of the problem of correcting farm income disparity.

Price supports as means of correcting farm income disparity

In the matter of use of price-support programs we get into a highly controversial field. I would like to discuss three aspects of it, viz: (1) should control of production be a major factor in price support, or (2) should a two-price support with flexible parity or parity support be the major means of supporting the price of principle crops, and (3) what means should be employed to encourage high dietary standard of consumption and maximum use?

The Grange has always been opposed to the use of control of farm output as a major part of price-support programs. Mr. oGss has explained the philosophy of the Grange's support of an economy of abundance. I would like to reinforce his statements with a few basic facts supporting our policy.

The Grange recognizes that war incentives to production have resulted in a production pattern for American agriculture which is far from normal; that world demand today is still far from normal, that drastic readjustments in production may be needed to get back to normal; and that no one can tell the extent of the adjustments which will be required or when they will take place. We therefore recognize as pointed out by Mr. Goss that controls may be necessary as emergency measures, and advocate that power to use such controls within the limitations of purposes as set forth in Mr. Goss' statement with the approval of the board may be necessary to secure reasonable adjustments without too much hardship. As a long-range program, however, we should seek to reduce controls to a minimum.

Ordinarily under normal conditions, we do not believe that control is necessary unless one believes in the general philosophy that control is not justified when applied to one crop or a few favored crops. It is justified only when applied on, and inevitably leads to, a control of all farm products. It leads to all the evils of monopoly. For example, continuous control of tobacco has led to tobacco-quota acreage being worth, in some cases, 500 or more per acre compared with $25 to $50 value per acre for the same land without quotas. How is a young man who wants to produce tobacco to get into a scale of production to make a living as a tobacco producer? It would take him years to build up to a living quota. His only alternative is to buy in at high prices which robs him of all the fruits of control, since the capitalized value of the quotas must be paid either as rent or purchase price for the land.

But the monopoly-breeding tendency of control is not its only bad feature. It inevitably leads from control in one crop to necessary control in all crops, from control as an emergency measure to continuous and permanent control; and ultimately to complete regimentation of all agriculture. Had it not been for the intervention of the war, control would have long since been discarded for it becomes more and more complex the more it is extended to all crops—the ultimate destiny of control.

Control either leads to complete regimentation or else it fails. It was applied only to major crops in the thirties; and the land released in these crops was promptly used in other crops. The results were that we did not restrict total crop acres, nor total farm output. With such released major crop area from only four or five crops we had enough surplus area to double the acreage in scores of minor crops, thus creating dangerous surpluses in many of them had it not been for the extended drought. Drought was the only thing that saved control from obvious and miserable failure.

Despite an unprecedented period of drought years that cut yield of crops from 1931 to 1934 an average for the whole country by 25 percent, total crop production declined only by an equal amount or the same proportion, 25 percent, showing that control of the selected crops was offset by increased production in alternative crops. The net result was that we did not reduce total production.

Among other defects of control as a means of raising the price level is that control on such major export crops as cotton helps foreign producers more than it helps American farmers if it raises the general price level at all. This is shown by the table below, which was included in testimony which I gave before the Senate Committee on Agriculture in 1933:

Effects of reduction of production of wheat and cotton in the United States on the estimated net income of farmers in the United States and abroad[1]

Crop and region	Amount gross value of crop would be increased [2]	Estimated increase in cost of production due to reduction in acreage [3]	Net gain in value of decreased crop	Remarks
Wheat with a 20-percent reduction in the United States:				The producer of the United States gets only $1 to each $14 of net gain for foreign competitors.
(a) Foreign producers	$760,000,000		$760,000,000	
(b) United States producer	120,000,000	$66,000,000	54,000,000	
Cotton with 20-percent reduction:				The producer in the United States would get $1 to each $2 received by other producers.
(a) Foreign producers	172,000,000		172,000,000	
(b) United States producers	180,000,000	90,000,000	90,000,000	
Cotton with 50-percent reduction:				Producers in this country would get $1 for each $3 for our competitors.
(a) Foreign producers	518,000,000		518,000,000	
(b) United States producers	337,000,000	150,000,000	187,000,000	

[1] The calculations herein given are not considered usable except as indicative of general and not specific facts.
[2] If normal price and supply of past decade prevailed.
[3] Estimated increased cost of production based on cost studies of 27 wheat farms in Garfield, Okla., and 67 cotton farms in Oklahoma, and is approximated at 11 cents per bushel increase for wheat, 1.5 cents per pound (with 20-percent reduction) and 4 cents per pound with 50-percent reduction of cotton.

The facts brought out in this table presented to the Senate 15 years ago are pertinent in considering the advisability of use of control as a price-raising device, or the use of flexible supports and with a two-price system as an alternative approach. In judging the merits of these alternatives, one should keep in mind that parity must be supported on a thoroughly reliable modernized price parity, and that best efforts must be made to hold all farm prices in as near a full balance as practical by the various programs we are suggesting.

Clearly to support prices of cotton by restricting our crops (if we actually are effective in reducing world supplies and raising world prices) will raise all cotton prices both at home and abroad. Similarly wheat. In the case of cotton, as shown by the table, with 20 percent reduction in the United States and no response by increases abroad, we would have raised total value of cotton to our farmers by 180 million dollars. But it would cost them 90 million additional costs to cut their output by this amount, thus leaving them only 90 million net gain. A cut of 50 percent would give them a net gain of 150 million.

But foreign cotton would receive the same price boost assumed due to reduced world supplies; and a 20 percent cotton reduction in the

United States would yield foreign producers 172 million free of any additional costs compared with our net gain of only 90 million.

In other words, with a 20 percent cut and no increase abroad our farmers would get from control measures only slightly over a dollar for each $2 of net benefit to foreign producers. Similarly with a cut of 50 percent in cotton acres our benefit would be $1 for each $3 received by foreign cotton producers. Due to the small proportion of the world wheat production which we were producing in 1933, the net benefit is an astounding differential—$1 of benefit to our farmers to each $4 we benefit foreign producers.

Actually, however, if our reductions have any influence on world cotton and wheat prices this stimulates increased production abroad. This is exactly what occurred as can be clearly shown by cotton. From 1932 to 1935 for 3 years of rigid control we reduced our total production so that our supplies were 31 percent less in 1936 than in 1932; the rest of the cotton world increased their production enough to increase their supplies to 47 percent above their 1932 supplies. Total world production of cotton averaged the 4 years before control 25.4 million bales the first 2 years of control, 24.6; and the next 4 years excluding 1937 when no controls were on, 27.9. Where was the reduction in world supplies that we were striving so to obtain? Foreign increases in production had more than offset our reduction.

Can anyone seriously contend that in view of these figures, in a world product such as cotton, that our control had increased the world price and consequently the price our constant export surplus must bring? The only possible way we could be sure control would raise our basic price would be to reduce until we were safely and permanently off the world cotton market. This in brief, is the trap that cotton control leads irresistibly to. In other words we doubt that control raised our export prices a bit.

If it did not raise export prices it could not have raised domestic prices. We had to raise them, as we did, by other means. If we must resort to other means to support our domestic prices of cotton, why not do so by a practical two-price system and not lose our place on the world market as we did by control? This is the program of the Grange for cotton.

As an alternative to control as a price-supporting adjunct, we suggest a two-price certificate system which has been described in detail in the appendix of this statement. Either this two-price plan could be used to support prices or a more complicated two-price system embodying the draw-back principle of the old McNary-Haugen plan or the more simple plan of an export debenture. The Grange many years ago strongly supported the export debenture plan. The last two plans we are sure are familiar to all members of the committee and we will not take the time of the committee to explain in detail the certificate plan which will be submitted for the record.

(The plan referred to is as follows:)

Suggested Parity Certificate Two-Price Plan of Price Support for Farm Commodities

(By J. T. Sanders, legislative counsel, the National Grange, April 29, 1949)

[The views expressed herein are the author's and do not necessarily represent the official expression of the National Grange]

Under the parity certificate plan farmers are to sell all their crops on a free market at market prices and are to be paid in addition in the form of a parity payment certificate, the difference between the free market price and an income parity value of the crop. This parity payment certificate will be given to the farmers by the first buyer of a product when the farmer sells his product. It is immediately redeemable at full face value.

In order to follow closely and clearly, the illustration to follow of the use and the working of the parity certificate plan, it will be necessary to get clearly in mind the following assumptions:

1. A thoroughly modernized parity income formula must be in force so that parity prices of all products will be held in a fair balanced relationship; so that the parity price of no produce will be significantly out of line with the general parity level, and finally so that the given product parity will reflect its recent costs and demand changes.

2. At the beginning of each marketing year the Government would need to estimate for each parity-benefited product the total production, total domestic requirements, and the export surplus; and to declare the percentage that will be used domestically and the percentage to be exported.

3. Parity support under this two-price system would probably not be needed for all farm products but only for the main and especially the export surplus products. The price of most minor crops that are sold only on the domestic market would tend to rise to the general level of parity-administered crops through intercrop competition. For handling seasonal surpluses in such minor crops, marketing agreements should be authorized for use and used if the growers vote to use them. Parity payments should be made only for the domestic portion of all farm products and the export portion should be sold at world levels without any parity support.

4. No dual price structure can be made to work unless each product and close substitutes for each are protected from imports to the extent of the parity price. Therefore, in the illustrations to follow it is assumed that each product is to be protected by adequate measures to the extent of the additions to market prices by parity payments on domestic consumption.

5. The basic current price of all benefited commodities would be the purchase price of the commodity, the declared parity benefit payment being a flat, fixed payment above the current price. This differential.payment above the current market price would be announced at the beginning of the market year. Thus all the market forces of supply and demand would be in constant play on the price of the parity-benefited product, and support price would rise and fall around parity with each current change of the market price. The differential parity payment would always float up and down on market price. The differential payment could be changed, as changes in market price carried the total support price significantly above or below parity.

6. Finally, sales from producer direct to consumer would not require special attention. Prices paid on such sales would necesarily be about equal to the current price plus parity benefits. Otherwise, the producing farmer would not make such sales.

The instruments by which a two-price support is to be implemented are two certificates issued by local agents of the Government (probaly the local bank) to the first buyer of a farm product. One is a parity supporting certificate which is to be the sole official authorization for all transfers, sales, storage, export, or of parity-benefited products in the United States. The first buyer of products would pay full parity differential price for these parity supporting certificates and sell them with the product at full face value when he sold his purchased product. In essence these parity supporting certificates would be licenses to handle these parity-benefited products in domestic markets. Each successive buyer of the product would buy and sell the certificates with the product and receive full face value for the certificate.

The other or second certificate is a parity payment certificate which serves as a means of paying the farmer his parity payment. The two certificates will always be issued jointly and the parity payment certificate will come attached to the parity supporting certificate free of any extra charge when the supporting certificate is issued. The face value of the parity payment certificate is to be the total parity payment due the farmer on the authorized proportion of the sale for domestic consumption.

The function and use of the parity supporting certificate as a means of policing the product in domestic channel movements and uses will be examined first. The use of the attached parity payment certificate (which is detached and given to the farmer at the time of purchase) will be discussed later.

Under the plan, the functions of buying, shipping, storing, selling, and processing any of the parity-benefited commodities by any middleman after the product leaves the actual farmer-producer could not be legally performed unless the person during the time he was handling the products was also in possession of parity-supporting certificates in amounts and with face value covering the entire amount of farm products in his possession. As stated previously, the first buyer would have paid for these parity supporting certificates the full amount of the legally determined parity payment differential on the total amount purchased. (See example of this certificate below.) When the first buyer sells his product to another domestic middleman, the parity-supporting certificates are to be sold at full face price to the second and to all succeeding purchasers, whether they be middlemen, processors, or exporters. Thus each handler is compensated for his certificates in full at the time he sells and gives up possession of the farm product and the covering certificates.

First-stage processors of each product would hold parity-supporting certificates covering all farm products which they have bought for processing and domestic use. These parity certificates would be released to official inspectors who would certify the manufactured product as being eligible for domestic sale, but the inspectors would not pay processors anything for the certificates they had released. Thus, the full price of the parity-supporting certificates would remain in the Treasury for all commodities processed for domestic sales, and the price the processor has paid for the certificate becomes for him in actuality, a processing tax. Processors would thus have to raise prices to the consumer by the amount paid for parity certificates or absorb it out of their current profit margins. If parity payments are required of all competing products, it is believed that the cost of certificates could not be thrown back on farmers by reducing basic purchasing prices to them. Especially is this true of products on a world market price basis.

Thus when the parity-supporting certificates covering domestically used products are taken up without payment to the processors, this leaves parity payments in the Treasury in sufficient amounts to pay farmers their full parity differential for domestic used portions of products.

Any commodity loaded for export would be accompanied by necessary parity-supporting certificates which would be surrendered to official inspectors who would pay exporters the full face value of the certificates and clear the export product for foreign shipment. Thus the export portion of commodities would have moved from the original first buyers to the point of export with each successive handler buying the covering parity-supporting certificates from the preceding handler. These products would have moved through domestic channels at world prices alongside domestic-use portions that are, in effect, being handled at the higher parity-price level. All commodities are thus policed through domestic markets safely, and without possibility of profitable bootleg operations, by the simple expedient of requiring that each handler invest the full parity payment in the product while it is in his possession.

HOW THE FARMER IS PAID HIS PARITY-PAYMENT DIFFERENTIAL

Attached to the parity-supporting certificate and coming free without extra payment to the first buyer would be a parity-payment certificate with a face value equal to the parity differential on the domestic portion or percentage of each sale. This parity-payment certificate would be detached and given to the farmer. It is redeemable at full face value since sufficient funds have been put in the Treasury by the buyer of the product and are left in the Treasury at processing points to cover the proportion of each sale destined for domestic use.

ILLUSTRATION OF USE OF SYSTEM ON COTTON, WHEAT, AND MEATS

For the purpose of illustrating the use of these certificates we will assume certificates are to be used to buy 10 bales of cotton 60 percent of which will be declared for domestic use; to buy 1,000 bushels of wheat 80 percent of which will be used domestically; and 10,000 pounds of pork, beef, or mutton on the hoof, 10 percent of which will be diverted into relief uses by the Government and price support given on 90 percent of all meats. The transactions will be illustrated in the following table assuming current market price of cotton is 20 cents, wheat $2, and meat 20 cents with a parity-differential payment of 5 cents for cotton, 50 cents for wheat, and 5 cents for meat. (See table below):

Table illustrating details of issuance and use of parity supporting certificates and parity payment certificates to operate a two-price system for wheat, cotton, and all meats

Nature of transaction	Illustrating use of certificates in cotton purchases	Illustrating use of certificates in wheat purchases	Illustrating use of certificates to support 90 percent of meat prices and to enable the Government to buy and divert 10 percent of all mutton, pork, and beef into relief uses or to export at current market price level
1. Amount of product sold by farmer	10 bales	10,000 bushels	10,000 pounds on hoof.
2. Current market price paid farmer by buyer.	20 cents per pound.	$2	20 cents per pound.
3. Total cash paid to farmer for his product by the buyer.	$1,000	$2,000	$2,000.
4. Parity payment differential of product per unit.	5 cents per pound.	50 cents per bushel.	5 cents per pound.
5. Face value of parity supporting certificates issued buyer of product and sold with product when buyer sells it.	$250	$500	$500.
6. Percentage of product for domestic use and amount on which parity benefit payments are made to the farmer.	60 percent or 6 bales.	80 percent or 800 bushels.	90 percent or 9,000 pounds.
7. Face value of parity payment certificates attached to the parity supporting certificates and which are detached by the buyer and given to the farmer selling the product.	$150	$400	$450.
8. Export portion or portion diverted to lower or relief uses.	40 percent or 4 bales.	20 percent or 200 bushels.	10 percent or 1,000 pounds.
9. Amount of parity supporting certificates taken up by the Government and paid for.	$100 at export point.	$100 at export point.	$50 at processing point.

In the 10-bale cotton purchase the buyer after negotiation of the sale of the cotton by the farmer at market price, 20 cents per pound, would go to the bank and buy $250 worth of parity supporting certificates at 5 cents per pound or $25 per bale on the entire purchase. Attached to these parity supporting certificates and coming without extra charge, or free, would be parity payment certificates of a face value of $150 or 5 cents a pound on the 60 percent of the cotton that was declared for domestic consumption. This certificate would be torn from the parity supporting certificate and given to the farmer. It would be negotiable and could be redeemed at the Treasury at full face value any time before its expiration date, which date would be set and written on the certificate when it is issued, say 6 months after its issuance. The wheat purchase would operate similarly.

The meat purchase needs special explanation. It would be used when the Government wished to support a product that had to go through processing plants soon after leaving the farmer's hands and a product entirely or largely used domestically as is the case with pork, beef, and mutton.

The illustration assumes that the Government wishes to buy at market prices 10 percent of all meats and divert it into food stamp, shool lunch, or relief uses at home or abroad selling it at the nonsupport or market price. Or possibly the Government may wish to give it away as relief. The other 90 percent would sell to regular consumers at market price plus 5 cents parity support since the Government would take up 90 percent of the parity supporting certificates at the processing point but would not pay packers for these. Packers would pass the 5 cents on to consumers. It is assumed that the Government purchases of the 10 percent and withholding it from the open-market channels would reduce open market supplies sufficiently to prevent packers from charging the 5 cents parity support cost back on farmers but must pass it forward to the consumer's prices.

Although it is opposed and not recommended by the writer and is opposed by the Grange also, if the Government wished to use this certificate as a mechanism for paying farmers a 5-cent production payment or any other production payment it could do this by buying up all parity supporting certificates at processing plants both the 90 percent open-market portion and the 10 percent relief diversion payments. The packers could thus sell all meats to consumers at the lower market price, but the farmers would have been paid 5 cents above the market price on all but the 10 percent diverted to relief. The Government obviously would have to pay the 90-percent-support cost out of the Treasury as all production payments must be paid.

It will be noted that there is no effort directly to control production in any of these proposals. However, if a sound relativity of parity is reflected in the parity prices of the different products, and since there is to all purposes no such thing as general overproduction of all products, the expansion and contraction of the nonsupport proportions will serve as a regulator of production as between different products.

Furthermore, in order to support at parity income rather than at a rigid parity price, I would calculate parity income for a product first and divide this by the prospective supply for the current year to obtain the parity price, thus reflecting effects of over or under supplies and parity income in the parity price itself. This would introduce the flexible support principle in the announced parity price and would do away with necessity of support at varying percentages of parity price levels in order to introduce flexibility as is done in the Aiken bill. Parity could be supported at 100 percent of parity price at all times, under such a parity price determination.

ILLUSTRATION OF THE TWO CERTIFICATES

The illustration below indicates the use of the two types of certificates in the purchase of the 10 bales of cotton previously described at a parity differential of 5 cents per pound or $25 per bale.

The certificate on the right is the parity supporting certificate and is issued with a face value of $250 or $25 for each of the 10 bales—both the export and domestic parts of the cotton sale. It is sold at face value to all successive purchasers of the cotton. Possibly as the cotton moves in channels, this sale may split or be combined with other cotton, and certificates may need to be turned in and reissued in proper combinations.

The certificate on the left is the parity-payment certificate which is torn off and given to the farmer. It is issued with a par value of $150, or $25 of parity benefit for 6 of the 10 bales, i. e., the 60-percent declared domestic percentage of all cotton the year. Since enough funds are on deposit from the time it is issued to the buyer to redeem this parity-payment certificate, it is issued as a fully negotiable instrument cashable when it is delivered to the farmer. The certificate would become null if not redeemed in 6 months after date of issue. This would force them out of circulation for redemption and retirement.

NEGOTIABLE CERTIFICATES, FRONT VIEW

Serial No. 32476 $150

UNITED STATES OF AMERICA

PARITY PAYMENT CERTIFICATE

For: Six bales of cotton.
Sold by: John Doe.
Issued at: Poeville, Ga.
Date: October 10, 1949.

This certificate is evidence that $150 is on deposit with the Treasurer of the United States of America for full payment to the bearer at any time within 6 months after issuance of this certificate that it is presented to the Treasurer of the United States of America for redemption.

(NOTE.—This portion of the certificate comes attached free with the other part of certificate and is detached and given to the farmer when the sale of the product is made.)

Serial No. 32476 $250

UNITED STATES OF AMERICA

PARITY SUPPORTING PRICE CERTIFICATE

For: Ten bales of cotton.
Issued at: Poeville, Ga.
Date: October 10, 1949.

This certificate is evidence that $250 has been deposited with the Treasurer of the United States of America as a parity support payment on 10 bales of cotton and is full authority to the holder to sell, transport, ship, process or otherwise handle the specified product in domestic channels under the terms of 1949 Act of Congress dated August 1, 1949. This certificate becomes null and void 12 months after issuance unless officially validated for a longer period.

(Signed) JOHN ROE.

(Authorized issuing agent of the Government of the United States of America)

NEGOTIABLE CERTIFICATE, BACK VIEW

I hereby acknowledge receipt of full face value of this certificate on this 13th day of October 1949.

(Signed) JOHN DOE.

Extension of validity of certificate

This certificate is hereby validated for use for the purpose for which it was originally issued to:
Date: December 31, 1950.

(Signed) JAMES POE.

(Official validating officer for the Government of the United States of America)

Place: Macon, Ga.
Date: July 1, 1950.

The merits and weaknesses of these three plans will be briefly compared. The McNary-Haugen plan involves far more machinery and administrative red tape than either of the other two. It also appears to be a bonus on exports and might incite foreign retaliations more than the certificate plan. This latter fault of inciting discrimination is especially true of the debenture plan which pays a bonus debenture on all exports. Under the certificate plan products are allowed to move through domestic channels and to export at free market prices and should not incite retaliation. The certificate plan also has the decided superiority of paying the farmer his parity payment when he sells his crop. This also is self-financing as is not the case with the debenture plan.

I have just roughed out an illustration of that and will explain it at this point. It will take just a moment.

This is to operate on 10 bales of cotton when 5 bales are considered for domestic consumption and 5 for export. That proportion would be declared at the beginning of the marketing year by the administrative agency and all farmers would receive parity benefits for half of the cotton they sold with each sale. In other words, you would just pay them the declared domestic proportion at the time they made the sale.

Now, how would the two segregations of cotton be policed through the channels of trade, one bale out of each two going to export and one going to the mill?

I would do it by these two certificates [illustrating]. If you will follow the first certificate through without asking how a farmer gets his payment, I will explain how the cotton first is policed through the channel by this certificate which we could call a parity supporting certificate.

If you were supporting a price at 5 cents a pound the 10 bales would have a total support value of $250. The first buyer of cotton would go to a local agency of the Treasury and file a certificate and pay the full parity benefit on all 10 bales, both the domestic and the export, for the certificate. In other words, he would pay the total amount of the certificate value on all the cotton. The certificate would always be sold with the cotton; therefore, each buyer of the cotton and the certificate would get the price for his certificate back as he passed the cotton through the channels of trade. One bale, or 5 out of 10, let us say, would go to export, to a port for export with $125 worth of certificates covering the commodity. The cotton would be loaded on a boat; the certificates would be turned over to the port authority, and the port authority would pay the final exporter the price of the certificates. Now, it is easy to see those five bales have passed along through the domestic channels with certificates covering the total benefits which would prevent anybody from bootlegging the cotton without the sale of the certificates, because he would not have any reason to hold the certificates; he would have no use for them without the cotton, nor would he have any use for the cotton without the certificates because that is his only authority to sell, mill, or export the cotton.

Those five bales would be policed out at world prices without any subsidy whatsoever.

The other five bales would go to a mill, the certificates would be taken up, but nothing paid for them, leaving $125 to pay the farmer for his part of the parity benefit on five bales.

Attached to this certificate when it was bought and coming free of charge, would be the parity benefit certificate. That would have a face value of exactly half of the cotton that was bought, or $125, and this would be torn off and given to the farmer. This would be a fully negotiable certificate just like a $125 bill. It would be negotiable for 6 months after its issuance. Then it would have to be redeemed at the Treasury, otherwise it would become null and void.

As a consequence, with the use of the two certificates, farmers will be paid their parity benefits on the domestic portion of their cotton at the time they make the sale in an undiminished amount.

I wanted to explain that before proceeding.

The CHAIRMAN. Would you give one further step in that process. What becomes of the crop which is grown for export in the event there is no export market?

Mr. SANDERS. We would have to take care of that just as we have to take care of it now, Mr. Cooley. We would just have to store it and pile it up until we got tired of storing and piling it up. This would move the cotton out if there were any possible market.

Mr. WHITE. If it existed more than 6 months the certificate would become null and void.

Mr. SANDERS. Not on the domestic portion. He would just turn his certificate in and get it. I would like to continue with my statement, and the questions can wait until I have finished.

Mr. PACE. There are now in the record several different plans for a two-price system.

Mr. SANDERS. Yes.

Mr. PACE. Including the one that you mentioned.

Mr. SANDERS. As a background for judging further the advisability of use of control in our future programs, we would like to present a few facts and figures on our present "overproduction" status in agriculture.

FUTURE DANGERS OF BURDENSOME OVERPRODUCTION

We had, in 1920, 402,000,000 acres of cropland and exactly the same acreage, 402,000,000, in 1948. However, we have expanded our pasture and grazing land 61 percent since 1920, principally grazing land in the arid West. We may, in the next 25 years, increase our total cropland by reclamation but any significant increase is highly doubtful since we have lost as much as we have added during the past 3 decades.

Discounting exceptional growing weather during the past several years we are now producing about 20 percent more of farm products than we did prewar. As an offset we have approximately 15 percent more people and everyone is eating about 15 percent more per capita. In general, we are consuming a larger portion of our normal output than we did prewar. Contrary to popular belief, we have never reduced appreciably our per capita production during depressions, and if we can maintain stable conditions we are not likely to reduce present high per capita rates of consumption in the future.

In a report to this committee last year, the United States Department of Agriculture concluded that increases in production during the next 25 years are likely to be about enough to offset the increased food needed to meet the growth in population.

To round out this probable future food picture, we need to add one more significant set of facts—the facts on the effects of substitution of tractors for horses on food supplies. After World War I this substitution released feed producing land for food production purpose in amounts, during the first 10 years (1920–29) sufficient to account for 50 percent of all the increase in food production; and during the decade 1930–39, enough to account for 30 percent of food increases. During the past 9 years this substitution has accounted for only 7 percent of food increases. From now on this substitution of tractors for horses will play a much reduced and declining role.

Summing up all of these factors of increased production, it can be said from now on we will truly have to dig our food out of approximately the same amount of land we have had heretofore.

If we can make necessary shifts from wheat and possibly from cotton, and a few other crops to more livestock and livestock products, it appears that we are not threatened with "tremendous surpluses." With some drought years like those of the thirties we may find ourselves hard put to it to keep our people supplied with the present good diets—to say nothing of needed increased diets. Our present hysteria of overproduction is probably a great exaggeration of our danger of having "too much abundance." Our real problem is to adjust our production to the balance necessary under normal conditions.

Mr. Goss has indicated that we do not oppose control in a real emergency. In fact, it may be necessary to use it if wheat, corn, and cotton acreage has not been adjusted to demand after 1950. Even a return of reasonably normal growing weather next year and the remainder of this year might change the prospect however.

THE USE OF PURCHASES AND LOANS TO SUPPORT PARITY

We favor continued use of CCC loans and purchases as a valuable and proved means of price support and we would extend the authorization of their use to all farm products at the discretion of the Board. The use of these funds if a practical two-price system for export and multiple use crops is installed as we have recommended later in this discussion, would be largely confined to domestic sale crops. If used in connection with export crops, sales at world market prices should be authorized to prevent piling up burdensome surpluses of products at home which have been bought at above world market prices. Unless this is authorized, a purchase program of export crops is, we believe, neither feasible nor practical as a long-time policy.

To support prices on export crops by direct purchases or nonrecourse loans almost invariably leads to burdensome domestic supplies of such heavy export crops as cotton and wheat; and if continued use of these means of price support is granted the law should require that sales at world prices must be made in such a manner and times as to prevent accumulation of unjustified reserves.

FLEXIBLE SUPPORT LEVEL

The Grange is a firm advocate of a flexible price support for farm crops when operated under a thoroughly modernized parity formula as Mr. Gross has indicated in detail.

Maladjustment between the prices of different farm products as well as too low prices are both extremely vital considerations in price support programs. Maladjustment as between prices has the notoriety of possibly being damaging at any price-supports level used. If significant variations in the level of supports as between different commodities occurs, whether the general extent of support is light or heavy, serious damage to a sound balance of production as between crops can occur. Production is shifted from one crop to another when relative prices in one crop are more attractive than another price, whether the general level of prices is high or low.

This means that the "modernization" of any parity formula is extremely vital. The potato program difficulties of recent years is a shining example of a parity price of a commodity in maladjustment with general price support levels.

But even a sound modernized parity price may go counter to economic forces if it is based on average acres, yield and production. A sound parity price based on average yields and acreage may yield for from a parity income depending on whether actual acreage and yield are above or below average. This is the major reason for flexible support levels based on prospective supplies.

PRODUCTION PAYMENTS AND NEEDED CONSUMPTION

Even a casual examination of consumption figures will reveal a remarkable stability of per capita food consumption from one year to the next during the past three decades, with a strong steady increase during practically the whole period except for the drought years of the thirties.

It is proposed by the Secretary to let farm prices go to the rock bottom low level; and thus help consumers with lower food prices and increase total food consumption. In 1933 we undertook to support farm prices but did not raise cost greatly to consumers. Whether we did or did not, consumption of food per capita in 1933 was only 3 percent lower than in 1929. Consumption of meats was actually 5 percent higher.

Let us see just how much rock bottom low level farm prices would help the average American at a time like 1933 and just what consumers it would help.

One out of every five workers employed in 1929 was out of a job in 1933—including manufacturing, mining, agriculture, trade, transportation services, finance, etc. Wages actually paid for nonagricultural workers who were employed did not fall as fast as cost of living so the purchasing power of workers working was upped 20 percent in 1933 over the purchasing power of their wages in 1929. Certainly these 80 percent who were working had no sound economic ground for, or need of, lower food prices. They actually could have afforded to have had their food prices increased 25 percent for they would have then been able to buy as much food as in 1929. Considering the fact that 20 percent of our employables were unemployed there was no wonder total food consumption declined only 3 percent in 1933 under that of 1929.

But how much help would those who were out of a job, or 20 percent of all privately employed in 1929, get from lower farm prices? None, from current labor earnings for they had no earnings to buy even cheaper food. Hence, the great benefit, if there is any, from lower food prices would have gone, in 1933, to those who already had their food dollars increased to $1.25 by a drop in farm prices that far outstripped the decline in wage rates.

The National Grange would take care of this situation by a sensible food stamp plan; not by paying a production payment, to help the 80 percent of our employables who were employed with an increased purchasing power. We think that a food stamp plan can be worked out, supervised by local relief boards who arrange for relief work for those needing food, half of which work might be paid for by private individuals or local public authorities, and the other half of these relief wages could be borne by the National Government and paid in food stamps.

VI. PROGRAMS FOR RAISING FARM INCOMES THROUGH IMPROVED MARKET MACHINERY

The spreads of prices between the farmer and the consumer have varied from as low as 32 cents of the retail dollar going to the farmer in 1933, to as high as 54 cents in 1947. Numerous foods vary widely in this respect, and it is evident that here is a tremendously complex field where vast improvements can be made. Considerations of these problems are out of place at this hearing.

VII. PROGRAMS FOR DEALING WITH LOW FARM PRICES CAUSED BY INTERNATIONAL CONDITIONS

Obviously this phase of farm programs is one of the most extensive and complex parts of bringing to farmers and all others in our Nation a high steady income. This phase also has no place in the present hearings of the committee.

However, we would like to mention two measures that are of vital concern in this field of farm price and income considerations. The first of these is the currently considered international wheat agreement. The National Grant has worked incessantly with the authorities of the Department of Agriculture to obtain the best possible agreement, as did also the four other national farm organizations. We believe the current agreement is a far step in advance in this field; and that it is a forerunner of other similar agreements for other farm products to come.

The second measure we wish to mention is the help we as a nation are giving Europe. We have supported all ECA measures wholeheartedly both in their relief and rehabilitation phases. We shall doubtless continue to favor them both from the standpoint of their humanitarian motives and from the standpoint of their assistance during the war transition period, both in Europe and here.

We believe that if this Congress will provide for constructive domestic programs substantially as we have outlined that American farmers will be able to go through these transitional years with far less economic distress than they did following World War I. We have worked long to present programs to you that will yield maximum welfare to farmers and consumers alike; and we have presented programs that we believe preserve our farm democratic way of life. We believe that it is necessary above all else to preserve freedom on our farms and a strong, virile, family-type farm. This, we believe, the programs that we have outlined to you will do.

Mr. PACE. Thank you very much, Mr. Sanders. The committee is glad to have all these splendid stattements. I am quite sure you will be glad to answer any questions of members of the committee.

Mr. HILL. Mr. Chairman, are we to question them now, or this afternoon?

Mr. PACE. Off the record.

(Discussion off the record.)

Mr. PACE. It is the opinion of all members of the committee that the distinguished witnesses be invited to return on the 12th of May for interrogation by the committee with respect to their statements.

(The table accompanying Dr. Sanders' statement will be inserted in the record.)

TABLE 1.—*Estimated farm operators' labor earnings and income necessary to yield industrial wage parity to operators, 1910–46*

[In millions of dollars]

Year	Net income of farm operators [1]	Earnings for labor off farms [2]: Nonfarm labor	Earnings for labor off farms [2]: Labor on other farms	Total earnings from farm and labor off farm [3]	Deductions to obtain net for labor and management: Value of unpaid family labor	Deductions to obtain net for labor and management: Interest on equity of operator [5]	Operators' net earnings for labor and management [6]	Earnings to operators at industrial wage rates [7]	Percent operators net earnings are of industrial workers' earnings [8]	Deficit or surplus of earnings compared with industrial wage parity [9]	Gross income from farm excluding Government payments [10]	Gross income necessary to yield industrial wage parity to operators [11]	Gross income as percentage of industrial wage parity [12]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
									Percent				*Percent*
1910	3,904	305	42	4,251	535	1,501	2,215	3,645	60.8	1,430	7,121	8,551	83
1911	3,368	299	42	3,709	515	1,550	1,644	3,591	45.8	1,947	6,621	8,568	77
1912	3,767	307	43	4,117	524	1,612	1,981	3,692	53.7	1,711	7,253	8,964	81
1913	3,812	320	44	4,176	528	1,664	1,984	3,870	51.3	1,886	7,427	9,313	80
1914	3,944	321	43	4,308	505	1,716	2,087	3,907	53.4	1,820	7,637	9,457	81
1915	3,818	331	43	4,192	496	1,713	1,983	4,055	48.9	2,072	7,607	9,679	79
1916	4,421	369	47	4,837	538	1,858	2,441	4,553	53.6	2,112	8,793	10,905	81
1917	7,532	436	59	8,027	623	1,947	5,457	5,350	102.0	107	13,128	13,021	101
1918	8,713	568	76	9,357	672	2,198	6,487	6,937	93.6	450	15,653	16,103	97
1919	8,799	633	91	9,523	732	2,394	6,397	7,686	83.2	1,289	16,547	17,836	93
1920	7,126	751	104	7,981	934	2,788	4,259	9,098	46.8	4,839	15,362	20,201	76
1921	2,990	657	64	3,711	583	2,496	632	8,021	7.9	7,389	9,105	16,494	55
1922	4,075	630	62	4,767	567	2,069	2,131	7,695	27.7	5,564	10,167	15,731	65
1923	4,767	679	67	5,513	652	2,048	2,813	8,154	34.5	5,341	11,111	16,452	68
1924	4,716	678	69	5,463	678	1,924	2,861	8,084	35.4	5,223	11,431	16,654	69
1925	6,010	689	69	6,768	710	1,916	4,142	8,239	50.3	4,097	12,683	16,780	76
1926	5,724	702	69	6,495	709	1,928	3,858	8,356	46.2	4,498	12,426	16,924	73
1927	5,447	699	68	6,214	660	1,833	3,721	8,207	45.3	4,486	12,192	16,678	71
1928	5,831	705	68	6,604	662	1,847	4,095	8,295	49.4	4,200	12,875	17,075	76
1929	5,878	711	67	6,656	645	1,844	4,167	8,391	49.7	4,224	12,829	17,053	75
1930	4,340	674	63	5,077	595	1,854	2,628	7,855	33.5	5,227	10,569	15,796	67
1931	2,894	618	50	3,562	478	1,638	1,446	7,221	20.0	5,775	7,774	13,549	57
1932	1,872	515	37	2,424	343	1,326	755	6,066	12.4	5,311	5,791	11,102	52
1933	2,513	505	35	3,053	277	1,059	1,717	6,048	28.4	4,331	6,281	10,612	59
1934	2,702	559	40	3,301	323	1,118	1,860	6,655	27.9	4,795	6,764	11,559	59
1935	4,024	629	42	4,695	429	1,110	3,156	7,200	43.8	4,044	8,444	12,488	68
1936	4,481	701	44	5,226	485	1,126	3,615	7,503	48.2	3,888	9,410	13,298	71
1937	5,038	786	50	5,874	555	1,132	4,187	7,875	53.2	3,688	10,473	14,161	74
1938	3,920	761	49	4,730	560	1,066	3,104	7,167	43.3	4,063	8,974	13,037	69
1939	3,861	841	47	4,749	582	1,045	3,122	7,483	41.8	4,361	9,228	13,589	68

See footnotes at end of table.

TABLE 1.—*Estimated farm operators' labor earnings and income necessary to yield industrial wage parity to operators, 1910–46*—Continued

[In millions of dollars]

Year	Net income of farm operators [1]	Earnings for labor off farms [2]		Total earnings from farm and labor off farm [3]	Deductions to obtain net for labor and managemtnt		Operators' net earnings for labor and management [6]	Earnings to operators at industrial wage rates [7]	Percent operators net earnings are of industrial workers' earnings [8]	Deficit or surplus of earnings compared with industrial wage parity [9]	Gross income from farm excluding Government payments [10]	Gross income necessary to yield industrial wage parity to operators [11]	Gross income a percentage of industrial wage parity [12]
		Nonfarm labor	Labor on other farms		Value of unpaid family labor	Interest on equity of operator [5]							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1940	3, 945	923	50	4, 918	532	1, 049	3, 337	8, 080	41. 3	4, 743	9, 714	14, 457	67
1941	6, 266	1, 127	64	7, 457	614	1, 021	5, 822	9, 408	61. 9	3, 586	13, 015	61, 601	78
1942	9, 410	1, 448	85	10, 943	875	1, 157	8, 911	11, 458	77. 8	2, 547	18, 088	20, 635	88
1943	12, 071	1, 766	116	13, 953	1, 242	1, 368	11, 343	13, 235	85. 7	1, 892	22, 133	24, 025	92
1944	11, 134	1, 955	144	13, 233	1, 516	1, 559	10, 158	13, 949	72. 8	3, 791	22, 159	25, 950	85
1945	11, 408	1, 897	159	13, 464	1, 637	1, 704	10, 123	13, 435	75. 3	3, 312	23, 337	26, 649	88
1946	14, 043	1, 886	174	16, 103	1, 913	1, 965	12, 225	13, 388	91. 3	1, 163	27, 362	28, 525	98
1947 [13]	16, 318	2, 101	187	18, 606	2, 113	2, 247	14, 246	14, 925	95. 5	679	32, 056	32, 735	97
1948 [13]	17, 229	2, 270	194	19, 693	2, 104	2, 499	15, 090	16, 119	93. 6	1, 029	34, 236	35, 265	96

[1] Realized net income adjusted for changes in inventory. Farm Income Situation. August-September 1948.

[2] Based upon days worked off own farm as shown in Census reports of 1929–34–39–44, and Bureau of Agricultural Economics' estimates of average farm wage rate and average income of the industrial worker. The days work as reported for 1929 are used for prior years, straight interpolations are used for 1929 to date. A factor of 300 is used to convert the annual industrial wage income to a daily rate.

[3] Column 4 is a summation of the 3 preceding columns.

[4] The number of unpaid workers is derived by deducting number of operators, presumed to be the same as number of farms, from Bureau of Agricultural Economics' estimate of family workers. Earnings factor derived by dividing average number of hired workers into total cash wages paid for farm labor. Unpaid family workers' earnings estimated on full-time basis. Number of operators during 1948 assumed to be the same as during 1947.

[5] Interest earnings computed at two-thirds of the average interest rate, of all lenders, on farm mortgage loans. Average Rates of Interest Charged on Farm-Mortgages Recordings of Selected Lender Groups, published by BAE, November 1940; Agricultural Finance Review provides same series for recent years. Assumes short term debt during 1948 to have the same as for 1947.

[6] Column 7 equals column 4 minus columns 5 and 6.

[7] Number of operators multiplied by annual average income per employed industrial worker.

[8] Column 7 divided by column 8.

[9] Column 10 is obtained by subtracting column 7 from column 8.

[10] Receipts from marketings plus value of home consumption adjusted for change in inventory. Farm Income Situation August-September 1948.

[11] Summation columns 9 and 10.

[12] Obtained by dividing column 11 into column 10.

[13] Preliminary.

Mr. PACE. The subcommittee will stand adjourned until 10 o'clock Monday morning.

(Whereupon, at 12:30 p. m., the subcommittee adjourned until 10 o'clock, Monday, May 2, 1949.)

GENERAL FARM PROGRAM (TESTIMONY OF FARM ORGANIZATIONS)

THURSDAY, MAY 12, 1949

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE,
Washington, D. C.

The subcommittee met at 10 a. m., Hon. Stephen Pace (chairman) presiding.

Mr. PACE. The committee will please come to order.

The committee will recall that Mr. Goss and Mr. Sanders representing the National Grange, completed their direct statements to the committee on April 30, but due to the legislative situation on the floor we were not able to go into the discussion of their statements. Mr. Goss has kindly consented to come back today.

I understand that he would like to make, without interruption, a summary statement of the position that was set forth in his full statement on April 30. Mr Goss, you may proceed at this time.

STATEMENT OF ALBERT S. GOSS, MASTER OF THE NATIONAL GRANGE—Continued

Mr. GOSS. Thank you, Mr. Chairman. We do appreciate this chance to come back and discuss the recommendations we made about 2 weeks ago.

As you will recall I presented the Grange's program and Dr. Sanders followed it up with an economic discussion and some statistical information, and I do think we will make time if I might just summarize it.

We pointed out that the problem is much more than the problem of agriculture, and that there is a whole national problem of what we are going to do with surplus products of agriculture and industry, because of a certainty we are going to have them. And, we pointed out that we think the position of agriculture is a most important link in determining the solution to this national problem, and that we must find some way of stabilizing our price level so we may maintain ample production, because if we do not it is going to be mean shut-downs in industry; it is going to mean reductions in jobs, with spiraling deflation.

So our job, as we see it, is to stabilize the price level with as abundant production as may be necessary, of course, with a production designed to be a balanced production as near as possible.

I pointed out that the problem is very complex. We think that the biggest mistake probably we have made in agriculture in the last

25 years is that we have tried to find one remedy for the problems which cannot be remedied by one bill or one law. We have backed the McNary-Haugen bill; we have backed the debenture program, and the various devices, each one of which would have fit some segment of our economy very well, but we cannot apply the same remedy to oranges that we can to wheat, or the same remedy to wheat that we can to eggs, or the same remedy to eggs that you can to cotton or beans. What we should do is to strive to get as wide a range of remedies as possible and then take every reasonable means to see that those remedies are applied with discretion.

We want particularly to warn against the danger of going all-out for flexible floors, or all out for fixed floors, when probably there is a place in our economy for flexible floors and a place for fixed floors. Under some circumstances a flexible floor is the best remedy, and in certain other places the fixed floor is best, and others, where marketing agreements, and others where the two-price system is best.

We are well convinced that there is not any such thing as pink pills for pale people that will meet the agricultural problem.

If we are going to have a wide range of remedies, and we already have a lot of them at the present time, the question then resolves itself into how can these remedies be applied with discretion.

We proposed a board, and in section 38 of our testimony, which I understand you have before you, we have outlined our idea with reference to a board.

First I might refer to the duties of the board. We believe that a board could do a lot to use the marketing system which we now have through cooperatives, and through private industry in furthering better marketing conditions. I think I have discussed before this committee what happened in the case of peaches; how years ago the tremendous surplus of peaches was disposed of in short order by cooperation among distributors.

We believe that a board fully informed as to the facts of supplies and demands could help direct and guide the distribution, particularly if properly made up. There is one key to a board such as we have to propose, and that is the board be made up of those who are familiar with the farming industry, the producers; made up of those who are familiar with processing, and those who are familiar with the problem of distribution. We believe that it would be possible to develop means of pushing those things in long supply and holding back on those in short supply, and that we could thus take a great big part of our problem right out, particularly in fruits and vegetables. We can do an awful lot more than we have been doing in using the marketing facilities that are now available. That would be the first prime purpose that we would use the board for.

Second, it would be used as a safeguard, as a consultant to the Secretary in the use of whatever devices may be available, whether it be the flexible floor, purchase and loan program, a fixed floor, a two-price system or whatever it might be. In fact, we believe that the Secretary should be given a wide range of devices to use, subject to the approval of a board. In other words, we would have representatives from all parts of production and distribution economy to advise with and back up the Secretary. We think, if such a board were properly appointed and selected it would not only assure the use of the best knowledge and brains we can assemble but would keep it out of politics. The grave danger in many of the proposals which have been put forward is that they would be used politically, and we believe that a board is probably the best way to handle it. So, we would recommend a board, and I want to say just a word on how we would suggest that it be appointed. We would have these various devices which have been set up, and the board would be set up with certain purposes to be attained. Those purposes roughly would be to use every available means without the aid of Government, and then, in order of preference, we would turn to the various governmental aids, using such things as our cooperative marketing system, our Marketing Agreements Act, the flexible floors, the fixed floors, the two-price system, stock piling, taxation, as they come on down, reaching the marketing allotments, the acreage allotments, and subsidy, if subsidy is ever justified as among the least desirable. We would keep away from regimentation as much as we can, realizing that there must be a considerable amount in the way of controls before we make the necessary changes from our war-production conditions back to normal.

The purpose should be set forth in the law that we get away from controls as fast as we can, and we believe through the discretion of such a board, with those purposes clearly set forth in the law, that it presents an opportunity for using all of these devices and getting where we want to go, from the standpoint of just good business practice.

We do not see very much likelihood at this late season of the year that you are going to be able to pass a very comprehensive legislative program setting forth in detail complete new remedies. We believe, however, that it is entirely possible to select a board and give that board discretion to use what we have, and then we can add to it from time to time as conditions warrant.

Now as to the question of how you can select such a board that could be trusted to use the discretion we seek. There are two or three approaches to the problem. We do not claim that the suggestions that we have to make are necessarily superior, but we are going to make them as the best thinking we have been able to develop. Our suggestions are a bit unorthodox, but if we can accomplish what we all want we can afford to get off the beaten path a little bit. We would propose a fairly large board, appointed by the President, made up of these three groups. One from each farm credit district, representing agriculture—I do not think the word "representing" is exactly the word we want. One from each farm-credit district, thoroughly familiar with the problems of the farmer. When we get a national board we do not want them to represent agriculture alone; we want them to represent the public interest.

Right here it might be well for the committee to consider in the appointment of any board, the provision which was written into law, creating the War Mobilization and Reconversion Board. When men are drawn from different groups, they should be specifically charged with the responsibility of representing the public interest rather than the group alone from which they are drawn. We think that the provision referred to is a very sound provision, and should have your consideration.

We would take six from the processor group, and six from the distributing group, or it has been suggested that there might be four from the processor group, four from the distributor group, and four that really represent the consumer, if you can ever locate someone who would represent the consumer. But the idea is that we would have a board comprised of 24 members, half of them coming from agriculture which really is the most complicated, and is the basis of the whole show.

We would like to see written into the law the requirement that before these appointments are made the President should consult with the recognized leaders in agriculture, in the distribution industry, and in the processing industry in making nominations.

Then here is something else that is unorthodox, but we believe it to be absolutely sound. We believe that the Committees on Agriculture from the House and the Senate should have a joint committee to whom the President would refer all the rocemmendations he has received for their consideration and advice, or if they wish, they might make recommendations themselves. The President should then be ordered in the law to consider the recommendations so made in the appointment of the Board.

Of course, we would have the Board confirmed by the Senate. And we believe that if the recommendations had been made in good faith, and they had been referred to the Joint Committee on Agriculture, that the Senate is not going to pass by those recommendations lightly.

I think in most cases the Senate would not confirm if they thought that the purposes which are set forth in detail in the act, were being ignored by the President in making his selection.

We would write in, as far as practical, that the two major parties should have relative representation on the Board. We believe that in that type of board we could get about as far away from politics as could be expected, and that we could assemble the best brains in the country.

We would have men who know the problems, and who could advise, and we believe that such a check upon the Secretary in using the existing devices would be very, very helpful to the Secretary and to industry, and that with that kind of a background the Congress could provide the means to be applied at the proper time on the particular commodities in ways which it cannot possibly write into law.

We do not believe that such a board could be a full time board. It is too big. We believe it should operate through an executive committee, probably of five members, chosen from their own membership, and that that executive committee would probably be on the job most of the time, certainly whenever the Board wanted them to be on the job.

In the matter of compensation, we also have another suggestion which may be a bit unique. We believe that the Board should be compensated in part by salary and in part by a per diem allowance. If you had such a board operating through an executive committee the board would undoubtedly have to spend more or less time between meetings receiving reports of the committee and considering the problems and keeping up with them. So we have suggested the possibility of a salary of say $3,000 a year—I think in my testimony I suggested $2,000—with a per diem of $25 a day when attending meetings of the Board or of the executive committee as they meet. In suggesting that we have tried to hit at about $10,000 for the full time job. Maybe we are getting a little too low; maybe it might be better to fix the per diem at $40 per day. But at any rate the bill should provide enough pay, and that the members would be expected to receive reports from the executive committee and devote such time as may be necessary to their consideration when the Board is not in session. We would have the Board meet at least bimonthly, and choose the executive committee from its own ranks, and not choose the executive committee for any term, but change them whenever any one of the executive committee members was not satisfactory, so that the executive committee would truly represent the Board members.

Now as to the duties of the Board: First, as I have said, to keep in close touch with the marketing situation. I have talked with heads of chain stores in making this suggestion, and I have talked with others, and we believe that the marketing group, and other groups would be glad to cooperate in pushing items in long supply if they had such a board comprised of members who are thoroughly familiar with the distribution system; that the processors would be equally glad to have information concerning commodities that are in long supply; and we think the farmers would also be glad to have information concerning such commodities. Now, they cannot do that today without danger of violating the Sherman antitrust laws, so there would need to be some authorization permitting them jointly to take such practical steps to move surpluses. We think it would meet probably 60 to 80 percent of the problem, particularly in fruits or vegetables; probably 80 percent of the problem would be solved by use of that instrumentality, by making use of the means we now have in a more practical way. That would narrow down the problem to a few crops in surplus supply. We do not know offhand how many crops, but certainly it would narrow them down very substantially.

In our testimony we discussed flexible supports, and pointed out that there are some types of cases where we may get too much production because the support price is just naturally too high. In such cases it ought to be lower. We believe in flexibility of support prices if it is properly applied.

We discussed wheat and cotton and stated that in such circumstances as we find ourselves today we do not believe flexible support prices would meet the situation. We have got to have fixed floors in some cases. If we are going to have fixed floors, then we have got to have marketing controls, and acreage controls. We recognize that in this complex situation there have got to be many different devices.

We discussed a straight subsidy, and said that that might be necessary, but that if it were necessary we would like to see the funds raised through some system of price insurance. The position of the Grange has always been strongly opposed to a direct subsidy paid to farmers or anybody else from the Treasury, so strong, that I could not say to you that our people would favor them under any normal circumstances. We recognize that there may be emergency conditions where it might be necessary, nevertheless.

If it were possible to have an insurance system that could take care of these direct payments I pointed out that it would be far better, because it would keep it out of politics. It would keep out of politics the question of everybody campaigning for better and better subsidies for agriculture. We believe that it would really be a long step forward.

But we cannot do it all at one time; it takes time to develop these things, and it takes time to build up funds, so with all of this problem, with all of the different readjustments that must be made, our whole stand might be summed up by saying that we want to use any possible devices that will bring about the best results, and we believe that through a board, selected about as we have suggested, it would be possible to leave discretion with the Board.

And in our original testimony we said the purposes should be set forth in the law. In paragraph 72, we suggest some of the purposes Congress should have in mind, and paragraph 73 we stated:

> We recommend a section authorizing the Board, or the Secretary with the approval of the Board, to use any of the devices of the act, or those existing under other acts, to attain the purposes set forth, using them in such an order of preference, as far as practical, as will make first use of the self-supporting, measures requiring the least governmental aid, and resort to the more drastic aid and controls as the least desirable, and the least frequently to be used.

We discussed parity a little bit. We recommend the present parity formula as reasonably accurate and practical for the time being. We would like to see another one considered later, but we also recommend that we do not need to fuss too much about parity right now. The plan we have is a pretty good plan. We have a program for parity which we would like to have ample consideration at the proper time, but we cannot be developing new formulas of this sort in the short time remaining before adjournment. We do think, however, that we could accomplish just about all that is neded to do with a board such as we have described, and we believe we can get support for it in both the House and the Senate. If we can get the kind of board we want we can really move forward.

Mr. Chairman, I think that is about the picture that we wanted to present.

Mr. PACE. Thank you, Mr. Goss. Are there any questions?

Mr. SUTTON. Mr. Goss, that is about the most unusual speech I have heard presented to this committee. Would the establishment of this Board which you mention eliminate the use of the House Agriculture Committee and the Senate Agriculture Committee so that in the future the committees would not be functioning?

Mr. GOSS. Oh, no. The Board would be a part of the administrative branch of the Government in carrying out the laws passed by the Congress. It would not be a legislative body in any way. It would only make use of the devices which you in the Congress provide. It would be charged with the responsibility of carrying out the purposes set forth in the law.

Mr. SUTTON. Congress would get recommendations of the Board instead of the Secretary of Agriculture?

Mr. GOSS. No; we recommend no change with reference to the Secretary of Agriculture, except that we give him the powers to carry out the devices provided by the Congress, subject to the approval of the Board.

Let me illustrate: In the existing law, the Aiken bill, there is the possibility of making payments. We think there are many Members of Congress who maintain doubts as to whether the Secretary of Agriculture with that power would use the best discretion in making such payments. If we had a board drawn from a fairly representative group, which, in effect, had been approved by the joint committee and confirmed by the Senate, charged with carrying out certain definite responsibilities, we think we would feel a whole lot easier about the way the devices would be used.

Mr. SUTTON. Just one other question: You made the statement that if you set the support prices too high it would result in an abundance or surplus of agricultural products. Do you not think that a low support price would result in the same thing?

Mr. GOSS. A low support price?

Mr. SUTTON. Yes; a low support price. In other words, suppose it is fixed at 60 percent of parity, do you not think that the farmer is going to ignore it, or perhaps not be as cooperative, and as a result he is going to plant right up to the doorstep to try to bring about a living condition for his family?

Mr. GOSS. In some crops I think you may be right. Of course, we have to have different approaches and plans, but we have never approved of a flat floor of 60 percent of parity. For many years we have recommended a stop-loss floor below which the price would never be allowed to go. We have stated that a stop-loss floor might be 60 percent for some crops, or it might be 80 percent on others, so that you would have to have someone use discretion as to when to use the stop-loss floor.

What I have reference to is this: Thinking of potatoes, I think that everyone admits that the support price for potatoes was too high and we got too many potatoes.

Mr. SUTTON. Of course, you are speaking of an extreme case.

Mr. GOSS. Yes; and that is a case where the flexible floor would have fit better than the fixed floor. If the floor is too high, the thing to do is to lower it.

Now there are other cases in which the floor can be too high. If we have a parity formula too high on certain commodities, such as we have had in some crops, or too low in others, a fixed floor would be too high or it may be too low. I think the potato parity price was too high.

But there was an even more powerful reason: We learned how to use DDT, we learned how to use fertilizer better, and we were able to increase the yield tremendously.

Now let us assume that the parity price had been all right, and that the floor price had been all right as related to parity. With conditions such as they were for potatoes, we could continue to increase yields tremendously. This would result in lower costs and bring about too much production. Recognizing the possibility of such conditions, somebody ought to be given the authority to make the flexible floor flex at such times; to adjust the support level to where it ought to be.

Mr. SUTTON. Do you think that could be made to apply to agriculture?

Mr. GOSS. All agriculture?

Mr. SUTTON. Yes; the flexibility principle in support price?

Mr. GOSS. No; we should use it when the support level is so high that it results in attracting too much land to the production of any commodity. As I have stated, and as we have set forth in our testimony, we doubt if the flexible floor could be used today for wheat, or some other crops under conditions like we have now. We do not think it would work in getting the adjustments we need.

We need to have a flexible floor available; we need to have a fixed floor available; we need to have the 2-price system available; and we hope your committee gives consideration to the possibility of a wider range for using the 2-price system than we now have, although I doubt if the Congress is going to be able to develop any legislation in this session. However, we need to give it consideration in any long-range program.

Mr. SUTTON. Just this one further question and I will not detain you any further: If we have a flexible price for agricultural surpluses and we have surpluses on all commodities produced on the farm, with the possibility of having more surplus next year, if we have a flexible price support, do you not think that whatever the price support is that is going to be the price of the commodity? For example in the case of cotton this year with 90-percent parity we were getting 29.6 cents, and if it had not been for price support the price would have been 15 to 17 cents per pound. Do you not think what is going to happen next year in the face of our agricultural program, that the price of all commodities is going to be based on the price support?

Mr. GOSS. If your assumption that we are going to have surpluses in all commodities is correct, I think your conclusion is correct, because the purpose of a floor is designed to protect the price from going to an unreasonable level when we get surpluses which drive it in there. We do not believe that you can establish a flexible floor on all commodities; and we do not believe that a flexible floor will work the same way on all commodities. As we have already said, we believe that someone must be given the discretion to determine the rate of flexing, because we do not think that you can treat peanuts the same way you do cotton, and we do not think you can treat cotton the same way you do onions. It is a complex problem, too complex to write any formula into one bill for all commodities.

Mr. SUTTON. Thank you, that is all.

Mr. PACE. Mr. Hope.

Mr. HOPE. Mr. Goss, if I understand the basis for your proposal it is something like this: You feel that the whole problem of supporting agricultural prices, after several years experience in dealing with this problem, is so great and so varied that it can only be done by following one or two alternatives: One would be to have Congress write into the law in great detail specifically what remedy might be used and how it should be applied and on what commodity it should be used, and all that sort of thing.

The other would be to authorize the use of certain remedies and turn the power over to the Secretary of Agriculture and not attempt to write the law that goes into detail and that specifies its application.

In one case, where you had the Congress write out the details you would probably have to be modifying them all of the time, and we would probably have legislation that is quite unworkable in many cases and the law would have to be modified. I am thinking, for instance, of the changes that we have had to make in the Triple-A Act of 1938 just for cotton alone; we have written dozens of changes into the law as it applies to cotton; and we have changed the law as it applies to tobacco many times, and we have made changes for practically all commodities.

But most changes I think have to do with two things: That we have had many programs involving acreage allotments, marketing quotas and we have had changes involving basic commodities. But I would say that we have had more than 100 amendments, maybe several hundred amendments to the Triple-A Act of 1938, which was a pretty well considered law, I think perhaps the best written and best considered agricultural law we have had. But any program, if we expect to have a comprehensive program covering all agricultural commodities, I think you will agree, should provide that all commodities should be eligible for price support, and it would put a tremendous power in the hands of the Secretary, and all of these have, and all of these things seem to be desirable, and your proposal presents a third alternative, which would be to have the Congress authorize the use of general remedies or proposals, and to have this board have the powers which might be given to the Secretary, dilute those powers somewhat by requiring that the board shall be selected of men representing agriculture, and of distributing agencies, and possibly the public.

In a general way does that about state what you have in mind as far as the ideas back of your proposal are concerned?

Mr. Goss. I think you have stated it very well, Mr. Hope. We feel that we must leave a lot to administrative discretion, and we believe the exercise of administrative discretion through a board such as we have proposed is the most practical way of seeing that such discretion is wisely used and avoids politics.

Mr. Hope. You have outlined in a general way what you think the qualifications of the members of the board should be. I do not recall whether you gave us an exact suggestion as to the length of the terms which the members of the Board should serve. What would be your idea on that?

Mr. Goss. We have suggested a board of 24 members, with 6-year terms, staggered with the first ones serving 1 year and so on through up to 6, so that 4 would be elected each year.

Mr. Hope. You feel that you would not only give us a representative board but would provide some continuity of policy?

Mr. Goss. Some continuity, yes. We did consider the possibility of 8 years, three to be elected each year. It is just a matter of judgment as between them. I would really like to have the committee give consideration to the device which we have proposed which recognizes having the names submitted to a joint committee, representative of these two committees on agriculture in the House and the Senate and permit them also to make recommendations. I do not think there is anything like that in Government, but I do not think that is any reoson why it should be turned down if it is good, and we really think it is a good suggestion; we really think it will mean presenting to the Senate the best qualified men for confirmation.

Mr. Andresen. Will the gentleman yield?

Mr. Hope. Yes.

Mr. Andresen. Do you not believe, Mr. Goss, if you gave the board members a longer term and provide they could only serve for one term, that it would leave them free from political influence?

Mr. Goss. That might be wise. I have tried to make it clear that we do not say that the suggestions we have made are 100 percent correct. We are willing to see every kind of possible device used for strengthing the Board, and the suggestion for a long term rather than a short term may be one way to do it; I do not know which would be the better way.

Mr. ANDRESEN. I think it is extremely unfortunate that the agricultural problems have been thrown into politics, and lately there has been some very bitter discussion concerning certain legislation that is now on the statute books, that if you do not favor this, or if you favor certain statutes, you are an ignoramus or an imbecile, and I think the quicker we get away from the political manipulations of this problem the more we will be able to do and the better program we will have for agriculture.

Mr. GOSS. I agree with you.

Mr. PACE. Mr. Goss, while we are on this question of the Board: As I understand your suggestion you would have 12 members representing agriculture and you qualify that by adding 12 who would represent business.

Mr. GOSS. No. Our present thinking is that we would have 12 representing agriculture—and I do not like the word "representing;" I would say those familiar with the problems of agriculture, whether we get them from the farm or anybody else, but we want 12 who really would be recognized leaders and be informed on agricultural problems.

Mr. PACE. Your last suggestion I understood was that 12 would represent business, 4 representing the processors, 4 representing the distributors, and possibly 4 representing consumers.

Mr. GOSS. No; I did not make myself clear if I gave you that impression. Mr. Pace. I would say 12 who are nominated by the leaders of agriculture; 4 who are nominated by processors, 4 by distributors, and 4 the President would have to select from the general public.

Mr. PACE. Are you willing to have a condition that this board, that you suggest is to control the farmers of the Nation, begin to function only after there has been set up a similar board to cover wages, wage scales of those engaged in the processing of food commodities and wearing apparel? It strikes me as rather singular, to be perfectly frank with you, that we have a representative of a great farm organization to come here proposing that processors, 99 percent of whom are interested in the purchase of food as cheaply as possible from farmers, and distributors of these commodities be given the authority to control the farm program of this Nation, because under your proposal, the board would have the authority that notwithstanding the good judgment the Secretary exercised, never could be put into effect until the board authorized him to do so.

To illustrate, we have today a situation where a $3.50 shirt has 15 cents worth of cotton in it; and a 17-cent loaf of briead has 1.5 cents worth of wheat in it, and most of the other items represent labor.

It seems to me that if the farmers of this Nation are to have a board control them that represents the people who are buying the commodities, processing the commodities, that there should also be a board to fix the price of labor; there should be a board to fix the price of tractors; there should be a board to fix the price of plow stocks.

And I agree with your statement that agriculture is involved in the general economy of this Nation, and if we are going to submit to a board, and I am not saying that you are not right, I am saying that let us also have a general economic board, over all the business of America.

I for one would never agree that we put the farmers of this Nation and they alone under the domination of a group of business men, under the domination, if you please, more and more, of the big farmers of this Nation and say that they alone shall be controlled by this Board, when the things that the farmer buys moves at whatever price the manufacturer decides to fix for them.

Mr. COOLEY. Will the gentleman yield?

Mr. PACE. Yes, Mr. Cooley.

Mr. COOLEY. I just wanted to ask this question: I thought you made the suggestion that the members to be selected from agriculture would have to be approved by the two Committees on Agriculture of the House and the Senate.

Mr. GOSS. Be reviewed by them and recommendations made to the President. The selection, of course, would be made by the President; he would have that authority.

Mr. COOLEY. The committees would certainly have an opportunity to pass upon the qualifications of those who are going to represent the farmers.

Mr. PACE. You suggested how many on the board?

Mr. GOSS. Twenty-four.

Mr. PACE. I thought you suggested that the committee would have the right to submit recommendations to the President, of their nomination.

Congress passed an act providing that we would have a Board for the Commodity Credit Corporation, and that it should be nominated by the President. Now, what happened? It is not a matter of record, and I will let you dispute it if you want to, but the Secretary of Agriculture submitted three names to the President and the President sent them to the Senate and they were confirmed. That is one of the Boards. Then we had the question on the floor of the House yesterday to set up an independent Board for the Commodity Credit Corporation and the House disapproved that and set up a Board to be in Agriculture.

We may be able to operate this Government that way, but for my part, after my studies of Government, I have reached this definite conclusion, that there must be power and responsibility in one spot, and if that man does not function according to law and according to the interests of the people under the laws of the Congress then get somebody else.

I have no objection to setting up 100 boards—in fact, there are 100 boards now in the Department of Agriculture, and I do not know of any man who calls upon them for advice any more frequently than does the Secretary of Agriculture, but how we could be expected to set up a board of businessmen to control the farmers of this Nation unless there is a comparable board to control business and labor is beyond me.

Mr. GOSS. Mr. Pace, you have raised three or four different points that I want to touch upon. First, you referred to having full power——

Mr. PACE. You said they had to e approved before the Secretary could act.

Mr. GOSS. That is one, but they could use the devices in the law which Congress provides for that purpose, and what Congress provides only. And, there is a lot of difference between that and in setting wages and doing other things.

Now, as to the men on the board and the authority of the board, and apparently I have not been able to make myself understood as yet: We would have 12 who were nominated by farmers; 4 who are nominated by processors, 4 who are nominated by distributors and 4, if we could find someone to represent the consumers, from consumers, but the President would have to do that probably.

So that half of them would be, as it were, representatives of farmers at all times, and the public would be protected and every group would have representation. A group made up in that way we think could reach the best practical decisions. Now as to the authority——

Mr. HOEVEN. Do you think the 12 members on the board representing the farmers would be in any position to control the actions of that board if you did not give them a majority? Do you not believe that the farmers themselves, who are the grass roots, should have the controlling voice on the board?

Mr. GOSS. I would say that our opinion is divided. I think the majority feels that there should be equal representation, altough if the committee fels that the farmer should have the majority, as you point out, that is something for the Congress to decide. But this is what we have looked at, that if you are going to have proper cooperation from the processors and the distributors, and the many other groups, you just cannot expect to get it unless they have confidence that their problems are considered by the board.

Mr. HOEVEN. The processors and the consumers and the other groups for whom you provide representation on the board have an entirely different interest in the matter. We are here trying to pass legislation dealing with farm problems, and while I feel there is a great deal of merit in the proposals you have made, yet I do feel that if any kind of board is to be set up, that the farmers, who are at the grass roots, must have a majority on that board at all times. If you do not have them you will be subject to the whims of the other 12 on the board and they will just reach an impasse, where there would be a lot of debate and accomplish nothing.

Mr. ALBERT. How are we going to be sure that the farmers will have a majority?

Mr. HOEVEN. That should be provided in the legislation.

Mr. WHITE. I do not see how you can be assured of that when we have had some farm organizations here saying the people who represent them did not have the interest of the farmers at heart.

Mr. HOEVEN. We could write a law saying that they must have the farmers' interest, uppermost.

Mr. HILL. I might make this suggestion: He might be a dirt farmer today and 6 months later a banker, and in three months more a manipulator on the stock exchange.

Mr. COOLEY. Mr. Chairman, I would like to ask Mr. Goss a question if I may?

Mr. PACE. Certainly.

Mr. COOLEY. I would like to know your ideas with repsect to the responsibility of the House Committee or the Senate Committee on Agriculture in passing on the people who are nominated for this board?

Mr. Goss. What we recommended in our testimony was that all nominations should be submitted to the committee. We do not recommend that they be subject to your approval. That might be wise.

We do not claim to be perfect in these suggestions. We have, for example, the suggestion made by Mr. Hoeven, and it may have more merit in it than our suggestion. Our minds are completely open as to that.

Mr. Cooley. That is what I wanted to bring out, Mr. Goss; that you have just suggested the idea of a board, and you have given us some suggestions with reference to other related subjects.

Mr. Goss. Yes.

Mr. Cooley. And you are open for any suggestions that might come from the committee in that regard?

Mr. Goss. That is correct.

Mr. Cooley. And you suggested a board of 24, and it might well be less?

Mr. Goss. That is right.

Mr. Cooley. And any changes you are suggesting you would expect to be in the interest and welfare of agriculture?

Mr. Goss. That is right, and certainly that is the end that we are all working for. And I would like to make one further comment, if I may, Mr. Cooley. I have been on a lot of boards, Government boards of one kind or another, and usually they are not worth much. As a rule they are not used except as a sort of front, or to get good will. But I think the board that was more effective than any other I have known of for the last 25 years, was the War Mobilization and Reconversion Board. That too was an advisory board, but there were some powers given to that board. In the first place they were selected and had to be approved by the Congress, and they had to be there. If they could not be there they could not send a substitute. If a member were not there, no one represented him.

While our job was to advise with the Director and with the President, and we could only advise them, we could not direct them what to do. Nevertheless, we could call for records at any time. We could ask for General Eisenhower to come before us and he would come. We could ask for General Bradley or Admiral Nimitz and they would come. We had the power to get information and to lay it before the public if we wanted to, and it worked. And, President Roosevelt would have told you if he were here, and President Truman will tell you that it did work, and that it was very helpful.

So I think we could give similar powers to an advisory board. If you do not, it will not amount to much.

Mr. Cooley. Mr. Goss, we have an agricultural board in my State of North Carolina which works with the Commissioner of Agriculture, and I think there are many other States that have a similar set-up; is that correct?

Mr. Goss. That is right.

Mr. Cooley. That is all.

Mr. Granger. Mr. Chairman.

Mr. Hope. Mr. Chairman, I had not yielded the floor, but I will yield to Mr. Granger.

Mr. Pace. Very well, Mr. Granger.

Mr. GRANGER. I was wondering, Mr. Goss, if the board would unite as well on some plan, as some boards do, in recommending legislation to this committee.

Mr. GOSS. I do not know whether you expect me to answer that question or not, but I would say that I would not anticipate that 24 men would agree on everything. I would anticipate that there would be a lot of discussion, but when they got through, I think you would find that under the instructions and the mechanism provided by Congress, their conclusions would be about as safe. on as safe grounds, as the Congress or anybody else could develop. It is not perfect.

Mr. GRANGER. Every farm organization I know of is split down the middle as some of them do not seem to be able to unite on anything.

Mr. GOSS. I think that may be pretty nearly true, not complete unity, maybe. For instance, on this question of subsidy, we debated the subsidy at the last annual meeting of the National Grange; we had it up for a long time, 3 hours of debate on the floor after long hearings. We came out with a vote of 35 to 2, which I think is pretty close, and I think the board could do as well.

Mr. GRANGER. You would like to have this committee do as well?

Mr. GOSS. That is right. We are never going to have complete agreement.

Mr. GRANGER. The thing that disturbs me, and I dislike very much, is to have people coming here and complaining about politics. We have a system of government in this country that has at least two strong political parties that everybody seems to want to maintain, and yet we have the lawyers on the one side saying they want the judiciary taken out of politics; the school teachers want to get something and they talk about it being in politics, and that we want to get away from politics; others say we are not going to be able to do some things as long as we have free elections in this country. I do not like these ideas since our Government is dependent upon politics for its very existence.

Mr. GOSS. Mr. Granger, I appreciate what you have said, but there are some questions that I think we can agree we do not want to get too much into politics. You would not want to have the farmers out campaigning on the amount of subsidy in cash that could be paid to farmers, I do not believe. You would not want to put the farmers in a position where they would have to go out and campaign to elect a fellow who would promise the most subsidy. Then the whole merits of the question would be submerged and subordinated to the question of who would vote for the most subsidy to the farmer instead of the question of what is the interest of the general walfare of the country. That is the kind of politics we want to avoid.

Mr. GRANGER. Why do you think we have done so bad politically in this committee?

Mr. GOSS. I do not think you have.

Mr. ANDRESEN. Will the gentleman yield?

Mr. HOPE. I do not like to be in the position of controlling the time, but I would like to ask one or two more questions of Mr. Goss, but I will yield to the gentleman from Minnesota.

Mr. ANDRESEN. I think I have served on this committe probably as long as anybody else, and I can say that in all these years that I have been on the committee we have not had very much politics on the committee.

Mr. GRANGER. I agree with you.

Mr. GOSS. I would like to say, Mr. Chairman, if Mr. Granger's remarks about whether this committee has done badly was because of anything I said, or anything that I said that he thought was criticizing the work of the committee, I am sorry, because I did not say that at all. I feel that the committee has done an outstanding job; I feel that this committee has been very outstanding in avoiding politics. I have been coming before this committee for 25 years, and I have found support and opposition from both sides of the bench time and again, and I just want to express our appreciation for the work the committee has done. I think you have subordinated politics right down the line, and I want to express my appreciation for the work of the committee. And I am sorry, Mr. Granger, if anything I said led you to believe I was criticizing the work of the committee.

Mr. GRANGER. No. What you said was something about keeping the farmers away from politics.

Mr. PACE. Mr. Hope.

Mr. HOPE. Mr. Goss, I simply want to say this, because I think we do have a real problem here, in the fact that the Congress cannot legislate all of these details or specify how all the remedies must be used, and because I think we do have to have a large number of remedies to fit the various situations of agriculture, to cover the wide scope of its activities, and because I question whether we want to give to any one man all the power that would be necessary to enable him to apply the remedies that might be necessary to meet the problems, and therefore I look upon your suggestions with a great deal of favor.

Now I do not know that I agree with all the details of your proposal, but I think the suggestions have a great deal of merit and I think they should be considered by the committee. Now, as to the criticism which has been made that this board would not be controlled altogether by agriculture or by farmers, I would say this, that if there is anything to that criticism it is something that could be remedied very easily, and with nominations as the board is constituted it certainly could not be kicking against agriculture.

The extent that politics of this country is stacked against agriculture can be gained from the fact that 19 percent of the people in the country live on farms and produce farm commodities, and a far less percentage than that are engaged in commercial farming, and those who are actively producing the great bulk of the food and fiber that is consumed by the people of this country would probably boil down to less than 10 percent who would be farming, less than 10 percent, so that if we are going to depend upon the farmers to secure justice by giving him a superior number, if we are starting with the political question, we are going to be met by the fact that at least 90 percent of the people are interested in consuming rather than in producing agricultural commodities.

So I do not think that I am concerned so much about the way the board you have suggested would be set up as I am about the farmers of this country who are going to have to get along with consumers some way.

In other words, if they do not like the farm program they can throw it out the window. And I have been concerned somewhat by the nature of the farm program since the Secretary of Argiculture has submitted it to the committee, because it very clearly does move in the direction of the consumer rather than the farm program in many of its aspects, so that taking all those things into consideration I feel there is very great merit in the suggestions which you have made for the board.

Mr. PACE. Before we recognize the next witness, let me say that we have one other witness this morning who wants 20 minutes. I would like for the committee to take that into account or we will have to come back this afternoon.

Mr. Poage.

Mr. POAGE. Mr. Goss, I wanted to ask for your suggestions as to using price insurance. I understand that you have given some favorable consideration to that. Is it your thought that where some kind of compensation might be more easily made to the farmer because of the low price rather than to control that price by controlling production or by purchasing the entire output or the other devices that we now use, that we might require the farmer to take out some form of insurance and pay him on that insurance rather than simply making a direct gift or subsidy payment to him?

Mr. Goss. That is the thought I expressed, Mr. Page. Frankly, the Grange, as a body, has never developed a price-insurance program. We have been for fire insurance for 82 years. We have supported crop insurance for years. We believe in the principle of insurance. Following that general line, I felt justified in bringing this thought to the committee. All the public would be benefited if we could have more stability of price, if we could avoid the tremendously high prices and the tremendously low prices. The benefits would be so great that we could well afford to pay what you might call an insurance premium to prevent those things.

The farmers could pay it as a part of their sales cost if they voted to do it on any commodity, and the benefits to the public would be so great that I believe we might be in about the same position that we are with our Federal Security Administration, where the Government puts up part of the cost because they believe the whole economy is benefited.

I suggested that to the committee, but I want to make it clear that the National Grange has never passed upon that particular subject, although the principles of insurance we have endorsed for many, many years.

Mr. POAGE. Since the Secretary has suggested that at least in certain commodities the farmer should have assurance of price through payments by the Government rather than through control of production or through control of the commodity itself after it is produced, then, as I understand it, your idea is that, rather than having those handouts from the Government, it would be better that the farmer participate in a program in which the Government might very well participate also because of this great public advantage you have suggested, giving the same kind of protection to prices that the Secretary has suggested on those commodities that cannot otherwise be handled.

Mr. Goss. I am very sure, Mr. Poage, that the Grange would consider insurance a very much sounder program than taking all the cash out of the Treasury.

Mr. POAGE. I think so, too. I think it is a much sounder program and that it has a much better effect on the farmer. I think it, of course, saves the general taxpayer some money, unquestionably, and in the long run it would give the farmer a more stable program, as I see it.

As I envision it, certainly this Congress is going to be much more inclined to continue a program in which there is farmer participation than to have to go into the Treasury every year for a new appropriation to pay what seems to be simply a gift to someone.

Mr. GOSS. Tying your remarks into our suggestions, the payment of cash payments from an insurance fund would have precedence in desirability beyond and above cash subsidies.

Mr. POAGE. Now, I want to ask you about another thing because I believe your program recognizes the thing that I think should be recognized and that has not been recognized by some of the witnesses who have been before us.

As I understand it, you do not suggest that we should make the support for cotton dependent upon some variable formula that would give us from 60 to 90 percent or from 0 to 90 or any other figure of that kind, but that you recognize that in the case of those crops such as cotton—and there are others—where the producers are willing to reduce their acreage, they might very well take the reduction in acreage rather than take it in price. You have to take a reduction somewhere. We realize that you cannot simply produce an unlimited amount and get an unlimited price for it. We know that.

But it has been suggested by some that the reduction should all come through prices. Certain commodities are willing to take reductions in production. A commodity like cotton or wheat can very well do that without injury to the national economy, as I see it, because we produce more of those commodities than are used in the United States. We export a substantial amount of cotton, a substantial amount of wheat, a substantial amount of tobacco. Those go into export. Therefore, the domestic consumer cannot complain, as I see it, when we reduce the production of those commodities, as long as we produce what is needed in the United States. He might have a more valid criticism if we reduced the production of milk where we probably need more of it in the United States.

As I understand it, you recognize that there is a difference and that if the producer is willing to take his reduction in acreage you would still be willing to place a floor of 90 percent of parity under his product. Is that correct?

Mr. GOSS. That is correct; but it needs a little more explanation. In the order of preference that the National Grange adopted in such situations we preferred a two-price system under which the surplus would be used for inferior uses or secondary uses on a self-supporting basis. But we expressly stated that there are some crops, particularly those that we raise in export volume, where we probably would have to use marketing allotments or acreage controls, particularly to get adjustment from our war conditions to normal conditions.

Mr. COOLEY. Will the gentleman yield there?

Mr. POAGE. Certainly.

Mr. COOLEY. You could do both, could you not, Mr. Goss? You could do what Mr. Poage suggested and still, in addition thereto, have a two-price system. In other words, you could give the marketing quotas on the domestic market and then if a cotton grower wants to grow for export, he could grow under that two-price system.

Mr. Goss. That is correct. There are several kinds of two-price systems and if you give us a board and sufficient time for discussion, we would like to discuss the two-price method.

Mr. Poage. I think there is considerable merit in that system. You may recall that I have heretofore introduced legislation for a two-price system or domestic allotments as relates to cotton. There has not been much general interest in it and I hope there will be more interest in it in the future. Certainly such a plan has the advantage of maintaining production and keeping these acres in use that some of these plans would probably throw out of use. We can keep more labor busy and provide a wider range of employment in this country if we can maintain a two-price system and export rather than have to simply reduce our production.

Mr. White. Will you yield?

Mr. Poage. Yes.

Mr. White. Mr. Goss, in connection with this farm board that you are proposing, I recall the Hoover Farm Board and if I recall its activities correctly, it was one of the most bungling boards that I have ever seen in all my existence.

Can you give us any assurance that your board would function any better than that board did?

Mr. Goss. Of course, my assurance would not amount to anything, but we think it would. In the first place, we think the Farm Board, which was given certain moneys to do certain jobs and then the money was taken away for a support program which could not work under the conditions, really was blamed for some things that they did not do. But this is an altogether different board with altogether different powers. I do not believe there is anything comparable between the two boards. It is not only different because its job would be different, but its method of selection should be different and its responsibilities should be different. I think they are quite incomparable.

Mr. White. I know you are quite sincere, Mr. Goss, and I do not impugn your motives one bit. I have listened to you testify here and I have great respect for your opinions and your desires to help the farmer.

Just one other question. I will read the question I have written down for you. Under normal conditions, as long as there is undeveloped land available and as long as the production of a commodity is profitable to the producers thereof, the production of that commodity will expand until it becomes unprofitable unless expansion is regulated. This unregulated expansion will break the general price level and wreck the economy of the Nation and the world. Do you believe that? I do.

Mr. Goss. I believe that it is possible to maintain our national income at a level where we will consume our normal production in a normal way, provided we take care of some crops which we historically raise on an exportable basis. I do not think it is possible for us to reduce our wheat and our cotton to domestic requirements. We must develop ways to handle surpluses in those crops that we have for export in such a way that those surpluses, big or little, will not destroy the producers of the abundant crops which we need in a full-employment economy.

Mr. WHITE. Thank you, Mr. Poage.

Mr. POAGE. Mr. Goss, I cannot indulge in your optimistic view as to what we can expect of a board, in view of the experience of all nations at all times. Boards have always either had power or they have not. If they have power, they supplant the regularly established agencies of Government. If they do not have power, then they are nothing in the world but a fifth wheel that serves no purpose except to meet and draw a salary and try to get their pictures in the newspapers. Of course, that is what most of the boards amount to.

Unhappily, I feel that this suggested board would probably amount to the same thing. I know you do not think that is all it would do. You think it would do more. If it does do more, if it actually performs any useful function, it must be taking the place of some regularly constituted agency of Government. You then have an extraconstitutional agency that is carrying out the powers of the people. You are delegating those powers to something other than the legislative or judicial branch of the Government. If that board had any powers at all, it would be largely legislative.

I think the Constitution of the United States places legislative powers in the Congress of the United States. The people select representatives to handle those problems, and of that group there has been selected this very group, the Agriculture Committee, who are supposed to be somewhat familiar with the problems of agriculture, who, as I see it, are supposed to do exactly the things you are suggesting this Board do. What can this Board do that the Congress is not supposed to do now?

Mr. GOSS. The Board would not be a legislative board, Mr. Poage. It would be in the administrative branch of the Government. It could exercise only the powers that the legislative branch of the Government gives to it. It would be a limitation on the administrative branch of Government. Congress would, in effect, say, "We have given you certain powers. We want to have you exercise those powers in consultation with and in agreement with representatives who are close to the problem in the field."

Mr. POAGE. Why would it not be much better, Mr. Goss, to simply require that the Department of Agriculture come up here and consult with the committees of the House and Senate directly rather than through this intermediary?

Mr. GOSS. I do not think you have time to do that with all the thousand and one things you have to do.

Mr. POAGE. I think every time someone wants a support price they come here.

Mr. GOSS. They do now.

Mr. POAGE. They always will. If that Board turns them down where will they go? They will not stop. They are in Washington and they will come right up here. If a man does not get a job on the rural route that he wants, he does not stop at the Post Office Department; he comes here. If a man is not appointed to a job in the Veterans' Administration or somebody does not get a pension he thinks he ought to have or some man is assigned to a post in the Army that he does not like, he does not stop when he gets through with the Army; he comes here. All you are doing is creating another board of decision, which decision will be appealed up here anyhow.

Mr. COOLEY. Will the gentleman yield there?

Mr. POAGE. Surely.

Mr. COOLEY. Mr. Goss, is it not a fact that we have conferred great discretionary power on the Secretary of Agriculture?

Mr. GOSS. Yes, sir.

Mr. COOLEY. When he starts out to exercise that power he is under the terrific pressure of the duties of his own high position and he does use some of the men in the Bureau or in the Department, all of whom are subordinate to him and all of whom are inclined to agree with him. What you want to do is to give him the benefit of outside advice when he comes to make up his mind regarding matters affecting agriculture. Is that the purpose of the Board?

Mr. GOSS. That is correct. I think it protects both the Secretary and the public.

Mr. COOLEY. And as you pointed out, it would not be possible for the Secretary to run back to this committee every time he wanted advice about the exercise of his discretion.

Mr. GOSS. I would say that I would not anticipate that the Board would prevent people from coming to Congress. It would not prevent our coming here. If we did not like the way the Board operated, we would come here and we would say, "We think you ought to give the Board different power or different control." But I think a large amount of the details would be screened off, Mr. Poage.

Mr. COOLEY. You would not confer upon the Board any power to disturb any positive direction from Congress?

Mr. GOSS. No.

Mr. COOLEY. In other words, we have provided control laws, marketing quotas and acreage allotments, and so on, and if under certain circumstances we provide 90 percent of parity in the support program, there is no discretion involved in that. That is a matter that the Secretary would have to administer according to the tenor of the law.

Mr. GOSS. If you tell them how to administer it and they do not administer it—and sometimes Government officials do not always obey the orders of Congress exactly—then you have your remedy.

Mr. PACE. Mr. Hill.

Mr. HILL. Is it your suggestion that we can amend the Aiken bill by adopting your recommendations as to a board?

Mr. GOSS. If the Board is adopted, the powers in the Aiken bill which the Secretary now has would be subject to the approval of the Board and in that way it would be an amendment. There may be some other things in the Aiken bill that should be amended. We have suggested one on the parity formula. We have not attempted to analyze the Aiken bill to suggest just what amendments there would be, because if you have a board, that is one thing, and if you do not have a board, you have another situation.

Mr. HILL. The gentleman is always interesting to me because I think behind his testimony he always has a good sound philosophy.

Do you know the day of the month this is? These boys want some politics and I am going to give them lots of it.

Mr. Goss. It is the 12th of May.

Mr. Hill. This committee has been working constantly and we started work before we were legally organized and we have had no legislation before this committee on amendments to the Aiken bill to this date. In the interest of time and good order, if we are going to do anything before the 31st of July, which is the day under the law that the Congress should adjourn, I ask you how we are going to put all those things through both the House and the Senate at this first session of the Eighty-first Congress? We will forget the Eightieth Congress.

Mr. Goss. I do not think you are going to do it unless you adopt a board and leave the details to the board. I think you can do that, but I do not think you are going to be able to make all the amendments to take care of all the basic crops and other crops in the condition the legislation is right now.

Mr. Hill. I will yield to Mr. Hoeven.

Mr. Pace. Mr. Hoeven.

Mr. Hoeven. Mr. Goss, just a question about the mechanics of this Board. I appreciate the fact that if and when a Board is set up a lot of details have to be worked out. I notice in your recommendations you make no reference to counsel for the Board. Is it your purpose to have a counsel who should advise the Board and interpret the acts of Congress, or, in case of a dispute, would that matter be referred back to the respective committees?

Mr. Goss. I think any operating board has to seek legal advice and I would give them enough staff to carry on their work within the law as they felt necessary.

Mr. Hoeven. But it would not be your purpose in setting up a board, for instance, if a matter came into dispute, to have that board conduct public hearings as to what the law meant or what should be done?

Mr. Goss. No, I would be very careful to safeguard that board so that it could not be a legislative board in any way. It would be purely administrative.

Mr. Hill. If you set up a board, is there any reason in the world why the Board could not work toward integration of the work or combining of the work of the two committees in the House and Senate?

Mr. Goss. I do not know that I understand that, Mr. Hill. If I do, I would say that the board would have available whatever Congress gave them. It undoubtedly would want to come and make recommendations for modifications from time to time to the committees in the House and Senate if they felt the law was weak, if they did not have enough power, or if they felt it did not work right.

Mr. Hill. I will make myself plain by saying that so far as I know there has been very little done in the other body in this session and here we have been going full tilt since the 1st day of January. If we are going to have a combination of our program worked out between the House and the Senate, certainly we must cooperate with one another if we are ging to get anything done by a given date.

Mr. Goss. I could not give you any assurance of what the Senate would do, but I have talked with a number of members of the Senate committee who left me with the impression that they would look with favor on a board properly chosen. I cannot tell you how they would vote. We have discussed it with some of them and we have had quite a bit of encouragement.

Mr. Hill. The gentleman did appear before this committee some 4 or 5 years ago on another piece of legislation that we were considering and recommended a board quite similar to this.

Mr. Goss. It was the Farm Credit Board. It was somewhat different than this as it would necessarily have to be. We have some pretty good boards in this Nation. For example, I do not believe Congress could run the finances and all the intricacies which lie in our fiscal system without a Federal Reserve Board. We may not like everything that board does, but it seems necessary. Congress just cannot act fast enough to meet these conditions. You have to leave the discretion with somebody.

Mr. Hill. I can call your attention to a new board that has been set up in the last few years. How about the Atomic Energy Commission? Do you think the Congress could operate that?

Mr. Goss. I do not know whether anybody is going to be able to operate it or not.

Mr. Hill. That is all.

Mr. Pace. Are there any other questions?

Let me say in conclusion, Mr. Goss, you know the great respect I have for you but as long as the Department of Agriculture was set up to look after the interest and welfare of the farmers of this Nation, as long as the Labor Department's single purpose is to look after wage earners, as far as I am concerned, I am not going to give authority to distributors and processors of the food of this Nation to control the farm policy of this Nation. You can have as many advisory boards as you want. I think this committee and the Congress of the United States come nearer representing the farmer, the consumer, the distributor, the processor, than any board on the face of the earth that could be created.

For my part, when we come to farm legislation, I think the farmers of this Nation should write the ticket subject to the over-all protection by the Congress of all other interests. I, for one, cannot embrace the proposition where the control of the farm program of this Nation would be taken out of the Congress and the Secretary of Agriculture and put into the hands of men who have a contrary interest.

Mr. Hoeven. Will the gentleman yield?

Mr. Pace. Yes.

Mr. Hoeven. Then I understand that my chairman agrees with the expression that I made as to if and when a board is created it shall be controlled by the farmers at the grass roots?

Mr. Pace. Absolutely.

Mr. Goss. You would not find us adverse to that, Mr. Pace. We have tried to approach this in a fair and open-minded way. We do recognize that in the route from the farm to the table other interests must be recognized and we want to work together with them. We do not want to have them control it, but we do recognize the necessity of working together.

Mr. Pace. Thank you very much, Mr. Goss. We are always glad to have you and you are always very thought-provoking in the suggestions you make.

Mr. HOPE. Mr. Chairman, could I make this suggestion to Mr. Goss?

Mr. PACE. Yes.

Mr. HOPE. With reference to this question of what part the distributing trade should have in a situation of this kind, would it interfere any with your concept of a board if we would leave the processors and distributors off of it but set up an advisory group composed of processors and distributors who might be consulted and whose suggestions might be helpful in getting cooperation.

We must have cooperation with the distributors and processors, but suppose we leave them off the board and have them in the form of an advisory group which can be consulted. Would that fit in with your ideas?

Mr. GOSS. It has possibilities that I would like to weigh. It appeals to me except, as I said before, I have sat on so many advisory boards that did not amount to anything. You have to find some way of giving that advisory board an interest so they will really work and help. Maybe you can work it out that way. We would like to explore it with you.

Mr. HOEVEN. Will the gentleman yield? I think perhaps to indicate what Mr. Hope has in mind, only yesterday, in passing the Commodity Credit bill, we set up a board to administer the work of the Commodity Credit Corporation and also set up an advisory committee.

Mr. GOSS. We would like to study it. We can clearly see that it has advantages. If you could maintain the interest of the processors and distributors in helping to discuss and build their processing and build their distribution around a sound plan, it would be all right.

Mr. PACE. There is no objection to that. I agree with you that there must be a diversity of programs. I am willing to write marketing quota laws. I am willing to write the two-price system, the domestic allotment plan. I am willing to write a certain amount of flexibility under certain conditions of price supports. I think when that is done there should not be a group of processors and distributors telling the farmers which supports they will get, but it should be submitted to the farmers of the Nation and let them vote as to whether they want a two-price system or acreage controls. I think the farmers of the Nation should control that program and not a group of men sitting in Washington.

Mr. GOSS. If you could work out some sort of system where you could get the cooperation of those groups—and the suggestion may do that—we would certainly like to go through it with you. We do want a board than can put some of these remedies to work. We do not think there is a great deal of legislation needed to do it.

Mr. PACE. I would go along with Mr. Hope's suggestion.

Thank you very much, Mr. Goss.

Mr. Russell Smith, will you please come to the witness stand?

Everybody knows Mr. Russell Smith, representing the National Farmers Union, and he has some important testimony to submit to the committee which was delayed. We will be glad to hear from you now, Mr. Smith.

STATEMENT OF RUSSELL SMITH, LEGISLATIVE SECRETARY, NATIONAL FARMERS UNION

Mr. SMITH. Thank you, Mr. Chairman.

In view of the ordeal to which the committee has subjected itself for the past few weeks and the present hour, I think I will not attempt to go through this prepared statement. I would like it to appear in the record, but devote myself to a few minutes of general remarks.

Mr. PACE. Mr. Smith, without objection your statement will be filed with the Clerk for insertion at this point in the record.

(Statement of Mr. Russell Smith is as follows:)

STATEMENT OF RUSSELL SMITH, LEGISLATIVE SECRETARY, NATIONAL FARMERS UNION

Some of the questions before the committee in this hearing are pressing and immediate, and the National Farmers Union realizes that is is necessary with respect to some of these issues to make decisions at the earliest possible moment. At the same time, we are convinced that the series of hearings that has been conducted concerning the necessity for returning to planting and marketing controls offers the opportunity for considering broader questions of the most direct concern and most direct importance to the consideration this committee also is giving to revision of price-support programs. We therefore will present to the committee at this time certain views concerning both the immediate and long-time aspects of the matter before you.

Let us say, in the first place, that no farm leader or agricultural economist seriously questions the necessity for preserving in the law the authority, on approval by the producers concerned, of the Secretary of Agriculture to require adherence to acreage allotments or marketing controls, or both. This statement may be made with respect to any of the general farm programs now in effect or being considered by Congress. Regardless of which of these programs is adopted or continued, or what combinations of them may be adopted, there appears to be every reason for retaining at least stand-by authorizations for such measures in the law.

The reason that this is true, of course, is that no satisfactory solution has yet been arrived at to the problem of making proper adjustments of production as between agricultural commodities. Obviously, such a means of adjustment is not going to be devised so quickly as to remove the danger that insupportable surpluses of some commodities may not develop. In the case of wheat, the commodity to which the committee is now giving its attention, the estimate is that the carry-over his year will approximate 300,000,000 bushels. Some of our Farmers Union people are inclined to believe it will be nearer 400,000,000 than 300,000,000. The best estimate of the carry-over on July 1, 1950, is somewhere between 450 and 500 million bushels. Both estimates necessarily are contingent on estimated domestic requirements and exports. In the case of the former, it is estimated that this year's domestic needs will be in the neighborhood of 685,000,000 bushels and that this will increase to 700,000,000 bushels next year, whereas it is expected that the probable 500,000,000-bushel export of this year will decline to 450,000,000 next year.

The National Farmers Union does not regard such levels of carry-over as in any way dangerous or abnormal. It has been our stated view for some time that the United States should, as a national policy, always carry even greater reserves from year to year of agricultural commodities that can be stored. We believe that the adoption and firm pursuit for a period of years of such a policy would tend to minimize the influence of such a reserve on market prices. In other words, if, say, a 600,000,000-bushel wheat reserve were carried over year in and year out for 10 years, never going much beyond that figure and never going much below that figure, it seems reasonable to suppose that the trade generally would ultimately accept that reserve's existence as a continuing fact—in that event it would no longer fear the unexpected dumping of large quantities of wheat on the market. Since this fear is the predominant factor in downward pressure on prices, it seems reasonable to conclude that its failure to develop over a decade would, so to speak, quarantine that reserve from the general price structure.

Nevertheless, at this time the Nation has no such established policy. It has instead a consistent record of instances where supplies much larger than so-called effective demand have resulted in disastrously low prices of farm products. Furthermore, it should be noted that the acreage planted to wheat for harvest this year is 4,000,000 acres more than was planted to wheat for harvest in 1948. This increase in acreage has resulted in the face of prices which have run continuously much lower this year than last, indicating that the formula provided in title II of the Agricultural Act of 1948 will not be effective in reducing plantings. If prices should continue downward, it seems likely, that in the absence of controls, farmers will plant even more acreage to wheat in 1950. If this prospect be coupled with the uncertainty as to exports and even to some extent as to domestic consumption, then the uncertain price outlook in the absence of controls becomes obvious.

We therefore urge the committee to approve whatever steps are necessary to make possible for the executive branch to prepare for the imposition of acreage allotments and marketing quotas on those crops which appear to be faced with price difficulties arising from accumulation of stocks. We are glad to note that the Senate Committee on Agriculture has acted to close the gap inadvertently left in the law when the Agricultural Act of 1948 was adopted. This arises from the fact that the new definitions of supply and carry-over contained in title II of that act do not become effective util January 1, yet plans for the conduct of a referendum must be laid now. In the absence of action by Congress, necessarily these plans must be on the basis of the 1938 law. We believe, as the Secretary has said, that it would be wise to adopt some measure enabling the Department to move ahead at an early date on whatever operations must be undertaken in the next growing and harvesting season.

Another concern of our people is that Public Law 12, adopted in 1945, be strengthened by giving the Department such funds and authority as may be needed to make it genuinely effective. This is the statute which protects the wheat allotment of those farmers who, at the request of the Government, shifted acreage from wheat into war-needed crops. Effective administration of this provision unquestionably will be difficult. In a number of instances records are inadequate for the task. In others, changes in ownership of farms or in the composition of the farms themselves, make a fair judgment exceedingly difficult. Yet this pledge of the Government to those farmers who cooperated in the war effort must be carried out as efficiently and equitably as possible. Failure to do so will create deep resentment and antagonism among the very people who have cooperated most completely to make governmental programs effective.

In opening the hearings regarding marketing quotas for corn, the chairman of the subcommittee asked potential witnesses six questions. These questions seemed to us in the Farmers Union to point up significantly some of the major issues that are involved in the whole question of crop adjustment. These questions were:

Do corn producers desire to place corn under marketing quotas?

Should the commercial corn area be expanded?

Should quotas apply to corn produced and fed on the farm?

Should quotas apply to corn produced for silage?

Should competing grains be brought under quotas at the same time?

Should quotas apply throughout the Nation or be confined to the commercial area?

I take it that the committee still is interested in the same questions insofar as they apply to wheat.

As to the first question, there is no doubt that the majority of wheat farmers are reconciled to the probable necessity for a return both to acreage allotments and marketing quotas. Many of them feel that marketing quotas are an essential enforcement device and that mere imposition of acreage allotments with no means for penalizing the deliberate overproducer will not be effective. Most of them dislike the use of allotments and quotas, not because they fear regimentation, but because they like to feel that they are producing efficiently and abundantly and in so doing are meeting the real needs of the Nation as well as producing an adequate income for themselves. Many of our leading farmers who have observed the operation of the Canadian system are inclined to believe that it could be adapted to American use, and the allotments made on a bushel-per-acre basis. However, our organization has no formal position on this question and I mention it in the event that the committee might wish to ask for further information regarding operations in our neighbor country to the north.

The questions regarding the commercial area in wheat cover many of the same considerations as those dealing with corn. Here the primary questions appear to be those of administrative flexibility and feasibility. In general, we believe that considerable leeway in adding to or subtracting from the so-called commercial area, is highly desirable. Discrimination between the two areas can only be justified if no substantial injustice is done by exclusion from the commercial area. In turn, such injustice cannot be avoided if those areas which in actuality become of the commercial type are not included as rapidly as this comes about. This observation seems also to apply to the last question asked by the chairman. If it is administratively feasible, obviously it would be better to eliminate entirely the commercial and noncommercial definitions, but it appears that such action as this would lead into very expensive and detailed administration.

The third, fourth, and fifth questions all relate to farm feeding and to substitution as between different grains, mostly for feeding. There is no doubt that limitation of any cereal program to corn and wheat alone can be only a stopgap measure, nor is there very much doubt that farm feeding of any grains must be taken into account in evolving control programs. There is equally little doubt that such extensions of control programs provide infinite and enormous headaches. Perhaps it will be possible to get by the next year or so with the simple return to acreage allotments and marketing quotas on wheat and corn but in the end some action must be taken to include all cereal crops and to include virtually all of the production.

To our mind, these questions and the difficulty in answering them in the framework of present legislation provides an excellent argument for one of the basic principles of the draft bill laid before this committee on April 27 by Mr. Glenn J. Talbott, chairman of the executive committee of the National Farmers Union. Members will recall that this bill proposed a new approach toward the problem of making crop adjustments and commodity adjustments in agriculture. For one thing, it declared specifically that all agricultural commodities shall be considered "basic commodities." For another, it offered a new device for placing all agricultural commodities on an equal basis. This was the suggested interchangeable commodity unit termed in the bill the family farm production unit.

Mr. Talbott explained to the committee at that time in great detail our view that equal treatment for all agricultural commodities offered the best prospect for easy and effective year-to-year adjustments in production. I will not attempt to duplicate to the committee at this time all of the arguments that Mr. Talbott and our other witnesses made on behalf of such an approach. At this time, however, I should like to recall the discussion between some members of the committee and our witnesses regarding the difficulty of making adjustments even granted the adoption of such a program as we had outlined.

The principal of these difficulties were (1) limited experience and training of farmers, which rendered it difficult for, say, a wheat farmer to shift into dairying; (2) the relatively heavy expenses involved in making some of the desirable shifts; (3) limitations imposed by nature, such as climate and character of soil. The last of these may be dismissed, so far as the total national picture is concerned since nearly all tillable soil in the United States can be used for at least two or three purposes, other things being equal. As to training and experience, I am inclined to think that this also is a negligible factor in the total picture. However, it is always possible for the Congress to expand the kind of work done by the Farm Security Administration and intended to be done by the Extension Service in assisting farmers to meet exactly such problems as this. The experience and the patterns for helping farmers to make this kind of transition are readily available from past governmental programs.

The real and principal obstacle, however, to widespread crop adjustments on a voluntary basis is financial. Therefore, I suggest that the committee may well now begin giving consideration to evolving some new kind of production adjustment credit facilities. I am not suggesting, necessarily, that Congress authorize a large direct loan program, although we in the National Farmers Union have never objected as have others to direct Government credit to farmers. But in this instance it might be wholly possible to develop a system of production adjustment credit based either on the insurance principle that is embodied, for example, in Federal Housing Authority loans or the cooperative principle as demonstrated in the loans of the Rural Electrification Administration to cooperatives or by the production credit associations to farmer members.

Such credit would have to be tailored to fit the needs of an adjustment program and not be competitive with existing types of Federal credit arrangements. It should recognize the national need for adjustments in production, severely limit the loans to the achievement of that purpose, see to it that this credit is not a substitute for routine production credit, and should not be used for so-called rehabilitation loan purposes. In other words, it should be related closely to the annual announcement of production goals and, if they are invoked, to marketing quotas and acreage allotments.

Mr. SMITH. Unfortunately, it did not prove possible for some of our people from the wheat country to come in and testify on wheat quotas, as had been suggested would be a good idea. I talked with them, however, at some length and prepared a statement which I think is representative of the wheat farmers' views in our part of the Northwest.

The principal novelty in the recommendations in this statement is at the conclusion. It relates to the difficulty of adjusting crop production to demand, not just wheat but any crop that is susceptible to this treatment. It has seemed to me that throughout the hearings one critical question has been that of how far you must go with regimentation in order to get shifts in acreage, and in production.

If you will recall in our testimony on the general program, we made the observation that the adoption of an interchangeable commodity unit as a basis for a support program would enable us to avoid severe controls in most instances. There were several points made by committee members as to other difficulties in the way of getting voluntary adjustments. The principal one related to credit. In other words, how is it possible for a cotton farmer to shift suddenly to dairying? The suggestion made in this statement is that as a part of a production adjustment program, perhaps a new kind of credit ought to be made available limited strictly to exactly that kind of a problem, where a cotton farmer has been approved as an able farmer where the only drawback to his shift is a matter of credit. Then perhaps a special type of credit for that case ought to be devised. We do not think it should be competitive with production credit, association credit, nor with the direct credit afforded by the Farmers Home Administration.

We do believe that there may be a gap there which would be of inestimable value in the success of a voluntary adjustment program.

Mr. PACE. Mr. Smith, I would like to interrupt you there and express my pleasure to hear that recommendation. A bill to do that very thing is now lying on my desk. I think if we are going to bring about shifts, especially if we are going to apply the force that is contained in the Aiken bill to bring about shifts, we must have some credit method set up to aid the farmer in making the shift.

Mr. SMITH. I see we again have been independently thinking along the same lines, Mr. Chairman.

Mr. PACE. One thing disturbs me. Sometimes in a shift there is a 2- or 3-year lag. The only thought I have had to cover that is in the nature of grants. As you know, I am not too enthusiastic about grants, but I see no other method of carrying the farmer until he is back in production in his new crop.

Mr. SMITH. Perhaps some element of subsidy will be necessary in any such program, but if this credit were tailored to fit those situations and if it were a graduated type of credit based on the future earning power so that the grant could be absorbed later in payments to the farmer, perhaps it could be worked out so that over-all there would be no subsidy of importance.

Some farmers would fail, of course, and the interest rate, over-all, would have to be very, very low.

Mr. PACE. Is it your idea to administer this program through the Farmers Home Administration?

Mr. SMITH. We have made no recommendation on that. We think it probably would be preferable if it could be made a cooperative association type of credit somehow, but there are great difficulties in the way of doing that.

Mr. PACE. I think it is peculiarly fitting to and perhaps absolutely necessary in cotton. As I see the future of the cotton industry in America, it depends upon two things; cheaper and better cotton. I think that is the only sensible answer, cheaper and better cotton.

You and I know that there are areas, perhaps some of them in my State, where the farmer will never be able to produce cheap cotton as compared with some areas where it can probably be produced half as cheaply. It is in the interest of the Nation and it is in the interest of the industry that that farmer be subsequently led out of the production of cotton and not driven out under the force program of the Aiken bill.

Mr. SMITH. That is exactly our thinking, Mr. Chairman. This recommendation, of course, grows out of testimony on wheat but it is applicable to cotton and to all crops. There are one or two specific points concerning wheat quotas that I should emphasize. One is that we favor the adoption of the bill that has been reported by the Senate committee to enable the Department of Agriculture to begin planning for next year's referendum on wheat, if that becomes necessary.

There is, of course, as the committee knows, a gap between the beginning of operation of whatever law is in effect on January 1 and the present law, so far as the definitions of normal supply are concerned. Until those are clarified, the Department would be in the position of planning, on the basis of this year's definitions, a referendum held under next year's definitions.

Another point is that a very embarrassing situation will probably confront the Department throughout much of the wheat country in attempting to carry out so-called Public Law No. 12 which protects farmers who shifted from wheat into war-risk crops during the war. I am informed that in many instances records are not available or they are very inadequate as a basis for administration of that law.

In other cases, the farms have changed hands or the composition of individual farms has altered. In any case, however, it would be disastrous if the Department did not carry out that pledge to the best of its ability.

We simply wish to urge the committee to do whatever is possible to get as equitable an administration of that law as possible. If it is not carried out with some degree of equity and fairness, then it will create vast resentment which will operate against the success of any Government farm program.

Mr. PACE. If you will pardon me there, I agree with you and I think everybody on this committee agrees with you on that. I might mention the fact that PMA now has worksheets out of every wheat farm and every cotton farm in the United States to get the individual farm history with regard to the planting of war crops and so on. The fact that the farm has changed hands will create a difficulty and there will also be a difficulty in determining the wheat allotment. The farm may have been split in two or doubled. That is no new problem and will not be in the administration of the quota law. It presents no more difficulty under Public Law 12 than it does under the quota law.

Mr. SMITH. I am quite sure that in the end PMA will do its best to carry ou the law, but in my conversations with some of their officers, they seemed to me overimpressed with the headaches involved. I did not know they had gotten as far into preparing for that as you have indicated.

Mr. HILL. Mr. Chairman, may I ask a question on that?

Mr. PACE. Yes.

Mr. HILL. I noticed you very nicely passed over these States that have increased so tremendously in the past few years. What do you propose to do to a State like my own that has increased its wheat acreage since 1942 approximately 206 percent, or a State like Michigan, which has increased theirs 225 percent? Mississippi has increased its wheat acreage 150 percent. I have every one of those percentages on my desk. I think you have 10 States that you have gone over that have increased their acreage since 1942 and have gone up sharply. The State of Missouri is one of them. Why the State of Missouri should increase its wheat acreage is a question. Someone will say they are not a wheat State. They are a wheat State if you count this marginal land. What are you going to do to us in Colorado?

Mr. SMITH. Mr. Hill, I personally am not going to do anything to Colorado.

Mr. HILL. What are you going to recommend, to cut our throats?

Mr. PACE. He has not sought to make any recommendation with regard to State wheat allotments.

Mr. SMITH. No, that is wholly contingent on what kind of farm program you have and what kind of cuts have to be made. I am speaking solely to the point of the farmers who did shift out of wheat into, we will say, flax, at the request of the Government during the war.

Mr. HILL. Is the farmer who shifted out of a hundred acres of wheat into a thousand acres of wheat because the Government needed wheat during the war not in exactly the same position?

Mr. SMITH. I am not sure that he is, but I would not attempt to debate the point.

Mr. HILL. I noticed a little recommendation in an agricultural report sheet that some cotton group had recommended that they cut not more than 5 percent off the total acreage of any State in any one year and not more than 15 off any States that have increased at a rapid rate like Colorado and Michigan or Missouri or Mississippi. How would you look at a proposition like that?

Mr. SMITH. Mr. Hill, I am not prepared at this point to get into an argument between Mr. White and Mr. Abernethy, if he were here, as to whether new cotton States deserve more or old cotton States deserve less. I do not know. I would have to consider that very carefully.

Mr. HILL. If a certain provision would be fair for cotton, I am not sure it would not be fair for wheat.

Mr. SMITH. If you are referring to those figures you used, I am not sure I know.

Mr. HILL. Then is it not about time we found out?

Mr. SMITH. It is very difficult until you know what kind of program you are going to have.

Mr. HILL. Well, you have to put this land into something. You cannot let the wind blow it away, which might happen in my territory. If it is entirely wiped out, it is the land that lies idle which will be blown away, not the land that is put into crops.

Mr. SMITH. Our contention has been that it is possible to work out a program that is much more voluntary than any that we have seriously discussed up to this point. Then I take it if a wheat farmer in the position you described were rewarded equally for shifting into something else, there would be no particular compulsion required. He would just do it if he could.

Mr. WHITE. Will the gentleman yield to me long enough to say to him that if he will support me on the cotton matter I will support him on the wheat?

Mr. HILL. You do not mean to say you want more cotton out in California?

Mr. WHITE. I do not want to be cut too much.

Mr. HILL. I thought you said the other day you were willing to adopt strict rules for cotton curtailment.

Mr. PACE. There will be no open trading in the committee.

Mr. HILL. It is a real problem. Let me give you an example of one county in Colorado. It is not in my district. It had only eight or ten thousand acres of wheat before 1942 and in 1948 it had 229,000 acres of wheat. That is just exactly what the gentleman from California is worrying about. We have a right to worry about that. What are you going to do with that land? There is nothing that I know that these farmers can grow outside of wheat.

Mr. PACE. I think that problem is in the lap of the distinguished gentleman from Kansas, Mr. Hope.

Mr. SMITH. Mr. Chairman, I have one final paragraph.

I would like to have the record show that I hope this committee does not embark on a futile attempt to take agricultural legislation and its administration out of politics. You will not succeed, in the first place.

If you should succeed, in the second place, it would be one of the worst things that could happen to the American farmers. We are not ashamed of politics in the Farmers Union. We think in a democracy that the more things that are in politics the better off you are and the more people who do something about them the better off you are. We have consistently opposed any attempts to interpose boards between Government officials and the people themselves.

By and large I think most farmers feel that they do get results from their votes. Thank you.

Mr. PACE. We certainly thank you, Mr. Smith.

Are there any questions?

Mr. HOPE. Mr. Chairman, I have a question.

In your formal statement, which I have just had an opportunity to glance over rather hurriedly, you mention the matter of the commercial and noncommercial wheat areas. Do you want to go into that any?

Mr. SMITH. Mr. Hope, we feel just about what I have said here—it is a very difficult question—that the whole approach is unsatisfactory. If you have to have a break-down between commercial and noncommercial, then it should be as flexible as possible. It is one of those devices where there seems to be no no way to avoid considerable administrative discretion. The administration can be much more refined than it has been. The areas which become eligible for benefits under commercial-area provisions ought to be admitted to the commercial area as rapidly as they become elegible. There should not be a bag, as in the case of Tennessee's dissatisfaction with being excluded from the commercial corn area, which we think is legitimate.

Again, it goes back partly to the question of voluntary versus enforced control of production. There again we think it might be possible to do away with such devices if we adopted an interchangeable commodity unit.

Mr. HOPE. In the past, while there has been no commercial or noncommercial wheat area, there has been a distinction made that somewhat roughly corresponded to that, in that there were exemptions, as far as bushels was concerned. I do not remember whether it was 200 bushels or 300 bushels which was exempt from marketing quotas. It seems to me that serves about the same purpose.

As a matter of fact, I cannot see any real distinction between commerical and noncommercial wheat areas, because most of your wheat in every area gets into some commercial course. Wheat is produced primarily for human food, and some wheat in every area gets into that course of commerce.

On the other hand, in every area there is also some wheat fed. It is a different situation than you have in the case of corn, where you have your commercial area where some of the corn gets into commerce, and in your noncommercial areas most of it is fed and produced solely for local feed. I have not been able to convince myself that there is any particular merit in the idea of a commercial wheat area. It seems to me it would be much more difficult to administer if you had one than in the case of the commercial corn area.

Mr. SMITH. We would agree with that.

Mr. HOPE. Wheat in the noncommercial areas will be mostly sold on the markets.

Mr. SMITH. We would certainly agree with everything you have said. The only place where you would have to begin to question it, I should think, would be if you did not reduce production and you went to a two-price system on wheat and then wheat began to be substituted for other grains for feeding on a wider scale.

Mr. HOPE. Even then I think you still could hardly draw a line and say this area is commercial and this area is noncommercial. I think you would have a problem, and I do not see where you could draw your line.

Mr. PACE. I am hoping we will move the other way. If we were to treat under our wheat program the way we have been treating the noncommercial area under the corn program, the wheat growers outside the commercial area would have no vote and would have only 75 percent of the support price.

Mr. SMITH. That is right.

Mr. PACE. Mr. Kline, yesterday, tried to justify the commercial corn area because he said that is a great area where corn is fed. I believe there is a greater percentage of the corn produced in Georgia that is fed than there is in Iowa. In fact, I do not know of a single ear of corn produced in Georgia that is not fed except the little that is ground into meal. We cannot ship our meal out of the State on account of the terrific infestation by weevils. We cannot ship our corn out of the State, but have to use it right where it is. It works this way: The Georgia corn farmer gets 10 to 15 bushels to an acre, and he gets 75 percent of what the man gets who produces 70 and 80 bushels per acre. It is costing our corn growers probably three times as much to produce a bushel of corn, and yet he gets only three-quarters as much support price.

Mr. SMITH. It is a wholly inequitable arrangement. The same type of thing exists in some of the wheat countries, as Mr. Talbott testified to. His farm is one that is outside the commercial area for corn. Yet he can grow corn that could be used for feed on his farm if the rewards of using it there were such as to induce him to do it instead of growing wheat. The whole thing goes back to what kind of adjustment program you have. We agree that the commercial and noncommercial areas in corn have created very great inequities. We are afraid of it in wheat even if the factors that Mr. Hope has mentioned were not present.

Mr. PACE. And how does it work under the Aiken bill? The law is that the noncommercial areas cannot vote. The commercial areas vote.

Mr. SMITH. That is right.

Mr. PACE. If they turn down quotas, then the support price is 50 percent of parity. Then the price in my State is 75 percent of that.

Mr. SMITH. That is right.

Mr. PACE. Although my farmers have no voice in quotas, they get a support of 37½ percent of parity on account of the vote of someone else in another part of the country. I agree with you it is most inequitable.

I am not going to try to rewrite the corn law. I do not think it is becoming to me, but I do from time to time feel called upon to point out some of the inequities of the thing. There may not be an answer to it.

Mr. SMITH. When your corn price is reduced to that point, it is going to be reflected in much lower meat prices eventually that will hurt Mr. Kline just as much as anybody else and maybe more.

Mr. PACE. That is exactly right. As I say, I do not know where the answer is, but I am not too enthusiastic about setting up a commercial area for wheat if it is going to be like the one we have for corn.

Mr. SMITH. That is right.

Mr. PACE. Thank you very much, Mr. Smith.

I have here a statement of Hon. John A. Blatnik, a Member of Congress from Minnesota, in support of the Secretary's recommendation which will be included in the record at this point.

(The statement referred to is as follows:)

STATEMENT OF HON. JOHN A. BATNIK, A MEMBER OF CONGRESS FROM MINNESOTA

Mr. BLATNIK. Mr. Chairman and members of the committee, I take this opportunity to go on record in support of legislation embracing the April 7 recommendations of Secretary of Agriculture Brannan made to the joint meeting of the House and Senate Agriculture Committees. I wish to urge also that the New Deal farm program be extended and strengthened all along the line to provide permanent security for all persons who till the soil.

It goes without saying that a stable, prosperous, and expanding agriculture is essential to a sound and prosperous national economy. As a means of achieving this goal, the Roosevelt farm program, with its policities to cope with the related farm problems of parity prices, soil conservation, agricultural credit, tenancy, and farm security, has proven successful in practice. It is, of course, not perfect, but it certainly represents a step in the right direction. The New Deal program for agriculture should be broadened, strengthened, and improved. In this connection, the Brannan proposals for modernized parity and for production payments to farmers fits into the over-all pattern of already-tested policies.

The No. 1 problem of the farmer is fluctuations in farm income resulting from the unfavorable price-cost relationship for major farm products which exists at all times other than during periods of war and postwar shortages. Farm income follows the business cycle—for example, total farm income in 1919 was at $17,000,000,000, but in 1929 it was down to $11,000,000,000, and by 1932 it had fallen to $5,000,000,000. Due to the heavy demand for food during the war and the first postwar years, gross farm income moved to the unprecedented high of over $28,000,000,000 per year. But farm prices are the first to break in times of economic recession—you will note that said prices are today some 15 percent lower than they were a year ago.

In other words, the agriculture industry is highly competitive, and farm prices are sensitive to the laws of demand and supply. At the same time, farm equipment prices are usually monopoly prices and do not follow the business cycle to any extent. Thus, the farmer finds himself in times of recession squeezed between falling farm prices and high equipment prices and high cost of production. The 30-cent corn and 40-cent wheat, the farm foreclosures and bankruptcies of the Hoover period were the end products of this economic situation.

The solution to this problem is the stabilization of farm income at a level which is high enough to provide decent living standards and economic security to our farm population. This goal can be achieved by (1) establishing farm prices at high levels, and (2) increasing consumption of farm products and thus guarantee stable markets for the farmers' products.

I am convinced that Secretary of Agriculture Brannan's plan for stabilizing farm income is a sound one, for which I express my unqualified support. There can be no doubt that the so-called flexible parity formula established by the Agricultural Price Stabilization Act of 1948 (which reduced the parity base, and then reduced the parity price on said base) must be discarded for a new and modernized parity formula. I am convinced that the Brannan proposal to set parity at a level to give the farmer the same collective income on all products equal to his buying power in the preceding 10-year period is a sound proposal, and it certainly has my endorsement.

The recommendation to extend price supports to all farm products has great merit, and one which has my complete approval. The present parity system has proved successful in stabilizing corn, wheat, cotton, and tobacco prices, and to supplement it with price supports for perishable farm products (meat, milk, butterfat, eggs, poultry, fruit, vegetables) makes sense. Production payments to farmers to make up the difference between the market price and the higher subsidy-support standard will furnish food to the consumer at prices that he can afford to pay, and thus encourage consumption, and at the same time guarantee a minimum farm income.

I will also mention that I approve to the proposed limitation on price supports to large farms. The small family-sized farm is the backbone of the agriculture industry, embracing 98 percent of all farms, and the effect of this proposal would be to aid family-sized farms and halt the further growth of the large factory-sized farms.

It should be emphasized that the Brannan plan for support prices on all farm products, based on a modernized parity formula, is not a cure-all; it will not provide economic security to all farmers. In my opinion, the committee should supplement this plan with legislation embracing the following two proposals:

(1) *An expanded crop-insurance program to cover all major farm crops.*—Parity prices will guarantee the farmer a living income as long as he has good crops, but it will not protect him from the loss of income resulting from drought and crop failures. The only answer to this question is a broad program of crop insurance.

(2) *A national food-stamp plan to place a floor under consumption.*—Production payments for perishable farm products will hold down prices for consumers, but it must be recognized that this plan will not help millions of consumers who

lack purchasing power to buy food during periods of mass unemployment. Therefore, it would seem that a national food-stamp plan to guarantee an ever-normal diet to all people at all times is worthy of the committee's consideration. By so establishing a floor under food consumption, it would be possible to maintain the farm-product market at a high level and allow for the setting of definite production goals for agriculture.

It is my considered opinion that the Brannan proposal for extended price supports should be adopted, and this plan should be supplemented by crop insurance to protect the farmer from crop failure, and a national food-stamp plan to sustain farm markets. This combination would serve as the foundation of a sound over-all farm program into which can be fitted extended REA, housing, social welfare, home ownership, and other policies for the benefit of agriculture; and would go far to provide permanent prosperity for the Nation's farmers.

Mr. Pace. The committee will stand adjourned.

(Whereupon, at 12 noon, the committee was adjourned, to reconvene at the call of the Chair.)

GENERAL FARM PROGRAM (TESTIMONY OF FARM ORGANIZATIONS)

TUESDAY, MAY 10, 1949

House of Representatives,
Subcommittee of the
Committee on Agriculture,
Washington, D. C.

The subcommittee met at 10 a. m., Hon. Stephen Pace, (chairman), presiding.

Mr. Pace. The committee will please come to order.

Gentlemen, it is a pleasure this morning to have a representative of the National Council of Farmer Cooperatives, represented here by its executive secretary, Mr. John H. Davis, before us. Mr. Davis has on many occasions contributed to the work of this committee.

Mr. Davis, we are delighted to hear from you at this time.

STATEMENT OF JOHN H. DAVIS, EXECUTIVE SECRETARY, NATIONAL COUNCIL OF FARMER COOPERATIVES

Mr. Davis. Thank you, Mr. Chairman.

I am testifying in behalf of the National Council of Farmer Cooperatives, a farm organization composed of farmers' marketing and purchasing cooperatives serving over 2,600,000 farm families.

By way of background, let me explain that last year we supported S. 2318 of the Eightieth Congress as the basis for a long-time farm program, not because we believed that every provision in it was perfect, but because we considered its enactment an important step in the right direction.

The Council's executive committee, consisting of a representative of each of its 17 commodity and functional divisions, met on April 11 and 12 and concluded that the soundest procedure with respect to farm programs is to retain the present legislation, amending it from time to time on the basis of experience. This action was taken after study of the plan proposed by the Secretary of Agriculture on April 7. We have also sent copies of Secretary Brannan's proposal to all of our member organizations, several of which are scheduled to appear before your committee to discuss farm policies and problems as they relate to their respective commodities. Being an organization whose policies are determined by members scattered throughout the country, we will have a much clearer picture of the practicability of the Secretary's plan after it has been throughly studied by our commodity divisions and after they have had an opportunity to confer together through the National Council. However, in the meantime, our executive committee specifically directed me to present to you its deep concern over several phases of the new proposal. At the same time, let me express our hearty approval of the general objectives of sustained high production at fair prices both to producers and consumers as set forth in the proposal. Of course, there are also the objectives of the Agricultural Act of 1948.

Before discussing the Secretary's proposal, I would like to consider with you certain facts and principles which we believe are basic to any farm program, since such programs can have far-reaching influence upon the kind of rural economy we shall have in the future.

American agriculture is in a period of adjustment not only from a war economy to a peace economy, but also to a period of greater mechanization, better hybrid varieties and breeds, better plant food utilization, the use of chemical weed killers, the use of chemical defoliators, the use of hormones to stimulate growth or maturity, improved soil management and practices, to mention but a few at the production level. At the marketing level also there is impending a host of new possibilities, such as new uses for farm products and byproducts, better processing and preserving through dehydration and freezing, and improved methods of marketing and distribution.

These changes, plus the seasonal and long-time fluctuations in farm prices, place the American farmer in a position of uncertainty and, hence, in security.

Most of these impending changes in agriculture are desirable in the long run, if properly made; since they will result in lower per unit costs for the farmer, better quality and values for the consumer and a higher standard of living generally.

Looking at the problem from a short-run point of view, providing farmers with security appears most important, but looking at it from a long-time point of view, it is highly desirable that essential adjustments take place as rapidly as practical. Stated another way, many of this generation of farmers probably will prefer maximum security even with a delay in progress; whereas succeeding generations will benefit most by having emphasis placed on needed adjustments now.

As already implied, there is an apparent conflict between individual security for farmers and progress in agriculture. The reason for this is rather obvious since progress cannot be made without change, and sudden changes result in a temporary feeling of insecurity for those forced to adjust to new conditions. Therefore, our farm problem is a two-headed one: (1) providing relative security for the American farmer, while (2) implementing progress in the techniques of agriculture.

Historically, from the beginning of the industrial revolution (about 1790) until following World War I, we placed major emphasis on progress and almost none on security. It was during this period that America shifted from a country having about 80 percent of her population on farms to one having only 20 percent of her people on farms. Fortunately, during most of this period, the free lands of the West, together with our rapidly expanding industries provided a shock absorber for those farmers who were forced to make adjustments either to other farms or to employment outside of agriculture.

It is important to keep in mind that America could not possibly enjoy her present standard of living if we still had 80 percent of our people engaged in agriculture. Actually, according to recent BAE figures, half of our farmers produce over 90 percent of the produce which goes to market. Thus it is that 10 percent of our population is producing food and fiber for themselves and the 80 percent living in urban areas, and, in addition, supplying farm commodities for shipment abroad. The other 10 percent, classified as farmers, are producing chiefly for their own subsistence.

There seems every reason to believe that we will continue at least for a time to require a decreasing percentage of our population in agriculture. By so doing we can further increase our standard of living, provided we make sound adjustments in agriculture, and provided we push forward our nonagricultural frontiers so that productive employment will be available for those no longer needed in agriculture. In saying this I am not anticipating that we will abandon the family-operated farm, since I believe it is possible for the family unit to continue to be as efficient, or more efficient, than any other type. However, it will require some adjustment in the typical sized unit, an adaptation of equipment for family units, and greater economy in buying supplies, processing and marketing.

The National Council of Farmer Cooperatives supported S. 2318 (80th Cong.) last year because we believed it provided reasonable security for farmers and at the same time permitted desired progress to take place. We believe that it is highly essential for any farm program to be reasonably flexible in order for these objectives to be realized simultaneously. We believe further than Government's prime role should be that of taking some of the shock from agriculture in times of emergency and of helping to implement desired changes in agriculture so as to get our farm economy on a basis where a minimum of Government aid will be needed. Where adjustments are essential, we believe it is sounded for government to use all of its agencies, including credit, price supports, research, and extension, to help bring the adjustment about, rather than to use these agencies to provide security by protecting the status quo. Thus it should always be an objective of Government to promote adjustments which will ultimately require less Government aid rather than more. In all such programs farmers should be encouraged to assume for themselves all of the responsibility possible, on a voluntary basis. While considering farm programs for the future, let us not lose sight of the fact that the voluntary system of the past has resulted in the development of the greatest agricultural economy in history. Doubtless, we can improve it further by wise Government assistance, provided we move slowly enough so that we can be sure we are moving in the direction we want to go. Let us not get so impatient that we lunge ahead without knowing for sure where we are going. Generally speaking, support prices should not be so high as to discourage desirable voluntary adjustment.

As I have already stated, we believe the best approach to a farm program is to improve what we have by amending existing legislation on the basis of experience. Therefore, I now want to suggest some specific changes in the Agricultural Act of 1948.

We propose that the 1948 act be amended to provide.

1. THE INCLUSION OF HIRED FARM LABOR AS AN ITEM OF COST OF THINGS THE FARMER BUYS FOR COMPUTING PARITY

This we consider desirable in order that the parity index may more accurately reflect the effect of labor-saving devices in today's costs of the things the farmer buys. This is particularly important in providing incentive for desired voluntary shifts of acreage from one commodity to another, since the intercommodity cost and price relationships largely determine such shifts.

2. COMPARABLE TREATMENT OF ALL COMMODITIES, BASIC AND NONBASIC ALIKE, UNDER ANY PRICE-SUPPORT PROGRAM WHICH MAY EXIST

During the thirties, preferential treatment of basic commodities was justified largely upon the arguments that (1) such programs were temporary and hence we should support the prices of as few commodities as possible; and (2) the prices of nonbasic commodities would tend to follow those of basic commodities. During the war, commitments to support certain other commodities were justified on the need for increased production to meet war demands.

The Agricultural Act of 1948 does not pretend to set up temporary price-support machinery, but permanent. The experience of the producers of nonbasic commodities, particularly some of the perishables, since the war has pretty well demonstrated that the prices of nonbasic commodities do not follow those of basics. These things being true, there is no longer any justification for supporting certain commodities and not others, nor of giving certain commodities prior claim on available funds. To do so favors some farmers and penalizes others, and therefore does not result in equitable treatment for all. We believe that the same opportunity for support prices should be made available to farmers across the board. By this I do not mean to imply that the same methods of support should be used for all commodities, both storable and nonstorable. The method should be adapted to the needs of the particular commodities being supported. Where practicable, we favor the use of marketing agreements, administered through voluntary associations of farmers. For nonperishable commodities, the nonrecourse loans and purchases have proven valuable. Our poultry division favors the use of compensatory payments in the case of eggs, if they are to be supported.

3. EXTENDING THE MARKETING-AGREEMENT PROGRAM TO THOSE COMMODITY INTERESTS WHICH CAN USE THEM TO ADVANTAGE IN ORDERLY MARKETING

Under the marketing-agreement procedure, industry committees, under the supervision of the Secretary and the staff of the Department of Agriculture, have done much to keep off-grade products from the market, and space the orderly supplying of the market to the best interest of consumers, distributors, and producers.

Also, they have made possible the use of certain off-grade products to better advantage than would have been the case.

4. MORE ADEQUATE PROVISIONS TO ASSURE MAXIMUM USE OF VOLUNTARY FARMER EFFORTS RATHER THAN GOVERNMENT ORGANIZATION IN CARRYING OUT FARM PROGRAMS

Unfortunately, there is a strong temptation for such action agencies as the Production and Marketing Administration and the Commodity Credit Corporation to extend their operations further than is necessary into the marketing and merchandising fields. I speak on this subject not only as a representative for a farm organization, but also as a former employee of the Commodity Credit Corporation.

The Government is not a good merchandiser of farm products, even those it owns. But nevertheless, there is a strong tendency for those in charge of support programs to extend unnecessarily the arm of Government into the marketing field. As recent evidence of this, I quote a resolution reportedly passed by the conference of PMA officials at St. Louis this past winter:

> We recommend that procedures for all price-support programs including loans, purchases, and purchase agreements, provide for the use of the State and county committees to the maximum practical extent in formulating and servicing these programs. All contractual relations with agents utilized in the program such as cooperatives, banks, lending agencies, processors, handlers, warehouses, and others that are essential in proper handling of any commodity, should be developed in a uniform manner using to the fullest possible extent State and county committee supervision and assistance.

That resolution was reportedly approved by responsible State and national PMA officials assembled from all sections of the country. I think that it is ample evidence that we dare not leave unlimited discretion to the officials of action agencies of Government as to how far they shall extend their functions to include the handling and merchandising of farm products. Because these men have large funds to expend and because they are in positions of considerable authority at national, State, and local levels, they can wield great influence over our markets—far beyond that essential for carrying out farm price-support programs. We believe that the law should make it clear to everybody that it is the intent of Congress that Government activities should be held to the minimum essential for implementing farm programs and that trade channels including both farmer- and dealer-owned, should be utilized to the maximum extent possible.

I have already discussed one way in which the need for Government assistance can be minimized—namely, adjustments to make farm units more self-supporting. In my appearance before this committee in 1947, I discussed at length a second method of minimizing the dependence of agriculture on Government—namely, what farmers can do to improve their own economic status through cooperative marketing and purchasing. I shall not repeat this discussion here other than to point out that through cooperatives, farmers can inject corrective competition into the markets which view the marketing problems from the farmer's standpoint, since the cooperatives are farmer-owned and controlled. The cooperatives are the buying and selling departments of the farms they serve and as such are integrated with production on the family-type farm. Let us never overlook the fact that farmer cooperatives are one of the strongest factors working for the continuation of the family farm in America. By combining the volume from a number of farms, farmers can own and operate efficient buying and selling departments at the community level. By combining the volume of several local cooperatives through the process of federation, farmers can also combine sufficient volume to operate cooperatively on central or terminal markets. We believe that farmers, through their cooperatives, can do voluntarily far more to improve marketing methods and practices than can Government, either through regulation or direct merchandising. By using the cooperative type of organization, farmers retain the complete autonomy of the family farm unit and family home, and at the same time greatly increase the efficiency of the family farm and its likelihood to continue as the dominant type of unit.

A third important way in which we can reduce the need for governmental assistance for farmers is to promote an expanded and steadier demand for farm products. One big possibility in this direction is in upgrading the diet of our people. As has been often pointed out, about 7 pounds of feed and roughage are required to produce 1 pound of animal products. Also, it is commonly agreed that the latter animal products are not only more palatable but also more nutritious. I think we are altogether too prone to assume that we cannot expand outlets for animal products except by giving the products away or making them available at reduced prices. In periods of great depression we may have to resort to these methods as we did during the thirties. However, we should hold them as a last resort.

I believe we could do much to expand the use of protective foods through a sound program of dietary education. Many of our people who have adequate incomes are poorly fed because they do not know enough about what is good for them. Our big problem is to get people to budget their expenditures wisely so as to include an appropriate amount for the more nutritious foods, which to a large extent, include animal products and fresh fruits and vegetables. This, of course, can be achieved only through sound and thorough education. This education needs to take place at both the adult and the child levels. At the child level a great deal can be accomplished through a sound school lunch program designed to instill good eating habits. In planning any program of price supports it is important that we do not put so much emphasis on grains and other feed items as to discourage the production of livestock and livestock products. Instead let us put the emphasis on the production of needed livestock and livestock products as a means of utilizing surpluses and feeding our people better.

Also, the future promises great possibilities for new industrial outlets. For example, I am informed that if we can perfect the alcohol injection technique for internal-combustion engines, this alone would provide an outlet for one-half billion bushels of corn or its equivalent. It is my understanding that this device is almost perfected and by its use, high-compression cars can utilize low-octane gasoline with good performance by injecting alcohol into the firing chamber on heavy pulls or acceleration. Other promising uses of raw farm products are in the manufacture of paper and plastics.

The point is that by putting all of the emphasis possible upon upgrading the diet and on industrial uses of farm products, our whole economy gains in terms of health and living standards. Every effort should be made to promote such a program through normal trade channels before resorting to direct subsidies.

Related to any effort of this kind is the need for streamlining our processing and distributive system for farm products. In this connection we should push to the limit studies of marketing and distribution costs under the Research and Marketing Act of 1946. Also, farmers should be encouraged to further improve marketing and distribution by introducing new competitive factors into the marketing system which is cooperatively owned and controlled by the farmers themselves. May I repeat for emphasis, that farmers can do more to help themselves in this field through cooperative effort than can Government either through regulation or direct merchandising.

The demand for American farm products can be further expanded if a means can be found for increasing exports of farm products. In the short run this can be greatly augmented by the investment of American capital abroad. Because of the current shortage of dollars in many countries, we urge that an appropriate agency of the United States Government be authorized to convert foreign currencies acquired by United States exporters into dollars, and to hold such foreign currencies or invest them abroad until such time as world conditions will result in more normal private investment abroad and a better balance of trade.

In the long run, the demand for American farm products can be greatly stimulated through the industrialization of the more undeveloped countries, many of which are overpopulated in terms of their present ability to produce food. Their first need is for industrialization to make possible the building up of balanced purchasing power. With such purchasing power there will develop a demand for more farm products than these countries can produce and hence a demand for our products. To move in this direction America needs to export her industrial know-how and her experience in research and education. This is a long-time program, but it is one which offers great possibilities for the American farmer in terms of a market for his products.

Also, if we are to have a sound self-reliant agriculture, there is need for decentralization of industries. This is particularly true of our industries for processing and handling farm products. In the case of many farm products, there is great economy in processing near the area of production, in terms of freight, use of byproducts and employment for farm workers no longer needed, at least full time in agriculture. We believe there is need for a comprehensive study of the possibilities of decentralizing future industrial expansion into semirural areas. Such a program would, of course, have value in terms of national security in the event of war. In such matters as freight rates, minimum wages, and pricing methods, we need to guard carefully against penalizing rural communities by weighting the scales in favor of industrial expansion in already overpopulated areas.

Now, with respect to Secretary Brannan's proposal, our executive committee on April 12, passed the following resolution:

> A preliminary examination by the council's executive committee of the Secretary's proposal brought forth the following questions to which the executive secretary shall call the attention of the Congress.

I want to again explain that the executive committee met on April 11 and 12 and the Secretary's program had only been out about 5 days at that time. So this is a tentative reaction. Since then copies have been placed in the hands of our member organizations and we will have a further meeting on it and actually we will have a better appraisal of it at that time, that is, at the time of the next annual meeting.

As indicated, the following questions are to be called to the attention of the Congress:

(*a*) The program unnecessarily shifts to Government decisions, actions and functions which farmers can better perform individually or through their cooperative organizations. Its operations would multiply the already large staff of Government employees and still further regiment the lives of individual citizens.

(*b*) The proposal makes no mention, and ventures no estimate of the cost to the Federal Treasury. The Congress certainly should undertake to obtain a reliable estimate of cost and should weigh that cost and its effect upon the national economy in determining policy.

(*c*) The proposal contemplates a priority list of commodities to receive 100 percent support prices and a secondary list to receive support to the extent that funds are made available. This is discriminatory. If we are to have general price-support programs, they should be available to all commodities on a comparable basis.

(*d*) The proposal limits participation to that portion of individual farm production not exceeding a specified limit. This obviously would be difficult if not impossible to administer on an equitable basis. As a practical matter, methods of evasion would be invited and methods of evasion would be found and employed.

(*e*) Soil conservation and waste avoidance programs should not be combined with price-support programs.

I shall be glad to attempt to answer any questions which you may have regarding these or other points.

Mr. PACE. Thank you very much, Mr. Davis. Are there any questions?

Mr. POAGE. Mr. Davis, I would like to ask you a question about the last statement concerning soil conservation and waste avoidance programs not being combined with price-support programs. I would like to have you elaborate a little bit further on that last statement.

Mr. DAVIS. I do not think in general that it should be made a condition for participation in a price-support program. I think that there are times, particularly in emergencies where you have to make some exceptions. For example, I was talking with a man recently from the Dakotas and he was telling me about the way their land was abused during the war in the production of flax. Of course that was to meet an emergency. Now it may be that during emergency periods like that you should make exceptions. I feel that you should, and I would on that point agree with the man to whom I referred, but as a general proposition we think that such a policy builds up a tremendous amount of power and supervision over the individual farmers, particularly if you combine soil conservation, the waste avoidance programs and your price-support programs altogether. It means that the farmer is pretty much regulated, and we should like to hold such regulation to a minimum.

Mr. POAGE. I think there is a lot of danger in increasing the power of regimentation, but on the other hand do you think it is sensible to spend public money to keep a man in business who is destroying the soil, when he is depending upon the soil-conservation money and lets his soil be washed away?

Mr. DAVIS. No. That question we have not discussed here, but we have in the past.

Mr. POAGE. You have not discussed that, but I will say that you are familiar, and we are all familiar with what is happening in eastern Colorado right now on wheat land. Do you think our Government would be justified in keeping those men in business unless they take the precaution to protect the lands, to keep them from blowing, as we know they will blow, when the weather gets dry again.

Mr. DAVIS. Well, of course, in the past we have made compliance with soil-conservation practices a contingency for participation in the soil-conservation aids. I think that is sound. I think in addition to that you should have a general over-all policy that might be tied in with the whole soil-conservation program. But what I have reference to here particularly is the details of operations year by year on the farm. We would like to hold them down to the minimum, and it seems to us that if you put all of these together under the same officials at the State and county level, it places a tremendous amount of authority over farm operations.

Mr. POAGE. I think you are right, but I am wondering just where you would draw the line, because it would seem rather clear that we just cannot pay out without regard to soil-conservation practices in the farm program. In other words, we cannot afford to establish a wheat price that will encourage somebody to plow up a lot of land that should not be plowed up.

Mr. DAVIS. That is right.

Mr. POAGE. I agree full well that the more you combine these programs the greater the power vested in the administrative official. Do you think it would help in that situation if we required a certificate of operation from the soil-conservation service that the farmer has supported whatever the program is, in order to participate with the P. & M. A. That is, the farmers must all be dealing with the Soil Conservation Service and have a certificate covering what you might call the general soil-conservation practices?

Mr. DAVIS. You might do something like that. Our feeling with reference to soil conservation is that insofar as it is practical, we should encourage the formation of soil-conservation districts in order to encourage farmers to actually take the initiative in determining policies within their own area.

Mr. POAGE. I agree with you——

Mr. DAVIS. We look upon these methods as somewhat analogous to the cooperative methods in marketing.

Mr. POAGE. I agree with you 100 percent there.

Mr. DAVIS. Yes.

Mr. POAGE. Would it be your thought that we should require from the farmers a certificate from the Soil Conservation Service indicating that at least they had carried out the minimum soil-conservation practices before they would be eligible to any price support?

Mr. DAVIS. I have not thought that through; I think that might be a reasonable requirement. Certainly I think we should have the same over-all objective for soil conservation as we have for price stabilization and for credits, and for extension service, and so on. Certainly all of these should have the same objective and move in the same direction. There should be a consistent over-all program. I do not think we ought to have any program—if I understood you correctly—that would result in more regimentation than is necessary.

Mr. POAGE. That, of course, is the great problem, just how to get team work without the concentration of power.

Mr. DAVIS. That is right.

Mr. POAGE. And I think certainly that the soil-conservation districts can be of great help in working that out.

Mr. PACE. Will the gentleman yield?

Mr. POAGE. Yes.

Mr. PACE. The example on page 2 of your statement uses this language:

> Stated another way, many of this generation of farmers probably will prefer maximum security even with a delay in progress, whereas succeeding generations will benefit most by having emphasis placed on needed adjustments now.

Now do you know of anything, if they were to speak, that the succeeding generation would be more interested in than the preservation of the fertility of the soil?

Mr. DAVIS. No; I think they would be as much interested in that as anything else.

Mr. PACE. Certainly they would be more interested than they would be on a support price to secure production.

I tell you that I am constantly suffering from commingled problems in trying to solve this identical question. I do not like controls any more than you or anybody else, but certainly our soil and its fertility is our greatest and most precious natural resource, and if in the next 100 years we should go along as we have in the past 100 years then we will not have it possibly.

Now I do not consider, myself, so much activity on the part of the county committees as regimentation. I know that in my own section the county committees are generally made up of constructive, level-headed farmers, who understand the problems of the farmers. And, I have often wondered if it is not possible for the Congress to set out a few fundamentals of soil conservation and soil buildings, write them into the law, and then say that if the farmer does not do whatever in its discretion Congress should determine, in conforming to these fundamentals, at least to the extent of preserving the fertility of the soil, that they shall not be entitled to receive at the hands of the Government any cash payment.

Mr. DAVIS. I would certainly agree with you on the statement about soil conservation, and I would agree with you as to the importance of having these various programs of soil conservation, price support, and what not, all moving in the same direction. I think there has to be some kind of synchronization in order that they will all move in the same direction, and I wonder if maybe Mr. Poage's suggestion would not be at least a partial answer to your question. You would leave the soil conservation, as much as possible, up to the local districts, but you could require a certification that the farmer is taking care of his soil in order for him to participate in the conservation benefits. I think that deserves study.

Mr. ALBERT. Will the gentleman yield?

Mr. POAGE. Certainly.

Mr. ALBERT. Would the soil-conservation district also be entitled to say whether he was to participate in the soil-conservation payments from the triple A? It does not have that authority now.

Mr. DAVIS. No. It looks to me like that if the soil-conservation districts were properly constituted that that is where the authority should be vested.

Mr. PACE. Who is going to decide those actions where they have failed or refused to form soil-conservation districts?

Mr. DAVIS. I do not know.

Mr. ALBERT. Of course, it is possible they would do so if you made that a condition to it.

Mr. DAVIS. Yes; I think they would set up conservation districts because they would find it to their advantage.

Mr. POAGE. If we embark upon a broad program such as you suggest here, and frankly I am in full agreement as I see it at the moment with that part of your viewpoint that we ought to support all prices rather than just select a few, and frankly I heard with some disappointment what I understood to be the change in emphasis on the part of the Secretary expressing a different viewpoint. It seems to me that the man who grows a minor crop, let us say, the tung nut people, or the mohair people that were in here yesterday, are entitled to consideration just as well as those who grow cotton and corn. It would not take as much money to take care of them, but proportionately they are as much entitled as those who grow the major crops, in the same proportion that their crops bear in relation to the cost as a whole. In other words, if we spend $2,000,000,000 on cotton, if we purchase $2,000,000,000 worth of cotton and purchase only $200,000,000 worth of mohair, the one is costing 10 times as much, but we should be interested in the small grower.

I agree with you that we should give consideration to the small crops. Now when we have done that, however, when we have set up a program, whether it be the Secretary's program, the present program, or any other program to take care of these crops, it is obvious that we are going to have, as I see it at least in some situations, one that will create some acreages that we will have to deal with. They may be called retarded acres, or deferred acres, but we are going to have a situation where we will have acreage that has been in cultivation that is not going to be under the plough for the given year.

Mr. DAVIS. Yes.

Mr. POAGE. And are we not going to have to meet that situation under any program presented to us?

Mr. DAVIS. Well, I think that in this process of shifting that we would have some land that would be shifted to lower use, and therefore we will have fewer acres, and I think the Government has some responsibility in that area of farm policy. It seems to me that some responsible agency functioning in the field of the Farm and Home Administration might try to adjust the size of the units, and it may be that some of the land that is under the plough needs to go into pasture or range land.

I do not know whether I covered the point you had in mind.

Mr. POAGE. I agree with you there. But remember that we have taken 20,000,000 acres of land out of cotton production, but when that is done, when we put a support under all of them, all of the crops, you are going to have a more or less control program over all of them, and then you begin to get around to shifting land from cotton into something else and you have not accomplished anything.

Mr. WHITE. No.

Mr. POAGE. You have not accomplished anything when you shift from peanuts to cotton; it accomplishes nothing. So we are going to have a situation resulting in a substantial amount of acreage that is not needed, unless there is some special crop that the Government needs to meet an emergency. I am just wondering how far you would be willing to go on that, or how far you would say we should go.

Mr. DAVIS. It seems to me that we could, over a rather short period, make a great deal of progress in that direction if we geared together all efforts toward a common objective, using such a program as education through extension, and vocational agriculture, and soil conservation, price-support program, and farm credit. If all of these were geared in the same sound direction, they could bring about desired adjustments voluntarily, and I think——

Mr. POAGE. Unless it can be shown that it is a profitable program, when you talk about bringing it about voluntarily, I doubt——

Mr. DAVIS (continuing). I think that with price support you can provide certain incentives for the time being, but I think there are ways that it could be brought about voluntarily. I think it has been demonstrated for tobacco and cotton, probably, and some of the other commodities, which have a program like this, but I believe that in addition you can accomplish a lot through a voluntary method if you point the incentives in the right direction.

Mr. PACE. Mr. Granger.

Mr. GRANGER. In your statement, Mr. Davis, you express the fear that the county committees in some districts might move in directions that you think dangerous. What did you have in mind as an action of a county committee that leads you to make a statement like that?

Mr. DAVIS. Well, going back several years, we had quite a tussle with the Department of Agriculture for a period of 2 or 3 years with respect to the way in which fertilizer was to be distributed at the county level in areas where farmers had their own purchasing associations handling fertilizer. The Department wanted to handle it through county committees. However, that was finally reconciled, so fertilizer was handled through the voluntary channels. That is one example.

Also a similar question arose with respect to the feed-wheat program as to whether it was to be handled through private or Government channels. At that time I was working for the Commodity Credit Corporation. We were swamped at that time with letters protesting, and I always felt there was considerable justification on the part of farmers who objected, because of the fact they had their own elevators, and their own facilities for handling feed-wheat.

Now where you have the machinery already in existence for handling an item, particularly where it is farmer owned, it is to the advantage of everybody to have that facility used.

Mr. GRANGER. And you felt that they were getting into a territory where they did not belong, and you did not agree with that?

Mr. DAVIS. That is right.

Mr. SUTTON. I would like to ask you a question if I may?

Mr. DAVIS. Yes.

Mr. SUTTON. You have been a farmer, you have worked with the Farm Credit Administration and these other agencies; you realize the desire that surpluses of agricultural commodities continue to exist; you know the farm program as it exists today; and you know as much as anyone about the work of the Commodity Credit, and do you think that whatever the price support is that it is going to be price for agricultural products in the next few years?

Mr. Davis. I think that it is. I think that as soon as we get a surplus that is larger than the market will take, the price will be at the support level most of the year. If you do not have available adequate storage accommodations at the time of harvest the price may even move considerably below the support.

Mr. Sutton. Do you not think that we have reached the point where price support is going to be the floor that you can expect; is going to be the price of the commodity?

Mr. Davis. I think we have reached that on some of the basic commodities; yes.

Mr. Sutton. And do you not think if we should come along with a price-support program of 60 to 90 percent, that 60 percent is going to be the price whether it is corn, cotton, wheat, or any other commodity?

Mr. Davis. Well, I think that is right. In that connection, I would like to read a resolution that we adopted at the annual meeting, and then discuss that question a little bit more in detail. Here is the resolution:

> We urge that commodity support programs be adapted to the specific needs of each commodity, and that in the operations of each specific program that the marketing and distribution of the product remain in the hands of the producers concerned, with proper safeguards for the public interest.

We have had a lot of discussion of that point, and very frankly there is a divergence of opinion regarding support levels. The tobacco people—and you know them even better than I—are very strong for a high-level support price. The cotton producer——

Mr. Sutton. Well, they never had a support price, that is, they never had to use a support price for tobacco.

Mr. Davis. They have another procedure for handling it. Now, our position on this——

Mr. Sutton. Your organization endorses the Aiken bill, does it not?

Mr. Davis. Yes; but we do not think that every commodity should be supported at exactly the same level. The acreage of perishables will adjust much more quickly to price than some of the basic commodities. There are some commodities where you get the adjustments in a period of months and therefore your acreage problem is not the same as you have in tobacco.

Mr. Sutton. Let me get your individual views instead of that of the organization. Using the price support as the basis for the operation to maintain agricultural prices, do you not think that the farmer who is entitled to get price support, is entitled to 90 percent of the support price, at a time when labor is receiving an increase in wage, manufacturers are making more, and did last year, more profits than they ever made in their history, and big business is making more than it ever made, and the laboring man is making more than he ever made, do you think you can come along now and recommend that the farmers take a cut? Do you think that is treating the farmer rather badly?

Mr. Davis. I would say this, that everybody would like to see them get not 90 percent, but 100 percent of parity for all of these commodities, but you have got to——

Mr. Hoeven. Does the gentleman mean to include 90 percent of parity for potatoes?

Mr. DAVIS. I am coming to potatoes.

Mr. HOEVEN. At 90 percent of parity?

Mr. DAVIS. I think where you have a commodity where the acreage is pretty well in balance with the long time needs that they probably should not receive anything like 60 percent of parity——

Mr. SUTTON. In other words, you agree with the Aiken bill?

Mr. DAVIS. Let me finish.

Mr. SUTTON. Certainly.

Mr. DAVIS. I think where you have a commodity, on the other hand, where the production is out of line and adjustments need to take place to hold production in line that something below 90 percent is and it might be even to bring about a shift desirable to give incentive for a shift. For example, where you have a commodity like broilers; or vegetables that are produced in a period of maybe 3 to 6 months and you can therefore adjust the production quite quickly, you have more argument for making the price incentive the basis for adjustment than in the case of fruit trees which may produce for 30 years or tobacco, which has a marketing period of several years.

Mr. SUTTON. Mr. Davis, with your knowledge of the farm program, with your knowledge of the laws that are on the statute books today, do you think that we could have a good farm program if we had title 1 of the Agricultural Act of 1946, amended just so as to take out title 2 of the Aiken bill? I am speaking to you as a man who knows the law, and knows a lot about the farm program.

Mr. DAVIS. I think that probably for the basic commodities that would work all right. I do not think it would work best for the nonbasic. In other words I do not think you would want to use for the nonbasic commodities the same kind of a program as for basics, right straight across the board, if you are going to have a support for them. That is something that I think needs further study, more study than we have given it.

Now in more direct answer to your earlier question, I do not think in the Aiken bill that we have reached the full solution. I think it is going to need amendments from here on out.

Mr. POAGE. As I understand it, you are endorsing the philosophy or belief that you can reduce the production of the crop decidely downward by lowering the price. Is that right?

Mr. DAVIS. Not just by that; that is a part of it.

Mr. POAGE. Well, I understood you to say that where you had more of some crop than is needed maybe it could be reduced by lowering the price. Did you not endorse that philosophy?

Mr. DAVIS. No; I think it is not near as simple as that. For instance, let us take as an example potatoes in Maine. I do not think that a price support variation is going to mean immediate shift out of potatoes in Maine, nor is it going to mean immediate shift out of wheat or out of some other crops where they have land that is best adapted for a certain crop.

Mr. POAGE. As a matter of fact, Mr. Davis, is it not correct, that if you lower the price many farmers are going to grow more of those commodities? If you lower the price on cotton and lower the price on wheat the farmer is going to put in more acres to get more income?

Mr. DAVIS. That is true, I think, in the part of the country where——

Mr. POAGE (interposing). It is true, that they are going to put in more acres where people largely depend upon one crop, is it not?

Mr. DAVIS. Yes.

Mr. POAGE. And unfortunately a large part of American agriculture is more or less one crop, or very closely approaches a one-crop system, and consequently it seems to me that when you adopt the philosophy of the Aiken bill that you have adopted a philosophy of trying to control production by starving farmers out. If you can completely starve the farmer out, and send him into the mines, not into Siberia, but into the mines or into the mills of the United States then you will have achieved the kind of adjustment in production that you want, and that is the only kind of adjustment that is provided in the Aiken bill, is it not?

Mr. DAVIS. Well, I am not sure you will get the desired adjustment in the case of potatoes or wheat even through liquidation. Someone else may take over the same land and continue to produce the same crop.

Mr. POAGE (interposing). Instead of using that method, and I am talking now about the policy in the Aiken bill, you have endorsed a bill, and you are suggesting by such endorsement that we proceed on the basis of a philosophy of destroying the farmer in order to get rid of any production that is unnecessary—in other words to get rid of the rats, you would burn down the house—and you are destroying the farmer along with it, and to my mind such a suggestion is not even followed in the philosophy adopted by Russia, and I do not know of any nation in this world that has followed a philosophy that is in the Aiken bill, and as I understand that is what you are suggesting, that if we produce too much, in order to get rid of the unneeded production, we cut the price to 60 percent of parity, and you and I know that will break every cotton farmer in America, and every wheat farmer, so that the Aiken bill does not decrease but increase production.

Mr. DAVIS. I do not think it is intended to be as harsh as that. I think a lot depends upon how it would be administered.

Mr. POAGE. In other words, you follow a philosophy of relying on the administration, and your only hope is being able to get some relief by having the Administrator overlook some provision in the law; and certainly we do not want to have a Government of that kind. If so it would be better to close Congress up and let the executive branch of the Government run things, if that is the philosophy to be followed.

Mr. DAVIS. Frankly I am not sure whether the step down formula of the Aiken bill is what we need; I am not sure it is exactly in gear with what we need. The thing that I do believe is important is that we keep our program flexible enough so that we can continue to adjust to changing conditions, such as——

Mr. POAGE (interposing). The Aiken bill is flexible in one direction, but the result is lower and lower prices until you get prices down to where the farmer would be put out of business.

I think there must be something in the Secretary's proposal—and while there are things in it that I cannot accept—but it must be recognized that he does have a proposal that tends to higher and higher farm prices over the years, whereas the Aiken bill tends to lower and lower prices.

Mr. DAVIS. I think it is a question of what use will be made of it, and unless we get into some emergency like the war——

Mr. POAGE. We would not need it then. It is like having a team of horses as an alternative when you have got an automobile handy.

Mr. HOPE. Will the gentleman yield?

Mr. POAGE. Yes, Mr. Hope.

Mr. HOPE. I think that the gentleman knows that I am not too much sold on the Aiken bill, so far as that goes. Of course it is true, is it not, that if the Aiken bill should go into effect it does not necessarily mean the formula would have to be followed that the price, the support price of basic commodities would immediately drop 50 percent.

Mr. POAGE. They would drop down to 72 percent first.

Mr. HOPE. The Secretary has the authority to make it 90 percent; he can disregard the formula; the formula is only the minimum, as far as that is concerned, and he cannot go below that, but he can go up to 90 percent if he decides to do it, and it seems to me that in view of the way the Aiken bill is written that is about the only way you could have an effective bill if you have to wait until you find out what the size of the crop is to know what the price support is going to be; in any given year, if you have got to go right up until the beginning of the next marketing year to make your announcement as to the support price you are not going to have any shifts, are you?

Mr. DAVIS. That is right.

Mr. HOPE. I think that one of the great deficiencies in the Aiken bill is that it expects there will be shifts made in accordance with the support price level, and that the Secretary cannot publicly make an announcement of the support price until the crop is harvested, and it means in effect, that as far as planting is concerned it does mean there will be shifts.

On the other hand if under the provisions of the bill the Secretary could disregard the formula, as he can, then if he has to, and I think he could have under the Aiken bill, I think he could set as a support price 90 percent of parity. Is that your understanding?

Mr. DAVIS. Yes; I think that a pretty good technique in the basic commodities is to announce the percentage of parity support before seeding, and then just prior to harvest determine by formula what this is in dollars and cents; I think you need to continue something like that so the farmers will know what the percentage of support will be before the harvest—or rather before they plant.

Mr. HOPE. Before they plant?

Mr. DAVIS. Yes.

Mr. POAGE. But if you are to get those advantages which the gentleman from Kansas, Mr. Hope, suggests through an interpretation to be made by the Department of Agriculture, then you have a lot of these alleged advantages that have been suggested for any alleged control of production, by starving farmers to death at the same time you decide to give them 90 percent. You have got to take one or the other.

Mr. DAVIS. Yes.

Mr. POAGE. Grant that the Aiken bill does allow that, here you are setting up the Secretary of Agriculture as the sole dictator of the farm program without any control over the program; you set him up and give him the authority to make decision as to what the price will be. And unless you are going to give the Secretary that power you have to give it to the farmers. You have to make that choice; you have got the choice between that and destroying the farmer, and that is all that the Aiken bill gives him.

Mr. DAVIS. Let me comment about our position just a minute. We are not, as I stated earlier, supporting every provision in the Aiken bill, but we think there are some provisions that are all right.

Mr. POAGE. But you do endorse the philosophy of the Aiken bill?

Mr. DAVIS. We like the philosophy of a certain amount of flexibility.

Mr. POAGE. You do not have flexibility if you have got the principle that we are talking about, the policy of starving the farmers to death in order to cut production.

Mr. HOPE. The Secretary can establish 90 percent of parity.

Mr. POAGE. As a matter of fact, would you favor giving the Secretary that power; would you favor placing that power in the hands of Stephen Pace, Clifford Hope, Poage, or any other individual?

Mr. HOPE. The bill which the Secretary—he has not set it up as yet, I believe—but the proposal calls for some flexibility.

Mr. POAGE. The power is placed in the Secretary, by either the Brannan or the Aiken bill.

Mr. HOPE. Let me go a little further before I answer the question, and say that the Steagall amendment also provides flexibility.

Mr. POAGE. It related to certain named commodities, those that were found to be needed in the prosecution of the war. I do not object to a certain amount of flexibility during the war, but I do not like it as a permanent diet.

Mr. HOPE. The Triple A Act of 1938, which has been on the books for longer than any other agricultural act, provides flexibility, and does not even set up a yardstick for the Secretary, except in the case of corn; in the case of corn it had a formula very much like the one in the Aiken bill. But for the other basic commodities, it simply provides that the price should be supported at 75 percent of parity, and the provision in the Aiken bill is——

Mr. POAGE (interposing). The gentleman will recall that the Secretary had to support the basic commodities at 90 percent of parity, whenever——

Mr. HOPE. During the war?

Mr. POAGE. Yes.

Mr. HOPE. And it was amended, on a temporary basis, and that expired on the 31st of last December, but we did not change the basic Triple A Act of 1938 containing the flexibility provision.

Mr. POAGE. We supported the Hope part of the bill indicating a definite policy of the Congress to say at what figure it should be supported, and I think we were right in doing that, and I agree that you were right.

Mr. HOPE. Of course, we have got down to——

Mr. ANDRESEN (interposing). Mr. Chairman, off the record.

(Off record discussion.)

Mr. PACE. Gentlemen, we will proceed in order.

Mr. HOPE. Let me say this: I do not want my position to be misinterpreted. I am quite in agreement with what Mr. Poage has said about the probability that you will not get shifts in production by simply moving the support price up and down, especially when you have surpluses of most commodities. If you had something you could shift into, if you would say the support price on cotton was going to be 60 percent of parity and you have some new crop which could be grown equally well and for which there was a high market demand, it would probably work. The same thing on wheat or dairying or any other large area of production in agriculture. But I do not think that in times like we have ahead of us, when, in all probability, we will be producing up to about demand and in some cases above demand, that there will be many opportunities for the Department of Agriculture to shift production from one commodity to another by simply moving the support price up or down. I do not believe you are going to get much that way. Over a long period of years you might, but I do not think we will get many short shifts and I think in all probability unles you ask farmers to make a heavy reduction in their production of any particular crop that you certainly should not ask them to do it on the basis of 60 percent price support for what they will be allowed to produce. That is what you would be doing if you put the Aiken bill in effect next year.

You would be asking wheat producers to reduce their acreage 25 percent and get 60 percent of parity for what they produced, assuming the Secretary followed the formula. I do not think he would necessarily have to follow it and I do not know that he would follow it, but if you assume that he is going to let it drop down to the minimum that is the situation you would have. I do not think that is a very desirable situation.

I want to make my position perfectly clear on that.

On the other hand I do not want to make the Aiken bill out to be worse than it is.

Mr. Sutton. You could not.

Mr. Pace. Mr. Hoeven.

Mr. Hoeven. Mr. Davis, you recommend a comparable treatment of commodities, basic and nonbasic alike, in the price-support program. Then you go on to say that you do not mean to imply that the same methods of support should be used for all commodities, both storable and nonstorable. You say that the method should be adapted to the needs of the particular commodities being supported. Do you not have to go a step further and also set up a separate formula for the different types of a particular commodity?

For instance, we had a witness before this committee the other day on the wheat proposal who showed very conclusively that the needs for the wheat growers in Oregon were very different from the wheat growers in Kansas. Are you not finally going to arrive, under your proposal, at a set of intricate and detailed price-support formulas which may go down to the various types of even a particular commodity?

I wonder how you are going to administer that type of program.

Mr. Davis. I think you are perfectly right, that different commodities will have to be dealt with in different ways and even perhaps different areas within the same commodity. We like very much the marketing-agreement method where it is practicable. In the case of perishable products it has worked very well. In citrus and milk it has worked probably as well as on any commodities. We think it could probably be adapted for a number of other commodities.

The bill passed the Senate, I think, by unanimous consent last week for adding filberts to the commodities to which marketing agreements apply. I think it will probably work in filberts and possibly almonds should be added. When it comes to some of the other commodities like wheat, I do not know that you could use marketing agreements. You have to have a pooling arrangement and I am not at all sure that wheat could be handled by marketing agreements.

Potatoes possibly can. There is an experiment being made now on that. As I see this whole program, I think that we have to evolve gradually the type of program that we are going to have eventually. It seems to me we can start with the Aiken bill and amend that and gradually get where we want to go over a period of time. Maybe we could start with the Brannan program and probably do the same thing, provided we keep the door open for amendments and for changes.

In our own organization I think probably by the time of our next annual meeting there will be a good many of our commodity divisions that will have much more concrete ideas as to what they want than was true at the last meeting of our executive committee. I suspect that that type of thing will happen year after year for a number of years. I think we have to evolve a farm program which is going to be adapted to area needs and to commodity needs. I would very much agree with what you say.

It seems to me that within our program we must have a basis for the purchase and loan programs, for the marketing agreements, and as I have said, our poultry division feels that in the case of eggs they would like to see compensatory payments tried.

Mr. Hoeven. That cannot be worked out by just listing certain commodities as basic and others as nonbasic and trying to apply one formula to the entire program.

Mr. Davis. That is correct.

Mr. Hoeven. That is the thing I am concerned about. You have to start analyzing these particular problems and then break them down geographically and otherwise. The first thing you know you will have such a top-heavy and impractical program that it cannot be administered.

Mr. Davis. I think maybe your percentage of parity needs to be different for different ones. It seems to me you have a pretty logical basis for some difference related to the ease with which you can adjust production in a relatively short time, as, for instance, broilers and annual vegetables. On the other hand, tobacco takes a 3- to 5-year marketing period before it is actually consumed even though the production is over a short period of time.

In the case of tree fruits it may be a 20-year proposition. There it is the plant, not the marketing season. The marketing season is annual.

I think all those things have to be taken into consideration in working out your program.

Mr. Hoeven. The very thing this committee has been trying to get away from is vesting in the Secretary of Agriculture more power than he now has. Still, under this complex proposal of yours you would grant additional authority and he would be the only individual who would decide when and where and at what time a particular program should be applied and brought into force and effect.

Mr. DAVIS. I do not know that I understand you now. Do you mean that I would turn more power over to the Secretary than some other programs suggested?

Mr. HOEVEN. I would suggest in your general statement that when you say that the method should be adapted to the needs of the particular commodities being supported, who is going to decide as between geographical parts of this country and the product itself, just how and when that is going to be done?

Mr. DAVIS. I think when you start applying the program to nonperishables you will have to write some more law to apply to those.

Mr. HOEVEN. We are getting at that. Can this committee specifically write the law in any kind of proposal like that?

Mr. DAVIS. I think so, but I do not think all of it in 1949 because we have had no experience with many of the perishable commodities other than the marketing-agreement type of program.

Mr. HOEVEN. You are willing, then, to carry on the Aiken proposal as is with certain amendments?

Mr. DAVIS. With certain amendments now and then as we have experience; amendments from time to time in the future. I think rather frequently, perhaps, on the commodities with which we have had no experience.

Mr. PACE. Are there any other questions?

Mr. GRANGER. Yes.

Mr. PACE. Mr. Granger.

Mr. GRANGER. Mr. Davis, in your statement, as I read it, you endorse the Aiken bill and amend it in three particulars, relating to hired help and the parity formula, extension of marketing agreements to include certain commodities, and then you clip the wings of the PMA. That is all the amendments you propose to the bill.

Mr. DAVIS. I do not believe you saw the one at the top of page 5. It asks for comparable treatment of basics and nonbasics.

Mr. GRANGER. Yes. You are a farmer and have been connected with farming operations, I suppose, for a long time. Do you think under any flexible program that you could bring stability to the farmer if you are going to change him this year and his parity price is going to be one figure and then another? Do you think it would ever be possible to give any assurance to the farmer of where he is going, or are you going to keep him in a dither all the time? Do you not think it would be better to make the price as stable as we could?

Mr. DAVIS. Certainly. I would be for all the stability we can give the farmer now and that is what I have tried to say here. For your basics and for those that can be stored, I would do it by purchase and loan programs. For others, I would do it by commodity agreements. In addition to that, you do have some adjustments that need to take place.

Mr. GRANGER. And acreage controls?

Mr. DAVIS. Yes, acreage controls as a last resort. I think we need more emphasis on distribtuion and on utilization than we have had so far. It seems to me one of the weaknesses in our Department of Agriculture at the present time is that we do not have a strong enough marketing program. I think that relatively it is not as strong today as it was some time earlier.

Mr. GRANGER. I know if I were the Secretary and had in my hands the responsibility of supplying the American people with food I would be very sure they had plenty of food, in the first place. It seems to me that is the danger; you may find we have a famine or something.

It seems to me that wherever the control to a great extent, lies in the hands of the Secretary the farmer would always be in the position of giving the consumer the first and biggest break. Do you not think that is true?

Mr. DAVIS. Yes, but you do have to put the authority somewhere, or at least a certain amount of authority. I think the more you can spell it out the better, but you have to leave a certain amount of discretion. We do not have any policy with respect to a commission like Albert Goss has suggested. I think that type of an approach probably needs serious study. It looks to me, speaking as an individual, as though 24 members might be rather large for a commisison of that type. However, maybe there does need to be more than one person making the decision.

Mr. PACE. Mr. Davis, earlier this year I had this thought in trying to reach some constructive plan: Due to their nature, our commodities ought to be broken down into three general groups. No. 1 would be those commodities which are subject to limitations on production through acreage controls and similar devices, which would include all of your present basic, soybeans and others, where the production can be maintained within reasonable limitations.

No. 3 should include perishables, fresh fruits, vegetables and so forth. Their control, rather than being production control, which is not very practicable, would be through marketing. Therefore, they would be brought under a general, fair, comprehensive marketing agreements act. It would be required that the producer's compliance with that marketing agreement act would be necessary. That could be adapted to the diversity of conditions that arise among perishables.

Then in the middle there should be a class for livestock and dairy products and maybe one or two others, including those that cannot well be handled with the presently known types of controls. Dairying is not an annual affair. In that field we might give consideration to the proposal of the Secretary to control through payments or by some other device. Has that ever occurred to you?

Mr. DAVIS. I think that the divisions in the National Council handling the three types of commodities you describe would somewhat agree with you. I am sure that our basic commodity divisions would agree with you that we ought to keep the loan and purchase programs and your acreage quotas. A number of our perishables already have marketing agreements and there has been an effort for about 3 years now to expand that to some other commodities. That effort has not been fully successful since it requires additional legislation. I think there would be quite an area of agreement among those two groups. In this middle group our livestock people are not very much for any kind of a program. Our poultry people look upon it with somewhat more favor. They are pretty much agreed today that some kind of a payment to the producer is the best program. Looking at it in broad outline, there is some basis for what you said.

Mr. PACE. You could leave the middle group out of the picture momentarily.

Mr. DAVIS. At least make it optional with them.

Mr. PACE. I know it has not been in force, but it still seems to me a constructive way to approach the problem. I share the view you and Mr. Poage—and I think most of the members of this committee—hold, that the producers of all commodities should have equal treatment at the hands of the Government. I do not subscribe to the Secretary's principle that only the producers of those commodities that represent the greatest part of the farm income are entitled to it. I think a man who has put his money in the raising of tung oil has his economic welfare just as seriously at stake as the man who has put his money in the wheat field. It seems to me consideration must be given to that feature.

Now, let us go to your recommendations a minute. Do you or do you not approve of the Secretary's production payment proposal?

Mr. DAVIS. We would approve of it on an experimental basis, I think. It seems to me that you need some experience with a thing like that before you go all out to apply it.

Mr. PACE. That is where you put us in an awkward position. On the whole I think it can be said that you do not approve the Secretary's proposal but your poultry division wants payments. The potato people came in here last week and they condemned it but they wanted payments. You will agree with me that if the poultry people have it everybody else is entitled to it.

Mr. DAVIS. It seems to me we are in a situation where we have had 15 years' experience with certain commodities and certain types of programs. We know pretty much their strong points and their weaknesses. I think the commodities that have had those are, on the whole, pretty willing to keep them, with a few minor adjustments, perhaps. We have a lot of commodities on which we have had no experience. I think we are going to have to take this thing one step at a time, feeling our way as we go along into these areas where we have had no experience. I would rather see us give compensatory payments a try on some of the commodities that need it most urgently or on some commodititities where it looks like it is more practical.

One thing that bothers me on hogs is that the price of cattle follows the price of hogs and I do not know where you would wind up if you put it on hogs. You might be forced soon to put it on cattle.

It seems to me eggs might be a better product in that respect because it would not affect the price of cattle or hogs or anything like that.

Mr. PACE. In other words, your recommendation is that we try it out on eggs?

Mr. DAVIS. Yes, eggs is the one I would recommend if some commodity is to be tried.

Mr. PACE. What about dairy products?

Mr. DAVIS. I do not know. Your dairy producers have worked out pretty good programs with the marketing agreements and marketing orders.

Mr. PACE. They do not seem to be happy.

Mr. DAVIS. Our dairy people have not said they want the compensatory payments program. They may change their minds later, but they have not gotten to the point yet where they tell us that that is what they want. I cannot honestly tell you that that is what I think they should have.

Mr. GRANGER. Will the chairman yield?

Mr. PACE. Yes.

Mr. GRANGER. Mr. Davis, were you around when the 1938 act was passed?

Mr. DAVIS. I was in Washington at that time; yes.

Mr. GRANGER. Mr. Chairman, we have a lot of old members who are here. Was it the theory in passing the 1938 act and in supporting the basic commodities that it would have a tendency to support the price of all commodities? Was that the theory?

Mr. HOPE. That was discussed and that certainly was taken into consideration. The act also says that the Secretary shall support the price of dairy products and other commodities. It is not limited specifically in the 1938 act to the basics. The Commodity Credit Corporation has always had the authority to support other commodities, so I think that fact also was taken into consideration in the 1938 act, that there was authority in the Commodity Credit Corporation and also that there was a specific provision in the 1938 act, although it was in their more or less as a side issue. I would say, that you could support dairy products and other commodities.

Mr. DAVIS. As I recall on that point, Mr. Granger, the statement was frequently made that if you supported the basics the nonbasics would follow along. But I do not think anyone had in mind that fruits and vegetables would follow along. I think that was directed more toward livestock prices. There was a feeling that if you supported the price of corn that the price of hogs would adjust to it, for instance. It was more in connection with livestock.

Mr. GRANGER. If that was the theory, then we have not had enough experience to know whether that would really work or not. Soon after 1938 we were in an abnormal condition with the war coming along. We have really had no history on it. If you supported the basic crops perhaps it would have a tendency to raise the others up to their level.

Mr. DAVIS. I think there is a sizable segment of the livestock people who still argue that that is true with livestock. The people in our organization that are most discontented now are the perishable products producers. Citrus has been in bad shape and some of the others periodically. It happens rather suddenly. A year ago in a period of 4 or 5 days, cabbage found itself in trouble.

Mr. GRANGER. Your organization has been against the Brannan proposal in general. Have you thought out any method whereby you can support poultry, milk, and eggs unless they have compensatory payments of some sort? Is there any way you could do it?

Mr. DAVIS. On milk you have your market orders and your marketing agreements and your diversion programs.

Mr. ANDRESEN. That only applies to fluid milk. That is only one-third of the milk that comes from the farms for market. Will the gentleman yield?

Mr. GRANGER. Yes.

Mr. ANDRESEN. You have recommended that we put Secretary Brannan's program in operation as far as eggs are concerned. Have you figured out what that would cost?

Mr. DAVIS. No.

Mr. ANDRESEN. Has your organization given any consideration to the cost of any of these programs to the Government and the ability of the Government to collect taxes to pay for them?

Mr. Davis. No; we have talked with some people in the Bureau of Agricultural Economics about the cost of some of them, but I do not think we have any figures that amount to much.

Mr. Andresen. All of these programs cost money. I think the Secretary's latest proposal, unless he has modified it again, would cost a whole lot more because there you still do continue the support-loan program on the basic commodities and you get into all these other commodities. If they are all going to be taken care of it will cost a tremendous amount of money. I know that you, representing a large group of producers, know that the farm-commodity prices have dropped considerably in the last 6 months. The farmers will not pay as much taxes for 1949 as for 1948. That is true with business in general.

The only way the Government can meet all these commitments that we have made all over the world is to collect more taxes or sell more bonds. If you sell more bonds that is just deferred taxation. It looks to me as though some of our good businessmen and good farmers and farm organizations ought to figure out how we are going to protect the financial stability of the country and enable it to keep going.

You mentioned something about the Department of Agriculture not having done enough in the marketing field. Well, what are your organizations doing about that, anything?

Mr. Davis. Our organization is made up of about 70 percent of marketing institutions which the farmers own.

Mr. Andresen. Do Kraft & Co. belong to your organization?

Mr. Davis. No; they are not farmer-owned.

Mr. Andresen. Look at oleo. The oleo industry had large $20,000 page ads in the Saturday Evening Post, trying to create a consumer appeal to produce more oleo and sell it to the people. I wish some of our farmer organizations would get together to try to create a consumer appeal.

Mr. Davis. I think that is very much needed and I do not think we have gone nearly as far as we can go. There are a few commodities that have done an outstanding job.

Mr. Andresen. You are not relying entirely on the Government to do it for you, are you?

Mr. Davis. No; we would like to minimize the amount the Government has to do.

Mr. Andresen. I had hoped that would be your answer. The more the Government gets into your business, the harder it is going to be for you to do business. As I see some of the proposals that we have before our committee, the farmers of the country will eventually come under complete control of the Federal Government and become dependent upon the Government for their livelihood if these plans go into operation. If that is not regimentation, I do not know what regimentation is.

As to regimentation, if it is as bad as they have in some of the other countries of the world, we do not want it here. It looks to me as though some of our very good organizations—and I admire the work that you are doing—ought to get together and think out who is going to pay the bill and how they are going to raise the money.

Mr. Davis. That is certainly true. As I see the situation, it is one where the full answer is going to have to evolve. I think we are more apt to make a serious mistake in 1949 by making too drastic a step forward than we are by going at it somewhat more cautiously. It is pretty much on the basis of that reasoning that we have the feeling that we ought to take what we have and make it better. That is not a thing we will achieve in 1949. We have a lot of commodities that have had no experience with support programs and I think we have to try it out and revise it and try it out again and revise it and it will probably be another 15 years before we have a program as well adapted to some of these commodities that have had no programs as are the commodities that have been under programs from the beginning.

Mr. ANDRESEN. All of that will cost money. The question I asked you was, have you figured out where we are going to get the money?

Mr. DAVIS. No.

Mr. ANDRESEN. Would you favor increasing the taxes by 10 or 15 billion dollars a year?

Mr. DAVIS. No.

Mr. ANDRESEN. Would you favor increasing them at all?

Mr. DAVIS. I hope we can avoid it.

Mr. ANDRESEN. Do you think we should sell more bonds to defer those taxes for the future generations?

Mr. DAVIS. No; I hope we can avoid that, too. I frankly tell you that I do not have the answer and I think it is something we all ought to consider.

Mr. ANDRESEN. Do you not think we should first consider how we are going to meet all these obligations we have already made all over the world and to our soldiers? Everybody is looking to the Government for security.

Mr. DAVIS. Certainly we should put it high on the list of the things we need to think about in connection with these programs.

Mr. ANDRESEN. That is one thing Congress has to figure out. I want to do everything I can to make the American farmer prosperous. If he is not prosperous, everything else goes down. We are all agreed on that theory.

Once we have made the commitment we have to meet that commitment and we have to get the money to meet it with because it takes money to do it.

Mr. DAVIS. If you do not keep agriculture prosperous, it costs you a tremendous amount in terms of the depression that is apt to follow. If you do have these programs it costs money too.

Mr. ANDRESEN. Mr. Hill wanted me to yield so he could ask me a question.

Mr. HILL. I would like to go back to the idea that was mentioned a while ago, the proper advertising of farm products in such a way as to increase their consumption. The testimony given by Mr. Sanders of the Grange was that a 2-percent increase in consumption of general farm products was extremely high. It is almost impossible. The thing that has always impressed me is the little work that is done by communities and the farmers' organizations themselves in working out a plan to begin the consumption at home. There is no denying the statement that I am about to make and Congressman Andresen will feel badly over it. There is no denying the fact that many farmers sell their butter and cream and use oleo. Just think of that a minute. That is not the only thing the farmer has been doing.

Mr. Andresen. That is not the general rule.

Mr. Hill. But there are too many of them. If there is one doing that, that is one too many.

Mr. Andresen. That may be out in the gentleman's district.

Mr. Hill. I wish it were only in my district. Let us talk about potatoes a moment. You cannot argue with me about it because I know it is true that farmer after farmer has used cull potatoes when he knew full well he should be using the best potatoes he had. Somewhere along the line, to bear out Mr. Andresen's theory, it is going to begin to cost too much money. We should begin to use the best products we have at the point of consumption. That goes for milk. You cannot tell me that there is not farmer after farmer who could use more milk at home. The idea that he has to sell everything and get it into cash is promoted by any subsidy program or price-support program you have. Just think of that for a moment. That is a dangerous situation that we are drifting into where the farmer must sell everything and get the cash for it.

I am in favor of it because I am in business and I would like to sell him as much as we can, but if we are going to kill the goose that lays the golden egg, as Mr. Andresen says, when we run this thing up to the point where all price supports and subsidies are going to be wiped off the books because of the economic situation, then the farmer will be in a worse condition than anybody.

Mr. Granger. Coming back to my question on eggs, have you thought out any method whereby eggs could enjoy a support price other than by direct payment?

Mr. Davis. No. There have been a number of meetings over about a 4-year period of our poultry people on that problem. They are not too well pleased with the purchase program that the Government has now because there is a feeling that it compensates the man who markets the poor quality eggs disproportionately.

Mr. Granger. You would not be in favor of continuing the present program of taking eggs out of the market by drying them?

Mr. Davis. Our poultry people would much prefer to have some method that puts greater incentive on the marketing of good quality eggs. This compensatory payment program, I think, appeals to them because there would be an average adjustment at the end of the year and any farmer who could market at a premium because of the quality would be entitled to that compensation in addition. That is not true of our present purchase arrangement.

Mr. White. Mr. Davis, as I understand it, you and others who advocate the flexible support plan over the rigid or fixed plan advocate it because when it works it has a tendency to reduce production. Is that right?

Mr. Davis. It has some tendency. In certain commodities it would have a tendency to reduce production immediately.

Mr. White. Would it not work on any commodity?

Mr. Davis. No; I do not think it would work on wheat, for example.

Mr. White. Then why is it necessary or essential to have a flexible price program if it is not going to affect production?

Mr. Davis. I think you want a different amount of flexibility for different commodities, but for the long pull we have some basic adjustments that need to take place in agriculture which are going to require some flexibility.

Mr. WHITE. And the only way those adjustments will be made through the flexible plan is by bankruptcy, by breaking a few of the producers or making it unattractive to them. Is that not right?

Mr. DAVIS. No; I do not think so. If we also gear in with our over-all objective in agriculture, it would not be true.

Mr. WHITE. How can it affect them unless it does adversely affect their income and make them reduce production?

Mr. DAVIS. Of course, our biggest adjustment in agriculture has come in periods of prosperity.

Mr. WHITE. Upward but not downward. We are talking now about reducing production as a result of these price cuts by the Government.

Mr. DAVIS. In fruits and vegetables or an annual crop of that type I think you will have a rather fast adjustment. In wheat, I think you will have some adjustment in the Midwest and the areas that can produce other things. In the Plains States you will not.

Mr. WHITE. You will admit, will you not, that a stable price level is the most desirable element in our national life?

Mr. DAVIS. Yes.

Mr. WHITE. Then why do you advocate a flexible price?

Mr. DAVIS. I think you need to have a certain amount of flexibility in order to bring about these long-time adjustments that are needed. I would like to have as much stability as you can and still bring about those adjustments.

Mr. PACE. Will the gentleman yield there?

Mr. WHITE. Yes, sir.

Mr. PACE. Mr. Davis, you evidently subscribe to the parity principle?

Mr. DAVIS. Yes.

Mr. PACE. Why would it not be much better to fix a support level at 85 or 90 percent? Then when you increase production of the commodities needed, you can use the incentive of increasing the support price. Then you have done what Mr. White wants, what I want, and what you want. You have stabilized it.

Mr. DAVIS. You mean support it above that minimum?

Mr. PACE. In order to get increased production, not to dive a man out of production by driving his price down. As was illustrated in the case of flax and other commodities, you could fix a support level which is fair. I maintain that parity price is a fair price to both the farmer and the consumer. You should fix it at a fair level across the board and then as the need for increased production of A, B, and C commodities arises, you can add this incentive which you and I know gets production. Increase the support up to 100 or 110 or 120 percent until that production is brought up to the national need. Why is that not a more stable program than the flexible supports, particularly when the flexibility operates at harvest time and not at planting time?

Mr. DAVIS. The principal problem, it seems to me, is the question of cost. It is the intercommodity relationships that bring about the shifts you have in those areas that can shift. The shorter the cycle of production, the quicked they will likely shift where there are other crops that they can shift to. But you have a few places, and wheat is a good example and perhaps to a considerable extent potatoes in Maine, where there is not much to shift to. Then they do not shift.

Mr. PACE. We heard how Minnesota shifted out of wheat. It took them 40 years to do it. When you talk about shifting, who is going to supply the money to buy the new farm machinery to shift? Where is my cotton farmer going to shift to when all of his labor knows only cotton, when every plow and every implement he has are made for cotton production? You can go down there and cut his price down so low he cannot survive on raising cotton and say he has to shift. What will he shift to?

Mr. DAVIS. He cannot do it in a short period of time.

Mr. PACE. Nor over a year.

Mr. DAVIS. But as a country we shifted from 80 percent of the people on the land to 20 percent. It is that kind of a process, but it also requires expansion of other industries. I think that over a long period of time we can bring that about.

There is a serious problem of adjustment for the generation of people that are caught right in the middle of it.

Mr. WHITE. On this matter of cost, I want to observe that the more effective the control of the production, the less it will cost the Government because you maintain a stable price. If you did that on all commodities, it would not cost a dime, contrary to what the gentleman from Minnesota said. I wish he were here. I would like to discuss those things with him. The most positive way to avoid an excessive cost is to do the program effectively and completely.

We talk about regimentation. That is an ugly sounding word. It is regulation. That is what I prefer to call it and I am willing to submit to it in order to keep from running into a chaotic condition that not only bankrupts me as a farmer but bankrupts every businessman in the country and eventually leads to war. I hope you will think about those things. Mr. Davis. That is all I have.

Mr. PACE. One final question, Mr. Davis.

You mentioned the fact that farm labor should be included in the parity formula. Of course, I agree with you except you just went halfway and included only hired labor. Do you not think at the same time that the Bureau of Agricultural Economics should review the entire list and bring it up to date?

Mr. DAVIS. Surely, and the weightings. The more nearly you can get it to reflect today's costs, the better.

Mr. PACE. Do you not think maybe the Congress should direct that that list be revised every 2 or 3 years, or at least every 5 years?

Mr. DAVIS. Yes; I would agree with you.

Mr. PACE. But you do not agree that you should include the family worker with hired labor?

Mr. DAVIS. I think you could do it either way, but if you do that, then I think you have to give different weights to the family cost of living items. It seems simpler to us to do it by adding the hired labor cost and then include in the cost of family living those items that go into the cost of living.

Mr. PACE. Where would you put the sharecropper?

Mr. DAVIS. You know more about that than I do. Maybe I would put him with hired labor; I do not know.

Mr. PACE. They do not include him in hired labor. It seems strange to me when a man has two 40-acre tracts and he takes a hired man and operates one of them that his labor is included in the calculation of the price of the commodity. If he takes the other one and lets it out on a sharecropper basis, supplying some of the necessities and getting a part of the crop, that is not included.

We will say there are two men who are brothers. One is a hired man and the other is a sharecropper. Do you know of any reason why the work the sharecropper puts in the production of that crop should not be taken into account?

Mr. Davis. No; I think in connection with the modernization which you stated, and with which I would agree, that there should be a clearer definition of hired labor. I think when you get a situation like we have in the Midwest where my home is, there you have tenants who furnish all the machinery and seed and just rent the land. The family labor is not hired labor. I think where you have a sharecropper that puts in largely just his own time and everything is furnished that is pretty much hired labor but he is paid in kind in proportion to what is grown, that his share is really his wage.

Mr. Pace. What he gets for it becomes his wage?

Mr. Davis. That is right.

Mr. Pace. Therefore, his labor should be included.

Mr. Davis. It seems to me that would be true.

Mr. Pace. Thank you very much, Mr. Davis. You are always helpful to the committee.

I would like to state that tomorrow morning at 10 o'clock, Mr. Allan Kline, the representative of the Farm Bureau, will be here for questioning.

The committee will stand adjourned.

(Whereupon, at 12 noon, the committee was adjourned, to reconvene at 10 a. m., the following day, Wednesday, May 11, 1949.)

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GENERAL FARM PROGRAM

(Wheat Acreage Allotments and Marketing Quotas)

Bind in 1 vol.

HEARINGS

BEFORE

THE SPECIAL SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

EIGHTY-FIRST CONGRESS

FIRST SESSION

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WHEAT ACREAGE ALLOTMENTS AND MARKETING QUOTAS

FRIDAY, APRIL 1, 1949

House of Representatives,
Special Subcommittee of the
Committee on Agriculture,
Washington, D. C.

The Special Subcommittee met at 10 a. m., Friday, April 1, 1949, Mr. Pace, Chairman presiding.

Mr. Pace. The committee will come to order.

Upon the conclusion of the matter we are now going to take up, I would like the committee to meet in executive session for a few minutes.

We have with us this morning three gentlemen who have come all the way from Oregon on business in Washington, and while here were anxious to present their views with regard to the future program for wheat. Congressman Lowell Stockman of Oregon has asked that they have an opportunity to appear this morning and it is a pleasure for the committee to hear from them at this time.

Do all of you want to make a statement, or is one of you to make a statement in behalf of all?

STATEMENTS OF PAULEN KASEBERG, PRESIDENT OF THE OREGON WHEAT GROWERS LEAGUE AND DON McKINNIS, CHAIRMAN, PRODUCTION AND MARKETING COMMITTEE OF OREGON WHEAT GROWERS LEAGUE

Mr. Kaseberg. I am Paulen Kaseberg of Sherman County, Oreg., president of the Oregon Wheat Growers League. I have on my right Mr. Don McKinnis of Union County, Oreg., who is chairman of our production and marketing committee. We will have prepared statements for the members of the committee, but we would prefer to just talk offhand to the committee on this, if that is satisfactory.

Mr. Pace. Without objection, we will insert copies of the prepared statements at this point in the record.

(The statements are as follows:)

Statement by Paulen Kaseberg, President of the Oregon Wheat Growers League

My name is Paulen Kaseberg. I reside in Sherman County, Oreg., and am president of the Oregon Wheat Growers League, representing over 5,000 wheat producers of the State of Oregon.

Our wheat-growing area is different from other parts of the country. Our climate necessitates following the universal practice of the summer-fallow system of wheat farming. Because of the low rainfall, which averages only 8 to 16 inches over most of this region, we have no substitute crops.

Our organization has conferred with other organizations of wheat producers in the Pacific Northwest and with the Granges, Farm Bureaus, and Farmers Unions in Washington, Oregon, Idaho, and Montana. We have been meeting with these other organizations since 1945, and have agreed upon a national wheat program which we believe would be in the best interest of our region and of other wheat regions of the United States. Our recommendations regarding long-range wheat policies were filed with your committee at the hearing in Spokane, Wash., March 25, 1948, and are as follows:

"We recommend, as a matter of long-time policy, minimum governmental controls and regulations and full opportunity for wheat marketing and distribution in the domestic and world markets.

"We favor the continuance of the policy of maximum production geared to economic use of the Nation's wheat lands. We favor such amendments to the Agricultural Adjustment Act as will carry out these and the following basic objectives.

1. Full parity for that part of the wheat crop used for domestic human food under some self-supporting plan.
2. The balance of the wheat crop to move into export and feed and industrial markets at competitive prices.
3. Use of production controls only when the wheat stocks become larger than permitted by the international wheat agreement."

Our reasons for supporting such a policy are that we operate in one of the most productive wheat regions in the world. Our region is adjusted to highly mechanized large-scale production. It offers no chance for the farmer to shift to other crops. Our experience has led us to believe that our best solution lies in expanding existing markets and finding new ones to absorb surpluses, rather than to embark again upon a program of restricted production.

Increased costs of machinery and everything else the wheat farmer has to buy, along with increased wages and taxes, however, make it impossible for us to put our wheat on the world market without some protection to our income. We find it necessary, therefore, to have full parity for at least that part of the wheat crop used for human food within the United States. If we can be given this assurance, we would much prefer to continue producing wheat efficiently and sell the surplus into export, feed, or industrial markets at competitive prices; rather than to return to acreage allotments, marketing quotas, and their disrupting influence upon the efficiency of our farming operations.

Although our organization and the other farm organizations in the Pacific Northwest have recommended this type of a program since 1945, we see no indication that it will be put into operation. In the absence of a self-supporting plan which will give the wheat producer protection on the domestically consumed portion of his crop, we have no alternative other than to insist on adequate price supports in the form of Commodity Credit Corporation loans and purchase agreements.

An analysis of the Agricultural Act of 1948 indicates that the measure of protection afforded by the so-called flexible provisions, combined with a revised parity formula, would result in prices disastrous to wheat producers in the Pacific Northwest and elsewhere. For example, the analysis of this act prepared by the United States Department of Agriculture and published in the Wheat Situation for August 1948, shows that the support price for wheat, even under the extremely high costs of 1948, would have been only $1.33 a bushel as compared with $2 a bushel under the present program. (Of course, we realize that there would be transitional parity for the first few years, but what we are concerned about is the long-range implication of this so-called flexible provision.) Over a period of years, it appears that the support level will be 60 percent of revised parity more often than it would be higher than that figure. There is, of course, another provision whereby a Secretary of Agriculture could put the support up to 90 percent of the new parity, but we cannot depend on that.

As a compromise between 90 percent of the old parity and the "flexible" percent figure on the new parity, our organization makes this suggestion: If you gentlemen cannot see your way clear to give us the kind of a program which really meets the situation, then we recommend that the price supports be set at 90 percent of the new parity. This would reduce the price supports on wheat from $2 to $1.64 under conditions as they existed in the summer of 1948. While we could continue to operate successfully at such a figure in our region, we could not possibly pay expenses if the price supports were set at 60 percent of the new parity, which would have put the loan at $1.09 a bushel in 1948.

For these reasons, the Oregon Wheat Growers League passed the following resolutions at its annual meeting in 1948:

FARM PROGRAM POLICIES

The 1947 annual meeting of the Oregon Wheat Growers League took action approving the following policy statement developed by the Pacific Northwest Farm Council.

"We favor the continuance of the policy of maximum production geared to economic use of the Nation's wheat lands. We favor such amendments to the Agricultural Adjustment Act as will carry out these and the following basic objectives.

"1. Full parity for that part of the wheat crop used for human food under some self-supporting plan.

"2. The balance of the wheat to move into export, feed, and industrial markets at competitive prices.

"3. Use of production controls only when wheat stocks become larger than permitted by an international wheat agreement."

This committee recommends that the Oregon Wheat Growers League reaffirm the action taken last year believing that the policies set forth in the above statement are sound and practical, as the basis for a long-time wheat program.

However, Public Law 897 was passed by the Eightieth Congress which, among other things provides for a modernized parity formula, which under present conditions would drastically reduce the wheat parity figure. It also provides that price supports for wheat shall be on a flexible basis ranging from 60 to 90 percent of parity depending upon the relationship of total supply to normal supply. This relationship is usually, as at present, such as to set the wheat support price floor at extremely low levels.

Therefore we recommend, that the Oregon Wheat Growers League take steps to have the existing law changed to provide for price supports on wheat at 90 percent of parity. Otherwise support prices based on the flexible 60 to 90 percent parity could become effective in 1950 resulting in extremely low prices for wheat at a time of high production costs.

We favor the continuation of the wheat loan and purchase agreement programs, but urge that official announcement of wheat loan rates be made as early as possible.

STATEMENT OF DON MCKINNIS, CHAIRMAN, PRODUCTION AND MARKETING COMMITTEE OF OREGON WHEAT GROWERS LEAGUE

My name is Don McKinnis. I am a wheat producer in Union County, Oreg., and am chairman of the production and transportation committee of the Oregon Wheat Growers League.

Our producers fear that in determining a national policy for agriculture, Congress may be unduly influenced by the propaganda appearing in financial and trade journals and in the daily press relative to cost of food. The inference is being made that the prices received by farmers are largely responsible for the high cost of food to city consumers. I have read with considerable interest the excellent report prepared by the Bureau of Agricultural Economics on farm-to-retail margins for white flour and white bread, December 1948. We have attempted to analyze this report and other information as it applies to the marketing of wheat in Oregon.

Let me give you a little background on the trends of the marketing costs of processing wheat into flour and finally into bread.

The marketing charges or costs of the processors have increased, but tend to lag behind the increasing farm prices. The increases in marketing costs are due chiefly to increased wage rates, increased transportation rates, and increases in the marketing services demanded by the consumer. Wages and salaries make up the major items of costs in processing and distributing a bushel of wheat into loaves of bread.

The profits of the businesses that process and market flour and bread have been high, but are declining from their wartime peaks. These profits will probably remain high until the expansion of production of the milling and baking industries catches up with the expanding population.

The question being asked by most people now is, "Why have farm prices declined much faster than the retail prices of food to the consumer?" Let us consider the case of the declining price of wheat, (about 30 percent since January 1948) while the cost of bread has stayed about the same or increased 0.7 percent. One reason for this is that the wages and salaries which make up the major cost of processing and distribution strongly resist being reduced until the general price level declines, and until wage rates in general decline. There has been little or no reduction in wage rates at present. Another reason is that as long as the consumers continue to demand an increasing number of marketing services, and have the means to pay for them, the marketing costs are likely to remain high. A final reason might be the operating margins in the milling and baking industry.

With this background, I shall try and explain what happens to a bushel of wheat after it leaves the field. First, let me say that what happens to this bushel of wheat would not have to happen to every bushel of wheat that is made into bread. For example, the farmer could sell his wheat at the time of harvest, or he could store his wheat and sell it later directly to a miller or grain dealer.

Let us assume that a farmer in Umatilla County harvested wheat in August, 1948, and stored this wheat in an elevator for 4 months. In December 1948, he sells the wheat to a grain dealer for \$2.00½ a bushel. From this the dealer deducts 2 cents for storage and ½ cent for the Oregon wheat tax, so the grower gets \$1.98 net. (Storage charges are ½ cent per bushel per month for the 4 months.)

On the same day, the dealer sells this wheat to a miller in Portland for \$2.21 a bushel. Freight on wheat from Pendleton to Portland last December was 16½ cents a bushel. Handling charges and the dealer's margin amounted (in this illustration) to 4 cents a bushel.

This may be illustrated as follows:

Price at Portland		\$2.21
Freight charges	\$0.16½	
Handling charges and dealers margin	.04	
		.20½
Price at Pendleton		2.00½
Less storage (½ cent per bushel per month for 4 months)	0.02	
Wheat tax	.00½	
		.02½
Net price to grower		1.98

The miller now has the bushel of wheat for \$2.21. On the average, a bushel of wheat will yield 42.6 pounds of flour plus 17.4 pounds of mill feed. The value of the mill feed byproducts influences the retail price of the flour. According to the weekly trade magazine, the Northwestern Miller, on the week ending December 31, 1948, the wholesale price of bluestem bakers flour in Portland was \$6.26 a hundred pounds. The wholesale value at the mill of the 42.6 pounds of flour from the bushel of wheat was therefore \$2.66 (6.26 cents per pound by 42.6 pounds). In addition to this the miller has the proceeds from the sale of the millfeed. Of course, we must remember that in milling bread flour, the miller will buy some higher protein Montana wheat for blending purposes at premiums over prices paid for the Oregon varieties.

The flour now goes to the baker at a wholesale price of 6.26 cents a pound. The 42.6 pounds of flour from our bushel of wheat make 65 pounds of bread. Of course a lot of other ingredients, labor, power, slicing, wrapping, and retailing go into the bread in addition to the flour. At an average price of 14½ cents a pound to the baker, the 65 pounds of bread from our bushel of wheat brings the baker \$9.43. You will remember that the wheat farmer got \$1.98 for this wheat when he sold it last December.

In other words the farmer got about 3 cents for the wheat needed to make a 1-pound loaf of bread. The rest of the cost represented storage, freight, wages, other materials, power and profits of the dealer, miller, and baker.

Remember that these figures quoted above are assuming a price to the grower of about \$1.98 per bushel. Labor charges, transportation rates, and marketing services might cause these figures to vary one way or another.

I submit this analysis in support of the general recommendations of the wheat league on long-range wheat policy. It will be of no benefit to American consumers for us to set wheat price supports at levels which will put efficient growers out of business. The consumer has far more to gain through maintaining the purchasing power of the wheat producer than the negligible effect of a reduction in the price of wheat upon the price of bread. The choice on the part of the wage earner lies between (1) an extra cent in the price of a loaf of bread or (2) no job and therefore no money with which to buy bread or anything else.

Mr. PACE. You may go ahead and discuss the subject informally.

Mr. KASEBERG. I do not know where these gentlemen are from, but I would like to just give a very short description of our wheat-growing area out there.

Mr. HOPE. Mr. Chairman, might I suggest that this is Mr. Hoeven from Iowa and Mr. White from California, and you gentlemen know I am from Kansas.

Mr. KASEBERG. Yes; we are acquainted with Mr. Hope.

Mr. HOPE. Mr. Sutton from Tennessee is just coming in.

Mr. KASEBERG. Our area is in a rainfall belt of about 8 to 16 inches of rainfall. That includes about 75 percent of our wheat-growing area. There is a fringe along the mountains that has a higher rainfall, and they have some diversification of crops, namely, peas or grass seeds.

This larger area that I speak of is totally wheat and summer fallow. We have to conserve 2 years of moisture to raise one crop. Because of the fact that we do not have substitute crops, we are much inclined toward a full production program. We have a program that has been talked over among the groups and worked out by the Northwest Farm Council, which is composed of the wheat leagues of Washington, Idaho, and Oregon. It also has the endorsement of the States of Oregon, Washington, Idaho, and Montana. This program is the two-price plan.

Mr. PACE. Before you get into that, if I might ask a question, have you had a series of meetings among the growers of several States?

Mr. KASEBERG. Since 1945 we have had two to three meetings annually.

Mr. PACE. And this program has been gradually developed, and you now propose to recommend it?

Mr. KASEBERG. Yes.

Mr. PACE. All right, go ahead.

Mr. KASEBERG. The plan embodies full parity for the wheat crop used for domestic human and food consumption in the United States. The second part of it is that the balance of the wheat crop is to move into export, feed, and industrial markets at competitive prices and the use of production controls only when wheat stocks become larger than permitted by the international wheat agreement. I am not speaking of the current agreement, but the agreement when they had these economic wheat conferences and set up certain reserves for the various producing countries.

Mr. SUTTON. Are you speaking of the world competitive prices or in the States?

Mr. KASEBERG. Mostly world, because our surpluses must move into export.

Mr. PACE. Let me look at that a minute. Your recommendation is that there be 100 percent parity support? Is that right?

Mr. KASEBERG. That is right.

Mr. PACE. On the human consumption part, which over the last 30 years has held steadily at approximately 500,000,000 bushels.

Mr. KASEBERG. That is right.

Mr. PACE. It is a little difficult to understand why 30 years ago we were consuming about 500,000,000 bushels of wheat for food and last year we consumed about 500,000,000 bushels of wheat for food.

I am quite sure if opportunity is given the gentleman from Kansas will have some better understanding of that than I do. That means out of the 1948 crop, using it as an example, you would have a support price of 500,000,000 bushels out of a total production of 1,300,000,000, approximately. Then you would have a support on about 35 or 40 percent of the crop. The balance of it would move in an open competitive market.

Mr. KASEBERG. Yes.

Mr. PACE. That is somewhat comparable to the plan of the Commissioner of Agriculture of Texas, Mr. MacDonald, on what he calls the domestic allotment plan for cotton. Are you familiar with that?

Mr. KASEBERG. No; I am not familiar with cotton.

Mr. PACE. Where would there be any need for a limitation on production under that plan?

Mr. KASEBERG. I do not know why there would be the need.

Mr. PACE. How would you go about allotting the 500,000,000 for wheat for food?

Mr. KASEBERG. Through some certificate plan, I presume.

Mr. PACE. Would you base it like the regular allotment system, perhaps on a historical base of how much wheat the farmer had grown in the past, or would you base it on the present formula which the gentleman from Kansas will have to pick up and fill in for me.

What is the formula now, Mr. Hope?

Mr. HOPE. You mean the acreage allotment formula?

Mr. PACE. Of wheat.

Mr. HOPE. It is based on the last 10 years. The allotment to the States and counties is based upon the previous 10 years, and in the counties it is allotted on a formula which is written in the law based on the best use of the land.

Mr. PACE. That is all the comment I want to make now.

Mr. KASEBERG. The mechanics of the plan have not been worked out, but that is the structure of the plan that we feel would best suit our needs. We cannot speak for all wheat growers generally, but where we move a bigger percentage of our wheat into the export market, we feel that that would fit our needs the best.

Mr. PACE. Why do you make a distinction between wheat for human consumption and wheat for industrial purposes?

Mr. KASEBERG. I do not think wheat for industrial purposes can compete at the relative price with other industrial production. The reason I do not think it can is because it has not.

Mr. PACE. You mean industrial use goes up and down according to price?

Mr. KASEBERG. More or less, yes. There were times during the war, you know, when a lot of wheat moved into industrial uses, but it was subsidized. A lot of it moved into feeding channels, but there, too, it was subsidized.

Mr. WHITE. Mr. Chairman, may I ask a question? What is meant by industrial uses? Does it not eventually become human consumption?

Mr. PACE. When we speak of industrial uses, we are referring to alcohol or plastics or that type of manufacturing, not food industries or milling industries.

Mr. HOPE. May I ask a question, Mr. Chairman?

Mr. PACE. Yes, indeed.

Mr. HOPE. Is it not more or less implicit in the plan that you have in mind that there might be no necessity for any allotments or controls but rather that the price of the part of the crop that had to go into the world market would itself regulate the amount of wheat that might be produced? In other words, the supply-and-demand situation in the world would either stimulate or depress the acreage. You would, of course, have to have an allotment to each farm of a certain percentage which would receive the support price based on domestic consumption, but if it worked out as I have suggested, without any other controls, then you could simply do that by giving each farmer his share of the national percentage which went into human consumption.

Mr. PACE. Does the gentleman mean that his idea would be that the Secretary would make an estimate of the crop? We will say for round figures that he estimated it was 1,200,000,000 bushels. The idea, then, would be to give each farmer full parity on five-twelfths of his production?

Mr. HOPE. Yes; that is the idea that I was suggesting. I know that has been discussed in connection with a plan of that kind. Is that not what you have generally talked about when you were discussing this program?

Mr. KASEBERG. Yes. I think perhaps I am wrong in this, but I think we are showing a little too small percentage of domestic consumption when we speak of the 1,200,000,000 or the 1,400,000,000 crops. Those have been record crops. I think it might even be stretching the point a little to say that it might exceed 50 percent of our production. I do not think we will average billion-bushel crops in the long run.

Mr. PACE. Assuming a billion bushels, if a farmer would get full parity on 50 percent of it, how much encouragement would that be to him to double his acreage in order that he might have the benefit of this price support on 50 percent of it?

Mr. KASEBERG. His acreage would depend on the world price.

Mr. PACE. No; I can see a situation where the parity price would be $3 a bushel and the world price would be $1 a bushel. My experience leads me to believe that there would be many wheat producers who would say, "I can almost produce this world portion for nothing, if I can get $3 on half of the crop."

Mr. KASEBERG. Mr. Pace, I think you are assuming that the man's allotment would be a percentage of his crop.

Mr. PACE. There is no allotment at all.

Mr. KASEBERG. All right, let us not call it an allotment, but his portion of the national consumption. It would have to be a fixed figure based on the history of the farm, because you are only going to have your fixed national consumption.

Mr. PACE. That is not what Mr. Hope said.

Mr. HOPE. No; what I suggested—and I am not saying it will work—is simply giving each farmer each year a support price at parity on that part of his crop which would go into domestic consumption. If you figured that 50 percent of the crop would go into domestic consumption for human food, then on 50 percent of his crop he would get a support price at 100 percent of parity and the rest of it would go just where it happened to go in normal marketing channels and at world prices.

Undoubtedly what the Chairman suggests might happen, temporarily, and probably would happen. That is, that a good many farmers might say, "Well, I will just hike my acreage this year and take a chance on the world demand being heavy enough to absorb what extra we produce." I think you would have that tendency confronting you.

The alternative to that would be, as you suggest, to base it upon the percentage of the crop which went into domestic consumption during some previous period of years. That is what you are suggesting now.

Mr. KASEBERG. Yes.

Mr. PACE. Do you mean to give him an exact production figure?

Mr. KASEBERG. That is right.

Mr. PACE. I have had experience in that. I am afraid you would have the most rigid type of control you have ever conceived of, because you have allotted the farmer 50 acres here to produce for human consumption and you have given him no allotment for the export market and for other uses. Then you would be required to police that in the most strict manner of which you have ever conceived. I have seen it done on peanuts. We had a good support on an allotted acreage. We had a free acreage on peanuts for oil. You had to prevent a mingling of the two crops and you had to know exactly what peanuts were grown on the allotted acreage. You had to prevent any of this free-acreage production from being bootlegged over into an allotted-acreage area.

I am inclined to believe that the suggestion of Mr. Hope, from the standpoint of the grower, if it can be carried out, would be far more acceptable each year. We would make an estimate of the crop and an estimate of the need for human consumption in the United States and give each man his part of it.

Please understand my attitude on the wheat problem is very largely what these representatives of the wheat sections say. The only reason I am presenting it to you is that if there are any flaws in it I know you want to find them out. Please understand that I am in complete sympathy with whatever wheat growers want.

Mr. KASEBERG. Mr. Chairman, we have stated at the outset that this program, we feel, would fit our region best. When you have half of your farm in wheat and half of it in summer-fallow, there is no chance to increase the acreage. There is no diversity of crops.

In our region we would not need to fear that any additional acreage would come into the program, because when you are divided that way you cannot increase 100 percent of your farm.

Mr. PACE. Of course, you do have another control, Mr. Hope. That would be through your soil-conservation program. You could make him fallow the other half, which would in effect keep him out of planting it. However, the penalties there are not too severe unless you also refused him his support.

Mr. KASEBERG. There will be no danger of our area ever going on an annual cropping basis. It just will not work out. Our moisture is not there.

Mr. WHITE. Is there not some uncleared land in your area?

Mr. KASEBERG. It is so small that it does not even need to be considered.

Mr. Hope. Your area would be up against this problem, in that in other areas the acreage could be increased and probably would be increased. If you just let the thing go without any controls, as I mentioned a while ago, and other areas expanded their acreage and you could not expand, then your percentage would come down as other areas might expand their acreage.

Mr. Kaseberg. We can conceive that possibility, all right. Until the plan can be developed to the point where it could be tailored to the whole country, if it could be, we are willing to compromise on this farm plan.

Because of our geographical position out there, we feel that 90 percent of parity—and this is the new parity I am speaking of—is what we can get along with.

Mr. Hope. You mean 90 percent on all that you are allowed?

Mr. Kaseberg. No; 90 percent in the event of allotments.

Mr. Hope. Yes; 90 percent on the production of your allotted acreage.

Mr. Kaseberg. That is right.

Mr. Sutton. But you would rather have a hundred?

Mr. Kaseberg. No; I do not think so.

Mr. Sutton. Personally, I would rather see you have a hundred.

Mr. Kaseberg. We run into enough trouble with the public as it is. That is why we do not ask for the old parity. The old parity would mean approximately 36 cents a bushel more for us. That would be fine, but I think we have to live with the people here and they seem to have plenty of misconceptions about the farm program. I would hate to see a program put up so high that it might bog down of its own weight.

Mr. Hope. Do you not have this in mind also, that if it was too high your exports would have to be subsidized to a greater extent, to which the public would eventually no doubt object? It also would result in less wheat being used for feed and industrial purposes than would otherwise be the case. That is one of the things you have in mind when you think about 90 percent being more practicable than 100.

Mr. Sutton. Would you have to subsidize it if you go into a free competitive market in world trade?

Mr. Hope. I am assuming that our price at 100 percent of parity will always be above the world price. It has been over a long period of years.

Mr. Sutton. Ninety percent will, as far as that goes.

Mr. Hope. Yes, 90 percent is, too. It would still require a subsidy. The international wheat agreement, which has just been concluded, calls for a maximum price of $1.80 and a minimum for the first year of $1.50, and 10 cents less in the way of a minimum for each of the next 4 years, winding up in the fourth year at $1.20. That does not necessarily mean we will get $1.80, or that we will necessarily get $1.50. It may be somewhere in between. It may be a negotiated price in between.

Under the terms of the agreement, we cannot compel the importing countries to take it at more than the minimum, and they cannot force us to deliver at less than the maximum.

Suppose it was the maximum of $1.80. It would mean on a Kansas farm about $1.50. I do not know how that would be translated into

Oregon. Do you know, Mr. Bell? Have you seen the figures on that?

Mr. BELL. No; I have not.

Mr. HOPE. They have a schedule worked out for the ports. This $1.50 in Kansas would be based on a little over $1.80 at Galveston, but it is $1.80 at Fort William. There would still be quite a subsidy.

I think the computation now is that 90 percent of parity on the next crop would be about $1.95 in Kansas. If the world wheat agreement price, based on Kansas, was $1.50, you would have to have a 45 cent subsidy this coming year. That would be the maximum.

Mr. SUTTON. Mr. Hope, according to his plan of support prices on food consumption alone of only 500,000,000 bushels, you would not have to subsidize by 45 cents this competitive crop which you have, the crop that is competitive in world trade.

Mr. HOPE. You would not need to subsidize that.

Mr. SUTTON. I am assuming that this 500,000,000 bushels would be consumed in America.

Mr. HOPE. There would be no subsidy involved. You could support that by a loan or by some of the purchases from the Government or by the certificate plan, which was mentioned here a while ago. Of course, if you let the rest of it go at the world price, whether it was under the wheat agreement or without the agreement, there would be no subsidy needed in that case.

Mr. PACE. How important is the wheat agreement when, as I understand it, it covers only a small percentage of the American crop? What are you protected for, 180,000,000 bushels?

Mr. HOPE. There is 168,000,000 bushels allotted as our share of the 450,000,000 bushels that is covered by the agreement.

Mr. PACE. 168,000,000 bushels?

Mr. HOPE. Yes. But in addition to that, as long as we occupy Germany and Japan we will probably have an outlet for another 150,000,000 bushels. I think it is a little more than that this year. Probably for the life of this wheat agreement, which is 4 years, we will have an outlet for something over 300,000,000 bushels if the agreement works out and the countries go ahead and take what they have agreed to take and we still occupy Germany and Japan. There would be an outlet for something over 300,000,000 bushels that we are pretty certain of, plus 500,000,000 bushels for human consumption and 75,000,000 bushels for seed and 25,000,000 for industrial uses and 100,000,000 bushels for feed. That would be about 1,000,000,000 bushels, if my figures are correct.

Mr. PACE. Let me ask you right there, do you agree with the witness that your wheat production in the next few years will not exceed 1,000,000,000 bushels?

Mr. HOPE. If there was an outlet for it, it probably would exceed 1,000,000,000 bushels. These have been extraordinarily high productive years and the acreage is considerably larger than it was before the war. It has been stimulated, of course, by the price. New varieties, and better methods of farming have increased the yields.

Mr. PACE. How about disease control?

Mr. HOPE. Disease control has contributed. Of course, we are still going to have the good varieties. Disease control will undoubtedly be improved.

You have to keep in mind, however, that a large proportion of the wheat crop is grown in areas where rainfall is deficient and we have had very good years from the standpoint of moisture, which has brought up the acreage and brought up the yields.

In the Great Plains area normally you should summer-fallow, but the increased rainfall the last few years has resulted in a good many farmers getting away from a summer-fallow program and there have been some continuous crops there. If the weather should get back to more nearly normal, there would probably be an increase of summer-fallowing in that area, which would cut down the acreage. It would not cut down the production as much as it would cut down the acreage, because of increased yields on summer-fallow, but my thought is that whether we do it by controls or voluntary shifts, we probably will not have an outlet for more than 1,000,000,000 or 1,100,000,000 bushels of wheat under any sort of picture you could get now.

One way or another, we will have to get our wheat down to something like 1,000,000,000 bushels.

Mr. WHITE. You mean an outlet at a profitable level?

Mr. HOPE. Yes. Of course, you could feed more, if you got the price down low enough and presumably you could export more at lower prices.

Mr. WHITE. May I ask the witness a question at that point?

Mr. PACE. Yes.

Mr. WHITE. Mr. Kaseberg, I am a farmer myself. I raise mostly barley at the present time, but my predecessor raised a lot of wheat and I am very much interested in what you have to say. The question occurs to me as to why you are interested in an unprofitable export market. Would it not be better to let more of your land lie fallow for a longer period of time and get a greater production per acre in ensuing years and go for the domestic market, which is profitable?

Mr. KASEBERG. You are assuming that when the ground lies fallow it is a conserving practice. It is not. If you had a piece of ground out here and kept it fallow year after year, the fertility in that ground would get to the point where it would raise practically nothing.

Mr. WHITE. What about cover crop and turning it under?

Mr. KASEBERG. We have no substitute crops. We have no rainfall to sustain the crops.

Mr. WHITE. Your position is a little different from ours in an irrigated area.

Mr. KASEBERG. We seem to have a region all by itself. Our rainfall comes in the winter months and that is why we can produce wheat on such a low rainfall.

Mr. WHITE. I know you do not expect the Nation as a whole to adopt a program peculiarly fitted to your locality.

Mr. KASEBERG. Not at all, but we do think that could be applied to wheat when the proper mechanics were worked out on it. We do not think it would work on an over-all program for all crops, but where we just depended on the export market, we feel that it is worthy of consideration.

I would like to go back to Mr. Sutton's point, as to whether wheat should be maintained at 100 percent of parity. When it gets too high, unless your whole Nation's economy is geared to that point, it will not move. If you were getting $100 a bushel and could not sell it, you would soon have it piled so high around your ranch that you would not have any land to farm on.

Mr. SUTTON. My conception of 100 percent of parity is that you are just equal with your manufacturer, your laborer, and all other phases of life, things you have to buy being taken into consideration. In other words, I am just trying to see that the farmer is on a level with everybody else.

Mr. KASEBERG. I appreciate your point.

Mr. PACE. Do either of you other two gentlemen want to make any statement?

Mr. MCKINNIS. I will go along a little further with some of the things Mr. Kaseberg said. We are very much afraid of a program where we have to come to Congress each year for money. That is difficult now, and as time goes on it is going to be worse. People get tired of seeing these things in the papers, where the farmers are asking for money to support their crop, money not to raise wheat, money not to raise corn.

We feel that if a program of this type—maybe not just exactly, because as I say, there is a lot in mechanics—were adopted, where it would be as nearly as possible self-supporting, plus having a very rigid and well-planned conservation program, agriculture could stay on the level that Mr. Sutton is speaking of, and I also feel that the Nation will have enough at stake so that with our well-balanced program of enough food to feed the Nation and enough conservation to insure the feeding of the Nation from this time on, such a program would be well worth while.

That is all I have.

Mr. HOPE. May I ask a question?

Mr. PACE. Yes.

Mr. HOPE. Either you or Mr. Kaseberg mentioned the certificate plan as one method of putting a program of this kind into effect. You did not mention what the certificate plan was or how it would work.

What I understand you to mean is a plan whereby each producer of wheat would be given a certificate which would entitle him to sell so many bushels at the fixed price, whatever it was, 100 percent of parity or 90 percent of parity, and that any miller in order to buy wheat for milling would have to purchase one of those certificates before he could buy wheat. He would have to purchase certificates in the total amount of his wheat needs.

Is that something like what you had in mind?

Mr. MCKINNIS. Yes, I am not too familiar with it, but I have heard a great deal of discussion on it and have more or less of an opinion I will throw out. You were talking a while ago about how you were going to divide up and work this allotment out for human consumption. It seems that we are all pretty close on the amount of wheat that has been used as human food over a period of years. It fluctuates a little, but not a great deal.

I believe it would be much simpler to administer a program of this kind if you would administer a program to the farmer in terms of bushels instead of acres. It is marked wheat from the time he markets so many bushels with his certificate on them, until it is ground into flour or whatever happens to it.

Mr. HOPE. You would have to use acreage as the basis for figuring your bushels to start with, would you not?

Mr. McKINNIS. That is right. It would take some mechanics.

Mr. PACE. I do not think so. Let me say that it would not hurt you gentlemen if you got in touch with Mr. MacDonald, the commissioner of agriculture of Texas, and talked with him, because he has insisted on a similar plan for cotton for the last 10 or 15 years. He has thought of every possible objection. He was up here just recently and we had a conference with him just like we are having now.

It is contemplated, as I recall, that in the case of cotton you would issue to each cotton grower a certificate for so many bales of cotton. You would say to the farmer, "You can produce 15 bales of cotton for the domestic market."

Mr. McKINNIS. That is practically the same thing.

Mr. PACE. Not in acres, but in cotton. Then I think he has a plan where you can take that certificate to the bank and cash it. When the cotton mill buys cotton it must have acquired one of those certificates and surrendered it when it gets a bale of cotton and pays the domestic price for it.

Mr. McKINNIS. There is the point in wheat, and I agree that it has to be in commodity, not in acres. I feel that way about wheat.

But with wheat, you could either subsidize, if you had to, or you could use a certificate plan. You could take your certificate and go to the bank and draw whatever is the difference, more of a parity deal, or else a certificate plan would be fine.

When you subsidize, of course, that is not self-supporting.

Mr. PACE. This is not a subsidy. All the cotton moves at one price, at the world price. He goes to the bank and draws the difference between what he gets for his cotton and the support level. Then it works out where the mills pay that difference and reimburse the bank through a very complicated system. But you do realize that there will also have to be set up a system where the flour mill can be reimbursed for that part of the wheat it bought to export for flour because the flour miller would get a rebate on that. If he bought 1,000,000 bushels of wheat for food purposes and then exported it in the form of flour, he would get a rebate. He would have to, you see. That would move at the world price.

The second thing you have to do is strengthen your laws against the reimport of any wheat into the United States that you sold at the world price. If you did not, a buyer could buy wheat at the world price and turn around and reimport it into the United States, entering into the competitive market and making your program very expensive.

I am throwing that out, because of all of those things and probably 100 others Mr. MacDonald thinks he has overcome. The cotton growers do not think he has, and they never have embraced his plan. I would not be at all averse to seeing it tried on wheat.

Mr. WHITE. It would be even more difficult, would it not, Mr. Chairman, on account of the feed market?

Mr. PACE. I think it would make a good guinea pig and I would like to see it worked out.

Mr. HOPE. I think the problems are essentially the same in cotton and wheat. There might be a few differences in detail.

Mr. PACE. That is the reason I suggested having a conference with Mr. MacDonald. Certainly if you put it on wheat, he would have a very much greater argument to put it on cotton.

Mr. COOLEY. What Mr. MacDonald are you talking about?

Mr. PACE. J. E. MacDonald, Commissioner of Agriculture of Texas, who has proposed this domestic allotment plan for cotton.

Mr. HOPE. I think he has given some consideration to wheat also in connection with that plan. I do not know how far he has worked it down.

Mr. COOLEY. He is not the man who first suggested it, is he? I thought Marvin Jones, former chairman of this committee, was the first man. I know we have talked about it from time to time ever since I have been in Congress.

Mr. HOPE. Of course, it is essentially the same thing as the processing tax that we had back in 1933, except the mechanics are different. It is the same idea. You imposed a tax which went to the producer in the form of a payment.

I think, however, the processing tax has been critized and discussed so much that you would probably have a lot of difficulty in getting the processers and distributors of wheat and wheat products to accept it. I think every miller and every baker would immediately start a campaign against the tax, as they have done several times when it has been discussed before.

You would have a storm of protest coming into Congress from consumers. The effect might be just the same as far as the certificate plan is concerned, but it does not seem to have aroused as much opposition as the processing tax.

Then of course the processing tax was declared unconstitutional in the 1936 case. We now have a processing tax on sugar and if a wheat-processing tax were imposed in that same way, I am sure it would not be held unconstitutional. I do not think anybody could raise any question about the constitutionality of it if you imposed it just like you do on sugar.

Mr. PACE. I certainly say it is interesting, and I think that while the responsibility, as I have said, for the future wheat program is very largely upon the shoulders of the gentlemen who represent the great wheat area, the committee as a whole will attempt to lend the wheat area every assistance. I will assure you that the committee will give full consideration to your suggestion.

The only thing I suggest now is that you busy yourselves in the next couple of weeks looking at all the objections, getting all the additional information you can get. Pick all the flaws you can and see if they can be overcome. Then let us know the outcome.

Mr. MCKINNIS. I might say along that line when you are speaking of objections, everyone is fairly well sold on this out there. We almost had to come back here to find some objections. All of the people out there feel pretty well the same way. It is possible that different parts of the country will raise a lot of different objections and they will have to be overcome by working out something this way or that way.

Mr. HOEVEN. Mr. Chairman, while these gentlemen are here, might we inquire what their attitude is on marketing quotas for wheat?

Mr. KASEBERG. I presume you are referring to wheat allotments on marketing quotas.

Mr. HOEVEN. This subcommittee expects, as I understand, to hold hearings on that very question and while you are here I would like to have your views on it.

Mr. KASEBERG. The way that is worked out with this sliding parity, it would work a very great hardship on us out there. As I mentioned earlier, we do not have the alternate crops to go into. We take an acreage reduction across the farm this way and then take a price cut the other way. It puts us, and our farm income, considerably below the cost of production.

Mr. WHITE. Will the gentleman yield?

Mr. HOEVEN. Yes.

Mr. WHITE. Assuming you got 90 percent of parity in connection with the acreage quota, would that be satisfactory?

Mr. KASEBERG. That would be, yes.

Mr. WHITE. More satisfactory than the plan you proposed today?

Mr. KASEBERG. I cannot answer that, because we do not know the mechanics of the plan that we have proposed, but as nearly as we can figure out on a dollars-and-cents basis, in which we have to guess at the world market, there is not a great deal of difference in the final outcome in dollars and cents.

Our plan, we feel, would move more wheat and let us produce more nearly the economic production point.

Mr. PACE. Let me propound one question to you gentlemen and the gentlemen of the committee. Under such a plan where we will say 500,000,000 bushels of wheat are maintained at 90 percent of parity and the balance of the crop moves at the world market, under this new 10-year moving average parity which is, as you know, calculated on a comparable market price of the deficit commodities, what would that do to the parity of wheat? Would it not slash it all to pieces?

Mr. HOPE. It depends on whether you use your domestic price or export price. If you used your domestic price, you would not do it.

Mr. PACE. Then what price would you use?

Mr. HOPE. That is the question.

Mr. PACE. You can see what I am talking about.

Mr. HOPE. If you used the world price it certainly would.

Mr. PACE. If they used the export price for wheat for 3 or 4 years, the parity price for wheat would go through the bottom of the floor.

Mr. HOPE. There is no question about that.

Mr. PACE. If you used the support price at 100 percent of parity, then you would be placing wheat at a level that no other commodity would enjoy. Do you see the complication of it?

Mr. HOPE. Yes. That is a matter, of course, that you would have to give some attention to.

Mr. KASEBERG. We would not enjoy being up there out of balance, because we could not move it.

Mr. PACE. If it was done on a certificate plan, then there would be only one price. That would be the world market price. You would have only that price to take into account.

Mr. KASEBURG. You still get a fluctuation, do you not, as long as you base it on parity?

Mr. PACE. No, this 10-year moving average, which I was very much disappointed to hear you say you were ready to go along with, because I do not agree with you, is only one thing that controls the related parity prices of commodities. That is the related market price.

For example, we have been maintaining flax at $6 in order to get some increased production. Flax gets the benefit of that. An unsupported commodity, we will say wheat, that was taken at the world market, would have a parity price much lower than that of flax.

Mr. KASEBERG. Do we export flax?

Mr. PACE. Not that I know of, but that has nothing to do with this new parity formula.

Mr. WHITE. We have not exported flax in recent years.

Mr. PACE. It is nothing but the actual respective market prices and it was admitted in the hearings that if a commodity was out of position, on the low side, and that thing starts working, it will run it on down through the floor, and if a commodity is out of position on the high side, the operation of that formula would push the parity price through the ceiling. Why anybody wants that, I do not understand.

Mr. COOLEY. Mr. Pace, I came in late. Do I understand that these gentlemen are satisfied with the provisions of the law which will go into effect in 1950, unless we take some action here?

Mr. PACE. No, they have not said that. They have said that they would be willing to accept the support price on wheat at 100 percent of the new parity.

Mr. WHITE. In fact, they expressed dissatisfaction with the Aiken law to take effect in 1950.

Mr. COOLEY. What do you mean by 100 percent of the new parity?

Mr. KASEBERG. You misunderstood me, I believe. I said we will be willing to accept 90 percent of the new parity. That would guarantee us cost of production. We do not want our profits guaranteed, but we would like our cost of production guaranteed.

Mr. COOLEY. Do you mean 90 percent of parity on uncontrolled and unlimited production?

Mr. KASEBERG. No.

Mr. PACE. They have proposed a domestic allotment plan in effect, however.

Mr. KASEBERG. We are talking about two things.

Mr. PACE. They propose a support price on 500,000,000 bushels approximately, which is the consumption in the United States for food, and the balance of it would move at the world market price. It is comparable to the domestic allotment plan for cotton.

Is there anything else, gentlemen?

Mr. WHITE. May I make one more suggestion? I can conceive of a situation in which the world price on wheat might be below the domestic price on barley and feed grains. Would that not complicate your situation?

Mr. KASEBERG. That is possible.

Mr. HOPE. Would that not equalize itself? You would shift to barley if it would bring more than the world price of wheat. That would be a desirable thing, would it not?

Mr. WHITE. Yes, it would be desirable, but that would not work out on a long-time basis where you had a big production of wheat on hand if you could not sell it in the domestic market.

Mr. HOPE. Of course, in all probability if wheat got down to where it was below barley, you would feed wheat pretty extensively. If the world price of wheat got down that low, I imagine there would be a great deal of wheat fed in this country instead of being exported.

Mr. WHITE. You would have to issue certificates for selling it as feed wheat, I presume.

Mr. HOPE. No, I think that would just go at the world market price. Your certificates would only cover that that was processed. The rest of it would just go in the normal market. It would make no difference, then, whether it went abroad or whether it was consumed domestically for feed, alcohol, or any other purpose.

Mr. HOEVEN. Mr. Chairman.

Mr. PACE. Mr. Hoeven.

Mr. HOEVEN. I see Congressman Stockman of Oregon is present. I wonder whether he would like to express his views. I assume these gentlemen are his constituents.

Mr. PACE. I was going to say that I would suggest to these witnesses that they channel their further thoughts and recommendations through Mr. Stockman, so that he in turn can handle them with the committee.

Mr. KASEBERG. He is a member of your committee?

Mr. PACE. No, sir; but he is a wheat grower, as you know, and an actual farmer. The committee has very great respect for his views. He will be in constant touch with us and you may channel your further recommendations through him, and he in turn can handle them with the committee.

Is there anything you would like to add at this time, Mr. Stockman?

Mr. STOCKMAN. Yes, Mr. Chairman, I would like to say that I certainly appreciate the generous amount of time you have given my friends from home and the special calling of this committee. I am sure that they, too, appreciate the efforts that you have put forth in their behalf.

I would like to say, too, that I am greatly heartened by what I have learned this morning, that you and the members of your committee do appreciate the vast problems and the serious situation that confronts the wheat growers of America, and especially the wheat growers of the Pacific Northwest who have a peculiar place in the wheat situation in this country in that in the Pacific Northwest there grows approximately 10 percent of the wheat produced in the United States. It is an area in which no other crop can be grown to commercial advantage due to the low rainfall and the general weather conditions of that country.

That, of course, intensifies their problems much more than the problems of any other group of farmers in the country who can at the same time grow other crops in case the price of wheat goes down. That is one of the principal reasons why these men have such a high concern about the future price of wheat.

As has been brought out here this morning, this country is growing approximately 2 bushels of wheat for every 1 that we consume. That means that the wheat growers of the country are all right as long as the Marshall plan goes on and we continue to give 450,000,000 bushels of wheat away annually. But the day that Marshall plan stops and we have that surplus wheat on our hands, then the Government must help the wheat growers of this Nation. That is the reason they are back here now trying to show to the members of the committee what a serious situation really confronts the wheat grower in the immediate future.

I want to again assure you, Mr. Chairman and members of your committee, that we from the Pacific Northwest highly appreciate the great cooperation and the fine spirit that you have shown these men in hearing their case today.

Mr. Pace. It is a pleasure.

The committee will stand adjourned and go into executive session.

(Whereupon, at 11:05 a. m., the committee went into executive session.)

WHEAT ACREAGE ALLOTMENTS AND MARKETING QUOTAS

THURSDAY, MAY 5, 1949

House of Representatives,
Special Subcommittee of the
Committee on Agriculture,
Washington, D. C.

The subcommittee met at 10 a. m., Hon. Stephen Pace (chairman) presiding.

Mr. Pace. This morning we are beginning the study of the marketing quota law with respect to wheat, with the idea of modifying or changing that law in such ways as may be necessary in the light of developments since its enactment. We have allotted today, tomorrow, and Saturday if necessary, to this hearing.

The committee, of course, is exceedingly anxious to have the views of the men who produce the wheat, under the philosophy that the best legislation is that which is drawn after consultation with those most directly affected.

The hearing will open with a statement by Mr. R. B. Taylor, who speaks on behalf of the Oregon Wheat Growers League of Oregon, Washington, and the northern Idaho area.

We will be delighted to hear from you at this time, Mr. Taylor.

STATEMENT OF R. B. TAYLOR, UMATILLA, OREG., ON BEHALF OF THE OREGON WHEAT GROWERS LEAGUE

Mr. Taylor. Mr. Pace and members of the committee, my name is R. B. Taylor, wheat producer in Umatilla County, Oreg. I am here to represent the Oregon Wheat Growers League and to present a plan endorsed in general by the farm organizations in the Pacific Northwest. In 1941 I had the pleasure of appearing before your committee in behalf of the certificate plan which was then under consideration in the form of bill H. R. 3378, which had been introduced February 17, 1941, by Congressman Fulmer, who was then chairman of your committee. Congressman Pierce from our district introduced a similar bill, H. R. 9273, on April 8, 1940.

Incidentally, let me say that Sunday afternoon I called on Governor Pierce, and when he learned I was coming here, he asked me to extend his best wishes to you gentlemen with whom he served in Congress.

Mr. Pace. We all remember him most pleasantly.

Mr. Taylor. He is just as keen-minded and interested in things as he ever was.

Mr. Paulen Kaseberg, of Wasco, Oreg., appeared before your subcommittee on April 1 of this year and presented the general principles which the Oregon Wheat Growers League and other organizations in our region would like to see followed in developing a wheat policy for the future. At that time a number of you gentlemen requested that the Wheat League give further study to the details of a two-price plan for wheat and report back to you at a later date. The organization has requested me to give you what suggestions we can regarding how a two-price plan for wheat might be put into operation.

The Oregon Wheat Growers League is a commodity organization composed entirely of wheat farmers in Oregon. It is the successor to the Eastern Oregon Wheat League which has now been expanded to include the entire State. As I told your committee in 1941, the purpose of this organization is to unite the farmers in their efforts to solve the many problems that confront them. There are no paid employees in the organization, and the work is carried by committees that are appointed by the executive committee, which, in turn, is elected by the membership at the annual convention.

It is as chairman of the Federal agricultural programs committee that I represent the Wheat League here today. Along with me are Mr. Paulen Kaseberg of Wasco, Oreg., president of the Oregon Wheat Growers League; Ray Small of Walla Walla, Wash., president of the Washington-Idaho Wheat Growers League; Leo Horrigan, of Prosser, Wash., vice president of the Washington-Idaho Wheat Growers League—I might say these gentlemen endorse fully the statement I am making, as they have studied it carefully—H. R. Weatherford, Wallowa, Oreg., chairman, field crops committee, Oregon State Farm Bureau; and E. J. Bell, Pendleton, Oreg., administrator, Oregon Wheat Commission.

As Mr. Kaseberg told you last month our organization has conferred with other organizations of wheat producers in Washington, Oregon, Idaho, and Montana. Since I appeared before you in 1941, we have been meeting with these other organizations and have agreed upon a national wheat program which Mr. Kaseberg presented to you. What we should like to see is a program that would "insofar as practicable" (1) guarantee parity on that portion of the crop consumed as food in the United States, (2) be self supporting from a financial standpoint, and (3) minimize the necessity for acreage reduction.

The present law does none of these things. Loan rates would be drastically reduced from the present levels and would be far below parity as it has been figured in the past. Even with reduced loan rates, acreage allotments and marketing quotas will still be tight under the present law. We understand that the allotment for 1950 will require a reduction of 20 to 25 percent from the acreage planted for the 1949 crop. In our area and in other semiarid regions where no alternative uses for the land are available these allotments will seriously interfere with normal farm operations. We much prefer to operate our farms efficiently, even though this would require selling the surplus into export, feed, or industrial markets at lower than parity prices. While we would be willing to accept lower price support levels, the present law will require strict acreage allotments along with reduced wheat prices.

My farm is fairly representative of the region. I have 1,000 acres of crop land and it is half in wheat and half in summer fallow. Because of the limited rainfall in our area, we are limited as to the crops we can produce. It is impossible to diversify to any great extent. It is difficult to make profitable use of the diverted acres under allotment programs. Idle land invites wind and water erosion and constitutes a weed hazard.

If I am required to limit wheat seedings next fall to 80 percent of my "usual wheat acreage," there will be 100 acres on my farm already prepared for wheat which I cannot plant to wheat. That land will probably be idle and subject to washing and blowing next fall and winter. Acreage allotments work a real hardship on farmers in a semiarid region who are already following a straight wheat and summer fallow system. The wheat farmer in the Great Plains or Corn Belt who has established a "usual" acreage on more than half of his cropland, or who can plant other crops, is not nearly so hard hit under an allotment program as we are in our country. That is why we would like to see a two-price plan as an alternative to acreage limitation. Although we realize that acreage allotments may be necessary under certain conditions, we believe them to be objectionable for the following reasons:

1. Allotments are costly to administer. Experience has shown that.
2. Allotments do not accomplish what they are supposed to do. National wheat production cannot be controlled through acreage allotments because of variations in the weather and improved farming methods on the reduced acreage.
3. Allotments reduce the efficiency of wheat production, especially in semiarid regions.
4. Allotments have a recessive effect on the entire economy.

For these reasons, we think it is a sounder national policy to find a substitute for acreage allotments which will dispose of surplus wheat through normal market channels. Then each farmer would be free to make necessary adjustments and follow conservation measures adapted to the soil, climate and topography of his own farm.

The plan proposed by the Secretary of Agriculture on April 7, 1949, would not correct the difficulty. As we understand it, this policy would still continue acreage allotments and marketing quotas for wheat and it would provide price supports higher than the supports provided in the present law.

It may seem strange that we producers do not favor a high loan on our commodity, but we must be realistic in building a long range program. Fixed high loan rates inevitably mean tight allotments. Controls beget controls and before long we are tied down into a rigid pattern that makes it impossible to farm efficiently. It is much better for the entire Nation for us to be free to produce wheat efficiently, even though we have to take a lower price for a portion of our crop. Although the high wheat loan has not caused much difficulty since 1942, these have been times of unusual demand for wheat. Under ordinary circumstances, the high loan will cost a lot of money. It will of necessity be accompanied by strict acreage limitations.

As an alternative, we should like to have you consider the possibility of a certificate plan such as Congressmen Fulmer and Pierce introduced in 1940 and 1941. Under this plan the support price on wheat would be low enough to permit as much as possible to move into regular marketing channels. Then in order to provide parity on the wheat consumed for human food in the United States, millers would be required to purchase certificates on all wheat processed for domestic consumption. The cost of these certificates per bushel would be equal to the difference between the estimated market price or loan rate whichever is the higher and the parity price.

Here is the way this plan might work as applied to the present law. New parity under the present law for wheat would, I believe be around $1.82 a bushel. If the market price for wheat should be $1.40, which is 72 percent of new parity, then the value of the certificate purchased by the millers would be 42 cents a bushel on perhaps 500,000,000 bushels ground for human food in the United States.

These certificates would be issued to each wheat grower on his proportionate share of the 500,000,000 bushels used for human food in the United States. The simplest way to apportion these certificates would be in the same way as was done under the processing tax program in 1933 and 1934. As many of you will recall each farmer received payments on 54 percent of the base wheat production at that time. Under present conditions it is likely that with increased yields this percent would be lower. For example, if the base wheat production amounts to 1,000,000,000 bushels and if 500,000,000 bushels are ground for domestic human consumption each producer would receive certificates amounting to 50 percent of his base wheat production.

The millers would be required to buy certificates from the producer or through banking channels. They would add the cost of the certificates to the cost of the wheat and this would be reflected in the cost of flour. In no case, however, would the miller be paying more than the parity price for wheat, a price which we all have considered fair to both producer and consumer. In this way the plan would be self-financing and would not require a continuing drain on the Public Treasury. This is an important feature of the certificate plan which is superior to the present law or the plan suggested by the Secretary of Agriculture.

The market price for wheat under this plan should be at a level which will permit a maximum of volume in export markets. The price range to be set under the international wheat agreement would probably be a satisfactory level to shoot at under a flexible loan program. This price should be low enough to permit wheat to move into competitive markets. On the other hand, it should be high enough to prevent the cost of the certificate from becoming too large. A loan or market price 60 cents under new parity would probably be as low as it ought to be in order for the plan to operate effectively. This is equivalent to 1 cent on a pound loaf of bread.

I understand that one question asked by some members of your committee when Mr. Kaseberg appeared before you in April was this, What effect would such a plan have on the parity price for wheat under the formula for computing parity in the present law? Under the present law and under the program suggested by the Secretary of Agriculture parity relation for different commodities will be determined by average price over the most recent 10-year period—incidentally, the 2-year lag under the Secretary's plan. If the price of wheat is allowed to decline in relation to prices for other commodities, this would tend to reduce the price support level for wheat as time went on. My answer to this question would be, that the value of the certificate should be included in computing the average price received by farmers.

Although we have stated as one of our general objectives that we desire acreage allotments only as a last resort, surpluses are already beginning to pile up. The surplus problem on wheat will be very acute as soon as the government stops buying up our surplus and shipping it abroad. Acreage allotments may become necessary even with every effort to dispose of surplus wheat. If so, growers should be required to meet any necessary allotments in order to receive certificates.

We believe that the certificate plan would encourage conservation farming. It would be up to the farmer to decide whether or not he wants to deplete his soil by producing surplus wheat to sell at a low price or make a different use of his land when it is possible. If he desired to establish a grass-livestock enterprise, the certificate plan would enable him to do so.

This type of a program will be much more effective in getting farmers' participation than a high loan combined with rigid acreage restriction. In order to make allotments and conservation effective, it is essential that we have the cooperation of as many farmers as possible. The loan on a commodity has a tendency to put a floor under prices, and the farmer who is not in the program gets the benefit of that price as well as the farmer that is in the program. Compliance with the farm program requires some radical changes in farm management, and many farmers prefer to stay out of the program, providing their income will compare favorably with that of the man who complies. I have heard farmers say that if there were not the added income, they would not bother with compliance. In other words, it is only natural that in deciding whether or not to comply, the farmer figures it from the income standpoint. You cannot blame him, for he has certain obligations to meet, some of them, which, if not met, would be the cause of his losing what has taken years of hard work and toil, including a lot of worry, to build up. If the loan is at a point at which the noncooperator's income is on a level with the cooperator's, it is necessary that there be some means to encourage or perhaps enforce compliance. Penalties have been suggested, and are absolutely necessary with a high-loan program. The amount of the penalty required depends upon the loan rate, and should be at least one half of it. Although penalties would not be as bad as they sound, still they would build up some ill will against the farm program, and believe me, we need all the good will we can get. If the loan rate is not too high, and the difference between that and parity made up by the income certificate, that in itself would be an inducement to compliance, for the certificates would be issued only to those who seeded within their wheat allotments. This would result in more effective production control as well as increased use of soil-conservation practices.

The county committees and officials of the PMA are going to have a lot of trouble administering wheat acreage allotments and marketing quotas for 1950 under the present law. Many farmers who did not cooperate in the program before the war got more money for their wheat than those who did cooperate. Farmers who were required to store "hot" wheat in 1941 and 1942 were allowed to sell it in later years at considerably higher prices than they could have gotten for it when the wheat was harvested. We have had a number of very favorable years when prices have been supported at high levels without acreage allotments. So long as we continue to spend billions of dollars in furnishing food in the occupied zones and in financing the recovery of other nations, wheat will not be in serious difficulty. As soon as that activity is over we are going to go right back to the kind of situation we had in 1941. The cost of farm price supports will then be tremendous. That is why the wheat growers of the Pacific Northwest would like to see you folks in Congress develop the program which would give us parity on the domestically consumed portion of the crop, pass on the cost of such a program to the consumer at prices not to exceed parity, avoid continued drain on the Federal Treasury, and still permit us to operate our farms efficiently under a sound conservation program. The certificate plan may not be the only way in which this can be accomplished, but in order to place a definite policy before you for consideration, we would suggest that you explore its possibilities. We believe the certificate plan would be cheaper and simpler to administer than any other two-price plan which has been proposed.

Mr. PACE. Thank you very much, Mr. Taylor.

Mr. HILL. Are we to question him now?

Mr. PACE. Yes.

Mr. HILL. Mr. Taylor, what do you mean by "summer fallow"? Will you explain that so that even the reporter can understand?

Mr. TAYLOR. In our area, it has been the practice, practically ever since the beginning of wheat farming, to follow the summer fallow practice, which means leaving idle half of the land each year.

Mr. HILL. What do you mean by "idle"?

Mr. TAYLOR. For instance, I plowed under the stubble from last year's crop, and throughout the summer I cultivated that sufficiently to keep the weeds down.

Mr. HILL. You do not leave it idle, then; you just mean you do not grow a crop on it?

Mr. TAYLOR. We do not grow a crop on it.

Mr. HILL. But you farm it?

Mr. TAYLOR. Enough to keep the weeds down, if that is what you mean by "farming"; but it does not produce any income for me this year.

Mr. HILL. But you farm it all summer, just the same?

Mr. TAYLOR. Yes, sir—and have that expense. Then in the fall that is sown with wheat to be harvested next year.

Mr. HILL. How often do you get a crop?

Mr. TAYLOR. Every other year. We follow the practice of putting half in summer fallow every other year.

Mr. HILL. If you follow the cut—the Secretary proposes to curtail wheat acreage a certain percentage—does he cut the farmer who summer fallows and only has a crop every other year on the same wheat acreage basis that he would cut the man who grows a crop every year?

Mr. TAYLOR. That is right.

Mr. HILL. In other words, if you have 100 acres that you plant to wheat and summer fallow, you would only have 50 acres in wheat every year?

Mr. TAYLOR. That is right, and he would cut me.

Mr. HILL. Then, say he was going to cut the wheat growers 25 percent, would you get cut on the acreage you did not put in?

Mr. TAYLOR. The percentage would apply to the acreage in wheat. In my case, I have 1,000 acres of farm land. I put 500 acres in wheat every year. My allotment would be cut 20 percent as applied to the 500 acres.

Mr. HILL. You would not have any cut on the 500 acres that you did not crop?

Mr. TAYLOR. No; because I have no crop. That would be in crop next year. And we have the expense of farming that.

Mr. HILL. Are you going to the expense of farming 1,000 acres all the time, then?

Mr. TAYLOR. That is right.

Mr. HILL. To get——

Mr. TAYLOR. To get 500 acres of wheat in.

Mr. HILL. Do you make any money that way?

Mr. TAYLOR. We have been able to in the long run. A few years have been very bad.

Mr. HILL. How do you make any money farming 1,000 acres and only putting in 500 acres to crop?

Mr. TAYLOR. When I was here in 1941, then the situation was different; then the price was very low, and we were concerned then in getting the price up. The price is up now, and we are concerned in keeping it at a fair level. The way I make money—we have found by experience that if we crop all of the land each year, our production is much less per acre, with two costs of seeding and two costs of harvesting, and that we are money ahead if we summer-fallow and conserve the moisture and the fertility and have a crop on half of our land every other year.

Mr. HILL. How does that affect the land?

Mr. TAYLOR. It conserves moisture. The experts in the experiment station have told us recently that continuous summer-fallowing is hard on the land, as it produces sort of a burning action on the organic material, but our experience up to the present time has been that it does conserve the fertility and moisture for that crop. But just at this time we are beginning to get to the point where we have to apply a little nitrogen in order to keep up the balance.

Mr. HILL. In the summerf-allowing of this land, does that enable you to use a larger and more efficient type of farm equipment in this wheat growing?

Mr. TAYLOR. Compared with diversified sections and other methods of farming, it is more extensive. We depend entirely on the use of large machinery and equipment. That is also true in some other areas, particularly in the Great Plains area.

Mr. HILL. What do you take off of the soil in wheat growing? In the East, back here, they even cut the wheat as low as they can in order to get all of the straw.

Mr. TAYLOR. We run the header at a level that will get all of the wheat but as little of the straw as possible.

Mr. HILL. You do not use a combine?

Mr. TAYLOR. Yes; we use a combine. The header is part of the combine.

Mr. HILL. You mean the combine is a header?

Mr. TAYLOR. No; the combine has a header on it.

Mr. HILL. I see some of the members laughing, but I know about combines, and I just want to bring this out because a lot of us do not know the difference between a binder and a combine and do not know the difference between the old header that we used to have. I have worked on them, and I know.

What I would like you to tell this committee is, when you harvest wheat, what have you taken off the ground.

Mr. TAYLOR. All I have taken off is the wheat kernel.

Mr. HILL. What is done with all the rest of it?

Mr. TAYLOR. The straw that is cut with the head goes through the machine and is returned to the ground by means of a straw scatterer which spreads it out so that it does not leave it in rows. We like to leave it there to turn back into the ground to build up the organic content. But we do have that problem of excessive straw which, in some cases, is more than we can handle.

Mr. HILL. Tell the committee what it does if you have rain on that soil where you continuously, let us say, put the straw back into the soil.

Mr. TAYLOR. Where we have continually put the straw back into the soil, that does build up the organic content and increases the absorptive powers of the soil so that it will more readily absorb the rain as it falls on it. In the particular area where I farm, the tendency is to destroy that straw by burning. Because of the excessive amount of straw, it is almost impossible to handle and get a good seed bed. We are working on that thing through the development of equipment that will handle the so-called trashy fallow, and some farmers are cutting lower with the combine than they normally would, trying to get a stand of stubble of a shorter length that can be handled and plowed under.

Mr. HILL. You plow with what?

Mr. TAYLOR. In my area, we use a moldboard plow. In the lighter land areas, we use different types of equipment, like discs, duck foots, and implements of that nature. They find that is very beneficial in lessening erosion and does not affect the yields.

Mr. HILL. You do not use discs at all?

Mr. TAYLOR. We do not. Some do disc the stubble in the fall and chop it up and then use the moldboard plow in the spring.

Mr. HILL. On the farms in Colorado they use the disc.

Mr. TAYLOR. The disc pulverizes the ground so much it induces erosion.

Mr. SUTTON. Referring to the remarks of my colleague about the combine, I will say, if there is a man on the committee who has not seen a combine, he should not be on this committee.

Mr. HILL. We have to be careful about those lawyers on this committee. He is the one I am always scared of.

Mr. SUTTON. Talking about summer fallowing, down in my section, we raise lespedeza and alfalfa along with wheat. Right after we cut the wheat, we plant lespendeza and alfalfa. Would that be possible in your district?

Mr. TAYLOR. No; because of the limited rainfall. I attempted to seed sweet clover in my growing crop on my farm and hoped to have it to plow down the next spring, but it would not live through the summer.

Mr. SUTTON. In other words, you could not possibly divert those acres to any type of soil builder?

Mr. TAYLOR. Not the acres we have in the area where I am. There is a limited strip of land at the base of the mountains, where they have more rainfall, where they can have some success with sweet clover, but that is a very limited area in relation to the total wheat acreage in the Northwest.

Mr. PACE. Let me ask one or two questions to point up something here.

Would it be fair to say that your proposal is exactly contrary to the plan proposed by the Secretary of Agriculture?

Mr. TAYLOR. No; it would not be, because, under the Secretary's plan, there are several points. It would be as to some of his points.

Mr. PACE. What I meant was that the Secretary has proposed that your wheat move at the market price and then he would make payment to the producers representing the difference between the market price and the support price, one of the principal objects being in order that people might have cheaper food. Under your plan, instead of the payment, you propose that wheat move at the market price, as does the Secretary, but that that portion of it used for food would be subject to an increased price represented by the certificate. Consequently, it looks to me like the two plans are diametrically opposed. One would raise the price to the consumer above the market price, and the other would let it move to the consumer at the market price.

Mr. TAYLOR. The reason I answered that question as I did was because I was thinking of the portion of his program where he would let the market price seek its own level. Also, that portion of his program does not apply to basic commodities, and he does not plan to make payments that would bridge the gap between the market price and parity except on nonstorable commodities.

Mr. PACE. He asked for that authority to apply to unusual conditions.

Mr. TAYLOR. Then there is this other difference, that in our plan it would be self-supporting financially, while under his plan the money would have to come out of the Treasury to pay the food bill of the people who bought at the low level.

Mr. PACE. That is another effect in which they are diametrically opposite.

Mr. TAYLOR. Generally speaking; yes.

Mr. PACE. On page 3 you have this sentence: "That is why we would like to see a two-price plan as an alternative to acreage limitation." Now, do you mean to this extent there might be times when the Secretary would submit to producers two plans and let the producers determine which one they wanted?

Mr. TAYLOR. No. We believe the certificate plan would work under all conditions, but as a supplement to it and under certain conditions it might still require some production adjustment.

Mr. PACE. In keeping with the philosophy of this committee to let the producer have as great a voice as possible in the type of program under which he operates, would there be any objection to not leaving it all times merely to the discretion of the Secretary, but subject to approval by the producer?

Mr. TAYLOR. I would never object to the producer's having a say in the program under which he is to operate.

Mr. PACE. In other words, subject to your acceptance, do you want a two-price plan, or do you want a marketing quota plan?

Mr. TAYLOR. I believe you have in mind very definitely the picture under this plan where wheat would sell in the open market at a lower level, which would encourage the consumption and use of wheat.

Mr. PACE. That is right.

Mr. TAYLOR. That is the reason it might be wholly unnecessary to have a drastic acreage allotment.

Mr. PACE. I believe we are about convinced on the record showing over the last 30 years of high priced wheat and low priced wheat that the consumption of food remains the same.

Mr. TAYLOR. That is right.

Mr. PACE. In fact, taking into account the increase in population, it has substantially gone down.

Mr. TAYLOR. The per capita consumption has decreased as the population has increased. We do not have much hope of increasing the domestic consumption, but under this plan we do have hopes of increasing tremendously the consumption for other uses.

Mr. PACE. I am trying to understand your plan. I have no opposition to it, because, whenever the wheat growers say they want a thing, it is going to have my most sympathetic consideration. But you criticize the marketing quiota plan as being subject to terrific controls. Cannot we agree that your plan, to the extend of the portion of the crop that is subject to certificates, would be under comparable controls, would have to?

Mr. TAYLOR. I do not intend to criticize the marketing quota plan in itself. As far as I personally am concerned, if we have acreage allotments, I think we have to have marketing quotas, too, in order make allotments effective.

Mr. PACE. The point I am making is that you propose——

Mr. TAYLOR. We would have a certificate allotment.

Mr. PACE. You propose under the certificate plan that you would go to the producers and give them, under some formula of certificates, a quota representing that part of their production that goes into food in this country.

Mr. TAYLOR. That is right.

Mr. PACE. Are not you going to be faced there with exactly every problem, every complication, and every feature of control in determining how many certificates you get as you would under the marketing quota plan to determine how many acres you would get? In other words, generally speaking, is not the question of control out of this program so far as the two plans are concerned?

Mr. TAYLOR. There is this difference: under your market quota set-up, that is part of the production control program; under the certificate plan, you would allocate the certificate allotment to each grower, even though you might not have any restricted production in effect at that time. But the method of determining it would be on the bushel basis under the certificate plan rather than on the wheat produced or the acreage, as under the marketing quota plan.

Mr. PACE. Then you would have more control and complications, because you would have to go back and determine how much wheat he had been growing, what the yield had been over whatever term of years is agreed upon and then figure out what his fair share of the certificates is going to be.

Mr. TAYLOR. I do not quite agree with you there, Mr. Pace, for this reason, that the county committees all have the wheat records of farmers' production for each year. Each year it has been reported, although it has not been required, in fact, ever since the inception of the AAA program.

Mr. PACE. And the records have been kept uniform?

Mr. TAYLOR. That is right. Even though in most cases they were not required, they could see that in the future they would be needed again, and those figures have been kept and they already have them now, and it is just a matter of digging up the record, whatever is decided to be the base period, and taking the farmer's production, and that would be his quota basis, and you would apply the percentage used by the Secretary on the national basis for 1948 or 1950 to whatever the total consumption was.

Mr. PACE. Certainly, one thing your plan would do is that it would reward the high yield producer, because if you had 100 acres of wheat making 60 bushels to the acre and I had 100 acres of wheat making 20 bushels to the acre, you would get three times as many certificates as I would

Mr. TAYLOR. We usually do not have that difference in the same locality. As time went on and you drop a year and pick up a year, any established wide difference would be equalized. You do not have good crops all the time.

Mr. PACE. Then you would not freeze those certificates?

Mr. TAYLOR. No; I would not freeze them.

Mr. PACE. What would you do to get more certificates next year than you got this year?

Mr. TAYLOR. It would depend on the amount of wheat the Secretary determined would probably be used.

Mr. PACE. Assuming his allocation is the same—500,000,000 bushels?

Mr. TAYLOR. The value of the certificate would change with the market price.

Mr. PACE. That is not it. I asked you what you would do or could do to get more certificates, more bushels, next year than you do this year.

Mr. TAYLOR. I could not do anything.

Mr. PACE. You would freeze them, then?

Mr. TAYLOR. It would vary automatically by my record of past production. In other words, my wheat base one year might be, say, the last 5 years, and next year, in computing the wheat base, one year would be dropped and another year picked up, so that it would be a different 5 years. So I might drop a low crop and pick up a high crop, or it might be the reverse.

Mr. PACE. You are producing now, you say, 500 acres of wheat a year. Suppose under the certificate plan you could produce that allotment of bushels on 250 acres and let us say that is all you decided to plant; that you are just going to plant for the domestic market. On the other hand, I do not; I go ahead and put all of my 500 acres in. Then what happens the second year between the two of us?

Mr. TAYLOR. In estimating my wheat base, that lower acreage production would be reflected in the certificate I receive.

Mr. PACE. You would get less?

Mr. TAYLOR. That is right.

Mr. PACE. Then I think your plan is a rather severe punishment in addition.

Mr. TAYLOR. But the farmer is not forced to produce that lesser acreage.

Mr. PACE. Wait a moment. Understand what you are saying. You said if you decided to produce only for domestic consumption, you would get less certificates the next year as against me, when I planned to plant more to take care of exports. Then you are punished for not producing for export and, being punished, would not have a free choice whether or not you would produce for export next year.

Mr. TAYLOR. You have that same problem now of maintaining your wheat base; you have production credits, and some man who has held up on his production to help conservation ever since the AAA program started is now being penalized because he does not get credit for the acreage he could have had in wheat. It is an age-old problem. So, in answering the question, I would hesitate to make a definite answer, because that is a detail that would have to be worked out in such a way as to be fair and square. But we had hoped this plan would encourage a reduced acreage in wheat under certain conditions and diverting it to other crops, but being penalized, as you suggest, under that plan might discourage their doing that.

Mr. PACE. Suppose I have never grown a grain of wheat in my life and this plan goes into effect and I put 1,000 acres in wheat. What happens to me?

Mr. TAYLOR. There is another detail, and I am sure that the men here from the various areas would disagree on the answer. Some of the boys of our State who have been in areas where they have only a few new wheat producers want to have their base established by taking their production over a period of years, and the new man would share along with the rest. All of these growers probably would not agree with that statement. It depends on the locality you are from. That is something that would have to be worked out, and I am not prepared to make an answer any further than that.

Mr. HOPE. If Mr. Pace will yield, in that respect your plan has just the same difficulties that the allotment plan has?

Mr. TAYLOR. That is right; so that the standard of determination is not sure.

Mr. HOPE. The difficulties would be no less or no more?

Mr. TAYLOR. From other standards, yes.

Mr. HOEVEN. It is the same difficulty that confronts cotton farmers, as far as that is concerned.

Mr. HOPE. Under any program, any farmer who voluntarily reduces below his allotment is penalized, because he cuts down his base?

Mr. TAYLOR. Yes.

Mr. HOPE. And that would be no better or worse under your plan than under any plan where it depends on a base?

Mr. TAYLOR. Yes. May I say the other gentlemen with me are prepared to take part in the discussion, and if you have any questions you would like to put to them and get their comments, they are here.

Mr. PACE. You understand my questioning was just to show that even your plan is not free of many difficulties and is not free of control.

Mr. TAYLOR. I do not know of any plan that is free of those things.

Mr. HOEVEN. First of all, Mr. Taylor, I want to compliment you on your very fine statement.

Mr. TAYLOR. Thank you.

Mr. HOEVEN. It is rather wholesome to have a witness once in awhile who expresses some concern about the vast expenditures made out of the Federal Treasury.

Mr. TAYLOR. That represents the thinking of the whole Pacific Northwest.

Mr. HOEVEN. The sum and substance of your statement is that you have a very unusual situation which demands special attention. That is due to the fact you do not have rotation of crops and you have a limited amount of rainfall.

What is the average rainfall in the Pacific Northwest?

Mr. TAYLOR. I could not give it to you for the Pacific Northwest; I can give you the range. We have one gentleman here in our group—I believe the annual average rainfall in his area is 7½ inches. Where I farm, it is 12 to 14 inches. In the greater part of the wheat-producing area, I would say 8 to 14 inches would catch a good part of the Columbia Basin area.

Mr. HILL. I would like for the gentlemen on my right who are carrying on a conversation to get that statement he made about the rainfall, because the gentleman from Tennessee (Mr. Sutton) spoke about combines, and he did not listen to what he said. You said you have no rainfall?

Mr. TAYLOR. Relatively speaking.

Mr. HILL. He gets little rainfall.

Mr. HOEVEN. Is it not a fact that the average annual rainfall for the last period of 50 years is approximately 17 inches?

Mr. TAYLOR. For our area?

Mr. HOEVEN. Yes.

Mr. TAYLOR. I do not believe it goes that high.

If you get west of the Cascades, you are taking in 40- to 50-inch rainfalls, but you have a limited rainfall in the area east of the mountain.

Mr. HOEVEN. On page 5 of your statement, you say:

> The market price for wheat under this plan should be at a level which would permit a maximum of volume in export markets. The price range to be set under the international wheat agreement would probably be a satisfactory level to shoot at under a flexible loan program.

Assuming the international wheat agreement is not approved, then what is the basis of figuring your price?

Mr. TAYLOR. We are not assuming a price-fixing program. It would seek its own level in the open market, and if that level got so low because of excess production that it was considered to be detrimental to the economy of the country as a whole, that would be the point at which it might be feasible to have acreage allotments come into the picture.

Mr. ALBERT. Mr. Taylor, do you think a program will remain popular that places the entire cost on the housewives of this country? I agree with what you say about placing the burden on the taxpayer, but if you shift it to the housewife, how long do you think the program will remain acceptable?

Mr. TAYLOR. If the cost is not above parity, keeping in mind what parity is, with relation to the cost of production and the cost of the things she has to buy and with relation to what the husband of the housewife may earn, whatever his occupation is, I do not believe there will be any criticism from that side; because, if it went into effect, the plan would not raise the price of a loaf of bread. It would just mean the miller bought it on a different basis and that the farmer was guaranteed the parity price on just the portion used here in the domestic market.

Mr. HOPE. It is a fact, is it not, that the price of bread is the same now as it was in February 1948, before the break in the price of wheat, whereas wheat is about $1.25 a bushel less in the approximate price. So the housewife has no benefit of the drop of $1.25 in the wheat price.

Mr. TAYLOR. And when you realize the small percentage wheat is to the cost of a loaf of break that can be attributed to the amount of wheat in it, it is very mall. Most of the costs are chargeable to other things.

Mr. PACE. I was told the bakers claimed it added to the price of a loaf of bread when wheat was going up, but when wheat was going down they say that wheat is only an incidental; so it does not count.

Mr. TAYLOR. That is right. They get us going and coming.

Mr. PACE. I have never been able to reconcile that.

Mr. TAYLOR. But I believe the price of flour came nearer following the price of wheat.

Mr. ANDRESEN. Mr. Taylor, the chairman asked you the difference between Secretary Brannan's proposal and your proposal. Now, I may have a different understanding of the Secretary's proposal than the chairman has, but under the original proposal the Secretary made on April 7, the Secretary proposed that the basic commodities—wheat, cotton, and all other commodities—should have 1,800 units on the farm, which was 180 bales of cotton, 14,000 bushels of wheat, and the farmer should receive support income on those 1,800 units by getting production payments from the Treasury; that the commodities would be sold in the open market at the supply and demand level.

A few days afterwards, the Secretary modified his plan and removed the 1,800 units on all basic commodities, so that they would go under the present system of support loans for the entire production upon the allocated acreage, which removed them from the sale of the commodity in the open market at the market price.

Am I right or am I wrong that the Secretary did modify his plan so that the basic commodities, when they had marketing quotas and acreage allotments, would come under the old program of support loans rather than be sold in the open market at whatever the market would bring?

Mr. PACE. My statement was—I am looking for it now in his statement—that he did ask that, while generally on those commodities they would have no support and would move at that, he did ask that he be given authority to use the payment plan even with those commodities under certain circumstances.

Mr. ANDRESEN. You stated just a few minutes ago that those commodities would be sold in the open market at the supply and demand level, and you did not take into consideration the Secretary's modification of applying the old law, the existing law, of support loans on those basic commodities.

Mr. PACE. I think the gentleman is correct.

Mr. ANDRESEN. Just so we have an understanding about this, because, under the Secretary's proposal, you get the support loans on it, just the same as you get now, and would be selling in the open market.

Mr. TAYLOR. That is right.

Mr. ANDRESEN. I happened to be a Member of Congress at the time we had the old McNary-Haugen bill up, and Mr. Hope was on the committee, and he and I supported that plan. That is somewhat comparable with the certificate plan you propose.

Mr. TAYLOR. Yes.

Mr. ANDRESEN. Originally the McNary-Haugen proposal contemplated that the farmer would sell his entire crop and the equalization fee would be deducted, and we were figuring at that time on about 10 cents a bushel, and the fund so raised, that the farmer paid in the equalization fee, would be used to export the surplus to world markets, and that fund would take care of the reduced world price.

Mr. Poage here several times has mentioned about an insurance plan where the producer himself would contribute to the insurance fund, the price fund, that would protect him, and instead of passing this 22 cents a bushel you have mentioned onto the consumers. Has your organization given any thought that you might sell your entire crop at the market price and then take out the equalization fee and get rid of the surplus or at least part of it?

Mr. TAYLOR. Yes; we have, Mr. Andresen. As you have stated, there might be some other two-price plan having that feature, but we feel the income certificate plan similar to the bill presented by Mr. Fullmer and Mr. Pierce in years past would be simpler to administer and to operate than the equalization fee or the other proposals for the two-price plan.

Mr. ANDRESEN. I think that is true; although, whenever the wheat farmer markets his wheat, it could be deducted at that time, say 10 cents a bushel or 15 cents a bushel.

Mr. TAYLOR. That would involve a surplus corporation or some organization to operate the selling of the surplus wheat, and we would like to see free play in producing and selling wheat in the normal market channels and with as little Government in business as possible. We think our plan would encourage free play in the wheat market.

Mr. ANDRESEN. But you would want the Government to collect the equalization fee from the millers and others who bought the wheat?

Mr. TAYLOR. Under our plan of certificates, the Department of Agriculture would be the one; whether through Commodity Credit, banks, county committee, or in some other way, there would have to be a set-up for issuing certificates to the farmers and buying and selling. The miller would buy either from the Secretary's representative or the farmer.

Mr. ANDRESEN. But the plan contemplates at that point the wheat producer can simply take the certificate to the bank and cash it.

Mr. TAYLOR. Yes. The miller would buy the certificate and report the first sale, and the report of the first sale to the Secretary would be accompanied by sufficient certificates to cover the amount of wheat represented by the first sales of such product.

Mr. ANDRESEN. Are the producers of hard spring wheat and hard winter wheat in agreement with this certificate plan?

Mr. TAYLOR. We do not have those in our area. This is a result of the coordinated program of the Pacific Northwest. We have some of those gentlemen here, perhaps, who can speak for that area. There is this problem, of course, that there are other types of wheat—we have soft wheat in the Northwest, and there are other types which have a larger percentage used domestically. But in any program to be effective, whether it is acreage allotment or any other program, we are going to be faced with the fact that it hits all producers alike, whether spring wheat area or the Pacific Northwest.

And, if there is a difference of 50 cents in the purchase price it still does not mean it will all go to foreign countries.

Mr. ANDRESEN. But you announce the figures on wheat production—they are announced for wheat, whether they are soft or winter wheat or hard spring wheat?

Mr. TAYLOR. Yes; but we have this problem, Mr. Andresen, we have roughly 100,000,000-bushel production in the Pacific Northwest. We have a different problem, as it affects our area in the Pacific Northwest. We have to export from the area about 65 percent of our crop under the present program using restricted acreage control, which keeps it at a level that feeders will not be able to develop a feeding program in the Northwest. We feel we should have a program that would provide for marketing some of the wheat below parity, so it can be used as feed, and therefore have less requirement for acreage allotment.

Mr. ANDRESEN. And then when you had acreage allotment come along in your case, the area in wheat was cut down.

Mr. TAYLOR. We summer-fallow. There were some areas that we did not have summer fallowing, but did summer fallowing of the diverted acres, and they produced more as a result of that good practice and they are not penalized to the extent we are in the Pacific Northwest.

Mr. ANDRESEN. Did you ever run cattle on your winter wheat?

Mr. TAYLOR. I have had, in the years past, approximately 200 acres of land of hill-land pasturage that could not be farmed, and I used to have some cattle when I stopped using mules and horses which pastured the stubble and got some use out of the byproduct of that stubble. I used to keep about 60 head of white-faced cows, but during the war, when labor went up so much, I sold them and do not have any at the present time.

If a program is set up that requires me not to farm all of my land, then I would get back into something, grazing livestock as a supplement to my wheat production, but if the other program were developed which says that you cannot plant your land for any other purpose, then there is no use for diverted acreage.

Mr. ANDRESEN. It seems to me that, with all of the research that we are doing, we could find some good use that will move some of that wheat and increase the number of cattle. That has been the product we need at least to increase.

Mr. TAYLOR. There are various differences between the type of land that is diverted and the use that can be made of that land. Some of it is on the north slope and may get more moisture; and some of it may slope more than the other. That is one of the reasons we oppose the original program, because we felt you could not lay down a straight percentage line for diverted acreage. Some people could divert and some people should not divert as much.

Mr. PACE. Thank you very much, Mr. Taylor. Did you have some questions, Mr. Hope?

Mr. HOPE. This program that you have suggested is quite similar, not specifically in some of the details, with the original triple-A program of 1932, where we had the processing tax on wheat, except yours would not require development to the point where it would be as cumbersome; that is, it is not necessary to collect the tax and put the tax in the Federal Treasury and have the Federal Government make payment to each farmer. But the plan is about the same; is it not?

Mr. TAYLOR. Yes.

Mr. HOPE. And that plan was operating very well, as far as the wheat producers were concerned, until the Supreme Court knocked it out?

Mr. TAYLOR. Yes.

Mr. HOPE. Have you discussed this plan with the millers and distributors to any extent? I am asking that question because the millers and the bakers, at least a part of them, objected to the processing tax, although it was not the milling industry that brought the suit in the Supreme Court, declaring that the processing tax was unconstitutional. There was some opposition; and, since there was opposition among them, I wonder whether there has been discussion of the legislation which would again impose a processing tax, and whether similar opposition has been expressed. That is my reason for asking the question whether you have had opportunity to discuss the matter with the millers?

Mr. TAYLOR. At the recent meeting of the Oregon wheat growers in Pendleton, when John Lock was present, we were discussing the International Wheat Agreement, and had been discussing a report from him, and this matter came up of the plan to make this trip back here, and we asked him what the millers would do in regard to the certificate plan.

Mr. POAGE. Who is Mr. Lock?

Mr. TAYLOR. President of the National Millers Association. He was asked to give us his opinion concerning wheat moving through regular market channels, under a two-price plan, and of disposing of the surplus crop of wheat under a two-price plan, using the certificate plan for the domestically used wheat; and, as I understand, they would not object. That was the statement he made; they would have no objection.

Mr. HOPE. Now, as far as the flour that went into export is concerned, I presume the plan would provide that the miller would not need to have a certificate for milling that wheat?

Mr. TAYLOR. That is right.

Mr. HOPE. The wheat that goes into export flour; and there would be some method by which he could get it, if he had to use a certificate, when he acquired the wheat.

Mr. TAYLOR. There would be no certificate on export products.

Mr. HOPE. That program would not interfere in any way with the exportation of flour.

Mr. TAYLOR. That is right.

Mr. HOPE. Now to that extent it would be better, as far as the millers are concerned, than the price-support plan, where the Commodity Credit Corporation stabilizes the price of wheat by loans or purchases, because, in the case of wheat, the miller might be buying for export and he would have to buy at the support price.

Mr. TAYLOR. Yes.

Mr. HOPE. And the only way the miller could export under those circumstances would merely be by cutting the price he would receive and receive some subsidy for the difference?

Mr. TAYLOR. Yes.

Mr. HOPE. And it is your opinion, I take it from what you have said, that there are some advantages in this program to the miller as far as the export market is concerned?

Mr. TAYLOR. That is our belief. We do not want to rely too much on the Commodity Credit Corporation for the price-support program. However, it depends upon the type of program you have, the price level, whether they would be in favor of the program.

Mr. HOPE. Let me ask you this question: When the Secretary of Agriculture, Mr. Brannan, was before the committee the other day presenting his plan, he said, if there were acreage allotments and marketing quotas on corn, it might be necessary to have acreage allotments and marketing quotas on feed grains. In that situation it might result, if we had the plan you are proposing for wheat, that there would have to be some marketing quotas upon those parts of the wheat which went into the free market. Is that correct?

Mr. TAYLOR. That would depend—would it not?—on how much the increase in consumption there is as a result of the lower wheat price; and that is a thing we cannot say, just what that increase in consumption would be. But it is rather an approach to an alternative proposition, to stimulate increased use by reduction in price, in addition to human food, which in the past has been pretty well limited.

Mr. HOPE. The point that I had in mind particularly was that, if there should be an increase in wheat production as a result of this plan, it would be necessary to take that into consideration in connection with a program for corn or feed grains. Would it not?

Mr. TAYLOR. Possibly so. Of course, the effect and the relationship between the corn production to the use of this type of a program is something that would have to be worked out. We understand that only 85 percent of the corn is fed on the farm where it is produced; and, if that is the case, I cannot see any real problem along that line that would be different to the plan where you have an allotment program as under the present law, so far as feed grains are concerned. That would prohibit us from raising barley, because we can raise barley on wheat land, but we assume that there will not be too much so far as other grains are concerned in our area.

Mr. HOPE. I think there might be a tendency in the case of the Southwest farmers, who might shift from wheat to milo maize, which can be produced on wheat land, simply to go to milo or some other crop. There might not be any large production of feed grains under those circumstances, under this program. But I think it might be worth while to call attention to the fact, however, of the amount of wheat that might be used for feed; and, as I recall the figure, we never used more than 50 to 60 million bushels, but that during the war—a very unusual condition—we consumed about 100 to 200 million bushels for feed, which amount, when compared with the 3,000,000,000 bushels of corn, or a billion bushels of oats, and 300,000,000 bushels of barley, and 150,000,000 bushels of grain sorghum, is not a very big contribution toward feed, so far as that is concerned.

Mr. TAYLOR. No, but if we increased that more nearly to the wartime level—and that was high because of the good price for the product which was fed—the price that was obtained, assisted by the Government, to make feed available; but if it is used for feed, and we increase its use, very naturally it will help solve the surplus problem.

Mr. HOPE. But, even if we did increase it, say, to 200 or 300 million bushels, it still would be a very small factor; in other words, it would not be a very important competitor.

Mr. TAYLOR. The total feed grain, speaking for the Pacific Northwest, is a small percentage. We feel like that is an important point to the Pacific Northwest certificate plan.

Mr. SUTTON. This 85 percent of the production for feed does not mean 85 percent of it is fed on the farm as grain, but that 85 percent of it is used for feed; does it not?

Mr. TAYLOR. The figures were given to me as indicating that 85 percent was fed on the farm where it is produced. Is that correct, Mr. Kaseberg?

Mr. KASEBERG. Yes.

Mr. TAYLOR. That is the way it is marketed, through feeding—and I can't verify that amount—but that is what we were told yesterday; and, if that is the case, I will put it this way: That I cannot see that this plan would raise any particular trouble with regard to the feeding program.

Mr. HOPE. Mr. Taylor, I think you have made a very fine presentation of your program, and I think it is one that the committee should consider, and the wheat producers should consider. But I would like to ask you this additional question because this is something new—well, it is not new, but it is new for our consideration of the matter now.

Mr. TAYLOR. Yes.

Mr. HOPE. And many of the members of the committee have not had an opportunity to consider it as you have had. The wheat producers of the country have not had the opportunity to consider it.

What would happen, to be realistic, if the committee did not report out a program of this kind at this time? And I think that it is no secret that it will probably be very difficult to bring out a long-range program of any kind before the Congress this year; that is, to enact a long-range program, and that brings me to this question: In the event that it could not be possible to enact your suggestion into law at this time, what do you think this committee should do with respect to a program for next year, keeping in mind that, if the committee does not, the Aiken bill will go into effect on January 1.

Mr. TAYLOR. That has been discussed, and Mr. Kaseberg appeared before this committee a month ago, and a part of his statement dealt with the alternative program. But he discussed this phase that I have presented, and at that time your committee showed considerable interest in that plan, and never discussed the alternative. But the position that the Oregon Wheat Growers League has taken is that we do not like the provisions of the Aiken bill as to the flexible price-support program; as it applies to parity on wheat, we would favor a continuation of the 90 percent of parity, on the amended, or modernized parity, which might be done in the present law by instructing the Secretary that he must set the support 90 percent of parity.

In discussing that matter this morning, some of the boys said, and some are in agreement, that we could not get a long-range program. If we could not, we would go along with the 90 percent of parity, because we would not have time to work out a long-range program; and we thought that parity, under the modernized formula, was acceptable, realizing that the modernized partity would lower the support level of wheat to some extent, but that in view of the change in technique, and with improved crop production methods coming into use, we believe that modernized parity would be fair, and I believe the Washington boys—do they not, Ray?—agree on the recommendation that the 90 percent of parity be continued.

Mr. HOPE. Let me verify that a little further: In other words, until a program such as you suggest could be put into effect, your group in the Pacific Northwest favor the type of price support at 90 percent of modernized parity?

Mr. TAYLOR. Yes; with acreage allotment.

Mr. HOPE. Yes.

Mr. WHITE. That answers the question I was going to bring out. I would like to ask one more question, Mr. Hope, if you are through?

Mr. HOPE. Yes.

Mr. WHITE. You would include a provision for marketing quotas, if necessary?

Mr. TAYLOR. Yes. We feel if we are going to have production controls, as a result in the fluctuation of yields, and production, such a provision is necessary to secure cooperation; and, the marketing quota would serve to secure more compliance.

Mr. WHITE. At a recent meeting of a Nation-wide cotton group down at Memphis, Tenn., in looking over the roster of people coming from California, my State, I noticed several——

Mr. TAYLOR. I am a native of California myself.

Mr. WHITE. I am glad to hear that. I was amazed to find that of the people who were registered as cotton growers, that actually there was only one man out of about 10 who was really a cotton grower and nothing else. In other words, they were in other businesses, or in another phase of the cotton industry, in which their interest was not exactly parallel with that of the cotton producer.

I am not impugning anybody's motives—and we had a little ruckus on this matter in the committee the other day, and I hope it will not arise again today—but I would like to ask whether or not you gentlemen are engaged exclusively in the production of wheat? And just by looking at you I would say that you are an entirely honest man; you appear to be that.

Mr. TAYLOR. See that that gets in the record.

Mr. WHITE. I just want to be sure that you gentlemen are engaged only in the production of wheat, that you do not have any middle men in the group.

Mr. TAYLOR. I am very glad to answer that question. All of the group here are dirt farmers, operating their own farms, drive their own tractors, and do their own work, and that is our only source of income.

Mr. Bell, is the administrator of the Oregon Wheat Commission, and we employ him as the administrator of the wheat commission, in order that we might have some way to carry out the interests of the wheat growers and the wheat growing industry without going to the State legislature or to Congress asking for money.

Mr. PACE. May I, in the interest of time, ask that we not get into that, because we have so many other witnesses to be heard this morning. We thank you very much for your statement, Mr. Taylor.

Mr. TAYLOR. Thank you.

STATEMENT OF CARL KUPER, REPRESENTING TEXAS WHEAT AREA

Mr. PACE. We will hear next from Mr. Carl Kuper, representing the Texas wheat area.

Mr. WORLEY. Mr. Chairman, I would like for the record to also show there is present at the hearing Mr. R. C. Buckles, of Stratford; Mr. W. H. Upchurch, of Canyon; Mr. Vern Reynolds, of Dalhart, and Mr. R. V. Converse, of Spearman.

Mr. PACE. We are delighted to have these gentlemen present, and may I add that we are delighted to have the gentlemen from Texas, Mr. Worley, assist us in working out these problems. The gentleman from Texas is a very distinguished and hard-working member of the committee.

Mr. WORLEY. Be sure that that gets into the record.

Mr. PACE. Mr. Kuper, we will be glad to hear you at this time.

Mr. KUPER. Mr. Chairman, and members of the committee, I represent the High Plains Wheat Producers Association, of the Panhandle of Texas. I also am just a plain dirt farmer. I farm several thousand acres of land in the Panhandle. I came there in 1929, in the fall of 1929, and bought a little section of land, and went through all of the dust storms, the depression, and went broke. Then things got worse, and I was worse than broke, and if it had not been for the triple A payments and the feed loans and so forth, we never could have survived.

I have driven a tractor in the fields when the dust was blowing so hard that you could hardly see where you were going, the direction you were going, trying to save the soil.

We also went through a period there, from 1933 through 1937, over 5 years, when we had to buy seed, did not even pull a combine out of the field, and never harvested a grain.

Since that time things have changed. And what I have to say is that what I have made since then I have made it myself, and never had a dime given to me that I know of. And one of the things I would say first is that we do nothing as big wheat farmers that would impose any penalty nor that would hurt the little farmer. There is room for the farmer who has a section, or 100 acres, or even 20 acres. We want the small farmer to have the very best consideration.

But what we are vitally concerned with is the boys which actually produce the surplus, and I consider myself one of them. We can go along here and have this plan or this idea but we are going to have to take selfish motives out in order to get the job done. Of course there are a lot of things that I would like to do, selfishly; I might go along, leave a part of my land out, and plant it in milo maize, go right in competition with the corn farmer. But I consider that if I did that that would not help this program a bit. And, we think that the best thing to do would be to get a certain percentage of this land out of production, one way or the other, and notably, out of the production of grain, and possibly if we need to increase the meat production to a certain extent, we could plant the land, possibly, in legumes, or plant it in something that would permit of summer fallowing.

I am in deep sympathy with the fellows from Washington and Oregon who are engaged in wheat farming. We also have a similar situation in eastern Colorado, and we have it in Kansas and in Nebraska, and we also have it in Texas. We have boys at the present time who have been following that same practice of summer fallowing.

But if we have acreage allotment and acreage reduction our boys right there in Texas are going to be hurt just as bad as the boys in Washington and Oregon, possibly not so much, because there are some fellows, that because they have been continuing crops planted in wheat, but there are other instances where they have not had acreage allotment before.

I had one section of land that had a 70-acre acreage allotment basis; 640 acres that had a 70-acre wheat basis, and two other sections that had 275-acre wheat base, but since that time, with the controls lifted, and the demand so heavy, I have planted that section 100 percent to wheat, with the hope of building up the acreage base possibly, but on the other, I have made as much wheat per acre on land, fallow wheat, planted continuously, as I have on some of the summer-fallow.

But we have been hurt, to a certain extent, through summer fallowing, and that is, you take the land which is cleaned off, and you work it all summer and nothing is grown on it, and then in the fall, if you do not get rain which you must have to get the wheat up, often the dust will begin to blow and you have to work it through the winter just to keep it from blowing away. Then you also have the loss of the crop.

But we are willing to take that chance, and as I say, we are all going to have to make a sacrifice in some way and we have to look at this situation at this time with that in view. We cannot look at it from the selfish standpoint; we are all going to have to take a rap one way or another, and the way the surpluses are building up there is no way in the world that I can see how the Treasury of the United States can support this price and keep it up, and at the same time have these surpluses piling up.

If we were permitted to harvest this wheat, the excess acreage, and put it in the bin and feed it to cattle and livestock, I say that I think that would be a good approach, but we would be in competition with the men who are making their living feeding cattle or producing corn.

Then on the other hand, the boys out here that are summer fallowing and working this land in the last few years I think probably have just built up an acreage, and possibly they need to give the matter some consideration. We think the boys plan to be fair, which everybody is, and we believe that if we could take a base, of say, a 10-year period, using the last 5 years, excluding 1949, and divide that by five; and then take the next 5 years back, divide that by five, and take the two averages, put them together and divide that by two, and then use as the allotted acreage those figures.

I know that it is going to be tough on some fellows and it is going to be tougher on some than others, but I know also it is going to hurt me personally, but I am willing to take the rap, because we are all going to have to do it one way or the other.

Now while we are definitely in favor of the 90-percent-of-parity support, we also want to have some rigid acreage controls and marketing quotas if necessary. I would like to see first the acreage control tried without marketing quotas. But if it cannot be handled that way, then we should have marketing quotas, and then provide a penalty of some kind, a very heavy penalty should be imposed upon the man who does not comply, and who produces the surplus wheat.

If we have this wheat out in the granaries, even though it is held off the market, the grain trade knows it is out there and sooner or later something is going to happen to that wheat. And, the more wheat you have stored up out in the country, in the elevators and bins the more it is going to cost the Treasury of the United States to keep up the market price, because the grain trade knows that wheat is in existence and that very fact will keep on depressing the market.

Mr. Chairman, I believe that about expresses my views, unless there are some questions.

Mr. PACE. Thank you very much, Mr. Kuper. Are there any questions, Mr. Worley.

Mr. WORLEY. Based on your knowledge, Mr. Kuper, of Mr. Brannan's plan, you probably do not favor it?

Mr. KUPER. Yes.

Mr. WORLEY. Do you have any objection at all to the two-price system?

Mr. KUPER. Well I think the two-price plan—and I am willing to consider anything—I think the two-price plan might operate, but I know that the boys in Washington and Oregon, in the Pacific Northwest, do have a difficult proposition. They are not like some of the other States in other areas. But still, unless we know what we can do with that grain that is being held off the market, with that extra price, how are you going to be able to keep it from leaking though channels into the mills, and so forth? It is just a question that involves a lot of elements, and that is one that I am thinking about now.

Another is that we have got the wheat there, and that is the thing that produces the market; it is a supply that is visible, and as long as it is there it is going to have effect.

Mr. WHORLEY. I believe that the great majority of the farmers down in our part of the country would prefer to stay with the present program with acreage controls?

Mr. KUPER. Yes.

Mr. WORLEY. Do you agree with that?

Mr. KUPER. Yes.

Mr. WORLEY. Thank you.

Mr. PACE. Mr. Granger.

Mr. GRANGER. Mr. Kuper, do you follow summer fallowing in your section?

Mr. KUPER. No, I have not personally, not to any great extent, no

Mr. GRANGER. That is the generally accepted practice, is it not?

Mr. KUPER. Yes.

Mr. GRANGER. Do you know whether the wheat growers following soil conservation practices get paid for summer fallowing?

Mr. KUPER. Not to amount to anything—I think it is limited to $500 to any farmer, regardless of how much farm he has, whether it is a section or ten sections, he does not get any more.

Mr. GRANGER. Do you think the wheat farmer should be entitled to a subsidy payment whether he does follow good conservation practices, or whether he does not?

Mr. KUPER. No; I would not go for that, Congressman. I think that a man should take care of his land without being paid for it.

Mr. GRANGER. One other thing: How many cattle and sheep have been displaced as the result of the big operators of wheat farms in the Panhandle of Texas?

Mr. KUPER. Well I would not say that there have been too awful many. Down in our section of the country, where they just have range cattle running the year round on the range, I would say that it would take anywhere from 15 to 20 acres of land per cow to run one cow. However, it has been a lot more profitable for that land to produce grain than to run cattle on it.

However, we still have some sage brush country and sandy land that is still used to produce cattle. But we have replaced production of cattle in our country, I would say, in pounds of beef, to a certain extent, by being able to graze the wheat in the wintertime.

Mr. GRANGER. It seems to me that we are going around in a vicious circle. Everybody coming before this committee said we must get more livestock. As a matter of fact I do not know of any group that has displaced more livestock than the fellows who raise wheat. In my section beginning in Colorado, straight on through Idaho and into Oregon, and I suppose in Texas and everywhere else, they have gone clear up to the timber line to plant wheat on what used to be ranches used for sheep and cattle. As a result we have reduced the population of sheep to the lowest point in history. Now they come back and tell us we have to do something to get it back, and it seems we are just going around in circles.

Mr. PACE. Any further questions.

Mr. HOEVEN. Mr. Kuper, under your proposed base period, you make no provision for the new wheat grower?

Mr. KUPER. That is just what I was trying to bring out a little while ago; it is a tough situation.

Mr. HOEVEN. What base do you propose for the new grower? The committee would be interested in knowing about it.

Mr. KUPER. Just to be frank about it I would not know just how to answer your question, other than to say if we take just the past recent 5 years and average it on the basis of 5 years, you should have a pretty good base on them.

But the 5 years before that they would not have much; but if you add the two together and divide it by two, possibly strike a middle in between—I would not know just how badly it would cut it down—but I do know there has been an awful lot of land put into production in the last few years which is going to hurt awfully bad. But still on the other hand, just like myself, as I stated, on one farm that I had, I only had a 70-acre base, and that would go into the 5 years.

Mr. HOEVEN. But you would place a penalty on the new grower?

Mr. KUPER. Yes.

Mr. HOEVEN. You would give him no base at all.

Mr. GRANGER. How would it affect you, if you had been growing wheat over the entire period that you have, how would it affect your operations; how much would it cut you down?

Mr. KUPER. I would say that it would probably cut my production about 50 percent.

Mr. GRANGER. How much?

Mr. KUPER. About 50 percent.

Mr. HILL. Suppose you planted your land in milo maize or kaffir corn, would that result in blowing of the soil?

Mr. KUPER. It would not increase the blowing at all. It would be the finest thing in the world if we were allowed to plant milo maize or kaffir corn or something like that to get some of the land out of wheat production. But the thing that concerns us most is thinking that we are going right into competition with the corn farmer.

Mr. Hill. Let me ask you this: Do you think you could, merely by producing milo maize, feed cattle and increase the livestock, by feeding them milo maize or kaffir corn, without hay or other roughness and go in competition with the farmers feeding livestock in other sections?

Mr. Kuper. Well, the nearest thing to my mind, for putting them on the market——

Mr. White. We have in California.

Mr. Hill. You have increased your livestock to an appreciable extent?

Mr. White. Quite a bit.

Mr. Hill. Because you are close to the California market?

Mr. White. Yes.

Mr. Kuper. We could increase our production of beef through all of these methods, but the thing that we want to do, Mr. Hill, is this: We want to be fair to everybody, and we do not want to hurt the corn producer.

Mr. Hill. Is that not characteristic of farmers everywhere, that they want to be fair to everybody?

Mr. Kuper. I think so.

Mr. Hill. But you could increase your livestock?

Mr. Kuper. Yes. But we must do something about this price situation. If we do not, we will be back where we were a few years ago.

Mr. Hill. Because of the greater earning from production of wheat, since it took 15 acres of land to graze a cow, you had to get out of the cattle-production business, when the price of land increased to the extent that you could not afford to raise cattle?

Mr. Kuper. Yes.

Mr. Pace. Mr. Hope.

Mr. Hope. As you have indicated, you could shift to cattle feeding in your area just as easy as you shifted to wheat; you could shift to wheat, if you had the land in feed, could you not?

Mr. Kuper. Yes.

Mr. Hope. Instead of letting the people come down and buying feeder cattle from you and turn them over to feeders?

Mr. Kuper. Yes.

Mr. Hope. In other words, you could go ahead and feed the cattle?

Mr. Hill. Of course, it is going to take something else beside grain to fatten cattle. What are you going to do for hay? Can you produce hay right in your vicinity? And how much could you produce? What sort of hay?

Mr. Kuper. It could be grown on this diverted acreage. We can plant almost any kind of hay crops, like sudan; we can plant kaffir corn and other hay crops.

Mr. Hill. Forage crops?

Mr. Kuper. Yes. And, we have silos down there; for years we have had a lot of silos for green ensilage.

Mr. Pace. Gentlemen, pardon me, but we have a long way to go if we are to complete with the witnesses.

Mr. Hope. Just one or two other questions: I understood you to say that you personally do not summer fallow?

Mr. KUPER. Well I summer fallow some, but not a great deal. Some of the boys summer fallow a great deal more than I.

Mr. HOPE. What percentage of the wheat acreage down there is summer fallowed?

Mr. KUPER. You mean as to the county as a whole?

Mr. HOPE. Yes; take your county.

Mr. KUPER. I would say about 50 percent.

Mr. HOPE. Here is a question that is going to come up, and it is going to be a difficult one, I think, and that is in the assignment of acreage in the counties: How do you consider the farms where they have made it a practice to summer fallow, compare with the ones where they have farmed continuous crops? Have you any suggestion on that?

Mr. KUPER. Well, I do not think there is hardly any way to get at it—and I do not think we should have too many details, because I think we ought to keep this thing just as simple as possible, because if we are going to make it too detailed, we are going to have so many complications we will never get it to work. What we want to do is to prevent getting too much surplus, and we are going to have to try to strike a happy medium and try it that way.

Mr. HOPE. Well, are you not going to find this situation in my section and other sections in the Great Plains areas, where you will see one farmer has perhaps two sections, one where he summer fallows and one where he does not?

Mr. KUPER. Yes.

Mr. HOPE. And his neighbor may have two sections where he grows wheat, and when you come to give those two men a base, would you give one fellow 640 acres and the other fellow 1,280 or what would you do?

Mr. KUPER. My idea would be that you would just have to cut.

Mr. HOPE. To cut what?

Mr. KUPER. You would just have to cut down somewhere, and I do not know just exactly how.

Mr. HOPE. You believe that can be done in your own district, under the existing practice?

Mr. KUPER. Yes.

Mr. POAGE. As I recall the wheat law, you would give the same percentage on wheat land that everybody else gets, and that is fixed in the law.

Mr. COOLEY. You are suggesting a 10-year period, starting with the prior 5 years and the last 5 years'

Mr. KUPER. That is right, for each farm, using his past operations.

Mr. COOLEY. Having two 5-year periods?

Mr. KUPER. Yes.

Mr. COOLEY. And each one of them would be given the same weight, each 5-year period?

Mr. KUPER. Yes.

Mr. COOLEY. In that way you would give some fellow less land and some fellow more?

Mr. KUPER. Yes.

Mr. COOLEY. But by so doing you intend to give an equitable allotment of the acreage?

Mr. KUPER. Yes.

Mr. POAGE. I do not understand that the present law gives any consideration to the person's historical base. I know it does not for cotton. Here is what the law says in respect to wheat:

> The allotment to the county shall be apportioned by the Secretary through local committees, among the farmers within the county on the basis of the tillable acreage, crop rotation practice—

and so on. There is not a word in there about apportionment to the individual farmer on the basis of what he planted.

Mr. COOLEY. The crop-rotation basis.

Mr. POAGE. That refers to these practices, summer fallowing of the land and so forth. And what that means is that summer fallowing can be considered the same as the land that he puts in crops.

Mr. COOLEY. Yes.

Mr. POAGE. In establishing a base for everybody in the county; they are given the same kind of treatment, rather than saying that the man who grows wheat, who plants all his land in wheat every year is going to get a larger base acreage than the man who has not contributed to the surplus in the past, and I think that is a fair proposition.

I think many of us are confused because there have been so many changes, and it has been so long since we had allotments. In 1939 we changed the system; prior to 1939 we did depend, both in cotton and wheat, on the personal history, but we had 3 years, I believe it was 1939, 1940, and 1941 under the new system, but in 1935, 1936, and maybe 1938, we had the individual historical base. Is that not about the situation? And, do you not think that the county average is a fairer proposition than to try to give each individual an allotment base on the previous history?

Mr. KUPER. Well, I think that would be fair. The main thing I would like to point out——

Mr. POAGE. That has been the law for 10 years?

Mr. KUPER. Yes.

Mr. POAGE. That is still the law and has been the law for 10 years, and we have not had allotments, and we have not thought too much about it.

Now, it seems that the greatest problem in your area—what section of the State?

Mr. KUPER. In Dallam County.

Mr. POAGE. In Dallam County you do not grow cotton?

Mr. KUPER. No.

Mr. POAGE. When you get farther south, and on the eastern side of Mr. Worley's congressional district, you run into places where a man may grow both wheat and cotton. And it seems to me that is where the real problem will come of allocating the land, where a man who has a section of land, for instance, and the allotment for wheat is 40 percent and the allotment for cotton, we will say, will be 30. In other words, he has 30 percent in cotton and 40 percent in wheat, of his section of land, where he has been planting both cotton and wheat, and it is in those counties, it seems to me, where they overlap that you will run into difficulty.

Mr. KUPER. Yes.

Mr. WORLEY. Among others.

Mr. PACE. If there are no further questions we thank you, Mr. Kuper.

Mr. KUPER. Thank you.

Mr. PACE. Before calling the next witness let me say that tomorrow at 10 o'clock representatives of the Department of Agriculture will be here to submit recommendations for marketing quotas for wheat. I do not know whether you gentlemen have come here to testify on the very highly controversial question involved, which has not been presented so far, that is to say, what shall be the national allotment for wheat, whether 800,000,000 bushels or what? How should you break down the wheat between the States? How should you break down the State allotment between counties? How should you break down the county allotment among the farmers? And will you have a minimum allotment to each farm or have a maximum allotment for each farm?

Those are problems that this committee is going to have before it; and I might say, for example, that for cotton we took a month; we were sitting here a month, and we proposed to handle wheat in 3 days.

I am just suggesting that in the hope that while generally everybody, of course, is interested in what we are going to do with the land, how many head of cattle they are going to feed, and all of that, but it does not really have anything to do with the question before this committee, and that is the question of writing a law.

I am going to try to get through with the next witness if we can, but I want to suggest to those here, that Mr. Parker, who is attorney for this committee, remain here, and ask you gentlemen to remain after we adjourn, and let him tell you what the wheat law is now as it stands on the statute books. I think it is necessary to know that before we talk about changes. The Department will be here tomorrow morning at which time we will discuss the recommendations, and I think it will be necessary to know what the law is now in order to know what changes you want to make in it, and if I may, I would like to suggest that you stay here a few minutes after we adjourn and have Mr. Parker explain the law to you.

Mr. COOLEY. And may I also suggest the possibility of having them agree on a certain spokesman.

Mr. PACE. I understand they have done that.

Mr. ALBERT. Is it your purpose to have a meeting at 2 o'clock?

Mr. PACE. I did not want to. We are planning to meet all day tomorrow. The House will adjourn over tomorrow. If we can have an all-day's meeting I hope we can complete without having an all-day session Saturday. It will depend entirely on how expeditious we are, and whether we can keep solely to the question that is before the committee. I had hoped that we might adjourn today and meet tomorrow at 10 o'clock, but we do want to hear one other witness today.

Mr. WHITE. Just before the next witness, in view of the figures that were given in answer to Mr. Hoeven's question, and so the record will be complete, whether or not a 2 percent provision for new growers in the wheat law the same as——

Mr. HOPE. No; 3 percent.

Mr. HILL. That is not very much.

STATEMENT OF H. O. WALES, REPRESENTING EASTERN COLORADO DEVELOPMENT ASSOCIATION

Mr. PACE. Mr. Wales, representing the Eastern Colorado Development Association, is here and we will be glad to hear him next.

Mr. WALES. Mr. Chairman and members of the committee, first I want to answer the question raised a while ago by saying that I am not directly farming now, but I have been associated with farming for several years, and I am representing the Eastern Colorado Development Association, a newly organized organization, and they have been very much interested in this matter.

Mr. HOPE. May I say, Mr. Chairman, that Mr. Wales was formerly a resident of my district. I have known him for many years, and while he is not farming, he knows all about the farming problems and has been following that for many years.

Mr. HILL. He has been an assistant county agent and knows about the whole program.

Mr. PACE. We will be glad to hear you, Mr. Wales.

Mr. WALES. First, Mr. Chairman, I am from a district that under the present situation we think is in a rather unfortunate position, in that the land has been broken out and put to wheat in the last 4 years, the largest percentage of it; in the last 4 years the acreage in that territory has trebled; that is, the acreage to wheat. Unfortunately a part of the area is out of the area in which you can successfully raise grain sorghum; it is too far north. A part of the land is in area in which grain sorghums can be raised. And unfortunately we cannot produce the feed; that is, grain feed for the cattle. We think that it is a wheat-producing area, based upon the records they have over the past several years. We have summer fallowing in the area. And it is a good practice, we think, because through summer fallowing we have improved farming practices and that is the only way we can continue to raise wheat in that territory.

And there again we are, you might say, at a disadvantage, in that we feel that to take this new area that is established for wheat and start from where we are now and go back 10, 12, or 15 years, would be a backward step. Why not step forward and establish acreage allotments on that basis? We think the same things should be taken into consideration, that the present acreage of wheat in the production areas should be considered and not what was produced in the past several years.

We have greatly improved our methods; we have many young farmers who have gone into farming, many of them have come from the surrounding States of Texas, Oklahoma, Kansas, Nebraska, and so on and are now producing wheat, and a large percentage of those boys are GI's. They have invested from $20,000 to $25,000 in machinery, and if we take that acreage out of wheat, and if we cut that acreage down in that territory, it will not be practical to have that much machinery and that much equipment for farming.

The value of the land has gone up to a point where grazing cattle will not pay the interest on the capital investment in the land.

And, as I started to say a while ago, if they do not get acreage allotment the entire economy of that entire community would be upset and we would have a lot of displaced persons.

One reason of our feeling the way we do in that area is that we now have improved varieties of wheat, we have improved methods of farming, we have improved mobile power which makes the farming practice required in that year possible.

I was glad to hear Mr. Kuper say he wanted to be fair to all areas, and I think that it is only fair that these new areas be given consideration.

Mr. PACE. Mr. Wales, may I say this, because you have raised a fundamental question. I mean, you understand that the present law says that the Secretary cannot go below 55,000,000 acres of wheat. Suppose he fixes the next allotment at 60,000,000, cutting off from 20 to 25 million. That means everybody is going to have to take a cut. That means when you speak of giving preferred treatment that you have to take acreage away from somebody else. Now the present law says that the allotment should be based on 10 years. Now if they have to take it away from somebody else to give it to the new producers who do you propose to take it away from; what producers?

Mr. WALES. I have been wondering, if we have to take the 20 percent cut suggested by someone here in the last few days, or a 25 percent cut—whatever it happens to be—would it not be fair to cut all farmers the same proportion—25 percent? That is the way we feel.

Mr. PACE. You do not feel that the old wheat areas, men who have been in the wheat business all of their lives, who were in the wheat business back yonder when wheat did not bring the cost of production, would have any claim to superiority over the man who, just in the last 2 or 3 years, on account of the price and the profit involved, went into the wheat business?

Mr. WALES. These men are young men in that territory.

Mr. PACE. Well, the law cannot classify the young and the old.

Mr. WALES. That is right. They came home from the Army; many of them came home to the farm to work with their dads.

Mr. PACE. Let me say this on the question of the way they have been brought up: You find just as many veterans among the old wheat farmers, and I venture to say you will find 50 times more veterans among the older wheat farmers than there are in the new wheat farmers, and I do not understand why being a veteran has anything to do with it.

Mr. WALES. Not being a veteran, but——

Mr. PACE. Because if we are going to give to that veteran, then we have to take it away from another veteran. And I presume over half of the farmers of this Nation will be veterans of either the First or Second World War. So on this veteran idea, everybody knows its appeal and it is always brought up, but what is the use of cutting one veteran's throat in order to help another one, if I might put it that way?

Mr. HOPE. Will you yield right there? Without getting into this controversy, which is a big controversy and is bound to be, not only in wheat but in cotton——

Mr. PACE. That is right.

Mr. HOPE. I think it can be said that these producers in areas such as Mr. Wales represents had their increase in acreage take place at a time when the Department of Agriculture itself was asking for an increase in the acreage. Of course, they are coming in now and cutting down the acreage next year, but at the time that expansion started there was a request from the Secretary of Agriculture to the farmers to expand their production of wheat to feed a starving world.

You think that should be given some consideration?

Mr. WALES. I neglected to mention that; I left it out.

Mr. PACE. Understand, please, I want to help you work the problem out, and I am just trying to dig into the things that need to be considered.

Mr. WALES. That is right.

Mr. HILL. Mr. Wales, you are going to be here tomorrow to listen to the testimony of the Department?

Mr. WALES. Yes, sir.

Mr. HILL. Let me ask you another question. I know from my own observation around my own home in the irrigated section that the wheat acreage has somewhat dropped in the last few years because of their experience which was not too good. I would like to know, if you have ar increase of wheat in the State of Colorado and if we put this acreage on a State basis, would you be cut as much as the Secretary proposes to cut wheat production in the over-all picture? Do you happen to know?

Mr. WALES. Roughly only. There are a little over 3,000,000 acres of wheat in Colorado this year; I believe 3,129,000, or just a little over 3,000,000 acres in wheat. Now, in our territory, in our county, there were 8,000 acres of wheat allotment in 1942.

Mr. HILL. How many acres do you have in your territory now?

Mr. WALES. There are 208,309 in our county now. Crowley County to the south of us has about the same situation.

Mr. HILL. What is the State figure; do you happen to know that?

Mr. WALES. Only the total acreage of wheat in the State at the present time. I cannot tell you what the old wheat acreage allotment was.

Mr. HILL. I wonder if we can have that tomorrow?

Mr. WALES. I think we can probably get it for you tomorrow. Just estimating now from the basis that was explained here today—I have not figured it—it would cut the Colorado wheat production acreage about two-thirds, about 66⅔ percent.

Mr. PACE. That would be rather stiff.

Mr. HOPE. Are you talking about the 10-year average?

Mr. WALES. The 10-year average; yes.

Mr. HILL. The 10-year average would cut the acreage 66⅔ percent in the State of Colorado?

Mr. WALES. That is right—that has been farmed.

Mr. HILL. Do you have any idea what it would do to the States in the Northwest like Idaho?

Mr. WALES. I have not any definite idea on that. I do not imagine it would be nearly that much.

Mr. HILL. How about Kansas; do you have any idea there?

Mr. WALES. It would not affect the Kansas acreage nearly as radically as Colorado.

Mr. HOPE. I think the head of our State PMA says that a 10- or 5- or 3-year average would turn out just about the same in Kansas.

Mr. HILL. A 2-year average or a 3-year average would not be as hard on you?

Mr. WALES. A 2-year average or a 3-year average would not be as hard on us.

Mr. HILL. But if you take a 10-year average, that is where you get hit?

Mr. WALES. Yes.

Mr. PACE. How much of this wheat acreage is owned by men who live there and farm there and live on the farm?

Mr. WALES. The largest percentage of it.

Mr. PACE. The reason I ask is that somebody suggested to me the largest percentage was being farmed by people who live in other States, who go in there and plant wheat and leave and then go back at harvest time and harvest it and go back home again.

Mr. WALES. A considerable amount of it is, but I think the largest percentage you will find is produced by residents of the county in which they are producing, or close by.

Mr. PACE. But you have not checked those figures?

Mr. WALES. I do not have the definite figures on it.

Mr. PACE. Now, what is this development organization; is that an organization of wheat growers?

Mr. WALES. It includes wheat growers, businessmen, professional men—everyone.

Mr. PACE. It is just something to promote the economic welfare of the State?

Mr. WALES. That is right.

Mr. HOPE. I would like to ask one more question. As already indicated, this question of the years we are going to use for the base is very important to some areas. As I indicated, it is not important in Kansas and is not important in some other States, but it is important in your area. I am wondering what you would think of some program—we will use another base than you are talking about; we will use a 10- or a 5-year base—that would provide that you could not cut any particular area down any more than a certain percent. I am not suggesting what percent. I wonder if that would help solve your problem in any way.

Mr. WALES. In the position we are in, anything could help. That can be answered very positively, I think.

Mr. HOPE. That is all.

Mr. PACE. Thank you very much, Mr. Wales.

Gentlemen, as heretofore agreed upon, we will stand adjourned until 10 o'clock tomorrow morning.

(The subcommittee thereupon adjourned until tomorrow, Friday, May 6, 1949, at 10 a. m.)

WHEAT ACREAGE ALLOTMENTS AND MARKETING QUOTAS

FRIDAY, MAY 6, 1949

House of Representatives,
Special Subcommittee of the
Committee on Agriculture,
Washington, D. C.

The subcommittee met at 10 a. m., Hon. Stephen Pace (chairman) presiding.

Mr. Pace. The committee will come to order.

I announced yesterday that the opening witness this morning would be a representative from the Department of Agriculture to outline the recommendations of the Department with respect to the changes in the quota law for wheat. We have present at this time the Assistant Administrator of the Production and Marketing Administration for the Department of Agriculture, Mr. Frank Woolley, who desires to explain the situation to the subcommittee.

STATEMENT OF FRANK WOOLLEY, ASSISTANT ADMINISTRATOR, PMA, DEPARTMENT OF AGRICULTURE

Mr. Woolley. Mr. Chairman, as I indicated to you over the telephone last evening, the Department is somewhat embarrassed in that we have misunderstood how the committee wanted to proceed. It was my understanding from the Secretary that the committee had thought that the Department would go ahead and put into legislative forms its recommendations with respect to all the changes that the Department would like to recommend, including features of the Secretary's program with respect to the loans, the production payments, and so forth.

Accordingly we have been working between the Solicitor's Office and the commodity branches drafting up the ideas that those two groups have, and right at the present time we are in the process of trying to reconcile the differences between the commodities so that the application of the suggestions that we are making on individual farms will make sense to that individual farmer.

To be specific, in the case of wheat, we talked about 10-year history at the present time in the law with respect to States' and counties' allotments. In the case of cotton, we have been talking about 5 years, 4 years, 3 years, 2 years, as you will recall; and also there is a provision in the law with respect to cotton of approaching the problem from the standpoint of cropland. Whereas, with respect to wheat, the problem is approaching it from the standpoint of crop-rotation practices, tillable acreage, soil types, and so forth.

We are at the present time in the process of trying to have those things come together and make sense from the individual farmer's standpoint, so that when we find the farm where the farmer is working under more than one program in his operation, the farmer would not have the feeling that there were two independent groups working on the problem that had no idea in the world what the other one was talking about.

There are a lot of basic, fundamental reasons, why you have to have differences between commodities. I think everybody recognizes that. But what we are trying to do is to eliminate the differences which are not basic, or not based on sound, fundamental reasons. So therefore we are not in position this morning to state for the benefit of the committee the position of the Department with respect to this subject, and I regret that there has been that misunderstanding. It is possibly due to one or two things——

Mr. PACE (interposing). Let me ask you a question, as to this uniformity in allotment with respect to the three commodities, cotton, corn, and wheat, if the Deparrment has reached the point where that has been pretty well worked out, and whether the delay is putting in legislative language the Secretary's recommendation?

Mr. WOOLEY. No; there are a number of things that are very fundamental that are coming up, and it does not constitute just shaping the language into specific words. There are conflicts of ideas, and it is a question of trying to reconcile the conflicts of ideas, to the extent that they have no justification, and where there are differences that are well founded, it is a question of trying to iron them out.

Mr. PACE. Let me say that I do not know where the Secretary gained the impression, but I do know that there is serious doubt as to whether the committee is going to be able, at this late date in Congress, to pass any kind of an over-all bill, that is, for quota regulation with respect to commodities, plus the Secretary's program, plus other needed changes in the legislation. The committee may want to do that, but just from my own personal view, I see the danger of presenting any kind of a controversial bill, and you can see where the whole bill would bog down.

As I see it, entirely independent of the Secretary's recommendation, these quota laws have to be passed at this session, as someone has said, "irregardless."

Mr. ANDRESEN. You have raised the question that I was going to ask, but is the program which the Department is working up based upon the Secretary's presentation to the committee a month ago?

Mr. WOOLLEY. Yes. The Secretary's proposal envisioned the integration of production adjustment through the device of acreage allotment, marketing quotas—marketing agreements, and orders, and all of those come to bear on the question of bringing supply into line with demand of and the marketing of commodities, and it was felt you should have the complete story.

The Solicitor feels very strongly that the marketing quota legislation is completely out of date, in many respects. The marketing agreement and orders legislation should be changed to be in harmony with the new statute with respect to support price, standard of parity, and so forth, and that is what we are trying to integrate, put them together so they will make sense as a whole proposition.

Mr. ANDRESEN. As I recall, with the modification which the Secretary made in his proposal of April 7, with respect to basic commodities which was to take care of wheat, corn—wheat under marketing quotas and allotment of acreage—that really continues the present program.

Mr. WOOLLEY. Yes; except we are doing an awful lot of work, on problems that have been discussed before this committee, with respect to cotton and corn, and wheat still remains as one of the major commodities with respect to legislation at which operation will be carried on.

There are a number of other provisions with respect to the details of the way the program would be operated. But, the Secretary's statement, as I recall, was that the basic principles of loans, marketing agreements—marketing quotas and acreage allotments would be patterned for those commodities.

Mr. ANDRESEN. Yes. Then you are just simply working on a program now; that is what you are doing, to modify the existing formulas?

Mr. WOOLLEY. No; we are not thinking in terms of whether we have a two-price system at this time from that in the act.

Mr. ANDRESEN. Or the 1,800 units that were allotted to each farm?

Mr. WOOLLEY. That is correct, although the 1,800 units will be in that part of the legislation which we send up here as the suggestion of the Department.

Mr. ANDRESEN. Well, we have approximately 2 months' time left now.

Mr. WOOLLEY. That is correct.

Mr. ANDRESEN. Before this session of the Congress will adjourn.

Mr. WOOLLEY. That is right.

Mr. ANDRESEN. And certainly we have all got to recognize that if we are going to have an act for 1950 we must do it in this session.

Mr. WOOLLEY. Yes.

Mr. ANDRESEN. Have you appeared, or has the Secretary appeared before the Senate Agriculture Committee to discuss this proposition?

Mr. WOOLLEY. The Senate Agriculture Committee, it is my understanding, has said that they would like to discuss this proposition after it had been put into legislative form. Right at this time, while we are discussing this question here this morning, we have a group of people working in the Department; they worked all day yesterday, they will work all day today, and will work tomorrow and they will work Sunday, and they will work right straight on through trying to reconcile these differences.

We thought we would be in position by about Tuesday or Wednesday of next week to have this matter up here with the differences reconciled.

Mr. ANDRESEN. The Secretary also said, on April 7, that he had a legislative staff working on the same proposition, to get it in legislative form, and now more than a month has gone by since he appeared before the committee. Have they been working on it during this entire time?

Mr. WOOLLEY. We have been working—the attention of the Secretary's office and that of the Production and Marketing Administration has been devoted to the question of working on this legislative proposal, as well as the Solicitor's office and the Bureau of Agricultural Economics.

Mr. ANDRESEN. Does the Department expect to delay this matter until we are about to adjourn and then drop it in the lap of Congress, and say here it is, take this, and if we do not take it, blame Congress for not putting it through?

Mr. WOOLLEY. I have no knowledge of anyone having such an unfair attitude as that. I am certain that to attribute such a thought to anyone by implication would be doing them quite an injustice.

Mr. ANDRESEN. Do you think that by next Tuesday, Tuesday of next week, you can have this in legislative form, so that the committee will know what the Department is really recommending?

Mr. WOOLLEY. I do not want to commit the Secretary on that for this reason: The Secretary is out of town at the present time. I understand he will be back Tuesday evening. We would, of course, want to clear any controversial points with him before it is transmitted to the committee, as I am sure the committee would want us to do, and I think it will probably be about Wednesday or maybe Thursday; I would not want to be too specific, but as I say, we have been doing a great deal of work, diligently trying to reconcile a number of different points.

Mr. ANDRESEN. Let me ask you this question to see if I can get something clear in my mind: Are you trying to work the two programs proposed by the Secretary so they will modify diversified farming?

Mr. WOOLLEY. Yes.

Mr. ANDRESEN. For instance, here we will say we have many diversified farm products: Where a farmer is producing corn, barley, oats, some of them produce rice and hay; they may have 20 or 30 milk cows, and produce hogs. Now how are you going to work that out so that this fellow will have an equitable share of the production? Are you going to limit say the corn and other basic commodities to some 1,800 units, that will give him 1,800 units of production of pork, milk products, poultry, and other items?

Mr. WOOLLEY. There have been many hours of discussion of just how to do that very thing.

Mr. ANDRESEN. And you have not come to any conclusion on that?

Mr. WOOLLEY. We have come to a tentative conclusion, but we have not come to a conclusion of just what would be written, and the Solicitor has already pointed out, and raised some question about the constitutionality of certain things. He thinks that if we are to suggest to you that we use a certain base for some of these programs that our regulations will naturally raise a very considerable question of whether the Supreme Court will go along.

Mr. PACE. Mr. Hope.

Mr. HOPE. The thing which disturbs me about the information that Mr. Woolley has given us is this: The program with respect to wheat is such that any change that is made in the basic program, is going to have to be announced within 60 days from now, and as I understand it, the Department has already sent material out to the counties and and is getting information, and outlining a program.

What I want to know is this: How late can you determine the base for acreage allotments?

I had understood that the Department is giving consideration to a new base. We have had men here from the wheat area, some of them proposing the use of 3, 5, or 10 year bases and some 1 year, and that is the question that is going to have to be considered here.

I do not see how we can wait until Congress passes upon a great, comprehensive long range farm program, to determine these questions, for instance, the question of summer fallowing is a very controversial matter in the allotment of acreage to farms—and I do not see how we can change the program, or make these important modifications that have been suggested and do it right now. That is the thing that disturbs me. How soon can we have the Department's decision on it?

Mr. WOOLLEY. Well as I say, there apparently was some understanding on the part of the Department and the committee as to what the committee wanted. We understood it wanted us to draft legislation, the legislative form and have it all appear before we came.

Mr. PACE. No; what we wanted in this instance was the recommendation of the Department. Now the thing that disturbs me that we have a good many of these gentlemen present, and many of them have come from long distances, and I am very doubtful that they will be able to get back here at the latter part of next week, and yet I am sure they are not going to be happy at some of the recommendations that may be submitted.

Mr. WOOLLEY. I appreciate that.

Mr. PACE. They should have opportunity to discuss them.

Mr. HOPE. How soon, or what is the latest date, the man should have his acreage allotment for winter-wheat planting?

Mr. WOOLEY. We have made allotments for most quotas, I think, the date is July 15.

Mr. PACE. But outside of that when does the planting start?

Mr. WOOLEY. Well the planting starts in the fall, of course. But you have got to have the acreage allotment out, and they should be out to the farmers in the next 60 to 90 days. And as you are aware, there are a lot of things that have to be done and should be done before now. Actually there is a feeling being expressed to me here this morning that what we ought to do for acreage allotment for the next succeeding year should be done by January 1 rather than around July 1.

Mr. PACE. They have a lot of planning to do, and of course the sooner the better.

Mr. WOOLEY. Yes.

Mr. PACE. But if you have to make these announcements 60 or 90 days from now we are really faced with a problem.

Mr. WOOLEY. I agree with you. We have done everything we know how to get right at the acreage allotments. I assume that probably what the upset will be is that we will have for the 1950 wheat, we will have to take what we have; that is about the size of it.

Mr. PACE. You have just suggested that possibly for 1950 we may have to operate under existing law.

Mr. WOOLEY. Yes.

Mr. HOPE. Are you going ahead with instructions to the county committees on that idea; is that correct?

Mr. WOOLLEY. We could not, of course, instruct the county committees so far as any detail work is concerned, on how the law is going to be changed; all we have got is the basic data. What we have done so far has been in conformity with the law that is on the statute book today.

Mr. HOPE. Of course it would have to be, but what I am interested in is this: Have you gone so far already, that any changes in the law that might be made now would be ineffective, so far as 1950 is concerned?

Mr. WOOLLEY. We have tried not to. Of course, the large body of the data that has been obtained is adaptable enough to any change that might conceivably be made.

Mr. PACE. It covers the 10 years?

Mr. WOOLLEY. The wheat data?

Mr. PACE. Yes.

Mr. WOOLLEY. No, it does not cover 10 years in detail.

Mr. PACE. Does the present law require 10 years?

Mr. WOOLLEY. The present law is 10 years with respect to State and county allotments,but not with respect to farm allotments; the farm allotments are based upon tillage, crop rotation, topography, and soil practices.

Of course we could use the BAE figures; there would be no question about them, and that would be a simple matter and would not create any problem.

Mr. HOPE. Mr. Woolley, you have had the State committees in here from the wheat States?

Mr. WOOLLEY. That is correct.

Mr. HOPE. Sometime back?

Mr. WOOLLEY. That is right.

Mr. HOPE. And you had them make their recommendations?

Mr. WOOLLEY. That is correct.

Mr. HOPE. Are you at liberty to say what the recommendations were with reference to this matter of the base for States, county, and farm acreage allotments?

Mr. WOOLLEY. I do not have those recommendations with me at the present time, Mr. Hope, but fundamentally what they wanted to do was to stay with the crop rotation practices, tillable acreage with respect to the on farm, which is one of the main important matters. I do not recall whether the recommendations go from 10 to 5 years for the county allotments or State allotments or not; I do not recall that offhand.

Mr. HOPE. Have you received the recommendations from other groups either in or out of the Department with reference to what changes, if any, could be made in the present program?

Mr. WOOLLEY. There have been all kinds of suggestions made and analyzed, and it is that result that is finally being integrated into this drafted legislation.

Mr. SUTTON. Can you give us an idea what are the major recommendations, or what the recommendations are going to be?

Mr. WOOLLEY. The major recommendation that has been made is one with reference to two-price system, which has been discussed many times.

Mr. SUTTON. Is that being recommended?

Mr. WOOLLEY. Oh, no; but that is one of the major suggestions that have been made, which is not incorporated in our recommendations.

Mr. SUTTON. It is not being incorporated?

Mr. WOOLLEY. No.

Mr. PACE. We had that suggestion made to us yesterday.

Mr. WOOLLEY. Yes.

Mr. HOPE. Has the recommendation been made and agreed upon in the Department on matters like the number of years to be used in determining the base in the States and counties; have you agreed upon those matters?

Mr. WOOLLEY. That is something we are working on. We have the recommendation of the State people, and we have got various commodity people working on that problem right now.

Mr. HOPE. It is certainly desirable that we have something very shortly if we are going to make any changes affecting the 1950 crop.

Mr. WOOLLEY. Yes, that is correct. As I say, we have been driving hard trying to complete it in order to give you the complete story, and we were under the erroneous assumption that that was what the committee wanted.

Mr. HOPE. Is there a difference of opinion in the Department on the recommendations as to the number of years that would constitute the best base for acreage and allotment quotas, and also on the question of summer fallowing? Is the Department divided on those matters?

Mr. WOOLLEY. There is always a certain amount of difference of opinion between various groups in particular commodities, as far as that is concerned, with respect to what they would like to do concerning the commodity in which they are interested, and they would like to see the other commodities, insofar as possible, go along on the same basis. That is where we are right now, trying to reconcile the different commodity groups with respect to that, as well as the BAE and the Solicitor's Office.

Mr. HOPE. Suppose that Congress should make changes—suppose that Congress should make changes in that law, relating to the years which would be used for the base and relating to the allotment of acreage in the county to individual farmers, what is the latest date that legislation will have to become law in order for you to put it in effect, with reference to the crop of wheat that will be planted this fall?

Mr. WOOLLEY. Well, as a matter of fact, that is the point I just mentioned. Actually the law ought to be on the statute books right now.

Mr. HOPE. Yes.

Mr. WOOLLEY. There is a great deal of work that must be done, has to be done in implementing any law. The changes have to be passed on down through the States, down through the counties and they must make determinations as to the individual farms, and notify the farmers of their allotted acreage, and all that sort of thing. There is a tremendous amount of time and work that has to be done, just in the nature of things. And as I pointed out, unless something is done very soon, we think we will probably have to live with what we have for 1950 just purely from the standpoint of the mechanics of the operation.

Mr. HOPE. You say very soon. What is the latest date that we can pass a law to make it effective?

Mr. WOOLLEY. As I say, I think it ought to be done right now.

Mr. HOPE. Could we pass legislation affecting the wheat program as of this date which could be put into effect as far as the 1950 crop is concerned?

Mr. WOOLLEY. Of course we would try; if you did it any time between now and July 1, we would do our very level best to put it into effect, and we would put it into effect some way, but it probably would not be a very good job, I would say.

Mr. PACE. Thank you very much. Are there any further questions?

Mr. ANDRESEN. May I just ask this question: I wonder if the Department has taken into consideration the fact that we may have 1,000,000,000 bushels of winter wheat, and 300,000,000 bushels of spring wheat, and a carry-over of 300,000,000 bushels, or 1,600,000,000, and we need approximately 800,000,000 bushels for our domestic consumption and export. That leaves 800,000,000 bushels, and I am wondering if you are making plans to cut the acres of the 1950 crop in the light of that production?

Mr. WOOLLEY. Your 800,000,000 bushels for domestic and export is considerably low. We estimate our exports at 450,000,000 bushels, and on top of that, domestic use, that is, need for food, feed and industrial use, at around 700,000,000, which added to the 450,000,000, gives us 1,150,000,000 bushels, from the possible 1,600,000,000.

Mr. ANDRESEN. That is, exports will be in that amount provided it is not acquired in Canada or some other country such as the Ukraine.

Mr. WOOLLEY. 450,000,000 bushels is what we are planning on for exports for the 1949–50 wheat year.

Mr. ANDRESEN. We will need about 450,000,000 bushels for human consumption?

Mr. WOOLLEY. Yes.

Mr. ANDRESEN. And we are going to have some reduced acreage next year, and so that 60,000,000 bushels will be enough for seed.

Mr. WOOLLEY. I think that is about the figure.

Mr. ANDRESEN. Then we have one of the greatest corn crops; we have a surplus carry-over of around 750,000,000. And you say we will need 800,000,000 bushels, for domestic use, plus 450——

Mr. WOOLLEY. No, I said for feed, seed, food and industrial uses, 700,000,000 bushels, and for export, 450,000,000 bushels; those are the figures we are using, and we are assuming 1,300,000,000 bushels where you spoke of——

Mr. ANDRESEN. I was just wondering if you were working on the basis of cutting down the acreage of wheat in the 1950 program——

Mr. WOOLLEY. We are thinking in terms somewhere between 62 and 65 million acres.

Mr. ANDRESEN. As against what for this year?

Mr. WOOLLEY. I think it is around 81,000,000 acres, as I recall.

Mr. ANDRESEN. That would be a 20 to 25 percent cut in acres.

Mr. PACE. Mr. Woolley, we thank you; we are sorry you are not ready to submit the recommendations, but we understand the situation.

Mr. WOOLLEY. Thank you.

Mr. ANDRESEN. I wonder if we have it understood that the quicker we can get it the better?

Mr. WOOLLEY. Yes, and we would not be working Saturday and Sunday if we did not realize that.

Mr. HOPE. Would it be in order to make the suggestion, that in view of the urgent necessity of getting this information with respect to wheat, that the Department be asked to concentrate on getting agreement on that point, and submit a report to the committee?

Mr. WOOLLEY. I could promise that we could have before the committee a statement setting forth fully the Department's views by

Wednesday of next week, but anything short of that time would mean we would have to present it without it having cleared the Secretary, and we would not like to do that and I do not think the committee would like to have us do that either.

Mr. PACE. Thank you very much, Mr. Woolley.

Mr. WOOLLEY. Thank you.

Mr. PACE. The first witness on the list this morning is Dr. Ward Sullivan, of the Western Kansas Cooperative Association.

Mr. PARKINSON. Mr. Chairman, Mr. Sullivan just stepped out to check up on a statement that is being prepared. However, since I am second and am accompanying him I could proceed.

Mr. PACE. Suppose we just pass over both of you for the moment and call the next witness.

Mr. PARKINSON. Very well.

We will hear next from Mr. Hughes of Imperial, Nebr.

STATEMENT OF HERBERT J. HUGHES, IMPERIAL, NEBR.

Mr. HUGHES. Mr. Chairman and members of the committee, my name is Herbert J. Hughes; I am a wheat farmer, of Imperial, Nebr. I am appearing today as a representative of a group of wheat growers from the States of North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, Texas, Colorado, and Missouri who met on Monday and Tuesday of this week in Omaha, Nebr., to discuss wheat problems and to prepare recommendations on the application of acreage allotments, marketing quotas and related problems for the consideration of this committee. I believe all the men in this group were Farm Bureau members but none of the actions taken have been referred to the board of directors of that organization due to the lack of time. Wheat growers from Washington and Oregon were with us on Monday but were unable to remain for Tuesday's discussion.

Some of this group have attended similar meetings in Kansas City in April 1946 and in Omaha in February 1947. The average planted wheat acreage of the 8 Midwest States I mentioned for the 10-year period, 1939 to 1948, inclusive, amounts to 66 percent of the United States total for those years.

Some men are here today who attended that meeting in Omaha and with your permission will assist in answering any questions you may have.

RECOMMENDATIONS OF THE OMAHA WHEAT CONFERENCE ON MARKETING QUOTAS AND ACREAGE ALLOTMENTS

1. Carry-over allowance: We recommend that the provision of the Agricultural Act of 1948 for the inclusion of a 15-percent carry-over allowance in the determination of the normal supply of wheat be retained in the law.

2. Mandatory acreage allotments: We recommend that the Secretary of Agriculture be required to establish acreage allotments on wheat in any year when the estimated total supply on July 1 amounts to 110 percent of a normal supply.

3. Exclusion of 1949 acreage: We recommend that the 1949 acreage of wheat be excluded from consideration in the determination of future acreage allotments for wheat.

4. Base period for allotments: We recommend that the historical base period for the determination of wheat allotments for the States and counties for any year be the immediately preceding 10 calendar years always excluding 1949, and that consideration be given to a requirement that the adjustments for trend referred to in section 334 of the Agricultural Adjustment Act of 1938 be made under a formul giving equal weight to the averages for the most recent 5 years and the most recent 10 years.

5. Amount of national allotment: When acreage allotments are to be put into effect we recommend that the national allotment be the acreage necessary with normal yields to make available a supply of wheat equal to 110 percent of a normal supply at the beginning of the next marketing year.

6. Effective date of the Agricultural Act of 1948: We recommend that Congress direct the Secretary of Agriculture to follow the provisions of title II of the Agricultural Act of 1948 in making determinations this summer relative to marketing quotas and acreage allotments on the 1950 wheat crop notwithstanding the fact that this title does not become effective until January 1, 1950.

7. Announcement of referendum results: We recommend that the Secretary of Agriculture be required to announce results of the vote in any referendum which he may hold on marketing quotas for wheat within 15 days after the referendum is held.

8. Amount of marketing quotas: When marketing quotas are in effect on wheat we recommend (1) that a farmer be allowed to market the actual or normal production, whichever is larger, of his allotted acreage, (2) that excess wheat be handled as provided in the present law except that the penalty rate be raised from the present 50 to 75 percent of the basic loan rate, and (3) that the average yield of the harvested acreage multiplied by the excess acres minus any amount necessary to permit the farmer to market the normal production of his allotted acreage, shall be the number of bushels subject to the penalty provisions.

9. Use of diverted acres: We recommend that provisions for the use of acres diverted from wheat production for grain under acreage allotment and marketing-quota programs be similar to those followed under previous control programs and that provisions be made for adjustment in the permitted use of diverted acres by areas.

10. Termination of quotas: We recommend that the Secretary of Agriculture be required to terminate marketing quotas whenever he determines at any time after May 1 of a crop year for which quotas have been voted that the prospective total supply of wheat for the marketing year will not exceed 120 percent of a normal supply.

11. Program when quotas are defeated: We recommend that the law be clarified (1) to make it mandatory for the Secretary of Agriculture to establish acreage allotments on wheat whenever he announces marketing quotas, (2) to provide that an adverse referendum vote on marketing quotas shall not invalidate provisions for acreage allotments, and (3) further to provide that an adverse vote on marketing quotas shall not prevent cooperators in the acreage allotment program from receiving loans at the scheduled rate without the 20 percent premium which would otherwise be available with acreage allotments, but that no loan shall be available to noncooperators.

12. Storage allowance: We recommend that the Government increase the storage allowance offered on farm-stored grain under the price-support program to provide an incentive for farmers to build farm storage.

The group went on record expressing their full approval of the provisions of the international wheat agreement. We realize this agreement will not come before the House inasmuch as it has been submitted to the Senate in treaty form, but we do want to acquaint you with our support for the agreement and our desire to see it ratified at the earliest possible moment.

Mr. PACE. I have one question: Do I understand, Mr. Hughes, that you feel that in submitting this recommendation you are speaking for about 66 percent of the total wheat acreage of the United States?

Mr. HUGHES. I believe this group in Omaha was very representative of the growers in that area.

Mr. PACE. Mr. Hope.

Mr. HOPE. Mr. Hughes, I want to compliment you on having presented some very specific proposals along lines that I am sure will be helpful to the committee, I want to ask you some questions, however, and the first question I have is on your recommendation No. 3, in which you recommend that they exclude the 1949 average from consideration in the determination of future acreage allotments for wheat. When you speak of 1949 acreage, do you mean the acreage that was planted for the crop of 1949, or the acreage that was actually planted in 1949?

Mr. HUGHES. The acreage that will be harvested in 1949, that was actually planted, of course, would have been planted in the fall of 1948.

Mr. HOPE. Yes. In other words, it is your recommendation, that wheat planted last fall be excluded from consideration in making any future acreage allotments?

Mr. HUGHES. That is right. I possibly should have said wheat harvested in 1949; that would have made it a little clearer.

Mr. HOPE. And this would cover wheat that was planted this spring.

Mr. HUGHES. Cover spring wheat planting.

Mr. Hope. Yes. I am wondering just what your reasons are for recommending that the winter acreage, which was planted last fall, be excluded, and my reason for asking that question particularly is that it was planted, of course, without any idea that it would be excluded, and when farmers had no notion that wheat which might be planted would not be included in acreage allotments if they should be put into effect at a later date?

This committee has considered legislation relating to cotton planting in 1949, and we have passed a bill which has now become the law that cotton acreage planted in 1949 will not be included.

But that became the law before the cottonseed was put in the ground; and the main purpose of the Congress in passing that legislation was to prevent what might have been an increase in the planting of cotton during this year for the purpuse of increasing the base. That is a different situation of course, to passing a law which goes back and says that acreage planted last year, before anyone knew there was going to be legislation, will not be counted. For that reason I want to ask just what the committee had in mind in making that recommendation.

Mr. HUGHES. I believe that they had the same thought in mind—and I would say this, that the intention was to effect the same result, and the intention was exactly the same as that used in the case of cotton, only there is a different date of planting, and I do not believe that it would make any particular difference in the feeling of the committee. I think the intention would have been the same.

Our thought was that some farmers would plant excessive amounts in the fall of 1948, or probably in the spring of 1949, to the disadvantage of farmers who continue good soil-conservation practices and who did not do that, and that it would be giving them very favorable treatment compared with the man who has gone along and engaged in good soil-conservation practices, with the idea of his land being built.

I think most all wheat growers recognize that some kind of acreage control would be put into effect and they just felt like they would like to build up their history, and for that reason we did not feel it should be considered.

Mr. HOPE. Of course, that would be as true of the man who increased his acreage in 1948, and for 1947 and 1946 if it were made with the same idea in mind.

Mr. HUGHES. I think that is true. On the price factor, I have heard the feeling expressed that this may be the last year we will get 90 percent of parity support for the crop, and we had better get it while we can, because it may be next year there will be a lower price. And of course I think that had some influence too.

Mr. HOPE. No doubt those things all had some influence, but it seems to me you have a different situation where you pass a law ahead of time and say you are not going to count acreage you planted this year, because we are trying to cut down acreage; we do not want to encourage the expansion of acreage, so we are going to tell you in advance it won't count in determining the base. That is one thing, and the theory there is that you will accomplish something by discouraging the planting of increased acreage in order to get a base. It seems to me that is a perfectly justifiable thing to do. But if you come along now after the acreage has been planted and the wheat put into the ground and say, "We are not going to count that under any circumstances"—notwithstanding the fact that it was put in in perfectly good faith, without any violation of any law or regulation and without anybody being sure that there would or would not be acreage allotments in the years ahead, that is vastly different. One man might have planted an increased acreage to increase his base; on the other hand you might have another man in an area where moisture conditions were better than they had been for years, and he would be perfectly justified in putting in an increased acreage in the fall of 1948. In 1947, in many areas, the weather conditions were such and the market conditions were such that some farmers planted only a small portion of their acreage and left a large amount of ground to summer fallow, and in 1948 that was put in. Now, to come along after a farmer has done that perfectly legitimate thing and say it is not going to be counted in giving him his base, is a vastly different situation than we had in the case of cotton, for instance, where we passed the law before the cotton planting took place.

Do not you think it will work an injustice in a good many areas?

Mr. HUGHES. I think it might be an even break. I think I can see your point very well there. For instance, in areas of the South in the fall of 1947 it was very dry, and consequently many acres probably were not planted; or possibly it was not so much that it was not planted, but a lot was not harvested, and they prepared more ground and that was seeded to wheat in the fall of 1948. You are speaking here that we might be penalized on the crop of 1948.

Mr. HOPE. Yes.

Mr. HUGHES. However, although you have already passed this legislation in the case of cotton, there are many areas where both wheat and cotton are raised, and if we exclude the acreage in cotton for that year and do not exclude the acreage in wheat, we might get into some difficulties there in setting up the historical acreages for State and county allotment.

Mr. HOPE. I had not thought about that as being any particular difficulty. In the one case they have notice, and in the other case they would not have. I do not care to follow that any further at this time, but it seems to me the fact here is that we have been discussing a subject that has to be pretty carefully considered before we pass legislation that will exclude it altogether.

Did your committee give any consideration, Mr. Hughes, to the question of considering summer fallow in connection with the allotment to the individual farm, as to whether the reduction in acreage which might be required should be made by taking into consideration the land that might have been summer fallowed?

Mr. HUGHES. There was quite a little discussion on that, and I think it was the feeling of the group that there possibly was an inequity there, but the general feeling and general agreement was it was something you could not set a hard and fast rule on and it would be pretty hard for us to make any specific recommendation. We felt like the leeway which the county committee would have in adjusting between individual farms under the wording of the act would be sufficient to take care of that as between farms within a county. However, I do not know just how much could be done between counties in setting county and State allotments along that line.

Mr. HOPE. It just occurs to me one difficulty with that is, that if it is left up to the county committee, you would have a county committee in A county that would make one determination on that point; the county committee in B county would make another; and perhaps the county committee in C county would make still another one, and all of us who have had any experience with county committees know it is a very disturbing thing to have one thing go on in one county and something else in another.

Mr. HUGHES. That is right.

Mr. HOPE. For that reason it seems to me there should be some provision in the law or possibly some regulation that would make for uniformity at least in areas on that point. I realize it is a very difficult problem to work out and that, to some extent at least, it will have to be left to the county committees.

Mr. HUGHES. Yes.

Mr. HOPE. Of course, there is another very controversial question that was not covered in your statement and apparently upon which no agreement was reached at Omaha. That is the matter of rigid or flexible price supports. Was that matter considered and discussed?

Mr. HUGHES. Yes; to some extent, it was. I believe I state the feeling of the group in this way: we felt we have a program that has not been tried and we would confine ourselves to specific recommendations that we felt should be put into the law in order to set up its operation and that after trial we would be in a position to come before the committee again and make specific recommendations for changes after some experience with the present farm law.

Mr. HOPE. Under the 1948 act, title II, that is to become effective on January 1, 1950, the price-support level at which wheat would be supported would be based primarily upon a formula which, in the main, depends upon supply, and, with the present prospects for a wheat crop, the supply of wheat in 1950 will probably be such that the price-support level under the formula would go down to 60 percent, or 72 percent if marketing quotas and acreage allotments were in effect, and the Department is talking about an acreage allotment basis which would amount to about a 20-percent cut, so that the wheat farmer who took the average cut of 20 percent——

Mr. PACE. Twenty-six percent.

Mr. HOPE. Of course, I do not think that has been determined altogether, but say it was 26 percent. You heard Mr. Wooley say a while ago that figures out to a cut of 81,000,000 down to 63,000,000 to 65,000,000. So, just for easy figuring, let us say there was a 25-percent reduction in acreage and a reduction in price level, assuming the Secretary followed the formula and did not fix the support-price level higher than the formula, as could well be, although he could go up to the 90-percent figure. But, assuming he followed the formula, which would mean the farmers would have 25 percent less acreage and, on the average, that would mean 25 percent less production, we will say, and they would have a price support of 72 percent of the transitional period, which would be 5 percent less than the old parity, amounting to about 68 percent of the old parity, you would have 25 percent less acres and a support price which was 68 percent of old parity instead of 90 percent of old parity this year. Was there a disposition on the part of those present to accept that program for 1950?

Mr. HUGHES. I believe there was. They felt they owed to the taxpayers, shall I say, who make it possible for the money to be appropriated to support this price—that they owed to the taxpayers and to the Federal Government some assurance that they were going to be able to keep the supply in line with the demand. Also, they considered this additional 20-percent premium would be available on acreage allotments without market quotas and possibly, it was our hope, we would be allowed to operate for at least a year under acreage allotments without market quotas, to see if we could accomplish that fact without market quotas. If we could, then, of course, the Secretary, before he announced his rate of support, would have the privilege of setting that possibly above 72 percent of parity. We felt we would rather prove our capacities before he would have to make that announcement, and we would rather it would not be mandatory.

Mr. HOPE. Do you think it would be any more or any less difficult to get the reduction if you had price supports at 68 percent of the old parity or at 90 percent of the old parity?

Mr. HUGHES. It might have a little influence. I hesitate to say definitely on that, since we did not discuss that particular angle. My personal opinion would be it would not make too much difference. I could be wrong on that.

Mr. HOPE. Of course, in most of the wheat area, the farmer who had to take an acreage reduction would not be able to shift that land to something else. He might summer-fallow, but he would not be able to shift to some other crop. So he would not have any income from any other crop off that land that he had out of production for that year, and the result would be, if the support price was 68 percent of old parity, he would receive that much less in his income, without any possibility of recouping it from some other source. So it seems to me—I may be wrong—that most farmers would be more agreeable to coming into the program and you would have a lot greater compliance with the act if they had assurance that the wheat they did produce would receive price support at 90-percent parity rather than price support at 68-percent parity. I may be wrong about that, but I do not believe I am.

Mr. HUGHES. I believe they would like to take a little responsibility in just making this adjustment and proving they can make the adjustment. We feel the present law is set up in such a way as to make it possible to achieve just exactly what to say, but it does make it possible to hold us to an accounting more or less, to make us prove we are capable of holding the supply in line with demand. I myself do not believe that is too much of a concession to make to the taxpayer.

Mr. HOPE. Do not you think the method you are going to have to use to hold the supply in line with demand is the acreage allotment plus, perhaps, the marketing quota? It does not seem to me it is the price-support level that is going to determine that, because I think all of us would agree, if we did not have any acreage allotments next year and perhaps would not have market quotas, that we would not get too much of a reduction and possibly not any.

Mr. HUGHES. That is right.

Mr. HOPE. Because a lot of farmers would be figuring upon the support price initially. Maybe later on, over the years, you would, but initially they might think they had to increase their acreage in order to keep up their former level of income, in order to meet their fixed obligations.

Would some element of that sort enter into it?

Mr. HUGHES. There might be to some extent; I grant you that might influence some individuals. However, I do not believe it would carry a great deal of weight. Of course, that is just my personal opinion.

Mr. HOPE. It seems to me it is more important right now, at the time we are asking farmers to make such a great reduction, to keep the support price at something like the level it has been than it might be at a later period when they have made their adjustment. Am I wrong in thinking that?

Mr. HUGHES. It is my thinking it might have this effect: that it might encourage—especially if the reduction asked was very great—the grower to disregard his acreage allotment and might result in an excessive supply of wheat being produced, even though we did have acreage allotments. Supposedly, price support has a very considerable influence on the market, and if he was outside of the program, in the absence of market quotas, he would be able to market all of the wheat he raised at the market price; and, if the support level was at a high rate, it might be pretty profitable business for him to disregard the acreage allotment and just go ahead and plant wheat.

Mr. HOPE. Of course, you are speaking of acreage allotments without any market quotas.

Mr. HUGHES. That is right.

Mr. HOPE. But would not he have less incentive in a time like this—I am not saying this would apply over the years—at a time like this might there not be a pretty strong sentiment on the part of a good many farmers to say, "We just cannot take this cut and also take a cut in our support price"? And, if they knew there were just going to be acreage allotments and not marketing quotas, it seems to me there might well be a disposition to ignore them even more than there would be in the case when the price support was 90 percent.

I think we have both made our ideas perfectly clear on it, and we do not agree; so I do not think there is anything to be gained by discussing it further. But I did want to get your idea on that particular point.

Mr. ANDRESEN. Just on that point, I have before me the figures on what the 90 percent parity would be. Under the current parity, that would be \$1.95 a bushel; under the 72 percent parity, it would be \$1.48 a bushel, and under the new law that goes into effect next year. I think you are right in your conclusion that, if they only have acreage allotments, the tendency would be, without market quotas, to go ahead and everybody receiving the soil-conservation payments, which would be the only penalty, to raise more wheat with a higher support price of \$1.95 as against \$1.48.

Mr. SUTTON. Then you are defeating your own purpose, because next year, instead of a 20-percent cut, you are going to cut him down to a 60-percent cut.

Mr. ANDRESEN. That is true; but in the meantime you will have tried out the act and Congress will have an opportunity to pass on it.

Mr. SUTTON. Then we definitely will repeal the act.

Mr. ANDRESEN. I do not know. I think it all depends on what the situation is, on the amount of our exports and peace in the world and our ability to collect taxes to send stuff out of the country.

Mr. PACE. There are one or two questions I want to ask. Let me say, first, my analysis may be incorrect—and you will correct me—but it seems to me under the program you submitted you are definitely tying wheat to a very low support price now and hereafter of 70 percent of parity or less. To begin with, you say your national allotments (acreage allotments) should be set at a production of 110 percent of normal supply, so that would have the effect under the flexible system of bringing your support permanently down to 70 percent, and you would therefore operate, it seems to me, at all times between 60 and 70 percent on wheat. It may be that is what the wheat growers want. Is that your analysis of your plan?

Mr. HUGHES. I would not say that. I would say this: That by that 110 percent of a normal supply we felt we should assure the consumer, especially in recognizing our possible commitments under the international wheat agreement, that we should not set our goal too low; that we should try to strike a kind of balance between what we need and then to consider what might happen under adverse weather conditions, with the thought if we could prove that we could control supply so that it would meet demand, the Secretary would have the authority to recognize our efforts and to set it anywhere between the minimum and the maximum.

Mr. PACE. Now, then, you recommend, in the second place, that he be required to take off quotas whenever your supply does not exceed 120 percent of parity. That means he takes off quotas only when your support gets down to 66 percent of parity.

Mr. HUGHES. Our point on that was this: The Secretary will be required to ask for a vote or referendum on market quotas before July 1 previous to the time winter wheat is seeded, July 1 preceding the year in which harvest will be made. Similar situations, such as occurred in Kansas in the fall of 1947—in Kansas, Oklahoma, Texas, and that area—might occur whereby you might get no rain for seeding and getting your wheat up, and about May 1 it might be determined there was going to be a very small crop of wheat and might result in a shortage. Are they going to have a right then to vote again on that?

Mr. PACE. I can see that, but why do not you say under those circumstances he could take it off where the supply is not going to exceed the normal supply? Why make it 120 percent of the normal supply?

Mr. HUGHES. That is done because the supply has to get to 120 percent before he can call for a vote. We felt, when that went below that definitely, he should have a vote or a referendum. We did not want to tie his hands, more or less for the protection of the consumer and to protect the Government under the international wheat agreement. We would not want to freeze quotas if something happened after he made the determination and we voted on it.

Mr. PACE. Where do you get the idea he could not proclaim quotas until it got to 120 percent?

Mr. HUGHES. It was my understanding that the estimated supply has to reach 120 percent of normal before he can ask for a referendum.

Mr. PACE. I understood it was 115 percent. Now, you propose one thing that is very intriguing to me, Mr. Hughes. Funny things happen in this country, and I am delighted today to learn that the Department is giving some thought to uniformity. For some reason, the Secretary has never permitted the cotton growers to operate merely on acreage allotments; he has always put on quotas and nothing but quotas on the cotton growers. That is all right. They have accepted them. But, on the other hand, for reasons sufficient to the Secretary, from time to time he has never put quotas on corn but has operated only on acreage allotments, and I presume at some time or other he has operated on wheat only with acreage allotments.

Now, do you agree with me that a recommendation of this character put into effect should apply to all commodities alike?

Mr. HUGHES. I would go so far as to say there might be reason to vary the percentage of supply that would be on hand before quotas were put into effect. I think I would be safe in saying we would expect the growers of other crops to take that means of adjusting their production if acreage allotments did not get the job done.

Mr. PACE. You know as well as I do that acreage allotments do not control; you know that. You know, also, that the corn growers do not want quotas and, in my own judgment, there are a lot of wheat growers who do not want them unless they have to have them.

Mr. HUGHES. That is right.

Mr. Pace. Then, what do you do with acreage allotments? Under the Aiken bill, you can get exactly the same support level with acreage allotments as you do with market quotas; can you not?

Mr. Hughes. That is right.

Mr. Pace. Then take wheat. The Secretary announces acreage allotments on wheat. The only penalty the producer would suffer would be two of rather minor effect. One would be he would lose the AC payment, which is the first penalty; the second is he would directly lose the support price on his particular crop. Would he not?

Mr. Hughes. That is right.

Mr. Pace. But, as brought out yesterday, you know and I know and everybody else knows that you could conform to your acreage allotment of wheat—we will say 50 acres, and say my allotment is 50 acres—you could conform to yours and plant only 50 acres, and I could plant 5,000 acres under the acreage allotment, and the only penalty I would suffer would be the AC payment, and they would not give Mr. Pace directly, on his 5,000 acres, the support price. But you know Mr. Pace would get the benefit of the support program, maybe somewhere between 95 and 99.5 percent of his support benefit; would he not?

Mr. Hughes. I would not want to set the percent, but he would get some benefit.

Mr. Pace. I mean this: If you took your wheat to market and the support price was $2 and I walked up with 10,000 bushels and said "I will sell you mine for $1.90," whose wheat is he going to buy?

Mr. Hughes. Well, of course——

Mr. Pace. I say whose wheat is he going to buy? He is going to buy mine, is he not? Of course, he is.

Mr. Hughes. I suppose he would, although the market price is set at the major markets, and it is that same price to everybody out there in the country.

Mr. Pace. Yes, sir; but there are times when the support price fixes the market price very definitely.

Mr. Hughes. That is right. I grant you he is going to get some benefit from it.

Mr. Pace. Not some; he is going to get 98 percent of it. Consequently, I personally think if we are going into the business, we should go all the way into the business and say when you make 50 acres of wheat and you want the Government, through the United States Treasury, to protect you in the price, that you should "play ball." Do you not think so?

Mr. Hughes. I think so.

Mr. Pace. Then why do you recommend here that even though the producers of wheat have turned down market quotas by a vote, they still get the support of 90 to 60 percent of parity without the 20-percent premium?

Mr. Hughes. We feel that the man who has reduced his acreage and made a corresponding reduction in his production should not suffer at the hands of the man who did not in case market quotas are voted down; that he has made a sacrifice and should be paid somewhat for having made that sacrifice.

Mr. Pace. I agree with you on that. I am talking about the guy who does not make any sacrifice, who just goes ahead and plants all of the wheat he wants to.

Mr. HUGHES. He gets no support at all, of course. It would not be lawful for him to get support.

Mr. PACE. Let us stop there. Let us say he doesn't get but 99 percent or 95 percent. You know that is what would happen.

Mr. HUGHES. I would say it would depend on the number who do it and the possible supply of wheat available. It might make quite a lot of difference if any large percentage of them were outside of the program.

Mr. PACE. Here is the difficulty I have found in this program:

I think the farmers of this Nation are one of the fairest groups in the world, but I think, of all people on earth, the one thing that the farmers demand is that they be treated fairly and equitably.

Mr. HUGHES. I agree with you.

Mr. PACE. But then, when they see me, Bill Jones or John Smith, jumping the program and getting practically the same benefits from it, what are you going to do? You are going to jump the program, too, are you not?

Mr. HUGHES. I suppose that would be true. However, I think in some of those other recommendations—we had a lot of discussion on that very thing in Omaha, and I think in some of those other recommendations in regard to market quota penalties we have kind of taken care of that sort of thing.

Mr. PACE. Whatever the wheat growers want, as long as it is within reason, suits me, but all I am asking is, if the wheat farmers are going to get benefits under acreage allotments, then I hope you will agree with me that the cotton growers, peanut growers, rice growers, tobacco growers, and corn growers should have exactly the same type of program.

Mr. HUGHES. I think we owe the growers of these other crops the assurance that we will go into market quotas, the same as they do, to protect the market.

Mr. PACE. You see, the Secretary has a discretion there. Whenever he puts market quotas on you under the Aiken bill and you turn them down, then the only support you get is 50 percent of parity.

Mr. HUGHES. That is right.

Mr. PACE. You recommend that that be changed; that you still get whatever you are entitled to under the flexible schedule?

Mr. HUGHES. I may be wrong on that, but I believe the present law provides that the support price will be 50 percent to everybody.

Mr. PACE. That is right.

Mr. HUGHES. We are limiting this privilege to the man who has complied with the acreage allotment. We would not give any support who has not complied.

Mr. PACE. I will again say that is not important to me, because they will get practically the same thing—one directly and the other indirectly. You see, the Secretary can do this: He can order marketing quotas on wheat, and if you turn them down by the necessary two-thirds, the support to the wheat growers then is 50 percent of parity. In corn, simply by not ordering marketing quotas but simply using acreage controls, they get whatever support they are entitled to under this flexible schedule.

Do you think the Secretary should have such discretion as between commodities?

Mr. HUGHES. Stating my personal opinion—of course, this was not discussed at the Omaha meeting—I would say probably he should not have that authority.

Mr. PACE. He should not be able to play any favorites?

Mr. HUGHES. That is right.

Mr. PACE. He should treat every producer exactly the same, like Mr. Woolley stated this morning they were trying to do to the different elements that went in the acreage allotment.

Mr. HUGHES. I think that is right.

Mr. HOPE. Right there, I just want to make this observation: While I think one producer is entitled to the same consideration in the program as another, if they are in the same program, no matter whether they produce cotton, wheat, or what they produce, at the same time I would not want to subscribe to the idea that we have to have absolute uniformity in program as to the various commodities, because certainly you have different situations that might make one program work in one commodity and not in another.

For instance, there is no doubt in my mind but what the program submitted yesterday by the wheat growers in the Northwest has a great deal of merit as applied to wheat, but you could not apply a program of that kind to corn, perhaps, or to many other commodities.

I am agreeing with Mr. Goss of the Grange when he says he thinks one mistake we made in working out farm programs is that we tried to make the same formula apply to everything. I think in the interest of getting a program as it affects the various commodities we should consider the fact that commodities are differently situated in their production and distribution and we should vary the programs and confine one program to one commodity and another program to another.

Mr. PACE. I agree with you, there are some peculiarities, but let us stick to that one point. Do you think the producers of one commodity should get support, when acreage allotments and the same privilege is not accorded to producers of other commodities, or that both must go under quotas?

Mr. HOPE. I would say, if we have the identical program, yes; if you have an identical program and the commodities are such that they are marketed in the same way and under the same system of distribution, my general answer would be yes. There might be some exceptions, but I will agree with you on the general principle.

Mr. PACE. Let us be specific. Take wheat and cotton. They are enough similar in their marketing systems that they could both be treated alike.

Mr. HOPE. Perhaps they are alike in the fact that they are both cash crops in the main and both have a domestic and export market and there are varied uses for them. They are quite similar in that respect. But there is one difference, I think; that is that wheat is a commodity that competes with certain other commodities, with all grains, as a feed grain, and has a relationship to those other grains that cotton does not have with very many other commodities. It has them perhaps with wool and nonagricultural commodities like rayon.

Mr. PACE. I was hoping you would not say cotton does not have some competition.

Mr. HILL. I think we are leaving out one thing about wheat and cotton. I do not know of anyone who could fill his belly full of cotton and live, and I hope, as far as wheat is concerned, that people will have enough to live. I doubt if there has ever been a surplus of wheat in the world. What do you think of that statement? I can back it up by the finest authorities on agriculture. Wheat is something people live by and that will maintain life, whereas you all know, if you go in the south temperate zone or torrid zone, you do not even need clothes.

Mr. PACE. You are talking about people eating something. What we are trying to do is to give the farmer enough money to fill his individual needs, and certainly the gentleman (Mr. Hill) is not going to insist here or anywhere else—because I know how big and fair-minded he is—that the cotton producer is not entitled to be treated the same as the wheat producer is treated.

Mr. HILL. I think they would be entitled to the protection of their market. I do not know what else they are entitled to. I am not going into that. I am talking about marketing cotton, about the value of cotton as human food and as a necessity of life as compared with wheat.

Mr. PACE. I know that is what you are talking about, and you are not talking about what I am talking about. You got off the problem. I am saying this, that if the wheat grower under acreage allotments can get 80 percent of parity, why is not the cotton grower under acreage allotments entitled to 80 percent of parity. That is all I am saying.

Mr. HILL. But you are assuming that is the Government's business.

Mr. HOEVEN. May I suggest that we are here to hear witnesses and not members of the committee, we can discuss these matters among ourselves in executive session at some later time.

Mr. PACE. I agree with you about that.

Mr. SUTTON. Mr. Hughes, under your recommendation No. 7 "Announcement of referendum results," you recommend that the Secretary announce the vote on the referendum 15 days after the referendum is held. What is the purpose behind that?

Mr. HUGHES. The wording of the law now is such that it does not make any statement as to when he shall announce the result of the referendum.

Mr. SUTTON. Do you not think that is a little hasty—15 days?

Mr. HUGHES. I do not believe so. There is an element of doubt in there. You see, he must ask for a referendum before July 1, and it must be held before July 30.

Mr. SUTTON. That is right.

Mr. HUGHES. We felt, as wheat growers, since we start seeding wheat in some areas in August, we should have that information as soon as possible in order to plan our operations and seeding. That is the reason.

Mr. SUTTON. I was just wondering about getting a tabulation of the vote within 15 days, that is taken all over the country.

Mr. HUGHES. The tabulation is done in each county, and the result of the tabulation is announced by the Department. I think it can be done.

Mr. SUTTON. Then the purpose of that recommendation is so that the wheat growers would be notified in due time?

Mr. HUGHES. So as to know before they plant their wheat or make preparations whether or not they are going to have to go under market quotas in the event they pass.

Mr. SUTTON. I believe all of the men in this group are Farm Bureau representatives. Did you sit in on the National Farm Bureau meeting when they adopted the resolution endorsing the Aiken bill, the Agricultural Act of 1948, and the preceding statement the day before you made the recommendation?

Mr. HUGHES. What meeting do you refer to?

Mr. SUTTON. The meeting where they adopted the resolution endorsing the Agricultural Act of 1948 for flexible price supports.

Mr. HUGHES. I was present at the meeting. I was not a voting delegate nor had anything to do with that particular part of the determination of policy.

Mr. SUTTON. But you were at that meeting when the matter was discussed?

Mr. HUGHES. I was at the meeting.

Mr. SUTTON. I have asked this before and never gotten an answer. Was that a unanimous decision by the Farm Bureau?

Mr. HUGHES. I am afraid I cannot answer that question, because I was forced to leave before the actual voting was done on that issue. I returned to Washington——

Mr. SUTTON. But being present at that time, I would like to ask this. I know they are going to ask me the reason I am asking and will carry on a little over there when I do ask the question, but was the Board of Trade of Chicago or the Board of Trade of Omaha sitting in on that meeting?

Mr. HUGHES. I would not know.

Mr. SUTTON. I gather you are for the flexible price support on wheat set out in the Aiken bill.

Mr. HUGHES. In my personal opinion, yes.

Mr. SUTTON. Do you not think that will make the price of wheat fluctuate up and down to where the board of trade can actually speculate, which is what this committee does not want it to do and what the better farmers all object to?

Mr. HUGHES. I do not believe it would. You have that regardless of whether you have the mandatory support or flexible support. It is based on supply. I could refer you to a break of 10 cents in a day in recent months, for instance, when we have a mandatory rate.

Mr. SUTTON. In recent months?

Mr. HUGHES. Yes—very recently. I believe it was either in January or February that it broke about 15 percent in 2 days.

Mr. SUTTON. And we have had occasions before when there was speculation by the board of trade and others, with the result that the farmers caught the brunt of it.

Mr. HUGHES. Yes.

Mr. SUTTON. Do not you think, if we have a flexible price on wheat, corn, and the other basic commodities, we are still going to have a fluctuation in price and also speculation by big business, with the result that the farmer is still going to catch a slap in the back?

Mr. HUGHES. I imagine you would to some extent. However, I do not believe you would avoid that by the institution of mandatory supports.

Mr. SUTTON. We did not have so much under 90 percent parity, did we?

Mr. HUGHES. That is what we are operating under right now, and we do have. In fact, I can refer you back to a year ago when they had a break of 10 cents a day for 3 or 4 days.

Mr. SUTTON. That was in the supply on hand that you refer to there, though, was it not—the surplus on hand?

Mr. HUGHES. Yes. I believe you are stating it is the supply that makes that speculation possible rather than the support price.

Mr. SUTTON. Do not you feel deep down inside that the farmer would be helped if he had 90 percent parity instead of 60 or 70 percent parity?

Mr. HUGHES. I do not think there is any doubt that he would be helped. Possibly he would be helped in his income, but the farmer is a man who likes to feel he has some responsibility of his own, and I do not think he wants to be guaranteed a certain schedule of income regardless of what he does. I think he should accept some responsibility to keep the supply in line with the demand, and under this flexible system he has that trouble.

Mr. SUTTON. Do you think on a referendum of the farmers of the country they would vote for flexible price support rather than 90 percent parity?

Mr. HUGHES. I am not in any position to make a statement on that.

Mr. SUTTON. What is your personal opinion?

Mr. HUGHES. I would hesitate even to make a personal statement on that. I just do not feel capable of making a statement as broad as that.

Mr. MURRAY. Let me say first I am really an outsider in this. I come from a dairy State. We are underpaid from 30 to 60 cents per hundredweight for our milk under the present law. So I have great difficulty in projecting myself too far into the future. I would like to get the present law fulfilled; the Agriculture Department has not been able to do so up to this time. But there are one or two things about the support program, and my personal opinion is that we are going to support ourselves right out of support one of these days if we are not careful.

I would like to ask why it is that we do not support on the basis of bushels rather than on the basis of acreage and allocate the bushels back to the States on the historical basis and let them trickle down to the counties and let the people themselves who are raising the crops—wheat in this instance—have a little something to say about working out the problem. What is the reason why we do not have any proposal to support on the basis of bushels?

Mr. HUGHES. I would answer you this way: We had some discussion on that in the Omaha meeting, but we did not feel like making any recommendation to this group, for the reason that the other program was mainly based on acreage, and we felt we were not competent to determine the result of the program on one crop under bushel considerations and other crops under acreage considerations. We felt that such a recommendation should some through come group where all of those different crops and those things would be correlated and determined. That is something that requires a lot of study and research.

Mr. MURRAY. What I cannot understand is that in August 1939, as published by the BAE—that was the seventh year of the more abundant life—the farmers in the United States received 54 and a fraction cents a bushel for their wheat, and our Government was paying half of that, or 27 cents a bushel, as an export subsidy to get rid of it and ship it out of the United States. And they were supposed to have a support program at that time.

Mr. HUGHES. What year was that?

Mr. MURRAY. 1939—August 1939—as published by the BAE. Now, they were supposed to have a support program, and we had 5-cent hogs and 8-cent cotton, and we have gone through several years of an agricultural program, pouring millions of dollars into it. And that is what makes me rather apprehensive as to what is in the future, because with the support program we had at that time—and the parity price of wheat was not as high as it is now—this 54 cents was a long way from being anywhere near parity. Probably it was not over 50 percent, and most of the agricultural products at that time were not bringing over 50 percent of parity.

Mr. HUGHES. That is right. I agree with you. I think we have two improvements at the present time over the situation then. That is, of course, assuming the international wheat agreement will be approved. I think that is of very great importance, because then we won't have to be stabilizing in competition with the other exporting countries. I was always against that personally; I just did not like that, because the support level will be based on supply rather than the discretion of the Secretary, as it was at that time. He always had it pretty well at the minimum rather than at the maximum or anywhere in between during that time.

Mr. MURRAY. I might call your attention to the fact that when you get down to pounds, bushels, and tons, we cannot have acreage control over many agricultural products if we base the production on acres.

Mr. HUGHES. Yes.

Mr. MURRAY. You cannot extend acreage production to eggs, livestock products, and so forth; you have to do that by the dozen, or by the pound, for whatever the support might be, bur surely it is not on the basis of acreage.

But getting back to what our distinguished chairman says—I have served with him for 10 years and, while he is on the other side of the aisle, I have never had any difficulties with him on agricultural matters except on oleomargarine, and then he could not help himself. He wanted to be with me then, but he had to be on the other side. But he is sincere in trying to accomplish things for agriculture, and, had it been left to him, we would have had the thing on a whole lot different basis than we have had it, because I think every group would have had the consideration which we have not had up to this time. And the Secretary, on two different occasions, in his appearance here, admitted that the other 75 percent of agriculture had been left out of the support program, and what disturbs me is that every time the Secretary comes before the committee he asks for more power or more money, with all the different powers he has, he has more power now than anyone in the United States except the President. And one of these days there is not going to be any flour left in the flour barrel. It sounds all right to say what we would like to have, but, when you have increased unemployment, you know how difficult it is going to be to get a bill through that raises money, with as much opposition as there is in the country today to the wartime excise taxes. The public is demanding now that we get rid of them. As a matter of fact, our distinguished Senator from Colorado has a bill in to that very effect now, because it is a nuisance tax and the people resent it. And as long as we have taxes like that on the statute books and the collection of taxes that go along with nuisance taxes it is going to be a little more difficult, I think, to get money out of Congress than it may have been during the war period when there were so many billions appropriated. I go back to 1939, when the public debt was $40,000,000,000; then we had a war, and now it is $252,000,000,000, so that we have $212,000,000,000 of public debt now that we did not have in 1939.

So I think no agricultural group can operate on a basis of what they would like; they have to operate on the basis that they think is of the greatest good for the greatest number of farmers.

Is that right?

Mr. HUGHES. That is right.

Mr. PACE. The Chair does want to acknowledge the presence of the distinguished Senator from Colorado, Senator Johnson, and to express the pleasure of the committee to have him come and sit in with us at this hearing.

Mr. ANDRESEN. Would you agree with the chairman on his interpretation of the proposal, which is, when you have acreage allotments, that would be true for cotton as well as wheat?

Mr. MURRAY. If you would have a bumper crop of both cotton and wheat, as we may have this year, probably it would leave the Government owning the entire amount of cotton and wheat that was under support loan, with the rest of the wheat going into the market and the market fixing the price based on supply and demand. Otherwise, I do not know what the Government would do with the cotton and wheat. But they would be owning it and probably put it in storage.

Mr. ANDRESEN. What I wanted to ask particularly was this: Was any consideration given at your Omaha meeting to the proposal Secretary Brannan made to the Congress and the country on April 7, as to whether or not your group favored the over-all proposal he made of prosperity for the farmers and cheaper food for the people?

Mr. HUGHES. No; no recommendation was made. I might answer that this way: At our Omaha meeting, we felt, due to present conditions and the ability of Congress to take care of the things that needed to be done in the shortest possible time, we would limit our recommendations to the law as it is now written in regard to changes we felt had to be made to make it possible to administer it, and whenever any proposal was put into bill form so that we would have a specific wording to base our discussion in, we might at a later date be prepared to do that. But at this meeting we did not feel we were; so we did not take any action whatever on it.

Mr. MURRAY. I want to add I saw in the paper the other day, in the column of some fellow out in Kansas, that he wants to try the program out on hogs; that it would be a pretty good idea to try it out on the price of hogs.

Mr. HUGHES. I know what you mean.

Mr. MURRAY. I do not know what the gentleman's name is, but I want to tell him, so far as we are concerned, to try it out on wheat first and then we may want to have them try it out on hogs, because wheat has weevils in it and it does not keep so good sometimes, and if it works out with wheat, then try it out on hogs.

Mr. ANDRESEN. The gentleman from Tennessee has suggested something about the speculators dominating the marketing of these farm products. Of course, none of us is in favor of that.

Mr. HUGHES. No.

Mr. ANDRESEN. The facts are that on February 4, 1948, a year ago, the Government decided not to buy any more grain. They had been purchasing at least one-third of the wheat in the country, and they announced on February 4, they were going to stop buying grain, and the price went down 10 cents a bushel for 5 to 6 days, which demonstrated to me that the Government was the dominating influence in the market to maintain price, which, of course, was their authorized purpose. But the buying on the part of the Government did demonstrate, when the Government stopped buying, the price went down and the bottom really dropped out of the market.

Mr. HUGHES. That is right.

Mr. ANDRESEN. I think that you, as a wheat grower, recognize that fully.

Mr. HUGHES. That is right.

Mr. SUTTON. You realize the Government was trying to help the farmer in buying, whereas the man in the market is trying to help No. 1—himself.

Mr. ANDRESEN. No. Let me suggest to the gentleman from Tennessee that the Government was buying grain, buying wheat, to supply the demand in other countries for which the program was authorized by Congress.

Mr. SUTTON. That is right.

Mr. ANDRESEN. But my contention is and always has been that as long as the Government has been in the program of buying, such buying has dominated the market irrespective of the purpose for which it was authorized, and the buying on the part of the Government was so great that it dominated the price and, when the Government stopped buying, the price went down and the bottom fell out of the market.

Mr. WHITE. You would not mean to imply by that, Mr. Andresen, would you, that any Government program that is effective as a loan program or purchase program, if it provides protection for the entire crop, would be ineffective; you do not mean to imply that, do you?

Mr. ANDRESEN. Of course, if we have a support program here on the price for the entire crop irrespective of the size of the crop and without any controls, of course, the Government will be left holding the entire crop if the support price is high enough.

Mr. WHITE. But that has never been the case. In the case of cotton or these other commodities, they get a reasonable amount of it and try to effect a balance, and it stabilizes the price.

Mr. ANDRESEN. On cotton—I know that is what the gentleman is particularly interested in—if we have an 18,000,000 or 20,000,000 bale crop this year, with our country only being able to use 8,000,000 or 9,000,000 bales, the Government would be owning the rest of it, and the only way they could get rid of it would be for the Congress to appropriate the money to send it to the rest of the world.

Mr. PACE. Let me inquire at this point: Senator, do you have any questions you would like to suggest?

Senator JOHNSON. I thank you very much. This witness comes from Imperial, Nebr., I know, and I was raised in the neighboring town of Champion, and I took great delight in beating the Imperial baseball nine.

I have no questions, however. I am intensely interested in the subject matter and in the colloquy that has taken place between the witness and members of this committee. It is very interesting and very important to the farmers of the country.

Mr. PACE. Your presence here, of course, indicates your very deep interest in the welfare of the wheat growers and other agricultural producers, and we are delighted that you came.

Mr. HOPE. In your recommendation, Mr. Hughes, you did not deal with one other matter that seems to me to be a very serious defect in the Aiken bill, if I understand the theory of it correctly. As I understand the theory it is that the level of price support will result in farmers making their own adjustments in the acreage that they plant to various commodities. However, in order for prices to be effective, they would have to be announced before the crop is planted.

Now there is no provision in the Aiken bill for announcing the price at which the crop will be supported any time in advance of the marketing period, and a provision of the bill with reference to the announcement of the price says that certain things have to be determined before the price support can be announced, and that those things shall be determined by the Secretary at the beginning of each marketing year.

Now under that provision I can see no way by which the Secretary could make a statement as to the wheat price support until after the crop had been put in the ground, and for that reason there is no way that this announcement could affect the supply of that crop as far as the planting is concerned. I was wondering if the members of your committee had given any consideration to that matter?

Mr. HUGHES. I believe so. I think we realize that, but we felt that it is up to us to demonstrate our ability to hold supply in line with the probable demand and after we had proved that, he had done so, he would then be in position to announce the support price, a he would not be in position to do that ahead of time, because he would have no way of knowing what percentage of the prople will be in the program.

It would be pretty hard, it seems to me, it would be pretty hard for him, because he might be in position where he would have to put the support price under a tremendous amount of grain, and as I said, we felt that he ought to go along with the idea of holding production in line with supply and demand.

Mr. HOPE. How can the farmer who is going to plant a crop of wheat be expected to be influenced by the support price when he does not know what the support price is going to be at that time? When we had the hearings on this legislation the argument that was advanced was that the flexible support price was going to be a good thing, because it will enable the farmer to adjust his operations to supply and demand; if he knows the support price is going to be low presumably he will plant less, and if he knows it is going to be high he will plant more. It seems to me that the bill, by its very terms backs clear away from the theory in it.

Mr. HUGHES. I would say that the aim, in the first place we are here dealing with the size of the acreage allotment, and we aim at a supply of 110 percent of normal and we asked the Secretary to make acreage allotments based upon 110 percent of normal. And if each farmer, each wheat grower, complies with the acreage allotment, we are going to be in position there we will have support price, we will be eligible for a good support price for the grain.

Mr. HOPE. You are not going to be influenced by the price, because you would not know what the price is going to be.

Mr. HUGHES. That is for feed?

Mr. HOPE. Yes.

Mr. HUGHES. That is right. And of course, it is hard to carry those things down, it seems to me. If he is sure of the kind of price, before he plants his grain, he is pretty apt to disregard his allotment, it would seem to me.

Mr. HOPE. Of course, the Secretary would be presumed, when he announced the support price under the program, to announce the price on the basis of the best information available at that time as to what was needed and what was expected to be produced.

Mr. PACE. Will the gentleman yield?

Mr. HOPE. Yes.

Mr. PACE. Of course, Congress has always provided for support by saying that the support price on wheat this year, for instance, is going to be 90 percent of parity on a certain date, and consequently, the acreage that was needed, and he would know exactly what he was going to get within a penny or two pennies; it is not a flexible support price, over a period of 4 or 5 months, but the farmer is going to follow the price fixed by law. And I think the gentleman from Kansas statement of the philosophy of the Aiken bill, concerning shifting out of surplus crops into the nonsurplus crops, is correct, that nobody knows where he will be or what the price is going to be.

I think we must assume that the farmers of the Nation have some business judgement, and if they did not take into consideration what their product is going to bring I do not think they would be acting as good businessmen.

Mr. HUGHES. Well, of course—I suggest it would be possible to set the support price in relation to the supply a year ahead of the crop.

Mr. PACE. They have been doing that under the law since 1935, was it, Mr. Hope?

Mr. HOPE. Under the 1938 act.

Mr. PACE. 1938; for the last 11 years a wheat grower knew what he was going to get in the way of support price before he put a seed in the ground.

Mr. HUGHES. I do not think our objection is so much that as we felt like that there should be some program to bring the supply more nearly in line with demand, and possibly we could take the carry-over and with the crop that is harvested, take the supply at the end of July 1 and announce the support; I do feel that it should be based on something more than just an estimate.

Mr. PACE. It is all based on an estimate; we have an estimate of what the export is going to be and what the domestic consumption is going to be.

Mr. ANDRESEN. May I just make this observation: Have you figured out what position the wheat growers may be in if we should have an unfortunate crop year, should not have enough moisture next year to produce a crop of wheat? We have produced bumper crops now for about 9 years and it is about time we had a dry winter.

Mr. HUGHES. I think we have considered that to the best of our ability. Of course that is a factor that we cannot determine in advance.

Mr. ANDRESEN. And we cannot legislate how it is going to be.

Mr. HUGHES. That is right.

Mr. PACE. Mr. White.

Mr. WHITE. Mr. Hughes, I understand from your statement, that you believe it is desirable to have general price legislation as would permit flexible support as in the Aiken bill. Can I persuade you to agree with me, when I say it is necessary that we have stable prices, that nearly all of the trouble between labor and management, the trouble of unemployment, of bankruptcy of small business, comes about during periods when the general price level is moving down to an appreciable degree, and when I say further that a stable price level is absolutely essential to peace between labor and capital, as well as between the nations of the world; could I get you to agree with me on that?

Mr. HUGHES. I think that a general price level definitely has a great deal to do with it, and I hope we can have it; I think the whole thing has to be considered.

Mr. WHITE. And prices must be stabilized.

Mr. HUGHES. Yes.

Mr. WHITE. Stability is the thing most desired. The Aiken bill goes absolutely contrary to that, and I do not understand how people can come in here and ask for a flexible support price on their commodity, which leaves the whole country up in the air, because we do need to have stability.

That is all I wanted to say, Mr. Chairman.

Mr. PACE. Thank you very much, Mr. Hughes.

Mr. HUGHES. Thank you.

STATEMENT OF WARD SULLIVAN, REPRESENTING WESTERN KANSAS DEVELOPMENT ASSOCIATION

Mr. PACE. The committee will now be delighted to hear the first witness on our list, who was called this morning, Dr. Ward Sullivan, representing the Western Kansas Development Association.

Mr. SULLIVAN. Mr. Chairman, I appreciate very much this opportunity of appearing before this committee. However, I would like to know now whether I will have time to complete my testimony before adjournment. I do not like to speak to empty seats. I wonder if I would have time after lunch?

With your permission may I introduce, before I proceed, some people we have with us. I have some friends here from western Kansas: Mr. and Mrs. M. A. Blanchard, of Garden City, Kans., and Mr. J. M. Green, from Salina, Kans.

Mr. PACE. We would like to have them come up and sit with you, if they will.

Mr. SULLIVAN. At the same time I would like to have come and sit with me the other witness on this program, Mr. Henry Parkinson, of Scott City.

Mr. PACE. Mr. Parkinson, will you come around; we are glad to have you with us.

Mr. WHITE. May we ask Mr. Sullivan to please give us his full name and the capacity in which he appears?

Mr. SULLIVAN. Just a moment; I am going to do that. My name is Ward Sullivan. I live on a farm 12 miles from Hays, Kans., Ellis County. Ellis County is located on the eastern edge near the center of what I call the high plains region, extending from the northern part of Texas, up through Kansas, Oklahoma, Nebraska, Wyoming, and Colorado.

I live on a farm with my family, wife and two sons; we have a family sized farm.

Mr. HOPE. Since you represent the Western Kansas Development Association I think perhaps it would be helpful to the committee if you would in a sentence or two tell us something about that organization.

Mr. SULLIVAN. Yes, I shall. We are raising wheat and cattle in western Kansas: Those are the two main crops. We do raise some milo maize for roughage, for cattle and grain, but there is no other cash crop. There is only one cash crop in this entire plains area, and that is wheat.

I want to say that the high plains area is producing almost half of the total production of wheat in the United States, and the Kansas area alone which I represent produces practically one-fourth of the total wheat produced in the United States.

Mr. PACE. May I interrupt you to ask if the area which you represent is the same area that was represented here by the witness who just preceded you?

Mr. SULLIVAN. It is not.

Mr. PACE. He said he represented 60 percent of the wheat, and you say you represent 50 percent of the production.

Mr. SULLIVAN. No; I did not say I represented 50 percent; I represent approximately one-fourth.

Mr. WHITE. Let me see if I understand the situation: I understood you to say that you lived in eastern Kansas, and I understood Mr. Hope to say that you represent the Western Kansas Development Association. Am I wrong?

Mr. SULLIVAN. You are quite wrong. I said that I live at Hays, in the center, or near the eastern edge of the high plains area, and that is not in the eastern part of the State; it is in western Kansas. And here I represent the Western Kansas Development Association which comprises some 46 counties of western Kansas. There are 105 counties in Kansas, and in that area we produce most of the wheat of Kansas—approximately 250,000,000 bushels of wheat, approximately one-fourth of the total annual wheat production.

I referred to the high plains area in the other States, because the whole high plains area is very similar. Their problems are very similar to those we have in Kansas, and therefore the problems which will be met by a program that will work out for our wheat, that will satisfy the situation in Kansas ought to satisfy the whole area.

However, I am not speaking for the farmers of any other area, or for this total area, but only for the western Kansas area; that is what I am speaking for.

The point I am making first is this, that while we are producing a larger percentage of the total production in the United States we are restricted to that one crop as the cash crop. And, outside of cattle, our total production amounts to very little. We have some irrigation districts, of course, but they are only minor, as far as the total production in western Kansas is concerned. Therefore if we live we have got to live by wheat, and that is very vital, it is very important.

We are attempting to carry on this balanced farm program, but as a matter of fact, we are restricted in the dry area of farming to produce that one crop, the cash crop. The only thing we could do to modify that program is through the cattle industry. And, approximately about half and half of our soil is given to cattle and wheat, half to cattle and half to wheat. In the smaller areas that are irrigated we can raise other things like alfalfa and sugar beets, and other things that we can grow through irrigation, and we are attempting to do that.

Now, gentlemen, the farmers of western Kansas believe in a stable, fixed, parity program. There is considerable confusion among the farmers, and I think it is due to some of our farm leaders, who are confusing this whole program, and I think we need to get away from that as quick as we can. I do not believe the farmers, if they could vote today, would vote to support a flexible price program and the wheat farmers, I think, throughout the country will come to that conclusion eventually—before very long, because it is sensible. Somebody has got a cockeyed, screwy point here about a flexible program, but we are opposed to it in western Kansas. And we are opposed to it for reasons.

We cannot have stable price, as has already been brought out, under a flexible program, because who knows what price the Secretary of Agriculture is going to fix, or anybody else that may have control over fixing the parity; who is going to tell us when and how that is to come about. We do not know, and it is confusing.

Furthermore, a reduced parity program, under the Aiken bill, will not cut production, for the reason that the farmer has got to make a living. I do not like these fellows with white wings, I do not believe in them. Of course, they are honest, but I do not like their white wings.

When they say we do not want to bankrupt the Government why, the Government has got the money, and has got to have the money to do this, because we have to maintain a stable price, and unless we do, not only will the farmers go bankrupt but the whole country will go bankrupt; it is absolutely essential, so let us get these white wings off. When they say we would break the Government, well, the Government will take care of it because it is necessary that we have stable prices.

We feel we ought to have the right kind of legislation, and we want legislation that will give the farmers of this country enough to have a chance to make a living.

Now, the farmers are in a very peculiar situation, and that is the reason why we have to take on this price support program. When I take a load of wheat, or you take a bale of cotton, or you take a bunch of vegetables to market to get some cash, we do not tell the purchaser what is fair or what he is to pay for that. He tells us what he will give us. And when we want to take back a sack of feed we do not say what we will pay. He tells us what we are to give him for that sack of feed.

Now, the farmers are in a very peculiar situation in this country, and I suppose everywhere else under that set-up, and we do not want any farm program set up that will tend to drive the farmers down to the position of semiserfs. He has got to be kept as independent as possible, with a chance to make a living, and I mean a chance to make a living.

The variable price program will not regulate or control production, for the reason that the farmer must make a living, and therefore if you cut his margin of profit down it means that you are compelling him, if he has the right to do so, to put out more acres.

I am right up against that problem right now in the matter of summer fallowing. I have a separate quarter section of land in another county from which I live, and in that county it is advisable to summer fallow every other year. I recently purchased the land, and this year I am summer fallowing all of it, and the board tells me that I will probably have 42 acres that I can put out of that quarter section of land, and I cannot farm that land on that basis; I will go broke, just as sure as shooting, I will go broke.

Now what am I going to be able to do? I am going to have to see if I can possibly borrow money, go out there and buy another quarter section or two quarter sections of land so that I can afford to cultivate the field of the size that is reasonable to cultivate. It is expensive to move machinery, and you cannot operate a small field economically on that amount of acreage. So that maybe I can take 80 acres or maybe 100 acres of the other quarter section and move my machinery in there and cultivate it. It is expensive to get at it, but that is what I will have to do.

I am, therefore, opposed to any flexible price support program. Now, if you cut me down to a small margin I will have to raise more wheat. Henry Ford taught us that years ago, you will remember, when he said let us cut the price of cars and sell more cars with a smaller margin, that he would make just as much if not more money.

Now, cut me down on the price of wheat so that I can barely make a small profit on a bushel of wheat, in order for me and my family to live I will have to go out and increase my acreage, increase my bushelage, and there is no question about that. That is why the flexible program will not control production.

We have got to have controls, of course, and we are in favor of controls. But we want controls with the minimum of regimentation. Yes, let us put this in the hands so it will come down from the Secretary of Agriculture, down to the States, down to the counties and to the farmers and let us find out what is possible here for us to do in order to live; that ought always to be taken into consideration.

Now we feel that the present farm program, not the Aiken bill, the Aiken law, but the present farm program that was operating this year, this present year, is fair and reasonable. We want a fixed parity price, a high price, and if it must be 90 percent let us leave it at 90 percent, and the farmer will take the 90-percent chance along with his brothers in making a living.

I have got a few white feathers in my wing; I will go along with them on that, that is, the farmers who have got full-feathered white wings; I am willing to say that I will go along on a 90-percent chance with my brothers in the other departments, but for God's sake do not cut it down to 80 percent or 70 percent or 60 percent; give us a fair chance. I do not see any reason why it should not be a 100 percent parity; why talk about 90 percent? But the fact is we have been operating under a 90 percent parity program, and the people understand it; they are not sore on it; they recognize that they are getting as much good, the general consuming public, the laborer, the businessman, the housewife are all getting as much benefit out of this, because they are being assured of an adequate supply of good food, and that is the thing we all want.

Now, we are afraid of heavy surpluses, and we have got to take care of the surpluses. But so far as acreage allotment is concerned that is not always a fair base on which to make it possible for the farmer whose life depends upon that program, the farmer who is being pinched down to the point where he is completely sold out. Adjustments should be made for him, and there should be some compensation coming back to him in some way because of the pinch that he is undergoing through the general regulations which must apply, as we believe in Kansas treating everybody alike, the cotton farmer, the wheat farmer, the corn farmer, and everybody else.

Now there are some general principles that I would like to leave with you. I think, gentlemen, we are looking at the trees; we cannot see the woods, and we want to look at the woods a while. We are looking at too much detail. We are confused by so many conflicting opinions, and, as I stated a while ago, some of which is coming from our own outstanding farm leaders, and I think that they are not going to be supported very much longer by the farmers. I am expecting a change of some kind and it will come, I think, before long.

Mr. PACE. It is coming now.

Mr. SULLIVAN. I think I can see it coming. Our boys are not going to be donating their services and stand by and be controlled by somebody higher up.

I am a member of farm organizations and this applies to two of them; I happen to be on the State board of those organizations. I believe in them; I believe that they need to reflect the opinion and the wishes of the farmers at the moment, not last year, or 2 years ago, but to do it now. We have got to look at the woods a while.

Now what are the general principles that we should lay down? First, this whole farm program should be wrapped around the program of conservation. We have a slogan on the letterhead of the Western Kansas Development Association which says: "Under all the land; over all the people." When you destroy the land on which we live you destroy ourselves. The land supports a prosperous and happy people and will so long as we take care of it. So let us wrap our whole program around the conservation program.

I have 15 miles of terraces on my farm; I have soil-saving dams; I have plenty of water-conservation dams. I have reseeded Buffalo grass on land that rolls, that is rolling for wheat; I am getting it back in grass. There are other boys who have ploughed up good land and put it into wheat who should not be penalized one iota, but the boys who have ploughed up the rolling land are the ones who should be penalized, because the soil is going to wash out; they should be penalized so they will put it back into grass, which must be done if you are to build up the right kind of farming practices.

Now the second point is that we should intend at all times in this country to have an adequate supply of foodstuffs, of food products, and other products of the farm; that is a most essential thing, and let us be sure that we always have an adequate supply on hand. What would have happened to us if we had not had an adequate supply not only for the time being, but for the immediate future when the war came on, when this last war broke out. I think that the reserve supply was a mighty happy thing to have, and let us see that we have an adequate supply on hand at all times. We need to have satisfactory controls, so we ought to have a little carry-over, because that is another method of controlling production besides the acreage allotment and quotas, marking quotas. Let us apply them if we need them, but let us also have a sufficient carry-over, that is a surplus. We have had a surplus of 150 to 200 million; let us make it 300, 350, or 400 million bushels; it will not hurt if we control it properly. And we are talking now particularly about wheat.

Of course, there are other products that have to be handled differently. There are some products that are perishable and of course you cannot carry over perishable commodities like you can wheat and some of the other farm products like cotton. Cotton will keep. Let us have a rather large surplus and handle it in a way that it will not get out of hand. And in addition to a surplus, let us do a little stock piling. We stock-piled materials, we stock-piled ammunition, we stock-piled guns, we stock-piled in a lot of other things in the emergency for defense purposes. Why not stock-pile some food that we can use? Others have stock-piled. Why, they uncovered tombs of Pharaoh and found wheat had laid there for 5,000 years, and they planted that wheat. It produced and made good bread. Wheat will stock pile.

Mr. PACE. How are you going to keep it from depressing the price?

Mr. SULLIVAN. To keep it from depressing the price?

Mr. PACE. Yes; how can you handle it?

Mr. SULLIVAN. By law, by saying that the wheat will be preserved for emergency, held for emergency. You will hear a lot more about that when my colleague here testifies, because he is going to have something to say about it.

I want to give you the principles of the program, and as I say, we want the minimum of regimentation; we want to leave the farmer as free as possible.

Now the fourth point is to maintain a fair price for farm products. One farmer out in my area, when I told him I was going to represent the Western Kansas Development Association, was coming down to talk to the Congress about this farming program, and I asked him if there was anything he wanted me to say, said that the only thing he could say is to come back here and ask for a fair price on all farm products.

After all, Mr. Chairman, that is really the crux of this program.

Fifth, a fair distribution of the reduction in controls, of reduction in production, not only as between the farmers of any given product, but as between competitive farm products like corn and wheat for feed. For instance, when wheat or milo maize are fed instead of corn for livestock purposes it is in direct competition with corn. We in western Kansas could cut our wheat acreage and we could plant milo maize, and if we plant milo maize in order to feed our cattle and our hogs we are in competition with corn, and the thing ought to be set up so the corn farmer is protected.

Now one more statement and I am through, gentlemen. We have a practical problem ahead of us the following year in working this thing out; and we have got to be realistic about it. We are approaching a new crop year. We are going to be seeding wheat in western Kansas by the first of September. The combines are already rolling in Texas and in Oklahoma; I met them on my round; they are preparing now to thrash wheat; I saw a half dozen or ten going south, wheat combines, and the new crop will be rolling in a very short time.

This session of Congress will soon be over. What are we going to do? Here we are confronted with a great deal of confusion, and I do not think there are two farmers in this room who agree on all the details of this thing. I think we would agree if we had been looking at the woods and not the individual trees, not the details; I think we agree on principles but not on the details. That confusion will eventually clear up, and we have got to continue. It cannot happen this summer. It is going to come after we get this planted season over. So we must have a short-range program. We have got to have a long-range program, that is true, but now we need a short-range program, so the Western Kansas Development Association has this to recommend: We recommend that we extend the present parity formula for 1950, making whatever adjustments in the allotment and control program that are necessary to assure equitable and fair distribution among the farmers, whatever group they are, and whatever crops they are producing. There may need to be some adjustments in the set-up for allotments and controls. And it is not for me as a farmer, and I do not believe for any other farmer to determine what has to be or should be. I think it is up to you men in Congress to decide that.

But, Mr. Chairman, let us get started on the production of the new crop, which we in the winter wheat district are starting to do now. We are summer fallowing now for the new wheat, this fall. We will cut our wheat in Kansas—by the 15th of June they will be cutting wheat in Oklahoma and Texas, and by the 1st of June in some places, so there are only some 4 weeks to go, and immediately following that, the combines will be up in our area, and we are still faced with confusion at a time when we are ready for the new crop. We have got to be realistic about it; we have got to have a short-range program, and what we want to do is to continue with the present 90-percent parity, for 1950, and then make whatever slight adjustments are necessary in the control of acreage and marketing quotas, the necessary controls to take care of whatever surplus we may have. I think if we will do that, gentlemen, it will give time for the farmers, the Department of Agriculture and the Congress to study this program, to put through and develop a long-range program.

That covers the general principles in my suggestion, and what I think we ought to do now.

Now may I introduce to you my colleague from western Kansas, Mr. Henry Parkinson, of Scott City, Kans.

Mr. SUTTON. Mr. Sullivan, whenever you get tired farming in Kansas, you come on down to Tennessee, because you are the type of farmer we need in Tennessee.

I agree with you, and I would like to see you go over to Senator Aiken and tell him the same thing.

Mr. SULLIVAN. We expect to see Senator Aiken before we leave.

Mr. PACE. And do not forget to go up to the Farm Bureau, also, while you are in town.

Mr. SULLIVAN. I think the Farm Bureau will hear from us before we are through.

Mr. HOPE. Mr. Chairman, Mr. Sutton has invited Mr. Sullivan to come down to Tennessee. Of course, we are not going to let him go to Tennessee although we appreciate the compliment. I want to take this occasion to say that Mr. Sullivan and Mr. Parkinson are both working Kansas farmers, they are outstanding farmers—among the best we have. They own and operate fine farms. Not only that, but they are fine public-spirited citizens, and we are very proud of them.

Mr. PACE. I am quite sure their distinguished representative in Congress, Mr. Hope, will want to carry out their recommendation.

Mr. WHITE. I just want to say to Dr. Sullivan that either I have been reading his mail or he has been reading mine, because our recommendations correspond so closely, and I am very happy to have him make his statement.

Mr. PACE. His statement shows his clear and full knowledge of the problem, and anybody who has a clear and full knowledge of the problem will come to the same conclusion.

Now, Mr. Parkinson, we will be glad to hear you.

STATEMENT OF HENRY D. PARKINSON, SCOTT CITY, KANS., ON BEHALF OF THE WESTERN KANSAS DEVELOPMENT ASSOCIATION

Mr. PARKINSON. Mr. Chairman and members of the committee, I am Henry D. Parkinson, a farmer in Scott County, Kans., located in the western part of Kansas about 60 miles from the corner of Colorado. I prepared this statement because I assumed that would be best, but I can assure you I could stand here, as Mr. Sullivan has stood here, and concur entirely with what he has offered, and I firmly believe, in doing so, I would be concurring with the majority of the farmers in the Great Plains region.

I am here as a representative of the Western Kansas Development Association, an organization just 2 years old, run by men and women who are giving freely of their time and money to help it build the agriculture, industry, and culture of 46 western Kansas counties. So you see, gentlemen, I am not only here as a representative of the farmers in our area but as a representative of the city folk, likewise.

I am here in Washington primarily in the interests of conservation of an economy that will enable our rural folk to adjust themselves to the postwar changes that face us today.

The WKDA has requested me to give you gentlemen what suggestions we can relative to the immediate future and, second, a rough outline of a plan that I discussed some with them with regard to a long-range agricultural policy.

Before I start I wish to assure you Congressmen that we believe each of you have our interests at heart and are doing a fine job and will continue to do your utmost in our behalf. We are proud of you and thankful to you. Furthermore, gentlemen, I assure you that I do not have the answers to the manifold problems facing agriculture today. If I did have, I wouldn't be here taking up your valuable time.

It might be interesting to have you know what I would be doing if I were at home. We had just made arrangements last week for trucks, tractors, and manure spreaders to spread about 200 acres of land with manure, but the boys said I had better come to Washington.

Mr. SULLIVAN. And spread it here. [Laughter.]

Mr. PARKINSON. No.

Concurring with my able colleague, Dr. Sullivan, I would like to offer just a few more ideas with regard to the immediate future. I believe we should place an acreage allotment on a potential as well as a historic base. First, because, regardless of legislation, wheat like corn or cotton should and will be grown in those areas best adapted to their production. Past history will bear me out in the aforesaid statement. I cite you to the State of Minnesota which in 1918 was second only to Kansas in the production of wheat and produced in that year about 90,000,000 bushels of wheat. I do not have the exact figures, but it is mighty near that. It is now a dairy State with an approximate 9,000,000 bushel average. Furthermore, and I am sure you gentlemen have the figures to prove that, the high plains area is one of the regions in the United States best adapted to the production of wheat. So in view of acceptance by farmers of acreage controls, we believe that the distribution and marketing of our surplus wheat should be given a great deal of exploration and study. For example, as the crop prospects now stand, we could produce a crop of 1,300,000,000 bushels of wheat this year in the United States. We annually consume 500,000,000 bushels. We annually feed approximately 100,000,000 bushels, and for seed 80,000,000 bushels. Assuming that Congress ratifies the international wheat agreement, we can expect to export 168,000,000 bushels. That makes a total of 848,000,000 bushels, leaving a total of 452,000,000. Now, further assuming that for at least the next year Germany and Japan will need about 150,000,000 bushels, that leaves us with 302,000,000 bushels of wheat from this year's prospects. Add that to our carry-over of approximately 300,000,000—and I may stand corrected on that figure, but assuming it is correct—that leaves us with approximately 600,000,000 bushels. We believe and I have always contended that we should have a carry-over in the United States of at least 400,000,000 bushels. That gives us a balance of 200,000,000 bushels to distribute somewhere throughout this world.

This is where the second phase of my presentation comes in. I propose that the farmers receive 90 percent of parity on the 500,000,000 bushels of wheat consumed domestically; that he receive the price set up in the international wheat agreement for the 168,000,000 bushels; also 90 percent of parity for the 150,000,000 bushels needed in Japan and Germany and also for the approximately 300,000,000 bushels needed to adequately protect our people for the coming year. Now taking out our feed and seed, we come back to the 200,000,000 bushels I mentioned above. I propose that we build storage abroad for about

400,000,000 bushels; that this storage be built in strategic places close to the main traveled waterways of the world, yet near enough to the people living in areas that are now and will continue for a number of years to be classed as underprivileged peoples. For example, storage in north Africa, 100,000,000 bushels; storage in Israel, 50,000,000; storage in or near Arabia, Iraq and Iran, 75,000,000 bushels; storage in southern China and Korea, 100,000,000; storage in or near India or Pakistan, 75,000,000; making a total of 400,000,000 bushels. The funds used for construction could well afford to come from the Marshall plan funds. I believe that the farmers of this Nation would be willing to accept certificates of credit from the Government for their proportionate share of the 200,000,000 bushels and that the price they would receive be determined by whatever those nations using this wheat could trade us or barter to us.

It is my belief that a program of this nature can be carried out successfully for many years. Now, you men may be thinking that surely I've been standing out in the sun with my hat off—maybe I have, maybe no; you may be correct, yet who knows; that this proposal is pure and simple idealism.

You may be correct but again who knows. Today there exists in the world about two main philosophies that clash, and will continue to do so for how many years, I do not know. Our way, the Christian democratic way of life; communism—ungoldly and ruthless. We know from experience in World War II that Communists are not afraid of bullets. We know that the atomic bomb cannot stop the advance of their philosophy, but we do know that food and food alone contributes more to contain that philosophy than any other single weapon and most certainly in an instance of this nature, food can be referred to as a weapon. People with a full stomach aren't easily converted to that way of life. Secondly, it would prove to the world that we are a peaceful nation interested in establishing a peaceful economy throughout the world. Third, it would permit us to produce up to the extent that we would not damage our soil resources, and would encourage soil conservation.

I would like to bring up just a personal problem there. For example, in western Kansas, when we had plenty of wheat pasture, 1 year I spent all of September and along in October bringing in stocker cattle. Sometimes I would get them from Texas, Oklahoma, and Arizona and have gone into Louisiana and Mississippi when I had great acreages of that fine, green crop growing, that runs about 20 percent protein, and I bring stockers out into our country and go into Colorado and bring in thousands of sheep and put them on that soil of ours. It is helping the wheat and can certainly help the cattle man. Then we ship to the East—Ohio, Illinois, and Indiana—and the corn farmers take them over and feed them corn, and then they go South and buy cotton cake and feed them cotton cake.

I believe now and always will that anything we can do to encourage increased production of livestock will automatically encourage increased use of our wheat, because every time an individual eats a pound of beef, he is eating either seven pounds of wheat or seven pounds of corn and, incidentally, quite a little cotton cake—I do not know how much.

Fourth, it would discourage production of wheat in countries that cannot raise it as cheaply as we can. Look at our automobile and implement market abroad. We are the leading manufacturers in these and many other articles. Why? Because of the foresight on the part of our leading industrialists. They produce and market their products more efficiently than any other country on earth. We can do the same with wheat. I think statistics show we produce a bushel of wheat in 7½ so-called man-hour minutes. It took us 25 or 30 years ago, close to 30 minutes and we know that from an agricultural standpoint, we are 30 or more years ahead of most of the world agriculturally.

Now if we go into a controlled production, I fear we will be passing up the greatest opportunity our Nation's wheat farmers have ever had. For as soon as we control production, other nations will go into heavier production. Furthermore, I propose that this wheat and the distribution of it be placed in the hands of an agency already in existence, the Food and Agriculture Organization, commonly referred to as FAO, and headed up at the present time by Mr. Norris E. Dodd of the United States, and that he in turn apportion a part of the 200,000,000 bushels to the three leading christian faiths of this Nation, Protestant, Catholic, and Jewish, to distribute as they best see fit.

I want to demonstrate to the world that we have a democracy; that it is a fine thing. I think, also, along that line, it would give our church organizations an opportunity to demonstrate to the world that Christianity is a mighty fine thing.

Realizing that there are many obstacles and many questions not answered in this proposal, I submit it to you for your consideration.

Thank you.

Mr. PACE. We thank you very much, Mr. Parkinson.

You were probably here yesterday.

Mr. PARKINSON. Yes, sir.

Mr. PACE. And you heard the proposal made of a two-price system, what we call a domestic allotment plan?

Mr. PARKINSON. Yes, sir.

Mr. PACE. This seems to go somewhat further than that.

Mr. PARKINSON. Yes, sir; I agree with you.

Mr. PACE. Your plan would still require a determination of allotments in bushels made to the producers in order that they might receive these respective support price-levels; that is to say you break them down into 500,000,000 bushels for food. Would you put in with the 500,000,000 the 100,000,000 for feed and the 80,000,000 for seed at the same level?

Mr. PARKINSON. I assume, if it would be fed on the farm and seeded on the farm and consequently, as a general rule, it would not be for sale, so that there would be nothing come in there. I say I assume that, because, as a general rule, the seed sown on the farm is generally raised right there on the farm. Of course, there could be some conflict there, and I see your point.

Mr. PACE. Of course, that brings up this controversial issue before this committee as to whether or not in any allotment system you could include the part of the crop that is fed on the farm. Some corn growers, you know, insist it would be outrageous to make the farmer reduce his corn acreage when he intends to feed every bushel of it on his own farm; on the other hand, other farmers insist that they should have an allotment just like the man who sells his corn on the market. That question would naturally arise under your proposal about this

168,000,000 for feed and seed. Would you suggest that the wheat produced and fed on the farm, kept there for seed or feed, be exempt from acreage controls?

Mr. PARKINSON. I have not thought the thing clear through, but I made this recommendation just assuming that was kept right on the farm, and that would be one of the little problems. My personal opinion would be that in order to maintain parity on this portion that would be used otherwise, perhaps there could be some consideration to not including that in the parity support.

Mr. SULLIVAN. If you will permit me, I think I may be able to clarify that just a little, from our point of view.

Mr. Parkinson was attempting to get rid of the surplus, and we were simply pointing out where this wheat was going. Approximately, we have so much wheat for consumption domestically; we have to use so much wheat for seed. The farmer ordinarily will consume some of the wheat on the farm by feeding grain to chickens and things like that. I do not think he ought to be allowed to sell that wheat on the market as feed in competition with corn; I do not think he ought to do it.

Mr. HOPE. As I understand it, Mr. Parkinson, you are not presenting a plan here in which all of the details have been worked out?

Mr. PARKINSON. No, sir.

Mr. HOPE. But you are presenting this idea on the theory as long as there are hungry people throughout the world, as there are now and have been in the past, it is incorrect to say that we are producing a surplus of food grains?

Mr. PARKINSON. Correct.

Mr. HOPE. And you are trying to work out some method by which you can bring together the surplus we may from time to time produce in this country and use it to feed hungry people throughout the world?

Mr. PARKINSON. That is correct.

Mr. HOPE. And you are doing that from a humanitarian standpoint, from the standpoint of our foreign program and from the standpoint of disposing of our surplus?

Mr. PARKINSON. Yes, sir.

Mr. PACE. Just one more question: Assuming some of these nations where you would place these storage facilities are wheat-importing countries under the wheat agreement—I do not know whether they are or not; probably you know.

Mr. PARKINSON. I could not say.

Mr. PACE. Assuming they are———

Mr. PARKINSON. I just set this up as an example for the committee.

Mr. PACE. Let us use it as an example. Assuming they are wheat-importing countries and they are under the wheat agreement and we will say the same country was expected to buy 30,000,000 bushels of wheat under that agreement and pay the agreed price for it, what would be their reaction if you put storage facilities there and put 100,000,000 bushels of this other wheat in storage that they could get for whatever price they were able to negotiate? What would be their reaction to taking wheat under the wheat agreement?

Mr. PARKINSON. I think those are obligations they have signed for and agreed to carry out. Part of this is psychological. We know as surely as we are here that the Russian Government is waiting for but one thing in the world; that is a break-down in the economy that eventually will lead to hunger, and, if we do have wheat in storage over there, most certainly we can contain their philosophy and maybe put them back where they belong. Of course, we will never be able to put them back where they belong, so far as I am concerned.

Mr. WHITE. May I just make this suggestion there? I am in sympathy with the charitable aspects of your program. I feel, though—and am sure you agree—that it should be separate; that we should have two distinct programs, one a business program to take care of the crop and the other a charitable program. And I point out this, that it does not do much good to have the wheat over there in storage when the earning power of the individual workers in those nations is nil, as it is in most of those countries, and their wages have to rise to where those people can buy this wheat. Certainly America cannot go on giving it to them forever to stop communism, but you will have to have the workers earning enough money to buy that wheat, and that system has to be maintained not only by us but by the rest of the world.

Mr. PARKINSON. Yes. And I agree with the gentleman that when you get that individual healthy enough to work, he is going to work, and there is not a country on the face of the globe that cannot produce something that we cannot use here; I mean something they can produce cheaper than we can and that they need to turn to us for the marketing of those articles.

Mr. WHITE. May I say this? If we get a minimum wage over there through some world agreement or some organization, through a central government, they will consume their goods just as they do in this country, and you would create a situation that would be healthy.

Mr. PACE. Thank you very much, Mr. Parkinson.

There are two other witnesses I understand the committee was to hear from. We will hear now from Mr. John Taylor, of Oklahoma, who is presented to the committee by our colleague, Mr. Albert.

(No response.)

Mr. PACE. Is Mr. Kaseberg here?

(No response.)

Mr. PACE. We regret we miss an opportunity to hear their statements.

According to my list, that completes the witnesses.

Mr. HOPE. Mr. Chairman, may I inquire whether Mr. Brown is here? Mr. Brown spoke to the chairman and myself yesterday about appearing. I do not know whether he now desires to be heard or not.

Mr. PACE. Mr. Brown, would you like to make a statement?

Mr. BROWN. I might, with your permission, make a brief statement.

Mr. PACE. We will be delighted to hear from you.

STATEMENT OF OLIVER S. BROWN, LIBERTY, KANS.

Mr. BROWN. My name is Oliver S. Brown; I am from Liberty, Kans. I sort of belong to the western Kansas group and the eastern Colorado group and even get down into Oklahoma a little. I am engaged in the farming of wheat in the three States that are considered areas of summer fallow, and in this way I come here more as an observer at these hearings with a deep interest in both the short-range program and the long-range program.

Naturally we are interested in a long-range program, but for the time being we are very much interested in the short-range program that would put in a restricted acreage, whether it be under the application of the old law or of the two laws of 1938 and 1948.

It is hard to adjust your farming operations on July 1 or July 15, as has been indicated that the Secretary of Agriculture may decide to do, and it becomes a vital problem to your committee and we appeal to your committee to carefully look over the law as it would be handed down to the counties and as the acreages would be applied. And from observation, neither in western Kansas nor eastern Colorado do we think that the old 10-year period or 10-year average will apply. We have to keep abreast of the times, and it is rather interesting to look at the break-down of all of your wheat-producing States and apply that 10-year average and then apply the 5-year average and apply the 3-year average. And from the standpoint of observation, I think there is going to have to be a happy medium hit that the present law does not give us; or at least there should be a better interpretation of its application.

Mr. PACE. What is your happy medium?

Mr. BROWN. I think, from just observing here that a happy medium to the old and the new wheat producers would be to take about a 3-year average, the years 1946, 1947, and 1948, and, of course, go up on the same scale if we continue the program and take this year, 1949, next year.

I do not think it should be cut out, because farming is a business. Most of these hearing pertain to what we call the commercial wheat producer, and he has got to be given a chance, but the new operator has to have as good a chance as the other, and you have to hit a happy medium. Maybe you cannot give him as much, but you should not take it all away from him.

Mr. HOPE. Are you a new producer, Mr. Brown?

Mr. BROWN. No. I had better not tell you what my business is, because the boys said I would get cross-questioned, but I am going to tell you, anyway.

I am vice president and general manager of the John W. Balkman Farms Co., located in the three States of Oklahoma, Kansas, and Colorado. We have 280,000 acres of wheat land, and we rent it out to small farmers. We have 700 tenants scattered in the three States.

Mr. HOPE. Pardon my interrupting you, Mr. Brown, but your operations are all carried out on what are considered as family-sized, family-type farms in that area?

Mr. BROWN. In that area.

Mr. SUTTON. Of 4,000 acres each?

Mr. BROWN. Well, we would cut the average lower than that a little.

Mr. HOPE. It is not all in wheat, of course?

Mr. BROWN. It is not all in wheat; it is summer fallow.

Mr. PACE. Let me talk to you a minute. This is a complicated problem you have. Cotton has the same problem, and I presume corn has the same problem pretty much, and it seems to me our job here, as best we can, is to be fair, as fair as we can, to all of the wheat producers and all of the cotton producers.

I think there ought to be a general agreement that the production of cotton, wheat, and other commodities during the war period was abnormal and that this, in some cases at the request of the Government, changes the pattern. I think we must give consideration to the existing situation that has been developed, but do not you agree that we must also give consideration to what you might call the normal production pattern of wheat in the country? It seems to me if you want to include the last 3 years as representative of the situation that these abnormal conditions brought about, and to be fair to the men who have been growing wheat for the last 50 years, you should probably take three prewar years and give consideration to them; that whatever weighting you give, give each one a weighting of 50 percent, 40–60, 25–75, or whatever will bring about the nearest fair deal for all of them.

Mr. Brown. I agree with you very much, Mr. Pace.

Mr. Pace. I am told—I do not know, and I look a great deal to the gentleman from Kansas, Mr. Hope, for advice on the subject—I am told there have been enormous areas broken up and put in wheat that never should have been put in wheat, that ought to be taken out of wheat as quickly as possible; that is an unusual and abnormal development.

Now, we have had the same thing in other crops. I am having an experience down in my country with the peanut crop. We developed a pretty good peanut program, and men went out and rented thousands of acres and put them in peanuts in the last 3 or 4 years, and we are under quotas this year on peanuts. The result is that under a strict, straight fromula those men are getting unconscionable acreage allotments of peanuts and, when they get them, they have to take them away from somebody else.

Now, is not there a need somewhere to give consideration to the normal production of wheat like it has been for generations and then give consideration to the situation as it is today, that we never can overlook?

Mr. Brown. You are right. Let me point out here just briefly and go back to the years 1915–19 and look at the production of wheat, and you will find we produced a billion bushel crop in 1915. You will find, too, that in 1919 we got up to 74,000,000 acres of wheat, and that is 30 years ago. And if you check the records today, you will find they are not in the same acres of wheat, the 75,000,000 we are talking about now, and there might be a slight increase of 80,000,000 acres.

Mr. Pace. They said 81,000,000.

Mr. Brown. Yes. But our friends from Omaha are going to cut that out, so that we can only consider 1948, and that is not any larger than in 1919, nor are we producing any more bushels than we did in 1919, in spite——

Mr. Sutton. But that was a war period, although it was after the war.

Mr. Brown. But it was at a time when we were still in the horse and buggy days, when we did not have power equipment and did not have power machinery, did not have the improved farming and scientific methods.

Mr. Sutton. But we still had the problem of feeding the world then like we do today.

Mr. Brown. Yes.

Mr. Sutton. But, to be fair, would not you go to some years that were not influenced by the war or the postwar period immediately after the war? In other words, come up to 1925 or 1929—that is a good year—or something like that, where no war was involved and prosperity was here.

Mr. Brown. To illustrate my point, the question Mr. Pace asked me was if there was not too much land being broken out and put to wheat, and the point I want to illustrate is that the answer is no; that there no more land put to wheat today than there was 30 years ago. And I can support that with the facts and figures.

Mr. Hope. What you point out is that there has been a shift in the areas producing wheat.

Mr. Brown. That is right.

Mr. Hope. And those areas producing wheat back in 1919 and up until the middle 1920's have very largely gone out of the production of wheat.

Mr. Brown. That is right.

Mr. Hope. Mr. Parkinson spoke about Minnesota being a great wheat-producing State before 1920 and that Minnesota does not produce any wheat now. We have single counties in Kansas, that produce practically as much wheat as the whole State of Minnesota. And there has been a shift in the area which went on not only during the war period but in the period previous to the war where that shift was taking place.

Mr. Pace. Nobody suggested that you go back to 1915.

Mr. Brown. No.

Mr. Pace. What I had in mind was going back to 1939, 1940, and 1941. Take those 3 years and then take 1947, 1948, and 1949.

Mr. Brown. Let us take 1937.

Mr. Pace. No; not 1937—1947. I said you take 1939, 1940, and 1941, the normal production before the war, and then take 1947, 1948, and 1949 as it is today and give each one whatever should be the proper weight. Would that not treat everybody fairly?

Mr. Brown. I think it is the most happy medium. I do not think we can treat everybody fair in breaking it down.

Mr. Pace. I do not, either.

Mr. Brown. But we can take the 10-year average, or maybe it would be like the boys from Texas suggested; take one 5 and divide by 5, and take the other 5 and divide by 5, add the two together, and arrive at it. But we can take the State of North Dakota—and I want you to get this point—we can go back to the way the acreage allotment in North Dakota is today on the books, and you cannot affect the State of North Dakota. We can have an acreage cut, and North Dakota can take the same acreage basis and not be cut any and can continue in the program and have the support price.

Now, that is an example. The only reason I point North Dakota out is because of the fact that it is a large wheat State, the second largest, ranks next to Kansas, and a 20-percent cut, or whatever we give North Dakota, won't have to be given to North Dakota under the present law.

Mr. Pace. You mean under the 10-year average?

Mr. Brown. Yes. Now, if we cut North Dakota 20 percent, we would have about 2,000,000 acres to give to a State like eastern Colorado that is going to suffer economically, because they have hit a level there that you cannot back off from.

Mr. PACE. But under the suggestion I made, you would strike a happy medium there.

Mr. BROWN. That is my suggestion. Take the 3-year and the 3-year period studied out, as we have looked over the charts here—these figures, of course, are for discussion only, but it does draw a a nice comparison here—I think you gentlemen all have this chart that was prepared for your information—and the 3-year average——

Mr. PACE. What 3-year average?

Mr. BROWN. 1946, 1947, and 1948—of all States comes the nearest to fitting the picture.

Mr. PACE. Well, you would not say North Dakota would ever agree to that, would you?

Mr. BROWN. It might not; but it would give North Dakota a cut. It is true there is no way to cut every State 20 percent on an acreage basis, if it took 20 percent to arrive at our reduction in acreage.

Mr. HOPE. You mean there is no 3-year period we can take that would result in that kind of cut?

Mr. BROWN. That is right.

Mr. HOPE. Some States would be cut 30 percent and some like North Dakota would not be cut any, and it operates to affect other States differently, but none of them would get exactly that cut.

Mr. BROWN. And I would submit that you would have to consider those figures; and further that there should be an interpretation or regulation that would set up a broader base, if you are going to have a program and the farmers are ready to seed.

Mr. PACE. You say that your company has some 280,000 bushels of wheat now?

Mr. HOPE. Acres.

Mr. BROWN. Yes.

Mr. PACE. How much did you have for 1948?

Mr. BROWN. We have always followed summer fallowing by our company; half the land out every other year. We have tried to have 100,000 acres in wheat every year. But as I say, that is divided between about 700 tenants, who have a three-fourths interest in it. Our one-fourth interest—and of course as commercial producers we should be cut out according to some suggestions of that one-fourth—but out of the income from that one-fourth, 92 percent goes to the Government in the form of taxes.

Mr. PACE. How much?

Mr. BROWN. Ninety-two percent.

Mr. PACE. Maybe you should have been more lenient with the tenants. You mean to say that land is the only thing you provide the tenants?

Mr. BROWN. We furnish the land, supervision; and in hard times like 1937 we furnished the seed, gas and oil.

Mr. PACE. I mean right now, you are furnishing just the land?

Mr. BROWN. Just the land.

Mr. PACE. And you get one fourth of the wheat?

Mr. BROWN. One-fourth, yes.

Mr. HOPE. And let me say they are more liberal than many others where the tenant only gets two-thirds.

Mr. PACE. And in addition your company pays 92 percent to the Government in taxes?

Mr. Brown. Yes. We have no objection to that; all we want to do is to raise wheat.

Mr. Pace. Well that operation is pretty good for the Government anyway.

Mr. Brown. That is right. But the Secretary's plan would eliminate us, and it would also eliminate a lot of taxes for the Government.

Mr. Hope. I would like to invite attention to the fact that not only is this a big farming operation, but the organization Mr. Brown represents carried a lot of tenants through the Dust Bowl period, and at a time when they had to have help, otherwise they could not have remained there on the land.

Mr. Pace. Certainly I would commend such a practice, and no doubt they are grateful for it.

Mr. Brown. There is one other point that I would like to clarify. Western Kansas and eastern Colorado is not made up of suitcase farmers. You remember that matter was discussed the other day, and someone asked the question if it were not true that the people in that area did not come from some of the other States to Colorado and Kansas, produced the wheat, went back home and spent the money. That is not true. There is a very small percentage of suitcase farming in that area. Most of these farmers live on the land, or near it. And we have gone one step further; we require the men who farm the land to live on the quarter in which the land lies, and become a resident of that particular area, a part of the population, and a part of its economy.

Mr. Hope. Most of the suitcase farmers left during the Dust Bowl and depression era, did they not?

Mr. Brown. Yes. The suitcase farmer and the incentive payments cutting down on the production of wheat.

Mr. White. Who figured on getting paid for what they did not produce.

Mr. Brown. And acreage control; those were the two restrictions that did it.

Mr. Pace. Thank you very much, Mr. Brown. We are delighted to have your suggestions.

Mr. Brown. Thank you.

Mr. Pace. Has Mr. Taylor arrived?

Mr. Kaseberg, is there a statement you would like to make?

STATEMENT OF PAULEN KASEBERG, WASCO, OREG., PRESIDENT, OREGON WHEAT GROWERS LEAGUE

Mr. Kaseberg. Mr. Chairman, I would like to make just a brief statement.

Mr. Pace. All right. We are operating now without lunch.

Mr. Kaseberg. I thought I would get the jump on you, and I went out and ate my lunch.

Mr. Pace. We will be glad to hear you.

Mr. Kaseberg. Mr. Pace, as you are well aware, the Pacific Northwest region is quite a little bit different from the rest of the wheat growing areas, as I mentioned when I was here in March, because any substantial curb of acreage allotment cuts our income in direct proportion.

In view of those factors we feel that if a reduction program was to be effective we had to have marketing quotas with acreage allotment.

Also, that with the possibility of acreage reduction, coupled with flexible support price, or a lower support price than 90 percent that we could get caught in the two-way squeeze.

With that thought in mind I mentioned, when I was here in March, that we felt that we would have to go on the 90 percent of parity, and that at that time we said 90 percent of the new parity would be our goal, because we felt we did not want our profit guaranteed, but we felt that wheat production was vital enough to our Nation that we should have the production guaranteed as close as possible.

I think that is chiefly what I have to say.

Mr. PACE. In other words you still stand for 90 percent of parity?

Mr. KASEBERG. Yes.

Mr. PACE. With production control?

Mr. KASEBERG. Yes.

Mr. PACE. And you think control should be through marketing quotas and allotments.

Mr. KASEBERG. Yes. There are really two approaches to this control program: One of them is through bushelage control or marketing quotas with allotment. I think that accomplishes the same thing. The technicalities, of course, would have to be worked out.

Mr. PACE. Mr. Kaseberg, the poundage control on tobacco has been used, and the most serious complaint was that it penalizes the efficient farmer. If you have a 1,000 pounds scattered over 3 or 4 acres and you were given an acreage allotment of 1 acre for growing tobacco the producer may get 1,500 pounds.

Mr. KASEBERG. Yes

Mr. PACE. It also contributes to soil building, because if you could produce 1,500 pounds of tobacco on 1 acre and it takes 3 acres to produce 1,000 pounds you would take the other 2 acres and put them in soil-building crops, pasture, or something else. That is the experience that was had with tobacco. And that would be true with bushelage; the farmers do not like it, and did not like it, because it resulted in penalizing the efficient operator.

Mr. KASEBERG. Perhaps the reason that we are not in favor of the bushelage control is the fact that our production is quite steady. As I understand in the Great Plains area, in the wheat area, they have a good crop in 1 year, and then in a dry year they have a poor crop, whereas the rainfall is pretty steady in the Pacific Northwest, that is, the crops do not vary within that region a great deal.

Mr. PACE. In view of the fact that you enjoy that good fortune, Mr. Kaseberg, I wonder if we should apply it to the man who is not so fortunate? The recommendation was made here by Mr. Hughes this morning that the marketing quota be either the actual production or the normal production on the allotted acreage, and in that way the wheat producer is effectively controlled; the wheat producer is controlled, because if he did not have the moisture to produce, that is, to get normal yields, he could increase this acreage legally and produce up to what would have been normal production on the other acreage.

Mr. KASEBERG. I see the point.

Mr. PACE. That philosophy was adopted, it was suggested, and adopted by the committee, in order that the man would have at least enough to live on. After all, he is not going to get a great deal; he could plant a little more acreage to get his normal production, give him a rather steady income. You see the point I am driving at?

Mr. KASEBERG. Yes.

Mr. HOPE. In the case of wheat there would be a carry-over from 1 year to the other; he would have a poor crop to carry over and when he had good weather he would have an opportunity to catch up on some other year.

Mr. PACE. I think the philosophy of the Department now is contrary to that. I think the one they are now adopting is the policy of fixing the quotas at the usual yield on the allotted acreage. It used to be the normal, now they have changed back to the actual.

Mr. SUTTON. Mr. Kaseberg, there has been an improvement in average yield since 1930, from 10.8 to 17.5.

Mr. KASEBERG. For the United States as a whole.

Mr. HOPE. Is that the planted or harvested acre yield? There was a great deal of abandonment in 1937, you remember.

Mr. SUTTON. This figure is the yield for 1937, on through 1948, and for 1942 it shows 18.3, on these figures—10.8, 11.6, 11.8, 13.2, 15 and so on, increasing in each year.

Mr. HOPE. We have had some good years, and it is probable that that report contains some very poor years as well as some good years.

Mr. PACE. Let me say this while we are on that point: I have always embraced acreage control, first because I thought if the farmers were going to enjoy the benefits of aid they should play fair with the Government.

Mr. KASEBERG. Yes.

Mr. PACE. Second, I have embraced acreage control because I think it contributes to good farming practices. The statement was made here yesterday to the effect that when you cut down wheat control, wheat acreage, you are going to increase production of wheat in some foreign country. That would not necessarily follow. What is going to happen with wheat is just like what happened to other commodities, that when you reduce the acreage you are going to get better farming operations on less acreage, and pretty soon you are going to be producing as much on the less acreage as you did on the whole acreage. It results in good farming; that is the way you build up the soil and not destroy it.

Mr. KASEBERG. Yes.

Mr. PACE. That is exactly what is happening in cotton. Some years ago we used to plant 44,000,000 acres of cotton and got about 11 or 12 million bales. Now we planted last year 23,000,000 acres of cotton and got nearly 15,000,000 bales. Acreage control has not reduced the over-all total of cotton produced in this country, but it has contributed immeasurably to better farming practices. And certainly if you can produce 60 bushels of wheat on 1 acre you are doing a better job than producing 20 bushels on 3 acres; are you not?

Mr. KASEBERG. Yes. But, the production of wheat, that is, the biggest controlling factor for our acreage is the weather.

Mr. PACE. Do you mean to tell me that there is nothing you can do that will contribute toward increasing the yield of your farm?

Mr. KASEBERG. No, I did not mean that. I said the biggest controlling factor. I follow those operations year after year, practically identically the same operation, and yet it is the weather that determines my yield.

Mr. PACE. But there are years when the yield would not be as high?

Mr. KASEBERG. Yes, that is possible, but some of the things I do reduce the yield, because the method worked one year might be the wrong thing.

Mr. PACE. For example?

Mr. KASEBERG. One year, for instance, we had a variety of wheat that headed out a little later than the other. And I thought now the thing to do with that would be to seed that wheat about a week earlier. Normally my seeding date is September 20, and I started seeding on the 13th of September, and we got a very mild winter, and the wheat grew practically all winter long, and in the spring it came up with a big lush growth, so we got a rather small head. And the consequence of that I had a reduction in yield, and some of my neighbors who had seeded at the usual date got a greater yield.

Likewise this last winter was a very severe winter, so I went back to my normal seeding date, of September 20, because of the lesson I had learned the year before and seeded again, and there was no growth at all from about the middle of November until early in March, and now this year my wheat is very yellow and a spindling thing. And I am anticipating a considerably smaller crop than the average.

I am just trying to point out that what might be good practice in one year might not be good practice the next.

Mr. PACE. I think that is true of all crops.

Mr. KASEBERG. I assume that it is.

Mr. PACE. Thank you very much, Mr. Kaseberg.

Mr. KASEBERG. Thank you.

Mr. PACE. The other gentlemen whose names appear on the list of witnesses have not responded, and they will be advised that we would like to have them file statements with the committee.

Gentlemen, so far as I know that concludes the hearing on wheat.

(Whereupon at 1:40 p. m. the hearing was adjourned.)

WHEAT ACREAGE ALLOTMENTS AND MARKETING QUOTAS

FRIDAY, JUNE 3, 1949

House of Representatives,
Special Subcommittee of the
Committee on Agriculture,
Washington, D. C.

Mr. Pace. The committee will please come to order.

The committee felt the need of making a further investigation with regard to the probability of marketing quotas on wheat and any needed changes in the marketing quota law, taking into account the plan submitted by the Secretary of Agriculture last Friday as set forth beginning on page 34 of the bill, entitled "The Agricultural Adjust-ment Act of 1949."

We have present this morning Mr. Frank Woolley, Deputy Administrator of the Production and Marketing Administration; Mr. T. B. Walker, Chief of the Program Analysis Division of the Grain Branch; Mr. Fred Entermille, Assistant Director of the Grain Branch; and Mr. John Bagwell, a member of the staff of the Solicitor's Office.

If it is agreeable to the committee and these witnesses, I suggest that they all come forward and sit together so that the one who feels best qualified can answer the questions.

Mr. Woolley, is there any preliminary statement that you or any of the other gentlemen would like to make before we go into the details?

STATEMENT OF FRANK WOOLLEY, DEPUTY ADMINISTRATOR, PMA, ACCOMPANIED BY T. B. WALKER, CHIEF, PROGRAM ANALYSIS DIVISION, GRAIN BRANCH; FRED ENTERMILLE, ASSISTANT DIRECTOR, GRAIN BRANCH; AND JOHN BAGWELL, MEMBER, STAFF OF SOLICITOR'S OFFICE

Mr. Woolley. Mr. Chairman, we felt that the committee was fully informed on the general background of the question and that a need for a formal statement was absent.

Accordingly, we just came prepared to answer any questions the committee might care to ask us.

Mr. Andresen. Mr. Chairman, I wish that Mr. Woolley would give the committee just a brief summary of what the situation is under existing law with reference to wheat, marketing quotas for wheat, acreage allotments, in the event that we do not approve any other law.

Mr. Woolley. You would like a summary of what would happen, assuming that no action is taken by the Congress at all with respect to marketing quotas on wheat? Mr. Walker, would you like to answer that and give them the figures here with respect to the carry-over and the supply level and so forth? Mr. Walker is completely familiar with all of the details.

Mr. PACE. All right, Mr. Walker.

Mr. WALKER. Under existing legislation——

Mr. HOPE. When you say that, are you referring to the Agricultural Act of 1938 as amended?

Mr. WALKER. It really refers to both. For acreage allotments it would be the Agricultural Act of 1938. For marketing quotas it would be under the Agricultural Act of 1948.

Mr. HOPE. It would not unless we put the Agricultural Act of 1948 into effect prior to January 1, 1950, would it?

Mr. WALKER. That is correct.

Mr. HOPE. Suppose we do not do anything?

Mr. WALKER. Then there would be no basis, as far as I see it, for a marketing quota proclamation on the 1950 crop of wheat.

Mr. ANDRESEN. We are still operating under the act of 1938.

Mr. WALKER. That is right.

Mr. ANDRESEN. What does that say?

Mr. WALKER. That provides that when the total supply of wheat is greater than 35 percent of the normal domestic consumption and exports, marketing quotas shall be proclaimed.

Mr. PACE. Then you do not anticipate that the supply would be that great?

Mr. WALKER. The current indications are that the supply will be greater than that.

Mr. PACE. Then why do you say there is no machinery for declaring marketing quotas?

Mr. WALKER. Because the 1948 act becoming effective January 1 would void those provisions of the 1938 act.

Mr. POAGE. That still does not keep you from putting it into effect between now and January 1. Is there authority under the law as it now stands? I am not talking about what will come in next year.

Mr. WALKER. The question originally, as I got it, referred to the 1950 crop of wheat.

Mr. POAGE. That is right, but you have to announce these things before 1950.

Mr. WOOLLEY. Perhaps Mr. Bagwell of the Solicitor's office would like to comment on the legal point.

Mr. PACE. If the Secretary, under the terms of the Agricultural Adjustment Act of 1938, proceeds from here out until the first day of January, will not those acts remain in force and effect as to the 1950 crop, notwithstanding the act of 1948 that may become effective on January 1, 1950?

Mr. BAGWELL. As the law now stands, the proclamation of quotas on the 1950 crop of wheat could be made any time before next May 15. As you know, the wheat quotas were set up with the idea in mind that the Department would first establish acreage allotments, then would wait until the crop is almost ready for harvest and determine whether or not it was necessary to have quotas. Therefore, the law set the deadline as May 15.

Here is the situation we are in: The 1948 act seems to require the proclamation of quotas on the 1950 crop before July 1, 1949. That is a change made so that quotas would have to be proclaimed before farmers planted instead of waiting until after the crop is produced.

We would be proclaiming quotas under one law and then there would be a change in the law in the middle of the crop. So we would be proclaiming quotas under one law and endeavoring to administer them under a changed law, without an express provision continuing in full force and effect the proclamation and determinations issued under the original law.

Mr. ALBERT. If you acted under the 1938 act now, would that carry through the next crop in spite of the fact that the new law will become effective on January 1, 1950?

Mr. BAGWELL. Of course, the amount of the quota and the conditions under which the quota could be proclaimed would not be the same when the new law goes into effect January 1.

Mr. POAGE. But you have a right, as I understand it, under the present law, and the requirement, to submit the question. You have enough anticipated surplus right now that under the 1938 act you would have to submit the question of quotas, would you not?

Mr. BAGWELL. Yes.

Mr. POAGE. Do you contend that there may be another law coming into effect on the 1st of January and that that will relieve you from carrying out the law as it is now written and as it now stands on the statute books?

Mr. BAGWELL. The law now contemplates that we would not be required to proclaim quotas until after the 1950 crop is produced and then we would have a period of time after that to vote on quotas.

Mr. HOPE. You could proclaim it before the crop is planted; could you not?

Mr. BAGWELL. Yes; we could. All the law says is not later than May 15.

Mr. HOPE. If you did that, is it your thought that if the Aiken bill should then come into effect on the 1st of January, as it will if no other action is taken, that that would invalidate what might have been done under the 1938 act.

Mr. BAGWELL. We had not reached any firm opinion on it, Mr. Hope, but we felt that there would at least be some question regarding validity of 1950 crop quotas.

Mr. HOPE. It seems to me there might be some question as to whether the Secretary is required to act under the old law after the 1st of January.

Mr. BAGWELL. He could not do that.

Mr. HOPE. I am wondering if there would be any question if he had gone ahead and acted under it prior to the time that the new law came into effect. It seems to me it must have been the understanding of the Senate, when it passed the bill, that it would not affect the winter wheat crop which was planted before the act went into effect, if they thought about it at all. Maybe they did not think abour that feature of it.

Mr. BAGWELL. I could not say, Mr. Hope, that it would be clearly illegal. I think there would be some legal question raised in regard to the validity of our action.

Mr. HOPE. Would it make it any more likely to be questioned if the Secretary would proclaim marketing quotas now and then announce that the election would be held next May 15, making the announcement at the time of the proclamation but postponing it until May 15 or June 10? Would that make any difference?

Mr. BAGWELL. It seems to me that there would be no authority to hold the referendum that late because the law that would be in effect next May 15 would require the referendum to be held before the crop is planted.

Mr. HOPE. But in the case the referendum would have been called at the time when the 1938 act was in effect. At the time it was called it was called under a valid law.

Mr. BAGWELL. It seems to me that the holding of the referendum is more important than its announcement. The law now says that a referedum shall be held not later than July 25. It used to say, as I recall it, June 10. We had to announce quotas by May 15. Then I believe we had until June 10 to hold the referendum. That June 10 was changed by the 1948 act to July 25. That was changed because quotas under the 1948 act are required to be proclaimed not-later than July 1, so we have a maximum of 25 days, which is the same amount of time as between May 15 and June 10 under the 1938 act.

Mr. HOPE. July 25 is of the year preceding the planting, and the June 10 is the following year, preceding harvest.

Mr. BAGWELL. That is right.

Mr. ANDRESEN. Will the gentleman yield?

Mr. HOPE. Yes.

Mr. ANDRESEN. Will you tell us just what course the Department is following, how they are going at this under the circumstances? Are you anticipating that the act of 1948 and the Aiken part of it will go into operation on January 1?

Mr. BAGWELL. We certainly have no reason to doubt it.

Mr. ANDRESEN. Are you pursuing, then, a policy that will put the Aiken Act into operation now, and following out the provisions of that act rather than going according to the act of 1938?

Mr. BAGWELL. I think Mr. Walker had better tell you what is being done. As I understand it, we are going ahead with acreage allotments now.

Mr. WALKER. What we are pursuing now is the determination of acreage allotments that may be used for price-support purposes or for marketing-quota purposes.

Mr. ANDRESEN. When will those be announced?

Mr. WALKER. The acreage allotments will have to be announced by July 15.

Mr. HOPE. That is under the old law?

Mr. WALKER. That is right.

Mr. BAGWELL. That was not changed by the 1948 act?

Mr. WALKER. In fact, all of the acreage-allotment provisions are in the old law.

Mr. ANDRESEN. So that is the first step which you are now ready to take by July 15?

Mr. WALKER. That is correct.

Mr. ANDRESEN. I can see considerable justification for not announcing a vote on marketing quotas until after you know what the winter wheat crop is going to be, because you may have a drought this fall or you may have considerable winter kill. Until at least the 10th of May next year it would be difficult to determine what the size of the winter wheat crop would be.

Mr. PACE. Will the gentleman yield?

Mr. ANDRESEN. Yes.

Mr. PACE. Is it not true, Mr. Bagwell, under the present law, if those conditions should arise the Secretary has ample authority to remove the quotas, even though they have been voted?

Mr. BAGWELL. Yes, that termination provision is still in there.

Mr. ANDRESEN. I agree that he could remove them, but there is justification for the provision in the old law that you would not have the referendum until after May 10 the following year. The only step that you are taking now is: You are proceeding under the old law to announce the acreage allotments on wheat.

Mr. WALKER. That is correct. In the absence of marketing quotas, those allotments would be for price-support purposes.

Mr. HOPE. And that is all that you are planning now? You are not planning any election for marketing quotas because you do not have any law which would authorize any election now before the 25th of July?

Mr. WALKER. Well, we are making some preliminary plans. In case marketing quotas should be proclaimed and a referendum be held this summer, we would have to have some of the preparatory work out of the way in order that it could be done. To the extent that we are looking forward to the possibility that marketing quotas might be proclaimed, preliminary preparations are in the making.

Mr. HOPE. Is that on the assumption that the Secretary will proclaim marketing quotas under the 1938 act this summer and fall, or is it in anticipation that the House will pass the bill that the Senate has already passed which puts into effect the provisions of the Aiken bill as far as marketing quotas are concerned, ahead of January 1?

Mr. WOOLLEY. On that, Mr. Hope, I think you probably know that we considered that question from the standpoint of what the position of the Department is, and in talking it over with our State PMA directors we considered whether it would be more advisable to hold the referendum in May of 1950 or in the summer of 1949. After a very thorough consideration of all of the points involved, it was the consensus of the group, and we agree with them, that it would be advisable to hold the election that summer rather than next spring.

However, there are arguments on both sides of the question, and it is strictly a matter of judgment. It is such a debatable issue that we do not feel that our judgment in the matter is infallible, by any means.

Mr. HOPE. I would like to go into that a little later on its merits. What I was inquiring now of Mr. Walker was under which law they were setting this up, whether it was under the old law or the new law. If under the new law it would be in anticipation we might pass the bill which was passed by the Senate.

Mr. WALKER. In any event, a certain amount of preliminary preparations are needed when a referendum of a million and a half farmers is to be held. Therefore, we have only proceeded to the extent of designing the forms and the procedures to be followed in holding the referendum. If the House should concur with the Senate on the Aiken amendment, a referendum could be held before July 25 by setting up the effective date in the 1948 act. In that event, we hope to be prepared in case the referendum should be held by that time.

Mr. HOPE. What I really want to get at is this: Has the Department already reached a decision that in the event the figures which will be available to the Secretary by the 1st of July should require, under the 1938 act that marketing quotas be proclaimed, you will go ahead and have the Secretary issue a proclamation calling an election on or before July 25? If we should bring the Aiken law back and put it into effect on July 1, then you would have the authority to do that.

I take it that, while Mr. Bagwell has expressed some doubt about it, you may have in contemplation doing that under the old law, even if the new law is not to be retroactive.

My question is: Have you already made up your minds that under one law or the other you will have a marketing quota referendum this summer if the supply conditions of wheat require it?

Mr. WALKER. Generally, the thinking is that we would have a referendum this summer; but, as far as I know, there has been no Department policy or decision made on it.

Mr. HOPE. That is still open?

Mr. WALKER. That is still open.

Mr. PACE. It is about time to make up your mind; is it not?

Mr. WALKER. It we are going to do it by July 25; yes.

Mr. PACE. Unless it is treated as a matter of the very highest emergency, there is no chance to pass this law that the Secretary has sent over here with regard to wheat by the 1st day of July. Unless it is made a matter of the highest emergency, there is a better chance of passing this Senate bill, revising the provisions of the act of 1948. Certainly this committee is not in a position to get into high gear or determine whether or not it should get into high gear when the Department itself has reached no conclusion on that question.

It seems to me a matter of most urgent importance if you want anything done—not that this committee is necessarily going to do it—for the Department to reach some concrete decisions.

Mr. HOPE. Let me ask this question right along that line, Mr. Chairman. The Senate has passed a bill introduced by Senator Thomas. Was that a departmental bill sent up to the chairman of the committee with the request that it be introduced? In other words, does that represent departmental policy?

Mr. WOOLLEY. I did not hear your question, Mr. Hope.

Mr. HOPE. Referring to the Thomas bill which would advance the date that the Aiken bill would go into effect as far as marketing quotas and some other features are concerned, my question was: Was that a departmental bill? Is it the policy of the Department to urge that that be done?

Mr. WOOLLEY. The answer is that we are in favor of advancing that date.

Mr. PACE. I am wondering about the consistency of that position with the Secretary of Agriculture recommending that the Aiken Act be repealed.

Mr. WOOLLEY. It is only that provision with respect to the time at which you have the marketing quotas on wheat. That is what we have reference to.

Mr. BAGWELL. Mr. Chairman, I would like to state again that the Solicitor has taken no formal position in regard to whether or not we could proclaim quotas on the 1950 wheat crop under the 1938 act. Our feeling is simply that, if this amendment which the Senate passed the other day should be passed by the House, it certainly would remove all doubt regarding the validity of marketing quotas on the

1950 crop of wheat. But there will certainly be some question raised regarding the validity of such quotas if we go ahead now and proclaim quotas on the 1950 crop without a clarifying amendment. We feel there will be legal questions raised regarding the validity of administering this quota on the 1950 crop under one law when it was proclaimed under another, since the two laws are not in all respects similar.

Mr. PACE. I think that is something that the Solicitor's Office should decide quickly and definitely. There are many members of this committee and there are many members of the Senate committee who would greatly hesitate about blessing the act of 1948 by advancing its effective date or in any other manner or means.

Consequently, I think the passage of this bill is extremely doubtful. I think you could, with greater ease, pass one to repeal the act of 1948 and get it off the books. If this bill passes, then the Aiken bill is in effect, and it could never be repealed until some statute were offered. I think what this committee wants to know from you, as quickly as you and Mr. Hunter can decide the legal questions involved, is, Can you proceed to have marketing quotas or acreage allotments on the 1950 crop, as the matter stands today, with or without the Aiken bill going into effect on the 1st day of January?

That is one thing that this meeting was held to find out this morning.

Mr. BAGWELL. We have had some doubts as matters now stand.

Mr. PACE. We will go on to another question now.

Mr. HOPE. Before we leave that question, I would like to discuss with Mr. Walker the question of whether a referendum should be held next spring.

Mr. Chairman, with your permission I would like to ask some questions on that point.

Mr. WOOLLEY. Mr. Hope, I would like to say that I think Mr. Walker's statement covers the point, but I think the committee should know that we have been doing everything that we can do from a standpoint of getting ready and that the lack of a decision by the Solicitor's office or lack of action by the Congress has not in any way held us back in proceeding as fast as we could proceed. Our main job has been to acquire information with respect to what has transpired on farms and we have been pursuing that policy very vigorously and we obtained money from the Congress to proceed with that work and are so proceeding. It was assumed by the Administrator's office that we would have, in a timely manner, a resolution of the question of just how they could proceed or that the Congress would take the action. That is what prompted me to comment that we were in favor of enacting that part of the Aiken bill which would permit us to proceed with the marketing quotas on wheat without any questions and remove the doubt that Mr. Bagwell has spoken of.

Mr. HOPE. You are making preparations so as to be ready, if need be, to hold a referendum before the 25th of July and the information that you acquired and the preparations you are making are in connection with the arrangements that are being made for acreage allotments?

Mr. WOOLLEY. Yes.

Mr. HOPE. I would like to go into this question of the time for holding a referendum on marketing quotas if marketing quotas are proclaimed, because I think it is a very important question.

You say, Mr. Woolley, that if the Department has authority to do it, you will go ahead and hold a referendum on marketing quotas, providing quotas are proclaimed, before the 25th of July?

Mr. WOOLLEY. That is correct.

Mr. HOPE. The question I want to raise and on which I would like to have the comments of any of the representatives of the Department is whether that is a good time to hold a referendum. My reason for questioning it is that it will come at a time when all the wheat farmers will have just received their acreage allotments. I am assuming that you cannot proclaim them before the 1st of July and by the time they get out to the State committees and the county committees and the county committees make the adjustments and check them over, it is going to be very difficult, it seems to me, to get them in the hands of the local committees much before the election would be called.

If they have just gotten into the hands of the growers, they are going to be very much disturbed becuase they are going to take a cut. They are all going to be more or less dissatisfied and they will be comparing their cuts with their neighbors and with those made in some other county. It seems to me that many producers will not be in a particularly good frame of mind to vote on this question at that time.

Furthermore, they will not know what the situation is going to be with respect to the world supply of wheat a year from now. They will be voting practically a year ahead of the time when the marketing quotas will go into effect. There will be no way of knowing what the world situation is a year from now. They all know that we have had some mighty good weather and wheat crops for a period of years. We may have worse weather and there will be no need for quotas. I am wondering if marketing quotas may not be voted down. I am not basing that on my own opinion altogether. I have been in touch with farmers out in the wheat sections and they tell me that. They think under the circumstances I've described marketing quotas may be voted down.

If marketing quotas are voted down, there will be no price supports on wheat next year. If the Aiken bill went into effect, there would be price supports at 50 percent of parity, but that is not very much in the way of price supports. I think the price should probably be equal to that in any event. I think we ought to very seriously consider the question as to whether or not it is a good time to vote on marketing quotas for wheat.

Under the old law, we had 2 years in which there were marketing quotas on wheat and in which elections were held in the spring before June 10. In both of those cases, the farmers had an opportunity to see what the situation was and they voted for marketing quotas. Marketing quotas went into effect and I have little doubt in my own mind that if next year the world and domestic situation indicated that marketing quotas were going to be necessary to carry out a price-support program the farmers would go ahead and vote for them.

I know the question has been raised that if you do not have a vote on marketing quotas this fall and do not have marketing quotas in effect, so that farmers will know that they are going to be confronted with marketing quotas, you may have many farmers dissatisfied with their acreage allotments who will proceed to ignore them. That is a real question.

I am wondering, however, if you would not meet that situation to a large degree if the Secretary were to go ahead and proclaim marketing quotas and announce that the election would be held in the spring at a definite date to be fixed later.

I would like to have the comments of any of you representatives of the Department on that general subject.

Mr. WALKER. For a long-range program, Mr. Hope, the holding of a referendum prior to the seeding of the crop seems to me to be the best thing. Then producers know before seeding time whether marketing quotas are in effect. I say for a long-range program that would be the best thing.

Mr. HOPE. I think I agree with you.

Mr. WALKER. For this coming year, I think there is a great deal of merit in what you say. We are pushing ahead too rapidly, on the determination of farm allotments. We believe that we can meet the dead line with the farm allotments in time for the referendum, but it would only be a very few days at most before the referendum could be held. If the Secretary had the authority—and he may have it—to proclaim marketing quotas by July 1 on the 1950 crop, and then hold the referendum next spring, it seems to me personally that that would be much better for this coming crop year than to hold the referendum before July 25.

Mr. HOPE. That is all that I am thinking about now, the coming crop year.

Mr. ANDRESEN. Will the gentleman yield?

Mr. HOPE. Yes.

Mr. ANDRESEN. It seems to me it would not make so much difference because the acreage allotments which will be made by July 15, certainly will be predicated upon the production needs for 1950.

Mr. WALKER. That is true, but it is participation under those allotments that really counts. If you had marketing quotas you would have most of the farmers participating under the program. If you did not have marketing quotas, then your participation would be much less.

Mr. ANDRESEN. Marketing quotas provide an additional penalty for production on acreage that is over and above the acreage allotment so, No. 1, when you make the acreage allotment you have a certain penalty for those who do not comply. They are called noncooperators.

Mr. WALKER. In the case of marketing quotas.

Mr. WOOLLEY. In the case of acreage allotments, too.

Mr. ANDRESEN. You have other penalties even though you do not have marketing quotas. They are denied soil conservation payments and are given a lower support price.

Mr. WALKER. I see what you mean.

Mr. ANDRESEN. You have a penalty there and you call those who exceed their acreage allotment noncooperators. Personally, I think the referendum should be held after you find out what the crop is going to be, but I do not think it will make so much difference because when you make your acreage allotment on wheat, that is certainly predicated upon the needs for the next crop year. When you have the marketing quota you only deal with those who overplanted and might be under acreage allotment.

Mr. PACE. I think on the other side it needs to be said—because while I shall not seriously interfere with the wishes of the wheat growers, I am, of course, listening very attentively to the application of whatever you do here to other commodities, particularly cotton—that the cotton growers may expect the same treatment that the wheat growers have. My own view is that the discontent which the gentleman from Kansas spoke of will arise. I think it will arise with the old wheat producer and particularly with the new wheat-producing areas.

I fear that 9 out of 10 or 7 out of 10 of those who have planted excess wheat acreage will vote against quotas. When the penalties are on acreage allotments, alone, they are minor. About the only thing you lose is your SCP payments and a lot of them do not have any.

It is said that you lose your support price. You do directly, but you still have it indirectly.

If you and I, Mr. Walker, are allotted 50 acres each and you stay within your 50 and I plant 200, while I do not get the support directly, I can take my wheat to town for 10 or 15 cents under the support price and I can sell it. I, therefore, get 95 or 98 percent of the benefit of the support price.

Mr. WALKER. That is right.

Mr. PACE. There is nothing under the cotton law that says a man must have his allotment before he votes. They frequently did that in our section. I think the farmer, however, is entitled to know what his allotment and his support price will be.

Mr. WALKER. We realize that the producers must have some idea about his allotment before we can expect a favorable vote on marketing quotas.

Mr. PACE. You went so far with us one year that you did not give us our allotments until after the crop was planted, much less after the vote. You gave us the allotments after the crop was planted and then called us noncooperators if we had planted more than you allotted to us.

Mr. WOOLLEY. Those are the kinds of things we are trying to correct.

Mr. HILL. May I ask a question?

Mr. PACE. Yes, indeed.

Mr. HILL. I would like to go back to what you are doing right now, especially in my State. Are your PMA committees really lining up the wheat acreage, taking the historical background of all the wheat-growing sections in Colorado?

Mr. WALKER. That is correct. They have gone down the road and visited the farmers and got the historical data or the farmers have come into the county PMA office and recorded their historical data and that data is now being listed for purposes of determining farm-acreage allotments.

Mr. HILL. I noticed two newspaper articles. One large wheat grower had stated that the PMA plans in Colorado were to cut our acreage 55 percent for 1950. That bears out Mr. Hope's thinking that you get suspicion and distrust and dissatisfaction in the minds of all those wheat growers and we might get into difficulty. What is behind a story like that that you people were recommending that Colorado take a 55 percent cut? I know we have increased our acreage, but you asked us to do it.

Mr. WALKER. Apparently that article is based upon some rumor. It is not based upon fact.

Mr. HILL. You do not mean to tell me the newspapers just put rumors in the paper.

Mr. WALKER. I do not know but there is no such thing as a 55 percent cut for Colorado.

Mr. HILL. Are you sure of that now?

Mr. WALKER. We do not have anything computed all the way through as of now, but there is no evidence that such a large cut will be made for Colorado as a State.

Mr. HILL. Do you know what our percentage of increase has been in some sections of Colorado since 1940?

Mr. WALKER. Here is another thing. Before you can really determine what the cut is going to be, you have to compute these trends and give credit for diversion under previous programs. We have a base period of 10 years. If they are saying 55 percent cut for a certain county from current plantings, meaning 1949, that might be possible for a certain county, but for the State as a whole it would be impossible.

Mr. HILL. What would that do to a county where the farming practices do not lend themselves for the substitution of other crops for wheat? I do not know what they could put in in Colorado down near the Dust Bowl. It looks like they would be making a Dust Bowl again if those big counties were cut 55 percent.

Mr. WALKER. There has certainly been a lot of land plowed up in the previous Dust Bowl area.

Mr. HILL. The time to remedy that was when they were plowing it up, not now.

Mr. WALKER. The local committees even attempted to prevent this plowing up but it was plowed up anyway, even land that for 3 years, conservation payments were made to restore to grass. That land has been plowed up. The wheat acreage in Kiowa County, Colo., in 1949 must be 15 to 20 times what it was at the end of the war.

Mr. HILL. It was 8 or 10 in 1940. Now it is 219,000 if my memory serves me correctly.

Mr. WALKER. You have seen the same set of figures I have.

Mr. PACE. While you are right there, might you not as well say that particular cut is 55 percent?

Mr. WALKER. For that particular county I have already said it might be that much.

Mr. PACE. I understand in Oklahoma this year they cut the peanut acreage in one county 57 percent.

Mr. ALBERT. In my home county.

Mr. HILL. We are all in the same boat. Some of these other people that would like to buy bread for 10 or 11 cents a loaf might get in trouble too because, after all, the power over the seasons is not controlled by the Department of Agriculture.

Here is a farmer who has lived in one of these communities you are talking about. He has always grown a certain number of acres of wheat. He has not increased nor curtailed his acreage because he is doing it all with the same type of machinery and the same amount of help that he has always had. Now he sees coming a banker and a druggist and a lawyer and a promoter from Kansas or Nebraska into the country right next to him and plowing up acre after acre.

The Department of Agriculture comes along and reduces this farmer who has always had that same average of acreage every year the same percentages as the "suitcase" wheat grower.

Mr. WALKER. We are cautioning committees all the way down the line to see that this old steady producer is not penalized in his allotment because of this recent plow-up by the "suitcase" farmer, so to speak.

Mr. HILL. How in the world are you going to do that?

Mr. ALBERT. Will you yield to me'

Mr. HILL. Yes.

Mr. ALBERT. As long as there is a variation between farm and State allotments, how are you really going to protect the old grower in a given State where the acreage allotment has been cut?

Mr. WALKER. You cannot just nail it down and say that every old producer is going to be strictly protected, but at the State level, when county allotments are finally determined, adjustments for this trend increase in that State can be made.

At the county level we provide a procedure for the county committees to follow in which these producers that are planting from fence to fence or from sod to sod will be adjusted in line with these other producers before their so-called usual acreages are scaled for the county allotment. Somewhere some old producer will be hurt but generally speaking we feel that they will be fairly well protected. At least that is our objective.

Mr. ALBERT. The word I get on peanuts, where you have a 5-year base starting 1 year before your farm base starts, and a 3-year base for your farm, which picks up a year after the close of your State base, the counties where they have always grown peanuts are almost as badly hurt as those where the production is relatively new.

Mr. HILL. That is what the wheat farmer in Colorado is afraid of. We have farmer after farmer that has always had a certain number of acres of wheat in his farm practices. I am speaking of irrigated farms or farms on the border. Now, you come along and whack them off 55 percent. You might as well cut that farmer's throat and arrange a place in the cemetery for him because he is going to go there or some of these PMA people who bother him will. That is bad business.

Mr. WOOLEY. I would like to make one observation in connection with your statement and the statement of Mr. Albert. We have examined the law in company with the Solicitor's office in connection with this wheat problem that is a very dramatically present thing in the case of Kiowa County, Colo. In going over the law, we have tried to use it to the maximum to protect the old grower. In other words, our procedures utilize every bit of latitude we have in the law to protect the old grower against the inroads of the new grower.

Mr. HILL. Where does your old grower end or begin and the new grower quit, what year?

Mr. WOOLLEY. That is a very serious question, as to what constitutes an old grower and what constitutes a new grower, particularly in the dust bowl area. As Mr. Walker has said, our county committees, using all the authority they had, tried to keep some of that land from going into cultivation. They did not have the tools that were necessary to keep it from going in.

Mr. HILL. Kiowa County is not in my district, but I have one almost as bad. Let me ask you this: Is it not a fact that these farmers who come into my particular section of the State to grow wheat are experienced wheat growers from other States? You check and you will see I am right.

Mr. WOOLLEY. In our meeting with the various States in the wheat country, the people in Colorado complained about farmers from Kansas and Nebraska coming to Colorado, but Wyoming and Montana complained about them going from Colorado to Wyoming and Montana.

Mr. HILL. I think both of them would be correct. Let us hope you carry on this curtailment of wheat acreage if you think we have to have it. The cotton people recommended to us that they cut not over 5 percent off the acreage of any cotton area in a year and not over 15 over 3 years. You might cut Kiowa County 25 percent if they deserved it and then come down 10 percent next year which would be much more reasonable than coming down 55 percent at one time.

In other words, let us kill them by degrees, not by one knock-out drop.

Mr. WHITE. Will the gentleman yield?

Mr. HILL. I am finished.

Mr. WHITE. I am in sympathy with the gentleman's position, being in a similar position in cotton. I am just wondering if we are not criticizing the wrong people. It seems to me the Congress is the one to be criticized.

Mr. HILL. You are just a new member of Congress. You will find you have plenty of criticism without taking on any for yourself. Do not worry about that.

Mr. WHITE. I will say that I am speaking now of the laws they have to go on.

Mr. HILL. There are too many laws already. As Mr. Murray says, they do not even follow the laws on the statute books.

Mr. WHITE. Oklahoma is suffering in peanuts, Colorado is suffering in wheat, California and three other States are suffering in cotton on account of these extreme cuts in a particular area, and a comparatively small area. It seems to me that some provision should be made in the law to give relief to all of those small areas to the point that they will not be given these catastrophic cuts and let the general area suffer to a comparatively minor degree to make up for that difference in acreage, thereby bringing about a situation which provides a relief similar to our crop insurance. We have insurance against the forces of nature, but we have no insurance against a legal catastrophe which we have run into in three crops.

Mr. PACE. I will later present this to the subcommittee formally. We have a new request now in that connection supported by the distinguished representative from Nevada. Numerous telegrams have been received this morning. They say during the last few years they have built up a cotton acreage in Nevada of 1,200 acres. They are now requesting and respectfully demanding that they be given a minimum allotment of 5,000 acres for Nevada, although they have never planted up until now over 1,200 acres. That is one of the problems that the cotton subcommittee will have to deal with. Like the gentleman from California says, I am sure the committee will have most sympathetic consideration for all these new areas but who we are going to take the acreage from to give more acreage to a State that has never planted I do not know.

Mr. WHITE. That is a preposterous assumption, Mr. Chairman. I am speaking of people who have already planted cotton and who have bought equipment and put down wells, and so forth, and set their very economic lives up on cotton and wheat and peanuts, not people who come along and make a preposterous proposition like this.

Mr. PACE. They maintain seriously that the economic welfare of their great State demands that they have a respectable acreage.

Mr. HILL. If the gentleman will yield for a moment, we have to consider these people in Nevada because it may be the fault of the Congress that all these great flocks of sheep are being liquidated up to 40 percent. Who is to blame for that?

Mr. WHITE. We got fouled up enough in talking about people who deal in cotton. Let us not get off on sheep.

Mr. HOPE. Mr. Chairman, we are confronted with a little different situation right now as far as wheat is concerned than we are with cotton in that wheat acreage allotments have to be made very shortly. We are talking here now about what we may want to do in the future. As far as the present situation is concerned, you are proceeding, Mr. Walker, under the existing law and you do not believe, do you, that there is any possible chance of making a change even if we should pass legislation within the next week or two changing the formula? You would not have time to carry it out then, would you, before you would have to announce your acreage allotments?

Mr. WALKER. Just what formula do you speak of?

Mr. HOPE. Any formula. We are talking now about taking care of Colorado or taking care of some other State that may be in distress. In cotton we are talking about taking care of some situations in future years, not this year. But in wheat we are confronted with a timetable. We have to do this immediately. You do not see any possibility that if we passed legislation right now you could change your program in time to take new legislation into account, do you?

Mr. WALKER. That would depend, Mr. Hope, on the nature of the directive from Congress.

Mr. HOPE. Supposing we set up a new formula altogether?

Mr. WALKER. If that formula involved the getting of new data, it would be impossible. But if that formula or directive would permit the use of material that is immediately available, it could be done.

Mr. HOPE. How soon will you have to have the information in the hands of your county committees as to the county allotments so they can make the farm allotments?

Mr. WALKER. The county allotments should be in the hands of the county committees by July 1. We have less than a month.

Mr. HOPE. Do you mean the county committees will have to make their allotments after that time?

Mr. WALKER. The preliminary work will have been done.

Mr. HOPE. That is on the basis of the present law and the regulations. So if anything would be done to change the law as to the way in which you would make the allotments for States or counties or farms, then your county committees would have to do all that preliminary work over again after the 1st of July?

Mr. WALKER. That would be impossible. It would be impossible to do that if any directive from Congress would affect the work of the county committees.

Mr. HOPE. So as a practical matter, are we not confronted with the fact that there is nothing Congress can do now to change the program as far as 1950 is concerned?

Mr. WALKER. That is correct.

Mr. HOPE. As I understand it, you are proceeding under the 1938 law which takes the 10-year average-planted acreage in each State and in each county as the basis for the allotments to the States and the counties, adjusted for trends. As I understand it, in making your adjustment for trends you are taking the last 3 years—1948, 1947, and 1946—and giving that equal weight with the 10-year period in determining the allotment that will be made to the States and the counties.

Mr. WALKER. In determining the usual acreage for the county or State upon which the allotment is based, that is correct. The trend formula involves giving double weight to the last 3 years.

Mr. HOPE. And it is on that basis that you have given preliminary quotas to the States and counties so they know what they are working on?

Mr. WALKER. You mean marketing quotas?

Mr. HOPE. No, I mean acreage allotments.

Mr. WALKER. I do not quite understand your question.

Mr. HOPE. It is on the basis of that formula that you have furnished information to the counties as to what their probable acreage allotments will be so that they can be making the adjustments as far as farm allotments are concerned.

Mr. WALKER. It is on that basis that we determine the county allotments, but they have not been given out yet. Let me get this straight. We compute an allotment on that basis. The computed allotments are then reviewed with State officials where on the basis of local information that is not readily available to us here, adjustments may be made between counties by the State committee. In making such adjustments the assistance of local committees or field men who know these counties as utilized together with other information such as air photographs and tabulations of acreage from farm acreage reports. They will make certain adjustments between counties not to exceed the computed State allotment. To that extent we vary from the rigid mathematical formula, but these are still further adjustments for trend.

Mr. HOPE. Not as to the States, but as to the counties?

Mr. WALKER. That is correct.

Mr. PACE. What is your authority for that?

Mr. WALKER. That is a further adjustment for trend.

Mr. PACE. Then you said you give trends double credit for the last 3 years?

Mr. WALKER. In adjusting for trend, you give double credit for the last 3 years, that is correct.

Mr. PACE. Then in addition to trend, you give the State committee the authority to shift from county to county?

Mr. WALKER. Other information available to local people which indicates trend beyond what a rigid mathematical formula would give you, may be taken into account when final allotments are determined.

Mr. HOPE. In a State like Colorado under those circumstances, because there has been a very strong trend in certain counties, the State committee would have power to take that into consideration in dividing the State allotment up between the counties; is that correct?

Mr. WALKER. That is correct, within limitations.

Mr. HILL. Mr. Hope, a question right there. What will influence the local county group? What is their position as to what the county cut shall be?

Mr. WALKER. They make recommendations. They submit information on the basis of local data to the State committee prior to and during the time that they are considering the adjustments between counties.

Mr. HILL. I talked to one of the wheat men in Kiowa County and they are fairly reasonable. They feel they are going to be cut and after all, maybe a cut is not only necessary, but absolutely essential if they are going to stay in the wheat business. You might have something there by using the county committee to influence these outside wheat growers that come into there to follow the suggestion of the county and the State.

Mr. ENTERMILLE. This adjustment between counties in the State is not new. In the old days I had a lot of experience in working with the committees in the Western States. Understand that after the State has been computed on the national formula, that State figure is the maximum for the State. We sometimes used to spend with the State statistician and the BAE statisticians and others that worked on those figures a couple of days studying each particular county and the recommendations from the counties as to whether the ten-plus-three trend actually reflected what had taken place. Maybe they had gone too far in one county and you could take some of that and put it in a county that was in more trouble.

I remember in Colorado, for instance, during the Dust Bowl days when in one county any kind of a formula gave them a much bigger allotment than they would use. Some of that allotment was moved into other counties that had more need for it. But the State figure stayed the same. The actual practice in the county committee is, after they have contacted the farmers they list all this information from the farmers on a sheet and they set up what would be a normal acreage for that farm. By normal, I mean the old wheat farmer would have his full acreage listed on the sheet. The new wheat farmer would be adjusted down because of lack of history, lack of assurance that that soil was going to continue to produce. Those counties like Kiowa County know that some of that land could easily go back to the Dust Bowl. They figure that all out and set up this usual acreage for each farm, having in mind a rough idea of the allotment they are going to get.

When they finally get through with the acreage for each farm, they get their allotment and that is a flat cut. It is going to be a terrific job to be sure that you have protected these people.

Mr. HILL. You understand that you are in real difficulty with Kiowa County. If you leave that wheat land lying without cultivation you will promote the Dust Bowl much more rapidly than you would if you kept it cultivated.

Mr. ENTERMILLE. That is correct.

Mr. HILL. That is what a lot of people cannot understand. You do not dare let that land stand without cultivation.

Mr. POAGE. Let me ask a question in that connection. I realize what Mr. Hill says is correct, that if you cultiave the land you do not get nearly as much blowing as you do if you leave it alone. I believe it was suggested a minute ago that some of those people had actually plowed up grass that had been planted and that had received soil-conservation payments.

You have authority, as I understand it, under the existing law, section 34 of subsection B, to make adjustments for abnormal weather conditions and trends and you said you were making adjustments for trends in acreages during such period, and you have authority to make adjustments for the promotion of soil-conservation practices.

Are you making any adjustments for the promotion of soil-conservation practices?

Mr. WALKER. They will be considered, when adjusting the county allotments.

Mr. POAGE. You are making them for trends, but you are not making them for soil-conservation practices, is that right?

Mr. WALKER. Not mathematically.

Mr. POAGE. Are you doing it any way?

Mr. WALKER. The adjustment for conservation purposes is a part of the consideration that is followed out in the State office when you adjust between counties and in the county office by farms.

Mr. POAGE. Suppose I went out to Colorado as a lot of people from Texas did? Suppose I went to Kiowa County or any of the rest of the counties where a lot of people from my own area did go. Suppose I got hold of one of those farms where somebody who had been farming it for years past had complied with soil-conservation practices and had sodded some of that land. My predecessor was entitled to receive payment for the practices he carried on. I bought the land from him and I had a right to plow it up and I did plow it up. I put it in wheat and I still have it in wheat. Are you going to give me the same consideration that you give the man who has been farming there for a dozen years and who has been growing wheat in the past but who has never interferred with the soil-conservation practices? Are you going to give me the same acreage that you give him, assuming we both own a section and we both work it all in wheat? He has been putting his all into wheat every year and I have been putting mine into wheat since I bought it from my predecessor who had sodded it in compliance with the soil-conservation practices. Are you going to give us the same acreages?

Mr. WALKER. I doubt very seriously if you would think you had been considered the same as that old producer when they get through with you. In the first place, the county committee is authorized to reclassify that land as noncropland.

Mr. POAGE. Under what authority have they the right to classify it as noncropland? I have grown a crop on it for 3 years. Do you think any court would sustain a classification as noncropland? My land is no more a hazard to the community than that of my neighbor who has been growing it every 12 years.

Mr. WALKER. Let me enumerate them. The county committee is authorized and instructed to classify any of such lands that are a wind-erosion hazard or might become a wind-erosion hazard to the community as noncropland.

Mr. POAGE. But it has to actually be a wind erosion, has it not? They cannot go out and capriciously or arbitrarily testify that it is such because they do not like me.

Mr. WALKER. That is right.

Mr. POAGE. I am assuming my land is just like Mr. Hill's land and we are next to each other and we are cultivating it just the same. But I came up from Texas and plowed up a lot of pasture that had been reseeded. Of course, the Government had paid to reseed it. I have deliberately broken down the soil-conservation practices and he has not. He just kept right on with his normal farming. Are you going to treat us alike?

Mr. WALKER. I gave you No. 1.

Mr. POAGE. That does not answer it.

Mr. WALKER. It is not because you are a new fellow, necessarily, that they do not like you, and it is not because they do not like you that they are going to make an adjustment on what you are doing. But this old producer has been fallowing half his land and planting wheat on half his land.

Mr. POAGE. No; I am assuming he has planted every acre in wheat, too, for the last 4 years because he has. Very few old producers in Colorado fallowed any land in the last 4 years.

Mr. WALKER. This example is No. 2. The old producer was fallowing half.

Mr. POAGE. No; I am not asking you what you are going to do if you have a case where the old producer has seriously complied with soil-conservation practices and the new producer has not. I understand when you get to that. I am talking about where the new producer and the old producers have farmed their land identically and they have the same kind of land right together. But I am asking what are you going to do to me for plowing up that sod which my predecessors put in and for which the Department of Agriculture paid?

Mr. WALKER. There is nothing in particular unless we know the particular case. How long have you plowed it up?

Mr. POAGE. I plowed it up 4 years ago.

Mr. WALKER. So you have 4 years of history.

Mr. POAGE. That is right.

Mr. WALKER. The county committee would treat you in about the same manner as the old producer who was planting all of the land to wheat.

Mr. POAGE. That is what I thought. In other words, you are not going to apply anything about this soil conservation?

Mr. WALKER. But that old producer who is planting all of his land to wheat where it should be half fallowed and half wheat will be cut and you will be cut along with him.

Mr. POAGE. But you are not going to penalize me for deliberately breaking up the soil?

Mr. WALKER. I do not believe we can do that under the law. You are a wheat producer.

Mr. PACE. Let it be said here that the soil-conservation practice applies only to the allotment made to the county.

Mr. WALKER. And to the farm.

Mr. PACE. Although I am advised you consider many other things and I never have understood why, the only thing you can consider in making the farm allotment is the tillable acreage, crop-rotation practices, type of soil and topography. That is all the law says you can consider in making the farm allotment.

Mr. WALKER. I would like to make this point in connection with that, the county committee takes into consideration and the procedure for them to follow provides that they may take into consideration the adaptability of that land for the production of wheat. If land has been plowed up and is being put to wheat that should not normally be cropped to wheat, that particular land is not adapted for the production of wheat. When they cut down on that particular farm, that is for conservation purposes as well as for taking wheat off land not adapted to wheat.

Mr. POAGE. But the neighbor who would not carry out any soil-conservation practices back in 1939 is still there and doing the same thing. I wish you could penalize him, but I do not know how you can and I do not think you are going to.

Mr. PACE. Mr. Murray.

Mr. MURRAY. I would like to know how you conserve the soil and raise a crop like wheat on it every year. I have heard a lot about soil conservation for 10 years now and I would like to know why you talk about soil conservation when you are really mining the soil. I cannot really get that relationship.

Mr. WALKER. You have strip cropping to prevent wind erosion. Anything to prevent wind erosion is soil conservation on the Great Plains. Strip cropping is one of the things. Stubble fallow is another thing. Basin listing is another thing to conserve the moisture.

Mr. HILL. Do not leave out the tools you use to plant the wheat because I think they have made more progress with that than any other type of farming.

Mr. MURRAY. How does that conserve the soil?

Mr. WALKER. That prevents the wind from blowing the soil away. Your big hazard out there from the conservation standpoint is wind erosion, not necessarily water erosion.

Mr. HILL. Another thing you might tell Mr. Murray, who comes from a cow country where they do not need to depend upon the fertility being put back by the crop because he can help the cow do it, but you are actually leaving so much humus if you summer fallow you have improved the condition of the soil. I have seen it in my own lifetime where the soil blew pretty badly but after they put the straw of several heavy wheat crops back into the ground and fallowed it correctly, you had a better type of soil than you had before they farmed the ground.

Mr. MURRAY. You would not want me to believe, Mr. Hill, that you can take a bushel of wheat off land that is worth 18 cents, considering the fertility in it, at the present price of fertilizer, and tell me that you will mine that land year after year and it will be in better shape than when you started?

Mr. HILL. The point I make is that you can actually improve the soil to protect it from blowing by taking out nothing but the kernel of wheat.

Mr. HOPE. Will the gentleman from Wisconsin yield to me on that point? I do not know of anyone who is contending that you can conserve the soil and grow crops on it every year, but certainly by following certain practices you can conserve the fertility as well as maintain a better physical condition in the soil and prevent it from blowing away.

Mr. MURRAY. Just the opposite is true because what you do is improve the physical condition of the soil but you are reducing your fertility all the faster because you are raising more wheat, according to your own story. You are raising more wheat and you are taking more fertility out of the soil.

Mr. ALBERT. Some of it comes out of the air and goes back into the soil.

Mr. POAGE. You feel it is such poor country and there is so little chemical nutriment in the soil that you are thinking in terms of taking out that little bit. They have so much chemical nutriment in the soil that it will run from a chemical standpoint a much longer time than yours will, but it does need physical improvement.

Mr. MURRAY. As near as I can tell, it is just mining.

Mr. HOPE. Of course, if you are speaking of just keeping every bit of fertility in the soil we never could raise any soil depleting crops.

Mr. HILL. Mr. Murray, you are in deep water.

Mr. MURRAY. If you are going to conserve the soil, you have to put everything back on there that you take out of it.

Mr. PACE. Gentlemen, pardon me, we have a lot to do with a short time to do it in. I am going to ask the committee to get right back on wheat quotas.

Is it correct that you have in wheat this year 82,000,000 acres?

Mr. WALKER. 81,670,000.

Mr. PACE. And you propose to cut that acreage next year to 62,000,000?

Mr. WALKER. It depends upon the situation as it exists around the first of July.

Mr. PACE. What do you think, right now?

Mr. WALKER. I think the allotment will be somewhere between 62 and 65 million acres.

Mr. PACE. Then what would be the cut; 25 percent?

Mr. WALKER. If it is 65,000,000, it would be about 20 percent, I believe.

Mr. PACE. Do you have here tables showing the allocation on the basis of 62 or 65 million acres, allocation to States?

Mr. WALKER. No, we do not.

Mr. PACE. Do you not have those available?

Mr. WALKER. We are working on those now. Remember, we cannot compute the State allotment or the county allotment until we determine the war crop credit under Public Law 12. We are in the field now doing that. Within about 10 days that will all be in here. Then after the June 10 crop report if the wheat crop remains about as the May 10 estimate, the allotment would be in the neighborhood of 62 to 65 million.

Mr. PACE. The Secretary issued a statement yesterday on wheat allotments in which he indicated that the marketing quota for next year would be not more than a billion bushels. Is that correct?

Mr. WALKER. Around a billion bushels.

Mr. PACE. And he says here:

The estimate of the total supply greater than 1,600,000,000 bushels on July 1 is based on the expected carry-over of 300,000,000 bushels and assuming a 1949 crop of 1,300,000. Estimates for the winter crop alone amounted to more than a billion bushels. Total supplies minus expected requirements and exports would leave a carry-over on July 1, 1950, of more than 460,000,000 bushels of wheat.

Based on data presently available, our best estimates as to the carry-over, normal domestic consumption, exports and required reserve indicate the need for a national acreage allotment which would yield a 1950 wheat crop of about a billion bushels.

Mr. WALKER. That is right.

Mr. PACE. And you figure it would take 62 to 65 million acres to get that?

Mr. WALKER. In that neighborhood.

Mr. PACE. But you are not in a position to supply the committee with the data on how that would be distributed?

Mr. WALKER. We have some preliminary figures only, but there is no war crop credit in that and these figures have not been thoroughly checked. We have preliminary figures only for the Great Plains States.

Mr. HOPE. You have sent figures out to the States, as I understood you to say a while ago, for them to be considering. In those figures, what basis did you use for the computation, 62 or 65 million?

Mr. WALKER. We did not send any figures out.

Mr. HOPE. Then I misunderstood you.

Mr. WALKER. No, I said a moment ago that we have people in the field now working on the war crop credit and when they get that determined, then we can compute the allotments. Some of the States that were called in here to a conference do have sheets similar to these that have a preliminary figure that indicates about where we are going. It is only preliminary and there has been nothing mailed out for them to work on.

Mr. HOPE. I understood a while ago in response to a question that you had given the States some figures to work on so as to make the shifts from county to county.

Mr. WALKER. I did not mean to imply that we had given them the computed allotments.

Mr. HOPE. That is just those figures you have with you now; is that right?

Mr. WALKER. That is just these preliminary figures. It will be the latter part of June before we will be able to furnish them with anything definite.

Mr. HOPE. I think the most difficult question the county committees are going to have to work on in the Great Plains States is the matter of taking into proper account the practice of summer fallowing. I have gone all through these documents the Department has furnished me, including the regulations and amendments that have gone out, and I do not see anything in them covering summer fallowing. I recognize that under the law with the broad basis on which allotments may be given to farms that summer fallowing may be taken into account. But the thing that is bothering me is how you can be sure that you are going to have something like uniformity in the different counties and the different States on that matter, and how are you going to be sure that the man who has practiced summer fallowing and who is a good conservation farmer is not going to be put at a disadvantage when these acreage allotments are made?

You are not doing anything about it here, as I understand. You are leaving it all up to the county committee.

Mr. WALKER. First, of course, we provide a procedure to be followed by all county committees. Then we have in the State a State PMA committee and its field force that supervises the work done by county and community committees. It is only through them that we can absolutely be assured of uniform treatment between counties or uniform treatment between farms within a county.

Mr. HOPE. If you set up something from here in the way of a memorandum or instructions or regulations that covered that point and if the State committees sent out something covering that point, and then you had field men to go out to the county committees following those regulations, I can see how you would accomplish something along that line. But when you do not have anything come out from Washington or the State offices, what standard does the county committee have to follow that will give us assurance that they will give proper consideration to summer fallow?

Mr. WALKER. I am not sure whether you have memorandum 123, what we call State Office Procedure, in that folder.

Mr. HOPE. I do not believe I do.

Mr. WALKER. I am sorry your folder was made up before that went out. There is a memorandum 123 that instructs them on checks that are to be made and the authority and responsibility of the State committee and the county committee is prescribed in that memorandum 123. In that memorandum they are instructed to make very definite checks on the listing sheet of what is being done by the community committee and by the county committee. Then by communities they will summarize this on what we call a county summary. Then we will compute certain data to determine if by communities they are being treated in similar manner.

If one community is lax on what it is doing and another is conservative, it will show up immediately. They are instructed in this 123 to follow certain checks and guides that will enable them to find this information.

Mr. HOPE. What standard will they have to go by as to uniformity in making allotments where uniformity is involved?

Mr. WALKER. In summer fallow areas, as I started to state a moment ago, you should alternate between wheat and summer fallow. But you have somebody who has come in lately speaking of these new fellows, and who has been planting fence to fence or grass to grass. The county committee is instructed to immediately put him in line with other regular farmers as a starting point. If that is the proper practice, to be followed, he must be cut down and his usual acreage cannot be more than that of similar farms that are following that practice.

That is the starting point for the adjustment for this fellow that is continuously planting wheat. By that method they do bring him down to the level of these other producers before the allocation of the allotment.

Mr. PACE. You mean you do or do not give him credit for fallowed land?

Mr. WALKER. I did not say you give him credit for fallowed land. He has not been fallowing. We say that he should fallow. So since he should fallow, if he has been going fence to fence on continuous wheat, they will cut his wheat history half in two, to start with.

Mr. PACE. They cut him down to the fallow man?

Mr. WALKER. That is right.

Mr. HOPE. Suppose the county committee does not want to do that. They may think that continuous cropping is the better practice.

Mr. WALKER. Then it is up to the State committee and their field men to supervise them and see that they do it.

Mr. HOPE. How do you get that word out to them? You do not write it out to them, apparently.

Mr. WALKER. That is in memorandum 123.

Mr. HOPE. You mean there is specific information in 123 that they are supposed to consider summer fallow?

Mr. WALKER. It does not mention summer fallow as such. It mentions the crop rotation practices followed in the community.

Mr. HOPE. Is there any reason why it should not mention summer fallow? There is nothing bad about summer fallow, is there?

Mr. WALKER. Well, that is true. You would mention summer fallow for the summer fallow area and then you would have to mention the other rotations so we did not mention any particualr type of rotation.

Mr. HOPE. They can certainly do it.

Mr. WALKER. They can have grain, corn, and clover.

Mr. HOPE. It seems to me that if you are preparing instructions for some certain area you could be specific and say what practices they should take into consideration. It certainly would make the job easier for your field men and the others who are supposed to coordinate this thing if something was said about what practices were to be cinsidered.

Now, in some counties there would not be any question about summer fallow. But you might have some counties where it would not be accepted that summer fallow is necessarily the best practice or the only soil-conserving practice. It is in those counties that I believe you are going to have some trouble. If you have a county committee doing one thing in one county and something else in the next county, I understand you can see that they get together, but what are they going to get together on if you do not have some standard?

Mr. ENTERMILLE. Of course, each one of these State committees with their technical committees and the college people spend a lot of time working out the policies regarding the various districts of their States. I think it would be a mistake to go from Washington with definite instructions to all States. Conditions vary a great deal. Even in some of your counties, Mr. Hope, you have one side of the county pretty generally summer fallowing and the other side of the county pretty generally continuously cropping. You have other areas in whole counties where the crop rotation is 2 years of wheat in 3.

I farmed on one farm for several years in Oregon and I produced wheat 1 year in 3. It would be a crop of wheat, a year idle, summer fallow, and wheat. I remember when we first started to set up our county allotments in my county when I was chairman of the county committee. We made a ruling, to start with, that in our county our soil type would not justify any more than half the land in wheat. Some few fellows, because of circumstances, had more history than that. Maybe if we had a longer period of time, they would have been 50–50 like the other fellows. We immediately said that their usual acreage would be half their cropland. Some other fellows had other rotation practices and grew barley on half their land. Naturally, they had a lower usual wheat acreage.

I think we are perfectly safe in letting the State committee and the extension service and the BAE men work out the particular instructions they give to the field men on the basis of the broad authority coming from Washington so they will have uniformity in the States.

Mr. HOPE. I am glad to know you feel that way about it. I have talked with the members of our State committee and they tell me the same thing. They say they are going to take care of it. Evidently they have full confidence that they will be able to take care of it that way.

Mr. ENTERMILLE. I would feel much better with the State committee handling a problem like this than any group in Washington handling it.

Mr. HOPE. As a general principal, I would also, except that I think they have to have certain standards to go by.

I have said all I am going to say about it. I hope it works out the way that you think it will and the way that the Kansas State committee thinks it will because they insist that is it going to work out that way, but it seems to me they have quite a job and the county committees have quite a job in making these allotments on that basis.

They are going to have trouble in doing it. I thought it would be easier for them if there was something a little more definite from Washington as to what was expected from them. On general principles I am in agreement with what you say as to leaving it to the local committees.

I want to go into this new bill which the Secretary has sent to the speaker and ask you some questions about marketing quotas and acreage allotments under that legislation. It is found on pages 34 and 35. The main thing that I want to know is what is the difference, in effect, between the new language which has been set up by the Secretary and which represents, I assume, the results of your best judgment and thinking, and the old law?

First, I notice that instead of a 10-year average, you are suggesting a 5-year average and also that you use a little different language as far as adjustments are concerned. Instead of the language in the old law which says that the national acreage allotment for the States shall be apportioned on the basis of the acreage in wheat for the last 10 years plus diverted acreage with adjustments for abnormal trends, you say 5 calendar years with such adjustments as are deemed necessary for abnormal conditions affecting acreage and for trends in acreage and the acreage allotments previously established for the State and county.

I would like to have you explain what the difference will be in effect between the two proposals.

Mr. BAGWELL. Mr. Hope, the difference in years is obvious. In the other language, the adjustment there for trends in acreage is the same. The language "abnormal conditions" has been substituted in place of "weather." Our thought was that that gives the Secretary a little broader authority for adjustment than the present language. There are other abnormal conditions affecting acreage besides weather. It is slightly broader authority for making adjustments than now exists. Then too, we have also included authority to use the previous allotment for the State or county, as the case may be.

The theory of that is that once you get a quota program going and you have a good allotment established, all other factors are solidified in that allotment and therefore you ought to consider such allotment in future years, along with the other factors.

Mr. HOPE. Do you mean you would take the 5 years into consideration but you might go back 5 years further and give some weight to that?

Mr. BAGWELL. No; we would consider straight history with the necessary adjustments, but we would also give some weight to the previous years' allotment.

Mr. HOPE. You mean within the 5-year period?

Mr. BAGWELL. Yes.

Mr. HOPE. You would not go back of the 5-year period?

Mr. BAGWELL. No; it is not limited there, but I think it is inferred that the acreage allotments we are talking about are for the 5-year period.

Mr. HOPE. Will you make the same explanation, differentiating between the new proposal and the present law as far as the allotments to farms are concerned?

Mr. BAGWELL. You gentlemen have just discussed this morning what the present law provides. It is tillable acreage, crop rotation practices, type of soil, and topography. Those are pretty general. Some of you gentlemen have expressed surprise that in those standards you could find history at all. We thought, in the interest of spelling out what we actually do, we ought to say history, that is, past acreage of wheat on the farm, and then take the other factors into account. Among the other factors is the previous farm allotment. There is the same reason there as for taking the previous State allotment into account in establishing State allotments for wheat. Abnormal conditions is another factor. There might have been a flood on a farm which washed out some of the wheat or there might have been other abnormal conditions affecting acreage. The Secretary is then to take into account land, labor and equipment available for the production of wheat; and the soil and other physical factors. I might say at that point that we have tried to make these allotment factors uniform for all of the different crops. The marketing quota law contains differences between commodities that are awfully hard to explain. About the only explanation we could ever give was that different people worked on them.

Mr. POAGE. Is that the explanation you give for changing cotton allotments so as to put them on a historical basis, because the wheat allotments were on that basis?

Mr. BAGWELL. I would prefer to let Mr. Wolley explain the policy back of the selection of years.

Mr. POAGE. The present law provides that every man in the county gets the same percentage of his tilled acres. Frankly, I like it. I think it is the best system we have ever had. But I noticed you changed it back to the old system that we did not like.

Mr. BAGWELL. I think that may have been a factor in it. Whether that is the only reason, I do not know.

Mr. WOOLLEY. The main premise we made the changes on was what Mr. Bagwell mentioned. We were trying to take out of all of the previous legislation those things which were difficult to explain to a farmer with three different allotments for three different crops on the same farm. Why do you use 10 years in one case and 5 years in the other? Why do you use cropland in one case and history in another?

The farmers always say, "if you would treat us the same with respect to all these crops, it would work out on my farm. But you have them all different."

What we did was to get our various commodity people together and went over and over again those provisions which were more form than real substance and tried to stick to substantive propositions.

Mr. POAGE. I want you to keep in mind that we think there is a whole lot of substance in this cotton proposition and you have changed the substance on us very materially.

Mr. WOOLLEY. I realize there are certainly two strong points of view with respect to cotton. However, in the case of wheat the people want to be on the basis expressed here. Our State people, in thorough consultation with their county people, have gone over this many, many times and they are in agreement that it makes sense in the aggregate.

Mr. POAGE. You are putting the wheat people on this for the first time. I know they have actually worked it before but this is the first time it has been written in the law. You had it in the law in cotton and did not like it and have changed it. We have the cotton law written very plainly the other way. It is very plain today that every man in the county gets the same percentage of his tilled acres.

Mr. WOOLLEY. Except that there are some exceptions to that. It does not always work out that way.

Mr. POAGE. There are some about areas, of course. You can establish areas and I know of two or three cases where you have done that, but I do not know of any large number of exceptions to that.

Mr. WOOLLEY. The area problem has been pretty vexing in cotton as a general proposition.

Mr. POAGE. I do want the record to show plainly that as far as I am concerned, I believe that the percentage of tilled acres would work far better than the individual historical basis, and we have tried them both under the law.

Mr. WOOLLEY. But you have not had any criticism of it which would apply to the way in which we have allotted wheat acreage. You find a farmer in west Texas who is raising wheat and who is raising cotton and you will have difficulty explaining to him why you do them in two different ways.

Mr. POAGE. I happen to be that very farmer. I have just about the same acres of wheat and of cotton and try to have them every year. The other third of our land we normally try to plant in grain sorghums. I know that speaking as one of those west Texas farmers I think so much more of the county average system on my cotton that I would much rather put up with any irritation that might come between the wheat and the cotton than to have you take away from me the only thing that has ever stabilized our cotton production. We had nothing but trouble down there until you got away from that individual historical base.

Mr. WOOLLEY. It was the best judgment of all our people collectively. There were many differences of opinion but we have tried to reconcile them. We have tried to make the thing consistent insofar as possible.

Mr. POAGE. Do not do that to take care of that farmer in west Texas who is growing both cotton and wheat, because I am one of them. Do not do that to take care of me because I do not want that done to take care of me.

Mr. WOOLLEY. There are many other values in having consistency between them. We believe that the more people that understand these things, the better administration will result all the way down the line.

Our Solicitor himself says that it has just about gotten to the point now where that if you amend it any further the provisions will become so complicated that he cannot follow it. He is going to have to call in somebody from Philadelphia.

Mr. PACE. Mr. Woolley, I think the most confusing thing is using one series of years for the State allotment and the county allotment and then an entirely different series of years for the farm allotment. I think it is the most unfair and the most confusing situation or system. You take 5 years for the State allotment and the county allotment. They are the 5 years previous to the year in which the allotment is determined. When you get down to the farm you use 3 years.

In the first case, it is 5 years back of the year in which it is done. When you get to the farmer, it is 3 years, including the year in which it is done. Therefore, you have given the county and the State allotment on 5 years and you make the farm allotment on two of those years plus another. This year you had a peanut acreage allotment under that system. You did not include your 1948 crop in the State and county allotments. You did include the 1948 crop in the farm allotment. I do not know anything that has caused as much unhappiness as that one thing. Why can you not use the same years for your farm allotment as you use for the county allotment?

Mr. WOOLLEY. The main basis for that is that you want to use the most recent history you can for the farm and the current year is available at the farm level but the current year is not available on a county basis. Therefore, the only thing you can do is use the prior years. You cannot use the current year because you do not have it.

But you do have it at the farm level and farmers prefer to use the most recent history as possible for their allotments. That is the major explanation for the difference between the two.

Mr. BAGWELL. Mr. Hope, I would like to say further that these standards that are in here for establishing allotments at the farm level are substantially the standards that are in the tobacco marketing quota provisions. The only difference is, I believe, that we specifically provide here that we can take previous farm allotments into account.

That is not in the tobacco provision at the moment. It is in our draft. We have tried to make them uniform all the way through because we have had, as you know, 10 years' experience in setting tobacco allotments and we felt that we had pretty good standards for taking care of all situations that might arise at the farm level. Therefore, we have actually broadened the authority that now exists.

Mr. HOPE. I got the impression from what you said a while ago that there really was not much difference between the standards as set up here for the allocation of acreage to the farms and the standards we already have in the case of wheat.

Mr. BAGWELL. Except for abnormal conditions and the use of previous farm allotments, I think perhaps that is true.

Mr. HOPE. It takes the question of land, labor and equipment into consideration.

Mr. BAGWELL. Yes. Of course, we had that before to some extent. We had the "land" factor in there to some extent, at any rate.

Mr. WOOLLEY. Crop rotation practices had some of that inherent in them.

Mr. HOPE. The reason I am asking that particularly is because I think it has worked out very well under the present condition as far as wheat is concerned. I have heard no complaints about the present provision. I would hate to see something added just for the sake of getting uniformity with some other commodity that might disturb the present situation which has not only been satisfactory, but by using this same formula over the years you have built up a history around it and an understanding of it by county committees which would be somewhat disturbed if you spring a new formula on them now. My thought is that while there may be something desirable about having a uniform formula for all commodities, we should not sacrifice too much to get it.

I think there are differences between the situations, as far as each individual commodity is concerned, that have to be taken into account in making allotments. I would hate to see too much sacrificed for the sake of uniformity on paper.

Mr. WOOLLEY. On that point, Mr. Hope, all of our commodity people, including the Grain Branch people, have agreed to all of these changes as, in their judgment, not materially affecting the differences that exist between commodities because of the inherent difficulties between commodities.

Mr. HOPE. I do not see anything seriously wrong with the new formula, although I am not sure that I understand exactly what some of these provisions would mean and how they might be employed. I am not criticizing it because I do not have any reason to.

Mr. WOOLLEY. In the abnormal conditions, instead of abnormal weather, you may find yourself up against a circumstance which might be brought about by the war, for example. An adjustment ought to be made for that. Then if you only have an adjustment for abnormal weather, you are in a position where you cannot make an adjustment which is valid and something that a group of people with divergent interests would agree upon. But abnormal conditions could be interpreted to mean those types of things. That is just an illustration.

Mr. HOPE. I agree with you.

Mr. Woolley. I would like to clear up one thing, Mr. Hope, the question about the position of the Department with respect to the advancing of the time at which marketing quotas will be held. In a letter dated March 18 to Senator Thomas with respect to his 732 he expressly stated that the proposed bill would clarify the situation by providing specifically that the marketing quota provisions of title 2 of the Agricultural Act of 1948 shall become effective upon enactment of the bill.

The Department recommended that the bill be passed. That was over the signature of the Secretary.

Mr. Hope. I have just one more question and then I am through. I notice that in the new language, with reference to the apportionment of the State allotment to the county, you have left out the proviso "with reference to soil conservation practices" which is in the old law. What is the purpose of that?

Mr. Bagwell. I think there were two things on that, Mr. Hope. The Solicitor had some objection to it on legal grounds. We never knew just what it meant and we thought it might subject our quotas structure to attack on legal grounds.

Secondly, it did not seem to make sense to have it in there for one commodity and not have it for others, so we thought that perhaps it ought to be dropped out for all of them. Is that about your recollection of it, Mr. Woolley?

Mr. Woolley. Yes. The main objection was the one you mentioned about the Solicitor's feeling.

Mr. Bagwell. The Solicitor's feeling was that it was so indefinite as to make quotas subject to legal attack.

Mr. Hope. I thought Mr. Walker said a while ago that this matter of soil conservation practices was one of the factors that he considered in giving the allotment from the State to the county and that you would shift a little of it around that way.

Mr. Walker. It is one of the factors, that is right.

Mr. Woolley. In the language that is contained herein, however, there would not be anything that you are presently doing that you could not do under the new language. Is that not right, Mr. Walker?

Mr. Walker. I am not sure.

Mr. Bagwell. It is in the law now, as Mr. Hope has already observed.

Mr. Poage. There is nothing more indefinite in that soil conservation language than there is in this new bill because you are going to give the Secretary, as I understand it, authority to establish acreage to the individual on the basis of what equipment he has and whether he owns a combine and what he may have in the way of equipment to harvest it with. You may then give a man with his own equipment a bigger allotment than a man who depends on custom combining. If you want it vague, you have it as vague in this new law as you can get it, it seems to me.

Mr. Bagwell. Those are pretty definite standards. We have had them in tobacco all along. They permit the Secretary to take into account the tobacco barns a man has, and so on.

Mr. Pace. I think it is true they have never paid any attention to them.

Mr. Poage. Just what do you propose to do in that provision in the new law about basing these allotments on the equipment that is available to a man? What if he has it mortgaged and the lien comes due along about crop time? Is it available to him?

Mr. BAGWELL. We do not go into refinements of that character.

Mr. WOOLLEY. I think it can be fairly stated, Mr. Poage, that in contemplation, as far as wheat acreage allotments are concerned, there are no basic, fundamental changes in contemplation at the present time. The only factor that might be in the picture would be some adjustment for war conditions, abnormal things brought about by the war, on which there might have been some question. That would be the only thing I know of that there would be any change on.

Mr. PACE. Are there any other questions by the committee?

I think this needs to be said: As you gentlemen know, some members of this committee are very deeply concerned about the administration of Public Law 12 or the War Crops Act. I do not know what the plans of the Department are in the administration of that act as to wheat.

I am saying this now because I do not want somebody later to come up and say we have done this on wheat and therefore we have to do it on cotton. I want the record to show that for my part—and I think I speak for numerous other members of the committee—it would not be acceptable to us to administer Public Law 12 in the manner heretofore suggested to the effect that the individual farmer would get only a percentage of credit for war crops.

I want the record to show that as far as cotton is concerned—the representatives of the wheat areas will have to speak for themselves—we shall insist that Public Law 12 be administered in keeping with its purpose and with its language and in keeping with the statements made on the floor of the House and the Senate by Senator Bankhead in behalf of the Senate committee and by Mr. Flannagan, chairman of this committee.

We shall insist, as far as cotton is concerned, that the credit be determined on the basis of the farm. If a farmer in good faith reduced his cotton acreage or withheld the production of cotton, having gone out of cotton at the beginning of the war, and not having gone back into cotton by virtue of that fact, that he be given credit for cotton and that his farm will be regarded, during the 3 years in 1945, 1946, and 1947, when he planted war crops, as having been planted in cotton.

I was very much disturbed to notice a bill submitted by the Secretary that does not even seek to do that. He puts the cotton acreage allotments on the basis of those planted, without saying "or regarded as having been planted."

Mr. BAGWELL. We specifically provide in here that in setting the allotments that will be considered.

Mr. PACE. You just have one little line in there saying that consideration shall be given to Public Law 12.

Mr. BAGWELL. I would like to say that as far as the lawyers are concerned, we fully understand that Public Law 12 must and will be carried out.

Mr. PACE. You need to go back to about 10 different places and say that cotton planted will include cotton regarded as planted under Public Law 12. The statement I am making is that on behalf of my producers and as chairman of this subcommittee I want it distinctly understood that whatever is being done in the administration of Public Law 12 as to wheat, we will not accept it as a plan on how it should be administered on cotton and I hope it will not be said any time later, inasmuch as cotton quotas will be determined much later than wheat, that we are bound by the interpretation on wheat.

We do not intend to be bound by any other interpretation than a strict, fair, and full administration of that act in keeping with its spirit, its terms and the regulations heretofore issued by the Secretary and the explanation presented to the Congress at the time the act was passed, and particularly the release issued by the Department of Agriculture following its enactment which gave cotton farmers in this country the absolute assurance, individually, not as a State or a county, but individually, the assurance that as to them and their individual farms they need not return to cotton but could go out of cotton and plant war crops.

Mr. POAGE. As one representing the biggest cotton-growing section in the country, I want to say that we join in Mr. Pace's statements. Within our power, we are not going to submit to any proposal that denies us the promises made under that law.

Mr. HOPE. Mr. Chairman, just one word to clarify the matter of that before we conclude.

As I understand it, what has been said here this morning as far as the 1950 wheat crop is concerned is that the only matter which requires any immediate legislation is this matter of clarifying the referendum on marketing quotas. Otherwise you think you can operate under the present law entirely satisfactorily?

Mr. WOOLLEY. That is true with one exception, Mr. Hope.

There is a problem in cotton in Oklahoma which relates to wheat in that the 10-year base on cotton brings about one result for their cotton history. If you had them both on a 5-year base for purposes of wheat and cotton, the problem would be solved in Oklahoma and you would not have to have any specific or special provision with respect to cotton in order to keep that part of the country from being unfairly treated.

Mr. HOPE. Is there still time to enact legislation to deal with that this year?

Mr. WOOLLEY. As I indicated to you when I was before you a few weeks earlier, I think the legislative process is such that we probably will have to live with what we have. I merely point out that if we had cotton and wheat on a 5-year basis, a problem that is very aggravating in Oklahoma would not be aggravating. That would solve the problem.

Mr. HOPE. I think the only question there would be whether we could put it into effect in time to do anything with it this year. We do have time to deal with the other matter.

Mr. PACE. The committee is greatly indebted to you gentlemen for coming here and working with us.

Mr. WOOLLEY. Mr. Chairman, I would like to say that I was pleased to hear you say that the procedure we had used with respect to wheat on Public Law 12 would not be considered as a precedent with respect to cotton because the war crops with respect to wheat and cotton are so distinctly different and the problem of the crop rotation practices between the two crops is so different that a grave injustice would undoubtedly result if there was any effort made to say that the procedure with respect to wheat absolutely had to be applied with respect to cotton.

Mr. PACE. Thank you very much, gentlemen.

(Whereupon, at 12:25 p. m., the committee was adjourned.)

(The following was submitted for the record:)

STATEMENT OF JOHN H. MARSALIS, MEMBER OF CONGRESS, COLORADO, HOUSE COMMITTEE ON AGRICULTURE

My name is John H. Marsalis. I am a Member of Congress from the Third District of Colorado. I appear before this honorable committee in opposition to the Department of Agriculture's plan for limited wheat acreage. This plan, as I understand it, would base such wheat acreage allotments on acreage planted the last 10 years and, therefore, would work irreparable damage to those sections which have become great wheat-producing areas in more recent years. A large part of eastern Colorado falls within this category. A part of the Dust Bowl during the 1930's, this area now has become a thriving part of the wheat area by following sound conservation practices, including summer fallow. This summer fallow program in itself constitutes an acreage cut.

If the 10-year rule is adopted it will work great harm to the whole area and throw its entire economic system out of keel. Its towns and cities, now prosperous, that have grown and expanded with its wheat crop will practically wither away.

I feel that the only logical approach to this problem is to approach it on the basis of facts as they exist at this time. To quote from Mr. Oliver Brown's speech at Springfield, Colo.: "Wheat today is Colorado's No. 1 industry producing more wealth each year than any other. If the wheat acreage were cut on a historic basis, the State's whole economy would be shaken."

All problems must be solved on the basis of present-day facts as we certainly cannot return conditions to what they were 10 years ago. Families have relocated and investments have been made solely on the basis of the wheat prosperity in this area. During the war farmers were encouraged to turn to wheat production, and when this area proved to be so adaptable to its growth, it naturally became a great wheat center. It constitutes one of the natural shifts that have taken place in the gradual evolution of our economy and should be recognized as such instead of penalized. We must remember that at one time Minnesota was the second largest wheat-producing State in the Union, whereas today its production is practically nil since dairy farming and other forms of diversification have become more profitable.

The farmers of eastern Colorado realize that some cuts will be made in acreage, but they feel that it should be on a fair and not historic basis. I quote herewith the contents of a telegram just received from the Eastern Colorado Development Association concerning their present recommendations:

"At a meeting of the directors of the Eastern Colorado Development Association at Eads June 9, the following resolution was adopted and is now submitted for your careful consideration. 'Now therefore it is resolved that this association recommend to the Secretary of Agriculture, the Congress, and the Senate of the United States to set forth a voluntary 10 to 20 percent reduction in new and old wheat acreage for the 1949 wheat planting. And depending on the crop resulting from the 1949 planting and storage facility, consideration be given to a more flexible program for wheat farmers to insure the welfare of the industry.' Request submission of this resolution to House Agricultural Committee at Friday meeting. Will advise further by letter."

I urge upon the committee its serious consideration of the suggestions contained in this telegram and the dire consequences that will result in eastern Colorado if wheat acreage allotments are placed on an historic basis.

EADS, COLO., *June 10, 1949.*

Senator EDWIN C. JOHNSON,
Senate Office Building, Washington, D. C.

At a meeting of the directors of the Eastern Colorado Development Association at Eads June 9, the following resolution was adopted and is now submitted for your careful consideration. "Now therefore it is resolved that this association recommend to the Secretary of Agriculture, the Congress, and the Senate of the United States to set forth a voluntary 10 to 20 percent reduction in new and old wheat acreage for the 1949 wheat planting, and depending on the crop resulting from the 1949 planting and storage facility, consideration be given to a more flexible program for wheat farmers to insure the welfare of the industry." Request submission of this resolution to House Agricultural Committee at Friday meeting. Will advise further by letter.

EASTERN COLORADO DEVELOPMENT ASSOCIATION,
By AL WENGER.

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I am against any kind of future restriction on our agricultural crops of all kinds, livestock and so forth. I do not believe in restricting; I believe we ought to go ahead and make what we can. I believe that we have been in the years past providentially blessed, so much, in making all of these crops. We have been providentially blessed in many other ways, one in the war not touching our soil. But I am a strong believer in Providence, and if we will make what we can and use that graciously as we should, I believe we will continue to be providentially blessed, even more possibly than we have in the past.

I think we ought to produce and our Government hold a guaranteed price, at least 90 percent or more, on all of these basic crops, and then take all the surpluses and use them to the very best of their discretion in helping and giving if necessary to millions of those in foreign lands who are in need, billions of who are just half fed and partially clothed. They need more than we will likely make as surpluses. I think our Government would do well to take this into consideration.

I believe further that by doing this we would renew the hopes of many millions and would cut much ground out from under our Communist agents by giving them new hope and courage and in showing them the benefits of democracy, of our democratic way, these who would otherwise be dupes for these Communist agents. Not only that, but I think that we should take into greater consideration the needs of our lower class as I have pointed out, because by distributing the income more to them, they in turn will spend their money for other products that will need to find a market, whereas if the benefits were paid to those in higher brackets, much of that money would go into banks and securities and other farm lands, and so forth, and would not buy the other products which would hurt on that side.

I think this: If Congress sees fit to enact a compulsory restrictive law of some kind, even though not like the one in the past, but I mean any kind of restriction on the growing crops, I think any benefits they pay should be paid out in proportion to the needs of those receiving these benefits. It should be worked out on a sliding scale as our income tax, and any farmer who has a net income of $3,000 or more be eliminated from the Government benefits, but those who are more in need, the most in need, receive a higher rate of pay, and in that way I think it would help distribute our wealth and give buying power in the hands of those that need it.

I will say again I don't want to take up too much time. I appreciate this opportunity of appearing here. This little statement that I wrote was written very hurriedly and I ask you to consider it with what I have said.

Thank you very much.

Mr. PACE. Thank you. Your prepared statement will be inserted in the record.

(The statement is as follows:)

STATEMENT OF H. R. JUSTICE, CALCIS, ALA.

I do not own a farm and have no direct interest in any kind of farming, but do have an indirect interest to this extent; First, I am a very careful observer and try to always use my influence toward helping those who need help the most, the ones at the bottom of the economic ladder; and, second, I am always interested in helping those who merit help, and think our Government should always favor those in this class.

Now, in my study and observation of the Agricultural Act of 1933, according to my understanding it is the most discriminating, unfair, and unequal law ever written. It has paid premiums to those who do not deserve any help at all, and has continuously and consistently penalized those who should have the financial support of our Government and the good will and moral support of all of our people.

This act provided, here in the cotton section, that every cotton farmer must have his acreage planted to cotton for the 5-year period of 1928 through 1932, calculated, and then strike an average for that 5-year period, and this figure would be a basis for calculating future plantings (when the quota system was used) and a basis for calculating all Government subsidies, conservation payments, and so forth. I understand these basic figures have been used ever since this act was passed.

Here is an example of how this worked: We have two farmers, A and B, who had the same sized farms, and planted the same cotton acreage in 1928 and for years previous to this. They had practically the same size family and the cost of living was the same. In 1928 cotton prices went down sharply, and farmer A looked at this as a good businessman should have done. He reasoned, that the price was down, because our production was too high. Both A and B planted 40 acres in 1928, and then A cut his to 35 acres in 1929. The price was down again that fall, so he cut again in 1930 down to 30 acres, and in 1931 to 25 acres and in 1932 to 20. This gave him an average of 30 acres for the 5-year basic period. Farmer B says, well the price of cotton is down, so I will just have to make more cotton, so in 1929 he planted 45 acres; in 1930, 50 acres; in 1931, 55; and in 1932, 60. His average was 50 acres per year for the basic period. Had all cotton farmers done what A did there would have been no emergency and no need of any cotton quotas set up, but after he had done what all should have done he received the unthankfulness of our Congress, and they passed a law which has penalized him ever since, by setting him up a basis or quota of 30 acres, and B, who did the very thing that wrecked the cotton farming and brought the emergency on, was given 50 acres for his allotment. The law has granted him almost twice as much pay, and allowed him to grow almost twice as much cotton, when marketing quotas were established as A, thus paying him a premium for overproducing and penalizing A for doing what all should have done, reducing his production.

This 1933 law, a part of which I understand is now in effect, is full of inequities and discrimination, so it should be repealed and a new democratic law passed to take its place. Of all the things we need today, we need most to convince the world that we are truly democratic, and to do that we must practice here at home what we try to teach others. The Government is now paying conservation payments and other benefits, based on the basis set up by this discriminating act, so this most certainly should be corrected.

Now, I oppose any legislation restricting production in our crops, livestock, etc., as I believe there are enough people in other parts of the world, who are badly in need of all the overproduction we can grow, hundreds of millions of them who are not half fed or clothed, and our Government would do well to furnish this to them, even though they were not able to pay us one penny. But if the Congress sees differently and decides to write a restrictive law, let them for once use common horse sense by writing one that is really democratic. Our Constitution says all men are born free and equal and should have equal rights and privileges under all the laws adopted by our Congress. But when a law says one man can grow tax free so many pounds of cotton, bushels of wheat, etc., and another man an entirely different amount, are they being measured by the same yardstick? Is democracy being applied to them? No! A thousand times no! The only way I can see how a restrictive law can be constitutionally written is to measure everyone by the same yardstick, or give unto everyone the same allotment. They who grow more than their proportionate part, should pay whatever penalty is decided upon, so let them buy exempt marketing certificates from those who make under their allotment, and let the law stipulate the price of these. Those who grow more than their proportionate part, are the ones causing overproduction and should be penalized therefor.

By passing this kind of a law, it will be in harmony with our Constitution and will be doing a distinct favor to the little, backward, and ignorant fellow at the bottom of the ladder. It should be the function of our Congress to protect and enhance the rights of this class, as those higher will take care of themselves.

This would also give a greater income to the one in the greatest need and would thereby give a greater buying power for our products, while on the other hand, if given to those at the top, as the present law does, much of this income is put in our banks, securities, and other farm land, and does not help the market for other goods.

Mr. ANDRESEN. May I ask you a question?

Mr. JUSTICE. I will be glad to answer any question.

Mr. ANDRESEN. We tried to limit the size of the payments that went out to farmers so that we would hold no farmer could receive over $750 a year in payments. That was changed this year so they can pay out $2,500. As I understand your suggestion, it is this; anybody who had an income of $3,000 and above you would eliminate them from payments.

Mr. JUSTICE. I think it would be wise to do that.

Mr. ANDRESEN. And make the division to those in the under $3,000 class. I am sure you recognize this, that about anyway 70 percent of the farmers receive only between 20 and 50 dollars a year in payments. That goes for the cotton section as well as for some other sections. You mentioned something about Communist agents. Are you troubled with Communist agents down in your area?

Mr. JUSTICE. No, sir; we have no trouble with them around my place.

Mr. ANDRESEN. That is all.

Mr. PACE. Thank you very much, Mr. Justice.

Mr. JUSTICE. Thank you.

Mr. PACE. We will next hear from Mr. Malcolm B. Ronald, of Mitchell, S. Dak. You want to insert your statement and address yourself to it generally?

STATEMENT OF MALCOLM B. RONALD, MITCHELL, S. DAK.

Mr. RONALD. Yes, I have submitted some prepared material. However, it is very comprehensive, and I am not going to attempt to read any of it. I would like to make some extemporaneous remarks, however.

Mr. PACE. Suppose we insert your statement at the conclusion of your extemporaneous remarks.

Mr. RONALD. Yes.

Mr. PACE. You may proceed, Mr. Ronald.

Mr. RONALD. I am with the Daily Republic, a newspaper in Mitchell, S. Dak. and the paper has been very much interested in farm legislation for a number of years. As a result of circumstances that are not particularly relevant to this discussion, we started in 1945 holding meetings of farmers to discuss a permanent farm program. In order to make the discussions practical, we kept them definite, and the only requirement as to what was suggested or discussed was that it would be a self-financing program, not supported by Government payments.

The only method by which that could be accomplished and still give the farmers parity on their fair share of production, that any farmer at any of the meetings, and we covered eight States, getting as far south as Mississippi, Alabama, and Georgia in these meetings, the only practical proposal involved the two-price system.

As a result of these discussions, we have worked out a bill which we had drafted in bill form by a competent professional bill drafter who had formerly been with the House Drafting Bureau, and had quite a part in drafting some farm legislation. That was in order to provide something definite, and to make certain that the proposals were constitutional and procedurally correct.

As I say, I have provided copies of that, and also of another bill, rather an explanation written in bill form which has been circulated throughout the country to farmers for their discussions, because the bill was drawn up by the professional is a little hard for the average farmer to grasp. I am including those as part of my statement, and any members of the committee who are interested in the bills can peruse them.

What I want to talk about today is the farm problem in terms of people instead of economic principles.

In holding these meetings, I traveled about between 15 and 20 thousand miles in an automobile, and I got acquainted with a lot of farmers. Our little paper could not go into an area two or three States away and expect to have any attendance by representative farmers unless we were sponsored by a farmer of local standing in that area, and that was the way in which we did it.

So I became acquainted as I say with a large number of farmers in those eight States, and while we at the meetings discussed the mechanics and details of farm programs, I also got an idea of their basic thinking, and I have reached the conclusion that no permanent solution of the farm problem will be worked out, no matter how good the plan, until and unless it puts the farm program back in the hands of the farmers, administered by them from the grass roots, instead of from the Department of Agriculture in Washington down.

And included in our farmer contacts were a large number of county committeemen and community committeemen. There is, I am convinced, a very definite resentment on the part of these men because while there is a lot of supersalesmanship exercised the programs do come down from Washington. They are given to the county committeemen, and they are told this is it; administer it.

One of the most frequent conplaints that I got off the record just in conversation was, "Washington does not want to know what we think."

So looking at the problem from the angle of the people, the 20 million people who are farmers in this country, I would like to make a few remarks on the political aspects of this question because I think they are significant. Our newspaper is independent. We are neither Republican nor Democratic, and I am not interested in advancing the political fortunes of either party, but I think that what I sensed as the underlying attitude of these people is an explanation of what has happened at the polls. Actually the farmers are not inarticulate, if you convince them of your good will and sincerity. They will talk and they have ideas, but they are reluctant to assert themselves. As a result of that, just because we happen to get started on the kind of programs that we did in which the Government ran the show and put up the money, as I say, the system developed along those lines and so we have traditionally become accustomed to the Santa Claus type of farm program. I believe because there were Democratic administrations during the time that the series of programs beginning in the thirties originated, that the farmers in the north associated them with the Democratic Party. They voted Republican, as you know, in those Northern States, from 1938 on. Everybody thought that is just because they are traditionally Republican States, but I believe in the light of what happened later those were protest votes. Nothing much happened. The Democrats were able to win without those States, and so they went on voting that way, and the Republicans simply assumed they had them as an asset. Actually they were protesting the type of program we are having.

And then in the Eightieth Congress we got a Republican-controlled Congress, and we know what happened in those States last November.

Mr. Truman, I believe, and Mr. Brannan have interpreted that as a support for them. I believe in fact that was a protest against what the Eightieth Congress did in the way of farm legislation. I think that the farmers probably will continue to protest this kind of program. Of course, it was largely said that, well, it was the 60 to 90 percent of parity supports that swung the States. That was certainly one of the factors. But I think it is more basic than that. After all, as Allan Klein said the day he was here, this flexible parity is nothing new, we have had it, and he is right, we have. The Aiken bill merely put it in writing that we had a flexible parity except during the war there was never any support of parity at 100 percent.

Let us put it another way for a minute. Suppose that the Democrats in their handling of the labor problem had told labor, "Now, we realize that you are entitled to fair wages and we think the Government should see that you have a chance to get them, but we don't think that you should be given the power to negotiate them. We want you to just take what you get. We know that you won't get a fair price, so we are going to make up the difference out of the Public Treasury. Of course coming out of the Treasury, we can't pay too much, se we will do the best we can. Maybe we can get you 70 percent of a fair wage." How long would they have kept the labor vote? That is the Democrats. That is the way the farmers were handled, actually.

I think that one of the mistakes has been that Congress has accepted advice and very poor advice, of farm organizations and from the expertsof the Department of Agriculture, and has perpetuated this Santa Claus system of farm relief. The farmers don't like it. They don't say much. There was no public outcry about the Aiken bill. But look what happened when they went to the polls.

Incidentally, I have heard a good number of the hearings of this particular committee. I have heard the comments of the Members of Congress on the committee, and I have a lot of respect for the House Agriculture Committee. I think that we, due to the political situation, have no possibility of immediately getting a good permanent program enacted. I think that there should be a temporary program until a good permanent program can be enacted, and I would hate to see the Aiken bill go into operation the first of January, which I understand is what the Senate Agriculture Committee is going to stand pat on, and I would like to see, and I would be inclined to say that any temporary program that the House Agriculture Committee writes will be good.

Mr. Cooley, in a conversation I had with him, spoke of this as a traditional period in which he thought that perhaps we would have to continue some payments from the Treasury in order to support agriculture while a permanent program is being worked out, and we are being reconverted so to speak, from a war to a peacetime footing. But in this measure which I include in my prepared testimony, there is the provision for the formation of a Farmers National Council. It would be farmer elected. It would be much as we have now in the Triple A set-up, except that instead of being chopped off at the county level, with the farmers having nothing to say about any of the administrative organization above that level, it would be farmer-elected right up to the doorstep of the Department of Agriculture.

I have only one suggestion that I would like to make, and that is that in whatever temporary farm legislation that is enacted that such a farmer organization be immediately created, that is, provisions made for its election, and that it be charged by Congress with working out recommendations for a permanent self-sustaining program administered by the farmers within limits set up by Congress to protect the general welfare. If parity is not fair, make it fair. Then give them 100 percent of parity on each farmer's share of normal domestic consumption, and whatever the surplus brings as surplus, creating the machinery for a surplus disposal program to be self-financing.

In my prepared statement I have a brief list of the suggested points which such a recommendation from this national council would cover, and that is all I have to say extemporaneously. I appreciate the opportunity to talk to this committee, and I wish you luck.

Mr. PACE. We are delighted to have the opportunity to hear you, Mr. Ronald. You wanted included with your statement the two bills that you referred to?

Mr. RONALD. Yes, I have everything all clipped together there.

Mr. PACE. We want you to continue to work with the committee, because you do have a rather good comprehension of what our problems are.

Mr. RONALD. I don't except that I have talked to a lot of farmers, and I would like to add this: When I started out in 1945, this was more or less of another newspaper assignment to me, but as I got into it, I was amazed by the intelligence and the innate decency of the American farmer, and I think if we will just trust our farm programs to him, we will come out with much better programs than if we get them purely from the economists and farm leaders in the Department of Agriculture.

Mr. PACE. Let me say I think it is the view of this committee that so far as possible we would like for the farm program to be farmer-presented, farmer-administered, to the fullest extent possible. That is the way we feel about it. That is the way I feel about it.

Mr. RONALD. By farmer presented, do you include farm organizations as farmer presented?

Mr. PACE. My attitude is, Mr. Ronald, that I give consideration to the recommendations of the farm organizations to the extent that I believe it reflects the views of the men out on the farms, and no further.

Mr. RONALD. Of course, how far it reflects those views is a moot question.

Mr. PACE. In keeping with that view, I do not think any farm organization that ercommends the Agricultural Act of 1948 has any immediate contact with the farmers of this country, because they do not want it.

Mr. RONALD. On that you are 100 percent right, in my opinion.

Mr. PACE. And consequently when the farmer organizations come here and recommend it, I do not give any consideration to their representations, other than a respectful hearing to anybody that appears before this committee.

Thank you very much.

Mr. RONALD. Thank you.

(The statement is as follows:)

(The bill and other data referred to is being retained in the committee files.)

EXPLANATION OF EXHIBITS PLACED IN RECORDS BY MALCOLM B. RONALD OF MITCHELL, S. DAK. IN CONNECTION WITH TESTIMONY BEFORE HOUSE AGRICULTURAL SUBCOMMITTEE ON PRICE SUPPORTS

As a result of discussions at farmer meetings, sponsored by the Daily Republic of Mitchell, S. Dak., in eight States a farm program arising from the grass roots has been developed. This program has been drawn up in correct bill form by an attorney experienced in drafting agricultural legislation, and is included, together with explanatory matter.

In addition will be found a printed explanation of the program in bill form written by William R. Ronald, publisher of the Daily Republic. This explanation was written primarily to expedite discussion of the proposal by farmer committees in all parts of the United States. It may also be of interest to Members of Congress who would like more details about the proposal than will be found in the mimeographed bill which was prepared by a professional bill drafter.

SUGGESTED SHORT-RANGE LEGISLATION

For the reasons advanced in my verbal testimony, I believe it is of vital importance that a start be made in returning the administration of farm programs to the farmers themselves. If the Eighty-first Congress will take a decisive step in that direction, the ground work will have been laid for the development of a successful long-range agricultural commodity price-support program.

In the attached proposed bill will be found provision for the creation of a National Farmers' Council, to be elected by the farmers themselves. This council would operate as a farmer-elected organization at all levels, from the township to the national.

Why not provide, as soon as possible, for the election of such a council and direct that it work out suggested price-support legislation meeting the following broad requirements:

1. A program that would be largely self-sustaining and not dependent upon Congress for payments of any sort from the Federal Treasury.
2. A two-priced system under which each individual farmer would be assured of 100 percent of a fair parity price on his share of the total volume of each commodity which is consumed domestically each year. For any volume of production marketed above each individual farmer's parity quota, each producer would receive only the amount for which surplus deduction could be disposed by a surplus disposal agency.
3. Creation of a surplus disposal and price support corporation, possibly an enlarged and broadened version of the present Commodity Credit Corporation.
4. Provision that the surplus disposal corporation also would provide price support loans on nonperishable commodities at full parity, to assure that farmers would in fact receive 100 percent of parity on each individual's proportionate share of each commodity marketed each year.
5. Methods of disposing of the surplus at the best possible price should include exports at world prices, but in conformity with all international agreements by the United States, food and clothing programs at reduced prices for the low-income group and the subsidizing of new uses for agricultural products in industry.
6. A farmer-recommended device for disposing of the surplus without cost to the Federal Government. (Two proposals for accomplishing this which have received favorable comment will be found in the attached mimeographed bill and the printed program explanation in bill form.)
7. Provision that the Department of Agriculture be authorized by Congress to set forth the limits within which such a farmer-administered program shall operate in order to protect the general welfare and to provide technical assistance and

economic service in determining national quotas which will be divided among individual producers by the farmers' own organization. Assurance from Congress that the details of how the broad objectives are to be attained within such limits will be worked out and administered by the Farmers' National Council.

Grass Roots Farm Program

The objective of this project is to provide recommendations for price-support and conservation programs of a permanent nature which will be largely self-sustaining. Suggestions from farmers in many parts of the United States indicate that the price-support portion of a unified farm program can be totally financed without payments from the Federal Treasury.

In 1945 a middle western newspaper, the Daily Republic of Mitchell, S. Dak., launched the project of developing a farm price-support program of a permanent nature which would not be dependent upon Federal grants of money for its operation. This undertaking was started because 20 years of experience, beginning with the Hoover farm board, indicates that supports will not be carried through years of low-priced trends if the program in operation calls for huge outlays of public money. Nor have they ever supported prices at full parity.

In working out a program from the grass roots the Daily Republic sponsored discussion meetings of farmers in eight States, ranging as far south as Georgia and Alabama. In all more than 30 such meetings were held. In each group, former county and community committeemen with experience in administering farm programs during the so-called normal period of the 1930's were liberally represented. The only requirement laid down by the newspaper at the meetings was that a program should be developed which could be carried out without appropriations for payments by the Federal government.

At all the meetings both in the North and the South there was a remarkable agreement on principles which should be included in a permanent farm program.

1. It should be self-financing and administration should be placed in the hands of farmers to a much greater extent than in the past.

2. Finding a price-support program that will work and a long-range adequate conservation program were seen as two parts of the same problem. Continuous conservation on a permanent basis cannot be carried out if the price-support program does not provide a health farm economy, with permanence and stability. At the same time, there can be no stable economic health in the agricultural industry if the land is being abused.

3. While farmers realize it was necessary during the war, they will resent a continuation of the policy of continually changing programs and support levels in an attempt by the Federal Government to obtain flexibility to meet changing conditions by arbitrary management from the top down.

4. There was agreement that price-support programs must be fair to producer and consumer alike. No Government farm program in the past ever provided full parity prices for agriculture. (Only World Wars I and II ever secured prices at or above parity.) So in the past it was not so important that the parity formula be fair to both farmers and consumers. In the future, parity should be revised so that it will be fair to both. Then a self-financing program should be developed which would give parity prices at all times on each farmers' share of the farm products normally consumed in the United States.

5. Rigid production controls through acreage restriction should be avoided. This requirement can be met by the use of a two-price system under which each which farmer gets full parity on his share of normal domestic consumption, and receives whatever price the surplus production brings. Under such a program each farmer can limit his marketing of each product to that total on which he will receive full parity, or if he can produce more and take a lower price for the surplus if he feels that through efficient production he can benefit from a larger volume, even though he takes a lower price for the surplus.

6. This method could be applied to perishable commodities. Even though they cannot be stored, an individual producer will be much better off to obtain full parity on his parity quota even if he takes a very low price for the surplus. Without a program of this sort the producer of perishable commodities often finds himself receiving disastrously low prices because a comparatively small surplus is used by the trade to beat down the price on the entire output. Any attempt to apply price supports even at a fraction of parity on an unlimited output of a perishable commodity will prove impossibly expensive, as was learned in the postwar potato programs.

7. The Commodity Credit Corporation should continue to provide price-support loans. It should be required that these loans be at 100 percent of a revised parity price.

8. Farmers are universally agreed that the support loan is the most effective method, if adequate storage facilities are available, so that no farmer will ever be compelled to sell below parity because of a seasonal marketing glut.

9. There should be adequate reserves of all nonperishable commodities to protect consumers and farmers alike. The storage program should include a large supply on farms or at county storage warehouses.

10. The powers of the Commodity Credit Corporation should be enlarged to make it the agency through which surpluses over the amount of each crop used in normal domestic consumption are disposed. It should have wide powers for disposing of surpluses through exports at the world price, through participation in food programs for the low-income group, through subsidizing new uses for farm products in industry, and any other means which the producers approve.

11. The cost of conservation practices other than long-range programs such as removal of submarginal land from cultivation and repairing of major damage through past abuse, should be added to parity prices so these practices can be carried forward without Government subsidy. If this is done, each farmer will receive an amount above parity to pay for good land use practices. If he does not elect to carry them out, having received this money when he disposed of his output, he should be required to return it to the Government to help finance long-range conservation programs carried out in the public interest.

12. The cost of a Nation-wide crop insurance program should also be added to the revised parity price. This amount, obtained by each individual farmer in marketing his products, would also be paid into a crop insurance fund to provide protection for all farmers against the uncertainty of weather conditions. Farmers feel that those engaged in other businesses include the cost of insurance in the prices they charge their customers. They see no reason why farmers alone should take the cost of insurance out of their profits or else risk disastrous losses by going without such protection.

13. Methods by which a farm price-support program can be kept self-financing were developed as a result of wide discussion at the meetings. The way in which the program will operate is fully explained in the accompanying bill. This bill has been drawn up for the Daily Republic by an attorney formerly connected with the House drafting bureau in Washington who participated in writing farm legislation during the 1930's. The Daily Republic engaged this attorney to draw up the bill in order to be sure that it is constitutional and correct in procedure. It is not to be introduced or presented to Congress in its present form. It is being distributed for discussion and criticism by small farmer groups in many parts of the United States. When the criticisms have been obtained, the bill will be revised on the basis of suggestions received. It will then be presented to the proper committees in the Senate and House. The Daily Republic has reason to believe that because it will be a true grass roots measure, it will receive the utmost attention in Congress.

You will note that the conservation section of the enclosed bill is an actual measure introduced in the House this session by Representative Clifford Hope of Kansas. It is to be considered as part of the bill, and subjected to the same criticisms and suggestions as the price-support portion. Representative Hope is furnishing copies of this measure, and is much interested in obtaining frank and honest criticism of its provisions from the grass roots.

Mr. Pace. We will next hear from Mr. Benjamin C. Marsh, executive secretary of the People's Lobby, room 3110, 810 F Street NW., Washington, D. C. We will be glad to hear from you, Mr. Marsh.

STATEMENT OF BENJAMIN C. MARSH, EXECUTIVE SECRETARY, PEOPLE'S LOBBY, WASHINGTON, D. C.

Mr. Marsh. In view of the fact that my statement is before you, I will not read it. That will just be taking it a second time. I would like to comment on it, if I may, and some of the statements that have been made, because I think it is rather questionable whether you will be able to enact a long-term program at this session of Congress. But I would like to submit, and have in this brief which you now have before you, another angle; that is, the consumer's view of a long-term program for agriculture, because, Mr. Chairman, I would like to remind you that though there may be 20,000,000 people on farms, that includes children, and I think the balance of political power—I don't know anything about politics, but certainly a very important part of the political view in the United States is the 11,300,000 people which the Social Security Agency says will be over 65 years of age next year.

The farmers cannot write the farm program for America any more than organized labor can write all of the labor laws. They have to recognize, both farmers and labor, as I am sure all Members of Congress recognize, that the public interest is absolutely paramount, and you have to adjust the conflicting desires—I won't say acquisitiveness, because that sounds harsh, but at least the conflicting desires of various groups of producers, because in the long run the consumption is what is going to determine whether we are a prosperous country or not.

And I would like to make this point: Farmers have talked about being independent of Government, but when they proposed the McNary-Haugen bill, they scrapped that concept. I told George Peak that and I told Chester Davis. They didn't believe it. Organized labor has had to get Government backing. In other words, both farmers and labor cursed out organized capital to the queen's taste. Then they turn around and say, "All right, we have got to do the same thing." What we have to realize, and it isn't a pleasant prospect is this: When organized farmers and organized labor take Government support as they are doing, either through a direct hand-out or through Government intervention allowing collective bargaining which may exclude the interest of the public entirely, they are going to have to accept complete control by Government. When Government underwrites people, the Government is going to tell them what to do. We are in for a totalitarian government. I am not sure I am going to like it, but before it is here full tilt, I will be buried, probably. The fact remains that we have got to consider the general welfare, and not that of any single class of producers.

When I speak about presenting a consumer's program, I realize of course, we are all consumers, but I think it is fair to say that those who can be most correctly characterized or described as consumers are these old folks. I am not going to make a Townsend speech at all, but try to give the facts.

There are roughly 11½ million people who cannot increase their dollar income at all, or substantially so. They cannot earn much. They have to live, and some of them will live quite a while. I don't pretend to speak for them—I am not authorized to, except to the extent that a large proportion of the some 2,400 members of the People's Lobby are 65 years of age and over. But I know a lot of people of that age, and they are terribly worried, and I was glad that in his testimony the other day Mr. Goss, when he suggested an advisory board in connection with the farm program, included—I think, perhaps it was in the second statement, if not in the first statement—the suggestion that that board include four representatives of consumers' organizations, which tends to equalize the representation.

So I am just going to read, and I think there may be some questions, the program from the consumers' standpoint, if you please, a consumer's program for agriculture. It is based, I will say frankly, upon a recommendation of the Department of Agriculture Postwar Committee, away back in January 1944, which I will read. It is very brief:

> The agricultural production of the United States should be adjusted to national requirements with due regard for export demand and desirable imports.

Here is the proposed program.

First, as I say, an over-all plan for agriculture. You have got to have it. As a matter of fact, our entire production has got to fit in with the world plan. To my mind one of the most encouraging things has been done for a long time in America is not our cold-war program, not even so much or exclusively, the Marshall plan, but the inclusive plan of the international wheat agreement, with wheat-producing and primarily wheat-consuming countries represented. That was a step toward peace, recognizing the world's needs for food.

I am not worried over so-called communism in any country where folks are prosperous. I think they tend to become acquisitive as soon as they get prosperous, but they certainly are not Communists.

The second suggestion is this: It is part of our general program that we have to reduce the cost of production of things. As a matter of fact, nothing by itself is worth much now, in America. I doubt if a mortgage or a bond or share of stock or land or anything else is worth much except for the money that Government is spending. If the Federal Government cut its budget by $15,000,000,000 tomorrow, we should have chaos in this country. So we all know we have to look at it from the general standpoint and reduce the cost of production, instead of handing out more and more money, as subsidies.

Sometimes when I am feeling a little discouraged I feel that democracy in America has degenerated into the art of passing the buck to providence, and the bill to posterity. Posterity has arrived, because we started that something like 20 years ago, and posterity has done caught up with us.

So we suggest the gradual transfer of taxes on farm buildings and equipment to farm land values, to stop speculation in farm land and encourage production.

Three, a Government marketing corporation empowered to process and distribute farm products, utilizing both producers' and consumers' cooperatives.

Fourth, reduction of freight and trucking rates, which is in my judgment very important. It is part of the program to reduce costs of production and distribution of farm products.

Fifth, Government action to end the exorbitant prices of things farmers have to buy, so as to reduce their cost of production.

Sixth, more cooperative farming.

Some official, I can't identify him from memory, in the Department of Agriculture, remarked some years ago that we had probably about 1,000,000 too many farmers trying to produce commercially in the United States. Today, under present conditions, I don't know whether that is exactly correct or not. But it is quite obvious that a small farmer with very little experience, where the owner or tenant has very little capital and not much experience cannot produce efficiently. Large-scale farming has not been due entirely to the wickedness of the owners of those large farms but due to the fact that we are recognizing the same thing that industry did, that mass production, and only mass production, under wise direction permits lowering costs of production. Small inefficient units do not do it. The coal-mining industry is a good illustration.

Seventh, Government financing of surplus of appropriate farm products to underdeveloped countries as a gift, a form of farm lend lease, for at least several years.

I realize, and every student does, we can increase our production of farm products enormously in America, and one of the most hopeful, and I think most beneficial, agencies of the United Nations has been the Farm and Agricultural Organization. Sir William Boyd and others, Dr. Dodd in charge now, have shown the world's need for food and fiber. I would call that one of the greatest peace moves, linking it with the national wheat agreement, two of the greatest peace moves made in the last few years.

When I suggest this, it is not to give away surpluses we haven't got, but we have surplus of some things and what I stated is "appropriate." You can't do it on all farm products. Farmers could produce more efficiently and sell at a lower price if they can find a market for their maximum production. I think every real farmer objected seriously, as some of your witnesses today have intimated, to the idea of restricting production in a world which never has produced enough to meet human needs. And so we put that suggestion in.

I am aware that you may not include all of our suggestions in the bill. I saw in the papers that the Brannan plan has been put into the form of a bill. I don't know whether it has been introduced yet or not, but we make these suggestions, and it has been very difficult to speak to a bill that has not yet been born, in other words, where you have a scheme, but it is not in bill form. I tried to read a great deal about Secretary Brannan's suggestion, and in his four-page interview on April 29, United States News, he was asked this question by the interviewers, members of the United States News and World Report staff:

> What happened to the processor under this plan.

Answer by Secretary Brannan:

> The processor for the most part isn't hurt.

Now, Mr. Chairman and members of the committee, I don't mean to criticize all of the processors and distributors of farm products, but I think the profits they have made relative to the profits in other lines have been very large. Also some of them are highly efficient. Others are not at all efficient, and that is the reason that we suggest as part of the program for farmers—from the consumers' standpoint, admittedly—that you have this Government marketing corporation. As you know, within 6 weeks after the war started, the Government of Great Britain—and mind, it was a Conservative government, and not the Labor Party in control at that time—made all processors and distributors of farm products agencies of the Government with profits limited and practices pretty well controlled. They have operated very efficiently. It was, I think, again Mr. Goss who said in one of his addresses of the National Master to the National Grange meeting at the convention that an efficient system of marketing farm products would settle a good many farm problems. It certainly is necessary to get a more efficient system.

I thank you and the committee for the courtesy you have extended me. I think I am the only representative of the exclusively consumer organizations who appeared before you, and we appreciate the opportunity to present our views.

Mr. PACE. It is a pleasure to have had you, and we appreciate your coming.

(The statement is as follows:)

STATEMENT ON BRANNAN FARM PLAN BY PEOPLE'S LOBBY, INC., WASHINGTON, D. C., BENJAMIN C. MARSH, SECRETARY

The Brannan plan for agriculture assumes that the Democratic-Republican coalition, which operates Congress, will continue to subsidize the victims of exploitation, inefficiency, and waste, instead of ending those enemies of prosperity and peace.

A constructive program for agriculture—from the consumer's standpoint—requires—

1. An over-all plan for agriculture, based on the dictum of the Department of Agriculture's Postwar Committee, which stated in January 1944: "The agricultural production of the United States should be adjusted to national requirements, with due regard for export demand and desirable imports." It should be stated that such control is implicit, though not stressed, in the Brannan plan.

2. Gradual transfer of taxes on farm buildings and equipment to farm-land values—to stop speculation in farm land, and encourage production.

3. A Government marketing corporation, empowered to process and distribute farm products, utilizing producers' and consumers' cooperatives.

4. Reduction of freight and trucking rates.

5. Government action to end exorbitant prices of things farmers have to buy, so as to reduce their costs of production.

6. More cooperative farming.

7. Government financing of surplus of appropriate farm products to underdeveloped countries, as a gift—a form of farm lend lease—for at least several years.

This program does not preclude the two-price system of Mr. Brannan's plan, nor the use of food allotments and other programs to increase use of farm products by those of small incomes, but would lower production costs for farmers, and make possible lower prices to consumers, and to the Government on purchases it makes.

Obviously, as witnesses before your committee have mentioned, agriculture cannot be separated from the rest of the economy.

The Congressional Joint Committee on the Economic Report, with only 2 out of 4 members wholly dissenting stated March 1:

"The Government, which is the only instrumentality that can balance the needs of agriculture, industry, and labor cannot afford to be without a plan."

Economic Indicators for May, prepared by the President's Council of Economic Advisers, estimates that in March total consumer credit outstanding was $15,379,000,000, an increase of nearly 51 percent over 1946, when price control was scuttled.

The Congressional Committee on the President's Economic Report, stated March 1:

"The relief afforded the 16,000,000 or more families getting less than $2,000 a year has been infinitesimal. The consumer's price index is still 72 percent above 1939 levels, nearly 20 percent higher than at the peak of inflation in 1920."

"In 1948 consumers were receiving about 70 percent of gross output, compared with 76 percent in 1929, and 75 percent in 1939."

"During 1948, inventories were expanded faster than sales by all major groups, manufacturers, wholesalers, and retailers, so that the grand total amounted to the frightening total of 54.9 billion dollars in December 1948."

It also states that last December, total debt in the Nation was $485,000,000,000.

Naturally, Congress does not wish to give food, or to have it sold below cost to those able to pay essential costs of production, processing, and distribution, but unemployment is increasing.

United States News and World Report (May 20, 1949) says:

"A rise in the number of unemployed to 6,000,000 by early months of next year, will be expected to occur if the production rate in industry declines about 15 percent from its postwar peak. The decline that already has occurred covers about half of that ground, with the trend still downward. A set-back of that size would be only half as great as the set-back either in 1920–21, or 1937–38.

"For those who lose jobs or are unable to find jobs it will be serious."

Savings of small-income families have been largely exhausted; mortgages on homes have nearly doubled since midthirties, and very few public works are beyond the blueprint stage. On the other hand—

Economic Indicators for April reports that for the 3 years 1946, 1947, and 1948, corporate profits after taxes were 50.6 billion dollars, of which 20.3 billion dollars were paid as dividends, and undistributed profits were 30.3 billion dollars—or almost one-eighth of the national debt.

United States News and World Report state that for these 3 years, corporation capital invested was 82.2 billion dollars, of which 13.6 billion dollars was from reserves for depreciation; 18.8 billion dollars past savings; and 28.2 billion dollars retained earnings.

Consumers deserve a break which Congress can give them, by forcing prices down through price controls and efficient production, processing, and distribution of farm products.

Mr. PACE. The committee will now stand in recess until tomorrow morning promptly at 10 o'clock.

(At 3:40, the committee recessed to reconvene Thursday, May 19, 1949, at 10 a. m.)

(The following telegram is included at the request of Congressman Thornberry, of Texas:)

AUSTIN, TEX., *June 17, 1949.*

Hon. HOMER THORNBERRY,
House of Representatives Office Building, Washington, D. C.:

H. R. 4753 does not contain adequate price support provisions for turkeys. Section 302 (b) should be amended to include turkeys along with other livestock. Farm chickens are mentioned specifically, so why not turkeys? Turkeys were included in original Steagall commodities to be supported at 90 percent of parity. Therefore, turkeys should be specifically mentioned in present bill. Please keep me advised as to developments.

R. E. JANES.

TESTIMONY OF PRODUCER GROUPS AND MEMBERS OF CONGRESS

TUESDAY, MAY 3, 1949

House of Representatives,
Special Subcommittee of the,
Committee on Agriculture,
Washington, D. C.

The subcommittee met at 10 a. m., Hon. Stephen Pace (chairman) presiding.

Mr. Pace. Gentlemen, the committee will come to order.

It is the pleasure of the committee this morning to hear from representatives of the milk and milk-products producers. There have been listed with the Chair five witnesses, all of whom will want to be heard, I am sure, and the committee will certainly want to hear from them.

As we all know, the House will resume consideration of labor legislation this morning; therefore, as far as possible, the Chair would like to complete all five witnesses during the morning.

It is our pleasure to hear first a gentleman who frequently appears before the committee and always contributes to the solution of its problems, Mr. Charles W. Holman, secretary of the National Cooperative Milk Producers Federation.

STATEMENT OF CHARLES W. HOLMAN, SECRETARY, NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION, ACCOMPANIED BY OTIE M. REED, CONSULTANT ECONOMIST

Mr. Holman. Mr. Chairman, I would like also to qualify as a joint witness with me this morning Mr. Otie M. Reed, our consultant economist, who some of you may recall for some years was Chief of the Dairy Branch of the United States Department of Agriculture and has some specialized knowledge that the committee might be able to utilize.

Mr. Pace. We are delighted you brought Mr. Reed along.

You may proceed, Mr. Holman.

Mr. Holman. With the permission of the committee, I will ask to be included in the record but will not read the usual qualifying paragraphs, which I have read several times to this body.

At the outset, I would like to say that last night we finished a computation based upon dairy prices for the first quarter of 1949 which would indicate that there will be at least a minimum loss in dairy-farm income for this year over last year of approximately $612,000,000. That presents a problem to which we gave considerable study last week. The board of directors and representatives of members associations of our federation held a joint meeting on the 28th, following a rather lengthy session of the executive committee of the federation, and they gave careful consideration to the current position of the dairy industry under existing legislation and other proposals for general farm legislation as it affects dairy farmers.

Mr. HOEVEN. May I ask, before you get away from that, how you account for the $612,000,000 loss?

Mr. HOLMAN. Point 1: during the first quarter of 1949, the United States farm price on butterfat was 64.4 cents per pound compared with 84.3 cents a pound for the first quarter of 1948. During 1948, dairy farmers sold 742,000,000 pounds of butterfat to plants and dealers. On the basis of the 1948 butterfat sales and prices received, in the first quarter of 1949 the income from the sales of butterfat this year will decline $147,000,000.

Point 2: during the first quarter of 1949, the farm price of milk sold wholesale declined 67 cents per hundredweight over the first quarter of 1948 average price of milk sold wholesale. During 1948, the farmers sold 695,000,000 hundredweight of milk to plants and dealers. On the basis of the 1948 sales of milk from farms and prices received, in the first quarter of 1949 producers' gross cash returns from the sale of milk this year will decline $465,000,000.

These computations were made by our economics department headed by Mr. Reed, and I believe they are reasonably accurate.

Mr. ANDRESEN. Are you referring there just to fluid milk?

Mr. HOLMAN. Both—to sales of butterfat from the farms and the sales of whole milk from the farms.

Mr. ANDRESEN. And they show losses of approximately half a billion dollars by making a comparison between 1948 and 1949?

Mr. HOLMAN. About $612,000,000.

Mr. PACE. You may proceed, Mr. Holman.

Mr. HOLMAN. My name is Charles W. Holman. I am secretary of the National Cooperative Milk Producers Federation with headquarters at 1731 Eye Street NW., in this city. I would like to file at this point a list of our national directors, all of whom are farmers or their employees, and a list of our present member associations.

The National Cooperative Milk Producers Federation has 86 member associations and some of these organizations are federations. All of these cooperatives are farmer owned and farmer controlled. The farmer members of these associations comprise approximately 425,000 farm families residing in 47 States.

Last year these organizations which the farmers own marketed a little over 19 percent of all the milk and separated cream that left the farms in the United States. I am here to testify with respect to the general farm program and the position of the federation as expressed by its board of directors on April 28, 1949. The board of directors and representatives of member associations of the National Cooperative Milk Producers Federation at a joint meeting in Washington, D. C., April 28, 1949, carefully considered the current position of the dairy industry under existing legislation, and other proposals for general farm legislation as it affects dairy farmers. The resolution is as follows:

In considering the problems confronting the dairy farmers at the beginning of this flush season, your executive committee has given serious consideration to the various methods by which relief can be afforded dairy farmers under the free enterprise system which has prevailed in America since the beginning of this Republic.

We have given special consideration to the new farm program proposed by Secretary of Agriculture Charles F. Brannan. In our judgment, the Secretary's proposals embody more rigid controls of farmers than has ever been experienced. The methods of attaining a fair price for farmers producing milk, meat, and poultry products contemplate the driving down of prices by Government publicity to the lowest possible levels and compensating producers by direct payment from the Government to make up for the prices so driven down.

In brief, the Secretary proposes a direct subsidy to producers, and pressure to reduce dairy prices as a means of lowering costs to consumers. His plan follows closely the wartime subsidy program with attendant costs to taxpayers so great that he has not been able to estimate them before the committees of Congress.

We now have the Hope-Aiken Act (the Agricultural Act of 1948) which takes effect January 1, 1950. The provisions of this act have not been tried in actual operations. We are of the opinion that this act has many beneficial provisions, and it has been rather universally supported by national farm organizations. A few clarifying and beneficial amendments to the Hope-Aiken Act will be all that is necessary as far as dairymen are concerned, and are all we should request at this time.

We recommend the retention by the Congress of the main features of the Hope-Aiken Act, with the inclusion in this act of the following proposals of great and significant concern to dairy farmers.

(*a*) for the year 1949, inclusion of wages of hired farm labor in the index of prices paid by farmers for commodities bought.

(*b*) The inclusion in the act, for the period after January 1950, of special treatment of milk and its products, by modification of the parity computation to include subsidies in effect during the war roll-back period, and inclusion of hired farm labor in the index of prices paid by farmers for commodities bought.

(*c*) Flexible support prices for milk and its products based upon full parity with a minimum of 75 percent of parity following the principle of the Hope-Aiken Act.

(*d*) The Hope-Aiken Act should be amended so as to have a specific parity formula for milk and its products which is not subject to administrative interpretation.

(*e*) As an aid to disposition of surpluses we reiterate our support of the Aiken food-allotment plan for the underprivileged. That has been reintroduced by Senator Aiken this year, but it has not gone through any committee hearings. Through this method, only those consumers who cannot afford to pay fair prices would be subsidized, and it would eliminate from subsidy benefits such groups as can well afford to buy their own food at parity prices to producers.

For many years the dairy farmers of this country have striven for legislation which would help bolster their income in times of declining prices yet which would grant them a great degree of freedom in their individual operations. At the present time there have been in operation for a number of years two programs designed to maintain a better balance between the prices received by farmers for dairy products and the prices which dairy farmers have to pay for commodities used in farm production and farm living.

One program has been the utilization of market-stabilizing techniques designed to prevent sharp and drastic reductions in dairy prices below fair price levels. Under this program, before the war particularly, the price-stabilization operations involved the removal from the normal channels of trade and commerce of butter, cheese, evaporated milk, and dry skim milk. Since the war dairy prices reached fairly high levels relative to parity; and for 2 years not even price-stabilization operations were needed to assure farmers fair prices. During 1949, however, prices to producers have declined to where they are rapidly approaching support levels. As a matter of fact in several instances they are already at that level, involving the Government in purchases of butter and dry skim milk.

The other program has been the establishment of stable marketing conditions in fluid-milk markets through the issuance of orders and marketing agreements under the Agricultural Marketing Agreement Act of 1937. This act permits the Secretary of Agriculture to issue orders and marketing agreements in fluid-milk markets which fix the minimum milk prices received by producers and establish the methods of pooling sales. In some 30 milk markets of the United States—and I might say there are several hundred secondary markets which are tributary to these 30 milksheds of the United States—including the principal cities of this country with the exception of the west coast cities, these orders have been found to work fairly satisfactorily. While these orders do regulate prices producers receive for milk in city markets, they do not regulate the production of milk on the individual farm. Therefore, they do not involve the individual farmer in regimentation. Our people have continuously believed and argued that the Agricultural Marketing Agreement Act offers the basis for the most perfect voluntary cooperation in economic matters between the Government and its citizens. Under the provisions of this act the farmers vote in secret ballot to determine whether they will accept the terms and conditions of an order. They can approve an order, amend an order, or vote it out at anytime. They have, in various sections, done each of these things.

In our consideration of the general arm legislation now existing, and that which may be proposed, we have been acutely aware of a number of features in the current legislation which, while helpful to producers, do not adequately protect dairy farmers.

One of these is the current method of computing parity and support levels thereunder as set forth in title I in the Agricultural Act of 1948. Another is the method of computing parity and support levels thereunder which will take effect under title II of the Agricultural Act of 1948 on January 1, 1950.

As to the index of prices paid by farmers currently in use, in computing parity, we believe this index is not adequate. While the index includes prices paid by farmers for commodities bought, including taxes and interest, it does not include an allowance for farm wage rates. The costs of hired farm labor are a direct cash outlay and are significant. Milk production is not subject to such a high degree of mechanization as the major field crops. Over the years all agricultural production has become mechanized to a greater or lesser degree depending upon the commodity, and we expect the extension of mechanization of production to continue. Dairying itself since the 1909–14 base period has witnessed the introduction on a widespread basis of the mechanical milker and minor labor-saving devices such as cooling and cleaning equipment, better barn design, and overhead manure disposal units. These, however, do not reduce the labor expended in milk production proportionately as much as huge combines, multibottom gang plows, corn pickers, and so forth, have reduced the labor expended in producing major field crops.

Dairying thus tends to remain far more of a handicraft industry than the production of major field crops. For this reason, unless account is taken of farm wage rates in computing fair price support levels for dairy commodities, dairy farming will find itself at a steadily increasing disadvantage with other major agricultural activities, particularly the production of field crops.

For the reasons set forth above, we recommend that for the remainder of the year 1949 the Congress provide that parity be computed in such fashion as to include an allowance for farm wage rates. The inclusion of farm wage rates in the parity index raises the index about 14 points and increases the parity price of milk sold wholesale 22 cents per hundredweight.

The Department of Agriculture in computing the support level for milk used in manufacturing has chosen a method which gives a considerably lower support level than those indicated above. The Department takes 90 percent of the parity price for milk sold wholesale and then adjusts this to a manufacturing milk support price level by taking the 90 percent of parity price figure and multiplying it by 88.5 percent. This is because the Department feels that manufacturing milk prices bear a normal relationship to the price of all milk sold wholesale at about 88.5 percent. I merely want to state that we do not feel this is an appropriate method of computing the support level for the price of milk used in manufacturing outlets.

During the 1909–14 base period, there was very little differential, pricewise, between milk used in fluid-milk markets and milk used in manufactured dairy products. There have been great improvements in marketing methods in fluid-milk markets since that period. In addition, fluid-milk markets have tended to become somewhat segregated from manufacturing milk markets by the imposition of stringent sanitation regulations in most of our cities. These sanitation regulations necessarily increase the cost of milk for fluid purposes as compared to the cost of producing milk for manufacturing dairy products. We feel, therefore, that the price of all milk sold wholesale in the 1909–14 base period is more representative of the price of milk for manufacturing purposes during that period than it is today. If parity were computed for manufacturing milk prices on the basis of parity for all milk sold wholesale in the base period, the price of manufacturing milk today would be supported at 3.53 per hundredweight. Under the Department's interpretation and methods of computing manufacturing milk price support levels the support level now is 3.12 per hundredweight. Different methods of computing parity give the results shown in table 1.

However, the Department has already set in motion its price-support program for this year under the methods which we described above. We believe it would be entirely proper, at this time, to provide that the Department of Agriculture make allowance for farm wage rates in computing manufacturing milk price support levels. This would raise the support level 18 cents per hundredweight which, when spread over the milk production of this country for a year's time, would mean an increase of about $100,000,000 in the value of milk and butterfat sold from farms.

For the period starting January 1, 1950, when title II of the Agricultural Act of 1948 becomes effective, we propose modifications in the methods of computing parity and the factors to be used in the several series involved.

First we propose that the index of prices paid by farmers for commodities bought be adjusted to include farm wage rates. This would increase the parity price for milk sold wholesale from farms about 24 cents per hundredweight. As compared to current methods of computing parity the price would be increased 38 cents per hundredweight. We have already stated our reasons for the inclusion of farm wage rates. Some members of the committee might wonder why it would only raise the price 18 cents in 1948 and raise it 24 cents the next year. That is largely due to the inclusion of the moving average method of computing prices.

In addition, it is our judgment that allowance should be made for the wartime subsidy payments to producers. These payments were made solely for the purpose of increasing milk production to meet wartime needs while at the same time prices to consumers were held down. Therefore, these payments were given in lieu of advances in prices and should be considered as part of the price during the period they were in effect, 1943–46.

Amendment of the parity provisions of title II of the Agricultural Act of 1948 in line with these two suggestions would increase the parity price for milk sold wholesale to $4.51 per hundredweight. Ninety percent of this figure is $4.06 per hundredweight—the support level. Applying the Department's formula of 88.5 percent of this latter figure gives $3.59 per hundredweight. This indicates an increase of 47 cents per hundredweight above methods currently used by the Department of Agriculture in computing manufacturing milk support levels. The different methods of computing parity and the inclusion or exclusion of wage rates and producer payments result in manufacturing milk price support levels as set forth in table 2. These comparisons are computed on the basis of the Department's 88.5 percent rule for manufacturing milk.

Increases in farm income under the methods described for computing parity and support price levels would be as follows:

1. By amendment of title I of the Agricultural Act of 1948 to include farm wage rates, an increase of over $100,000,000 per year for manufacturing milk would be secured. Fluid-milk sales values would increase this total by another $81,000,000.
2. Amendment of title II of the Agricultural Act of 1948 to include producer payments and farm wage rates would increase dairy farm income from manufacturing milk by $260,000,000 yearly. Increases for fluid milk would raise this total by another $211,000,000.

It is our judgment that modification of title I as recommended, and title II of the Agricultural Act of 1948 as recommended, will result in placing dairy products in their proper relationship to other major farm commodities. At the present time we believe dairy products should be supported at 100 percent of parity, figured according to our computations.

The leaders of the member organizations of our federation fully realize that there must be some flexibility in support prices. For example, it is possible under a support-price program to maintain prices at such a level under existing demand conditions that a large volume of surplus dairy products finds its way into the hands of the Department of Agriculture. Unless there were adequate outlets for these products either by direct distribution to the under privileged or through the preferable food allotment plan for the underprivileged, it probably would be necessary to reduce support levels in relation to parity to care for the situation. We believe in the principle of flexible support prices depending upon the supply and demand conditions existing, but we further believe that in no instances should the support level be permitted to drop below 75 percent of parity. I might interpolate at this point that at no time have the supports for dairy products ever been used by the Secretary at less than 75 percent of parity. This follows the principle of the Hope-Aiken Act but does not follow the formula all the way. We have not been able to determine any accurate, dependable formula as yet; consequently, we have suggested here that for the present it will have to be a matter of judgment by the Secretary of a yearly announcement of support prices upon which dairy farmers could depend. Further, we believe that dairy product support levels should be announced, as I have said, at the beginning of the marketing year and be in effect for a full year thereafter.

We think that the methods of applying parity in determining support levels of manufactured milk should be set forth specifically in the act. As it is now, support levels can be computed in a number of different ways, and these are not spelled out in the act but are left to administrative determination. The dairy farmer is thus in the position of not knowing what to expect from year to year with reference to support prices.

We now have on the statutes the Agricultural Act of 1948. The act needs amendment as indicated above. Milk and its products should have a more positive position under the act and its benefits than it has now.

With such inclusion, the Hope-Aiken Act should be given a fair trial before it is abandoned in whole or in major part for some different type of program. During the period since 1933 we have run the gauntlet from legislation designed to control the output of dairy products, to proposals to vastly increase the output and consumption of dairy products through a system of dairy subsidies. While appreciative of the degree of support tendered heretofore by the Government dairy farmers generally wish to avoid the complete control of production and marketing of dairy products by the Government.

The leaders of our federation believe it is desirable to expand the production and consumption of dairy products under a system of free enterprise. That means as fast as the consumers can take it. Consumers of this country are not now purchasing, at fair prices to producers, the present production of about 117,000,000,000 pounds of milk per year.

Mr. MURRAY. Does that "not" belong in there?

Mr. HOLMAN. Consumers are not now purchasing, at fair prices to producers, the present production of about 117,000,000,000 pounds of milk per year.

Mr. MURRAY. But the Government is not buying milk?

Mr. HOLMAN. The Government is buying butter, and the Government is buying dried milk.

Mr. MURRAY. I see.

Mr. HOLMAN. We, therefore, think it highly inappropriate to launch upon a program designed to further increase the production of milk in view of the consumption possibilities and habits of this country. We do not desire to see consumers become habituated to a price level for milk and its products which is too low in relation to what would prevail if no subsidy program were attempted. We do not desire to be placed in a position of pleading for subsidies continually as would be the case if a larger volume of milk were produced by the subsidy plant.

We desire to use the helping hand of Government as little as possible. We think it appropriate at this time to support existing legislation with proper amendment, and to give it a fair test.

I call the attention of the committee to two tables which I would ask to be filed as part of my statement, in which these calculations on the different methods are very simply produced.

Mr. PACE. Without objection, the tables will go in at this point in the record.

Mr. HOLMAN. That concludes my direct statement.

(The tables above referred to are as follows:)

TABLE 1.—*A comparison of parity prices for milk sold wholesale from farms, secured by several methods of computing parity*

PARITY PRICE, FEBRUARY 1949

Method of computing parity:	Per hundredweight
(a) Parity as computed under existing law	$3.92
(b) Parity as computed under existing law, plus farm wage rates	4.14
(c) Modernized parity computed pursuant to title II of the Agricultural Act of 1948	4.06
(d) Modernized parity, plus farm wage rates	4.30
(e) Modernized parity, including producer payments from 1943–46 but excluding farm wage rates	4.26
(f) Modernized parity, including producer payments from 1943–46, and farm wage rates	4.51

Source: Computed from data published by the BAE, USDA.

TABLE 2.—*Summary of manufacturing milk price-support levels under different methods of computing parity, February 1949*

Method of computation:	
1. Computed pursuant to title I of the act of 1948, no allowance for farm wages	$3.12
2. Computed pursuant to title I of the act of 1948, with allowance for farm wages	3.30
3. Computed pursuant to title II of the act of 1948, no allowance for farm wages or producer payments	3.23
4. Computed pursuant to title II of the act of 1948, with no allowance for farm wages and allowance for producer payments	3.29
5. Computed pursuant to title II of the act of 1948, with allowance for farm wages and no allowance for producer payments	3.42
6. Computed pursuant to title II of the act of 1948, with allowance for farm wages and producer payments	3.59

Mr. PACE. We will hear next Mr. W. A. Gordon, secretary of the National Creameries Association.

STATEMENT OF W. A. GORDON, ON BEHALF OF THE NATIONAL CREAMERIES ASSOCIATION, ST. PAUL, MINN.

Mr. GORDON. My name is W. A. Gordon. I am editor of Dairy Record, St. Paul, Minn., but I am appearing here today on behalf of the National Creameries Association, an organization whose membership consists of nearly 900 creameries, 85 percent of them farmer-owned cooperatives, representing some 300,000 dairy farmers.

Mr. GRANGER. What is a creamery?

Mr. GORDON. A creamery, in most language, is a butter factory.

Mr. Holman has presented in considerable detail the need of a parity program for milk, but I would like to elaborate upon that phase of a milk program which is of particular concern to the producers of milk used in making butter, cheese, and other manufactured milk products.

It should be emphasized at the start that no single milk parity program will suffice to safeguard the interests of the producer whose milk is used for manufacturing purposes. A single parity program necessarily must deal in national averages and use of those averages has the effect of leaving manufacturing milk without adequate protection.

By way of example, I call attention to the February 15, 1949, data which were typical of a situation which has long existed.

On that date, the parity price of milk was given as $3.92 per hundredweight by the Bureau of Agricultural Economics. On the basis of 90 percent of parity as the support price, any producer whose milk was selling for less than $3.23 per hundredweight would be aided by the Government. Actually, the price of manufacturing milk on that date throughout most of the large manufacturing milk areas of the Midwest ranged from about $2.85 to $3.10 per hundredweight, but no support aids were forthcoming.

Why? Because on February 15 the average market price of milk was $4.33 per hundredweight according to the Bureau of Agricultural Economics.

Mr. Andresen. That was 3.9 percent butterfat milk?

Mr. Gordon. That was 3.9 percent butterfat milk; that is right, Mr. Andresen.

Thus, according to BAE's calculations, the market value of milk was 41 cents above parity and $1.10 above the support price, and parity became inoperative as far as the producer of manufacturing milk was concerned, because of the high national average.

The high market average in relation to the price of manufacturing milk was and is due to higher prices of bottled milk, of course. Invariably prices in the metropolitan milksheds are higher by a considerable margin than they are in the manufacturing areas, and those of us who speak for the producers of manufacturing milk have no quarrel with this situation as long as it does not react adversely upon the incomes of our producers. We know that the milkshed producer has costs which are usually higher than those of the manufacturing areas, such costs pertaining mostly to sanitation and inspection requirements, and to costs which are the natural concomitants of proximity to market. If the suggestion embodied in this substitute proposal for H. R. 2200 is adopted, it will, we think, adjust the situation satisfactorily, providing it is changed to provide application of the proposal to the period starting January 1, 1950.

We feel that it is essential that a parity milk price and a parity manufacturing milk price be made mandatory, because it is most important that the dairy industry be provided with safeguards which transcend the authority and opinion of any nonelective officer of the Government, however sincere may be his good will for that industry. In his proposed plan for a farm support program, for example, Secretary of Agriculture Brannan has edified the industry with his apparent appreciation of the nutritional and economic importance of milk and dairy products, and yet in his appearance before the House Committee on Agriculture on April 25 last he made these statements with reference to milk supports:

> Under the proposed program with regard to milk and its products, we would continue full use of present marketing agreements and orders, extend those programs

and when producers and handlers desire, and continue to use purchases of dairy products as a price-support method wherever this method would be most economical and otherwise consistent with the public interest.

We would not, however, make purchases for which we could not find acceptable outlets.

It seems to me that there is considerable divergence between the emphasis Mr. Brannan places upon dairy products in his original proposal and in his April 25 statement.

The dairy industry is one whose operations must be planned years in advance. It cannot proceed satisfactorily under any program which is fraught with uncertainty with respect to aims, interpretations, or tenure. It should be in the position of knowing for just what it can count upon the Government and under what circumstances and terms that aid will be forthcoming. It should be aid which is mandatory upon the Secretary of Agriculture to provide and not a matter within his discretion. The long-term plans under which the industry must operate, if it is to do its best job for the dairy farmer, makes security essential. And only an act of Congress can provide that security.

At the present time, manufacturing milk appears to have ample security until the end of this calendar year because of the Government's purchase support program for nonfat powder and butter and with indications that this purchase program will be applied to cheese if necessary. But the industry does not operate on a calendar-year basis, nor does it base its plans from month to month. It needs badly a long-term assurance that its prices will not descend below a certain minimum level. H. R. 2200, if continued into the future, or the Agricultural Act of 1948, with certain changes to provide without question the aids we need, will accomplish the desired ends.

Mr. PACE. Thank you very much, Mr. Gordon.

We will be delighted now to hear Mr. William O. Perdue, general manager, Pure Milk Products Cooperative.

Mr. MURRAY. Mr. Chairman, may I say Mr. Perdue's cooperative is part of the National Cooperative Milk Association; so that he does not care to appear.

Mr. PACE. We will be delighted, then, to hear from Mr. J. O. Lund, president, Minnesota Creameries Association.

Mr. ANDRESEN. With your permission, Mr. Chairman, I would like also to introduce Mr. Lund. He happens to be a farmer in my home county. He is also manager of the local creamery, and the creameries of Minnesota showed good judgment by electing him their president. So he speaks from the grass roots and knows what he is talking about.

Mr. PACE. Mr. Lund, of course, that makes your appearance all the more interesting. May I say, also, that you and your people have shown good judgement in being represented in Congress so ably by Mr. Andresen.

Mr. LUND. Thank you.

STATEMENT OF J. O. LUND, PRESIDENT, MINNESOTA CREAMERIES ASSOCIATION

Mr. LUND. My name is J. O. Lund. My home is at Zumbrota, Minn. I own and operate a hundred-acre farm where 20 cows are milked. I am manager of the Farmers Cooperative Butter and Cheese

Association of Zumbrota. I am also president of the Minnesota Creameries Association, representing a membership of 356 creameries and dairy plants, serving approximately 75,000 dairy farmers in our State.

The creamery which I and 322 other farmers own cooperatively processes 1,000,000 pounds of butterfat annually into butter and cheese. It operates most effectively when it is operating somewhat near its rated capacity—a situation in which it in no wise differs from thousands of other moderate and small sized dairy plants and, for that matter, from 3½ million commercial dairy farmers.

We are sincerely concerned lest low prices place us in an unfavorable competitive position which will cause many of our farmers to sell their cows to the butcher—and may I add that some are already going—and go into other lines of farming. This is just what happens when farmers get discouraged.

The dairy farmer is very much dissatisfied with the announced program of price support of milk and its products. Under the procedure of the United States Department of Agriculture, no distinction is made between bottled milk and milk used for manufacturing purposes, with the result that the producer of milk for manufacturing purposes finds that there is no adequate support program for him, even though the price he receives is below parity.

A decline of one-third in price of the goods which the farmer sells while there is little decline in the cost of what he has to pay for equipment and labor leaves him wondering what is going to happen and confuses him in his planning for the future.

We do not believe that the answer is to lower the prices of the market milk producer, for he has problems of his own, but, rather, to correlate prices and those of the producer of manufacturing milk.

If we of the manufacturing milk areas do not receive aid of this kind, it is going to affect the prices of all dairy products, including table milk, for there must be a backlog to offset the uneven flow of milk production, and to provide this, the manufacturing milk producer must be assured of a reasonable return for the expenditure of his time, effort, and money. The same applies to the farmer producer, who separates his milk on the farm and delivers his cream to the dairy plant.

Mr. ANDRESEN. May I add to that that the creamery Mr. Lund manages is engaged exclusively in the manufacture of dairy products. They do not sell any fluid milk. That creamery is typical of hundreds of other creameries in the country that are not able to sell their fluid milk, although they can produce grade A milk. The markets in the milk-shed areas have been taken away from them, and they really have a trade barrier so that they cannot get into those markets. They must therefore rely solely upon manufactured products.

That is correct, is it not, Mr. Lund.

Mr. LUND. That is correct; yes, sir.

Mr. PACE. Thank you, Mr. Lund.

The next witness is Mr. Leonard E. Kopitzke, president of the Wisconsin Cheese Makers' Association, Marion, Wis.

I will let our colleague, Mr. Murray, introduce Mr. Kopitzke.

Mr. MURRAY. And it won't be necessary to say the nice things about me in connection with this that you said about Mr. Andresen, because Mr. Kopitzke has appeared here before, many times, as representing the cheese manufacturing industry of Wisconsin. Mr. Kopitzke has been tied up with the cheese industry all of his life; he has been president of the Wisconsin Cheese Makers' Association for many years. It is not necessary, I imagine, for me to mention the fact that Wisconsin not only produces one-eighth of the milk in the whole United States but also produces about half of the cheese and 30 percent of the evaporated milk, and Mr. Kopitzke lives in a State and territory where the whole economy is pretty much based on the dairy industry.

According to the Agricultural Crop Reporter of Wisconsin, which is a member of the staff of the United States Department of Agriculture, the buying power of the farmers of the State of Wisconsin has been very drastically reduced until today they are down to what their buying power was in 1941, and that is not very far from the economy of 1939 when the economy was such that on a typical southern Wisconsin farm, which is probably among the better farms of the State, the labor return was 14 cents an hour.

That is the reason I am sure Mr. Kopitzke appreciates the opportunity, Mr. Chairman, of being here today and telling us some of their problems.

Mr. PACE. Mr. Kopitzke, we are delighted to have you. I must add, notwithstanding his protest, that we are also delighted to have an opportunity to work here from day to day with Mr. Murray. No man ever came to Congress who gave more earnest and faithful consideration to the problems of agriculture than he does.

Mr. KOPITZKE. I can assure you we appreciate this privilege and appreciate the work you men are doing.

STATEMENT OF LEONARD E. KOPITZKE, PRESIDENT, WISCONSIN CHEESEMAKERS' ASSOCIATION

Mr. KOPITZKE. My name is Leonard E. Kopitzke. My post office address is Marion, Wis. I am president of the Wisconsin Cheesemakers' Association, which has a membership of nearly 1,000 with over 80,000 farmers involved.

I wish first to give my opinion of the present price situation as it applies to cheese. In 1948 cheese brought up to 47 cents per pound at the National Cheese Market at Plymouth, Wis. Since election day in November 1948, the price of cheese has been dropping and dropping until it is now only 29 cents per pound. In round numbers it takes 10 pounds of milk to make 1 pound of cheese, so milk used for cheese has now dropped to yield the farmer only $2.60 to $2.80 per hundredweight.

During the base period of 1909 to 1914 the Plymouth Board price of cheese averaged 14.5 cents per pound. The parity index for last month was 245, and this multiplied by 14.5 cents makes 35.525 cents which is the parity price of cheese. Ninety percent of parity, or the law today, would be 32 cents per pound. The Plymouth Board price should then be 32 cents per pound instead of 29 cents per pound.

The Agricultural Department has been making excuses for not following the law. They claim they are confused and do not know what milk used for manufactured purposes brought during the base period 1909 to 1914. This does not make sense. If cheese brought 14.5 cents per pound at Plymouth during the base period, and with the parity index of 245, the parity price for today can easily be figured as well as the price to the producer, and the price reflected back to the farmer, if they really wished to follow the law. It is easy to translate this cheese price to milk on the farms.

Farmers selling milk for cheese are being underpaid at least 30 cents per hundred. This also goes for other manufactured dairy products. So I say, let first things be first, and follow the provisions of the law now in effect until January 1, 1950. The sooner the Agricultural Department announces a support price for milk for cheese in accordance with the present law, the sooner we would be interested in future promises. There is no sense in listening to promises of higher prices when we cannot get the performance needed to carry out the provisions of the present law.

After the provisions of the present law are complied with and put into effect until January 1, 1950, I feel that the National Grange has offered the most constructive long-range program and their proposals should receive support.

The Brannan program as it applies to manufactured milk is just as unfair as the formula being used by the Agricultural Department at the present time. In fact, I would say this is unfair and is absurd. It shows a lack of knowledge and information regarding the dairy business. This is nothing new. For example, the proposed \$4.22 per hundred average price for milk sounds fine, but will it stand analysis. If \$4.22 per hundred is to be the national support price, and 67 cents per pound is to be the support for butterfat, just where do you think the milk used for manufacturing purposes will find itself? This is the position we are in today, except it will be worse. \$4.22 for 100 pounds of 3.5 percent milk means \$1.20 per pound for butter fat.

Over 50 percent of the milk produced in the United States is used for manufactured dairy products, but I will use just 50 percent in order to give the Brannan plan the benefit. If the average is to be \$1.20 per pound for butterfat and one-half is to bring 67 cents, the milk for bottles then would have a support of \$1.73 per pound for butterfat. Does this proposal have merit? No, it is just more of the same medicine.

I can make good cheese only out of good clean milk. The spread in price between milk for bottling purposes and for manufacturing purposes should be comparatively small. In the past the difference has been way out of line. Clean milk can be produced as cheaply as dirty milk, and all bottled milk is not always carefully produced. Cheese is now being made from grade "A" milk in my State, and millions of pounds of grade "B" milk are being marketed in bottles at much higher prices.

In conclusion, let me say first, that we want the present law followed, and second, that we want fair consideration given in the long-range support program. We do not want a Brannan program that gives one group of milk producers a support price that is over twice as much as that provided for other milk, which is just as clean and desirable as the milk supported at the higher price. We have seen the price of hogs cut in half to the farmer without any reflection in prices of pork in the meat markets, so almost anyone should be able to see that millions of dollars will be wasted when all food prices are politically tampered with. It is evident that price controls are needed to enforce the Brannan plan and we have seen enough of the OPA without asking for it back.

Mr. PACE. Thank you very much, Mr. Kopitzke.

At this point in the record, I would like to file with the clerk, for inserting in the record at this point, a statement submitted to the committee by Senator Robert C. Hendrickson of New Jersey, it being a statement by the United Milk Producers of New Jersey.

(The statement above referred to is as follows:)

BRIEF FILED WITH THE COMMITTEE ON AGRICULTURE OF THE HOUSE OF REPRESENTATIVES, WASHINGTON, D. C., ON MAY 3, 1949 BY UNITED MILK PRODUCERS OF NEW JERSEY, TRENTON, N. J., ON PROPOSED FARM-PRICE-SUPPORT PROGRAM

[A brief on the farm-price-support program as outlined by United States Secretary of Agriculture Charles F. Brannan and printed in the Congessional Record of April 7, 1949]

The United Milk Producers of New Jersey, comprising a membership of some 2,500 of the milk producers of New Jersey, desire to present herewith their views to your committee on the farm program as outlined by United States Secretary of Agriculture Charles F. Brannan at a joint hearing of your committee and the Senate Committee on Agriculture and Forestry on April 7, 1949.

This proposal would apparently repeal the principles and concept of the Agricultural Act of 1948, doing away with parity prices which have received general farm support during the past 15 or more years.

Discarding of fair market prices and substituting "farm production payments" ("consumer subsidies" to us) would be to return to the practice carried on during the war years and which policy the farmers resisted but tolerated because we are patriotic citizens. It deceived the consumer into believing that the price of milk was lower than it really was and we paid for a big share of it in our own tax bills.

The theory of production control, which implies the threat of eventual complete regimentation of all farming operations, is one thing that our members are most critical of, and strongly oppose. The proposed legislation would give blanket power and authority to the Government to enforce such a policy and none of us would be safe knowing that it existed, ready to be invoked when "the time may come" as the Secretary puts it.

The board of trustees of the United Milk Producers of New Jersey are on record opposing the proposal.

Mr. MURRAY. Mr. Chairman, I ask unanimous consent at this point to include in the record a letter that the chairman received on February 23 which will probably answer some questions that have been brought up by witnesses.

Mr. PACE. Without objection, the letter will be filed with the clerk for insertion at this point in the record.

(The letter above referred to is as follows:)

DEPARTMENT OF AGRICULTURE,
Washington, February 23, 1949.

Hon. HAROLD D. COOLEY,
Chairman, Committee on Agriculture,
House of Representatives.

DEAR MR. COOLEY: On February 10, 1949, the Committee on Agriculture held a hearing on H. R. 2200, a bill to direct the Secretary of Agriculture to announce the parity price of milk, and to direct the Secretary of Agriculture to immediately announce the support price of milk. A request was made near the close of the hearing that, by February 22, 1949, the Department advise the committee concerning the current dairy situation, the effect of actions recently taken by the Department with respect to dairy prices, and the need, if any, for future action.

It was indicated at the hearing that prices of milk used for manufactured dairy products had declined during recent weeks. The question was raised as to whether the prices of milk for manufacturing uses are not unusually low in relation to the average price of all milk. This possibility had been recognized by the Department and the following actions had been taken.

1. On February 8, the Department announced a program to support the price of butterfat at a national average of 90 percent of parity during 1949, as required by the Agricultural Act of 1948.

2. On February 9, the Department announced the contemplated purchase of nonfat dry milk solids for export uses.

Since these actions were announced butter prices have been above the support level. The first offers under the nonfat dry milk procurement program will be received during the week beginning February 21. Furthermore, farmers generally are paid for milk every 2 weeks and such price data are compiled by the Department monthly. Therefore, it is too early to measure the effect of the programs on prices paid farmers for milk.

Procurement of nonfat dry milk solids has been resumed because agencies administering foreign relief and occupied area programs have indicated that they will want substantial quantities of this product during 1949. The influence of such purchases on market prices of that product and the announcement of the butterfat support program should stabilize prices to producers for manufacturing milk.

Since the hearing on February 10 the Department has given further consideration to the matter of appropriate differential between the average prices of manufacturing milk and all milk. Preliminary calculations based on available price data indicate that during the 2½-year period since the end of price controls—July 1946 to December 1948—the United States average price of milk used in manufacturing the principal dairy products was 88.5 percent of the United States average price of all milk sold at wholesale by farmers to manufacturing plants and fluid milk dealers. On the basis of the mid-January parity index, 90 percent of the United States average parity price of milk at wholesale, including milk for both manufacturing and fluid milk uses, is \$3.57 per 100 pounds. The Bureau of Agricultural Economics and the Production and Marketing Administration have recommended that, on the basis of the recent relationship, \$3.16 per 100 pounds (88.5 percent of \$3.57) may be considered as 90 percent of the parity equivalent price of milk used in manufacturing the principal dairy products—American cheese, evaporated milk, and butter and nonfat dry milk solids.

It should be noted that this figure represents a United States average price of manufacturing milk of average butterfat test (approximately 3.95 percent). It is necessary to recognize that there normally are differences in milk prices associated with different manufacturing uses, localities, qualities, butterfat tests, seasonal production, and other factors. Further, it should be clearly understood that this normal differential or parity equivalent is not itself a parity price but rather an administrative determination of an operating differential which is subject to revision as additional data become available or as experience indicates that the same purposes might better be achieved by calculating and applying a revised differential.

Support of market prices of dairy products, on which prices to producers are based, appears to be the available practical method of supporting producers prices in 1949. In carrying out such actions, however, it may be only feasible to support the general level of manufacturing milk prices. Consideration must be given to the practicability of handling and disposing of different products and to the importance of possible adjustments from time to time in the relative prices of milk in differentuses to encourage needed changes in such uses according to market supplies and demands for the products.

It is estimated that strengthened prices of nonfat dry milk solids and current prices of cheese, evaporated milk, butter and other dairy products will reflect an average level of manufacturing milk prices at least equivalent to the level which has been administratively determined to reflect the proper relationship of manufacturing milk to 90 percent of parity for all wholesale milk. If additional information should indicate that this is not the case, the Department will be prepared to take further action to support manufacturing milk prices.

Sincerely yours,

CHARLES F. BRANNAN, *Secretary.*

Mr. PACE. Now, Mr. Holman, if you, Mr. Reed, Mr. Gordon, Mr. Perdue (if he desires), Mr. Lund, and Mr. Kopitzke will all assemble at the table together, I will put you all on the witness stand at one time.

Are there any questions by the committee?

Mr. GRANGER. How many grades of milk do we have?

Mr. HOLMAN. You have many grades of milk and many classes of milk. The class, of course, is a use basis: the grade is a quality basis, and the so-called grade A milk has no single set of requirements. In one part of the country, grade A has one set of requirements and a very different set of requirements in another part of the country.

Mr. GRANGER. Tell me what makes grade A.

Mr. HOLMAN. Cleanliness and the lack of excessive bacteria and the various evidences of care in handling it which show in the milk through examination.

Mr. GRANGER. What is grade B?

Mr. HOLMAN. Grade B has not quite as stringent requirements. It is allowed, in most cases, a much higher bacteria count. It often happens that grade B in some markets is as good as grade A.

Mr. GRANGER. Grade A milk is the milk that is used as fluid milk for consumption, that we buy in bottles or cartons?

Mr. HOLMAN. That is correct.

Mr. GRANGER. And the grade B milk usually goes into the manufacturing purposes?

Mr. HOLMAN. In many cases, grade B milk will go on the market in bottles, too. For many years, in the city of New York, grade A milk was on the market and grade B, but probably 95 percent of the total milk consumption of that great market was grade B milk and, for all practical purposes, it was essentially as good. By and large, your answer is correct, that the grade B moves more toward manufacturing.

Mr. GRANGER. Now, what I want to get straight in my mind is this: a dairy farmer who produces grade A milk has to live up to certain standards and has to have a certain kind of equipment to handle his milk, because it is sold raw. Is that right?

Mr. HOLMAN. That is correct.

Mr. GRANGER. And the people who are not in that class might or might not have the same kind of set-up?

Mr. HOLMAN. That is correct.

Mr. GRANGER. What I am trying to say is that the fellow who sells Grade A milk also might sell milk to the manufacturers of the same identical kind and quality as grade A milk. Is that right?

Mr. HOLMAN. That is correct. But it is required to be kept separate.

Mr. GRANGER. Why is it required to be kept separate?

Mr. HOLMAN. It is required to be kept separate on the same farm.

Mr. GRANGER. On the same farm?

Mr. HOLMAN. Yes. If you commingle the milk, in most cases, then you have something that probably is neither grade B nor grade A.

Mr. GRANGER. But there is not any difference in the quality of the milk where it is sold raw, and the one thing you have to have is that it is clean. And where it is manufactured, it is usually processed; but, so far as cleanliness is concerned, when it is processed, it is just as clean as the other; is it not?

Mr. HOLMAN. Well, at the plants—I think probably Mr. Lund would verify this, or any plant man would—even in the plants they have separate places for handling different grades of milk. For example, we have a grade A plant and a grade B plant, maybe, under the same ownership, and the milk on inspection and the milk that comes from the farms that have been particularly qualified for grade A purposes will go to one plant, and the grade B milk or the ungraded milk will go to another plant, as a general rule, throughout this country.

Mr. GRANGER. But I understand in processing and producing grade A milk—in fact, all the milk that is produced is of a much higher grade now than it used to be.

Mr. HOLMAN. Oh, yes.

Mr. GRANGER. The whole industry is raised so far as producing sanitary milk is concerned, whether it goes into manufacturing or what-not?

Mr. HOLMAN. That is very true.

Mr. HOPE. Mr. Holman, do I understand the position of your organization to be you are opposed to price support by payments under any conditions?

Mr. HOLMAN. Yes.

Mr. HOPE. There are no circumstances under which you think the program of payments, as suggested by Secretary Brannan or as authorized by title II of the act of 1948, should be used?

Mr. HOLMAN. We went through some pretty sad experiences with the payment plan during the war wherein, for example, under the roll-back on butter which later had to be rolled up a little, we got to where the subsidy to the farmer on butter—which really was a consumer subsidy—approximated 25 cents a pound; say around 23 cents a pound. So that you had a condition there at the end of the war, as I recall—and Mr. Reed can correct me—where butter was wholesaling for pretty close to 51 cents a pound.

Then we went through decontrol. The consuming public had been led to think butter was always going to be cheap, and, when the decontrol order went into effect, there had to be a very painful reconstruction of the whole dairy economy. Practically every dairy farmer in the country was getting some kind of subsidy for some kind of purpose, and we had an abnormal and unhealthy economic condition which naturally rebounded to a somewhat unhealthy condition, too. We think butter got up a little too high. You cannot always control those things. But as the production of butter began to increase again, butter prices began to sink down to considerably lower levels.

I cannot imagine a single use for which milk fat is put that would result in a satisfactory condition for dairy farmers by the use of the subsidy method. Of course, we make a distinction between the purchase for stabilization purposes and personal subsidies.

Mr. HOPE. I am making that same distinction. You believe, though, do you, that you can carry out a satisfactory price-control program through the stabilization of programs in the case of the products, and through milk-marketing agreements in the fluid milk areas?

Mr. HOLMAN. I think the most of our people are agreed that that is correct.

Mr. HOPE. And you are basing that on the experience you have had up to date in those operations?

Mr. HOLMAN. Yes.

Mr. HOPE. Are there any marketing agreements that operate outside of the fluid milk field?

Mr. HOLMAN. Not so far as prices are concerned, Mr. Hope. There are marketing agreements operating under the Agricultural Marketing Act, such as the citrus agreement, the agreements of that type, but they are for the purpose largely of the orderly handling of the product by way of putting it on the market.

Mr. HOPE. I mean in the case of milk. For instance, in the case of an operation like the creamery described by Mr. Lund, would it be possible in an area of that kind for three or four creameries, perhaps, to get together and in some marketing agreement program and work out their problem and support prices in that way?

Mr. HOLMAN. It is my judgment that the majority of our people believe the products like cheese and butter, for example, are best handled on the national markets and by means of a stabilization purchase program rather than to attempt to set up marketing agreements for them. I do not think it is entirely practical with particular reference to cheese and butter.

Mr. ANDRESEN. Mr. Hope suggested that Mr. Lund's creamery and three or four others, or half a dozen others, could get together and form sort of a marketing agreement in regard to the sale of their products.

Mr. HOLMAN. They would get into trouble if they did.

Mr. ANDRESEN. But, as I see it, with several thousand creameries in the country, you would have to do it on a national scale in order to make the program effective. Of course, you could do that on a national scale. I do not know whether the law permits it or not, but that would be a monopoly authorized by law and would be operated properly. But I think it would be pretty hard to get 3,500 or more creameries into an organization where they would form this marketing agreement.

Mr. HOLMAN. There are certain other factors that militate against it rather than just getting together on a marketing agreement. One is the flow of milk fat from one plant to another according to the market price. Suppose you set up a marketing agreement and it was legal—I think the Department of Justice would have something to say about it—you would have to set up another one for cheese and another one for evaporated milk. In fact, you would practically have to have them all in some set-up in order to keep some balance of supply for the plants and some balance of income for the producers, and it is a pretty big and complicated task to do so.

Mr. MURRAY. Is it not true we have had marketing agreement on evaporated milk? It may be in existence today.

Mr. HOLMAN. It was not a marketing agreement in the true sense of a marketing agreement; it was an agreement largely administered with the consent of the Secretary by the evaporators themselves, and about the principal provision in it, as I recall, was a requirement to adjust their prices.

Is that true, Mr. Reed?

Mr. REED. The minimum prices to producers were fixed under that agreement on the basis of zones and in relation to cheese and milk.

Mr. HOLMAN. They were differentials rather than minimums.

Mr. REED. They were really minimum calculated prices in relation to the actual going price of butter and cheese in the central markets.

Mr. MURRAY. When I came down here 10 years ago and when Mr. Holman appeared here the first few times, because of the milk-marketing agreements for bottled milk, and rightly or wrongly, I accused him in my own mind—not publicly—of being interested only in the bottled-milk people. I had to be around town here for a couple of years before I found out he was really interested in the milk for manufacturing purposes, and since that time, we have been buddies.

Mr. HOLMAN. I had a great deal to do with the writing of that particular order of the Department.

Mr. MURRAY. The reason I felt that way was because the end product was always left out. They used the cheese and butter base for the basis of their other formulas.

Mr. HOLMAN. In that period the pool price for fluid milk in New York State in the 200 mile zone, that is, 200 miles out of New York City, fell to the Wisconsin level of prices at the same time.

Mr. HOPE. I have no more questions to ask, but I would like to ask any of the other witnesses if they would like to comment on the questions which have been asked.

Mr. KOPITZKE. I would like to comment on the price agreement. They are illegal, and, in the second place, they will not work out. The big trouble today is that there is too big a differential between the grade A price and your manufactured products.

Mr. HOPE. Would you want to say what you think the differential should be?

Mr. KOPITZKE. I cannot say exactly. There is maybe too much now. Our requirements are much higher all over. They are in Wisconsin. We are supposed to take a sediment and blue test twice a month. I take them every week, and if there is any milk there that is No. 4 or a bad No. 3, we send it home. As I mentioned before, if this milk was so much better why in the world can they not make a cheese out of it? I can point out several points in Wisconsin that are making the worst quality of cheese that I have ever seen.

Mr. HOEVEN. You said something about the marketing agreements being illegal. Do you base that on the fact that they might tend toward monopoly?

Mr. KOPITZKE. That is right. Three or four people will get together and they will have no right to set a price that they will charge for their product. Sometimes it has been pretty tough competition for the cheese industry and at times it has been worse for the butter markets. They do get together sometimes and see how much they can charge.

Mr. HOPE. You are not saying that the marketing agreements, in strict compliance with the act, are illegal?

Mr. KOPITZKE. That would not do us any good. The marketing agreement would not help us.

Mr. HOPE. Could you not get a marketing agreement where you brought in the distributors of grade A milk as well as those engaged in the manufacture of products? If you had all the various types of distributors in the agreement would that help?

Mr. KOPITZKE. That would be wonderful.

Mr. HOPE. You think that is beyond any hope?

Mr. KOPITZKE. Perhaps not.

Mr. HOLMAN. May I make this comment? It is not generally understood but it is a fact that in the fluid milksheds of the country that are under the Federal order, the use of the parity system for computing prices has gone out of existence. There are other methods that are used which have taken the place of the parity computation. It is more like the price relationship of bottled milk to manufactured milk.

Mr. HOPE. Like you have in the Boston milk area?

Mr. HOLMAN. Yes. Of course, that is an extreme example of the new social philosophy going into effect there. I am thinking more of places like Chicago and the Twin Cities, Cincinnati, and St. Louis, where, to a great extent, the price of fluid milk is determined by the price of evaporated milk with a differential for sanitation and a differential above the price of evaporated milk.

Mr. GORDON. In answer to Mr. Hope's question, unless you had a marketing agreement on a scale so vast that I cannot visualize it working, you will attempt to have it within a branch of the industry. If the price is too low, you will find that you have no raw material; if it is too high, you price yourself out of the consumer's market. I think that it would be utterly impracticable.

Mr. HOPE. You think that as far as the milk that goes into the manufactured products is concerned, you could have a price-support program based upon the stabilization of prices by Government buying, do you?

Mr. GORDON. I think with reference to the relationship, the Department of Agriculture has done a pretty good job with that 88½ percent. It is based upon a historical reason.

Insofar as I can say offhand, it seems to me, considering the difference in the cost of production and processing, it would be fairly well in line.

I think there is no question about it; you could buy the products of milk. You could buy the products of milk such as manufactured products, and it would stabilize the market.

Mr. HOPE. Without excessive loss on the part of the Government?

Mr. GORDON. Mr. Hope, that depends upon the year. The Government today, if you mean this year, is buying butter and nonfat milk powder. I am entirely in agreement with the Assistant Director of the Dairy Branch, who stated in St. Paul just recently that he was quite confident that he would not lose a penny on the butter; he would perhaps make some money on it. I understand from the same authority that 90 percent of all the nonfat powder bought to date has already been allocated.

The CHAIRMAN. Mr. Holman, if I understand your statement, you are suggesting that the method of calculating parity be changed so as to take into consideration farm-labor costs, and further that consideration be given to the subsidy program which was used during the war period.

Mr. HOLMAN. I suggested that the inclusion of farm labor be put into the index, but express the views of the majority of our people that we would not like to return to the producer-payment system that was in effect at that time.

The CHAIRMAN. I think that you have misunderstood me.

Mr. HOLMAN. Perhaps.

The CHAIRMAN. I said that in changing or altering the method of determining parity, you want consideration given to two additional things: One is farm labor and the other is the subsidy that was paid during the war period which kept down the price of milk.

Mr. HOLMAN. That is correct.

The CHAIRMAN. Do I understand correctly if your recommendation is followed you would add to the consumer milk bill of the Nation a minimum of $152,000,000 a year?

Mr. HOLMAN. That phase of it would, I presume. Before you came in I pointed out to the committee, and it was not in my printed statement here, that we calculate that the losses to dairying this year in market prices as a result of the prices prevailing in the first quarter of 1949 will be something over $612,000,000, as compared with the returns to dairying for the year 1948. The very suggestions we have made in this statement of mine were designed to recover to the extent we could the status quo of prices prevailing in 1948.

The CHAIRMAN. Then that would ass to the milk bill of the country about $152,000,000 a year.

Mr. HOLMAN. More than that.

The CHAIRMAN. Just on fluid milk and manufactured milk.

Mr. HOLMAN. That is correct.

The CHAIRMAN. If you followed the same recommendation, of course it would add to the cost of the butter bill.

Mr. HOLMAN. Well, it might.

The CHAIRMAN. If fluid milk is advanced as you suggest, it is only natural that butter would have to advance.

Mr. HOLMAN. But fluid milk has gone down very much, you see. The farmers are beginning to suffer in the fluid-milk sheds as well as the great manufacturing regions of the country.

The CHAIRMAN. As fluid milk advances in price butter naturally advances in price.

Mr. HOLMAN. There is a connection there.

The CHAIRMAN. We do know even on the fluid and the manufactured milk, the additional cost to the consumer would be $652,000,000 and in addition to that, the butter people of the country would be——

Mr. HOLMAN. The total would be approximately $652,000,000.

The CHAIRMAN. $652,000,000 would be the total. Is that calculated to result in an increase in the consumption of milk, or in a decrease—if you add to the milk bill that amount of money?

Mr. HOLMAN. That is calculated on the basis of the anticipated production of this year. We would not like to see dairy prices get to a point where the production of milk could not increase in a fair ratio to what the consumers could use.

The CHAIRMAN. The Secretary has suggested in effect that when the milk price comes down the consumption increases. You are suggesting here that the price go up.

Mr. HOLMAN. That the price be restored.

The CHAIRMAN. That the price be restored, and that certainly would not tend to increase consumption, would it?

Mr. GORDON. I think what Mr. Holman has in mind—and he is assuming that we are all thinking the same thing—is that this $162,000,000, or whatever the figure is, is a temporary thing. If we do not have it the price of milk will be much higher for the tendency of the farmer is to sell cows because of low prices.

The CHAIRMAN. What has brought about the low price at the present time?

Mr. GORDON. I think that you have to go back to the war to get that. As far as butter is concerned, it was an unbalance brought about by the decision of the Department of Agriculture that there had to be a lot of other products, especially cheese, evaporated and nonfat milk powder shipped abroad. There was a ceiling price placed on butter so low the producer sold to other types of factories.

Mr. HOPE. What Mr. Holman says as to the increase would be true only, would it not, if the price level depended entirely upon the support price and you had no prices above support prices, or no prices below support prices.

Mr. HOLMAN. It would depend to a great extent upon the support price, although once you get your levels of your manufactured commodities stabilized, stabilized slightly upward, you then automatically support your fluid milk market. There will still be a narrowing of the spread between those two commodities.

Mr. HOPE. In other words, you are never going to be able to compute exactly what any support-price program would result in so far as the cost to the consumer is concerned, or the farmer is concerned, because there are too many intervening factors there.

Mr. HOLMAN. Can we anticipate what the buying power of the consumer will be?

The CHAIRMAN. You have given us definite figures with regard to the minimum cost, but as pointed out by Mr. Hope, that does not mean the maximum cost. This is a floor below which you think the dairy people should not be depressed.

Mr. HOLMAN. We think that demand and supply would be a great regulator of that.

The CHAIRMAN. You want to lift the floor, as indicated in your statement.

Mr. HOLMAN. Yes.

The CHAIRMAN. And you think that you are justified in doing that because of the policies invoked during the war when we kept the price of milk down. You look upon this as a restoration of dairy income rather than as an increase in dairy income.

Mr. HOLMAN. A restoration of dairy income that prevailed, say, at the first of the year, which was a very drastic condition.

Mr. HOPE. That would still occur if the price-support program was fully effective.

Mr. HOLMAN. I think that is correct.

The CHAIRMAN. I hope you do not understand me to say this program would cost the Government, or the taxpayer, that amount. I meant that it would cost the consumer, not the taxpayer. It does not cost the taxpayer a penny.

Mr. HOLMAN. I understood you to say that.

Mr. WHITE. Mr. Holman, I understand from your statement that you believe it is desirable to have a fluctuating general price level as would be permitted under the flexible price support system of the Aiken bill.

Do you agree with me, then, when I say that nearly all the trouble between labor and management arises during periods when the general price level is moving, or has moved up or down to an appreciable degree?

Mr. HOLMAN. I think there is a good deal of truth in that.

Mr. GORDON. Yes.

Mr. WHITE. I am glad to hear you say that because that is a very strong factor in favor of the 90 percent of parity program.

I would like to make a statement for the record that I think a stable price level is absolutely essential for peace between labor and capital.

Mr. HOLMAN. Of course, a stable price level may vary somewhat from year to year.

Mr. WHITE. Then it is not stable. If it varies it really is not stable.

I would like to direct a statement to Mr. Kopitzke in connection with his statement. He made the point he thought the Secretary should carry out the present law, and I of course want to point out to him that the law is made with the provision that funds must be available for all of these things, and of course it is impossible for the Secretary to support all commodities. He has to choose as between the commodities. I hope that is understood.

Mr. KOPITZKE. Thank you.

Mr. ANDRESEN. Mr. Holman, I feel all witnesses representing dairying have made very good statement to this committee and you have contributed valuable information.

I am concerned about this long-range program. That is what we are trying to formulate in the committee. I am mindful of what you said, Mr. Gordon, that the Secretary said that he would continue to support the price of certain manufactured products if he found outlets for them. Well, the present outlets are the markets on dry skimmed milk powder. That is paid for by the American taxpayer and sent out of the country. I think as a permanent long-range proposition we cannot depend upon the American taxpayer financing the export of our powdered milk to other countries, so, therefore, in formulating a long-range program, I think we have to get on a sounder basis.

Do you have any comment on what that would be? What use would you put that skimmed milk powder to in this country in a long-range program?

Mr. GORDON. I believe for one thing there has been, according to our nutritional board, much to be desired in our bread from a nutritive standpoint; that at very little cost we could fortify our bread, or enrich it by the addition of some milk powder. At the present time I think the average is about 2½ percent milk powder. The recommendation is 6 percent. If we could subsidize the baker to use anything over the 2½ percent by a cheaper price, I think it would certainly clear our shelves of all the milk powder that we would produce in excess.

Mr. ANDRESEN. Well, there you have a subsidy involved again.

Mr. GORDON. Yes.

Mr. ANDRESEN. And today it is questionable whether we will be able to raise the money from the taxpayers to pay all of these subsidies if we put the Secretary's proposal into operation. That will cost us billions of dollars every year, as I see it. All of these guaranties are very disturbing to me because it takes money.

Mr. GORDON. This would not take very much. It would take millions; it would take very few millions.

Mr. ANDRESEN. Let me ask you this: Before the war we had the dairy production marketing organization.

Mr. GORDON. That is right.

Mr. ANDRESEN. I understand that functioned very efficiently in buying surplus dairy products in the flush season and selling them in the short season.

Mr. GORDON. Correct.

Mr. ANDRESEN. I think they lost no money.

Mr. HOLMAN. They wound up with $1,000,000 in the Treasury, so they could not have lost money.

Mr. ANDRESEN. Let me ask you there, Mr. Holman, would it not be feasible to have as a permanent proposition an organization run by the industry itself to take up these surpluses in place of the Government handling it?

Mr. HOLMAN. I think that is a fair statement of the general feeling of our people. We have had witnesses come before this committee. You may recall Mr. Brandt has appeared here several times on the self-help method of disposing of surpluses. We have not made much progress.

Mr. PACE. Industry would run its stamp plan.

Mr. HOLMAN. They could not run a stamp plan. They could act under contract with the Secretary just like the DPMA did, and do a very fair job, and a much better job, we think, than the Commodity Credit Corporation because it would have more practical people in it.

May I clear the record? I think there is a slight misunderstanding as to just what I did say concerning the application of a national marketing agreement for certain manufactured products. I said that I thought that the majority of our people would be opposed to a national order for butter and for cheese. I made no reference to evaporated milk because there is some slight disagreement in our ranks over that. The result of that difference of opinion is that the federation officially is absolutely neutral in regard to whether there shall or shall not be an evaporated milk order. I hope my statement is satisfactory to Mr. Perdue who is behind me and very deeply interested in securing a national evaporated milk order. Mr. Perdue represents one of our important member associations.

Mr. PACE. Is there anything that you want to say right there?

Mr. PERDUE. I think the record has been sufficiently clear.

Mr. ANDRESEN. I want to get back to this DPMA. I am really interested in having the industry functioning here and getting proper income for the dairy farmers of the country.

I want the candid opinion of you gentlemen here as to whether or not in lieu of some of the proposals we have on reports if industry itself could not recreate, under the law, the DPMA, and function effectively for the producer and get better returns for the farmers?

Mr. HOLMAN. You have a tremendous problem of capitalization there.

Mr. ANDRESEN. Suppose that we put up $1,000,000,000 capital from the Government to handle that proposition. The Brannan plan to get 15-cent milk will be $2,480,000,000. Suppose that you take that and deal with all dairy products.

Mr. HOLMAN. Let me make a guarded answer to that and I am not sure that I am giving the correct one: If the operation could be so safeguarded that the agency doing this job would be protected from indictments, I am confident that they could do a better job than the Government.

Mr. ANDRESEN. Were they threatened with indictments when they operated prior to the war?

Mr. GORDON. I would like to make an unguarded statement. It would all be very beautiful theoretically if this could be done, but are we taking a chance that we would lose what we might get if we would start anew?

I believe with you and Mr. Holman that there is no question that industry would do a better job of running it than the Government, although I cannot say that the Commodity Credit has done too bad a job at all times.

Mr. ANDRESEN. It is nice to have somebody like you pat them on the back once in a while.

Mr. GORDON. I do not have an axe to grind.

Mr. ANDRESEN. You are a newspaperman, too. I would like to have Mr. Kopitzke's comment.

Mr. KOPITZKE. I agree with Mr. Gordon. I think that they did a very good job. If they had some good men from industry it would be a wonderful plan, better than subsidies and all of that. As Mr. Holman stated, they had $1,000,000 to the good when they got through. What you say would be "swell." Industry will not put up that money. I think that it would be a nice thing if the Government would put up about $1,000,000,000. They would make money in the end and make money for the industry.

Mr. ANDRESEN. It would be a good investment?

Mr. KOPITZKE. Yes, I think that it would be.

Mr. GORDON. I would like to do one thing before we end this session, if I fail to do it. I would like to make good the omission now—it is awfully essential to a great many farmers of this country that we not only have our milk parity, but this manufactured milk parity, following along the lines of the bill I think you gentlemen have introduced, but which stops short by saying "for the balance of this year." We are pretty well taken care of this year. We do not operate on a calendar-year basis; we operate roughly on an April 1 and March 31 crop year, and it is awfully important that that be adjusted.

Now, if the Agricultural Act of 1948 were to be used there are two points in here that I think you are very familiar with that should be clarified.

One of them provides that the Secretary through the Commodity Credit Corporation accept as provided in subsection (c)—and then we get over into subsection (c), and I am not at all clear in my mind that that protects milk and milk production in any way because it calls for a definition of what constitutes a storable commodity, and that definition it does not supply.

I would like to ask, Mr. Chairman, that the committee give that serious thought when it is studying this question.

Mr. MURRAY. I would like to get this back to the present time. Mr. Gordon thinks that the committee is not going to accomplish much. If a man is going to get murdered, he does not need to get murdered in 1949; he might as well wait until 1950. The present law is the law that I have been trying to operate on every since I got back here in January. There is no use for anyone bringing a bill into this committee and asking us to pass upon a bill that gives the dairy people any special consideration after January 1, 1950, unless it is a part of the long-range program.

I might say that the Department, to my mind, has been trying to work this out. The only dissatisfaction that I have is that they had to be prodded a little to get them to do it. It was their obligation.

The thing that I am particularly interested in is having the present law followed. I cannot get myself all hot and bothered about what might be in the Aiken bill, because I know what is in the Aiken bill. The Secretary can set it anywhere from zero to 90 percent and in the case of an emergency can make it a 190 percent. That is rather nebulous as far as I am concerned. I say on the basis of just pure, honest common sense we should follow the law that we have now before we get ourselves all tangled up with some other law. I do hope that the Department will go ahead with the announced policy which will really mean something in the long run when you realize that a quarter of the milk of the United States is produced in Iowa, Minnesota, and Wisconsin. Iowa and Minnesota are suffering more than we in Wisconsin. I think it is not right to have a law and then have a group of people losing from 50 to 70 cents per hundred on their milk.

I am getting to the point where I do not want to vote for any appropriation. I want them to pay up and I will be more agreeable.

Mr. GORDON. Mr. Andresen stated a while ago that I was saying nice things about the Commodity Credit Corporation. I will turn to the other side. I am quite in agreement that had it not been for the introduction of your bill, Mr. Murray, I doubt very much whether the Secretary of Agriculture would have given us the support prices that we have to the end of this year.

Mr. MURRAY. I do not want to take credit for that; others introduced the same bill. I do know the groups that have worked for the fulfillment of the law. To me it is a milestone. The recognition of the fact that manufactured dairy products are going to have a base of 88½ percent of their fluid milk content as the support which at least is an approach on the part of the dairy department that they are trying to make an effort.

I say the first thing to do is to follow the law we have now and let us get that supported according to law. From here on out we will try to work out something. There is no use asking for any more if we cannot get what the law says we can have now. We might as well get that first.

Mr. HOEVEN. I think the gentleman from Wisconsin will be kind enough to have the record show that the bill mentioned was not only introduced by the gentleman from Wisconsin but on the part of myself and several other Members of Congress. We introduced identical bills to impress upon the Department of Agriculture that it should be doing something about it.

Mr. MURRAY. The gentleman from Iowa is most correct. This hasn't been any one man crusade. Mr. Hoeven, Mr. Anderson, and Mr. Andresen of Minnesota and the dairy groups including Mr. Holman have had as much or more to do with this as I have.

Mr. ANDRESEN. As I understand it, the bill that the gentleman was the author of, and several of us introduced, was simply a bill to direct the Department to carry out the law that had been enacted.

Mr. MURRAY. That is right. I do not want it to appear that I am critical and that they are not trying to work that out. They have been handicapped by certain forces and I realize that. I am getting to the point now where I want to see this law followed out. I want to see them do what it says for them to do, on the books, and I do not want to hear anything more about future plans until we can get that one done.

Mr. ANDRESEN. I want to say this for the men in the Department who are working with the dairy problem, they are doing a good job, but they are always the ones who make the final decision. They have to have their recommendations approved by higher-ups. If any of them are here today I want them to know that they are trying to do a good job.

Mr. PACE. Mr. Holman, I am very much interested in knowing where you finally land on the Agricultural Act of 1948. You state in your statement on page 7 that at this time you thought milk should be supported at 100 percent of parity. What is the significance of the words "at this time"?

Mr. HOLMAN. That is because the terms and conditions of milk handling and milk costs are such that what would be adequate for farm commodities at a support price of 90 percent would not be any too good for milk to start with.

Mr. PACE. Do you mean that you would give 100 percent until the parity figure is adjusted?

Mr. HOLMAN. I would say 100 percent probably until production came up to where you have to reduce your guaranty.

Mr. PACE. Do you recommend that the Aiken bill be amended to that extent?

Mr. HOLMAN. Yes.

Mr. PACE. Where you have support only in the discretion of Agriculture now, from 0 to 90, you would recommend that it be arranged to give milk 100-percent parity support?

Mr. HOLMAN. We make that recommendation. We will take what we can get.

Mr. PACE. You also recommend that the bottom to the flexible program be 75 percent of parity.

Mr. HOLMAN. Yes.

Mr. PACE. Do you mean that should apply to all these general commodities that are treated within the Aiken bill outside of the so-called basics?

Mr. HOLMAN. It had reference only to milk and its commodities. The reason for that, Mr. Pace, is that even in our distress in the 1930's where we had stabilization operation, 75 percent of parity was the minimum that was asked for or used by the Department of Agriculture.

Mr. PACE. I agree with you on the 75 percent, but do you not appreciate the fact that every other commodity would have a similar interest in raising the bottom to 75 percent?

Mr. HOLMAN. I know that, and I have a great deal of sympathy for the position of some of them, too.

Mr. PACE. You would not confine your statement merely to milk if the other commodities have a similar interest; you would be willing to go along with them?

Mr. HOLMAN. Of course, I was referring only to what we meant.

Mr. PACE. Let me get this straight. Would your recommendation be that the 0 to 90 be changed from 75 to 100?

Mr. HOLMAN. That is right.

Mr. PACE. Is that your recommendation?

Mr. HOLMAN. Also with equal participation in the funds available. At the present time we think we are in a distinctly secondary position under the act.

Mr. PACE. You take exception, and I want to say that I join you in that view, to that provision which simply says that milk and many other products will be supported only if and when the funds are available and in the discretion of the Secretary of Agriculture.

Mr. HOLMAN. Yes.

Mr. PACE. You feel that the stabilization of agriculture requires greater assurance to the producers than that language.

Mr. HOLMAN. We do.

Mr. PACE. Now, you recommend that dairy products be given credit for the subsidies paid during the war period in the determination of their comparable parity price along with other commodities?

Mr. HOLMAN. Yes.

Mr. PACE. I think you are right. I think that butter was held down for the consumers' benefit and the subsidy was paid to bring the return up to about where the producers should get it.

Mr. HOLMAN. That is right.

Mr. PACE. You do realize, however, under the 10-year moving average in the Aiken bill that would immediately punish every other commodity, while in the 10-year moving average in the Secretary's plan it would not. Do you agree with that?

Mr. HOLMAN. I do not know that I am qualified to answer that question.

Mr. PACE. That is, when you give dairy products credit for the subsidy you raise their relative position as to the price they enjoyed during the preceding 10 years, and therefore, raising theirs, you would naturally have to lower the respective parity prices to get rid of the commodity.

Mr. REED. I do not believe it would work that way.

Mr. PACE. Let us use an illustration, that the ceiling price on butter was 50 cents and that the subsidy was 25 cents. When you have gotten your over-all parity figure, when you get into the 10-year moving average, giving each commodity a parity as compared with the market price during the 10-year moving of each of these other commodities, when you raise the market price of a commodity, which you would do by crediting butter with 25-cent subsidy for 4 or 5 years, you naturally have to give butter a higher figure and therefore consume that much of the total, and we would give everybody else a slightly lower figure. You see what I am talking about?

Mr. WHITE. Do you mean the income support standard?

Mr. REED. Are you figuring the income support standard?

Mr. PACE. No. In the Secretary's plan you would not hurt the others any, because when you added the subsidy you would add to the left-hand column, increasing cash receipts from the sale of commodities. You may help everybody there because when you added that 25 cents a pound subsidy, the $19,000,000,000 in the left-hand column of the Secretary's portfolio might become $19,500,000,000. Do you understand what I am talking about? You would therefore help everybody under the Secretary's formula, whereas you would hurt everybody under the Aiken formula. You study that.

Mr. HOLMAN. We will be glad to study that, but even then there is a bigger issue—what kind of an economic life are we going to have in this country?

Mr. PACE. I have always said that I thought the present parity price on dairy products is unfair and should be adjusted.

Mr. HOLMAN. I think that.

Mr. PACE. As I understand it, you rather emphatically disapprove of the production-payment plan proposed by the Secretary of Agriculture.

Mr. HOLMAN. Yes.

Mr. PACE. Both on account of the expense and general objections?

Mr. HOLMAN. That was what I was referring to when I said, "What kind of an economic life are we going to have in this country?" We do not like that kind of civilization.

Mr. PACE. But have you not in the next breath recommended a stamp plan for dairy products?

Mr. HOLMAN. Not for dairy products.

Mr. PACE. For what?

Mr. HOLMAN. That is really an eleemosynary undertaking, the Aiken bill. It assumes there are a great many people in the country, some of whom are pensioners and some of whom are retire persons living on very small income, some whose earning power will never permit them to earn enough for a decent standard of living, and it was only for that purpose that we suggested the stamp plan could be used both to carry out an eleemosynary undertaking and still remove a great many of the surpluses.

Mr. PACE. But the fact remains that you are recommending the investment of Government funds in the purchase of surplus dairy products to be given to the needy.

Mr. HOLMAN. Yes; that fact remains. We have been favoring that for several years. We deplore that we have in this great country of ours a certain percentage of people who probably will never have the earning power to buy for themselves enough at present high rates of wages and the relatively high rates of commodities.

Mr. PACE. Would it be a proper analysis to say that generally speaking the Secretary's plan would permit all consumers, notwithstanding their economic status, to enjoy the benefit of the Government's expenditures while you would confine your plan to those who actually are in need?

Mr. HOLMES. That is correct.

Mr. PACE. In those instances there will be Government money.

Mr. HOLMAN. And two different methods of doing it.

Mr. PACE. Notwithstanding the distastefulness of the words, they still involve Government subsidies.

Mr. HOLMAN. Yes; it involves Government subsidies, but it does not involve Government subsidies for labor. Just take an average carpenter and tell him "We will bring your age down to $8 and day and pay you the $12 in a subsidy," do you think he would take it?

Mr. PACE. Is it your recommendation that the Government buy the surplus and move it to the needy, or that the Government buy the amount that the needy need?

Mr. HOLMAN. I have not given that detailed consideration. We have not thought that one through.

Mr. PACE. Your primary purpose is to remove the subsidy.

Mr. HOLMAN. That is one of the purposes.

Mr. PACE. Then does your plan involve any control over the production of dairy products?

Mr. HOLMAN. Only through the adjustment, year by year, of the guaranteed prices. If the production goes up you reduce your guaranty and you automatically find that production will follow. It does not follow always the first year. It takes dairying from 2 to 3 years to make adjustments.

Mr. PACE. That is what I had in mind, exactly. I think the flexible support price is less adaptable to the cattle and dairy products than any other commodity I know of. You do not operate from year to year; you operate over a cycle of years.

Mr. HOLMAN. That is correct, but we still think a flexibility to the extent of about 1 year at a time, from market season to market season, would be preferable to the other plan.

Mr. PACE. I know, but in the light of what you just said, the time that it takes to build a dairy and get into production, the time it takes to raise a cow, what difference does it make in reducing the support price on April 1 or any other date, if it cannot possibly have any effect on the number of dairy cows that you would have and the number of cattle that you would have on the range?

Mr. HOLMAN. It will begin to have an effect almost immediately.

Mr. PACE. It will impair or reduce the economic welfare of the dairymen and the cattlemen.

Mr. HOLMAN. Suppose, for example, we found ourselves with 5 percent too much. You would have to reduce your guaranties in order to get back down. Normally, there is a 1½- to 3-percent increase or decrease in the dairy herds on the first of the year from the preceding year.

Mr. PACE. From year to year?

Mr. HOLMAN. Year to year.

Mr. PACE. Which is naturally so, and not forced?

Mr. HOLMAN. That is in part due to economic conditions as well as to the nature of the cows.

Mr. PACE. We thank you very much. You were very kind to come here and I know the committee has benefited from your testimony.

The committee will stand adjourned and meet tomorrow at 10 o'clock.

(Letter from Charles W. Holman, dated May 13, follows:)

THE NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION,
Washington 6, D. C., May 13, 1949.

Hon. STEPHEN PACE,
Chairman, the Special Subcommittee of the House Committee on Agriculture, House Office Building, Washington, D. C.

DEAR MR. PACE: Recently I appeared before the special subcommittee for the purpose of presenting the position of the National Cooperative Milk Producers Federation concerning existing and probable proposed legislation on the farm program. At that time I indicated the desirability of retaining the principles embodied in the Agricultural Act of 1948 but urged that certain amendments be made in title I and title II of the act so as to adequately protect dairy farmers. In my testimony I endeavored to point out the need for the adoption of our suggested amendments, emphasizing particularly the necessity for a mandatory support program for milk and its products ranging from 75 to 100 percent of parity, with parity to include wages of hired farm labor and wartime producers subsidy payments.

Although no direct statement was made, the inference is clear that unless the needed amendments are enacted the present provisions of the Agricultural Act of 1948 as related to milk and its products are not acceptable to the dairy farmers of America. This is especially true in the case of title II.

In order that there may be no misunderstanding of the position of the members or our organization, I desire to file this letter as supplementary to my statement on May 3, 1949.

The provisions of title II, which under present law become effective on January 1, 1950, are grossly discriminatory against the interests and welfare of the dairy farmer and his cooperative. We recognize that there is a considerable area of disagreement among the producers of the various agricultural commodities affected by the provisions of the act and we want to make it clear that our statement is confined strictly to the applicability of the act to milk and its products.

We reiterate our request for immediate amendment to title II which will accord to milk and its products a proper recognition of their importance to the national economy and their need for mandatory governmental price support. In the event that Congress is unable, at this time, to amend title II in line with the requirements of dairy farming as we have recommended, we cannot too strongly urge that the provisions relating to milk and its products not go into effect on January 1, 1950. In lieu of title II, therefore, we earnestly urge the extension of title I, with the modifications suggested, for such period as may be necessary in which to secure the inclusion of our amendments in title II.

Referring again to my testimony, it was recommended by the National Cooperative Milk Producers Federation that the methods of computing parity of the Agricultural Act of 1948 be amended, as far as the computation of dairy product parities is concerned to provide:

1. For the remainder of 1949, the inclusion of farm wage rates in the computation of the parity index—the index of prices paid by farmers for commodities bought; and

2. Amendment of title II of the act of 1948 to provide for inclusion of farm wage rates and the producer subsidies paid during the war period.

In the questioning following the presentation of the testimony, you raised questions indicating that if the producer payments were allowed during the war period, this would immediately harm all other commodities by reducing their parities. The questions follow:

"Mr. PACE. You do realize, however, under the 10-year moving in the Aiken bill that would immediately punish every other commodity while in the 10-year moving in the Secretary's plan it would not. Do you agree with that?

"Mr. HOLMAN. I do not know that I am qualified to answer that question.

"Mr. PACE. That is, when you give dairy products credit for the subsidy, you raise their relative position as to the price they enjoyed during the preceding 10 years, and therefore raising theirs, you would naturally have to lower the respective parity prices to get rid of the commodity.

"Mr. REED. I do not believe it would work that way.

"Mr. PACE. Let us use an illustration, that the ceiling price on butter was 50 cents and that the subsidy was 25 cents. When you have gotten your over-all parity figure, when you get into the 10-year moving average, giving each commodity a parity as compared to the market price during the 10-year moving of each of the other commodities, when you raise the market price of a commodity, which you would do by crediting butter with the 25-cent subsidy for 5 years, you naturally have to give butter a higher figure and therefore consume that much of the total, and we would give everybody else a slightly lower figure. You see what I am talking about?

"Mr. REED. Are you figuring the income support standard?

"Mr. PACE. No. The difficulty is, in the Secretary's plan you would not hurt the others any, because when you added the subsidy, you would add to the left-hand column, increasing receipts from the sale of commodities.

You may help everybody there because when you added that 25 cents a pound subsidy, the 19 billion in the left-hand column of the Secretary's portfolio might become 19.5 billion. You would therefore help everybody under the Secretary's formula, whereas you would hurt everybody under the Aiken formula. You study that.

"Mr. HOLMAN. We will be glad to study that, but even then, there is a bigger issue, what kind of an economic life are we going to have in this country?"

First, as to the statement that adding in the dairy subsidies would immediately harm all other commodities, no categorical "yes" or "no" answer is possible. Unless the index of prices received by farmers for all farm commodities were revised to include higher dairy product prices during the base period, thereby increasing the index of prices received by farmers, the inclusion of the wartime dairy subsidy payments would have no influence whatever upon the parity price of other commodities. It would not change the index of prices received by farmers very much in any case, even though the increased dairy prices during the 1943–46 period were used in revising the index, thereby raising it slightly.

Even if the index of prices received by farmers were revised to take account of the higher dairy product prices, it is indeed difficult to see how this would be an injustice to the other commodities. Dairy product prices were maintained at artificially low levels during the war by the payment of subsidies. Therefore, all other commodities are now gaining, or will when title II of the act of 1948 goes into effect, by the fact that dairy prices were artificially low and the index of prices received by farmers for all commodities is thus somewhat lower than would be the case otherwise. In any case, the National Cooperative Milk Producers Federation made no recommendation that the prices received by farmers index be revised. Hence, under the federation's proposal, no other commodity would be harmed.

If only a given sum of money is appropriated for agricultural purposes, any action that tends to raise the relative prices of one commodity may result in the program for that commodity taking a relatively larger share of the sum appropriated. However, we maintain that at present the dairy farmer is not adequately cared for in the various methods of computing parity.

With respect to the statement that under the program proposed by Mr. Brannan the inclusion of the dairy subsidy would raise the level of support for all commodities, the answer is it would do so, because anything that raises the total of cash farm receipts during the base period raises the entire support level for all commodities. However, merely adding in the gross sums paid out under dairy subsidy programs during the war would not correct the situation as far as the dairy farm is concerned. His average price would still be lower than it would be when due account is taken of subsidies. It would not suffice merely to add the total subsidy payments to cash farm income, but in addition, if dairy farmers are to receive fair treatment, it would be necessary to revise the dairy product prices upward by the amount of the subsidy.

One more comment with respect to the Brannan plan, and the comments that the federation proposals would harm other commodities. It is to be noted that, under the Brannan plan, most of the livestock products, including milk and butterfat, would be supported at much higher price levels relative to the so-called basic commodities than will be the case if the moving-average formula in the Hope-Aiken Act takes effect January 1, 1950. Under the Brannan proposal to the committee, wheat supports would be increased 1.6 percent; corn, 8.1 percent; butterfat, 14.6 percent; milk sold wholesale, 14.0 percent; hogs 14.4 percent; and beef cattle, 14.1 percent. It thus appears that the Brannan proposal is designed in part to raise the relative profitability of the livestock products as compared to the major field crops.

If this letter does not clear up your questions, we would be glad to discuss the matter further either with you or your committee, as you may desire.

I will appreciate it if you will incorporate this letter in the record as part of my testimony on the general farm program.

Sincerely yours,

Charles W. Holman,
Secretary, National Cooperative Milk Producers Federation.

TESTIMONY OF PRODUCER GROUPS AND MEMBERS OF CONGRESS

WEDNESDAY, MAY 4, 1949

House of Representatives,
Special Subcommittee of the
Committee on Agriculture,
Washington, D. C.

The subcommittee met at 10 a. m., Hon. Stephen Pace (chairman) presiding.

Mr. Pace. Gentlemen, the committee will come to order.

The subject of the hearing this morning is Irish potatoes. I have been supplied with a list of witnesses which is rather comprehensive for a 2-hour time allotment. But first we are honored this morning to have present some Members of Congress who are interested in this commodity and it will be a pleasure to hear them first.

I present the distinguished Representative from North Carolina, Hon. Herbert C. Bonner. We will be glad to hear you, Mr. Bonner.

STATEMENT OF HON. HERBERT C. BONNER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. Bonner. Mr. Chairman, first I want to take the opportunity to thank you for your reply to my letter dated March 20, 1949, requesting a hearing before your subcommittee on the subject of potatoes.

This matter has been in controversy for several years. The various commercial areas have individually come before the Department of Agriculture in respect to their individual problems and local problems. We realize that this is a national problem, and therefore this meeting for bringing all of the various groups together to present to you our idea of legislation or constructive provisions to be written into legislation, containing instructions to the Department of Agriculture.

We thank you very much for the opportunity of this hearing.

Mr. Pace. Mr. Bonner, I should thank you for the interest you have shown and the efforts you have made to bring about this hearing, and I do hope it will result in some constructive legislation with regard to this commodity.

Mr. Bonner. The Members of Congress do not intend to make the proposals. We have representatives here who are growers and who have been active in the marketing of the crop, and with the permission of the committee they will make the case before you.

Mr. Pace. We will look forward to hearing them.

Mr. Bonner. Thank you.

STATEMENT OF HON. JAMES C. AUCHINCLOSS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. PACE. We will be delighted to hear at this time from the Representative from the State of New Jersey, Mr. Auchincloss.

Mr. AUCHINCLOSS. Mr. Chairman, I appreciate very much this opportunity, and I do feel that it is a privilege to work with the gentlemen from North Carolina who know so much about this subject.

I am merely here to represent the growers and the group that has come down from New Jersey and they will make a brief presentation before you later. I do want to extend my appreciation to you for this meeting and tell you that I feel that you are going at this intricate problem—and it is an intricate problem—in a constructive way. We all know that there has been a great dissatisfaction with the way the Department of Agriculture has handled the potato problem, and it has brought on a great deal of criticism not only to the growers of potatoes but to the Department of Agriculture, and I understand that this is an effort to resolve some of that criticism. This step is in the right direction, and I am tremendously inspired, Mr. Chairman, by the fact that there is unanimity on the part of the potato people who have come down here, who have taken their time out to try to resolve the difficulties and the differences and present them to you. I am sure that much good is going to come from this meeting.

Mr. PACE. Thank you very much, and we feel sure you will be able to make some constructive contributions toward the solution of this problem.

Mr. AUCHINCLOSS. Thank you.

STATEMENT OF HON. PORTER HARDY, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. PACE. The committee would like to hear now from the distinguished Congressman from Virginia, Mr. Porter Hardy.

Mr. HARDY. Mr. Chairman, I am delighted that the committee is giving its attention to this problem. It is not a new problem, but it is one that has increased each year during the past several years.

For instance, we have been trying to have potato goals distributed among the States. And we have had no legislation upon which to base the establishment of those goals. The result has been that the Department of Agriculture has attempted to do it administratively. It has been a most confused and confusing situation. It has included changes in the formulas for establishing these goals every year that we have had them. The Department, that is the officials of the Department, I should say, have on numerous occasions expressed a desire that the Congress spell out their responsibility with respect to the establishment of these goals. This problem we are presenting to you in the belief that it will be endorsed, at least the effort will be endorsed by the Department, because I know they would like to have some help from you, and I also know that the potato growers in my area hope that it will come through our action on the allotment and goal programs.

Mr. PACE. Thank you very much, Mr. Hardy.

Mr. HARDY. Thank you.

STATEMENT OF HON. W. KINGSLAND MACY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. PACE. I see back in the room the distinguished Representative from the State of New York, Hon. Kingsland Macy. Mr. Macy, the committee will be glad to hear you at this time.

Mr. MACY. Mr. Chairman and distinguished members of the committee: I do not think I will attempt to go into the technical phases of the problem because I do not know anything about them. But I do happen to live in New York State, that part of the agricultural area which I understand produces approximately half of the potatoes. It is a natural place for potatoes to grow, and the farmers who are engaged in producing potatoes have a fine representative group here to present to the committee their views and suggestions. I think it is very fitting that you have undertaken to make the approach on the over-all basis.

In accordance with the requirements of the war emergency our growers responded by increasing the acreage in potatoes, and I know other States did that also. Now the question is how to resolve the difficulty, promote benefits, and remove injustices, and that is what Government should do, and that is what I cannot answer; I just want at this time to say that I am entirely in agreement with the answer that our people would suggest, and I know they will want to go along with anything that is intelligent and is good for the country.

Mr. PACE. Thank you very much, Congressman Macy.

Mr. MACY. Thank you.

STATEMENT OF HON. GRAHAM A. BARDEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. PACE. Last, but by no means least, we will hear from the distinguished gentleman from North Carolina, Congressman Barden.

Mr. BARDEN. Mr. Chairman and gentlemen of the committee, I greatly appreciate your giving the time to the interested Members and to the potato growers who have assembled here. I think they are very fortunate in having a man whom we usually refer to as the agricultural Congressman preside over this kind of a meeting.

The potato industry is of considerable importance in my State, and especially in my district; and Mr. Bonner's district and my district probably produce 90 percent of the potatoes, or better, that are grown in North Carolina.

Mr. Chairman, this controversy has just broke before the Agriculture Committee. For years we have been trying to fight it out, and when I say fight it out I mean bringing it before you, because this is the first time this real problem has been presented to the Agriculture Committee with a suggested solution from the growers themselves. It has been a rather serious problem with the potato growers for some several years.

In the Department of Agriculture they worked out a formula one year, and the next year they worked out another formula, and the next year another formula and it was getting progressively worse each time, and the last formula, and the one before that, if we could dignify them by calling them formulas, produced more confusion and I am inclined to think cost the Government more money than any formula that had been devised at any time earlier than that.

I do not know of any people on this earth who have a fairer mind than agricultural people, rural people. They are usually, and in the main, fair-minded people. I try to be fair-minded myself, and I have had no reluctance whatever in saying to the officials of the Department of Agriculture that the last two formulas, and especially the last one, was definitely unfair, unreasonable, and absolutely unjustified, to my way of thinking.

Now when we reach that point—and we had a hearing before the Secretary of Agriculture and no one could make me believe that the Secretary was not impressed with that hearing—when we reached the time and then the answer was "No" then we had only one thing to do, namely, to ask the Congress to write a definite formula, and I think that is what these gentlemen are here for and that is what we are here for, and if this committee can write a definite formula and the Congress will approve it, you will do away with a lot of trouble these folks are having, and a lot of trouble the Members of Congress are having, and I am not at all sure but what you will do away with a lot of trouble in the Department. We do not want any more departmental juggling of formulas.

I thank you very much, Mr. Chairman.

Mr. PACE. Thank you, Mr. Barden.

Are there any other Members of Congress who would like to make a short statement?

Let me say in response to the statement by Mr. Barden, that I know he understands this committee now has many problems before it and we are delighted to have this situation brought to our attention and we will try to follow through until some sound and sensible solution is found.

If it is agreeable to the committee we will have the statements presented by the various witnesses without interruption, right straight through, and then question them en bloc. If that meets with the pleasure of the committee we will hear Mr. Harry Wescott, of North Carolina.

Mr. BONNER. Mr. Chairman, I would like, and I believe Mr. Wescott would like to answer any questions when has has completed his testimony.

STATEMENT OF HARRY WESCOTT, REPRESENTING POTATO INTERESTS FOR THE STATE OF NORTH CAROLINA

Mr. PACE. Mr. Wescott, the committee will be pleased to hear you at this time. Please give your name and the capacity in which you appear to the reporter.

Mr. WESCOTT. Mr. Chairman and members of the committee, my name is Harry Wescott. I am representing the potato interests of the State of North Carolina.

Mr. Chairman and members of the committee, we recognize the situation that now confronts the potato interests of the United States. We recognize the criticism that is coming from all segments of our economy, those interested in potatoes: The consumer, the growers, the handlers, and all; we recognize that this is brought about by the surplus problem that has been produced in the past several years which has resulted in heavy expenditures to the Government, and we are interested in trying to offer some solution to you and to the Congress that would bring about a more healthy condition in the potato industry.

We believe that this condition is partially brought about by the lack of authority to control, to some degree, the potato planting and potato production. We believe it is brought about by the stimulation of price support over the past several years—that the surplus has been brought about by that to some degree.

We come to present to this committee briefly some views that we believe might be of help in solving this problem and of putting the potatoes in a better light, a little better light, in the eyes of all concerned. If I may be permitted, I would like to review the situation back for just a few years. In 1942 it was the opinion of those in charge of supplying foodstuffs, that there was a need for increasing the production of potatoes. We were asked in the various States, by the Department of Agriculture, to increase our production for a short time——

Mr. PACE (interposing). Let me interrupt you in the interest of time.

Mr. WESCOTT. Yes.

Mr. PACE. I think the committee is fairly familiar with the fact that the potato growers were asked to increase production, under the Steagall amendment, and thereby it became a Steagall commodity and therefore enjoyed 90 percent of parity price support.

Mr. WESCOTT. Yes.

Mr. PACE. I just mention that in the interest of saving time, because the committee has that background.

Mr. WESCOTT. Yes; does it have the formulas that Congressman Barden mentioned, for the years 1946 and 1948?

Mr. PACE. No, we are not familiar with the formulas.

Mr. WESCOTT. All right, I will leave 1943 and go to 1946, or the first year of restriction goals. In 1946 we had goal given to us with price support contingent upon compliance with goals. We had an over-all production in 1946, and it was necessary to buy large quantities of potatoes, but in 1947 a new goal was given to us, and the new goal involved a new factor—in fact, two different factors were used and two different formulas were used.

Again in 1948 another formula was used, composed of different factors, giving different weight to different factors.

In 1947 another formula was used, and we understand that probably for 1950 there is thinking, strong thinking that a new formula would have to be devised for 1950 and some preparation has been made toward that end.

Now since—in 1945 or 1947 the formula used was the 1941–45 average, less 15.25 percent, to bring supply in line with demand, and that was not acceptable under some conditions and circumstances. So another formula for that same year, 65 percent of the 1946 acreage, was used.

Now in 1948—and I do not have the exact figures of the 1948 formula—but if you will permit I will read the factors of the 1949 formula.

A national production goal of 350,000,000 bushels is established. The 5 years, 1943–47 average production by States was determined.

No. 3, one-fourth of the 3 years, 1945–47 average surplus purchases by States was deducted from each State's average production.

Two-fifths of the 2-year, 1946–47, average production from acreage planted in excess of goals by States was deducted from each applicable State's average production.

The residual number of bushels by States represented each State's proportionate share of a 350,000,000 bushel crop. So, 0.8687 multiplied by residual production equals 350,000,000 bushels.

Resulting goal production by States was converted to acres by dividing by the 3-year, 1946–47–October 1948 average yield per acre by States.

Resulting State acreage was divided between commercial and noncommercial acreage on basis of best available information on current division furnished by State PMA offices. Commercial acreage is defined as three or more acres of potatoes on an individual farm.

Resulting commercial goals were reduced to 90 percent of 1948 commercial planted acreage in all States where tentative goals were higher than this figure.

Resulting commercial goals in all States were increased by 4.5 percent in order to balance out to 350,000,000 bushels production except that no State was assigned a commercial goal higher than its 1947–48 average commercial planted acreage.

Mr. PACE. All right, thank you.

Mr. HARDY. I would like to ask if any member of the committee understands that formula?

Mr. POAGE. Do you?

Mr. WESCOTT. These formulas in many States created a lot of cases of overplanting and caused dissension among other States, in the States that had tried to comply with goals, and has been responsible for numerous meetings and hearings from time to time in an effort to meet that criticism.

Now we submit to you this morning, Mr. Chairman, what we think is a simple, sane solution to arriving at the acreage goals, and as was stated in the beginning, the States of North Carolina, New Jersey, Virginia, and New York are in agreement, definite agreement, on this proposal, and I shall read it to you, the proposal, a copy of which has been passed out.

First. We recommend a flexible price support system allowing the Secretary of Agriculture to set support prices from 60 to 90 percent of parity.

Second. That compliance with acreage goals and marketing agreements in areas where feasible be a condition of eligibility for price support.

Third. That a definite formula for determining State potato acreage allotment or goals be incorporated in legislation to establish a permanent base. We recommend that the simple average for the preceding 7 years be determined; that the simple average of the States' 7-year goal acreage be determined; and that each of these two averages be given equal weight in arriving at the States' goal, recognizing at this time that restricted goals have been in existence only 4 years and the necessity of using 4 years in establishing the original base, but containing this procedure until such time that the 7-year goal can be incorporated as a result of accumulation during the next 3 years.

Which simply adds up to this, that you take the 7-year planted acreage, and the 7-year goals, that is, the averages which gives you a simple average, and they are given equal weight in arriving at and making deductions according to the national demand.

Fourth. As an implement to curtail overplanting, we recommend the use of compensating payments to eligible producers as a method of price support.

Mr. PACE. Does that conclude your statement?

Mr. WESCOTT. Yes, Mr. Chairman.

Mr. PACE. Thank you very much.

Mr. POAGE. I do not understand that formula any better than the other one.

Mr. PACE. I think we had better hear from the other witnesses before we get into discussion of the formula.

Mr. POAGE. Very well.

STATEMENT OF WILLIAM B. DURYEE, CHAIRMAN, STATE POTATO INDUSTRY COMMITTEE, ALLENTOWN, N. J.

Mr. PACE. We will hear next from Mr. Duryee. Will you give your full name and the capacity in which you appear. Mr. Duryee.

Mr. DURYEE. Mr. Chairman, my name is William B. Duryee, of Allentown, N. J. I am a potato grower, I am chairman of the State Potato Industry Committee and treasurer of the National Potato Council. I have prepared a statement which has been indorsed by our potato growers in New Jersey and that statement substantiates the presentation just made here by Mr. Wescott.

We are an old potato-growing State. I have figures running back to 1866 when we were a larger producing State than we are now. That has been a long time. And we have a very important group with us.

We are very anxious that your committee, Mr. Chairman, consider the presentation just made and those that will be made by the national potato organization, because we, as potato growers, feel that we have great responsibility in the effort to bring some order out of this chaotic potato situation.

I would like to have the opportunity of filing with the committee a statement of our philosophy, if we might call it that, of this potato problem, in case the committee would like to have it here.

Mr. PACE. You may leave it with the clerk, and it will be made a part of the record.

Mr. DURYEE. I have some copies here for the record and some additional copies for your use.

Mr. PACE. Just give it to the clerk, and thank you very much.

(The statement referred to follows:)

STATEMENT OF THE POTATO INDUSTRY COMMITTEE OF THE NEW JERSEY STATE POTATO ASSOCIATION, TRENTON, N. J.

Favored by the natural advantages of nearness to consuming centers, productive soil, efficient production and marketing methods, New Jersey has maintained for more than 70 years the position of one of the leading potato sections in the United States. Confronted with problems caused by increasing production per acre and the development of new potato areas in the country, the potato industry of the State is adjusting its operations to face new conditions. Approaching the situation from a national point of view the New Jersey potato industry herewith presents its recommendations.

We respectfully urge the adoption of the following program:

(1) Adjustment of acreage nationally to provide sufficient high quality potatoes for consumers on a basis that prevents burdensome and costly surpluses and which is fair to all established areas of production.

(2) An equitable support level that will, under normal conditions, sustain the economic well-being of growers and sustain also a degree of purchasing power and living standards comparable with other farm and industrial groups.

(3) Removal of off-grade potatoes when necessary by Government purchase, thus providing for consumers the superior grades.

(4) Support and establishment of starch and flour manufacturing plants on a scale commensurate with supplies of surplus potatoes from year to year.

(5) Control acreage by protecting only those growers who comply fully with acreage goal programs. This calls for abandonment of supporting the general market which protects complier and noncomplier alike. Legislation should clearly and definitely require sell-back operations, thus providing cheaper potatoes for consumers and increased risk for noncompliers.

(6) Require the Department of Agriculture to set up and announce, before November 1 of each year, the essential details of support operations for the following year.

(7) Establish the policy of setting up a representative potato industry advisory group, appointed by the Secretary of Agriculture, which will be required to meet at regular intervals to review soundness of current procedure and recommend policies for ensuing periods. This will place upon the industry the necessary degree of responsibility for effective direction of national potato policies.

(8) Effective prosecution of production and marketing research in all pertinent phases by the United States Department of Agriculture in cooperation with State agencies.

(9) Persistent efforts to develop export markets and establishment of policies designed to keep open these foreign outlets.

(10) Establish the policy of restricting the opening up of new areas of land for potato growing to the need for such added production.

(11) In the field of international trade, provide for immediate and effective limitation of potato shipments to countries where support measures are in effect, to prevent dissipation of national resources intended to maintain price-support operations.

STATEMENT OF AMHERST W. DAVIS, MOUNT SINAI, LONG ISLAND

Mr. PACE. We will hear next from Mr. Davis of Long Island.

Mr. DAVIS. Mr. Chairman and gentlemen of the committee, my name is Amherst Davis, Mt. Sinai, Long Island.

I am glad to see my friend, Mr. Macy here, because I might get a little bit nervous, and knowing I have friends here will make me feel better.

Mr. PACE. I am sure you have friends here, and a very able Representative in Mr. Macy.

Mr. DAVIS. Thank you. I am very happy to have the opportunity to appear before you, as an honest to goodness dirt farmer. I make my living on my own 175-acre farm, being the eighth generation in direct line to own and operate the farm where I live.

I am chairman of the Suffolk County Farm and Home Bureau Association, a strong supporter of all farm organizations, and chairman of my community agricultural conservation committee. I have always cooperated with the price-support program. I realize the important part a prosperous agriculture plays in the Nation's economy. An abundant supply of food at all times is a must, and I hope that the disastrous prices of the early thirties may never be repeated.

The problems of price support are many, and I realize that new machinery, fertilizer, and growing methods have increased potato yields way beyond the present consumption needs of the country.

I am not in favor of a high support price, but I am in favor of a support price that will serve as insurance to prevent disastrous losses. A high support price means, or leads to overexpansion and overproduction with resulting high costs to the Government.

I heartily endorse the statement presented by Mr. Wescott.

First. I believe that a flexible price support program of 60 to 90 percent of parity is desirable. Such a price would tend to discourage overexpansion and keep production in line with consumption.

Second. I believe that compliance with acreage allotments and marketing agreements—where marketing agreements are feasible—need to be made a basis of price support. The consuming public is entitled to the best grades of potatoes, with the Government taking the low-grade potatoes in years of surplus.

Third. I believe that a practical program of compensatory or production payments needs to be made available to the Department of Agriculture to encourage compliance with acreage goals.

Fourth. I believe that a definite formula for establishing equitable potato-acreage goals needs to be incorporated in the law.

I have already confessed that I am just a dirt farmer, but I believe that my statements are essential for an agricultural program, and I hope that you gentlemen will give them serious thought.

I do not know how to run one of these finger machines to type this out, so I just wrote it in long hand.

Thank you very much for your courtesy.

Mr. Pace. Thank you. We would like to know if there is a better way.

Mr. Davis. Thank you.

STATEMENT OF E. W. CAKE, EXECUTIVE SECRETARY, ASSOCIATION OF VIRGINIA POTATO AND VEGETABLE GROWERS

Mr. Pace. We will hear next from Dr. Cake.

Mr. Cake. Mr. Chairman and members of the committee, my name is E. W. Cake. I am executive secretary of the Association of Virginia Potato and Vegetable Growers. We represent all the commercial production area in Virginia—the two Eastern Shore counties, and the three counties in the Norfolk area.

I am here first to substantiate the statement made a little while ago by Mr. Harry Wescott. We in Virginia have been discussing this situation in our meetings and we have come to agreement and we are favor of 60–90 percent of parity as price support on potatoes.

We are in favor of compliance with acreage goals and marketing agreements as a condition of price support. We are in favor of permissive compensatory payments to allow for controlling acreage by the Government to get compliance of growers who do not cooperate.

We are also in favor of a formula being written into the law for the Secretary of Agriculture to use, a mandatory formula he must use in establishing acreage goals for the States.

We on the Eastern Shore would like to go one step further. We would like to give you our proposals for this formula. We are interested in making it just as simple as we can possibly make it, so that no Member of Congress or anyone else can say that it is a complicated formula. I will try to state it in slightly different language, from that used by Mr. Wescott, to help make it a little clearer, if I can. Seven prior years of planted acreage, seven prior years of goal acreage. Average the two, and when it has reached 14 years, it could be done in that way; it would be merely taking 7 of each, 14, and dividing it by 2, that is, each of the two averages being given equal weight in arriving at the State's goal.

Since there has only been 4 years of goals, there would only be 11, since the 4 years would have to be averaged, but you would give 50 percent weight to the average for the 7 and 50 to the 4, but it will be clear after the 14 years have been reached.

Then the average would be given the same weight and then any percentage cut necessary to reduce the size of the crop to make it fit the country's consumer demand, the same percentage cut would be made to all States straight across the board.

We think that provides a simple formula, adding up the 14 years, and dividing it by 2, and then taking the figures for each State, using the same percentage cut straight across all States.

Thank you very much, Mr. Chairman.

Mr. Pace. Thank you very much, Dr. Cake.

According to my memorandum I should next present Mr William M. Case, executive secretary of the Red River Valley Potato Growers Association of North Dakota.

STATEMENT OF WILLIAM M. CASE, EXECUTIVE SECRETARY, RED RIVER VALLEY GROWERS ASSOCIATION, GRAND FORKS, N. DAK.

Mr. Case. Mr. Chairman and members of the committee, my name is William M. Case, of Grand Forks, N. Dak. I am chairman of the special program committee, National Potato Council, and executive secretary of the Red River Valley Potato Growers Association, and I am the spokesman for approximately 4,000 potato growers in the Red River Valley. The testimony we will present was prepared by a special program committee of the National Potato Council.

The National Potato Council is an organization of potato growers with members in all important producing areas. The council was organized in May 1948, and incorporated February 2, 1949, in Washington, D. C. Most of the commercial production of white potatoes in the United States is represented in the council's membership.

Our officers are S. A. Wathen, Fort Fairfield, Maine, president; W. B. Camp, Bakersfield, Calif., vice president; John C. Broome, Aurora, N. C., secretary; and William B. Duryee of Allentown, N. J., treasurer.

The members of this special program committee were selected because of the geographic areas they represent and because of the serious study each has given to a certain phase of our recommendations.

The members are Mr. Claude Botkin, a farmer of Arvin, Calif.; Mr. C. G. McIntire, Perham, Maine; Mr. John Wickham, of Long Island, and Mr. John C. Broome, of North Carolina, and myself.

The National Potato Council has been in session here in Washington. Each group of potato men represents an area of the United States, and we have tried to arrange to have some standard recommendation from the different groups. We have tried to comply with the very complete statement that Mr. Cooley made to us some time ago, advising the members of the potato industry to try to get together on a program before coming before you men. We have tried to do so and have prepared an over-all statement that has received the approval of men from all sections of the country, and with the approval of the chairman and members of the committee, I would like to refer particular questions on any particular phase of these recommendations to the committee member who I think is more able to answer it, and also not to be too much burden on the committee.

To start with we have asked Mr. Claude Botkin, a farmer of Arvin, Calif., to present a general statement on behalf of the National Potato Council.

Mr. Pace. Thank you very much, Mr. Case. We will be glad to hear from Mr. Botkin at this time.

STATEMENT OF CLAUDE E. BOTKIN, ARVIN, CALIF., MEMBER NATIONAL POTATO COUNCIL

Mr. Botkin. Mr. Chairman, and members of the committee, for the record, my name is Claude E. Botkin; I am a farmer, living in Arvin, Calif., and I am speaking on behalf of the National Potato Council.

The potato producers of the United States, speaking through the National Potato Council, are very appreciative of this opportunity to appear before this subcommittee to give you the benefit of our knowledge and experience in your worthy attempt to find a solution to our perplexing agricultural problems.

First of all, our farmers are keenly conscious of the fact that potatoes have become the "whipping boy" of the agricultural price-support program. Therefore, we welcome this opportunity to say to you gentlemen that the actual operation of this program is not as potato men expected it to be, nor is it as they desire it to be.

The results have been due more to the exceptionally favorable climatic conditions that predominated the last few years, than to the intention of potato men, or to any failures of proper planning on the part of the Department of Agriculture.

As a matter of fact, potato growers, on the whole, have done almost exactly what the Department has requested of them under the programs that have been in effect.

As a group, potato farmers have complied with the Department's acreage program. In each of the last 3 years, the potato-planted acreage has not even equaled the national acreage recommended by the Department. The indicated 1949 acreage is 1,900,000 acres, the lowest in 70 years.

In view of this wholehearted compliance with the program, it is obvious that the costs of the potato program have been due primarily to high per acre yields and to a sharp falling off in consumption.

In addition to the unusually favorable climatic conditions, there have been other factors, such as the use of new type insecticides and improved cultural practices.

The National Potato Council is frank to say that potato growers themselves are deeply concerned over the cost of the program and have repeatedly sought methods whereby it might be reduced.

The record on this is rather complete. As far back as May 1948 potato growers, meeting here in Washington, recommended to their Senators and Representatives that changes be made in the potato price-support program. They worked out what they thought, at that time, was a program that was practical, workable, fair to the consumer, and equitable to the potato grower.

We would like to remind this subcommittee of the most pertinent recommendations at that time.

1. That potatoes be supported on a flexible price support basis which would allow for adjustment as circumstances seemed to require.

2. They recommended that potatoes be supported at a price not less than 60 percent nor more than 90 percent of parity. They specifically recommended a support price materially lower than the 90 percent then in effect.

3. They asked that, where feasible, marketing agreements be made one of the requirements of eligibility for price support, thus guaranteeing to the consumers the best that was produced.

(*a*) We do not believe it is right for the Government to be buying good ptotatoes for diversion while industry is putting the culls on the market.

(*b*) We feel that under the price support program we are obligated to give the consumer the best grades and not the poorest.

4. They recommended that acreage controls, production, and marketing controls and other means be made available to the Secretary to use as circumstances demanded.

Following those recommendations, the Secretary of Agriculture reduced the rate of the support price for potatoes from 90 to 60 percent of parity and potato producers have accepted and are supporting this very sharp reduction in the support price.

Again, as recently as February 23, 1949, the National Potato Council gave full approval to this lowered support price program by by saying to Members of Congress, and to the Department of Agriculture, that it believed the current program should be given a fair trial before changes were made.

For the last 2 days, the National Potato Council has again been in session and again welcomes the opportunity to present to this group our recommendations for what we think would be a sound and workable program that would be fair to the grower, fair to the consumer, and satisfactory from a standpoint of administration by the Department.

The council still believes that the current program has merit, but if the Congress is planning changes in an over-all agricultural program, the National Potato Council has certain recommendations to make.

In brief, we present the following main points that we feel should be incorporated in any long-time agricultural program developed by this Congress:

1. We recommend that the flexible price support system allowing the Secretary to set support prices from 60 to 90 percent of parity be retained.

2. We recommend that any price support be contingent upon compliance with acreage goals and also marketing agreements wherever feasible. We believe marketing agreements will provide for the consumer the better grades of potatoes.

3. We recommend that, if practical, a program to make possible the use of compensatory payments or production payments be developed and made available to the Department for use if necessary to enforce compliance with production programs.

4. We recommend that a definite formula for determining State potato acreage allotments or goals be incorporated in long-time legislation.

Potatoes are a vital food crop equal in importance to any crop produced by American farmers.

Constructive progress has been made in adjustment of acreage in an attempt to bring production in line with domestic needs.

There are many adjustments ahead in all segments of our national economy. It is our feeling that the difficulties of the potato industry are a forerunner of some of these problems which eventually will be confronting other groups in our Nation.

Potato growers have been the first farmers of this country to specifically set forth their ideas and plans for a peacetime program for their industry. As has been stated, this was basically set forth a year ago and is reaffirmed in our statement today.

Mr. PACE. Thank you very much, Mr. Botkin.

We would like to hear next from Mr. C. G. McIntire.

STATEMENT OF CLIFFORD G. McINTIRE, PERHAM, MAINE

Mr. McINTIRE. Mr. Chairman, and members of the committee, my name is Clifford G. McIntire, Perham, Maine, chairman of Potato Growers, Aroostook County.

My particular assignment in connection with the prepared program committee of the National Potato Council was to elaborate on some particular point as to questions that may arise, and if my understanding of the procedure is correct, Mr. Chairman, I shall be glad and happy to participate in any discussion of questions which the committee may wish to ask.

Mr. PACE. You will be called upon during the course of the questions, and thank you very much, Mr. McIntire.

Mr. McINTIRE. Thank you.

Mr. PACE. Mr. Wickham, do you desire to make a statement to the committee at this time, or are you waiting for questions?

Mr. WICKHAM. I think not, Mr. Chairman; I would prefer to remain, as Mr. McIntire has indicated, to respond to any questions the committee may desire to ask.

Mr. PACE. You are here to answer any questions on your particular subject?

Mr. WICKHAM. Yes.

Mr. CASE. Mr. Chairman, you may recall I gave the names of the members of the special program committee, and I mentioned those that were assigned to special subjects that may be discussed.

Mr. PACE. Yes. Thank you very much. They will be called upon.

Our next witness is Mr. Lester Richards, of Michigan. Will you give your full name for the record, Mr. Richards?

STATEMENT OF LESTER RICHARDS, POTATO GROWER, MANISTIQUE, SCHOOLCRAFT COUNTY, MICH.

Mr. RICHARDS. Mr. Chairman, Congressman Potter intended to come over with me but he is unable to attend because of a Rivers and Harbors Committee meeting that conflicts with this committee. My name is Lester Richards. I live in Manistique, Schoolcraft County, in the Upper Peninsula of Michigan. I am a partner in the firm of Richards Bros., growers of certified seed and table-stock potatoes.

I am here in the general interest of the potato growers of the Manistique area. Thirty-four growers of that area, including myself, met together because of concern as to the support-price program and developed the statement which I am presenting to this committee. The growers contributed to my expenses for this purpose. I am attaching a list of the growers on whose behalf this statement is made. The decision to have a representative at this committee meeting was made at the second group meeting of the potato growers called at Manistique courthouse to discuss the flaws in the present potato program and to suggest ways of improvement. These producers would grow about 30 acres per year average each.

The conclusions drawn at these meetings were that the support program definitely has served a useful purpose and been of tremendous assistance during the war and since. It has enabled the grower to produce at capacity levels without the extra hazards of complete market chaos. It has permitted the financing of the growers to be done through normal channels, and has assured the consumers of an ample supply of potatoes at still reasonable prices.

The support program was far from perfect. Destruction of potatoes by freezing, unnecessary freight, and expense of delivering potatoes long distances to institutions in other potato areas, diversions of high-quality table stock into cow feed while consumers were forced to accept low-quality stock were among the more widely publicized criticisms.

Under the old program supported at 90 percent of parity, costs of production were on the average well protected, but the following difficulties were experienced: Some States and areas were allowed to ship over half their crop while other areas were unable to secure any reasonable quota until late in the season. Potatoes for livestock feed should be made available immediately after harvest and through the winter. Farmers should have the choice of grading and loading cars to earn nearer the full support price. Some dealers have insisted on doing the grading, hauling, and loading. In some cases, the grower has loaded potatoes on cars, but the dealer still retained the loading charge. Some of the effect of a support program was nullified by the shipment of Canadian seed and table-stock potatoes into this country.

We believe that any support program to be truly successful must remove from the total crop an amount equal to the annual surplus and to withhold it completely from the normal channels of consumption. If that part of the crop that is purchased by the Government is effectively barred from being diverted back into any consumer's channel, the remainder will still provide for the normal needs of the public, and the market should function as though a normal crop were harvested. However, if the Government continues its present program of purchasing surplus potatoes and supplying those potatoes to institutions and consumers who would otherwise buy on the regular market, many unnecessary millions of dollars will continue to be charged to the support program that should rightfully be charged to the expense accounts of these charitable, educational, or other institutions.

We believe the key to the whole potato support program is the solving of the problem of how best to handle and dispose of that portion of the crop that is actually surplus for each annual crop.

One step that can be taken is the quarantining and disposal of ring-rot diseased potatoes that are causing millions of dollars damage to potato growers annually. Other diseased and low-grade potatoes should be processed or disposed of for stock feed. Purchases immediately after harvest of each grower's proportionate share of the surplus, the withholding of these purchases from consumptive channels may assist in preventing market gluts.

We are firmly convinced that direct subsidies which allow the surplus to glut the market is not the answer to the problem. It will not materially increase consumption. The surplus potatoes will constantly depress the market, will prevent any orderly system of disposal, and will still necessitate the Government purchases of the remainder of the crop at the end of the shipping season.

We do not ask nor do we want support in the form of charity. We do believe that a sincere desire to profit by the mistakes of the former program can bring forth a workable plan that will be fair to both producers and consumers. The growers of the Manistique area believe that a support-price program along the lines of the presently authorized program with some of the faults mentioned above eliminated will give stability to the market which farmers should have to continue in the potato-growing business. They fear a direct-subsidy-payment plan which will permit surplus market conditions to exist will result in waste, and will cost the Government more money in direct payments.

We assure you that we shall continue to strive for more efficient production and more efficient distribution, with our goal the highest quality potatoes at the lowest possible cost on the table of the consumer.

A sound potato support program honestly arrived at and fairly administered will in the opinion of our growers be a major factor in attaining that goal.

(The statement containing the list of growers heretofore referred to follows:)

We, the undersigned potato growers of the Schoolcraft County, Mich., area, believing that a successful potato support program is essential to the welfare and stability of the potato producer, and is also conducive to the best interest of the consumer, do hereby subscribe the amount sufficient for defraying the expenses of a representative from this group to attend a hearing in Washington, D. C., on May 4, of the Pace subcommittee on the potato support program, for the purpose of assisting in any way possible in securing corrections where needed in the present program, or in providing information that may be beneficial in providing an improved measure for the future potato support program.

Gordon Beacom, Chris S. Peterson, John Tanguay, Oscar Peterson, Alvin Siddall, P. V. Thelander, Wm. Winkel, Wm. Strasler, John Hartman, James Kelly, Jules Tanguay, Ernest Bochorny, Virgil Wright, Albert Huebcher, Wm. McEachern, John Spielmacher, Lester Richards, Otto Winkel, Kenneth McGahan, Marie McGahan, John Haindl, Joseph Hardy, Wm. Popour, Wilfred Demers, Garland Wolfe, Rosario Popour, Virgil Fox, Chas. Reid, Henry McGahan, John Neadow, John McCormick, Ray L. Lausten, Herb Olsen, Joe Haindl.

Mr. PACE. The next witness is Mr. Harold E. Bryant, general manager, Maine Potato Growers, Inc., also representing the United Fresh Fruit and Vegetable Association.

STATEMENT OF HAROLD E. BRYANT, REPRESENTING THE POTATO DIVISION OF THE UNITED FRESH FRUIT AND VEGETABLE ASSOCIATION, PRESQUE ISLE, MAINE

Mr. BRYANT. Mr. Chairman and members of the committee, my name is Harold Bryant. I appear here as a representative of the potato division of the United Fresh Fruit and Vegetable Association. The United is a national organization whose members reside in every State and several provinces of Canada. They include shippers—many of whom are both producers and distributors—cooperative marketing associations, brokers, jobbers, wholesalers, and representatives of allied industries interested in the marketing of fresh fruits and vegetables. I am at present chairman of the potato division of this association. This division has in its membership all segments of the potato industry from the grower to the retailer. It has members in all major producing areas and in all major distributing centers of the United States.

I am general manager of the Maine Potato Growers, Inc., of Presque Isle, Maine. The Maine Potato Growers, Inc., is a cooperative marketing association of 2,000 grower members, selling and distributing annually between ten and twelve thousand carloads of potatoes.

In this testimony, I am speaking as a member of the board of directors of the potato division of the United Fresh Fruit and Vegetable Association and give you my business connection only to show my familiarity with some of the problems at the grower level in one producing area.

Naturally with a membership as widespread, and covering as many different functions as does the membership of the potato division of the United Fresh Fruit and Vegetable Association, we do not assume that all of our members think alike on the matter of price support, either as a general theory or speciafically as it may apply to potatoes. However, our board of directors has just met and given careful consideration to the subject of price support and has requested that we go on record with your committee.

As we understand it, we are not testifying concerning a specific bill, but rather concerning proposals made by the Secretary of Agriculture in a statement at a joint hearing of the House Committee on Agriculture and the Senate Committee on Agriculture and Forestry, April 7, 1949. Until specific legislation designed to implement these proposals has been introduced, we have no way of judging just what their effect might be on the potato industry because some of the details not yet spelled out could make a very material difference in the effects of the program on the industry.

Our board also believes that present price-support legislation, as it applies to potatoes, should be given a fair trial before changes are made. We feel this way because:

(1) Present legislation was adopted only after the House and Senate Agriculture Committees, in extensive hearings in various producing areas throughout the country, had obtained a board background of the views of this industry.

(2) At those hearings, leading members of the industry, particularly at the grower level, testified in favor of a flexible support program at 60 to 90 percent of parity, and in favor of most of the other provisions incorporated in present legislation. Presumably this represented the best thinking of our industry.

(3) However, for most of the time since existing legislation was enacted we have been operating under that portion of the program that represented the transition from wartime price-support to a peacetime price-support program. Therefore, we have not given a fair trial to the peacetime approach, which approach was requested by members of the potato industry generally less than a year ago, and in our opinion it should be given a fair trial. May we point out that much of the criticism of the potato price-support program, and the aspects of it that appear to be most objectionable, came from features that were incorporated in the Steagall amendment. Operation under the present legislation might change quite materially the reactions of both the potato industry and the general public.

If, after a period of operation, it is proven that revisions are necessary, such legislation should be considered at that time.

If changes are to be made at this time, we certainly object to the treatment proposed for potatoes in the statement of the Secretary of Agriculture. As we interpret it, any legislation based on these proposals would have the effect of taking away from potatoes any definite assurance of price support, because potatoes are not included in the list of commodities which the Secretary recommends that the Congress designate as being entitled to first priority on the funds available for price support.

From the standpoint of tonnage and farm value, potatoes are by far our most important vegetable crop and certainly should be rated as one of our most important food crops. We feel that potatoes are entitled to the same consideration given any other commodity, that they are an agricultural commodity of prime importance, and that they should not be relegated to a secondary position because of priorities on what funds are available for price support.

Moreover, if new price-support legislation generally should be adopted, we believe that the major features of the legislation as it applies to potatoes should follow very closely the major features of existing legislation covering potato price support.

In conclusion, let me express my appreciation, and that of the members of our organization, for this opportunity to appear before your committee and to submit our views.

Mr. PACE. Thank you very much, Mr. Bryant. You will be called back in a few moments.

Mr. GRANGER. Before Mr. Bryant goes away, I would like to correct the record on what the gentleman says. I understood the gentleman to say that this committee had given careful consideration to the present legislation and wanted to give it a trial. That statement is not true. This committee did not give 5 minutes' consideration to the legislation now on the statute books that you are talking about. We went all over the country and studied the problem, it is true, and when we returned here there was an understanding between the committee and the farm groups that it was not the time for any legislation to be passed in wartime. And the only time this committee studied this legislation you are talking about was from 3 o'clock Sunday morning until 6 o'clock the same morning.

Mr. Andresen. Let us get the record correct. So far as potatoes were concerned, this committee did take definite action on establishing 60- to 90-percent support price, which is effective in 1949, and we did give consideration to that and passed on it and unanimously reported it from this committee, and that is now the law.

Mr. Pace. If you are going to get the record straight, the provision in the Aiken bill relating to potatoes was added in the Senate on the floor by amendment. It was not in the House bill.

Thank you, Mr. Bryant.

We will now call on Mr. J. C. Jacobsen, Jr., president of the Kern County Potato Growers Association, Bakersfield, Calif.

STATEMENT OF J. C. JACOBSEN, JR., TEHACHAPI, CALIF., PRESIDENT, KERN COUNTY POTATO GROWERS ASSOCIATION, BAKERSFIELD, CALIF.

Mr. Jacobsen. Mr. Chairman and members of the committee, my name is J. C. Jacobsen, Jr. My home is at Tehachapi, Calif. I am a farmer, having grown potatoes for 20 years. I am president of the Kern County Potato Growers Association, Bakersfield, Calif., with a membership of approximately 300 potato growers in Kern, Tulare, and Kings Counties, Calif. This association was organized in 1943.

I am also authorized to offer the following in behalf of the following California potato growers: Southern California Potato Growers Association, Los Angeles; having a membership of approximately 100 growers in Los Angeles, San Bernardino, and Riverside Counties; Tulelake Growers Association, Tulelake; having a membership of approximately 300 growers in Modoc and Siskiyou Counties; Delta Potato Growers Association, Stockton; having approximately 25 members in Stockton, San Joaquin, and Contra Costa Counties.

Representatives of the above associations met with the Kern County Potato Growers Association in a joint conference at Bakersfield, Tuesday, April 26, 1949. The following recommendations were adopted at that meeting:

"1. We oppose the farm program recently sponsored by the Secretary of Agriculture, on the grounds that such a program is inconsistent with the system of free enterprise upon which American farming is based, and we believe that if such a program were to be put into effect, it would eventually mean Federal subsidizing of all farm products, and open the door to complete control and regimentation, and in addition the program would place an impossible burden on the Federal Treasury.

"2. We believe that it would be sound public policy, both in the interest of consumers and producers, to see a gradual and orderly reduction of subsidies of American agriculture, with a gradual elimination of allotments and acreage controls.

"3. We believe that in the interim period, the Agricultural Act of 1948, already studied and passed by Congress, embodies an economical, efficient, and workable program for potato growers in the United States as a whole and that the act should be given a chance to operate in 1950.

"4. We believe that in making State acreage allotments the Secretary of Agriculture should be directed by Congress not to employ any historical data going back further than 4 years, inasmuch as the use of an excessively long period as has been proposed, would penalize the producers in those areas where production and consumer preference have expanded."

This completes the presentation adopted by our group.

It is my own personal opinion and I believe the opinion of most California potato growers that we cannot continue to ask our Government for guaranties, subsidies, and so forth, without losing our freedom. I have experienced some years of real tough going in farming and I would much rather go through those experiences again than to be regimented regardless of the price offered for my freedom. I ask you gentlemen to help us direct our Government toward a goal of freedom so that our sons will have a free opportunity to become farmers and produce the crops they desire.

I wish to express my appreciation and that of the growers I represent for this opportunity to appear before your committee and to offer you our views.

Mr. PACE. Thank you very much, Mr. Jacobsen.

Our final witness will be Mr. Dell T. Skinner, of La Jara, Colo.

We will be delighted to hear from you, Mr. Skinner.

STATEMENT OF DELL T. SKINNER, LA JARA, COLO.

Mr. SKINNER. Mr. Chairman and members of the committee: My name is Dell T. Skinner. I am from a little district in southern Colorado, comprising five counties, known as the San Luis Valley. We produce about 13,000 cars of potatoes in that little district. I have a few recommendations here that I will make very brief.

It is heartening to know that you are having a committee study the price-support legislation enacted hurriedly last June in view of proposing such changes as may be deemed wise. The farmers themselves have had an opportunity to become acquainted with the law and weigh its provisions in the light of their experience.

This very thing the undersigned have done. We are all actual potato growers and depend on that crop for a major portion of our income. We beg leave to submit to you and your committee the reasons for our belief that the proposed support price of 60 percent of parity applied to potatoes will wreck the industry and, as a consequence, other crops will suffer beyond measure.

At the same time, we believe a high support on an unlimited production would have ruinous consequences. Therefore, we are recommending a support price of 90 percent of parity, but that it be contingent on the following:

First. A limitation of acreage to a level that is calculated safely to produce the needed supply.

Second—and this has to do with keeping the fellow who is not coming into the program in line and also giving the consumer the benefit of anything that might be paid out on this program—potatoes marketed shall be sold at market price and a certificate issued to the grower each thirty (30) days by the handler stating the amount of potatoes shipped. The certificate shall then be presented to the proper authorities for subsidy payments.

Third. This is really trying to keep the grower kind of taking care of himself—the growers enter into the accepted Federal market agreement through which proper grading may be made. That is all States; I do not mean what is available, but all States. The Secretary of Agriculture shall have the right to regulate the shipments to grade No. 1 potatoes as long as the price of potatoes is below the 90 percent parity. In other words, we are not asking the Government to come in and take our low-grade potatoes; we are willing to keep them at home and feed them to the stock, as long as the potato price is below parity. We do not feel like making payments come out of the United States Treasury on low-grade stuff. Also, we would like to give the consumer the benefit of the very best we can raise.

This next applies to the late States where we have support, not to the early potato-producing States.

Fourth. If potatoes are below parity, the Secretary of Agriculture shall limit the sale of 20 percent of each grower's production per month.

Fifth. Potato land out under acreage limitations should be summer fallowed or a legume crop grown for green manure during that season.

Sixth. Acreage allotment of potatoes is to follow the potato history of the land as near as possible.

Mr. PACE. Thank you very much, Mr. Skinner.

(Below is revised San Luis Valley Potato Growers plan.)

LA JARA, COLO., *May 10, 1949.*

Hon. HAROLD COOLEY,
Chairman, House Agriculture Committee,
House of Representatives, Washington, D. C.

DEAR REPRESENTATIVE COOLEY: Enclosed is the revised San Luis Valley Potato Growers plan.

Two points we feel should be stressed strongly in this program are: (1) During years of high production, the Secretary of Agriculture should have the power to control the grade potato to be marketed, thus lessening the burden on the United States Treasury. (2) As long as the potato growers comply with the program we are submitting the growers should be allowed the full 90-percent parity.

It is felt that the long-range program we are submitting will greatly alleviate the burden put on the United States Treasury and the people of the United States by the past support programs.

We, the potato growers, appreciate everything the United States Government is doing in our behalf and will cooperate to the limit.

Respectfully yours,

SAN LUIS VALLEY POTATO GROWERS,
DELL T. SKINNER.

REVISED SAN LUIS VALLEY POTATO GROWERS PLAN (Requested)

It is heartening to know that you are having a committee study the price-support legislation enacted hurriedly last June in view of proposing such changes as may be deemed wise. The farmers themselves have had an opportunity to become acquainted with the law and weigh its provisions in the light of their experience.

We are all actual potato growers and depend on that crop for a major portion of our income. We beg leave to submit to you and your committee the reasons for our belief that the proposed support price of 60 percent of parity applied to potatoes will wreck the industry and, as a consequence, other crops will suffer beyond measure.

At the same time, we believe a high support on an unlimited production would have ruinous consequences; therefore, we are recommending a support price of 90 percent of parity, but that it be contingent on the following:

1. A limitation of acreage to a level that is calculated safely to produce the needed supply. Any grower who plants in excess of his acreage allotment should be fined \$1 or a substantial amount to insure his compliance.

2. Potatoes marketed shall be sold at market price and a certificate issued to the grower each thirty (30) days for compensatory payments.

3. The growers enter into the accepted Federal market agreement through which proper grading may be made. The Secretary of Agriculture shall have the right to regulate the shipments to grade No. 1 potatoes as long as the price of potatoes are below the 90 percent parity.

4. If potatoes are below parity the Secretary of Agriculture shall limit the sale of 20 percent of each grower's production per month for late producing and storage acres.

5. Potato land cut under acreage limitations should be summer fallowed or a legume crop grown for green manure during that season, so that potato growers may not contribute to overproduction in other commodities.

6. Acreage allotments should be set up as near as possible on the basis of the acreage which has been signed up and compliance met during the last 4-year period.

Mr. PACE. Now, Mr. Wescott, if you and the other witnesses will please come up, we will proceed with our questioning.

Before we submit our questions. I might state, in the light of the statements made by the representatives in Congress, I had anticipated a complete agreement among the growers, although I am sure that was hoping for a lot, but I do find on some questions, Mr. Wescott, there is some disagreement.

Are there any questions of the witnesses?

Mr. COOLEY. Mr. Wescott, in your second recommendation you used the words "where feasible." In other words, the recommendation is that compliance with acreage goals and marketing agreements in areas where feasible be a condition of eligibility for price support. Under what circumstances would it not be feasible to require compliance?

Mr. WESCOTT. In any State, Mr. Cooley, that produces a low acreage, where potatoes are used for local consumption. I cannot remember the figures of all of those States, but take a State like New Mexico, which produces, probably, a thousand acres of potatoes commercially: It is my thinking that a marketing agreement there probably would not be necessary. Those potatoes are used locally.

Mr. COOLEY. In other words, you mean those in the New Mexico potato growers marketing agreement would not be expected to comply with acreage allotments?

Mr. WESTCOTT. And in the marketing agreement, also; yes, sir; but should be expected to comply with the acreage goals to be eligible for price support. As a secondary portion, where the limiting condition would be the condition of eligibility under the marketing agreement, we do not think it would be feasible.

Mr. COOLEY. To whom would you leave the determination of that; would you leave it to the Secretary of Agriculture to determine the feasibility of the requirements?

Mr. WESCOTT. Yes, sir.

Mr. PACE. Are there any questions on the matter of the marketing agreement as recommended?

Mr. POAGE. I did not understand the answer to Mr. Cooley's question, of who was going to determine it. Are you going to leave that entirely to the Secretary? Say the Secretary decides, in the State of Texas, they ought to have a marketing agreement, and the producers up in the Panhandle decide they do not want a marketing agreement, and the producers down in the lower Rio Grande Valley, who produce an entirely different type of potato under entirely different conditions, decide they want a marketing agreement: Are you going to give the Secretary the right to say "Here is the agreement. You have to agree to it whether you agree or not"?

Mr. WESTCOTT. My thinking there was that was as nearly a practical, fair approach as I knew how. As far as I am personally concerned, my thinking is that marketing agreements should be spelled out the same as acreage allotments.

Mr. POAGE. Are you going to require the same kind of an agreement all over the land? In other words, if the Secretary submits a marketing agreement are you going to require farmers to accept it as written? We get all of this fine talk about the farmers getting together and agreeing upon the marketing agreements every time we talk about marketing agreements, but I have never known that to happen except when they get before the Committee on Agriculture. When they get back home, they fall out, just the same as everybody else.

Now, are you going to have the Secretary write the marketing agreement, send it down, and say "Boys, sign on the dotted line that you agree. This is your voluntary action. I want you to sign this note saying this is your voluntary action," and will the producers have no right to contradict him? Is that the kind of agreement you have in mind?

Mr. WESCOTT. No, sir. The marketing agreement was projected into this thinking to try to present a better form of agreement than now exists, to get a better quality of potatoes on the market than has been possible in the past, where the price support was on No. 1, and also some of the lower grades want something. It is just a suggestion.

Mr. POAGE. You are saying that is one of the requirements. Suppose the farmers of the Panhandle of Texas—I do not want to criticize anybody, and I do not know their views—but suppose they refused to sign such an agreement and they are told "The Secretary says if you sign this, you get the payment; if you do not sign, you do not get the payment." They would sign and get the payment if they stay within the goal?

Mr. WESCOTT. Yes, sir. Under present conditions, he either stays within the goal or he does not receive the price support.

Mr. POAGE. That is right. And they do not make any bones about it. I recognize the Government has to do that. Now, is this a different proposition, where they are going to say to let the Secretary propose these things but tell the public the farmers all agreed on it?

Mr. CASE. Mr. Poage, that particular subject was assigned to me by the National Potato Council. The situation is this: That recommendation from the council was to correct a situation we think is shameful, where areas were turning in to the Government their No. 1 potatoes and at the same time marketing the mere culls. Now, the only method we know of correcting that is through a marketing agreement. We recognize the problems of enforcing marketing agreements in all areas. It is easier done in some places than in others.

As to how it could go into effect, there are marketing agreements in effect that have been voluntarily voted into effect. It is entirely possible to have a national marketing agreement where a majority or some two-thirds of the potato growers nationally favor a potato agreement, and have it forced on some noncompliance area. So that could happen to the Panhandle or southern Texas.

Mr. PACE. Are there any further questions on the marketing agreement?

Mr. ANDRESEN. On the one phase of who should determine or vote on the marketing agreement, up to March 1, 28,448 commercial potato farmers received $155,224,000, or an average of $5,457 for each one, as part of the cost. Now, would it be two-thirds of the commercial potato growers that I have mentioned who would pass judgment upon the marketing agreement, or would it be all of the potato farmers of the country?

Mr. CASE. Two-thirds of all of the growers, or two-thirds of the total production. They vote by men or by bushels. That is the law.

Mr. ANDRESEN. Then the matter would not be settled entirely by the 28,000 commercial potato growers?

Mr. CASE. No. Every potato grower is eligible to vote, and he votes the weight of his production, also.

Mr. PACE. Are there any other questions on the marketing agreement?

Mr. HOEVEN. Mr. Case, in your statement, when you make your recommendations, under point 3 you say:

> They asked that, where feasible, marketing agreements be made one of the requirements of eligibility for price support, thus guaranteeing to the consumers the best that was produced.

Would you have any objection to taking out that rather nebulous suggestion of "where feasible"?

Mr. CASE. That was debated for a long time in the National Potato Council, but we recognized that in many areas where potatoes are grown in small lots or are marketed at village stores nearby, the potato industry itself probably could not administer the program——

Mr. HOEVEN. What do you mean by "feasible"; who is going to determine the feasibility?

Mr. CASE. That would have to depend to a large extent on the Department of Agriculture as to whether or not the Government, through its enforcing powers, could administer the act.

Mr. HOEVEN. In other words, you are willing to leave that entirely to one individual, the Secretary of Agriculture, to determine?

Mr. CASE. There would be no one else to leave it to, sir, except we might advise with him.

Mr. HARDY. Would you interpret your "where feasible" to include a condition under which a certain group of growers said to the Secretary "We don't like this; we don't want it. It is not feasible for us," and that would not constitute a question of feasibility?

Mr. CASE. Oh, no.

Mr. HARDY. Well, that has happened in the past, has it not?

Mr. CASE. I do not know that it has in marketing agreements.

Mr. PACE. If there are no further questions on marketing agreements, the next matter Mr. Cooley brought up was acreage allotments. Have you any further questions, Mr. Cooley?

Mr. COOLEY. No; not on acreage allotments.

Mr. POAGE. I want to understand this formula on acreage allotments.

Mr. PACE. Let me just comment here. Mr. Case and Mr. Wescott, here is the difficulty with acreage allotments, as I see them: You do not have to comply with them to this extent, that you have a support price, say, of 60 percent to all of the growers; yet, under acreage allotments, it is your proposal that the only penalty is if I plant more I do not get the benefit of the support price.

Mr. CASE. That is right.

Mr. PACE. But I get the benefit of it to the extent that my crop comes right under the support level.

Mr. CASE. Yes, sir.

Mr. PACE. Therefore, you could allot me 50 acres of potatoes, and I plant 500 and still get a substantial benefit, and I might say I do not think it is any kind of control merely to have acreage allotments, but that you must limit the marketing to the acreage allotment in the marketing agreement or to handle it through quotas where there is a penalty stiff enough to handle the noncompliance operators.

I would like personally for you to review further limiting the control of acreage allotments, because it is not any kind of control to have merely acreage allotments.

Are there any questions on acreage allotments?

Mr. HILL. I do not know whether this is on acreage allotments, but I would like to ask someone to tell me how you are going to handle the new potato growers, the people who have come in where they are going to open up some new territory. Here we are spending Federal money on new production areas, and how are you going to give GI's a preference on this land and get them into farming if you say "If you have not been an old potato grower, you are out of the agreement?"

Mr. PACE. In other words, make allowance for the new growers?

Mr. HILL. Yes.

Mr. CASE. The National Potato Council agrees with you entirely, Mr. Pace, that the noncomplying grower should be controlled or regulated, if possible. Now, in answer to this question of Congressman Hill, some provision will have to be made in any program set up for a certain limited percentage of acreage to be set aside for new growers. Then, of course, there is a continual fluctuation between old and new, and it would have some effect in restricting expansion at the will of an area or the will of the potato growers.

Mr. HILL. You mean you could actually order these boys that go into an irrigated section adaptible to potatoes, where the ground is new and the diseases of potatoes have not developed—if all of you potato growers can say "Here, boy, you are not going to get into this, because we can keep you out."

My second question is this: How are you going to reduce this acreage and apply it to the 200-acre potato grower and then apply it to the 5-acre potato grower? Are you going to give him the same cut?

Mr. CASE. Percentagewise.

Mr. HILL. In other words, if there was a 20-percent cut, he would get a 20-percent cut?

Mr. CASE. That is right. Three acres or less has been considered noncommercial acreage and not regulated heretofore. Many potato growers feel that noncommercial, nonregulated acreage should be reduced to 1 acre.

Mr. HILL. To 1 acre?

Mr. CASE. That is right.

Mr. HILL. That means putting him out of business.

Mr. CASE. No. The man who was only in to the extent of 3 acres was not very far into the potato business, anyhow.

Mr. HILL. But he might have figured that was part of his farm operations and an essential part.

Mr. CASE. No. I am thinking of the farmer where his major operation and production is something else.

Mr. HILL. You said "major."

Mr. CASE. Where his major operation and production is some other crop and potatoes are merely a side issue. They have been expanding that "noncommercial," you see.

Mr. HILL. What would you do to him; would you put him in the one-acre class?

Mr. CASE. No; I would say it could be regulated. There is some thought that that "noncommercial" should be regulated down to 1 acre. I do not know whether that is approved of or not.

Mr. PACE. Did not I understand you to propose to exempt 3 acres or less?

Mr. CASE. I say he is exempt today, but there is some proposal that that should be reduced.

Mr. HILL. Then you are not yourself sure how you would apply the percentagewise reduction down to the lower acreage?

Mr. CASE. For commercial growers, the percentage reduction would apply across the board.

Mr. HILL. Now, you ask the farmer to hold out this acreage. Are you going to make any preparation or give him any leeway as to what he shall do with the land you tell him to leave out of potatoes? You suggested a moment ago that he plant grain crops and plow them under.

Mr. CASE. I presume the Department of Agriculture will make recommendations on that program. The potato land will be no different than the acreage they were asked to take out of corn or wheat or anything else. I think you are thinking of soil conservation now.

Mr. HILL. Then let me ask all of the potato growers here this morning are you willing to subscribe to that type of program, that the Secretary of Agriculture be given power to tell these men back on the farms what they can use those acres for that you are requesting they do not plant in potatoes. Is that right?

Mr. CASE. No; I do not know that they are willing to subscribe to that. That is proposed. You asked me what we propose to do. We had no proposal. I think the Secretary made that proposal.

Mr. HILL. You agree that something must be done to cut off acreage. How are you going to take care of the acreage that you tell these boys to keep out of potatoes?

Mr. CASE. The recommendation of the Department is that they be put into some soil-improving crop—grass, or the stimulation of livestock feeding.

Mr. PACE. Are there any further questions on acreage allotment?

Mr. COTTON. I just want a little more definite declaration, if I can get it, on Mr. Hill's first question. I live up in New Hampshire, right next to Maine, and they have been raising potatoes there year after year after year and have made quite a business of it and now produce a very large volume. In the past few years, with the huge benefits, everybody from Maine to California, all over the country, has gone to raising potatoes. If you are going to have acreage allotments, acreage control, we will have precisely the same situation that the cotton people faced a few weeks ago. How are you going to let all sections of the country where they raise potatoes and also raise many other crops put us out of business, where potatoes are one of the few crops that the soil and weather and other conditions will permit us to raise? And what do you say, definitely, about this new territory?

Mr. CASE. The acreage goal will be allotted to the State. The State will be allotted its proportion of the national goal based on past history, with a slight reserve held back to take care of new growers or new areas, but certainly no unlimited right to go ahead.

Mr. COTTON. You mean with recent past history?

Mr. CASE. I presume so; yes, sir.

Mr. PACE. They suggested 7 years.

Mr. COTTON. That certainly takes in this tremendous element that this price-support program has brought about, does it not?

Mr. CASE. That is right. I can make this statement, that the National Potato Council did approve of having a formula spelled out in the law, but the National Potato Council did not discuss and has not given its approval to any specific formula. I would like to get that clear.

Mr. POAGE. About that formula, is it my understanding that the formula you gentlemen propose intends to give the man who overplanted, that is, who exceeded his goal, credit for 50 percent of his overplanting? Is that the effect of your formula? That is the way I understand it.

Mr. WESCOTT. We proposed that formula, Mr. Poage. In reality, it proposes to give about 25 percent.

Mr. POAGE. You mean because you have not had a 4 years' goal?

Mr. WESCOTT. No, sir. You take the 7 years of planting. That is given 50 percent weight. Then you take your goal years—we have not had but four—and give that 50 percent weight.

Mr. POAGE. That is the reason you say you do not give him credit?

Mr. WESCOTT. You do not give him full credit.

Mr. POAGE. But you would give him full credit by the time he had had 7 years of goals?

Mr. WESCOTT. That would answer Congressman Hill's question as to the man who is not in the potato business. If he wants to go in the potato business, he can go in and plant at the goals until he establishes himself and secure price support.

Mr. POAGE. Is not that an extremely dangerous policy, one that has never been followed in the other controlled crops? When a man plants cotton, he does not get a thing in the world in the way of credit for planting in excess of his allotment.

Mr. WESCOTT. You do with tobacco.

Mr. COOLEY. You do with tobacco. You plant tobacco and pay the penalty on your overplanting.

Mr. POAGE. You pay a penalty of 50 percent, but there is no penalty on this. If I understand your proposal, I could have a goal of 10 acres of potatoes and I could have been planting 110 acres for the last 4 years and be getting credit for 50 extra acres.

Mr. WESCOTT. You would be getting credit for the part that historically in the past you had planted.

Mr. POAGE. I want to know the philosophy of it. Why do you reward the man who violates your program and who, by his efforts, has contributed as far as he could to breaking down your program?

Mr. WESCOTT. I will answer you in this way on that question: we are attempting to arrive now at some base. We have not had a base——

Mr. COOLEY. Is it not actually an effort on your part to compromise the controversy which has arisen as a result of the trend in the growing of potatoes in recent years?

Mr. WESCOTT. Thank you, sir. That is the answer.

Mr. COOLEY. Right on this point, I wonder how far away you are from an agreement with your other potato growers now; if it is possible to get California and the west coast people to agree to the formula you have suggested.

Mr. WESCOTT. I could not answer that. The four States along the Atlantic seaboard have agreed.

Mr. COOLEY. I know you have agreed on the eastern seaboard, but I wondered how this formula was received on the western seaboard.

Mr. PACE. I was reserving the questions on the formula because when we get into the formula that will complete the hearing for today.

Mr. COOLEY. If they are not in agreement on the formula, I do not see how we could complete it.

Mr. HOEVEN. I would like to determine why the 7-year period was chosen.

Mr. COOLEY. He just said it was an effort on their part to compromise.

Mr. HOEVEN. What is the basis of it? Why not 5 years or 10 years? How did you happen to arrive at 7?

Mr. WESCOTT. We arrived at 7 years—the first proposal was to take the 10-year basic average, but there seemed to be some States that objected to it, and, as Congressman Cooley said, we were trying to reach some compromise.

Mr. HOEVEN. Then that is a compromise figure?

Mr. WESCOTT. That is a compromise figure, definitely.

Mr. COOLEY. Do I understand, then, you are not all in agreement on that particular proposition?

Mr. WESCOTT. I say four States along the Atlantic seaboard that have had an opportunity to discuss this are in agreement.

Mr. COOLEY. You know it is going to be difficult for us in legislation to provide one formula on the east coast and one on the west coast.

Mr. WESCOTT. Yes, sir.

Mr. COOLEY. That cannot be done. So that, if you are not in agreement on that, I wonder if it is possible for you to make a further effort to reach an agreement.

Mr. WESCOTT. The council, I think, has recommended some basic formula be prepared.

Mr. COOLEY. All of you seem to want a definite formula in the law, but say that we must write the formula.

Mr. CASE. The council did not discuss any specific formula. In our 2 days of deliberation, we were lucky to cover as much ground as we did.

Mr. BRYANT. As Mr. Westcott indicated, we have all States in our membership, and we have never as yet been able to get our States to agree upon a formula, and, as far as our board is concerned, we think we should not have a formula written into your law but that it has got to be an administrative approach, because you have changing conditions that we cannot foresee.

Mr. COOLEY. You do not want these growers to be under the uncertainty every year of having somebody in the Department write a complicated formula like the one just read to this committee and to change that every year?

Mr. BRYANT. I think you have to recognize it is an administrative proposition and you pretty nearly have to have some flexibility.

Mr. POAGE. You say you have effected this formula in a compromise, but why, then, do you not carry it on after you have fixed your formula? You carry this as a moving formula, as I understand it.

Mr. WESCOTT. Yes, sir.

Mr. POAGE. Which will forever continue to give the violator of goals an advantage. I can understand why you had to make some concessions to those people who had recently gone into raising potatoes; I think they are entitled to some consideration—and you evidently do, too—but for the future, if we have a definite formula, why do you write a formula that will always reward the man who violates the goal?

Mr. WESCOTT. An attempt was made to take care of him with your compensatory payment. If he plants over his goal, then he is not eligible for price support.

Mr. POAGE. But that does not mean a thing in the world, as Mr. Pace just pointed out. Under your program, I do not get the price support if I overplant, but I go into the market and can get within 2 cents of the price support, because the man in the market would rather buy my potatoes at 2 cents under than to buy yours at the price support. So I can always get practically price support or close to the price support for my potatoes.

Mr. WESCOTT. We think in this case with your supply of potatoes—you are familiar with what it has been over the past few years and you are familiar with the surplus, and if those surplus potatoes were allowed to seek their market level and compensate by payments unlimited in their determination under the method of price support, how could that supplier live with a method of price support like that?

Mr. COOLEY. It would not be very profitable for him to do it.

Mr. WESCOTT. No, sir; it would not.

Mr. POAGE. You mean, in other words, instead of continuing to rely that you would not rely any longer simply upon a floor price under potatoes, but to put the floor and let it drop, say, to 60 percent of parity?

Mr. WESCOTT. Yes, sir.

Mr. POAGE. And then bring that floor back up to the former 90 percent of parity for everybody who complied with the goal, by paying him a subsidy? I understand that word much better than I do "compensatory payments."

Mr. WESCOTT. No, sir; I did not figure on the 90 percent parity.

Mr. POAGE. Where would you bring it up?

Mr. WESCOTT. At the present time, it is 60 percent of parity.

Mr. POAGE. That is right, and you are leaving your floor at 60 percent, are you not, and that means if I do not comply with the goals, I can get 59 percent of parity, anyhow?

Mr. WESCOTT. No, sir.

Mr. POAGE. Why not?

Mr. WESCOTT. Your subsidy, as you refer to it, would be your floor.

Mr. POAGE. Do I understand, then, you propose to take away the floor price of 60 percent of parity and rely entirely upon the subsidy of the compensatory payment?

Mr. WESCOTT. To take it away; yes, sir. But in round figures, if your support price is $1.50 and the actual market is below $1.50, to let potatoes go on down, say, to $1.25, to where the consumer will buy, and take the eligible potatoes and subsidize them at around 25 cents.

Mr. POAGE. In other words, just subsidize them back up to 60 percent of parity?

Mr. WESCOTT. Yes, sir.

Mr. POAGE. I think I understand that now. Thank you.

Mr. PACE. We are now on the question of payments.

Mr. ANDRESEN. I wanted to ask another question on acreage. What percentage of the acreage and production is controlled by the 28,445 farmers who got $155,000,000?

Mr. CASE. I cannot answer that nationally, but in the State of Minnesota it was about 50 percent, and in the State of North Dakota about 70 percent.

Mr. ANDRESEN. In the State of Minnesota, 1,190 commercial potato growers who received an average of $3,851 per farm had 50 percent of the production of the State.

Mr. CASE. Fifty percent of the growers; I do not know whether it was 50 percent of the production. I believe it was about 50 percent of the production; yes.

Mr. ANDRESEN. I am just talking about commercial potato growers who got the bulk of the payment.

Mr. CASE. Some of those were very large growers.

Mr. ANDRESEN. Then the commercial potato growers who have heretofore enjoyed a most advantageous position under the act would largely dominate the marketing agreements and acreage allotments?

Mr. CASE. Yes; based on past history, they would in acreage allotments and, in voting on market agreements, they would vote their production.

Mr. ANDRESEN. Under the proposal made by the Secretary of Agriculture, each potato grower would receive the support price of 1,800 units, or approximately 16,524 bushels. Have you studied that plan?

Mr. CASE. Yes, sir. I have discussed it with growers in our area, and they are definitely opposed to it. Those 1,800 units are not limited to potatoes; those are all crops, not just potatoes.

Mr. ANDRESEN. Those are all crops; but assuming we had a farmer who raised nothing else but potatoes, he would get the support price on 16,524 bushels, as I understand.

Mr. CASE. Yes, sir.

Mr. ANDRESEN. That certainly would be a material reduction in acreage for all of the commercial potato growers in the country.

Mr. CASE. A material reduction in the acreage of many commercial potato growers in the country.

Mr. ANDRESEN. Provided they limited their production to the amount that could be produced at the support price, or 1,800 units?

Mr. CASE. It would be a material reduction for many of our larger commercial farms; yes, sir.

Mr. ANDRESEN. As I understand it, the potato growers in Minnesota would be opposed to the Secretary's proposal. Is that true generally over the country?

Mr. CASE. I can speak only for my own area of Minnesota and South Dakota. Last week, I held four meetings throughout the Red River Valley, and there was only one man in the total four meetings who voted in favor of that proposal. I cannot speak for the rest.

Mr. ANDRESEN. No action was taken on that at your council meeting here?

Mr. CASE. I believe not, sir. I am correct on the members of the council; they said they did vote against it. I was on a special committee and so was out of the council a good part of the time.

Mr. ANDRESEN. Was that a unanimous action?

A VOICE. It was.

Mr. PACE. We are on the question now of using assessments and methods of controlling support.

Mr. COOLEY. Would the potato growers be willing for a penalty to be imposed upon noncompliers, as we have in other programs?

Mr. WESCOTT. I would say in certain sections, yes; in others, I am not prepared to answer.

Mr. COOLEY. Do you think withholding the support price would be authority enough for the Secretary to have to bring about the necessary compliance?

Mr. WESCOTT. I think it would go a long way; yes, sir.

Mr. PACE. Let me ask right there: what do you figure would have been the market price of potatoes on the last crop but for the support program?

Mr. WESCOTT. You mean with the supply we had last year?

Mr. PACE. That is right.

Mr. WESCOTT. I have no idea, sir.

Mr. PACE. Give us your best guess.

Mr. WESCOTT. I would estimate it would have been at least one-half of what was received or lower.

Mr. PACE. Then, using that as the market price and using that as the production, how much would your payment plan have cost the Government?

Mr. WESCOTT. Using that as the market price?

Mr. PACE. That is right.

Mr. WESCOTT. And as the support price?

Mr. PACE. Using 60 percent as the support level.

Mr. WESCOTT. It is my opinion there that more potatoes would have been consumed. I know that under the conditions at that time that consumption was distinctly based on price, and we would have consumed more, and I think the Government would have bought considerably less.

Mr. PACE. You said the price would have been one-half of the support level if the market had moved freely, which would make the price what?

Mr. WESCOTT. Well, each section had a different support price.

Mr. PACE. What would the average be?

Mr. WESCOTT. Probably \$1.70 or \$1.75.

Mr. PACE. Then how much, under the payment plan, would the Treasury have had to pay out?

Mr. WESCOTT. I would estimate less than half of what they did pay out when they finished the 1948 production.

Mr. PACE. Do you agree with that, Mr. Case?

Mr. CASE. No. Past history has shown there is a very definite level of potato consumption. It is known to economists as an inelastic demand. A lower price from the high support level, I grant, would increase the consumption some, but you definitely reach a place where a lower price does not increase consumption, as we have plenty of past years to prove. You can reach a level in a free market where potatoes bring nothing—that has happened in the past and could happen again—and a proposal for compensatory payments or subsidies on a crop like potatoes, if you have a limited surplus to handle, but it has to be quite limited, will increase consumption some. Now, by payments on beefsteak, you can easily expand the consumption of T-bone steaks if you cut the price in half. You can do it in the Case family. And you can expand the consumption of some of the commodities, but there are definitely those commodities known as inelastic demand commodities, of which cereals is one and potatoes is another, where you cannot increase consumption. You reach a level where reducing the price would not increase consumption.

Mr. PACE. What would be the payment cost?

Mr. CASE. Our payment cost last year would have been at least $1 a bushel, and we have had years with far less production when we could not sell potatoes at 35 cents a bushel.

Mr. PACE. What would that be—$440,000,000?

Mr. CASE. $443,000,000, I believe.

Mr. PACE. You estimate the cost at over $400,000,000. Does anybody here have an idea that the United States Treasury has $400,000,000 to put in one commodity?

Mr. COOLEY. Nobody has suggested that.

Mr. PACE. That is what they ask for.

Mr. COOLEY. No; they are not asking for that at all. If I understand it, you are asking for a program that will enable the potato growers of this country to proceed to reduce production.

Mr. CASE. That is right.

Mr. WESCOTT. To bring the supply in line with the demand.

Mr. COOLEY. To bring the supply in line with the demand; is that right?

Mr. WESCOTT. Yes, sir.

Mr. COOLEY. And you are willing to take as low as a 60-percent support program?

Mr. WESCOTT. Yes, sir.

Mr. COOLEY. Under certain circumstances?

Mr. WESCOTT. Yes, sir.

Mr. HILL. And then they have already made the statement that all they wish is the difference between 60-percent parity and the market price, which would change the whole picture entirely and not run into any sum of $400,000,000.

Mr. POAGE. It would be a difference of $135,000,000, the way I figure it. If you assume that you would have sold those potatoes for half of what you did sell them for, that would have been 70 cents a bushel.

Mr. WESCOTT. That is about right.

Mr. POAGE. And then the support at $1.02 or $1 parity would have meant we would have had a 30 cents a bushel loss on the entire crop, and on 445,000,000 bushels, that is about $133,000,000 loss.

Mr. WESCOTT. May I explain the answer I gave you and gave to Congressman Pace? If we had had compensatory payments last year, I do not think we would have had the volume of potatoes. In the next case, if you had not had to pay part of the price support, you would have spent as much money on potatoes, regardless of consumption.

Mr. CASE. I want to see if I understood your question right. You asked me what would have happened last year?

Mr. PACE. That is right.

Mr. CASE. I still stand on my answer.

Mr. POAGE. If we assume we can make some of the compensatory payment—and I think you have shown it probably could have been done with less than was involved there—would you rather that payment was made directly out of the Treasury of the United States and, in effect, tell each farmer he had been a failure and we were just going to give him this dole for having been a failure, or would you rather say to each farmer he has a premium that he must pay in the way of a payment on an insurance policy and we will give him insurance that will assure his receiving $1.02 or whatever figure you fix and then charge the farmer some premium for that, with the full understanding that the Government should make a contribution to it, just as the Government makes a contribution to unemployment insurance that labor receives or that the Government employees receive in their retirement? Would you rather have the man getting it all out of the United States Treasury, or would you rather feel you were carrying on a transaction where you were financing at least a part of this program?

Mr. WESCOTT. I cannot answer that. I have not studied it that far.

Mr. POAGE. Let us see if Mr. Case can.

Mr. CASE. No. I do not know that I followed you too closely.

Mr. POAGE. Let me state it this way: Under the present program we have had for a good many years in the employment of individuals, both in private industry and in Government activities, they all contribute some portion of their wages to a fund, one fund for unemployment insurance and another fund for retirement. In no case do those contributions actually pay the cost of the retirement or unemployment, but they do make a substantial contribution to it. The public generally pays the rest of the cost. Presumably, the public gets a benefit out of it, and I think they do. I think the public gets a benefit out of sound agricultural prices. Would you therefore be willing to apply the same principle to the farmer and say "If you are to have a fair price, you contribute some portion of what you grow or some portion of your sales price to a fund to give you an insurance program in which you are getting back something for which you made a payment, when your price sinks to ruinous levels," to give you the same support you are suggesting here and for the Government to make up whatever might be necessary to put into it?

Mr. WESCOTT. I cannot answer that question; but I say this sincerely, that the proposal I made is an attempt to try to bring production in line with consumption, to try to avert having to buy potatoes, and let us——

Mr. POAGE. I am not asking you to change that; I am talking about how you would get the money, whether Congress would make a definite appropriation year after year—and I do not think Congress would continue to do it—whether you would rather rely upon Congress making a direct appropriation year after year to the end that you had this amount of money to bring you up to a fair standard, or whether you would like to have the farmer himself make a contribution to the fund from which you would pay these losses?

(No answer.)

Mr. PACE. Are there any further questions?

Mr. ANDRESEN. I am sorry this hearing has to be rushed, because I think this potato problem is one of the most important ones we have.

Mr. PACE. I am not trying to do anything but to serve these gentlemen. You understand the difficulty of getting the members back here during the afternoon, and I am just trying to do the best job I can while everybody is here; that is all.

Mr. ANDRESEN. I am not criticising the gentleman at all for that; I just think we ought to have adequate time to develop the entire program, because the potato has been held up as the horrible example of what happened to price-support programs, and I did want to make a few observations at this time, one is that the easiest thing for the grower to do is to sell his potatoes to the Government, that is one of the quickest ways to bring down price support.

As a larger grower said, the Government "has offered me down in Florida $3.40 for 100 pounds of potatoes under the 1949 program," and, of course, he will sell his potatoes to the Government at $3.40, because the trade has probably only offered him $3.25, which is under the support price, and the best evidence we have had of that is the 6 or 7 million bushels of Canadian potatoes that have come in and been dumped on the eastern market at a time when the growers are getting more from the Government, and it looks to me as though that is destroying the merchandising system because of the failure of the trade to cooperate in that kind of program.

We have had the same situation with butter today. The Government has a support price for butter and the trade is offering about 1 cent to 3 cents under the support price and the Government is getting the butter.

Mr. WHITE. Will the gentleman yield?

Mr. ANDRESEN. I would like to get the observation of Mr. Case to that suggestion.

Mr. CASE. Mr. Andresen, if I agreed with you it would be to deny the law of supply and demand. Obviously the trade has to pay more than the support price to get the supply they need—the theory of price support is that the Government does stand ready to remove the surplus at a price, which may be available to the trade at the time.

Mr. ANDRESEN. But you would agree that the trade will generally offer less than the support price?

Mr. CASE. I think the trade will try to buy as cheap as it can.

Mr. ANDRESEN. Certainly.

Mr. CASE. If price support functions as designed to function they will have to bid in the good with the bad.

Mr. ANDRESEN. So they will go to the No. 2 potatoes at the improved price, and the Government is getting the higher priced potatoes, the No. 1.

Mr. CASE. Mr. Andresen, that refers back to something that I want to point out in connection with the statement made by Mr. Botkin, of the National Potato Council. They recognized that in recommending the program to the Department some years ago. We asked that the support price be reduced; we asked that the differential of 50 percent between the price for No. 1 and price for No. 2 be changed. We did ask for whatever acreage control the Secretary wanted. We asked for marketing agreements to be made a part of the price support, irrespective of the support, but make provision for the low-grade commodity.

Now, the program for 1949 in my opinion is the best potato program——

Mr. ANDRESEN. For 1949?

Mr. CASE. Yes; the program that will be in effect this year.

Mr. ANDRESEN. That was the program of the committee?

Mr. CASE. One support price offered for potatoes, No. 2, or better the price when they get higher to encourage cooperation on the part of the farmers to reduce the lower grade. That will then stimulate the production of No. 1, and certainly any potatoes the farmer turns in to the Government will be the poorer, because it is expected and hoped that the best will go on the market.

Mr. ANDRESEN. I would like to have the comment of this gentleman over here who represents the wholesale trade.

Mr. BRYANT. I would like to comment on one point Mr. Case brought out, that is, that the trade looks to the supply and demand to take effect.

Now I think that in addition to having so many of the Canadian potatoes come in, in addition to the fact that the potatoes are being sold below support on the commercial market, is in recognition of the fact that the potato grower is in that position, and is doing that in order to get his potatoes to the market and is willing to take less than the support, because I think we ought to recognize that in most cases these potatoes are on the market under an emergency condition, and a lot of the potatoes that could get price support and they are on the market because the farmers are trying to market their potatoes and I think you have got to recognize that the trade will be governed by the law of supply and demand, and you could not expect anything else.

Mr. COOLEY. Mr. Chairman, the House is in session, and I would like to make this suggestion, that we have here gentlemen from all over the United States, and I think you all know very well that this committee is not going to write a potato program just for any one part of the country. It is going to have a program that is adapted and will apply to all.

As you know, we have a very important matter in the House, which is in session now, and you have this very important item before you. I was going to suggest that you get your committee together right in this room, and continue your deliberations and your discussions in an effort to reach some agreement with regard to the proposals that are being presented.

If you can continue your discussions between now and 2:30, which as I understand is the time the chairman is going to recall the committee, it seems to me that probably would be the best thing you could do, just to sit right here and continue your discussions.

Mr. CASE. Since the National Potato Council, the national organization is here, I would like to refer the question to the treasurer, whether the council would like to stay.

Mr. PACE. Give your full name for the record.

STATEMENT OF S. A. WATHEN, TREASURER, NATIONAL POTATO COUNCIL

Mr. WATHEN. My name is S. A. Wathen, treasurer of the National Potato Council.

I think that you have gotten away, quite away from the subject we have to deal with.

In the discussion the National Potato Council, as I understand, in the sessions which it has had in the last 2 days, and in all of the States' special committes, I understand they favor the present law, as it now reads, without any change, with a compensatory payment under the present law, and we have a formula that we can consider, and one that we consider is workable, and we would be glad to present it to the Department of Agriculture for its consideration.

I would be glad to go into session with this group here and touch on the major questions which have come up, in the next 2 hours.

Mr. PACE. May I make one comment right there?

Mr. WATHEN. Yes.

Mr. PACE. I do not think that is the answer to the objection.

In the Agricultural Adjustment Act of 1948 the support price of potatoes is fixed by an amendment, and the question of control under the Agricultural Adjustment Act of 1948, control is left entirely in the hands of the Secretary of Agriculture, and if you have studied that act you will observe that there are some 8 or 10 conditions that he can consider, first, whether or not you are to get a support price, and if you do get a support, then what you must do to comply with formulas of goals, acreage allotment and marketing agreements——

Mr. COOLEY. Or maybe soil conservation practices.

Mr. PACE. The position of the potato growers would have great influence on the committee on the fundamental questions facing the potato growers of the country. Now the question is do they want to tell us the amount of the support, and how it will be handled, and what they have to do or not to do, or do they want it determined entirely by the Secretary of Agriculture, or do they want to consult with the committee and they themselves, with our assistance, write their own ticket?

I do agree with my distinguished Chairman that the committee would more than welcome, if possible, a common agreement among the different growers in different sections of the country.

If the potato growers, or a majority of them, had rather leave the entire program in the hands of the Secretary, where it has been for the last several years, I am inclined to think the committee would go along with that; but if the growers want to write their own ticket then the growers should get together and tell us what they want, and as long as they are here they can try to get together. I think that is the only issue, as I understand it.

Mr. COOLEY. Mr. Pace, I would like to suggest to the President of the Potato Council that the statement made a moment ago is not in accordance with the views of the people in my State, and for the Eastern seaboard States who are right there now, who say they want the formula written into the law.

Mr. WATHEN. That is, the acreage allotment?

Mr. COOLEY. That is one of the suggestions, because we have to reduce production. Now in order to get compliance with the production program I would like to know whether you think it is advisable to impose penalties on the noncomplier?

And I suggested that you see if you could get together on some formula, or on some method to obtain compliance while you are here, because otherwise when you go home you have not accomplished what you came for.

Mr. WATHEN. I would be glad to stay here with these gentlemen.

Mr. WHITE. May I make the observation that if they cannot come to some agreement on penalties for the noncooperator that their program will not endure.

Mr. PACE. The roll is now being called on the floor on the Taft-Hartley Act, and I would like to request that everyone here among the growers be back here at 2:30 p. m.

(Whereupon at 12:15 p. m., a recess was taken until 2:30 of the same day.)

TESTIMONY OF PRODUCER GROUPS AND MEMBERS OF CONGRESS

WEDNESDAY, MAY 4, 1949

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE OF THE
COMMITTEE ON AGRICULTURE,
Washington, D. C.

AFTERNOON SESSION

Mr. PACE. The committee will come to order.

I will ask that all the witnesses who are present come up front.

Mr. Case, are you ready to proceed?

Mr. CASE. Yes, sir. I am sorry I was late, sir.

Mr. PACE. I might say that I am delighted to observe the presence, as an indication of the deep interest in the subject, of our distinguished colleague, Mr. Fellows of Maine, which is a great potato-producing State. Will you come up here and sit with us, Mr. Fellows?

Mr. FELLOWS. Thank you.

Mr. PACE. Mr. Case, I understand you have had a little meeting since the committee's recess.

Mr. CASE. Yes, Mr. Chairman. The committee has three or four resolutions. I am very sorry to say that we are typing them as hurriedly as possible. We did not break away from here until quite late.

In the meantime, I would like very much to ask one of our colleagues from Florida to tell the committee a little about the operations of the 1948 program. The potato men did suggest the program and I would like him to tell how it has operated so far this year, the 1949 program.

Mr. PACE. We will be delighted to hear you. Who do you want to present?

Mr. CASE. Mr. Cox from Florida.

STATEMENT OF J. A. COX, PRINCETON, FLA.

Mr. PACE. Are you a member of some association, Mr. Cox?

Mr. COX. I am a potato grower. I pointed out to the National Potato Council yesterday that one of the desired effects and one of the most important effects that we wanted to bring out in the new program is being accomplished. That is, the better grades are going to the market. For the first time in the history of our deal, there were no U. S. No. 1 potatoes bought in my immediate area. There were several cars of U. S. No. 2's bought and they went on the market. At the present time, according to the latest figures I have received, 88 percent of the total purchases have been U. S. No. 2's, or B size. Only 12 percent were U. S. No. 1's.

Last year your total program purchases bought 84 percent U. S. No. 1's and 16 percent U. S. 2's, or B's. So I think that the earlier States under your 1949 program show a definite trend toward getting a better type of potato on the market for the consumer, which is one of the main purposes we were trying to accomplish.

Mr. ANDRESEN. May I ask a question?

Mr. PACE. Mr. Andresen.

Mr. ANDRESEN. What has the Government been paying for No. 1 potatoes under the 60-percent support?

Mr. COX. In my immediate area, the support price for all grades was $3.20 a hundred pounds. That was up to the 1st of May. It dropped to $2.20, I believe. It dropped $1, I am sure.

Mr. PACE. You say they paid the same price for all grades?

Mr. COX. That is correct. There was one price this year under this program.

Mr. PACE. Why is that?

Mr. COX. That was to give the incentive to get the lower grades off the market. You see, heretofore the price differential was so great that the farmers were having the idea they could sell the No. 1's to the Government and put the 2's on the market at a little higher price than the Government was paying. To get the desired effect, they raised the price on the No. 2's and lowered the price on the No. 1's, and now they are buying No. 2's rather than No. 1's.

Mr. ANDRESEN. What was the price paid for No. 1's last year prior to May 1?

Mr. COX. I do not know about May 1, Mr. Andresen. Last year the support price in Florida was $4.15 a hundred for U. S. 1's.

Mr. ANDRESEN. And No. 2's?

Mr. COX. $2.07½.

Mr. ANDRESEN. It seems to me you have a better deal now under 60 percent than you did under 90 percent. They buy them all at $3.20.

Mr. COX. You have a better deal as far so getting rid of your low grades is concerned.

Mr. ANDRESEN. Do they buy culls?

Mr. COX. No. U. S. 2's, B's, or U. S. No. 1's.

Mr. ANDRESEN. What is the price now after May 1?

Mr. COX. I think it is $2.02.

Mr. ANDRESEN. Is the marketing season just about over in Florida?

Mr. COX. Yes, sir.

Mr. ANDRESEN. There is very little on hand to take at that $2 price?

Mr. COX. Yes, sir.

Mr. ANDRESEN. I cannot quite figure out the reason for the reduction of the price on May 1.

Mr. COX. I presume the reason for the drop was to bring Florida in line with other marketing areas such as Alabama, Texas, South Carolina, and the other areas which were marketing 1's. You would actually be buying all the potatoes out of Florida at $3.20 if the other areas were supported at $2.

Mr. ANDRESEN. Do you know how many bushels the Government bought in Florida this year?

Mr. COX. I do not.

Mr. PACE. I have one question. It may be that you are not the proper person to ask. I noticed in the Agricultural Act of 1948, which becomes effective January 1, the amendment which was offered in regard to the Irish potato support program at 60 to 90, it says that the price of any kind of Irish potatoes shall be supported. Do you have any idea what that means?

Mr. COX. I do not, except there are probably 50 to 75 different varieties of the Irish potato. I do not know whether that was what it was meant to cover or not.

Mr. PACE. They do not all ordinarily have the same price on the market, do they?

Mr. COX. From the same producing areas, I would say they usually do.

Mr. PACE. They do have the exact same price?

Mr. COX. I will qualify that by this statement, that in my area they do. We have only three varieties in my area and they all demand the same price, approximately.

Mr. PACE. You mean that any Irish potato compares with these Irish potatoes from Maine and these from Iowa that we have heard so much about?

Mr. COX. I will qualify that statement by saying in my area. We think we have the best in the world. We raise only red potatoes, you see, for market.

Mr. PACE. Ordinarily the support price is on the basis of grades and so forth. There is no legislative history to indicate what they meant by "any kind."

Mr. COX. I am not qualified to answer that question, Mr. Pace.

Mr. PACE. Mr. Case, do you know?

Mr. CASE. The Steagall amendment made no differential in regard to grade. The Steagall Act said that you shall support the commodity. The price differential between 1's and 2's was an administrative ruling by the Department. As to what percentage of the price it would allot each grade so that the average price for all marketable potatoes produced would reach the 90 percent of parity, I could not say. That is a matter that the potato men have discussed with the Department many times and I personally have discussed it with Members of Congress. The support price was determined by the Department for U. S. No. 1's and the No. 2's were made 50 percent of that purely as an administrative regulation.

In working it out, it happened in the past 2 or 3 years that farmers could sell their No. 2's above the support price when they could not sell their No. 1's. It resulted in this way, to illustrate: Our support price today in the Red River Valley is $2.90 on No. 1's. It is one-half of that for No. 2's. The No. 2's would go on the market and bring more than $1.45, while the No. 1's would not bring the $2.90. That was the basic reason why the Government got so many No. 1's in proportion to the No. 2's. The correction that the potato men asked for in the 1949 program was that we increase the price of No. 2's, even at the expense of No. 1's, so that the No. 2's would turn to the Government and the No. 1's to the consumer.

The Department decided on a one-price standard, which was a compromise between the price of No. 1's and No. 2's and it is to that that Mr. Cox is referring.

The Florida winter deal was always a high-priced deal, and they followed the program of the 60 percent of parity divided between the 1's and 2's based on past history, which made that price look high. It dropped May 1 because historically the prices do drop, as other areas come in.

The price we have today, I grant, is a pretty good price for No. 2's, but a poor price for No. 1's. We do hope that all of the low grades will go to the Government. They can be bought for much less money and that will have the effect of giving consumers the better potatoes. That is the potato men's own recommendation.

Mr. PACE. This is not clear to me. If they are supported at the same price, the 1's and 2's, how do you say the Government can buy the 2's cheaper than they can buy the 1's?

Mr. CASE. Their total purchases will be cheaper because I think the farmer will certainly give them the lowest grade he has. The farmer will get no premium for his No. 1's today, except on the commercial market. The Government's price is low, with the hope of taking off the less desirable commodities.

Mr. PACE. Are you about ready with your report now?

Mr. CASE. I am sorry, sir; it has not come in yet.

Mr. Chairman, Mr. John Wickham, the farmer from Long Island, wishes to make a statement while we are waiting.

Mr. PACE. All right; we will be glad to hear from you, Mr. Wickham.

FURTHER STATEMENT OF JOHN WICKHAM, CUTCHOGUE, LONG ISLAND, N. Y.

Mr. WICKHAM. I am John Wickham, Cutchogue, Long Island, N. Y. I am a potato grower and vegetable grower.

Mr. Chairman and Members of Congress, it appears to me from the hearing this morning that perhaps we, the potato industry, have been off on the wrong foot; that we have been explaining to you how this and that and the third portion of our program would work under supposed conditions.

I feel perhaps it is advisable at this time or some time to present you with the broad view; in other words, the policy outline of this thing which we are trying to do. I think in a measure that perhaps I am better qualified than most to do it because I am a one-horse farmer. As a matter of fact, I am the horse. I do not know all these details. I do not know how it works in Florida. I do not know how it works at the Washington level or at any other level. But I do know, and I feel very strongly, that the potato farmers of the United States have certain very definite problems. They have certain very definite recommendations. Without a clear conception of these problems and of our views an our policy, it is really shooting in the dark to try to explain to you or any other group how it will work out. I would like to outline, if I can, some of our policies. Then perhaps some of my colleagues will fill in. It appears to me that the potato growers of the United States to day have reached a certain crossroads. They have reached a certain point; that is, the market saturation point. I submit to you that there may be other agricultural commodities which may soon reach that point, but potato farmers of America are there, and have been there for 2 years. They have tried in their own industry to solve some of these problems, to chart a course from that point forward, and they have tried to chart a constructive and realistic course which we in the industry can live with. To all of us who have met for 2 days, that course appears to elad in the direction of a low support price. The reason we favor a low support price is manifold.

It will give the consumer potatoes at a cheaper price. It will give us a measure of protection, but not enough protection to make potato production lucrative all over the country. It will, in a measure, give us crop insurance. We dislike the word and the thought; but it will, in a measure, do just that. It will do more than that. It will make it inevitable that the acute problems of goals and relationships between areas will work out by themselves because there is not enough incentive. It was brought up this morning that we ought to have penalties for exceeding quotas, and so forth. Gentlemen, if we can get the support low enough, it will not be necessary to have penalties, because potato production will not be sufficiently lucrative to entice overproduction. We feel that we, the potato industry, are entitled to an opportunity by the Congress, by the people of the United States, to work out our problems in this way, in a way which we believe will automatically alleviate the vast majority of our troubles. It is in this vein that we have presented the evidence this morning and that we have met for the last 2 days to try of work out an equitable solution to our problems. It is not easy. We have potato men here, not represented, but we represent the potato men from 40 States. We can no more obtain a unanimous decision on many of these things than you gentlemen in Congress.

Our problem, the thing we are attempting to do, is to make potato production equal, or slightly exceed, the demand.

Mr. PACE. How low a support price do you mean?

Mr. WICKHAM. Of course we are talking of 60 percent, and it is entirely within our conception to let the market seek its own level and have compensatory payments.

Mr. PACE. Let me talk to you about compensatory payments.

Mr. WICKHAM. Mr. Chairman, I am a country boy.

Mr. PACE. I am quite sure you are a good American and that you believe in efficiency and economy in government.

Mr. WICKHAM. Yes.

Mr. PACE. You realize if you ask for compensatory payments for potatoes that you naturally must agree that producers of each and every other commodity have the same benefits; that is, that if the dairy farmers want it, you would agree they should have it.

Mr. WICKHAM. That is right.

Mr. PACE. As well as the producers of rice, tobacco, apples, oranges, and rutabagas. Have you given any thought to the amount of your tax burden by the adoption of that plan?

Mr. WICKHAM. Mr. Chairman, so long as we can keep the support price at a very low level, the tax burden will be very light because we are not making potato production attractive. That is the whole basis on which we put our argument.

Mr. PACE. Wait right there. If the payment on potatoes is going to be so small, why do you ask for it?

Mr. WICKHAM. It is a payment that will cover our investment in the crop and no more. We are seeking our recompense on the markets of this United States. We are not seeking any payment above the cost of production. I believe that you know that potato production has advanced from a mechanical standpoint to the point where we are among the most efficient of food producers. I appeal to you on the basis that potato producers have asked voluntarily for this 60 percent basis on which to experiment and I feel the potato industry is entitled to try this experiment. We will subscribe to the consideration that if wheat, cotton, corn, or anything else is willing to go to a 60-percent basis and some type of payment, we will go along with them. But a year ago we asked to have this legislation set up so that we might try this experiment. We feel that the American public perhaps is looking to us. We have been the "whipping boy" for something that we did not set up, a 60-percent potato program.

Mr. PACE. What about a commodity that does not lend itself to efficiency of production comparable with potatoes? Do you think they should be put down at the same support level?

Mr. WICKHAM. Mr. Chairman, I will only say that when I go home to my farm and look at it, I humbly thank God that I am producing a commodity which is perishable, and the slate is wiped clean every year. I do not see how some of these things can be made to work in commodities which can be stored from year to year. We, the potato industry, believe the plan can be worked out in a perishable commodity.

We believe we are entitled to an opportunity to try to work this out. If it does work, the Treasury of the United States stands to benefit. Potato production all over the country stands to benefit. At least we have a support which will in a measure guarantee us against very serious loss, and of course you know that some of us are producing potatoes like Henry Ford produces automobiles. It is cheap potatoes, it is cheap food which the country wants.

Mr. PACE. Where would you be if Congress failed to appropriate the money to make the payments?

Mr. WICKHAM. I am not prepared to answer that question. There are a great many of our farmers who perhaps feel that their business is raising potatoes and that in a measure they are willing to accept a great many risks in the line of marketing their crops.

Mr. PACE. Do you think the reduction to 60 percent of parity would be sufficient control to keep the acreage down?

Mr. WICKHAM. I rather question whether that will happen the first year, but I do think that over a period of not more than 3 years it will be amply sufficient to keep the production down.

Mr. PACE. And you do not want any control program?

Mr. WICKHAM. I believe we have to have, at least at this time, an acreage-control program, but it is relatively unimportant so long as we keep that support price down. The minute the support price becomes high, you get great acreages, and to me that is a terrible thing to see.

Mr. PACE. It has been said to me that 60 percent of parity, with the increased efficiency in production and advanced fertilization and methods of combating insects and disease, is a pretty good price. Is that true, or not?

Mr. WICKHAM. Sixty percent of parity represents sufficiently below the historical price of potatoes, but as you say, that is not the factor. I will say that with the advent of combines in the wheat business, with the advent of certain types of farming in the cotton industry in California, with the advent of hybrid corn in the Corn Belt, we are not out of line with other agricultural commodities in our cost of production. There are some cases that are different. For instance, there would be the production of milk and the production of fruit in which there have been no mechanical advances. But in most instances, there has been a mechanical advance and a lowering of unit cost of production. I submit we are well up on that curve. But also you must give the potato industry credit for being the first ones to say we, the industry, think we can get by on 60 percent. We think we will save the American people money. We think that it will solve a great many of these problems.

Mr. PACE. I believe I will give you credit for that, and I think you are entitled to a lot of it.

Mr. ANDRESEN. Mr. Chairman.

Mr. PACE. Mr. Andresen.

Mr. ANDRESEN. You are an actual potato farmer, I understand. How many acres of potatoes did you produce in 1946?

Mr. WICKHAM. That is 2 years ago. I believe I produced 74 acres of potatoes.

Mr. ANDRESEN. What was your yield per acre?

Mr. WICKHAM. My yield of potatoes in the last 5 years has not been far from 200 sacks of No. 2 potatoes to the acre.

Mr. ANDRESEN. Two bushels to the sack?

Mr. WICKHAM. A sack of a hundred pounds is actually a bushel and two-thirds, but we figured two bushels of field grade to grade out a hundred pounds of No. 1's.

Mr. ANDRESEN. What was your acreage for the 1947 crop?

Mr. WICKHAM. For the 1947 crop, I believe my acreage was 68 acres.

Mr. ANDRESEN. What was it in 1948?

Mr. WICKHAM. It was down to 64 or 65.

Mr. ANDRESEN. Have you planted your potatoes for 1949?

Mr. WICKHAM. Yes.

Mr. ANDRESEN. How much is your acreage this year?

Mr. WICKHAM. My acreage this year is 57. I had over the base period 89 acres and I am down to 57. There are a few adjustments because I am exceptional in one respect. I am the only certified seed grower on Long Island.

Mr. ANDRESEN. Do you produce only seed potatoes?

Mr. WICKHAM. No, sir, we grow practically all table-stock potatoes but I do grow a very small amount of certified seed for which I am under one slight consideration, because my seed potatoes are all for the export market to Central America.

Mr. ANDRESEN. I understand from your distinguished Congressman, Mr. Macy, you produce some of the best potatoes in the country. What I wanted to get at was this: You are a commercial producer?

Mr. WICKHAM. Yes.

Mr. ANDRESEN. Have the other commercial potato producers reduced their acreage in line with what you have reduced yours?

Mr. WICKHAM. In our section the compliance has been 10 percent in excess of the acreage. We have had 90 percent compliance, and I think 86 percent the following year. This year, even with a low support price, we will have about 80 percent compliance.

Mr. ANDRESEN. You only produce No. 1 potatoes in your area, do you not?

Mr. WICKHAM. We have a very small percentage of No. 2's and culls. There is no money in producing them.

Mr. ANDRESEN. You live next to the best market in the world.

Mr. WICKHAM. One hundred miles.

Mr. ANDRESEN. New York City and the other populous areas there. You got about $3.45 as a support price for your 1948 crop of potatoes?

Mr. WICKHAM. No, sir; our potatoes are practically all marketed during the summer season and we do not get, because of various factors, one of them the improbability of good storage conditions, the increase during the winter months. Our potatoes are harvested during the summer and early fall months and they are largely shipped at that time. We get around $2.76 and it varies up or down, depending upon how it is handled.

Mr. ANDRESEN. I know that some farmers on Long Island got $3.45.

Mr. WICKHAM. I submit to you that if potatoes on Long Island were stored until May they would be entitled to that payment. They would earn it because the shrinkage would be very close to 15 percent. Not only that, but your percentage of No. 2's and culls and pick-outs will include another 5 or 10 percent so you will get a differential there. Because we have a certain little difficulty with stored potatoes which makes it impossible for them to pass United States No. 1 grade after about the 15th of February, it is also justified. They could get it but they would lose money by doing it, as a practical matter.

Mr. ANDRESEN. It is rather strange to me that the potato growers on Long Island, living so close to a wonderful consuming market, that 1,800 farmers should receive an average of $13,168 apiece for the sale of their potatoes to the Government.

Mr. WICKHAM. I am a farm boy. I can tell you what has happened. You may not agree with me.

Mr. ANDRESEN. I am a farm boy, too.

Mr. WICKHAM. You may put whatever interpretation you wish on it. I will tell you what has happened. The outlets for diversion of Irish potatoes are located in the East. They are primarily the Publicker Company. If the United States Government is going to buy potatoes for diversion purposes, they are not going to buy them out of this area and ship them to Philadelphia. They are going to buy them at the nearby markets and take them off at the nearest point so they will not have this freight.

Mr. ANDRESEN. Can you see any good reason why they should buy them all up in Long Island and in New York so as to provide a market in New York for Canadian potatoes?

Mr. WICKHAM. No, sir, I cannot, but I can see a good reason for their buying potatoes so they will have a very small freight charge in getting them to a diversion point. There is no good in throwing good money after bad. We know New York is the market for all the Nation, the primary market. It is logical that they should take out of that market the largest part of their diversion purchases. Because of that, we in the metropolitan East and eastern seaboard in general have, in a measure, been penalized. But that is one thing we have threshed out in the industry.

Mr. ANDRESEN. As I look over the figures here, you have done pretty well, too, since the support-price program went into operation. None of them have gone bankrupt, have they?

Mr. WICKHAM. No, sir. May I remind the Congressman again that we have never yet tried that 60-percent basis.

It is our request that we be allowed to try 60 percent, because 90 percent is too high. It is too high in our own county and too high all over the Nation.

Mr. PACE. The only significant thing in that connection that attracted me was that notwithstanding the 60-percent support, you say still this year there are 20 percent not staying within the goals.

Mr. WICKHAM. Yes.

Mr. PACE. It does not look like that 60 percent is going to be as effective as you anticipate.

Mr. WICKHAM. Mr. Congressman, I am not acquainted with your personal business. If somebody said that you could operate your business this year for the fun of it, you would say, "I guess I will do as I please and I might strike it rich. I will make a little gamble on it." After all, there is no compulsion in this thing.

Mr. PACE. That is the point I made this morning, that when you deal with goals alone, merely with acreage allotments, with no penalty except not giving the support price, there is going to be somewhere around 5 to 25 percent national gamble and you are not going to have any real control over your production.

Mr. WICKHAM. Mr. Chairman, I submit to you that you are correct, assuming there is a reasonable margin of profit. At 60 percent there is no margin of profit. These boys have money in the bank. They have tried it. There is the outside possibility that they will come out all right. After all, the industry has by formula reduced the acreage planted by an additional 15 percent this year in our own attempt to get the supply down to the demand.

Mr. PACE. Is that 15 percent nationally?

Mr. WICKHAM. Well, I may be up or down a small amount, but in our area it is 23 percent. Twenty-three percent hurts. There are those who say, "Well, maybe we are coming up with a short crop and we will take a chance." But if we can get through 2 or 3 years of this, we will be all right. But for goodness' sake, we are entitled to the opportunity to get through it."

Mr. PACE. Let me ask you one more question. If 80 percent of you are ready to play ball on a business basis, is there much harm in seeing to it that the other 20 percent play ball, too?

Mr. WICKHAM. Mr. Chairman, that is why we are a little bit inclined to look with favor on compensatory payments and let the market go where it will. If we are going to support the price at 60 percent, we might just as well support it at 90.

Mr. PACE. Why do you have to go to compensatory payments? Why can you not just fix your acreage within a reasonable approach of your demand and do it without it costing the Government anything?

Mr. WICKHAM. Then it puts a premium on the boy who takes a gamble and says he has nothing to lose.

Mr. PACE. He cannot take any gamble. You will have a penalty on him that will take the gamble out.

Mr. WICKHAM. Mr. Chairman, we recognize that this has been done in practically every major agricultural industry. We, the industry, do not wish to do it that way if we can be allowed the opportunity to work it the way we want to, which we say will cost the taxpayer less money. There will be no rigid control. It will not freeze production in any certain area. I cannot help but take tobacco right back to you and tell you what you already know, that the tobacco allotment has provided an arbitrarily high fixed value for land which can never be substantiated on any other basis.

Mr. PACE. I do not think there would be any argument about that.

Mr. WICKHAM. That is the thing we want to keep away from.

Mr. ANDRESEN. Mr. Wickham, just one or two more questions. Since the support program went into operation, have you had any new producers go into business on Long Island?

Mr. WICKHAM. No, sir. During the Steagall period when production was stimulated, we did have some. I say that in a large sense. There have been boys who started in. There have been split-ups when a man and his son were working together. There is, as you know, a small adjustment available for that type of thing, new men going into the business. But the thing that has hurt so, and the thing which we are pretty well convinced this 60-percent business will lick is the same 10 percent whom, I think, all over the country have profited by the Government program and who have increased their acreage and incomes.

Mr. ANDRESEN. What percentage of the crop you produced in 1948 went to the Government?

Mr. WICKHAM. I am not prepared to state on that because our potatoes are handled through a dealer in a good many cases. I would say ours are sacked by a second party in many cases and sold either to a third party or the Government and I have no knowledge of where they went. The potatoes we handled directly, maybe 10 or 15 percent, went directly to commercial channels. I would say 50 percent went to the Government. That is a guess.

Mr. ANDRESEN. Your books would show that?

Mr. WICKHAM. No, sir; my books show that they go to such and such a dealer. He is a certified dealer and handles only potatoes from farmers in the program. His books would show where they go, but not mine.

Mr. ANDRESEN. Then you have no knowledge at all of how much you get out of this money the Government pays out?

Mr. WICKHAM. Yes; we have, because the margin the dealer can get is set at the county and State and O. K.'d at Washington levels.

Mr. ANDRESEN. Then you think about 50 percent of your potatoes went to the Government?

Mr. WICKHAM. That would be a guess.

Mr. ANDRESEN. Is that general on Long Island?

Mr. WICKHAM. I would say so. Would it not be necessary to do so?

Mr. ANDRESEN. I am buying Maine potatoes and have been buying them all winter. You can get Idaho and California potatoes here but no Long Island potatoes, that I know of.

Mr. WICKHAM. At this time of the year we will advise you to buy Maine.

Mr. ANDRESEN. I have bought them all year. It appears that the production is about 50 percent over what it should be.

Mr. WICKHAM. I think it was brought out this morning that the consumption of potatoes is relatively inelastic. The production this year was four hundred and some million bushels and we feel that the optimum production which can be absorbed in trade channels is perhaps 350, so we overproduced by 60,000,000.

Mr. ANDRESEN. But our population has gone up by 14,000,000 in the last 6 or 7 years, and it is continuing to go up rapidly.

Mr. WICKHAM. Mr. Congressman, the human stomach is capable of holding just so much food. If a man drinks orange juice and eats vegetables and steak, he will not eat potatoes.

Mr. ANDRESEN. Steak? I cannot see that.

Mr. WICKHAM. I submit if the steak is big enough you will not eat half the potato.

Mr. ANDRESEN. I just want to make one observation here. I am convinced that if we had the Brannan program in operation now farmers would not be getting more than 40 to 50 cents a bushel for their potatoes throughout the country. You have sold potatoes for 50 cents, have you not?

Mr. WICKHAM. Mr. Andresen, if that were to happen, the potato production next year would be half what it was this year and the price to the consumer would be at least $4 a bushel because we have sold potatoes at $4.25 a bushel in 1929. Who paid for it through the nose? The housewife, your wife, and the next one. If you want to do that, it is O. K. with me.

Mr. ANDRESEN. I am not urging that, but I just want to point out that over a long period of years potato production has been an in-and-out proposition, where any farmer can go into the production of potatoes and if the price was low he stayed out next year. It was generally the commercial producers that stayed in all the time and that kept somewhat uniform production and supplied the Nation with potatoes.

Mr. WICKHAM. Mr. Andresen, you are talking exactly down our alley. If we can get that support price low enough to squeeze out these noncommercial producers, Secretary Brannan will not like it, but we will do exactly what you are suggesting.

Mr. ANDRESEN. We do not want to make you people entirely dependent upon the Government for your income, because if potatoes do go to 40 cents a bushel and you should have $1.58 a bushel, it is going to be an awful job to find money from the taxpayers to see that you keep going.

Mr. PACE. Let me bring out one more thing before you sit down. I am sure you understand that this committee is charged with the responsibility of as nearly as possible treating all agricultural producers in this Nation equally. I think we should do that, do you not?

Mr. WICKHAM. Yes.

Mr. PACE. There are some things in the Agricultural Act of 1948, known as the Aiken bill, which I seriously doubt if anybody ever intended keeping in it. They were put in there with the idea that the bill would come before this committee and the House would act and then the two bodies would go into conference and iron them out. Under the Agricultural Act of 1948, there are five to seven commodities that have special treatment. There is a provision in there that tobacco shall always get 90 percent of parity. It is picked out.

Mr. ANDRESEN. That is the Barkley amendment.

Mr. PACE. There is a provision in there that Irish potatoes shall not be supported at less than 60 percent of parity. That is the Brewster amendment. There is a provision in there that wool shall not be supported at less than 60 percent and shall be supported at that level necessary to increase the production of wool up to 360,000,000 pounds. That means it would have to be supported at 90 percent of parity for the next 117 years. Then there is a provision in there that cotton, corn, wheat, rice, and peanuts be supported at 60 to 90, depending upon the supply. I believe that is seven commodities that have special treatment. Everything else in there is from zero to 90, in the discretion of the Secretary of Agriculture. You do not think that is equal treatment, do you?

Mr. WICKHAM. Naturally not.

Mr. PACE. It has been the feeling of some of us that agriculture is entitled to that same degree of protection and security as is enjoyed by other groups. We feel that the producer is entitled to a reasonable support price as long as business has its protection and labor has its protection. But there is also a feeling that there is an obligation on the part of the producer to exercise such limitations on production as will bring the supply and demand somewhat in balance and not be an excessive burden to the taxpayers of the Nation. I feel, while I personally favor 100-percent parity support, that it is the duty and obligation of the producers to keep their products within reasonable limits and that such means as necessary to bring that about should be put into effect.

Mr. WICKHAM. May I speak to that point?

Mr. PACE. Yes.

Mr. WICKHAM. I submit to you that the potato growers of the United States are the only ones who have voluntarily come forward with a program in which they have said, "We wish to limit our production and we wish to do it in this and that and a third way, and we wish to take lower support prices." Because of those factors, we are entitled to special consideration and none other.

Mr. PACE. But you do not agree to the control of all of you? You simply say that you will submit to acreage allotments and let 80 percent of you go along with your Government and let the other 20 percent get the benefit of the program without conforming to its requirements?

Mr. WICKHAM. Mr. Chairman, at the present time that is still—and I think this in deference to all my colleagues here—beinghandled in the industry. We are voluntarily accepting the responsibility for those who have jumped the program and curtailing our own production. I will not say it is right or proper, but it has been my experience in this world that there are a few who carry the responsibility for the many and we, the potato growers, are doing just that. We have done just that for the last 3 years.

Mr. PACE. Thank you very much.

A letter signed by Harold R. Blakely, president of the Erie Co., N. Y., Potato Growers, Inc., will be inserted at this point.

MAY 17, 1949.

To: Representative Stephen Pace, chairman, House Subcommittee on Agriculture.
From: The potato growers of Erie County, State of New York, represented by the Erie County Potato Growers Cooperative, Inc., a group of about 200 small growers, wish to get the following on record at the forthcoming congressional hearing on potato legislation.

(1) *Acreage allotments.*—We feel that acreage allotments on a family-size farm where potatoes have been grown for years and will continue to be grown as a part of a balanced farm economy, has worked and will continue to work hardships on these growers. We feel that with a market like we have here, in this

county and the trade we have worked up through the years, that the Government in its program should not attempt to reduce the acreages. Since before the war there has been a steady voluntary decrease in acreage as evidenced by census figures. So why should the Government force additional acreage reduction? We feel there should be no reduction on farms with produce under 10 acres of potatoes. We also feel that in line with this, that those above 10 acres should take a cut according to a scale derived so that larger grower received the largest cut.

(2) *Marketing agreement.*—We favor market agreement; but feel that under present laws it is impossible to operate them in this area, i. e., where the grower is the handler and he also makes direct sales. We are in favor of some change in the present law so that marketing agreements will be workable in this area.

(3) *Marketing quota law.*—If quotas are used, we feel that there should not be a penalty for a grower who stays within his acreage quota even if his yields exceed those set up in the quota allotment. We do not want any program that will put the Government in the position of supporting the potato grower but rather would have one that will put the potato grower in a position to support the Government.

HAROLD R. BLAKELEY,
President, Erie County Potato Growers Cooperative, Inc., East Aurora, N. Y.

Mr. Case, are you ready to report?

Mr. CASE. Yes.

FURTHER STATEMENT OF WILLIAM M. CASE, EXECUTIVE SECRETARY, RED RIVER VALLEY POTATO GROWERS ASSOCIATION, INC., GRAND FORKS, N. DAK.

Mr. CASE. The group met here until almost 2 o'clock. This is a restatement of our deliberations at that time.

We have been in session since meeting with the committee this morning and, first, want to reiterate with the committee the four major points that were brought out this morning, which were unanimously agreed upon by the National Potato Council and others:

1. We recommend that the flexible price support system allowing the Secretary to set support prices from 60 to 90 percent of parity be retained.

2. We recommend that any price support be contingent upon compliance with acreage goals and also marketing agreements, wherever feasible. We believe marketing agreements will provide for the consumer the better grades of potatoes.

3. We recommend that, if practical, a program to make possible the use of compensatory payments or production payments be developed and made available to the Department for use if necessary to enforce compliance with production programs.

4. We recommend that a definite formula for determining State potato acreage allotments or goals be incorporated in long-time legislation.

When the meeting was recessed this morning, the subcommittee left with us two major questions on which they would appreciate an answer this afternoon.

One question was, "Do you favor a fixed formula for setting acreage, and, if so, what type formula?"

In discussing this, our group has agreed in accordance with the original presentation that there should be written into the legislation a fixed formula for setting acreage goals. But, due to the fact that some areas have not had sufficient time to study the various approaches that might be taken, we would like to ask the committee to give us 30 days to study the matter to see if we cannot bring back to the committee a formula that will be agreed upon by the National Potato Council.

We have voted to appoint a special committee of 5, to be named by our chairman, to try to work out a suitable formula.

The second question was as to whether or not the industry favored penalty provisions and from that we inferred that the committee might be interested in our reaction on marketing quotas.

We believe that the idea of penalty provisions and marketing quotas both should be given serious consideration by the industry. But, here, too, many of our areas have not had sufficient experience or time for study of marketing quotas and penalty payments to form satisfactory judgment.

We believe, therefore, that, for the time being, the support program should be operated in line with present legislation with a recognition that we all will be studying the possibility of penalty provisions and marketing quotas.

All of this is presented with the full recognition on the part of the industry that future programs must be operated on a basis of reduced costs to the very greatest extent possible in the interests of the national welfare and economy.

Mr. PACE. Mr. Case, let me analyze that with you a moment. First, you recommend a support of 60 to 90?

Mr. CASE. Yes.

Mr. PACE. That is the law. Secondly, you recommend that compliance be brought about by acreage goals and marketing agreements. That is now the law. Third, you recommend that payments be authorized as a measure of volume.

Mr. CASE. That is right.

Mr. PACE. That is now the law?

Mr. CASE. That is possible under the law; yes.

Mr. PACE. Then the only thing that you invite the attention of this committee to would be trying to put in the law some formula peculiarly applicable to the fixing of goals for potatoes?

Mr. CASE. Yes. It was our position that if you did intend changing the law we thought that these first three provisions should be retained in any new act. The last one is not at the present time in the law. After a great deal of discussion the group did vote unanimously in favor of having some formula written into the law that would determine the acreage allotment to States.

Mr. PACE. In setting the 30-day request, when did you fix the adjournment of Congress?

Mr. CASE. The President had a statement in the paper a couple of nights ago saying July 25.

Mr. PACE. Thirty days from now would be June 4. That would be very little time to draft a bill and get it considered by the House and heard by the Senate committee and passed by the Senate, would it not? In the light of the problem, I do not think you have asked for too much time, but I think in the light of the existing situation in Congress it would be very difficult to do anything in that length of time.

Mr. COOLEY. Mr. Chairman, I would like to say it seems to me that you, Mr. Case, should be able to reach an agreement regarding the formula within a very short time because all of you know the difficulties that we have had in the past regarding this one phase of the potato program. It is the most controversial thing we have here right now. It is controversial for the reason that there has been a trend away from the east coast to the west coast. I think my friend from North Carolina and his group have tried to reconcile the differences and to compromise and to take into consideration a period within which the trend was to the west and a period within which the growth of potatoes was to a greater extent on the east coast and even it up so as to be fair. Under the formula suggested here, the west coast growers are given a definite advantage. They were increasing the production of potatoes out there and intensifying their efforts at a time when the east coast growers were trying to cooperate with the war effort and divert their potatoes and hold them out of production, and other things.

Mr. WHITE. Mr. Chairman, would you mind if I interrupt there? We do not want to create that kind of an impression. We increased the production for wartime needs at Government request.

Mr. COOLEY. You all overdid the job out there.

Mr. CASE. Mr. Chairman, in answer to your question, the proposal that Mr. Wescott and the others have made here came to us almost out of a clear sky this morning.

Mr. COOLEY. I realize that.

Mr. CASE. The boys from this specific group have been thinking about it for a long time and they have figured out their position in their States. The rest of us have not. Members of the potato division were with us this noon. We asked them how long it would take to get comparable figures for all States so that the rest of us could see just what was involved in that formula.

Mr. COOLEY. While you are here in Washington, I might suggest that you go to the Department of Agriculture and the boys down there can be of a great deal of assistance to you and I think they can aid you in applying this formula so you will know just where you will come out.

Mr. CASE. We asked thm how long it would take, and they said it would take at least 3 days to develop the figures.

Mr. COOLEY. That is 3 days. Suppose you took 10 days and told Mr. Pace you would come back 10 or 15 days from now. You would have a chance, then, to get something done. If you wait 30 days, as he pointed out a moment ago, we will get into the hot summertime and in the last few weeks of the session, and the chances are you will go into next year without any change in the program.

Mr. HARDY. Mr. Chairman, may I inject a thought? In the first place, I do not see why it would take the Department of Agriculture 3 days to give a complete analysis of the situation. Certainly they have all the figures down there. It is merely a matter of adding them up and dividing them. That is obvious. The second thing I would like to question is whether we are going to establish a formula on a basis of what is equitable and just and proper or whether we are going to establish a formula on the basis of what it is going to do to some particular State. I think that is a major question that ought to be decided.

Mr. CASE. Mr. Hardy, I think your group came up here with a planned formula.

Mr. HARDY. Let me correct that just a minute. This proposition was injected into that meeting last night by me, and, so far as I know, nobody had raised that question before.

Mr. CASE. On a compromise basis someone else, I believe—and I believe it was you people—suggested a 10-year base. Someone else suggested a 5-year base. We are now partly toward a compromise on 7 years. That is within a group who have had the information. What about us who have not had the information?

Mr. COOLEY. Now you do have it. This thing is very important. It is perhaps more important to the men in this room than anything that is going to happen in this Congress. Since it is of such great importance, why could you not give a couple of days more to it while you are in Washington and while you can work together rather than to go back home and be scattered all over the country and have another big meeting and have all of you come back to Washington?

Mr. CASE. The chairman has under consideration the appointment of a committee of 5. It is entirely possible that that committee of 5 can be left here to work out this formula. Yes I think most of the men in this room, like myself, seem to be representing about 4 States. I am sure I do not want to assume full responsibility in speaking for the men from those 4 States without consulting some of the people back home.

Mr. COOLEY. On the other hand, you have to confess that it is not going to take you 4 weeks to go back home and put the story across to them and get the answer.

Mr. CASE. Possibly not 4 weeks.

Mr. COOLEY. On this penalty, if you producers really want to do what you say you want to do, and that is to keep down production, to prevent a surplus of potatoes, I do not see why you would hesitate to say, "Yes, we will penalize the fellow who will not go along with us." For those who are going along, the penalty will not hurt them.

Mr. CASE. Mr. Chairman, we have said we think the man who refuses to go along should be penalized. There are different methods of doing that.

Mr. COOLEY. Are you going to penalize them by withholding some insignificant support they are not interested in? Why do you not put one penalty per bushel or per acre? That is the way we would do it.

Mr. CASE. There are different methods. Our recommendation of marketing agreements is primarily an acreage-control program. It is a 2-phase program. One is to give the consumer some help, and the second is to hold back the noncomplying grower. In my own area we have a marketing agreement in operation this year. All men were required to keep their No. 2's at home. The man who was in compliance turned his over to the Government under the support program. The man who was not in compliance could not ship his, but neither could he turn them over to the Government. If you do not think it hurts, you should have heard them squeal.

Mr. PACE. Let me say this, Mr. Case: It should be understood that I am speaking from the depths of ignorance, because I do not know too much about the Irish potato business.

It seems to me that the way to control Irish potatoes is through the marketing of the crop, through a marketing agreement.

Mr. CASE. I agree with you, sir.

Mr. PACE. Those who conform to the marketing agreement would get the benefit of the support price and those who did not would be unable to market any Irish potatoes. That is very simple. You just do not sell any Irish potatoes.

Mr. CASE. I grant it would be effective.

Mr. PACE. Let me add this, and I want it said before these people leave here: I do not believe the advantage you have over practically every other similar commodity in the United States is fully understood. Irish potatoes—and I want everybody to understand this—is the only perishable commodity produced in the United States which has a compulsory support price. The law expressly says that the Secretary of Agriculture is not obligated to support any perishable commodity. He is not compelled to support cattle, one of the greatest industries of this Nation. He is not compelled to support dairy products, one of the greatest industries of this Nation. He is not compelled to support dairy products, and I presume that dairy products have a greater production than that of Irish potatoes in this country. I assume that cattle and hogs have greater production than Irish potatoes.

You can take the whole list of about a hundred perishable commodities. Under this act you are the only group that has a compulsory support-price program where the Secretary must support you at 60 percent of parity.

The Members of Congress, as a body, represent every agricultural producer in this Nation. I think it should be said here, because the hour of frankness has come, that I do not believe that Congress is long going to retain this provision in the law giving Irish potatoes such single, special, choice treatment unless the Irish potato producers are willing themselves to formulate a program to see that it does not cost the Government millions and millions of dollars. I cannot do it, and this committee cannot do it; the Congress has to do it.

I make this prediction: You are either going to bring this Irish potato production in line or this provision is going to be taken out of the law. I do not think there is any doubt about it. I think it ought to be understood. You just cannot, if you will permit such a trite expression, have your cake and eat it, too. You have special treatment. You have treatment that no other single perishable commodity has. If you appreciate that, then you had better get together and agree upon a program, in my judgment. I, for one, think that the Government ought to give you a support price, but I, for one, also think that you should be willing to fall in line and conform to reasonable limitations on production, and if you have 15 or 20 percent who will not do so, then if you want the program, you had better make them do it. That is the situation as I see it.

Mr. CASE. Mr. Chairman, the potato industry is deeply appreciative of the position we have. I submit again that 1 year ago, again in November, and again today, we voluntarily asked for restrictions, even in the report I have just read to you and in the statement we filed with you.

Mr. PACE. I say again, Mr. Case, you asked for restrictions that do not restrict. You asked for a support price. Yet you let a man produce without limit and enjoy 99 percent of this support price.

Mr. CASE. In the recommendations we have made, we believe we have asked for restrictions that will restrict.

Mr. PACE. In acreage controls and goals?

Mr. CASE. We have asked for goals and acreages to be set. We have asked for marketing agreements in all areas. The limitation of "where feasible" is in there only because of the administrative difficulties of trying to administer it in some areas.

Mr. PACE. Do you agree that a marketing agreement should provide that a man who complies with the goals should not be permitted to sell any Irish potatoes?

Mr. CASE. Marketing agreements under the law require that all people be treated the same; that is true. Now, this much can be done, and has been done. If there is a surplus and there is need to remove some amounts, payments can be made to the man in the program and denied to the man outside the program, but both can be compelled to restrict a portion of their crops. That is now operative.

Mr. COOLEY. If he fails to restrict his crop, what can you do to him?

Mr. CASE. He then is in violation of the Federal law and we have many examples of where men have been fined. I do not know that any men have been in jail, but I do know that men have been seriously fined.

Mr. COOLEY. Not for overplanting.

Mr. CASE. No, sir; for overmarketing.

Mr. COOLEY. You mean marketing in violation of the law?

Mr. CASE. Or the Marketing Agreement Act; yes, sir.

Mr. PACE. What would be a violation, in your opinion?

Mr. CASE. We have a regulation in my area that you cannot ship a No. 2 potato.

Mr. PACE. I understand that. But what about that excess production he has?

Mr. CASE. If he cannot sell it, it is at home.

Mr. COOLEY. But suppose he has a surplus of No. 1's?

Mr. CASE. In that particular instance, you are right.

Mr. COOLEY. Why are you not willing to put a penalty on it?

Mr. CASE. We are.

Mr. COOLEY. We put a penalty of 50 percent of the value of every pound of tobacco that is grown outside the law.

Mr. CASE. Mr. Cooley, we do not say use only marketing agreements. These are listed as one, two, and three and all can be applied, if you desire.

Mr. PACE. What you do say, Mr. Case, is acreage allotments which do not control, goals which do not control, marketing agreements which do not control. Consequently, you come up with three suggestions and your noncomplier still gets the benefit of the program and tells the rest of you to go to.

Mr. CASE. I submit that we have added another one.

Mr. PACE. What is it?

Mr. CASE. Compensatory payments.

Mr. PACE. I understand. That is where Santa Claus comes in.

Mr. BRYANT. Mr. Chairman, could I ask a question? I think the industry is entitled to the opportunity to try this program. We have not asked for what we should have asked in the form of a program, you have indicated. Are we to read into that that you believe that we should have marketing quotas in order to be entitled to price supports?

Mr. PACE. Are you talking to me, or to Mr. Cooley?

Mr. BRYANT. Either one.

Mr. PACE. If you enjoy from the hands of your Government the protection and assurance of a fair price for your commodity, you in turn are under the obligation to limit your production within reasonable bounds to save your Government from any unreasonable cost in the operation of the program. I do not believe any farm program will long survive that does not contain that principle.

Mr. COOLEY. Nor will one long survive who only undertakes to control a part of the crop. You have to control the entire crop, or you cannot have a successful program.

Mr. BRYANT. Which means marketing quotas, in your thinking?

Mr. COOLEY. That is right, and penalties on top of that.

Mr. BRYANT. We would like to throw out this thought, that the industry recognizes the responsibility. We have recommended a year ago a program that has not yet started to operate. How do we know that that is not going to work?

Mr. COOLEY. You mean for 1949?

Mr. BRYANT. Your lower support.

Mr. COOLEY. You do not have any machinery for enforcing controls.

Mr. PACE. One of your witnesses just testified it is not worth it to 26 percent of his producers.

Mr. BRYANT. I am not sure of this, but I think you will find that for the country as a whole we are not over on our acreage, on our goals.

Mr. COOLEY. You might not be over on your acreage but even in the recent past where you have restricted your acreage you have so tremendously increased the per-acre yield that your controls have been ineffective. Mr. Pace and I are talking about the marketing end of the matter. We could let the growers share fairly in the market. If there is anything left over we would keep it out.

Mr. CASE. May I say a word on the cultivation of the potato crop. It was only a year ago that potatoes were $8 a hundred. That is a tremendous penalty on the consumer. We have no carry-over or safeguard. To try to set an acreage and guarantee to the housewife that she will have plenty of potatoes is impossible, as you men appreciate.

I like your approach to marketing controls, but in so doing we will have to have some assurance if you expect farmers to continue to produce sufficiently, gains over production. I believe you gentlemen are willing to grant that if the potato growers can assure you that in case of a surplus some restrictions will be undertaken. The use of so-called compensatory payments, in our judgment, is entirely a method of penalizing a nongrower.

Mr. COOLEY. It is true it penalizes many by withholding the compensatory payment, but we have to think about the Federal Treasury. You know this penalty imposed on the Federal Treasury by the potato program now in existence has been tremendous and the people are not going to stand for it any longer.

Mr. CASE. Combined with those payments would be the Secretary's own determination of how many acres of potatoes we should plant. I would like to refer to the fact that for the past two years the potato industry has not planted the acreage recommended by the Secretary, nationally. The crops have been good but they have been due to a large extent to very favorable climatic conditions that may change this year.

Mr. PACE. It seems to me that you are somewhat taking a contrary position when you indicate on the one hand that to drop to 60 percent support is going to bring production down to reasonable levels and next you ask for compensatory payments in order to punish the man who overproduces. There seems to be a little conflict in the situation. If the low support is going to reduce production, what is the need for compensatory payments?

Mr. CASE. We do not think the low support will necessarily bring all production down. I happen to represent a large commercial producing area. I noticed a question that Mr. Andresen asked of our friend from Long Island. Their agriculture is quite stable. The amount of land is limited. However, in our country it can change and shift a lot.

We have had a lot of speculative potato growers during the price-support program. We admit it. We think that they are in there because they feel they have their bet coppered, so to speak. We felt that the 60 percent of parity would move some of those men out and I think that it will. I think it will cause some other large operators to reduce proportionately. But we do not place total reliance on that. We have asked for these other regulations.

Mr. BRYANT. Mr. Chairman, I would like to throw out this thought. I personally believe that this potato group prefers very much the suggestion you have made. I think our reluctance to say "Yes," we believe in marketing quotas, is quite largely due to the fact that we do not understand them.

I think that your recommendations will be given very serious consideration. That probably is the approach that should be taken. We do not know and we appreciate your suggesting it. I cannot help but throw out one other thought, coming from Maine, that I would like to have in the record, and that is that one of the reasons for over production is a lot of potatoes coming in here from Canada.

That has been brought out by Congressman Andresen. Until we can get some help in that respect we have very little opportunity of correcting this surplus problem. As we understand it, at the present time your reciprocal trade agreement is so written that if we have a production of potatoes under 350,000,000 bushels, Canada can bring in an equal quantity under a low rate of duty.

Therefore, your Department of Agriculture at the present time is going to be pretty nearly restricted and unable to set a goal below 350,000,000 bushels because of these Canadian potatoes coming in.

Mr. ANDRESEN. Let me point out to you that whenever we have a surplus of potatoes in this country, existing law gives the administration the authority to limit imports of potatoes under a quota which may be a virtual embargo. They did not do that, although some of us recommended it.

The result was that 6 or 7 million bushels of Canadian potatoes came in here, which required our Federal Government to buy more potatoes in Maine, Long Island and other eastern areas which would otherwise have been sold in normal channels of trade.

Mr. COOLEY. The law already provides another way of taking care of the situation.

Mr. ANDRESEN. Oh yes; they can put them under a quota and put on an embargo if they want to.

Mr. PACE. Which they will not do.

Mr. ANDRESEN. We asked them to.

Mr. PACE. All Democrats do not think this way, but if you are going to support the American farmer at a fair price and let foreign agriculture and competitive commodities come into this country, you are going to do two things. You are going to break the bank and you are going to break the farm program. There can be no other result.

Mr. ANDRESEN. And you will break the country as well.

Mr. PACE. Well, that is the bank.

Mr. ANDRESEN. May I ask a question on the recommendations?

Mr. PACE. Mr. Andresen.

Mr. ANDRESEN. I am not quite clear on the last recommendation you made. One, you recommend existing law where we have the support loans. They are loans without recourse, so the Government takes the potatoes. In fact, they make a loan on potatoes and they are nonrecourse loans. Secondly, you recommend either production payments or compensatory payments. It seems to me that what you have recommended there contemplates that you will sell the potatoes in the open market at the supply and demand level and the Government will pay you the production payment or compensatory payment, the difference between what you got on the market and what you should have, as a reward for complying with part of the program.

Of course that is a suggestion made by the Secretary of Agriculture in the program that he has presented and for which no bill has been introduced. I had understood your organization to say that you were opposed to the Secretary's program. Are you modifying your program now so that you are willing to let all potatoes be sold in the open market at the supply-and-demand-level price and then accept payments as proposed by the Secretary?

Mr. CASE. Mr. Congressman, we have taken no stand on any legislation, whether it is the present legislation or the proposed legislation. We have merely suggested that these be incorporated insofar as potatoes are concerned. We can only as a group of potato growers place dependence on the fact that when the Secretary of Agriculture assigns an acreage goal, in his judgment the production from those acres will be in line with demand so the payments would be low.

Now, we are ready to go along with that, and we think that the compensatory payment plan, in our judgment, would be a method through which we could whip a noncomplier grower in line.

Mr. ANDRESEN. I do not agree with you because they can raise potatoes all over the United States during the growing season. Down in my congressional district it would be a simple matter to put in 200,000 or 300,000 more acres of potatoes. We are not in the commercial potato growing business at all, as you know.

But if the price of potatoes would be attractive compared with oats and barley and some of these other commodities, with some of that fine land we have down there, it would be no trick at all for a farmer to put in a few acres of potatoes. They could do the same thing all over the Middle West. You would have to have a tremendous establishment if you were to enforce that to stop the new growers from raising and selling potatoes.

Mr. CASE. You would have to depend on the judgment of the potato man in your area, Mr. Congressman. You have seen the time when your potatoes were not worth digging. That is true, is it not?

Mr. Andresen. I have seen the time when potatoes were selling for 20 cents a bushel.

Mr. Case. That is right. Would the man who was going to plant these 300,000 acres have that in the back of his mind? Obviously the Department is not required to pay on that acreage.

Mr. Andresen. He will do it for 1 year, you see, and the price will go down. We will say it goes down 30 or 40 cents a bushel, which it may. Then he will say, Well, that is not bringing in as much money as oats or barley, so the next year he will not go into that.

Mr. Pace. He does not have to do that. He has the benefit of this man's 60 percent support.

Mr. Andresen. But under the compensatory payment plan, all potatoes will be dumped on the market to bring what they can.

Mr. Case. That is right. He might only get 20 cents a bushel for them, sir.

Mr. Andresen. We are going to have two programs here.

Mr. Pace. Are we talking about compensatory payments between 20 cents a bushel and 60 percent of parity? This is getting into big money.

Mr. Case. If he is going to increase 300,000 acres in Minnesota and everybody else does the same thing, it will be. But I again say that it is the opinion of the potato men that if a man knew that he had to sell his potatoes on the market for what they would bring, he would think twice about overplanting.

Today's costs of production are tremendous, gentlemen. We were talking about it last night. Some of the boys are paying up to $300 an acre in production cost to produce a crop of potatoes. The margin of profit is very small. Granted, Mr. Andresen, maybe some of these men will not appreciate that until it actually happens to them or it may take one bad year to wake them up.

Mr. Andresen. We would not have 300,000 acres in one place, of course.

Mr. Case. That is right. Let me go back to one more thing. We do not understand the controls that have been thrown in here. We have been in the habit of thinking in terms of marketing agreements as a control measure. We have accepted acreage allotments. We are anxious to devise a method through which the noncompliers will be forced out of the picture or forced in line.

We have not said we would not consider marketing quotas, and the statement I just read you said that we would make a study of them.

Mr. Pace. Let me show you how simple marketing quotas are as compared to what you suggested, leaving marketing agreement out for the moment. You suggested goals or acreage allotments. You get an acreage allotment, do you not? You do the same thing with the marketing quotas. You get 60 to 90 percent support. You get the same thing under marketing quotas. There is only one thing in addition that marketing quotas mean. If you had a goal of 20 acres and you planted 30, when you marketed the potatoes grown on that extra 10 acres you would have to pay a penalty of one-half of the support. That means if the support was 60 percent of parity and you sold the potatoes off the extra 10 acres you would have to pay a penalty equal to 30 percent of parity. That is all there is to it.

Mr. CASE. But they still would go on the market.

Mr. PACE. It is that penalty on the excess production that in the case of the other basic commodities maintains compliance with the goals of the acreage allotments. That is the only difference. It is just that one little step. If you exceed your acreage goal, when you sell the potatoes off the excess acreage that you planted you would have to pay a penalty equal to one-half of the support price. That is all.

Mr. GRANGER. Would the gentleman yield there?

Mr. PACE. Yes.

Mr. GRANGER. Has the chairman throught that thing through? You are talking now about a perishable commodity. Would your theory work on a commodity that is perishable like potatoes as it will on wheat which you can store? It seems if we applied your theory we would sometimes have a waste of potatoes that would be greater than anything we have ever had.

Mr. PACE. I do not see anything in it that would in the slightest halt the movement of the potato market. My personal view is that the way to handle it, of course, is through marketing agreements.

Mr. GRANGER. Of course, if that had been in effect the potatoes would not have gone to market because there would have been no price for them. They could not store them.

Mr. PACE. You understand, if they went to market and if the Government had the support price, Uncle Sam would have to be standing there taking them. When he took them from one of these noncompliers, instead of giving him 60 percent of parity he would give him 30 percent of parity. That would be the only difference. The check would be just one-half.

Mr. CASE. May I make these points? The Potato Council and industry have asked the Department to develop marketing agreements as fast as possible. They have said it takes time, and I think they are planning on four new marketing-agreement areas this year. We wish they were all in.

The qualification of "where feasible" is upon the advice of the Department that marketing agreements could not be operated in all areas. They themselves, Mr. Chairman, recommended that qualification.

The potato men are a little afraid that even though this man is fined 50 percent of parity, those potatoes will still go on the market, and if there was any quantity of those potatoes, it would force the Government to buy more and more potatoes because they would be taking up a part of the normal market outlet. So for that reason we have not been as close to the marketing quotas as some other crops have.

Mr. COOLEY. If you had a very severe penalty on overproduction, do you think you would likely have any surplus of any substantial size?

Mr. CASE. We probably would have this trial year to go through, if I might use the chairman's example. If a man overplanted 10 acres and sold those potatoes he might do very well, if he was a 50-acre grower, on the 40 acres free. If he was a 20-acre grower the penalty might mean more to him.

Mr. COOLEY. We have a penalty of 50 percent on tobacco grown in surplus, and I know of no one who would deliberately plant tobacco under those circumstances. We made the law that way on purpose.

Once in a while a man inadvertently overplants and harvests it, and he gets a red card and pays the penalty. The penalties collected by the Government have been more than sufficient to pay the administrative costs of the program.

Mr. BRYANT. Mr. Chairman, I do not get the impression that the tremendous cost to the Government of the potato program is due to planting over our goals. That is one reason why I think the potato industry cannot quite see how marketing quotas would correct our problem.

Mr. COOLEY. I agree with Mr. Granger that marketing quotas will not work as successfully with a perishable commodity as with a nonperishable commodity. I know that. But I do know also that the potato growers should make every effort to apply some strict control on production.

Mr. BRYANT. The committee recognizes, does it not, that we have not been overplanting our acreage very much?

Mr. COOLEY. No; I understand that. Of course, we did not overplant in cotton.

Mr. CASE. One of our problems in potatoes is this very definite unknown factor of what Mother Nature is going to do to us. It is a problem that is serious for the Department of Agriculture, because it could by too rigid restriction lead to a potato famine.

No man can say now whether the acreage problem this year will create a surplus or a famine. California potatoes were selling at $8 a hundred field run. In that particular instance, if it had not been for the overplanted acreage in California what would the consumers have paid? For those reasons we like to be sure of the proper amount as much as we can. We like marketing controls because we have no idea what kind of a yield per acre we can get.

Mr. HARDY. May I ask a question right there? On that approach would you not agree that in years and areas of unusually high yield perhaps the grower should absorb a portion of that extra production and take it off the market and not expect Uncle Sam to pay for it, if he gets a report on the yield?

Mr. CASE. I do not know whether I can answer for potato men on that.

Mr. HARDY. Bill, you have been in this thing a long time, and I would like to have your reaction to that.

Mr. CASE. We are talking about the unusually favorable years. Suppose this man has a disastrous year when everyone else has a good year and the price of potatoes did not go abnormally high. Would there be some way of a reward for him? Would the two balance?

Mr. HARDY. You might accomplish that through the insurance plan Mr. Pace mentioned. But ordinarily when you have a heavy yield it is not on one individual farm, or a poor yield. It is on an area, is that not right?

Mr. CASE. Quite often.

Mr. HARDY. That is generally, is it not?

Mr. CASE. It can be a comparatively small area, speaking of the United States as a whole.

Mr. HARDY. But it is generally on an area basis.

Mr. CASE. Yes.

Mr. HARDY. Assuming that you established an acreage goal and that acreage goal was complied with and you had unusually favorable weather, I am wondering if Uncle Sam should be expected to underwrite that entire production or whether he should be expected to underwrite a loan on it? Is this not the fundamental key to it: If I understand the reaction of the growers in my district, the growers themselves would like the machinery by which they could carry their own potato program without having it cost the Government a whole lot of money.

Mr. CASE. I think that is right, sir.

Mr. HARDY. And if I understand it further, I believe that the growers in my district would favor such a program as this where if they had an unusual surplus they would absorb that provided they got an equitable return on their normal production or on a reasonable production.

Mr. CASE. That may be the attitude of potato growers everywhere. It would be quite fair. I will say that the potato men in considering the 60 percent of parity are hopeful that 3 to 4 years out of 5 the Government will not be in the potato picture at all.

We hope eventually to balance this law of supply and demand to the place where we will only call in the Government on these certain disastrous years. With the 60 percent of parity in mind, we think if a man did get that abnormally high yield it would still be much different from getting it on 95 percent of parity.

Mr. ANDRESEN. Mr. Chairman.

Mr. COOLEY. Mr. Andresen.

Mr. ANDRESEN. You propose two programs here. One is the 60 percent of parity with the Government apparently buying the same as they are now or taking the potatoes over. Then you propose the compensatory payment or production payment plan for the potatoes sold generally in the market and bringing market price and where the producer gets the difference. Which of those two programs do you prefer?

Mr. CASE. A combination of the two, if necessary, sir. We think the 60 percent of parity will voluntarily discourage production to the place where we hope that 3 years out of 5 or maybe 4 years out of 5 the potato fields will not need to call on the Government.

But if we are confronted with noncomplying growers, then the compensatory payment plan, in our judgment, is the one method that we know of that will force the noncomplying grower in line.

Mr. ANDRESEN. By denying them the payment, of course you could work it the same way under the support loan, by denying the noncomplying grower the benefit of the support price.

Mr. CASE. But he would have the benefit of a supported potato market, but in a surplus year, if potatoes were allowed to seek their own level, that market would be very low. Chairman Pace asked me this morning what I thought would be a fair market price of potatoes if last year's production had all gone on the market. I said it would probably cost at least $1 a bushel.

Personally, I think we would do well in many areas to have seen potatoes at the 35 cents a hundred last year if the entire crop had gone on the market. It would be comparable to the years you and I were talking about a minute ago.

Mr. ANDRESEN. That would have cost the Government at least half a billion dollars.

Mr. CASE. I agree, sir, but the Government has reduced the acreage. That statement I just made about the low price of potatoes should be in the growers' minds and force them to stay within their allotments.

Mr. ANDRESEN. But the records show that when the Department has set a goal for acreage or production the growers have consistently had less acreage than the Department originally set as a goal. I think that has been true for the last 3 or 4 years. There has been less acreage than the Department's goal. But the weather has been good and you and I know that the potato crop is entirely dependent upon getting the right kind of weather and the right amount of moisture. If you do not get that you do not get potatoes.

Mr. WHITE. Is it not a fact, Mr. Case, that during this high production period when the yield per acre rose so fabulously, you might say, that the growers poured on an extremely large amount of fertilizer?

Mr. CASE. Yes, sir.

Mr. WHITE. That would not be true if prices were more normal, is that not correct?

Mr. CASE. I think they would probably hesitate a little about such a heavy investment per acre. Also, quantities of fertilizer are of no value unless you get the moisture to make it usable. So if the years change, they would.

Mr. WHITE. Could I direct one or two more questions along that line?

Mr. CASE. Certainly.

Mr. WHITE. Do you have any information at your fingertips in regard to the percentage change in yield per acre over the years? For instance in cotton we usually refer back to the average of 5 years' production per acre and compare it with the current year. What has been your average change each year, roughly, over the last 5 years, speaking in terms of percentage, in yield per acre?

Mr. CASE. I do not know that I could give you that very accurately but I will say there has been a very material increase in yields per acre.

Mr. WHITE. Previous to the war was it not fairly stable?

Mr. CASE. Yes, I believe it was.

Mr. WHITE. After the war it would again return to a stable level, would it not, on account of the return to a normal application of fertilizer?

Mr. CASE. I do not know. I do not know how much of that is mechanical. I think we have had nine exceptionally good agricultural years in a row. I do not believe that has happened before in history. The law of averages says that the next nine will not be that good from a climatic standpoint.

Whether those areas are dependent on rainfall alone or dependent on irrigation, water can give us a rather violent fluctuation in the yield per acre.

Mr. Cooley, it was never intended that I should give all this testimony for the potato council. It certainly is not right that my answers should be the only answers that come from a group as large as this potato council, although I appreciate the responsibility.

Mr. COOLEY. We will be glad to hear now from any other person who desires to make a statement.

Mr. GRANGER. Mr. Chairman, just one more question. Mr. Case, have you anything besides a guess at what you think your production might be? Do you have any record over a period of years as to the production and what the parity price of potatoes has been over that period of time that would be any guide whatsoever?

Mr. CASE. Prior to the war, sir?

Mr. GRANGER. Yes.

Mr. CASE. The production we could get very easily. Our production figures and yield per acre figures are available. But I do not know that the parity figure on potatoes is available over any period of years in the past.

Mr. GRANGER. So what you are saying is an estimate or a guess at the best.

Mr. CASE. On what the parity figure would be.

Mr. GRANGER. Yes.

Mr. CASE. Yes, it would be only a guess on my part. Some figures are available in the Department.

Mr. COOLEY. What percentage of the potato production was withheld from the market in normal times?

Mr. CASE. I believe that of all potatoes produced somewhere around 80 percent of the potatoes have gone into human consumption. The balance have been waste and seed and so forth.

Mr. COOLEY. A lot of them were withheld from the market because of the inferior grade?

Mr. CASE. That is right.

Mr. COOLEY. During recent years under the support program everything has gone to market, has it not?

Mr. CASE. In some areas, not in ours. We have had a marketing agreement for 2 years that prohibited the shipment of culls and growers with no compensation of any kind in the marketing agreement areas have been prevented from shipping culls.

Mr. COOLEY. Thank you very much, sir.

STATEMENT OF LESTER RICHARDS, POTATO GROWER, MANISTIQUE AREA, MICHIGAN

Mr. RICHARDS. Before you get away from this compensatory problem that Mr. Case has been following through on, I represent a small group, not a large group such as they represent. We are pretty much in accord throughout the whole statement he has made.

We do have a suggestion that was discussed at our own meeting that following the 60 percent of parity, starting in the fall of the year, taking in the lower grades of potatoes with the objective of reducing the surplus by the withdrawal of the low-grade potatoes from the market, that that 60 percent carry through until possibly the 1st of March and then instead of the compensatory payments for the withdrawal of the remainder of the surplus the support price be increased on the No. 1 grade of potatoes to 75 percent and the support on the No. 2 and lower grades to 40 percent of parity with the direct objective there of allowing a definite time for the low grades to be removed from the market, then simply cutting the support back so that those who have not taken advantage up until the 1st of March would no longer get the large support on their poor grades.

Mr. ANDRESEN. You would reduce the support price after March 1?

Mr. RICHARDS. We would reduce the support price on the No. 1 grade after March 1. It would include the No. 1 up until that time but it would increase it slightly then on the balance of the crop.

Mr. ANDRESEN. Would you not have a complaint then from the potato producers in Florida on new potatoes?

Mr. RICHARDS. I am speaking of the late crop.

Mr. ANDRESEN. They are coming in with their potatoes in January and February.

Mr. RICHARDS. We were not considering that, we were considering our late crop. The early support program, however, has usually been different than that for the late crop.

Mr. GRANGER. On that question, does the potato program work equitably between the grower of nonstorable potatoes in comparison with the fellow who stores potatoes, such as russets?

Mr. RICHARDS. There is a difference there.

Mr. GRANGER. Do you have a difference now in the program?

Mr. RICHARDS. I do not know if there will be this year, whether the early potatoes are supported at a different level than late potatoes but they were last year. The early ones were supported at different prices, slightly decreasing. Then our potato program starting on the 1st of September was less than the earlier support price.

Mr. GRANGER. Was it not the earlier potatoes that got us into all the difficulty?

Mr. RICHARDS. They marketed a much larger portion than they did of the later ones.

Mr. GRANGER. They are not storable at all.

Mr. RICHARDS. I believe that is true. I am not so familiar with the earlier producers. Throughout this whole meeting I think our idea has been that as the program would develop eventually the producers by a complete national organization would be able to police the program themselves, but until such time as that would be perfected we have been pretty much satisfied, as I stated this morning, aside from the imperfections of it.

We believe that this Hope-Aiken Act that will be in effect comes the closest to having the effect of simply withdrawing the surplus down to the size of the normal crop and doing it with the least possible expense because of the low support price. If that does not prove completely effective, we believe that increasing the support on the No. 1 grade later in the season will compensate for any unfairness to the producer of the better grades.

Mr. COOLEY. You realize, of course, that payments cannot be made to producers unless Congress provides the funds.

Mr. RICHARDS. I understand that.

Mr. COOLEY. The Secretary has stated to us that there is some question as to whether or not he has the authority under the 1948 act to make the compensatory payments that we have been talking about. The Department is not very clear as to what the intention of the act was.

Mr. RICHARDS. We believe that the funds necessary under this type of plan will be far less than they were this year.

Mr. COOLEY. You mean it would take less money to make the compensatory payments?

Mr. RICHARDS. Not compensatory payments. This is 60 percent of parity up until the 1st of March. That embraces the lower grades of potatoes and anyone who chooses to market his No. 1 grades can market them as the Hope-Aiken Act now provides.

But some of the growers will not produce very many lower grades of potatoes and they may have a few more in proportion. In order to clean up the stocks at the end of the year, instead of using compensatory payments, as Mr. Case suggested, we would like to increase the parity at that time to clean up the remaining stocks.

Mr. HARDY. When you do that you do it for the noncompliers as well as the compliers.

Mr. RICHARDS. No, the support only pertains in the first place to the compliers.

Mr. HARDY. That is true but it gives you an indirect support for the fellow who does not comply.

Mr. RICHARDS. He would have to wait until that time or the market would eventually seek its normal level. He would have to wait until the latter part of the season before that would obtain.

Mr. HARDY. He would get it then.

Mr. RICHARDS. That is possible if he wanted to take a chance on holding his crop until that time, but he would not participate in the support. He would have to take his chances on the market and if the market stayed down he would have to dump them then at whatever price he could get.

Mr. COOLEY. I would like to ask one question of Mr. Wescott. Coming back to the recommendations which you submitted to the committee, even if the 1948 program is to go into effect in 1950, you and the people whom you represent still insist that a definite formula be provided in the making of acreage allotments, do you not?

Mr. WESCOTT. Yes, sir. We agree to that recommendation as was presented by the council, which is the same recommendation we made this morning.

Mr. COOLEY. I say even if we make no other change in the law you still think we should make that.

Mr. WESCOTT. Yes, sir.

Mr. COOLEY. And that removes a cloud of uncertainty from this potato situation?

Mr. WESCOTT. Yes, sir.

Mr. COOLEY. And you think the recommendation you made is fair?

Mr. WESCOTT. Yes, sir.

Mr. COOLEY. Mr. Chairman, I would like to suggest again that this is an important matter. It is important not only to the people here but to the tens of thousands who are not here. I think you gentlemen who are the leaders in the industry should be impressed with the importance of this matter and cooperate with the subcommittee and make up your minds with 15 days and come back here with something definite. You may consider these things we talked about.

I do not know that marketing quotas will work on potatoes. When I first came to Congress years ago we perfected a potato bill and we realized we had a lot of situations in it that did not obtain with regard to other programs. For instance, there would be the policing and enforcing. So we repealed it. I do not know whether or not it is feasible but I think you should be considering it.

Mr. PACE. Is there anything further?

Mr. BRYANT. Mr. Chairman, I would like to say in behalf of the potato industry, in view of the fact that Mr. Case is gone, that we appreciate your courtesy in hearing us and we also will give very serious consideration to your suggestion on marketing quotas and setting acreage formulas.

Mr. PACE. I certainly must assure you that the hearing has been very helpful to the committee. I hope that if an agreement can be reached you may be able to reach it within 15 days and give us a report.

We will stand adjourned until tomorrow morning at 10 o'clock when we will begin the hearings on wheat.

(Whereupon, at 4:40 p. m., the committee adjourned, to reconvene on Thursday, May 5, 1949, at 10 a. m.)

(The agreement reached by the National Potato Council and submitted under date of May 27, 1949 follows:)

THE NATIONAL POTATO COUNCIL,
Washington, D. C., May 27, 1949.

HON. STEPHEN PACE,
Chairman Special Subcommittee, House Committee on Agriculture,
Washington 25, D. C.

DEAR MR. PACE: The National Potato Council wishes to supplement its testimony of May 4, 1949, with this additional statement in order to meet the requests of the subcommittee chairman and the chairman of the full committee for more specific recommendations in regard to white potatoes in a long-range farm program.

The recommendations herein contained were agreed upon at two special meetings in Washington of representatives of potato farmers from virtually every major producing area in the Nation.

In studying the potato situation, these grower representatives were impressed by the tremendous voluntary reduction in potato acreage that has taken place since 1943.

TABLE 1.—*Potatoes: Planted acreage and decreases since 1943*

[1,000 acres]

	Acreage planted	Decrease in acreage from 1943	Percent of decrease		Acreage planted	Decrease in acreage from 1943	Percent of decrease
1943	3,354.7			1946	2,644.6	710.1	21.0
1944	2,884.7	470.0	14.0	1947	2,135.5	1,219.2	36.0
1945	2,765.7	589.0	17.5	1948	2,127.3	1,227.4	36.5

As you will note from table No. 1, potato farmers themselves have voluntarily reduced their acreage in each of the years from 1943 through 1948. This voluntary decrease in the last 5 years amounts to 36.5 percent, or approximately 1,227,000 acres.

It should be noted that this sharp voluntary decrease in acreage came in spite of the fact that during this period potatoes were supported at 90 percent of parity.

Increased per acre yields have offset, to a considerable degree, the more than one-third reduction in acreage, but, as a group, potato farmers have complied virtually 100 percent with the Department's acreage goal program.

TABLE 2.—*Potatoes: Goal acres and planted acres, 1943–48*

[1,000 acres]

Year	Goal	Planted	Over or under-planted	Percent over or under-planted
1943	3, 260. 1	3, 354. 7	+94. 6	+3. 0
1944	3, 480. 5	2, 884. 7	−595. 8	−17. 0
1945	3, 137. 4	2, 765. 7	−371. 7	−12. 0
1946	2, 771. 4	2, 644. 6	−126. 8	−4. 5
1947	2, 517. 0	2, 135. 5	−381. 5	−15. 0
1948	2, 352. 4	2, 127. 3	−225. 1	−10. 0

As you will note from table No. 2, the potato-planted acreage in each of the last 5 years, 1944 through 1948, has not even equaled the national acreage recommended by the Department of Agriculture.

This means that potato growers, as a whole, have taken a double cut in their potato acreage in each of the 5 years, 1944–48. They have taken one reduction through compliance with the Department's acreage-goal program, and a second voluntary reduction by underplanting, as a group, the total acreage that was actually allotted them.

For example, in 1947 the potato acreage goal was 2,517,000 acres, a reduction of 9 percent under the 1946 goal. Potato growers not only complied with the Department's reduction of 9 percent, but, of their own accord, underplanted their allotted acreage a further 15 percent. A similar example could be made for 1945, 1946, and 1948.

As has been pointed out, these decreases in acreage took place in spite of the 90 percent of parity price-support program which was designed specifically to encourage food productionduring the emergency years.

However, increased per acre yields, plus the falling off in consumption, brought about a situation where farmers were producing a surplus of potatoes on far fewer acres.

Growers themselves were prompt to recognize this situation and, in May 1948, recommended that changes be made in the potato price-support program.

Following these recommendations from the National Potato Council, the Secretary of Agriculture reduced the rate of the support price for potatoes from 90 to 60 percent of parity, and potato producers have accepted and are supporting this very sharp reduction in the support price.

The 60-percent price-support program became effective on the 1949 crop, which is now in various stages of production, depending upon seasonal activities in the early, intermediate, and late potato-growing areas.

The 60 percent price-support program is now on trial, and there is every indication that it will serve more as an "insurance" against price disaster than as an inducement for overproduction of potatoes.

So far as 1949 potato acreage is concerned, the 60 percent price-support program will apply to the lowest potato acreage in 70 years. The Crop Reporting Board of the Department of Agriculture has estimated the 1949 acreage at 1,980,000 acres, a decrease of 7 percent from the 1948 planted acreage.

Consequently, the National Potato Council believes that reduction of the price support from 90 to 60 percent of parity has automatically removed the important factor which has contributed most to a surplus of potatoes—an unusually favorable price support.

A support level at only 60 percent of parity, in most States, lowers the price of potatoes under support approximately one-third. Noncomplying growers should have little interest in taking the risk of growing a costly crop like potatoes with such a low support.

The Council would like to point out that in only three of the years since 1930, have potatoes been below 60 percent of parity (see table No. 3), and these 3 years, with other low-priced years, were disastrous to potato farmers.

TABLE 3

	U. S. Bureau of Agricultural Economics average farm price received by farmers per bushel	United States parity price per bushel	U. S. Bureau of Agricultural Economics average farm price received by farmers per hundredweight	United States parity price per hundredweight	Price received by farmers is of parity, United States figures
					Percent
1930	0.91	0.94	1.51	1.57	97
1931	.46	.81	.76	1.35	57
1932	.38	.72	.63	1.20	53
1933	.82	.83	1.37	1.38	99
1934	.45	.88	.75	1.47	51
1935	.59	.85	.98	1.41	69
1936	1.14	.91	1.90	1.51	125
1937	.53	.88	.88	1.47	60
1938	.56	.84	.92	1.40	67
1939	.70	.85	1.17	1.41	82
1940	.54	.87	.90	1.45	62
1941	.81	1.02	1.35	1.70	79
1942	1.17	1.13	1.95	1.88	104
1943	1.31	1.21	2.18	2.01	108
1944	1.50	1.24	2.50	2.07	120
1945	1.43	1.31	2.38	2.18	109
1946	1.24	1.36	2.07	2.27	91
1947	1.62	1.67	2.70	2.78	97
1948	1.54	1.83	2.57	3.05	84

Percentage of parity received: 1930–34 average, 71.4; 1935–39 average, 80.5; 1940–44 average, 94.6; average, 19 years, 1930–48, 84.9; highest 5-year average, 1942–46, 106.4.

For these reasons, the National Potato Council feels that support at 60 percent of parity, which is now on trial with the 1949 crop, will take care of most of our surplus production problems, if given time to prove itself.

If a fair trial of the 60-percent price-support program should fail to reduce sharply the cost of the program to the Government, potato growers will unite in urging a stronger restrictive program to the Congress, just as they led the way in asking a lowered support program.

In the meantime, the National Potato Council recommends that Congress enact legislation instructing the Secretary of Agriculture to apportion potato production goals to the several States on the following basis:

> The national production goal for potatoes shall be apportioned each year by the Secretary of Agriculture among the several States in proportion to the 1949 production goal of potatoes which was established for each State, provided:
>
> 1. That 1 percent of the national production goal in 1950 and one-half of 1 percent of the national production goal in subsequent crop years, shall be set aside each year and shall be issued annually by the Secretary to new growers, new areas, or for the purpose of correcting any inequities in the distribution of acreage among States.
>
> 2. That, beginning with the crop year of 1950, the definition of a commercial potato farm shall be changed from 3 acres or more to 1 acre or more of potatoes, and the base acreage for the purpose of establishing goals for growers planting 1 to 2.9 acres of potatoes shall be the planted acreage in 1949.
>
> 3. That, unless there is an increase in the national production goal from the preceding year, the commercial acreage goal for each State shall be limited to not more than the average planted commercial acreage during the most recent 2-year period, adjusted for nonplantings due to disaster, provided the State planted less than 90 percent of its commercial acreage goal during the preceding year.

This proposed legislation would write into the law a base period for the determination of commercial potato production goals for each of the potato-producing States. It would set aside a small specified percentage of acreage to be allocated by the Secretary. It would define a commercial potato farm, and provide limitations in States where the allotted acreage is not planted.

Legislation of this type would limit the scope of administrative discretion by the Department in the future apportionment of goals. Other factors in determining State production goals, such as determining national requirements, determination of yields, and the handling of noncommercial acreage, must necessarily be subject to administrative control in order to reflect current conditions.

The National Potato Council respectfully urges that the above recommended changes in the law be made by the Congress.

Respectfully yours,

JOHN C. BROOME,
Secretary, Southeastern Potato Committee, Elizabeth City, N. C., Chairman, Special Legislative Committee, National Potato Council.

W. M. CASE,
Executive Secretary, Red River Valley Potato Growers Association, Grand Forks, N. Dak.

CLIFFORD G. MCINTIRE,
Assistant General Manager, Maine Potato Growers, Inc., Presque Isle, Maine.

JOHN J. PETERS,
Potato Grower, Shafter, Calif.

FAVOR H. SMITH,
Executive Secretary, Long Island Agricultural Council, Riverhead, Long Island, N. Y.

(The following letter dated June 9 from Congressman Porter Hardy, Jr., is submitted at this point for the record:)

HOUSE OF REPRESENTATIVES,
Washington, D. C., June 9, 1949.

Hon. STEPHEN PACE,
Subcommittee Chairman, Committee on Agriculture,
House of Representatives, Washington 25, D. C.

DEAR MR. CHAIRMAN: This relates further to our conversation concerning proposals of the National Potato Council. Reference is particularly made to the council's recommendation that acreage goals for 1949 be used to constitute a base from which future adjustments will be made up or down on an across-the-board percentage basis.

I have one specific objection to this proposal and hope your committee in writing the legislation will give consideration to the content of this letter.

On December 2, 1948, there was a conference between certain potato growers, Members of Congress, and Department of Agriculture officials when consideration was given to the method of establishing the 1949 goals. Following that conference the Department released a report which announced the procedure to be followed. It included nine steps, of which three constituted the major factors. One of these was the 5-year 1943–47 average production by States, the second was the 3-year 1945–47 average surplus purchases by States, and the third was the 2-year average production from acreage planted in excess of goals.

This was the first year in which a State was penalized for having sold potatoes under the surplus purchase program. Such a procedure had been recommended in previous years, but had not been approved. Purchases were made necessary by excess production which in large measure was brought about by excess acreage in certain high producing areas. It resulted in penalizing some States where the excess acreage was either slight or nonexistent. It is my considered opinion that this factor should never have been employed, and I understand it has been agreed that in the absence of legislation fixing a formula for distributing acreage, it will not be employed in the future.

It therefore becomes necessary that if the 1949 acreage goals are used as a basis for future distribution of acreage, adjustments should be made in those goal figures to eliminate the factor for surplus purchases. Justice to the States in which surplus purchases were made makes it essential that your committee provide for the elimination of this factor.

I shall be glad to discuss this more in detail with you if your committee desires to hear from me further about it.

Sincerely yours,

PORTER HARDY, Jr.

TESTIMONY OF PRODUCER GROUPS AND MEMBERS OF CONGRESS

MONDAY, MAY 9, 1949

House of Representatives,
Special Subcommittee of the
Committee on Agriculture,
Washington, D. C.

The special subcommittee of the House Committee on Agriculture met at 10 a. m., Hon. Stephen Pace (chairman) presiding.

Mr. Pace. The committee will please come to order.

Gentlemen, we have met this morning to hear from producers and representatives of the tung-oil industry.

We are honored this morning by having present several distinguished Members of Congress who represent the areas in which tung oil is produced, and it will be our pleasure at this time to hear from the Representative from Mississippi, Mr. Colmer.

STATEMENT OF HON. WILLIAM M. COLMER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

Mr. Colmer. Mr. Chairman and members of the committee, we are appearing here this morning in behalf of the tung industry. Specifically we are appearing in behalf of my bill, H. R. 29. I am not going to make a very long statement, but I do want to just give you a brief, broad outline of the question involved.

For the benefit of those who are not familiar with it, tung comes from the foliage of the tree, the heart-shaped leaf, and "heart" in Chinese means "tung."

Tung oil, or tung, is produced in China and on the Coastal Plains of the States lying along the Gulf of Mexico; and the British Government is now undertaking, in anticipation of the China supply being cut off, to plant tung trees in north Africa. The first report indicates that Great Britain is going to spend some $4,000,000 right away for that purpose.

Mr. Andresen. And we will probably finance it; is that your understanding?

Mr. Colmer. I would not want to argue that question with my colleague, Mr. Andresen.

Mr. Andresen. Just like we financed peanuts.

Mr. Colmer. That is right. We may wind up financing it. But, we are interested this morning, Congressman Andresen, in seeing that tung oil gets a little assistance, American produced tung oil.

Now, so much for that. Tung oil really started commercially in this country following the World War, when we discovered that we were short of supplies of tung in that war, tung being a strategic war material, as will be developed in these hearings.

Frankly, there may be some who would not agree with this statement, but in my humble opinion, as one who has been interested in this subject for 20 years or more, this industry, this tung industry is still an infant industry; it is in its infant stage. The Government has spent millions of dollars—well, I would say at least a million dollars, and I have no definite figures on that—for experimental work with tung. And Congress authorized, as a result of the effort of our distinguished colleague, the chairman of the Senate subcommittee, on appropriations, Senator Russell, as well as some humble efforts of this speaker, established an experimental station for tung, which is now stationed at Bogalusa, La., which is a splendid thing.

I would like to go a little more fully into that, but time will not permit. I want to go now to the question of why we want a support price for tung.

Mr. PACE. Is this experimental station engaged in experimenting in the growth of trees, in the use of oil, or what is the nature of the experiment?

Mr. COLMER. Broadly speaking, Mr. Chairman, it is for the purpose of growing trees, of developing the best type of trees, and they also do some experimental work in the oil.

Now as I said a moment ago, this oil industry is in its infant stage. And we realize that and we might as well be perfectly frank with you gentlemen that this tung is produced in a very limited area in this country, along the Coastal Plain belt, about 100 miles wide, in the States of Florida, Georgia, Alabama, Mississippi, Louisiana, and Texas.

Therefore, we do not have too much political appeal, you see, on a broad scale; we cannot make too much fuss politically or otherwise, and we just as well face that, and be perfectly frank with you about it.

This is an infant industry; it is struggling. During the war the Government used millions of pounds of this tung. And I do not have the time to go into that, but it will be developed by other witnesses, except I repeat again it is a strategic war material and has been so in the last 2 wars. The Navy used great gobs of it. This oil got up as high as 48 cents a pound, I believe; is that right, Mr. Prichard?

Mr. PRICHARD. As I recall it was 41 to 42.

Mr. COLMER. I do not remember the figures exactly, but say 41 cents. Today it is around 19 to 20 cents, notwithstanding the fact that the labor costs and the effort and the fertilizer that went into the production of that oil, of course, has doubled what it was prior to the war, more than doubled.

Now, why do we have to have this support price? Because this is an infant industry; it is struggling. Private capital cannot and will not continue in this field unless it can break even and make a little return, and it should not engage in it unless it can make a reasonable profit or break even. You and I would not argue that point, of course.

We are in competition with Chinese oil, and the biggest bulk, of course, of tung oil used for years in this country is produced in China. It is imported into this country. So that the industry represented here this morning by this gathering in effect is in competition with coolie labor in China.

All right, you may say, if they cannot produce in competition with Chinese oil why not let them go out of business, let them take their losses and write it off?

My answer to that is that first this country needs it. These people have their money invested in it; they were encouraged by the Government to go into this industry, and the country needs it, and will need it in the future. The country needs it in the domestic trade, and it is needed in its national defense.

Now, I want to develop this thought just briefly. Of course, we are all hoping that we are not going to have war with Russia, and frankly I do not think we will have war with Russia in the immediate future. But we know the attitude of the Soviet Republic. I do not have to give this committee any treatise on that subject. Here is what I apprehend, that the Soviet Republic is going to permit the Chinese to export this oil just so long as the Soviet Republic wants them to do so and so long as it is to their interest to do so. It is just a question of days now when the Soviet Republic is going to be, that is, when the Communists are going to be in control of China and then we will be caught in this country without any production unless we are given some encouragement and some support at the hands of the Government, if Russia sees fit to cut us off.

We had a support price on this oil for 1 year, under the broad authority that the Secretary has, when Secretary Anderson was in office. Secretary Anderson recongized, among other things, that this was a strategic war material. I had many, many conferences with him, as did other Members of Congress, from the tung growing belt. He gave us a support price of 25 cents for the year 1948.

And, I want to say this, because—and I do not and am not casting any aspersions, but I think I owe it to this committee and to the industry to make this statement—that just before Secretary Anderson retired from office I went down there and had a conference with him. Secretary Anderson called in the heads on that subject from his Department. This was in the spring, I guess it was, of last year—or in the summer, maybe, and I have forgotten exactly when he retired—and Secretary Anderson said in my presence to these gentlemen, that he thought we should have this support price. And I am not attempting to quote him verbatim, but he asked the gentleman in the Department to work it out. We thought we were going to have it. Secretary Anderson went out, and the support price for tung went out.

Now, the Government bought some of this oil, and there are those here who can tell you how much it bought, and what it cost.

Mr. PACE. It took it over at the support price?

Mr. COLMER. It necessarily took it over under the support program, and it may have to buy some more, that is, under a new support program, if you give us a support price. We just as well be frank about that, but after all what is a support price for? That is what it stands for, if I understand anything about the purpose of the support program.

But, gentlemen, bear you in mind that just about the time this oil was marketed—and I use the word "dump" for want of a better word—there was a great deal of this oil being dumped on the market from China, and we have been, in this industry, at the mercy, if you please, of the importers in this country. They can import it when they want to or not import it when they want to and thus control the price.

Just one other thing before I leave this subject. I introduced this bill immediately after the Department refused to continue the support program. If the committee sees fit to act upon my bill as such, it would require some amendments. But as I understand, the committee is considering this whole subject of support prices and you are considering this as one phase. If the committee should see fit to report out a special bill dealing with tung oil then, of course, as the author of this bill and with the others who are also interested in this subject, we would be glad to work with the staff in getting it in proper shape, but I am not going to take the time of the committee to go into that now. A bill was introduced by me at the same time to place an import duty on tung, H. R. 30, to give us some protection in that field. But I do not want to go into that at any length, because you gentlemen are aware of the administration's general attitude toward that kind of legislation under the philosophy of the Government now. Whether they be right or wrong I am not making any comment now, except we do not have too much hope of getting very far on that.

Now, let me say to you just what we are up against here in just a few brief words. The Government started out on a stock-piling program of strategic war materials and here we are importing a lot of bauxite and different materials of that kind for national defense. Again we went to the Government, and I went to the Munitions Board representatives and I asked them why not stock pile some of this tung oil and help the market. They said, "We want it, and we will try to get it cleared by the Department."

And then they took it off the active list, the Munitions Board, not the Department of Agriculture; the Munitions Board took it off the active strategic list, purchasing list, on the ground that they had made a survey and they had found that approximately 20,000,000 pounds of tung was produced in this country, and therefore we would have an adequate supply in an emergency and would not need to go into stock piling. Now they still list it as a strategic war material but it is not upon the active purchasing list for stock piling. And yet I am told—and I cannot prove this; I do not have anything except hearsay evidence—that the Navy recently purchased a considerable quantity of this oil from China.

Mr. Chairman, I have probably taken too much time, because I know your time is limited, and we have here a lot of people who are better prepared to give the committee statistical information on this subject than I am. I just want to say this in conclusion, that we do not care what kind of relief you give us. I have no pride of authorship in this matter, nor does Mr. Gathings who introduced a similar bill, nor the two Florida Senators, on the other side, who have introduced similar legislation, but I do say to you gentlemen this morning, on my own responsibility as a Member of Congress, who has lived with this thing, not only during my congressional life, but before I came here—and it might be of interest if I could go into my own personal experience on tung because I was a member of a corporation that made one of the first plantings, certainly the first in my State, and I am not spending any money that I have in it now; it went by the board—but I am making this statement, that if this industry, which cannot make too much political appeal, does not get some Government assistance, it is going to perish and is going out of existence, and we are not going to have a domestic supply of this oil in this country at a time when we might need it most.

We are not asking for any preferred treatment. This Government, in the case of flaxseed had to give assistance—and I am not arguing against that—the Government did that, and possibly appropriately so, and I suspect that the Government will be hit particularly hard before it is over—but the Government gave a support price which is all out of line with what we are asking for, because it was needed in a time of stress.

It takes about 5 years to grow these tung trees to bearing stage. These people have got their money invested, and they are taking a beating now and they are going to continue to take a beating and they are going out of existence, the industry is going out of existence unless it is give some kind of protection. It is just as simple as that.

I am not going to take any further time of the committee. I appreciate your attention. I would be glad to answer any questions you may want to ask me, but it might be more profitably done if you would wait to propound those questions to some other witnesses.

Thank you very much, Mr. Chairman.

Mr. PACE. Thank you, Mr. Colmer. I am sure the members of the committee will want to ask you some questions but we will abide your suggestion.

Mr. COLMER. Thank you very much.

STATEMENT OF HON. FRANK W. BOYKIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. PACE. We are delighted to have with us and will be glad to hear at this time our colleague from Alabama, Mr. Boykin.

Mr. BOYKIN. Mr. Chairman and gentlemen of the committee, I apprecite very much the opportunity to appear in the interest of the tung-oil industry, with which I have had considerable experience. Of course, you have on your committee men who know a great deal about it. Mr. Grant from Baldwin County, right across Mobile Bay, is in a district where they have hundreds of tung oil orchards. You have a very fine one at Summerdale.

I know something of the industry. I mean, I have been in that business—and we never made anything out of it—we have lost out. I have been in the turpentine and rosin business.

I see my good friend Andresen here. We used to have offices close together, and now I do not see him so often, but I wish he would come down and see the problem we have in this industry. I am sure you could all understand it much better.

Mr. Chairman, I believe the question has been pretty well covered by the gentleman who sponsors the bill, Mr. Colmer. He is staying on the job. He called me at 7 o'colck this morning about this matter.

Congressman Colmer has had a lot of experience with this subject. There is nothing he does not understand about it, and he has already brought out the principal points.

Tung oil can only be produced in this country along the Gulf States.

We have gone through a similar problem with reference to turpentine and rosin trying to get a little assistance for the producers of turpentine and rosin to keep them from going out of business. I used to be in that business but have not been in it for a long time. Yet, we went down to see Mr. Brannan. And I know that Mr. Brannan never would have done what he did had he and the Department of Agriculture understood the turpentine and rosin business. If he had, instead of getting a parity of 70 percent we would have gotten 90 percent.

We told him that we needed turpentine more than we needed tobacco; that we can get along without tobacco if we have to, although it would be very hard for me to get along without mine, but that we cannot get along without paint, turpentine for paint for the houses and for other purposes, but that we must have assistance; that the American turpentine producer should have parity. In that effort we were assisted by Mr. Colmer, Senator Russell and others.

So, gentlemen, with tung oil, there is no way the producers can get along without some little income. The first few years there is absolutely no income; it takes several years before the trees mature sufficiently to produce any tung nuts, and now the price is so low that while we have one of the heaviest crops we have had for years we have not even picked up the nuts.

I went down and talked to Secretary Brannan. He is a great fellow. You know what his plan is about all of us going to have a farm plan, but here is a commodity that will only grow in half dozen States out of the entire Nation.

When I talked to Mr. Brannan about the turpentine situation he asked me to write it out, and I wrote him a letter of eight or nine pages, telling about this turpentine and rosin business, and after we presented our case we finally got the Secretary to increase the parity allowance; it jumped from 70 to 80 percent of parity, and gentlemen, I want to tell you that was a boon to 250 to 300 thousand people, when the rosin price went up about $2 last week, that is, two dollars a barrel.

Now let me tell you what they are up against in the tung industry—and Mr. Colmer and others have already given you the facts, others to follow will give you the facts more completely—but let me say to you, gentlemen from other sections should help us solve our problems, otherwise we are not going to have enough turpentine and rosin or tung oil to meet our needs. We will just have to confine it to our own use.

As these men have indicated, this land can be utilized for other purposes and if we do not encourage the production of tung oil they will have to let their groves of trees perish.

Mr. Andresen. Will the gentleman yield for a question?

Mr. Boykin. Yes, Mr. Andresen.

Mr. Andresen. I am somewhat familiar with the industry to which the gentleman refers, and, of course, while we want to protect the producers, I am for protecting American agriculture and I am for protecting American producers of American commodities.

Mr. Boykin. That is right; I am sure of that.

Mr. Andresen. And, the gentleman is one of the leaders of the Democratic Party——

Mr. Boykin. I wish I were.

Mr. Andresen. I am sure he is. It seems to me between yourself and Mr. Colmer and Senator Russell that you ought to be able to bring some pressure to bear on the administration to change its policy so that your people down there would not have to be in such keen competition with people from foreign countries, the foreign producers of tung oil. That is the problem, that the imports are coming in and taking away the market, which, of course, reduces the price for your commodity.

Mr. BOYKIN. That is what is happening.

Mr. ANDRESEN. It seems to me that you should be presenting this matter to the Ways and Means Committee to get a change in policy instead of coming here.

Mr. BOYKIN. Let me say that I am willing to go anywhere, and, of course, we are willing to present the matter to the Ways and Means Committee. But I do believe that we can do it best one at a time.

Gentlemen, I do hope you get behind the plan of making parity provision for tung oil. And I want to thank you, Mr. Chairman, for this opportunity.

Mr. ANDRESEN. Of course, I do not want to get into any heated discussion with my good friend here, but as one who has consistently opposed some of this foreign trade policy, I would like to know just how the gentleman feels about some of the discussion with respect to changing the policy?

Mr. BOYKIN. I voted against the English loan.

Mr. ANDRESEN. How about the reciprocal trade agreement?

Mr. BOYKIN. I do not remember.

Mr. PACE. Thank you very much, Mr. Boykin.

Mr. BOYKIN. Thank you, Mr. Chairman.

STATEMENT OF HON. ROBERT L. F. SIKES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. PACE. We will be delighted to hear from our distinguished colleague from Florida at this time, Mr. Robert Sikes.

Mr. SIKES. Mr. Chairman and gentlemen of the committee, I appear in support of the bill introduced by the gentleman from Mississippi, Mr. Colmer, H. R. 29, which provides parity for tung nuts.

I would like to point out first to the committee, Mr. Chairman, that our normal consumption of tung oil is apparently in the range of 125 to 150 tons per year; during the time we have been able to secure it, we have secured the greater part of that from China—only about 15 tons have been produced in those years in this country, and the production by and large has been less than that.

That present production of 15 tons came about purely as a war measure when the inflow of oil from China was decidedly limited, and finally almost terminated by the war in the far Pacific. We realized then fully the extreme importance of this oil to the industry of this country. We realized that it not only had a value during peacetime as a base for paints, insulation for electrical equipment and similar uses, but we found out that it was a critical war material, having many, many important uses in war industries, and stepped up the local production in every way that we possibly could.

We now have the benefit of war production, but even with it, it does not supply the normal peacetime requirements of this country, and in fact it falls far short of that. Only about 10 percent of our normal needs for tung oil in this country are met by local production, but that local production does provide a basis on which we can rely in times of emergency, and it also represents the labor and the investment of many Americans in those belts where tung trees can be grown.

The question that we have to decide at the moment is whether or not we are going to willingly sacrifice those American producers, let their groves perish, and depend entirely on China tung again for our American needs. At the moment we are having to compete with all tung coming to us, much of it in exchange for a little rice, in exchange for the basic necessities of life. Speculators in the Far East are able to acquire rice and other things that are in short supply and are desperately needed by the Chinese, barter it for oil which has no value to a starving man, and dump that oil into this country at a price at which American producers cannot possibly compete. That is in the present period of chaos in China, and no one in the world can predict what the situation in the future is going to be in China. If, as it now appears, China is going to be Communist and we continue to secure oil from China, we can anticipate a continuation of that dumping policy because of the totalitarian.government and their handling of cheap oil under any condition that they want.

Mr. PACE. Mr. Sikes, may I interrupt you for a question?

Mr. SIKES. Yes; but will you let me first complete this statement?

Mr. PACE. Certainly.

Mr. SIKES. I think it would be dangerous in the extreme to feel that we could depend upon Communist China for the tung oil that we must have for our purpose.

Now I will be glad to answer the gentleman's question.

Mr. PACE. You present a question that is rather difficult and somewhat singular. I am advised that the import duty on tung oil is zero.

Mr. SIKES. That is correct.

Mr. PACE. Down to zero?

Mr. SIKES. That is correct.

Mr. PACE. That is not true with respect to many other commodities on which there is a support price. Therefore a support price, whatever it might be, zero or 100 percent of parity, in the absence of some change in respect to the import duty, would mean that the Government would necessarily have to take the entire product of tung oil in this country. Is it your understanding that no import duty could be imposed on tung oil without some change in the Reciprocal Trade Agreements Act?

Mr. SIKES. I will not attempt to answer my distinguished friend's question by saying that there could be no imposition of such a duty. Frankly my legal knowledge does not go that far. It has been my thought that if a duty could be imposed, that the Ways and Means Committee in the House and the proper committee of the other body, by legislation, give the kind of protection which the gentleman is discussing. I may be wrong.

Mr. PACE. Mr. Hope has some questions.

Mr. HOPE. The same thing would apply if we should make tung oil a commodity on which there was a support price if we attempt to give protection under section 22, since under section 22, as it now stands, any relief that might be accorded is subject to any agreements which we may have with foreign countries on trade, so that I assume there is no possibility of any relief under section 22, such as putting tung-oil imports under a quota, or putting a special tax on it, even if we should have price support. Have you looked into that phase of it?

Mr. SIKES. No, I have not. I realize this requires a multiform approach, that we have a double-barreled problem before, but I feel that what we are attempting to do at this time in establishing parity for tung oil is something which I certainly think is proper.

Mr. PACE. I am not in position to take the slightest exception to the position you take with respect to protecting American producers of tung oil; I am definitely committed to the position that American agriculture is entitled to the same protection that American industry is entitled to receive, but I think that under the Trade Agreements Act, and with respect to the price of tung oil, with the present low price, stands at a higher degree even than an act of Congress in the trade agreements, and the problem as I see it would be how to support a program that would cost annually about $4,000,000, at 25 cents.

Mr. ANDRESEN. Will the gentleman yield?

Mr. PACE. Yes.

Mr. ANDRESEN. I understand that in all reciprocal trade agreements there is an escape clause wherein any nation can withdraw, after giving notice of any particular commodity, and after that has been withdrawn that such action can be taken by Congress as it may want to give to it.

Mr. SIKES. I think that is perfectly true. I think the only question before us at the moment is whether this measure and the thing that it attempts to do is properly before this committee. Getting to the matter of the reciprocal trade agreement, I have never been an advocate of that policy and I have rather consistently voted against it, because I believe in giving protection to our home people.

Mr. ANDRESEN. Will the gentleman state what he thinks the price of tung oil should be in order to protect it?

Mr. SIKES. The last support price was 25 cents. There was a low support price during last year, at the time it was in effect.

At the moment we are not able to see literally any drop in the cost of producing any agricultural products, as the gentleman well knows, and I would not attempt to say what should be the minimum under which tung producers can operate. But I certainly feel that it is very necessary that the amount should not be less than needed to prevent an actual loss to the growers. I would not want to undertake to give any definite figures, because these men who are growing tung oil can tell you how much it cost them.

Mr. ANDRESEN. As I understand the present price is arond 19 cents?

Mr. SIKES. The price on the market is now 18, 19, and 20; according to the Department of Agriculture and the Department of State it brings more than that, but the men who try to sell it tell me they cannot get more than that.

Mr. ANDRESEN. Of couse the price of fats and oils has dropped. For instance, take cottonseed oil, it has dropped from around 45 cents, 18 months ago, down to around 10 cents; lard has gone down to about 10 cents, and all other oils have dropped, at the same time there has been a considerable drop for tung oil.

The point I want to ask your comment on is this: Suppose we raise the price to 25 or 30 cents, as the support price in this country, that would have a tendency to raise the over-all price, which will encourage increased imports from various other parts of the world, would it not?

Mr. SIKES. If we are unable to secure a change in the reciprocal-trade agreement that will give us some import duty, some protection from oil which is being brought into this country, of course we are going to have a lot of dumping if we attempt a support price for oil.

Mr. ANDRESEN. The result would be that the Government would be owning virtually all of the domestic production.

Mr. SIKES. That possibility exists, and yet we can remind ourselves that we have a job which we are attempting to do before this committee, and we are trying to do just the one job here today, and I think we should consider part of the job here. We cannot presume on what the Ways and Means Committee would do. I think the matter should be presented to them, and I think there should be a change in the Government's policy toward an import duty on tung oil, but neither of those questions is before this committee at this time.

Mr. ANDRESEN. But if the gentleman will yield, I am sure he realizes that we must have and must exercise average intelligence about the over-all legislative picture on a commodity of this kind——

Mr. SIKES. I would not question my friend's intelligence on any matter.

Mr. ANDRESEN. And we should try to exercise that judgment, because this will give temporary help, for proposal before this committee, but it is not the solution for the tung oil problem alone.

Mr. SIKES. Other than what might be needed for stock piling, I think that this is a matter of such importance that it would not be injurious to the Nation's safety, if you please, to have a considerable amount of it held in reserve.

Mr. ANDRESEN. It occurs to me that we might pass a law requiring the Navy, the Army and other governmental agencies to buy domestic goods instead of going outside the country and buying tung oil and other commodities.

Mr. SIKES. I would not object to Government agencies having to buy in this country the goods produced in this country.

Mr. ANDRESEN. Mr. Colmer said I believe that the Navy bought tung oil in China?

Mr. SIKES. I would not contend that has not been done.

Mr. PACE. Thank you very much, Mr. Sikes, for your statement.

Mr. SIKES. Mr. Chairman, I am glad to see that this committee is giving consideration to a matter which is of very great importance to the people who are producing tung oil but of much more importance to the country which has to have tung oil in its economy. I feel that unless we provide a measure of support by legislation that we are running a very serious risk of stamping out entirely the tung oil industry, and if we do that we are going to be completely at the mercy of the producers in a land which it appears shortly will be completely in Communist hands.

Mr. PACE. Thank you very much, Mr. Sikes, for your statement.

Mr. SIKES. Thank you.

STATEMENT OF HON. CHARLES E. BENNETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. PACE. It is a pleasure to introduce our colleague at this time, Mr. Bennett of Florida.

Mr. BENNETT. Mr. Chairman, and gentlemen of the committee, I am not going to take a lot of time of the committee, because most of what I would say has already been covered by a written statement which I will give to the reporter, and also, I must go to another committee meeting.

I want to say at this time, speaking for the Second Congressional District of Florida, which has many millions of dollars invested in the tung oil groves, that these producers have followed the procedure of good orderly agricultural practices and have spent a lot of money making them into better groves, and they also have been encouraged in building up this industry at some considerable expense. This industry has been encouraged by the Government, and in the last war particularly, when it was found that the products were needed, as they were before, and were vital to the military effort.

I have in my statement a good many statistics which will be even more interesting in that form than by reading them to you. But I do want to say again that at the present time we are consuming about 155,000,000 pounds of tung oil in this country a year, while we are asking for protection to only about 15,000 tons in the United States, which are really the crux of the supply so far as the need for military requirements are concerned. This was found out during the last war, and as a matter of fact, the Government took it all over during the war.

There is one thing that I have not heard brought out and have not brought out concerning what actually happened as a result of the Government taking over all the production during the war. As was pointed out recently in an article in Fortune Magazine, concerning the tung industry, when the Government took over the entire output of the industry during the war, it stimulated the effort to find substitutes and in some fields there were substitutes found, not in the military field. There were places where substitutes for tung oil can be used, where they had been heretofore using tung oil; and when during the war they had no tung oil available they found and made use of substitutes and it is going to take some time to rebuild the market.

I would like to say that there are other methods, in my opinion, by which the tung industry can be helped, as indicated here by remarks that have been made, but I do believe those are things that can be done as a part of the pattern.

I believe the Federal Government at the present time has the administrative authority, under article VI, I believe it is, of the general agreement, paragraph 5, to stop the dumping which is taking place at the present time.

But we have an immediate situation confronting us. If this dumping continues it is going to force out of business those now engaged in the industry.

One other point: If the Government did take over 100 percent of this particular product it would not involve a terrific proposition, and we undoubtedly could make use of it for stock piling defense purposes, at least for one season.

Again I thank you, Mr. Chairman, for this opportunity. I do hope that this committee will consider the feasibility of doing everything that can be done to relieve the situation. I deeply appreciate you letting me have this opportunity to make my statement. I do have another meeting and with your permission I will include as a part of my remarks the statement handed to the reporter.

Mr. PACE. We are delighted to have you make your statement at this time, Mr. Bennett, and your statement will be made a part of your remarks.

(The statement referred to follows:)

I am grateful for this opportunity to appear in behalf of H. R. 29, which would grant to the tung industry the price support without which its existence is threatened.

As a Florida Congressman, it is of interest to me that the life of the American tung industry was really begun in a Florida cemetery. Five of the first seedlings cultivated by the Division of Foreign Plant Introduction in the Bureau of Plant Industry were in 1905 dispatched to the superintendent of a cemetery at Tallahassee, Fla., where they were planted but given little attention. In the autumn of 1906 William H. Raynes, of that city, became interested in the neglected plants and was given permission to transplant them. Only one of the 5 trees survived, but that tree, still standing, serves as a monument to early pioneering efforts to establish the culture of the tung tree in the United States. Later a 40-acre plot near Tallahassee, planted from seedlings from the original tree, became the first bearing grove of tung trees in America. And in 1913 the Raynes tree furnished sufficient crop to make possible the first trial expression of tung oil in the United States.

Florida today has more than an historical or experimental interest in tung trees. National production of tung nuts in 1947 amounted to 53,200 tons, of which Florida contributed 11,000. In 1948 production in the United States rose to 67,200 tons, with Florida contributing 17,000 tons—or more than 25 percent.

The Second District of Florida, which I represent, produces a little over 8 percent of the national tung nut crop. In 1945 there were approximately 800,000 tung trees under cultivation in my district. Today there are about 7,500 acres in tung trees in my district. In the Second Congressional District of Florida there are 7 tung groves, representing a total investment of over $2,000,000. Two of the four tung crushing mills in Florida are located in my district. You can readily appreciate the impact that the present disastrous condition in this industry is having on the economy of the residents.

The Government encouraged the establishment of this industry and found it essential in time of war. We should not now let it deteriorate, not only because we should not let our economy suffer but also to protect our local supply of this vital war material.

The United States production of tung oil is still small—dangerously small in view of its being a critical war material. In 1948 we imported 133,000,000 pounds of tung oil, while producing domestically only 15,000,000 pounds. Most of our imports have come from China.

A critical situation is with us now due to the flooding of the market with imported tung oil. The domestic price of tung oil has dropped to 18 or 19 cents per pound, and indications are that the real price may be about 17 cents and due for a greater drop. Meanwhile, the cost of care and cultivation and harvesting has risen. At 19 cents per pound, the result is a net loss to the tung grower of $11.79 per ton of production.

Tung oil before and since World War II has been used industrially chiefly as a drying agent in paints and varnishes or as a waterproofing agent. During World War II, however, its qualities of value to military equipment were soon discovered and the entire domestic supply of this oil was used by the armed services. Tung oil went to war in the following manners: Covering the inside of high octane gas tanks; insulating electrical coils; covering magnesium parts; in time bombs; in the manufacture of all medical catheters purchased by the armed forces; as a necessary base for marine paints; and waterproofing shells and other ammunition. Its admitted superior qualities make tung oil a critical war material.

With China now on the verge of complete Communist domination, and with the huge imports of Chinese tung oil running down the domestic price to the point where American tung growers are close to insolvency, a serious situation would be upon us in the event of an outbreak of hostilities. It can reasonably be anticipated that the Chinese imports of tung oil will cease in the possible case of hostilities with Russia and even without hostilities under possible emergencies. If conditions continue as they are today with the American tung industry, production of tung oil (with the growers discouraged by a market for their product which does not meet production costs) will steadily decline. There is danger, too, that the fluctuation of tung oil in price and volume (caused by indiscriminate imports) will completely lose for the American growers their domestic market. As stated in the October 1947 Fortune, "American industrial consumers must have tung oil in steady volume and at prices both reasonable and reasonably stable. Otherwise they will learn to do without it altogether." Thus discouragement on the part of both American growers and American tung oil consumers may further reduce American production of tung oil. The result of these factors would be that the United States may not have available to it the supply of this critical war material which would be needed in event of war. Great Britain, following this line of thought, is protecting herself by spending $4,000,000 in the planting of tung trees in South Nysaland, which it is expected will assure a supply of tung oil almost 15 times the amount previously obtained from this area. I believe we should similarly protect ourselves by granting price support to tung oil in America at not less than 90 percent of parity.

It is my sincere hope that this honorable committee will give favorable consideration to the advisability of granting the requested relief to America's tung oil industry. Thank you.

Mr. PACE. The Chair would like to say to the committee that the Representative from the State of Louisiana, Mr. Morrison, is profoundly interested in this subject. He called me Saturday and stated that a matter of the highest importance had called him out of the city today. He filed with the committee a statement relating to the subject.

(The statement is as follows:)

STATEMENT OF JAMES H. MORRISON, OF LOUISIANA

As a Member of Congress from Louisiana, which is one of the largest producers of tung oil nuts in the United States, I would like to emphatically support this legislation to put a floor under the producer's price for tung oil nuts in order to save this tremendously important industry from disintegration and collapse.

The over-all average price of 19 cents per pound that the tung oil nut producer or farmer received for this season's crop will show a net loss of approximately $11.50 per ton of nuts. It is just a question of time as to how long the producer can last, and, whereas a few are in better financial condition than the vast majority of them, there are some that will have to abandon their tung orchards as a result of the terrific losses which they have already sustained.

When you consider that tung oil is a product that is of tremendous importance to our armament program and our national defense, and was so important during the past World War that the Government, during the war, purchased all available supplies in the United States for war purposes, it is unthinkable that the orchards should be allowed to die off.

While it is true that we are creating vast stock piles of other materials that are needed in the defense of this country, but which are only partially produced in this country and part of which are important, I do not see how we can afford to overlook tung oil because if this Government bought the entire output of tung oil, which is approximately 400 train tank cars, and stock piled it, there could be no loss to the Government and the oil can be stored indefinitely. It would certainly be a tremendous asset.

Tung oil production is not like the production of other crops such as potatoes, or similar food crops, in that they can be planted in one season of the year and gathered within the same year and discontinued the next. Rather a tung orchard is similar in many respects to an industrial plant, in that it has to be built over a period of years from a foundation of a small tree which develops to full production in a period of 8 years—each year requiring definite care in the way of fertilization and mechanical cultivating. If a tung oil orchard is allowed to exist without any maintenance, it will deteriorate faster than an industrial plant, and, in a few years, will be beyond recovery, and will not even have a scrap value as would an industrial plant.

When you consider that our main source of tung oil is China, and with conditions as they now exist in China, we should be deeply grateful to those pioneers who have put forth their money, energy, and service in developing this industry, which makes us independent of a source of supply outside our boundaries. We would be in a serious situation were we to be totally dependent upon China for all of our tung oil requirements.

Many years ago, when tung oil production was in the experimental stage in various Southern States, the Agriculture Department was most cooperative and encouraged people to buy land, clear land, and go to a tremendous expense in developing these tung orchards. However, since the war the United States Department of Agriculture has evidently lost interest, since they have done little, if anything, to aid one of the most distressed agricultural industries in America from financial ruin.

On the other hand, they have maintained several agricultural stations throughout the tung growing area and are, at this time, encouraging tung oil production.

From a common-sense standpoint it is impossible for any group of farmers in any part of America to produce tung-oil nuts at the present market price unless this bill is passed and thereby becomes a law. The catastrophe of the tung-oil-nut producers throughout the Nation will become more critical and in a few years, instead of having 400 tank-car loads of vital and necessary tung oil, we may find ourselves with none, and if present conditions in China continue we might not be able to import a single gallon of tung oil.

It is inconceivable that this great Nation of ours should let this vital agricultural industry disintegrate, and I feel sure that you gentlemen of this committee, when all the facts are properly presented to you, will take the necessary steps to report this bill favorably to the full committee, who, in turn, will be urged to also favorably report this bill.

It was my sincere desire to appear before you gentlemen of this committee personally but due to a previous engagement which I find myself unable to change, I am submitting this statement in connection with the rest of the testimony on this vital subject.

I feel sure that you gentlemen of the committee will receive from the witnesses, who are experts and learned on this subject, full information, and after careful consideration of the testimony I again urge this committee to favorably report this bill back to the full committee with the recommendation that same be reported favorably by the full committee.

Mr. PACE. I should also like to say that Senator Russell of Georgia called this morning to express his deep interest and he would be here now but for the fact that he is chairman of a subcommittee, which subcommittee in the Senate is similar to this committee, and the Senator also filed a statement with the committee.

I would also like to insert in the record a letter which I have received from the commissioner of agriculture of the State of Louisiana, Mr. W. E. Anderson, in connection with this problem. Without objection it will be inserted in the record.

(The letter referred to follows:)

LOUISIANA DEPARTMENT OF AGRICULTURE AND IMMIGRATION,
Baton Rouge, May 7, 1949.

Hon. STEPHEN PACE,
Member of Congress, Washington, D. C.

DEAR MR. PACE: I sincerely regret not being able to attend the very important hearing to be held by your committee on next Tuesday relative to support price on tung oil.

Because of competitive imports and synthetic production, the growers of tung nuts are in a desperate situation because the price at which the nuts are bought by the oil mills will not pay the cost of production and harvesting.

The sum total of this situation, if not corrected, will be to curtail cultural practices and fertilization. This practice will seriously affect orchard production, soil conservation and, eventually, such orchards will be abandoned. The young plantings now coming into bearing would not reach the age of profitable production.

Our department realizes the seriousness of the tung nut producers' situation, and we certainly hope that relief may be extended to them in the way of price support that will enable them to maintain their cultural practices, soil-conservation efforts and still make a reasonable profit as their "take home pay."

Mr. Cliff Lyle will represent our department at the hearing; however, I will appreciate this letter being incorporated in the records as our endorsement of a price-support program for the producers of tung nuts.

Respectfully yours,

W. E. ANDERSON, *Commissioner.*

Mr. PACE. I believe that covers all Representatives in Congress. We should be glad to have you present the next witness, Mr. Colmer.

Mr. COLMER. Mr. Chairman, before I do that may I add to the Chair's statement that there is a considerable number of other Representatives and Senators who are interested in this matter and who would have been here this morning but due to complications such as Senator Russell's, could not be here. Among those are the two Senators from Louisiana, Senators Ellender and Long; also Senators Eastland and Stennis from Mississippi.

Mr. PACE. I believe I observe in the room a representative from Senator Eastland's office.

Mr. COLMER. I was going to comment on that next, Mr. Chairman. I see Mr. Courtney Pace of Senator Eastland's office here and I wonder if he wanted to make a statement.

Mr. PACE. Just an explanation, that Senator Eastland is presiding over the Internal Security Judiciary Subcommittee this morning, at this hour; but he is very much interested and will file a statement.

Mr. COLMER. There are other Members of the House whom I shall not take the time now to list, but who are interested.

Mr. Chairman and members of the committee, at this time I should like to present to the committee Mr. Lamont Rowlands, secretary of the Tung Growers' Council of America, who is here to make a brief statement and to answer any questions the committee might see fit to ask. Mr. Rowlands is from Picayune, Miss. He is a pioneer in this industry.

Mr. PACE. Mr. Rowlands, we shall be delighted to hear from you at this time.

STATEMENT OF LAMONT ROWLANDS, SECRETARY, TUNG GROWERS COUNCIL OF AMERICA, PICAYUNE, MISS.

Mr. PACE. You may proceed, sir.

Mr. ROWLANDS. Thank you. In talking to some of the gentlemen last night, they seemed to think that the committee probably did not know a great deal about tung oil and tung-oil trees, and so, in the brief that I have filed, I put in a tung-oil bulletin, where you can see a picture of the nuts as they hand from the trees. It is a cluster type of tree. Also, on the back of the paper, you will see a picture of the trees in flower, to give you some idea of the tung-oil tree. It is a native of China. The picture of the tree, on the back, is that of a tree that is about 13 years old. The tree is probably 20 to 25 feet high and it has about a 30-foot spread.

That is a tung-oil tree. I think you gentlemen have all been presented with some of the tung nuts and I might say to the people here in the auditorium that it would be better not to eat these nuts, if they have any in their possession, because the meat is toxic and it is very distressing if a person eats them. It has happened before and I thought I would mention it at this time.

Mr. PACE. Do you want to file this brief?

Mr. ROWLANDS. Yes, sir. I should like to run through it as quickly as I can.

Mr. PACE. You may proceed.

Mr. Rowlands. This tree takes a peculiar type of soil and climate and rainfall. First of all you have to have about 60 inches of rainfall and you have to have a semiacid soil. You have to have well drained land, because you must have a water table 22 feet below the ground in order to be sure that your trees will live.

We made a great mistake in starting our plantings in areas where the water table was nearer the surface and the result was that those trees had to be taken out of the picture. It was very costly. In the early days there was very little known of the tung trees. We gathered all the information we could.

You will notice the flowers on the tree and that out of each little stem come 40 or 50 blossoms. Most of those are males; there are four or five females which bear the fruit and then the males drop to the ground.

First of all I would like to tell you something of what interested us in going into the tung-oil business. First of all, it was an article of commerce that appealed to us as a luxury or semiluxury. It appealed to us when we found that we had the climatic conditions that might be suitable for its growth. The tung tree is a deciduous tree. There is a very short area, probably about 100 miles in these five or six Southern States, where these trees will grow advantageously, because if you get a little frost in the early spring it kills the buds.

When we started in, we thought that we would get about three crops out of five, but in the last 10 years we have had fairly good crops right through. Some of that is because of better fertilization.

I shall proceed with my brief at this time, if I may, Mr. Chairman, and ask that it all be included, although I may skip portions of it.

Although tung oil, or China wood oil as it is known to the trade, has been produced in China for more than 5,000 years and used in the manufacture of American paints and varnishes since 1869, it was not until the year 1902 that culture of the tung tree was first introduced in the United States of America.

In that year, L. S. Wilcox, American Consul General at Hankow, China, shipped some Chinese tung nuts into this country. One report, commonly circulated is that the nuts whose exportation from China was said to have been forbidden under penalty of death, were smuggled into the United States in a diplomat's brief case. At any rate, the nuts, smuggled or otherwise, found their way to the San Joaquin Valley of California where they were planted, presumably in fruit orchards, but failed to thrive.

The reason they did not thrive was that it was an alkaline soil and those trees will not grow in an alkaline soil. It has to be semiacid.

More nuts were sent to the United States by Wilcox in 1903 and 1904 and some, according to reports, were distributed throughout the Gulf Coast States for planting. As far as can be ascertained all seedlings grown from these three original shipments failed to live.

Authority for this statement is C. C. Concannon, writing in Tung Oil, a bulleting of the Department of Commerce, Bureau of Foreign and Domestic Commerce, published in 1932. Concannon was chief of the Chemical Division of the Bureau at that time.

It was not until the following year, 1905, that the culture of the tung tree can be said really to have gotten a start in the United States. In that year, an eminent plant scientist, Dr. David L. Fairchild, in charge of the Division of Foreign Plant Introduction, Bureau of Plant

Industry, U. S. Department of Agriculture, arranged with Wilcox to ship a large quantity of tung nuts to this country. Here is how Concannon reported the incident in his 1932 bulletin:

The larger shipment of seed was received by the Bureau of Plant Industry in 1905 and was planted principally at the plant introduction garden of the Division of Foreign Plant Introduction at Chico, Calif. A large number of seedling trees resulted. When the trees were 1 year old they were shipped to State experiment stations, city parks, and cemeteries, and to private individuals throughout the milder parts of the country for test plantings. Fairly large numbers of trees were set out in Alabama, at Fairhope, Robertsdale and Batesville; in California, at Riverside, Pasadena, and Los Angeles; in Florida, at Tallahassee, McIntosh, Lutz, St. Petersburg, and Gainesville; in Georgia, at Augusta, Cairo, Thomasville, La Grange, and Donaldsonville; in Louisiana, at Pineville, Abbeville, Alexandria, and Bolivar; in Mississippi, at Biloxi, Landon, and Lucedale; in South Carolina, at Bennettsville; and in Texas, near Houston; while single trees were planted in a number of other areas.

(NOTE.—The seedlings, obviously because of climatic conditions, failed to thrive in California and South Carolina for there are no commercial plantings in these States and only small plantings in Georgia and Texas. The tung-growing area may be said to be bounded by the shores of the Gulf of Mexico from a point opposite Ocala, Fla., to Beaumont, Tex., and ranging to an imaginary line about 100 miles inland.)

Continuing, Concannon reports:

It seems strange to relate that the life of this promising new industry was really begun in a Florida cemetery. Five of the first seedlings cultivate by Dr. Fairchild at Chico, Calif., were dispatched to the superintendent of a cemetery at Tallahassee, Fla., and were planted but given little attention. In the autumn of 1906 William H. Raynes of that city became interested in the neglected plants and was given permission to transplant them. Only one of the five trees survived, but that tree, still standing, serves as a monument to early pioneering efforts to establish the culture of the tung tree in the United States as an important early source of seed for subsequent plantings, but in 1913 furnished a sufficient crop to make possible the first trial expression of tung oil in the United States. This experiment, conducted by a representative of the Paint Manufacturers Association of the United States, yielded 2.2 gallons of oil from the bushel of whole fruits submitted.

From this small beginning an industry has developed which has spread over 6 Southern States, reclaimed more than 275,000 acres of cut-over pineland planted to more than 14,000,000 trees, operates 12 modern crushing mills, produces thousands of tons of superior tung oil annually, provides income and employment to 15,000 persons, and is valued at more than $37,000,000.

WHO ENCOURAGED THE TUNG INDUSTRY?

It is a remarkable fact, indeed, that the same forces which have been encouraging the growth and expansion of the American tung industry over a long period of years now slam the door in the face of the industry when it is in its direst need of aid.

From the very inception of tung in the United States, almost half a century ago, the United States Department of Agriculture has taken a leading part in helping to establish the industry in this country. It was a Department of Agriculture horticulturist who planted the first tung seeds, smuggled into the United States from China, in a Department of Agriculture experimental station in California back in 1905. For the past 10 years this same United States Department of Agriculture has maintained and operated eight laboratories and field stations in the Tung Belt dedicated solely to instructing growers how to plant and cultivate the tung trees, how to enhance its yield, and to examine into and devise new uses for tung oil and its byproducts. Seven of these laboratories and field stations are still operating.

In 1946, the United States Department of Agriculture noted in its annual summary that "of the 52 principal American crops the tung nut shows the fastest current expansion." This expansion, by the way, from 1943 to 1946 was more than 700 percent, and activities of the Department in fostering the growth of tung were undoubtedly one of the chief contributing factors.

Few Government reports utilize such glowing language in describing an agricultural enterprise as that used in a release issued on January 23, 1948, by the United States Department of Agriculture, Bureau of Agricultural Economics, at Gulfport, Miss., in reporting on Mississippi's tung nut harvest from 1939 to 1947 inclusive.

The report is headed "Mississippi Tung Nuts Bring Cash," and opens with the following paragraph:

From $19,000 to $2,000,000 in 8 years. That is how the value of Mississippi's tung-nut crop has skyrocketed, according to D. A. McCandliss, statistician in the State for the United States Department of Agriculture. In 1939 the State produced 425 tons of tung nuts, worth at that time $19,000. In 1947 the Mississippi tung-nut crop had climbed to 28,000 tons, worth $2,100,000 at the current average price of $75 per ton. Tung orchards in Mississippi are confined to the southern part of the State, near the Gulf of Mexico. The heaviest plantings at present are in Pearl River County.

During World War II, when the American industry was the sole source of supply of tung oil, the Government gave the oil a priority of A2 and commandeered every drop of it for the armed forces and national-defense effort. In order to encourage the expansion of tung acreage and oil output the United States Department of Agriculture offered American tung growers a bonus of $5 per acre to enlarge their tung orchards.

The activities of the United States Department of Commerce in encouraging the establishment of a tung industry in the United States dates back more than 25 years. Under date of December 17, 1923, in a communication to the Hon. Herbert Hoover, then Secretary of Commerce, Julius Klein, Director of the Department's Bureau of Foreign and Domestic Commerce, noted in his letter of submittal:

SIR: There is submitted herewith a report on China wood oil. This product is among the essential raw materials which it is necessary for American manufacturers to purchase from abroad. It is of vital importance to the paint and varnish, the linoleum and oilcloth industries. In consideration of the dependence of this country on foreign sources of supply for this material, it is believed that a complete survey of the actual conditions existent in the producing areas of the principal country of origin will enlighten many consumers as to the difficulties to be met in the purchase of China wood oil in China, and it is hoped will be of real value to the industries mentioned.

Klein then discussed the Chinese tung-oil industry in detail, and concluded his remarks with a chapter headed Advantages of Domestic Production. (Remember that he is writing back in 1923.) While there are many details still to be worked out, this infant industry possesses certain advantages, Klein wrote.

The oil which has been produced from fruit grown domestically has proved to be superior in quality to that which is imported from China. The market in the United States is continuously growing and is close at hand.

Modern machinery will be used for the extraction of the oil and operations will be conducted on a scientific basis. * * *

Whether or not a successful tung oil producing industry can be permanently established in the United States, that it will be of real value to American paint, varnish, linoleum, and oilcloth manufacturers cannot be doubted. Access to a source of supply unaffected, at least by political conditions and crude methods of production, from which an unadulterated material may be obtained and of which forecasts may be made with sufficient accuracy to warrant expansion or plans for increased production on the part of American consumers, would be of inestimable value.

Klein concludes his report to Mr. Hoover with the following words:

As an innovation it is still an experiment, but as an experiment it is one which is well worth a real effort, and if it will result in freedom for a group of American manufacturers from a foreign source of supply of a raw material it is highly desirable.

In Concannon's much more exhaustive treatise, published 7 years later, as part of the Department of Commerce's Trade Promotion Series, the chief of the Department's Chemical Division goes into every phase of tung, from planting of the seed to crushing and marketing of the oil. The report, profusely illustrated and documented, opens with a foreword by Frederick M. Feiker, Director of the Bureau of Foreign and Domestic Commerce, which states in part:

Establishment of a tung-oil industry in the United States will undoubtedly be a distinct boon to Florida, Mississippi and the other Gulf States. The planting phase of this industry represents a splendid contribution to the diversification of Southern agriculture, providing an economic use for certain waste and uncultivated land and an added channel of activity for labor in that region. In addition, the erection and operation of mills for the commercial expression of the oil may directly amplify industrial activity in the Gulf States, and may tend to encourage the movement of paint and varnish and other consuming industries to southern plant locations.

This monograph is therefore dedicated to the sound development of an activity which serves agriculture as well as industry and whose influence affects directly conditions in the South and indirectly business interests throughout the entire country.

In the concluding page of this report Concannon notes progress in the establishment of a domestic tung oil industry in the United States pointing out that a "considerable extension of tung tree acreage" had been noted during the previous year (1931), in Florida, and Mississippi, and hails the first shipment of a full tankcar of American-produced tung oil in the spring of 1932 as a—

very promising demonstration of the excellent prospect of developing commercial production of the oil in the United States during the coming years.

Concannon concludes his hundred-page report in the following glowing statement:

The value of permanently founding a tung-oil industry in the United States cannot be measured only in terms of the saving of millions of dollars now expended in China for supplies of this commodity. The significance to southern agriculture of rapidly expanding commercial acreage devoted to a crop for which there is a large existing market in the United States cannot be overlooked. As an agricultural activity, tung-tree plantings promise to benefit all classes of people in the South—bankers, property owners, foresters, farmers, and laborers. Plantings represent a splendid contribution to the diversification of agriculture in that region and provide a profitable use for large tracts of waste and uncultivated land. The milling phase of this industry will directly add to industrial activity in the Gulf States and will indirectly stimulate interest in the location of paint and varnish and other consuming industries near supplies of one of their most pertinent raw materials.

It can readily be seen that both the Department of Agriculture and the Department of Commerce have been vitally interested for more than 40 years in developing a domestic tung oil industry. These Government departments, however, were not the only interests desirous of creating a domestic source of supply. A leading part in the development of this industry was taken as far back as 1912, 37 years ago, by the paint and varnish manufacturers of this country in establishing tung oil cultivation projects in the United States.

Dr. Fairchild, head of the Farm Plant Introduction Bureau of the Department of Agriculture, who planted the first tung seeds in California, delivered addresses before the Paint Manufacturers Association and the National Varnish Manufacturers Association in 1912 to, as Concannon reports, "invite their friendly interest and cooperation in domestic tung oil projects."

Favorably impressed by Dr. Fairchild's addresses, Dr. Henry A. Gardner, representing the two associations mentioned, visited the Southern Gulf States to investigate commercial possibilities of tung culture. Gardner made a favorable report on this work in 1921, and, again we quote Concannon:

> It resulted in more active efforts on the part of these associations to stimulate planting in the United States.

In 1923, the report continues, the American Tung Oil Corp. was formed as a subsidiary of the American Paint and Varnish Association, primarily to demonstrate the possibilities of producing tung oil in the United States.

> This company—

Concannon writes—

> financed exclusively by leading domestic paint and varnish manufacturers, was designed and operated as a non-profit-making venture to encourage the growth of tung trees on a commercial scale in this country, and thereby ultimately to develop a domestic supply of the oil.

Several paint companies have interested themselves, directly or indirectly, in the operation of American tung mills. The first tung mill established in this country in 1928 was directed by an American paint manufacturer. A number of paint and varnish manufacturers have planted tung acreages. The "honeymoon" of the paint and varnish industry, which consumes about 80 percent of all tung oil used in this country, ended abruptly in 1948, with the dumping of Chinese tung oil on the American market after the supply had been cut off for 8 years. The change of attitude was marked by the filing of a brief with the Secretary of the Treasury opposing the invokement of the Anti-Dumping Act of 1921 by the American Tung Oil Association in an effort to halt the flooding of the American tung oil market with vast quantities of Chinese tung oil sold in this country at a price below the foreign market value and cost of production. This brief was filed in March 1948, by an organization calling itself the Bureau of Raw Materials for American Vegetable Oil and Fats Industries, "on behalf of the consumers and importers of tung oil."

It is highly significant, we think, that the "honeymoon" of the United States Department of Agriculture and the American tung industry ended a few short weeks later when the Department flatly refused to grant the American industry a support price of any kind.

Why does the American paint and varnish industry now consider that the American tung-oil industry is not worth further help or development?

Why does the United States Department of Agriculture, after encouraging the growth and expansion of the American tung industry for 43 years now absolutely refuse to grant a support price, particularly as one was granted in 1947 when the price of tung oil was higher and more particularly when it grants tung's competitors, linseed and soybean oils, support prices far above the prices of these commodities during the wartime years?

WHY THE CHANGE IN ATTITUDE?

The change of heart of the American paint and varnish industry toward the American tung industry is a comparatively simple one to understand. Our paint and varnish manufacturers are businessmen and as businessmen and users of raw materials they are quite understandably out to get their raw materials at the cheapest possible price. The matter of ethics, of simple justice in a situation where their industry promoted and encouraged the establishment of a domestic industry primarily to take care of their own needs and now turns its back on it, is one which no paint and varnish manufacturer can defend successfully. There would have been no American tung industry if the paint manufacturers had not demonstrated in a very concrete way that they needed and wanted an American supply of tung oil.

I was asked to appear before the American Paint, Varnish, and Lacquer Association in the early days, at a meeting of its board of directors, to make a statement with regard to the possibility of the growth of tung oil in the United States.

At that time I was starting a planting and had planted 8,600 acres, to stimulate the industry down there. They were very, very fine to me. They thought it was a wonderful thing and urged us to go ahead.

Dr. Harry Gardiner gave me letters to all of the large paint manufacturers in the United States and I visited two by appointment that they had made for me. Mr. LaMott duPont was one, who was very interested. He gave me an hour and a quarter. I told him what we were doing and he said, "We certainly do need a domestic industry that we can depend upon so that we can get pure oil."

I went over to see Mr. Patton, who was the president of the Pittsburgh Plate Glass Co. He turned me over to his chemist. He told me that undoubtedly there was need for an American-produced tung oil, because it was pure and unadulterated and they could depend upon it. I said to him, "I hear a lot of talk about substitutes; what about that?" And he said, "Well, I do not think you will have to worry, because no matter what synthetic resins or other synthetic products come out of the paint industry, you can always be sure they will always have to use tung oil with them."

That was the type of encouragement that we received all through when we were visiting the paint manufacturers. I knew that there was a need for some new industry in the South to stabilize our economy. I gave away thousands of trees, gave them to farmers to plant tung trees around their cow rows and try them out. I covered all the way from Texas to Florida and made talks to chambers of commerce and to farmers assembled in schoolhouses, in order to get them interested in this industry. Now, returning to my brief:

Their excuse in opposing the desperate effort of the American tung oil industry to halt indiscriminate dumping and cutthroat practices of the Chinese tung oil trust is based entirely on the matter of price.

They opposed any restrictions whatsoever on China's illegal operations by fantastic statements to the effect that the American tung grower can produce tung oil in competition with coolie labor, the cheapest in the world. This statement is so ridiculous on the face of it that it needs no rebuttal beyond stating that if the American farmer is to be placed on a par with Chinese coolies, then perhaps we should ask China for help instead of sending the Chinese billions of dollars to raise their standard of living.

Nobody but a fool or a person dictated by ulterior motives could possibly contend that tung oil, or any other agricultural products, can be produced in this country for the same cost as in China.

We think it pertinent here to note that 13 of the largest paint and varnish manufacturing companies were indicted last year by the Federal Government on charges of conspiracy to jack up the price of paint and varnish faster and higher than any other commodity produced in the United States. While the price of paint and lacquer increased in this country from 75 to 100 percent, the price of tung oil has dropped 50 percent. The purpose of this brief is to ask the Congress to correct this condition through granting a parity rating to tung nuts, thus assuring our American tung farmers a return on their time, investment, and labor more in balance with the return accruing to the consumers of their product.

The change of attitude on the part of the United States Department of Agriculture is much more difficult to understand. Why has the Department and the Commodity Credit Corporation repeatedly refused to grant a support price on the 1948 crop after having granted a support price in 1947?

Is it because the various men who have headed the Fats and Oils Bureau of the Department of Agriculture for the last 8 or 9 times have come invariably from jobs in the consumer industries? We believe this situation should be corrected. The Department of Agriculture, after all, is a branch of the Government charged with developing and protecting the interests of American agriculture. Would it not be fair to this country's agricultural interests to place a man from agricultural ranks and with an agricultural viewpoint at the head of a division which concerns itself with such a vital branch of our agricultural economy? The most often repeated excuse of the present head of the Fats and Oils Division is that his department refused a support price for 1948 because it did not want to "create an unrealistic price for tung oil." Now what is the record of tung oil prices?

The price of tung oil in 1940 was 26 cents per pound, in 1941 prior to the outbreak of World War II it reached 35½ cents per pound, in 1942 the price was pegged by the OPA at 38⅜ cents per pound in tank car lots where it remained until the end of OPA when it climbed to 40 cents; at one point in 1947 it sold for 38⅜ cents per pound.

At the same time that tung oil was pegged at 38¾ cents per pound, linseed oil was pegged at 15.8 cents per pound, and never sold for more than 18½ cents per pound all during the war. The United States Department of Agriculture after refusing to grant any sort of support price on tung in 1948 gave linseed oil a support price of 27.8 cents per pound on a basis of $6 per bushel for flaxseed. This was done, we are told, to prevent Argentina from gouging linseed-oil-consuming industries in this country. Isn't it strange that a Government bureau can feel so keenly for the plight of an industry which it indicts as a postwar profiteer that it is willing to spend in 1 month alone the sum of $125,000,000 to aid it, yet cannot spare a single dollar for a vital American agricultural endeavor, fighting with its back to the wall to keep from being totally destroyed?

How can the United States Department of Agriculture justify its contention that a support price of 25 cents per pound as granted in 1947 is "unrealistic" or, in other words, unfair to the paint and varnish industry when that same industry was glad to pay 40 cents a pound for tung oil in 1946–47 when costs of production were lower than they are now? No one has been able to find out from the Department just what a "realistic" price is, but it is significant that the Chinese Government, which controls China's tung oil supply recently placed a floor of 20 cents on tung oil, C. and F. New York, to keep the bottom from entirely dropping out of the market. Is the American tung farmer forever to remain at the mercy of foreign manipulators? To put it even more bluntly, does this country want a tung industry or does it prefer to remain dependent on other countries for supplies of a product whose value as an essential war material cannot be gauged in terms of dollars and cents?

American tung farmers and millers have been repeatedly informed by the Commodity Credit Corporation that it would not grant a support price for the 1948 crop of tung nuts because of its "experience" with the 1947 support price program for tung. Interests within the industry were considerably mystified by this statement because the CCC did not elucidate further on its "experience."

CCC explained that it purchased 7½ million pounds of American tung oil under the 1947 support program at the support price of 25 cents per pound. Most of this oil, it later developed, was resold by the CCC, some to the United States Army for building airplane runways in Japan, some to Germany, and the remainder to industries consuming tung oil, the price ranging from 24 to 24½ cents per pound.

If the CCC had turned thumbs down on the 1948 crop of tung nuts on the grounds that it had lost too much money on the 1947 transaction such an explanation would certainly have appeared strange indeed considering the fact that on the outside CCC could not have lost more than $300,000 with some authorities contending that the actual loss was only about $78,000. Even if the CCC had lost its entire investment in tung oil, the cost to this country for aiding a vitally important and essential industry would have been but $1,875,000. Consider this investment in developing such a strategic commodity in comparison with the vast sums spent by this same agency in supporting the prices of such commodities as Irish potatoes—49 million dollars annually; figs and raisins—17½ million dollars in 1947; dehydrated eggs—2½ million dollars a day, with 60 million dollars pledged in 1949 to keep up the price of peanuts.

America's tung growers were further mystified and shocked at a statement appearing in the Oil, Paint and Drug Reporter, leading publication of the paint and varnish industry, in which an unidentified official of the CCC was quoted:

> Commodity Credit Corporation decided "sometime ago" against a price-support program for the 1948 crop of tung nuts, an official of the agency said last week. A support program has been in operation since the war in order to enable producers to adjust their production to postwar conditions, and officials feel that ample time has been allowed to make this adjustment.

Such a statement was tantamount to saying that now that Chinese tung oil had appeared back on the American market in volume our American tung farmers should either cut down or abandon their orchards. In what other way could they adjust their production to "postwar conditions"?

This attitude seemed so unbelievably harsh and un-American that a group of tung growers, composing the Special Tung Growers Committee, delegated Mr. and Mrs. John Watts, publishers of Tung World magazine, to go to Washington and question CCC officials, as well as other Government bureau heads, in an effort to clarify the situation.

Mr. and Mrs. Watts visited Washington in October 1948, and conferred with Frank Woolley, deputy administrator of the CCC, George L. Prichard, head of the Fats and Oils Division of the Department of Agriculture. Asked the point-blank question if the statement above referred to was the official attitude of the CCC, Mr. Woolley admitted that it was. Asked by Mr. Watts if it was a recommendation of the CCC that the American tung farmers abandon their orchards, Mr. Woolley refused to comment. He expressed himself as being opposed to the entire support-price program, and declared that it was the—

> spinelessness of our Congressmen in being unable to say "No" to the Nation's farmers that had gotten this country into the support-price program in the first place.

We believe this is a remarkable attitude for an official of an agency charged with administering the laws of Congress to take, regardless of whether or not tung oil is considered. We believe the Congress should look into the views of Mr. Woolley and Mr. Prichard to see whether these gentlemen intend to administer regulations promulgated by the Congress or whether they are so totally out of sympathy with the parity and support-price programs as to be stumbling blocks in the way of a fair and impartial administration as set down by Congress.

Recently an occurrence came to light which we believe sheds some light on the unexplained and repeated statement of the CCC regarding its "experience" with the 1947 tung support-price program. It was revealed in the public prints that an American miller, Earl Wallis, had purchased four tank cars of American tung oil from the Commodity Credit Corporation and had sold it to a manufacturing client. The client paid Mr. Wallis for the oil, about $69,000, but Mr. Wallis failed to pay the CCC in turn in some sort of banking transaction. The CCC pressed Mr. Wallis for its money, and the latter was forced to post as collateral on a note to the CCC stock in two American tung mills in the amount of about $125,000. After two extensions of the note CCC foreclosed, seized the stock, and took control of both mills, one being located in Florala, Ala., and the other in Gulfport, Miss.; the stock was recently sold to officials of two paint companies, and they are now operating the mills.

Can it be that this is the "experience" which led the CCC to turn thumbs down on the American tung industry's request for a 1948 support price?

Granted that the experience with Wallis was an unpleasant one, is it just or reasonable that the CCC penalize the entire American tung industry because of a transaction with one tung miller that proved unpleasant?

We think this CCC-Wallis matter should be looked into by the Congress to avert any further reprisals on a young struggling industry for something which it is not responsible for.

WHY TUNG MUST HAVE PARITY

The parity system of Government price supports was devised to assure the farmer a fair price for his products in relation to the price of manufactured commodities he must buy.

No fair-minded Member of the Congress can possibly study the record of the price of tung nuts and tung oil during the past 12 years without realizing that the American tung farmer must have some sort of aid and protection from his Government if his industry is to survive. Every tung farmer in this country—and there are more than 5,000 of them—is facing ruin and bankruptcy. The price of his product must be stabilized, he must be assured of a decent price, or he will of necessity be forced to abandon his orchards. No farmer, or group of farmers, can continue indefinitely to grow a crop and sell it at a loss.

In asking for parity the American tung farmer is content to accept no more or no less for his crop than the application of the parity system will allow him. The American tung farmer is asking no more than what is being given his competitors, the growers of soybeans and flaxseed. It is a matter of simple justice that he receive the same aid they are receiving and that is all he asks.

A study of the comparative prices of oil seeds and fats and oils from 1937 to 1949 presents incontrovertible proof that the American tung industry has not only been discriminated against in the refusal of a support price but has been made the victim of an international squeeze play that has just about squeezed the life out of the infant industry.

The most recent release of the Bureau of Agricultural Economics, United States Department of Agriculture, on the fats and oil situation, dated February 11, 1949, covering the period of November, December, and to January 21, 1949, contains two tables, one comparing the prices received by farmers for cottonseed, peanuts, soybeans, flaxseed and tung nuts (page 8) and the other (page 11) on the wholesale prices of certain fats and soils, including butter, lard, cottonseed oil, soybean oil, coconut oil, inedible tallow, linseed oil, and tung oil.

Here are the tables, exactly as carried in this bulletin:

Price received by farmers

Item	Average 1937–41	Average 1942–46	1947	1948 preliminary
Cottonseed, per short ton	$26.37	$54.68	$85.90	$67.80
Peanuts, per pound	.0358	.0771	10.10	10.60
Soybeans, per bushel	.96	2.02	3.34	2.39
Flaxseed, per bushel	1.63	3.00	6.15	5.75
Tung nuts, per short ton	51.24	97.72	64.90	54.70

The wholesale price table on fats and oils as of January 1949, is as follows:

Item	Average 1945 [1]	Average Oct. 1947–Sept. 1948	Nov. 1948	Dec. 1948	Jan. 21, 1949
	Cents	*Cents*	*Cents*	*Cents*	*Cents*
Butter, 92 score, Chicago	42.3	79.2	62.7	64.8	63.9
Lard, tankcar lots, Chicago	12.8	22.2	17.8	15.6	13.0
Cottonseed oil, crude, S. E. mills	12.8	26.9	19.6	17.1	14.3
Coconut oil, crude, Pacific coast [2]	11.0	25.8	26.5	23.2	17.9
Soybean oil, crude, midwest mills	11.8	23.8	19.1	17.3	14.0
Inedible tallow, prime, Chicago	8.6	18.5	13.9	12.4	8.3
Linseed oil raw, tankcars, Minneapolis	14.3	28.8	27.0	27.0	27.0
Tung oil, drums, New York	39.0	25.6	24.4	23.8	20.9

[1] Prices in 1945 were at the wartime ceilings.
[2] Three cents added to allow for tax on first domestic processing.

Compiled from Oil, Paint and Drug Reporter, the National Provisioner, Chicago Journal of Commerce, and reports of Production and Marketing Administration.

A study of the first table reveals that the price of cottonseed rose 157 percent from the period 1937–41 as compared with the 1948 price; peanuts from 3.58 cents per pound to 10.60 cents or approximately 200 percent; soybeans per bushel $0.96 to $2.39 or approximately 160 percent; flaxseed from $1.63 per bushel to $5.75 per bushel or 252 percent.

The price of tung nuts, per short ton, on the other hand, rose only 6½ percent from $51.24 per ton to $54.70.

Smaller increases in price were received by farmers on these products in 1948 as compared with the 1942–46 average as follows: Cottonseed 24 percent, peanuts 37 percent, soybeans 18 percent, and flaxseed 90 percent.

The price of tung nuts on the other hand dropped from $97.72 per ton in 1942–46 to $54.70, a decrease of 44 percent.

It should also be noted that where cottonseed, peanuts, soybeans, and flaxseed showed increases in price of 57, 31, 65, and 105 percent in 1947 as compared with the 1942–46 average the price of tung nuts decreased 34 percent. Tung nuts, in other words, are the only oil seeds in this category showing a reduction in price to the farmers.

The obvious inequality between tung and the other fats and oils is even more strikingly demonstrated in a study of the second table on fats and oils prices.

The table reveals that with the exception of inedible tallow the wholesale prices per pound of fats and oils shows varying increases in price from the 1945 average to the January 21, 1949, quotation. The price of butter is up 51 percent over 1945; cottonseed oil is up 12 percent; soybean oil up 12 percent; coconut oil up 60 percent; linseed oil up 90 percent; the price of tung, however, has declined 47 percent or from 39 cents per pound to 20.9 cents, and is even lower at this writing, April 28, 1949.

The only other commodity in this table showing a decrease in price, as cited above, is inedible tallow which declined from 8.6 cents in 1945 to 8.3 cents, a condition attributed to faulty export regulations clamped on certain inedible fats and oils which forced the accumulation of large surpluses in this country thus materially dislocating the market. The decline, it might be noted, is only three-tenths of a cent.

That something is radically wrong with the price of tung nuts and tung oil as compared with the price of other oilseeds and fats and oils is patent. The cause of this condition also is obvious. Cottonseed, peanuts, soybeans, and flaxseed all receive price supports on a parity system. Tung nuts do not receive this support. Regardless of any other consideration, is it fair or just that the growers of soybeans and flaxseed, tung's chief competitors, should receive Government aid and tung farmers be denied such aid?

The United States Department of Agriculture and the Commodity Credit Corporation have explained to the American tung industry that the reason they are supporting the price of linseed oil at almost double the highest price commanded by this product during World War II is that the consumers of linseed oil, in particular this country's paint and varnish industry, must be protected from gouging by Argentina, which at the time a support price was first given linseed oil producers in 1947 was attempting to squeeze 39 cents a pound out of the American market.

The situation in respect to tung is entirely different. The young and struggling tung industry produces only about one-twelfth of the amount of tung oil imported in this country. This imported oil, coming mostly from China, without tariff or other regulation, naturally dominates the market. The American tung industry is not here debating the questions of reciprocal trade or of aid to foreign countries. If it is the established policy of this Nation to grant vast sums of money to China on the assumption that such grants will be used to benefit the people of China, and the tung farmers of China, the American tung industry is not disposed to dispute such a policy. What our tung farmers object to, however, with every fiber of their beings, is that their industry should be sacrified in the procedure of helping Cina.

Recent developments on the international front indicate that the Communists have just about taken over China. In the same bulletin from which the tables above referred to were taken the Department of Agriculture's Bureau of Agricultural Economics expresses uncertainty over continued imports of tung oil from China in view of military and political developments. Regardless, however, of whether or not the imports are curtailed because of Communist activities, the American tung industry must have the protection of parity and price supports if the industry is to be placed on a stable, long-range basis.

We have shown the tremendous discrepancy in the price of tung nuts and tung oil as compared with competitive oils. What is the story when tung is compared with such basic crops as wheat and corn?

In a letter to Representative E. C. Gathings of Arkansas on February 8, 1949, A. J. Loveland, Under Secretary of Agriculture, cites the average per pound in drums, carlots, New York, for the 10-year period, 1930–39, in defending the Department of Agriculture's refusal to grant a support price for the 1948 crop of tung nuts.

Why Mr. Loveland should choose the depression years in attempting to show that tung farmers are receiving a fair price now for their product is his business. However, even these figures when compared with prices of other basic commodities show the sharp disparity in prices for tung as compared with other crops.

Here are Mr. Loveland's figures:

Tung oil—average price per pound in drums, carlots, New York

	Average (cents)		Average (cents)
1930	9.6	1935	17.0
1931	7.4	1936	16.1
1932	6.3	1937	15.7
1933	6.8	1938	13.5
1934	8.9	1939	21.0

Simple arithmetic will show that the average price for the 10-year period is 12.2 cents per pound. At the present writing tung oil in drums is selling at approximately 20 cents, which is 63.9 percent over the 1930–39 average. Suppose we compare these figures with similar years in wheat and corn. Here are the prices per bushel of wheat and corn from 1930–39 as certified by the United States Department of Agriculture:

Wheat (per bushel):		Corn (per bushel):	
1930	$0.67	1930	$0.60
1931	.39	1931	.32
1932	.38	1932	.32
1933	.74	1933	.52
1934	.85	1934	.82
1935	.83	1935	.66
1936	1.03	1936	1.04
1937	.96	1937	.52
1938	.56	1938	.49
1939	.69	1939	.57

According to the above figures, the average price of wheat in 1930–39 was 71 cents per bushel, the average price of corn, 58.6 cents per bushel. If we apply the same percentage of increase in the price of tung oil, in other words multiply the average wheat and corn prices by 163.9 percent, the price of wheat today would be $1.16 per bushel and the price of corn 96 cents. The actual price of wheat as of March 15, 1949, however, according to the United States Department of Agriculture, was $2.17 and the price of corn $1.57, an increase over 1930–39 of 220 percent and almost 200 percent, respectively. This, we think, is a striking illustration of how continued dumping of Chinese tung oil on our American market has seriously injured the American tung industry.

TUNG OIL AS A STRATEGIC MATERIAL

A matter which our American tung growers do not understand is why tung oil was carried on the strategic list of critical materials which should be stock-piled by the Army-Navy Munitions Board for the Nation's defense all during the war years, and then was summarily yanked off the list in 1948.

Officials of the Munitions Board have explained that the reason tung oil was removed from the strategic list was because the domestic industry produced sufficient oil to meet our country's war needs. When asked what our war needs are, they replied 20,000,000 pounds. Even after official figures of the Census Bureau showing that the domestic industry produced less than 14,000,000 pounds in 1947–48 and, therefore, could not fill the country's war needs even on the basis of the Board's own figures, the Board's management refused to stock-pile this extremely important oil. Latest estimates from the Census

Bureau show that the 1948–49 harvest will produce only 17½ million pounds of tung oil.

Recent developments in China certainly bear out the contention of the domestic tung industry that Chinese supplies of tung oil may be cut off for several years by the Communists. Where then will this country obtain its supplies of tung oil if war breaks out and the American tung orchards are permitted to go to weeds for lack of an adequate price?

Few war materials played as important a role in World War II as tung oil. It was used in more than 800 manufacturing lines. It is used as a drying agent in printing inks, high grade paints, varnishes, and lacquers, as a coating for the interior of food cans, in the manufacture of linoleum and as brake linings, and as a waterproofing for raincoats, tarpaulins, plywood, the underbodies of flying boats, and as a protective covering for bullets, guns, tanks, radar and enclosed parts of bombs. There is no substitute for tung oil in its field. It is much too valuable a material for the domestic source of supply to be destroyed either through ignorance, lack of interest or deliberate actions of certain Government officials whose chief interest seems to be to encourage and protect foreign sources of supply even though in so doing they endanger an American industry.

Gentlemen, I thank you.

Mr. Poage (presiding). Will you submit to some questions, Mr. Rowlands?

Mr. Rowlands. Yes, sir.

Mr. Poage. Mr. Andresen is recognized.

Mr. Andresen. I notice that you put the blame more on the industry than you do on the Government with reference to the situation confronting the domestic producer of tung oil.

Mr. Rowlands. No, not quite. Of course, I consulted the Government very thoroughly. I went to see Mr. Klein. These nuts had been sent out and we were trying to find a method to supplant the pine trees, after they had been cut off. My partner and I started an experimental farm down there and I think we spent some $300,000 trying out beeches, pecans, pears, that sort of thing. But the ywere all luxury or semiluxury and something that a farmer could not attend to.

Mr. Andresen. I am for your industry. I have observed it during the past 25 years. I know what you have done and I think it is a fine thing. I think you should have protection. But you have indicated now that the manufacturers of paint and varnish are not as much interested as they were before.

Mr. Rowlands. No, because there is a foreign supply coming in and it is being dumped here. We have gone to the Department of Commerce—I have not gone myself, particularly, but others of our members have and pleaded with them to find a way to stop this dumping. We think the Chinese oil ought to come in here, because we have use for about 140,000,000 pounds a year and we supply perhaps two-fifths of that demand. We think the Chinese oil ought to come in, but in an orderly way so that it would benefit the Chinese much more and benefit us, too. A great deal of this Chinese oil comes in in order for the shipper over there to get gold dollars. I heard it said some time ago that there was over $600,000,000 in Chinese money in the United States in stocks, bonds and securities, that they were not using, that they were not sending back to China.

It is almost impossible to believe that American citizens such as ourselves down there, would be put under such a pressure. Mr. Prichard was asked the other day in a Senate hearing, if there was not a way under article 22 to alleviate this situation. He said, as I remember it, he thought there was, but he was not enough of a lawyer to be able to advise them.

Now, I have a great respect for this Government and its various departments. But as a farmer I think that when we come up to ask for relief, that they ought to explore every possible means within their activity to give us that relief, because they have to represent us. They are supposed to be the guiding spirit of this Nation.

We made inquiries at the State Department and they say that this product was bound on the free list and that we were given ample opportunity to protest or to file a brief. We never heard about it.

Mr. ANDRESEN. I agree with you in everything that you have said. And I know, if you had filed a protest, it would not have made any difference anyway.

Mr. ROWLANDS. Perhaps so.

Mr. ANDRESEN. Let me ask you this question. Is there any particular company or organization or cartel, such as Unilever, that controls foreign tung oil and brings it into the country?

Mr. ROWLANDS. I think so.

Mr. ANDRESEN. Is that Unilever, of London and Holland?

Mr. ROWLANDS. No.

Mr. ANDRESEN. What company is it?

Mr. ROWLANDS. I think the company that has the greatest control of tung oil coming into the United States is the Pacific Vegetable Oil Corp. in San Francisco.

Mr. ANDRESEN. Is that a domestic corporation of this country?

Mr. ROWLANDS. I could not tell; I think they are. They are in San Francisco.

Mr. ANDRESEN. But you do not know whether the Unilever Co., which is the largest company in the world dealing in fats and oils and generally controls the price of fats and oils, has anything to do with it?

Mr. ROWLANDS. I think not, because they are interested more or less, as I understand it, in greases and other tallows of that sort, that go into soap.

Mr. ANDRESEN. Oh, they go further than that.

Mr. ROWLANDS. They might; I am not well informed, sir.

Mr. ANDRESEN. That is all.

Mr. HOPE. Mr. Rowlands, it is not quite clear to me whether the relief that you are asking for now is designed to preserve the industry that you have built up, to preserve it in its present size and development, or whether you want a program which you expect will result in a continued expansion of the industry in the United States.

I am raising that question particularly because in your brief you indicate that the big development in the tung-oil industry has taken place in the last few years, during the war period and since. It is very evident, I think, that if we have a price-support program here that would make for a profitable price, and we do nothing about imports, we will have a problem on our hands, because the Government would undoubtedly have to take over all of the tung oil produced in this country and we would have to let the tung oil that came in through imports go into commercial channels.

Furthermore, if that price were profitable we should expect an expansion in the industry in this country which, with no limitations upon imports, would mean a continuing oversupply.

Are you asking here that we try to do something for the industry in its present state, or that we do something to permit you to expand the industry in the future?

Mr. ROWLANDS. Of course, that is a pretty broad question. I might answer that by saying that we are doing everything we can to diversify the uses of tung oil. We are carrying on experiments, trying to get away from a limited field like paints and varnish. I might say to you that in the last year, through a firm in Chicago, experiments have been carried on with green tung fruit. That work gives us a great deal of satisfaction, because they are taking the green tung nut—this is about the size of a green tung nut [indicating]; this is a Mississippi tung nut and the other one is a little smaller. I do not know how it happened to grow so large.

But they take this nut and the experiment is to put them in vats and by an electrolytic process they draw out the coal oil—there is a sticky substance in this nut before the nut is developed, just like a latex—they take that out and they are giving us great encouragement as to what they think they will be able to do. They make a very sensitive material, something that they are trying to use in the printing industry.

I talked to the chairman of the board some time ago and also the president of the company after they had had last year's experiment, and they said that they think they have run onto something that is well worth their consideration, and that would help the industry a great deal. But I suppose they are seeking patents on it and they do not want to say very much about it.

I think we are in our infancy as far as tung oil is concerned, because we have never had the money to carry on reserach work, and it takes chemists who are not just ordinary chemists, but men who have vision in this type of work, to develop what there may be in it. I think in the next few years we will have reached a point where we can get away from the paint industry. I think we will diversify our uses to a point where we will not have to depend upon them so very much.

Mr. HOPE. The impression I have gotten from what has been said here is that notwithstanding an expansion of outlets in this country, the supply of this oil which may come in from China is more or less unlimited and unless you have some protection from that, the hope of making that a profitable industry in this country will never be realized.

Mr. ROWLANDS. That is right, it will not. I just traveled through about 1,200 miles of the Belt talking to the tung growers and they are all very discouraged. They say that the Government wants the oil during the war periods, but we do not know when the next war is coming, and we cannot run this for the benefit of the Government.

Mr. HOPE. That brings up the thought that I had in mind. It seems to me that you have made out a good case here as far as some Government responsibility is concerned in that apparently this is an industry which was stimulated and encouraged by the Government during the war for war purposes. Now the war is over and they say, "We can get this from China and we are not interested in you any more."

Of course, in the case of many of our war enterprises, the Federal Government did something for them at the end of the war in the way of tax refunds, or termination of contract agreements, and that sort of thing, to enable manufacturers to shift to other production. In other words, we adopted policies to enable them to adjust themselves to peacetime conditions.

Mr. ROWLANDS. Yes, sir.

Mr. HOPE. Of course, I do not know whether you can use any of those methods to take care of the tung-oil industry; but it seems to me that you are entitled to some consideration as a war industry; that there ought to be some method by which you could be protected to the extent that you developed the industry during the war. Whether that would justify a policy that might result in continued expansion of the industry, when we can import this product from other countries at apparently much lower prices, I am not prepared to say at this time.

Of course, in the past we adjusted situations of that kind through the tariff. We do not do that any more. We have a new policy. So I do not know of any way whereby you can be helped very much through tariffs.

It is true that under section 22 of the AAA Act, if you had a price-support program in effect, the President would have the authority to put a quota on or to levy an import fee. But that, of course, is subject, under the terms of the act itself, to international agreements that we may have and I do not know to what extent our pending international agreements might interfere with that.

So I do not know to what extent you might get some relief from that source. But certainly if we had a price-support program it could never become effective and would cost a great deal of money unless we had some way of limiting the imports that might come in under section 22.

It occurs to me also that if you were willing to limit the industry to the point to which it had developed during the war, or to some reasonable expansion, you might have a remedy in legislation somewhat along the lines of the Sugar Act. We have a good deal the same situation there in that sugar can be brought in, as it can be produced more cheaply in the tropics than it can here in the United States. We have had a sugar industry for some years which we protected by the tariff. Finally, when Government policies changed and we no longer used the tariff, we enacted a sugar-quota law which not only put a quota upon imports but gave domestic producers a quota, too, in order to preserve more or less the status quo on imports and domestic production.

It occurs to me that something along that line might fit your situation and I am wondering if you have ever thought along that line.

Mr. ROWLANDS. Of course, we asked for quotas but I do not know what procedure we could take to limit the industry. You would have to fertilize the trees every year. They are very sensitive. They produce a very heavy crop. If you neglected the trees for 2 or 3 years, I would not say that it would be fatal, they probably could be brought back, but after they are 12 years old, you have to keep up your cultivation.

Mr. HOPE. I was not thinking of a quota that would cut down the production of existing orchards, but I was thinking of a quota that would, possibly, prevent the expansion of the industry. If it is true that under existing governmental policies we are expected to import most of our tung oil, then I presume you are not in a position here to justify an expansion of the industry in this country. But it occurs to me that it is a good deal like the sugar situation, where we are trying to maintain an existing volume of production of sugar in this country but at the same time we have not permitted producers to expand to any considerable extent.

The reason I am suggesting this is because I think you have made out a case as a war industry that has the right to maintain itself to the point to which it had developed during the war. But I am not sure that you have made out a case for an expansion of that industry indefinitely because apparently it is an industry which has sharp competition from other countries where the product can be produced much more cheaply.

Mr. Rowlands. Of course, I am not thoroughly posted on the matter of products coming from countries where labor is very cheap, but I think it will absolutely destroy our economy. I think the best thing the Government could do is this. If they look upon us as a war industry, and I think that can be proved, because they commandeered all of our oil and took it out of circulation during the period of the war, we might ask for relief under the same sort of contract that they had with other industries; probably have them pay us for our orchards, and we will then destroy them. Because we cannot go on this way. It means a terrific loss. Our people are suffering from it.

This was a very good income for small farmers. It was a money crop and it was very satisfactory and they were all pepped up over it.

Of course, we in the South have always been called an economic problem. In our little county, Pearl River County, 10 years ago we had the lowest farm income per family and through tung oil and cattle and cover crops we are up second from the top. You can see what it means to our part of the country.

Mr. Hope. How much of that is due to tung oil and how much to cattle and cover crops?

Mr. Rowlands. They go together. I do not think I could work it out for you. The three have been of great benefit to that country, because when tung oil came in, we began to demonstrate that they could raise cover crops. They never knew they could down there. It was just wild, cut-over land.

Mr. Hope. You are referring to raising cover crops in the tung orchards?

Mr. Rowlands. Yes, sir. And they have expanded into dairying, and so forth.

If there are no other questions, gentlemen, thank you.

Mr. Sutton. Since tung nuts are not classified as a basic commodity by the Secretary of Agriculture, and since you have said that this was a wartime product, would you think it right for us to vote you 90 percent of parity when we are not voting 90 percent of parity even for wheat or corn?

Mr. Rowlands. I am going to have to answer that this way. I am not so well posted on these parity plans, but I think before you get through, in order to keep agriculture stable—and it is the foundation stone of our Government—you are going to have to grant 90 percent parity.

Mr. SUTTON. I hope you are right.

Mr. ROWLANDS. That is what I think.

Mr. SUTTON. Personally I am for 90 percent parity. But if the Aiken-Hope bill goes into effect January 1, 1950, we will have a program of flexible price supports. You speak of the South; I am from Tennessee; I am a southerner. I think that our cotton, our corn and our wheat should have 90 percent parity. If we have flexible price support then cotton will go down to 60 percent parity.

Mr. ROWLANDS. Just as a farmer from Mississippi, my idea is that it will send our economy into a tailspin if you do not protect agriculture, because it is the basic activity of this Nation. If you do not produce, and the farmer does not get his share, it affects all the strata in our economy.

Mr. SUTTON. I agree with you 100 percent. But what I am thinking is, Is it right for us to single out tung nuts and support them at 90 percent when we do not support corn and cotton or wheat?

Mr. ROWLANDS. I should say not. But we are asking for parity now because we are in such a terrible condition. If this goes on another year, we are destroyed.

Mr. SUTTON. I agree with you 100 percent, but so will the corn grower and so will the cotton grower and others be destroyed.

Mr. HOEVEN. In this proposed legislation, H. R. 29, how did you happen to arrive at the base period January 1936 to December 1940? Is that the period of the highest market price?

Mr. ROWLANDS. No; unfortunately that was the lowest. But I should like to ask Mr. Colmer to answer that, if he will.

Mr. COLMER. Mr. Hoeven, there is no historical base period that we can arrive at for tung. Frankly, I picked those figures out of the thin air as a working basis. We could not go back to the old base period prior to World War I, so we had to have something, and this period was taken purely as a working base.

Mr. HOEVEN. Why did you not pick the last 5 years prior to 1949?

Mr. COLMER. Perhaps I should have. The only answer is that I did not.

Mr. HOEVEN. In other words, the figures are just arbitrary; there is no real basis for them. One 5-year period would be as good as another.

Mr. COLMER. Some would be much higher than the one I took as Mr. Rowlands has pointed out.

Mr. HOEVEN. In other words, you have no historical base for this?

Mr. COLMER. Unfortunately, none.

Mr. ROWLANDS. Unfortunately, Mr. Colmer picked one of the lowest periods.

Mr. ALBERT. Is the tung oil that comes from China produced in the area that is now under Communist control and occupation?

Mr. ROWLANDS. I understand—I have not kept track in the last few days—that the Communists are engulfing the Yangtse River.

Mr. ALBERT. It does come from the Yangtse?

Mr. ROWLANDS. Yes, sir; most of the oil comes down the river. Chinese tung trees grow all over China. There are 26 different varieties, as I understand. But this particular type, the cluster type gives the best oil and it comes from up the river. Most of it comes down the Yangtse River into Nanking, then goes to Hankow and then over here.

Mr. ALBERT. Thank you.

Mr. HOEVEN. I am just wondering, in view of the changed situation in China, and assuming that the Communists control the Government and these tung areas, do you see any possibility of the United States Government changing its attitude so far as reciprocal trade agreements are concerned?

Mr. ROWLANDS. Of course, that I cannot answer. We are in hopes that it will.

Mr. HOEVEN. Has not that been the main bone of contention?

Mr. ROWLANDS. Yes, sir.

Mr. HOEVEN. It has been a fact that we have a policy here of living up to those so-called reciprocal trade agreements and I am just wondering if we are going to do that kind of business with a Communist-dominated country, do you see any hope?

Mr. ROWLANDS. We have a letter from the State Department. Mr. Jordan has that and he can read it to you, if you wish. The Nationalists are still in control of the Yangtse River. We are asking for relief from that standpoint. We have tried to investigate every avenue to get relief and we seem to run up against a stone wall.

Mr. HOEVEN. The point that I am trying to make is this. You can realize the futility of passing legislation concerning agricultural products that are involved in the reciprocal trade agreements program.

Mr. ROWLANDS. Yes, sir.

Mr. HOEVEN. This committee means well and tries to do something for agriculture. Then we find that we are up against a stone wall, because what we have done or tried to do is in violation of the reciprocal trade agreements. I am just wondering whether there is anything that can alleviate the situation as far as tung oil is concerned. Assume that China goes entirely communistic. Then the question will arise whether or not this Nation is going to insist on its reciprocal trade agreements, or whether it will finally get down to protecting American agriculture.

Mr. ROWLANDS. I could not answer that question, but if we could get to the place you speak of, it would satisfy me and, I think, our people in the South very much.

Mr. POAGE. I was not here at the start of your testimony. Are you the attorney of the Tung Nut Growers Council?

Mr. ROWLANDS. No.

Mr. POAGE. I notice that you have presented a brief.

Mr. ROWLANDS. I am just a tung grower.

Mr. POAGE. Will you tell us who prepared this brief?

Mr. ROWLANDS. The data in that brief are data that I have collected. I have kept all of those Concannon booklets and Klein's over the past 25 years.

Mr. POAGE. I understand that.

Mr. ROWLANDS. Mr. John Watts and I together—he is the publisher of the Tung World—prepared that brief.

Mr. POAGE. Is Mr. Watts present?

Mr. ROWLANDS. He is.

Mr. POAGE. I wonder if I could ask Mr. Watts a question or two in connection with this brief.

STATEMENT OF JOHN WATTS, PUBLISHER OF TUNG WORLD

Mr. POAGE. Mr. Watts, on page 14 of this brief there is the following:

Mr. And Mrs. Watts visited Washington in October 1948 and conferred with Frank Woolley, Deputy Administrator of the CCC, George L. Prichard, head of the Fats and Oils Division of the Department of Agriculture. Asked the point-blank question if the statement above referred to—

that statement is that Commodity Credit Corporation decided "some time ago" against a price-support program for the 1948 crop of tung nuts—

asked the point-blank question if the statement above referred to was the official attitude of the CCC, Mr. Woolley admitted that it was. Asked by Mr. Watts if it was a recommendation of the CCC that the American tung farmers abandon their orchards, Mr. Woolley refused to comment. He expressed himself as being opposed to the entire support-price program, and declared that it was the spinelessness of our Congressmen in being unable to say "No" to the Nation's farmers that had gotten this country into the price support program in the first place.

You were present at this meeting and you are sure that that was Mr. Woolley's statement?

Mr. WATTS. That is a correct statement.

Mrs. WATTS. I was there, too.

Mr. WATTS. Mr. Prichard was there, too.

Mr. POAGE. Did you make notes or did you take any record of what happened at that time?

Mr. WATTS. I did, I took it down, When I was in Mr. Prichard's office, I told Mr. Prichard I was taking notes and went back later for a notebook that I had left there. Mr. Prichard did not comment on the spinelessness of Congress, but he told me when I first asked him why he did not get a support price, and I argued with him a while, "Well, the Department has always been opposed to support prices."

Mr. POAGE. As I understand, this is a transaction that took place with Mr. Watts?

Mrs. WATTS. That is right. That was a later meeting.

Mr. POAGE. Between Mr. Watts and Mr. Woolley?

Mr. WATTS. We went in to see Mr. Woolley last October. We told Mr. Woolley whatever he said would be for publication, because we own and publish a magazine, a trade magazine of the tung industry. My wife, who is associate editor of the magazine, took out a notebook and a pencil and she said, "Whatever you say will be quoted."

I read Mr. Woolley a statement that had appeared in the Oil, Paint and Drug Reporter. If you want the quotation in the magazine, I would be glad to get it for you. I have it here in my brief case.

Mr. POAGE. I am not asking for that now. This seems to me to be a situation that raises a question concerning which Mr. Woolley probably should be invited to appear before the committee and present his views. I am not here to argue the question one way or the other. I simply want to find out if we have such an irreconcilable conflict of views as to what happened——

Mr. WATTS. I think it would be a very good idea to call Mr. Woolley.

Mr. POAGE. If we do have such a conflict, I think Mr. Woolley should have an opportunity to appear before the committee.

Mr. WATTS. I think Mr. Woolley should be called before the committee because I do not believe in an official who is not in sympathy with the program administering that program.

Mr. HOPE. I would like to ask one question of Mr. Watts. Do I understand that Mr. Woolley, when he was giving expression to these views, was talking about a support-price program on tung oil, or the farm price-support program generally?

Mr. WATTS. He was talking about all support prices.

Mr. HOPE. About all support prices?

Mr. WATTS. He had mentioned a couple of them. In fact, he said, "We had prunes and cranberries in here last week and it looks as though every time we turn around there is somebody asking for a support price." So I pointed out to Mr. Woolley in the best manner that I could, that tung oil could not be compared with prunes.

Mr. POAGE. I think, under the circumstances, probably the committee should invite Mr. Woolley to appear before it, before these hearings are closed.

Mr. WATTS. That is a very good idea.

Mr. POAGE. It seems to me there is a matter here involved that is of far-reaching importance, one that goes beyond the scope of these hearings, and before we pass any judgment on the matter I wanted Mr. Watts' position to be made clear and then for Mr. Woolley to have an opportunity to make his position clear.

Mr. Prichard is here and his statements are brought into question. I am not charging anybody with misrepresenting anything here, but I suppose Mr. Prichard's position is involved here, too.

Mr. WATTS. I might say that everything that I say here has been published in our magazine. I have copies of it.

Mr. PRICHARD. I will say for myself that I do not see how anyone got the interpretation from anything that I said that the Department of Agriculture was against a support-price program. I think the record is abundantly clear on the recommendations of the Department over a number of years.

I should like to request that Mr. Woolley be given an opportunity to appear, because I was present in his office and I did not get that impression from anything that he said.

Mr. POAGE. We shall give Mr. Woolley an opportunity to appear and express his own views on the subject and his own ideas as to what he said or intended to say. Of course, different people get different impressions of what other people say.

Mr. WATTS. It was not that at all. It was not an impression. Those were his words.

Mr. POAGE. Even so, I think Mr. Woolley should be given an opportunity to make a statement.

Mr. WATTS. I certainly do, too.

Mr. POAGE. And to explain his standpoint. I do not want to make this an issue here. I simply wanted to find out whether it was necessary to call someone else or not. It is rather clear that we should call him and I think when he appears will be the appropriate time to go into this matter. If Mr. Watts or Mr. Prichard have nothing further to say, we thank you for the information you have given the committee. We shall invite Mr. Woolley before the committee and give Mr. Woolley an opportunity to comment upon the statements made on page 14 of this brief.

Mr. WHITE. Mr. Chairman, since prunes have been brought into the question, and since prunes are grown in my State, I would like to have the gentleman in charge of the price-support program on prunes come before the committee, too.

Mr. POAGE. I did not understand that there was any question of prunes involved in this matter except that Mr. Woolley is supposed to have made some comment about some representatives of the prune industry having been in to see them. If I understood Mr. Watts correctly—and this again illustrates how different people get different impressions—Mr. Watts said that he did not see how prunes were comparable with tung nuts.

Mr. WHITE. He said that the Department's official had stated that they were against all price supports. I am very much interested in that, because I am beginning to have the faint suspicion that the gentleman in charge of prunes and raisins and other California fruits feels just exactly as Mr. Watts has indicated they do. I am not making that statement, I am merely saying that their activities indicate that to me. I should like to have them come along, if you are going to air this matter.

Mr. POAGE. I understand that Mr. Woolley is in charge of the program and I am perfectly willing to invite him and such other individuals as the committee cares to invite, Mr. White. Mr. Pace probably will return this afternoon to preside. I am not the chairman of this committee. If it were up to me I would suggest you invite anybody you want to invite. And I suggest that be in the form of an invitation and not with the idea that this committee is insisting upon their attendance. It is merely a matter of explaining their position and I am sure the committee wants to hear them. But we do not want to get too far afield. We are now considering the tung oil situation. Mr. Colmer, it is now 12 o'clock.

Mr. COLMER. May I interrupt just for a brief statement, Mr. Chairman?

STATEMENT OF HON. SPESSARD L. HOLLAND, A UNITED STATES SENATOR FROM THE STATE OF FLORIDA

Mr. COLMER. Mr. Chairman, Senator Holland of Florida is here. I wonder if the committee could hear him briefly at this time.

Mr. POAGE. The committee will be pleased to hear Senator Holland. We know of his great interest in agriculture, and he has been before the committee on other occasions, and we are delighted to have him with us.

Senator HOLLAND. Thank you, Mr. Chairman. I will only take a very few minutes of your time.

As the chairman and members of this committee perhaps know, I am serving at this time as a member of the so-called Gillette subcommittee of the Senate Committee on Agriculture which has been conducting hearings not solely on the tung oil situation but on conditions affecting both animal and vegetable fats and oils, of which, of course, tung oil is one of the inedible vegetable oils.

Two very clear and comprehensive statements with reference to tung oil production in Florida, with reference to the activities of the Department of Agriculture in connection with the price program have been prepared for us by Mr. Prichard whom I see sitting here with you. I do not know whether he has submitted in the hearing before this committee those two statements.

Mr. POAGE. They have not been.

Senator HOLLAND. If not, Mr. Chairman, I would suggest and request that Mr. Prichard be requested to produce those two statements. He knows the two to which I refer.

Mr. POAGE. We will be glad to have them.

Senator HOLLAND. Mr. Chairman, the reason for my appearance is that I feel very definitely that tung oil production and the products, as one of the vegetable oils, is a stratetic material, and while it is not at this time a strategic material in short supply, I feel that in the absence of a support price program, or in the absence of giving it a place in the picture, that to allow the tung oil industry to continue to exist in a thoroughly unrealistic manner, when it is admitted by all concerned, that tung oil is a strategic material, because of the omission of any kind of a structure in the nature of price support to help the tung oil producers, will very shortly remove them from the scene, because in the case of tung oil the lands which are being utilized can be used for other purposes. And it is completely unrealistic to expect growers to continue to produce tung nuts in a rather confusing and thoroughly disregarded manner, insofar as price is concerned.

Mr. Chairman, without attempting to more than state a few highlights of the matter, I want to call attention to the fact that the offshore imports, principally from China have, of course, constituted by all means the major portion of the consumption of tung oil in the United States prior to the World War. The charts prepared by Mr. Prichard, just to use this illustration, I believe show that the two largest years of imports were in 1936 when the import was 134,830, in thousands of pounds; that would be 134,830,000 pounds, and in 1937 the import was 174,885,000.

And as brought out by the report, in the table prepared by Mr. Prichard, also in the year 1939 the total domestic production was only 11,600 tons, which would be, I believe, 23,200,000 pounds.

The figures as will be shown by table 1 which will be filed by Mr. Prichard will show that in 1941, the year before the war, the total domestic production was 8,750 tons.

Immediately following the creation of the war condition, that is, when the war was anticipated, and really after some study, and after every effort was being used by way of encouraging the production—and I thought by way of encouraging the planting, but Mr. Prichard has indicated there was no encouragement for additional planting, and I am sure that is correct as of his knowledge, but I am still under the impression, however, that there had been encouragement to plant, but certainly there was encouragement for increased production, and this table supplied by Mr. Prichard will show that the production went up to 16,350 tons in 1942. It was down again to 6,200 tons in 1943. It went up again 26,680 tons in 1944, and to 37,086 tons—and I am speaking now of domestic production—in 1945. It shows that it went up until the 1948 production, that is, last year's production, was 67,200 tons. That was a tremendous growth in this industry, which is producing a strategic material, although at the present time, as I understand it is not the purpose to stock pile, because at the present time it is not in short supply, but it could be in short supply very quickly in view of what is happening now in China, the problem might very quickly assume great proportions, from the standpoint of strategic requirements.

So, it seems to me that here is one of those things about which something must be done and should be done, not only in justice to agriculture, which of course takes high place, but also in justice to the Nation's needs for strategic materials of this kind, and even though it is not in short supply, it is capable of long storage, for years, as I understand, without deterioration and is therefore unlike some of the other strategic materials which are not capable of that kind of storage.

Without being critical, and certainly I do not want to appear to be critical when we are all trying to do the best we can, I just want to say that in my judgment either the Munitions Board was wrong, or the Commodity Credit Corporation is wrong—the Munitions Board in its decision not to further stock pile, or the Commodity Credit Corporation in its decision of May 1948, not to maintain any additional support price, because while at the same time the Munitions Board has decided not to make further purchases, for the purpose of stock piling, and the Commodity Credit Corporation has ceased to maintain a support price, it is admitted by all that this is a critically strategic material which could, of course, get in short supply.

Now we are, of course, at this point in the Gillette subcommittee of trying to see what could be done in the general field of fats and oils. But I am glad Mr. Colmer has introduced this bill. We have introduced similar legislation in the Senate as one of the possible methods of approach to the solution of this problem, and that is by way of continuing the price support on a parity basis, or a base calculated on parity.

And I entirely agree with the question of one of the members of the committee a few moments ago that of course we have to be realistic; we have to give comparable treatment to all industry of relatively equal importance in this strategic supply field.

Without trying to develop the point further, it seems, Mr. Chairman, that one or two things should go forward with speed. In view of the critical condition of the industry, and in view of the admitted fact that they are producing a strategic material which might even get in short supply if the groves are permitted to go down, and one of those two approaches is to bring in some development either by way of greater encouragement for the purchase of a supply that is admittedly a strategic material—and you will find in Mr. Prichard's report figures giving the averages, which show that for the last 2 years during the war the Government purchased the entire output. Was it only for 2 years, Mr. Prichard?

Mr. PRICHARD. I think it was only for 2 years.

Senator HOLLAND. I believe it was 2 years that the full output was purchased, when the support programs were in vogue, through the production year 1947 which stretched over into 1948.

The only thing of which I have been critical as yet—and of course we all realize that hindsight is better than foresight—is that the Commodity Credit Corporation did, after declaring in May of 1948 decide not to have another support-price program for the year which was then beginning, but it did place upon the market at a reduced price immediately, and as I recall from May through November—and perhaps there may have been some cause for that—the product which it had just bought and at a price possibly lower than the stock pile price paid by the Munitions Board, so that instead of helping the industry they were putting on the market a large part of what it had purchased, and from the standpoint of the market it reduced the price so as to bring, according to my recollection, a loss of between $300,000 and $350,000 out of money invested in the support-price program for the 1947 and 1948 production seasons.

I think it certainly would be unrealistic to continue that kind of an approach and treatment of an industry which has responded as patriotically as it did during the war, with such complete devotion to the appeals for greatly enlarged production, as evidenced by the increase of production from 8,250 tons in 1941 to 67,200 tons in 1948. And surely I think there is one approach which we all must find, and I assume equal responsibility, because I think the responsibility is on your committee and mine to try to find out some method which will allow this industry to continue on a basis that will show a profit to the producers.

I am not going to take more of your time. The problem is a difficult one.

May I make one comment with reference to the support-price period. The period which is picked out by the distinguished Congressman who sponsors this bill would result in a price so much less than the prices that have prevailed during the war years, during the 5 years immediately following, it would hardly give any comparison for them. Without having computed it, I would not even attempt to say how much less, but a vastly smaller support price, and I doubt if it would be enough of a support price to maintain the activities on a proper basis. But I suppose he took those years, and I respect him for taking them, because they were the last years of civilian time, of peacetime production, and because I realize that it is not typical to take years of which two are years where the Federal Government has made 100 percent purchases of the entire production, or 1 year where they have made a very large part of the purchases and the years when they had a support-price program. So it will be rather difficult, and I realize it is going to be difficult, to determine what is the proper base for a parity year, or what is the base for fair computation of what the industry should have.

Mr. Chairman, I appreciate the opportunity to make this brief statement.

Mr. POAGE. Senator, Mr. Hope would like to ask you a question.

Senator HOLLAND. Yes, Mr. Hope.

Mr. HOPE. Senator, I am wondering how much of a solution to the problem, over any considerable period of time, stock piling would be.

Senator HOLLAND. I think that is very true. The stock piling—the first thing I would have to say in connection with stock piling is that it would be in the interest of Government, and the second thing is the fact that while the stock piling was being built up to the point that it would give safety to the Government we would have to determine what course to pursue. It does not in any way provide a permanent solution.

Mr. HOPE. And as time goes on we would still have the problem with us.

Senator HOLLAND. Yes.

Mr. HOPE. I would like to ask you the same question that I asked Mr. Rowlands, whether it is your thought that we should embark upon a program here of encouraging an industry to expand.

I asked that question because apparently we are going to be faced with imports no matter what we do.

I think you have made out a good case for maintaining the industry in its present state of development, or practically so, but I am wondering just how far you would justify a policy of price support that might result in expanding the industry, when it comes to curbing imports, and we have no tariff policy that would take care of it, as in section 22 of the Agricultural Adjustment Act, where we can only operate in the event it does interfere with reciprocal-trade agreements.

So it seems to me that we are up against a pretty difficult problem, unless it can be handled something like the Sugar Act, where we put on quotas on imports and put quotas on domestic production.

Senator HOLLAND. Congressman, the situation is, as you pointed out, a difficult situation. It has the same aspects as we found in trying to cope with the problem, and the problem we have been struggling with in Florida with citrus. I know the citrus-producing area is trying to find some reasonable basis for giving greater security to the citrus producers.

Of course they do not have—and my State does have a great deal of interest in tung oil—but the producers do not have in their problem the factors that have been mentioned here in relation to tung oil; that is, the security of the country. Yet I know, by way of restriction or limiting of imports or some such method, it must be coupled with a limitation on additional planting.

So what the answer may be—I think it has to be completely realistic. It has to be based upon the knowledge of the fact that tung trees planted this year will come in commercially, I understand, about 8 years later, that it is a long-time crop, and I would not want to do anything that would contribute to overproduction in the domestic field.

It is not impossible of solution, in my judgment. I think we must find some way for treating this crop, and particularly where it is of so much importance in our strategic-materials program. That is not the case with citrus as is true with tung oil. And we must find some way that will result in greater security for the tree crops, some way that will give greater security to an agricultural industry, domestic industry, which is based upon tree-crop production.

Mr. HOPE. I am very sympathetic to your problem, and I am also convinced that, from the standpoint of establishing methods, we have the question of where it is going to lead us. It is a big question to work out.

Senator HOLLAND. It is not an easy problem, as you say, Mr. Hope, but we hope we can give it some intelligent treatment in our committee, as I am sure it is receiving here.

Mr. POAGE. Senator, has your committee given consideration to the possible help that may come from the use of section 22?

Senator HOLLAND. We have made no decision as yet, Mr. Chairman. We are in the process of hearings in which this has been presented, but we are not ready to announce any conclusion. We are trying to get a better grasp of it, so far as the different members are concerned; that is, of the general situation as it affects the production of vegetables and fats and oils.

Mr. POAGE. Senator Holland, you spoke about the subcommittee of which Senator Gillette is chairman and of which you are a member. Senator Gillette has introduced a bill, I believe, which would cover the entire fats and oils situation, which I understand to be similar to a bill which Mr. Granger has introduced in the House, H. R. 4538. This is another and different approach to the same idea covered in section 22, and that, after determination is made as to the difference between the wholesale price on fats and oils and the parity price, an import fee would be imposed. Is your committee considering legislation along that line?

Senator HOLLAND. Our hearing is in connection with the compensation bill introduced in the Senate along the line of the House bill you have just suggested.

May I suggest this, Mr. Chairman—not being chairman of the subcommittee, I cannot speak for it—but inasmuch as this is a rather new problem so far as we are concerned and inasmuch as it does deal with strategical product, would it be reasonable to suggest—and I am going to make the same suggestion to Senator Gillette—that at some time, as soon as we have secured the facts, the two subcommittees get together and pool their ideas, because I am sure we are all equally desirous of bringing about some permanent solution to the problem.

Mr. POAGE. I am in much the same position as you are, Senator Holland, in that I am not chairman of this subcommittee; I am here because Mr. Pace, the chairman of the subcommittee, could not be here at this time. I think the suggestion is a good one.

Senator HOLLAND. Thank you, Mr. Chairman. I notice a distinguished Member of Congress from California is a member of your committee. I have had a great many friendly contacts with Representatives of California during our consideration of the citrus problem.

Mr. POAGE. You do not mean that Florida has friendly contacts with California?

Senator HOLLAND. Oh, yes; when we have citrus troubles we are quite sympathetic with each other.

Mr. WHITE. That is correct, Senator.

Senator HOLLAND. When the citrus problem pinches everyone.

Mr. POAGE. Do I understand that it pinches just about like that [indicating with hand] and squeezes us in Texas?

Senator HOLLAND. We have found that Texas, California, and Arizona have citrus problems quite the same as the problems we have. Before I became Governor of my State, I represented the citrus industry in Washington matters; and I had occasion to come up here many times and found the Texas, Arizona, and California people were very cooperative and were willing to work with us in Florida, because they were interested in this problem of what to do about the tree crops, for which we have such a completely different situation than many other crops.

In some cases they can dry the fruits; in other cases they can be canned; some can be concentrated; but it is a most troublesome question in all tree crops in all areas just now as to what permanent part this whole agricultural program is going to play.

Mr. POAGE. Thank you very much, Senator Holland, for your statement.

Senator HOLLAND. Thank you.

Mr. POAGE. Mr. Colmer, would it be convenient for you to come back this afternoon after we have completed the hearings of the mohair group?

Mr. COLMER. Mr. Chairman, it would be convenient for us to come back at any time that suits the convenience of the committee. I had gotten the impression from the chairman that we would go on right after recess.

Mr. POAGE. The chairman told me that was the arrangement that had been made.

Mr. COLMER. That is perfectly all right. What time do you suggest we be back?

Mr. POAGE. Of course, we cannot guarantee the time. They have suggested it would take about 30 minutes.

Mr. COLMER. Would you suggest we be back here at 2:30?

Mr. POAGE. I think that would be well. And the committee will take a recess until 2.

(At 12:25 a recess was taken until 2 p. m. of the same day.)

AFTER RECESS

(Pursuant to taking the noon recess, the subcommittee reconvened at 2 p. m.)

Mr. PACE. We will now resume the hearing on tung oil. Mr. Colmer, you will present your next witness.

Mr. COLMER. Thank you. The next witness we have who has a brief statement is Dr. R. J. Saville, head of the department of agricultural economics, Mississippi State College of Agriculture, representing Mr. Si Coller, the State commissioner, and the Mississippi State Agricultural Coordinating Commission.

Mr. PACE. We will be delighted to hear from you.

STATEMENT OF DR. R. J. SAVILLE, MISSISSIPPI STATE COLLEGE OF AGRICULTURE

Dr. SAVILLE. I have a prepared statement.

Mr. PACE. You may proceed.

Dr. SAVILLE. This statement has been prepared by the Mississippi Agricultural Experiment Station.

The economic well-being of many people in the tung-producing area of south Mississippi, and for the Gulf coast tung area in other States as well, is dependent in considerable measure upon the future stability and relative profitableness of tung production. The recent and present price situation for tung oil threatens seriously the future of the industry. This statement points out the significance to the people of the area of having a permanent tung industry, and the particular circumstances which need to be considered by the Government in its agricultural policies and programs with respect to this industry.

Tung nuts are produced in six States along the Gulf coast—Alabama, Florida, Georgia, Louisiana, Mississippi, and Texas. Mississippi is the largest producer with about two-fifths of the total production (exhibit A). That is statistics from the Bureau of Agricultural Economics on production.

Mr. PACE. Those exhibits will be incorporated as a part of your statement.

Dr. SAVILLE. Yes. In Mississippi, tung nuts are grown mainly in the three southern tiers of counties. Due to past shifts in the economy in this area, the farm people have sustained sharply reduced agricultural incomes to near the lowest per capita incomes in the State. With very adverse production conditions for cotton, long the main cash crop for most of the operators of small farms, and the decline in timber resources, these people have needed a new cash crop and other ways in which to utilize the land and labor resources. Tung-nut production, under new technical advancement made possible through research and experimentation, provides an opportunity for this adjustment. Also, this change in land use has aided in providing additional opportunities for livestock and dairy enterprises because of the way these fit into desirable farming patterns where tung production is carried on.

According to the 1945 census of agriculture there were 1,599 farms in Mississippi reporting 4.7 million tung nut trees of all ages. Assuming 70 trees per acre, this meant about 67,000 acres in tung orchards. For the Gulf coast as a whole, there were 4,160 farms reporting 9.6 million trees of all ages, which would be equivalent to about 137,000 acres. Since 1945, there has been further substantial development.

Not only has the industry been developing in the number of people and in the acreage involved, the production has become a much more significant item because more tung trees are reaching productive ages. In Mississippi, according to data of the agricultural statistician, of the Bureau of Agricultural Economics, production of tung nuts has increased from a very small output of 425 tons in 1939 to 29,000 tons (preliminary) for 1948, with a value of 1.6 million dollars (exhibit A). The sharpest upturn in production occurred in 1944 and has been expanding rapidly since that time. Highest total value of production for the crop was reached in 1946 at 2.4 million dollars. However, by 1948, with nearly a 20 percent increase in production and with the absence of price support, the total value of production to Mississippi producer dropped nearly one-third from the 1946 peak.

Tung-nut production in the Gulf coast area has shown substantial gains since 1939 with a similar price behavior that has made the two past crops of much lower farm value than in 1946. The economic importance of the crop to the areas other than Mississippi is quite similar to that in Mississippi, and they are beset with essentially the same economic problems affecting the industry. What is discussed here for specific application to Mississippi will apply generally to these other areas.

It is out of this income from tung nuts that many farmers now get their main cash income from crops and where many workers get seasonal employment that adds to their annual income. All of the workers used in the production, harvesting and marketing of tung nuts in recent years come from the area and its immediate surroundings. Operators of small farms, of which the area has many, find added cash income from tung, and from opportunities for seasonal employment in working in the larger tung orchards.

Without this source of income people in the area must take a much lower level of living and resort to the painful process of making a new adjustment to other uses of their resources or to leaving the area.

The problems facing the tung industry: Several critical economic problems face tung producers. These include (1) the sharp fall in the past 2 years in the average price per ton received by growers; and (2) the necessity of caring for the tung trees under relatively high cost conditions in hopes of more favorable price situations at some later date.

The price of tung nuts in Mississippi is estimated at an average of $101 per ton for the 4-year period 1943–46, according to the State statistician of the Bureau of Agricultural Economics (exhibit A). In 1947 the price dropped to $64, and declined again in 1948 to $55. Prices in other tung-producing areas of the belt have followed the same trend, although their average has been slightly lower than Mississippi. With unit rates for production cost still high the producers are severely pinched by this sharp change in selling price and are much concerned about whether they should try to keep on in the industry or let their orchards go without further cash costs for care and upkeep.

Tung production requires several years of cost application to establish an orchard and develop it to a producing age. If proper care is not given for any period of time the orchard will deteriorate rapidly and if this neglect is prolonged will cease useful production. If again tung oil is desired in quantity and quality as it was in the recent war period, a new start will need to be made and several years will be required to get producing trees. As a result, growers who were encouraged to develop the industry in recent years are now faced with an acute problem of whether to try to hold out with hopes of better prices and market outlets in the future, or to reduce drastically current cash costs and forget about past costs that they incurred to establish the enterprise.

Some of the conditions giving rise to these problems in tung: Several significant items, primarily of past Government policy, have played quite an active part in bringing about the situation which now confronts the industry. During the war expansion of industry was encouraged and the demand was strong for tung oil. Planting and care of tung was a conservation measure for which the Government offered incentive payments. Farmers interpreted this as a favorable directive and proceeded to establish and develop tung orchards. Research and experimentation work was expanded to explore the possibilities of new varieties, proper fertilization, and other new developments. Results have been most encouraging, and hold much promise for the future, if only the industry can get this new technology established before the industry is discouraged too greatly by the present economic situation. Tung is going through the "growing pains" stage experienced by most new developments and needs opportunity to get established just as most of the other major enterprises have had to do in their time.

Of major concern to the area has been the handling by the Government of the price-support program, particularly as related to competitive or substitute oils. Tung oil is used widely in the manufacture of paints and allied products. Its competition in price and substitute uses is largely with linseed and soybean oils. These two products have been supported in such a way as to depress the outlet and price of tung oil. The oils are not fully substitutable because of the limits to the mixing ratios. As a result the Government price policy and program appears to have placed a very disproportionate burden on tung oil (exhibit B). That compares the prices of the three oils prewar, during the war, and postwar. Under competitive conditions for the finished product, paints, for example, any lowering of prices has been largely passed to tung because both maximum mixing percentage and level of support price of the companion oil has been relatively fixed. This should be corrected as a matter of fairness to the tung industry in the application of the governmental price-support policy.

A final matter needs serious consideration. That is the nature of the tung enterprise as a producer of essential industrial oil supply as a part of national security and self-sufficiency. In contrast to the main substitute oils, linseed and soybean, which can be increased substantially in one crop season because they come from annual crops, tung cannot be obtained in quantities short of about 5 years. Some can be obtained in 3 years under best conditions, but this can hardly be considered a safe plan. Thus, if there is any reasonable expectation of future need for tung on short notice the industry must be kept in readiness. It cannot meet such a need effectively otherwise. This is a very fundamental matter that should be taken into consideration now in Government policy making relative to the domestic production of essential commodities.

The limitations of local area to deal with this problem: Since the central problem is one of low price received by growers and the discriminatory nature to tung under a Government pricing policy for essential agricultural commodities this matter is beyond local action for remedy. Local producers and research agencies seem to be able to handle technical production problems. They are making substantial progress with their solutions.

While some production adjustments could be made by local tung-nut producers, they are still aware that it was but a short time ago that Government action and influence encouraged them to get into the industry. If they should give up on the enterprise now will the Government be back in a few years with inducements to get in again? Will the Government change its price-support policies relative to other oilseed crops within a short time so that tung will have a more favorable competitive position with them? These are matters that need positive actions now which must come from outside rather than within the area.

Government policy and program needed: To summarize, there are several things on which definite action is needed in order to sustain and assure the industry a permanent place in the economic life of the area where it has made such substantial progress in recent years. First, there is need for a comparable price policy for tung as is extended to the competitive oilseed crops. Second, in view of the present Far East political situation, serious consideration should be given to a positive, long-time program for the tung industry in the United States. Third, the Government program should recognize the peculiar situation for the tung industry, that it cannot get into production on short notice if new orchards have to be brought in or neglected orchards have to be restored. Finally, some plan of action now is needed to help ease the undoing of what has been done under guise of helping in the war effort for the people in the area if income from tung is lost or seriously endangered.

(The information is as follows:)

Exhibit A

[As reported by Agricultural Statistician, USDA]

Tung nuts: Production, price, and value in commercial States, 1939–48

Season	Mississippi	Louisiana [1]	Florida	Georgia [2]	Alabama [2]	Total 5 States
PRODUCTION [Tons]						
1939	425	150	550	15	20	1,160
1940	3,700	1,200	4,700	1,200	200	11,000
1941	3,700	1,800	2,250	650	350	8,750
1942	7,200	4,000	3,700	950	500	16,350
1943	1,940	3,260	700	200	100	6,200
1944	10,630	7,550	7,000	800	700	26,680
1945	15,690	10,750	8,400	1,100	1,140	37,080
1946	23,800	15,200	15,000	1,800	1,600	57,400
1947	25,000	15,500	11,000	900	800	53,200
1948 [3]	29,000	18,500	17,000	1,200	1,500	67,200
SEASON AVERAGE PRICE PER TON RECEIVED BY GROWERS [Dollars]						
1939	45.00	39.00	40.00	45.00		42.20
1940	60.00	55.00	60.00	64.30		60.00
1941	85.00	91.00	90.00	93.00		88.30
1942	95.00	87.00	90.00	93.90		91.80
1943	100.00	100.00	93.00	96.70		99.00
1944	104.00	103.00	100.00	97.30		102.00
1945	98.00	101.00	98.00	98.10		98.90
1946	102.00	90.00	96.00	96.50		96.90
1947	64.00	64.00	68.00	65.70		64.90
1948 [3]	55.00	54.00	55.00	55.00		54.70
VALUE OF PRODUCTION [Thousands of dollars]						
1939	19	6	22	2		49
1940	222	66	282	90		660
1941	314	164	202	93		773
1942	684	348	333	136		1,501
1943	194	326	65	29		614
1944	1,106	778	700	146		2,730
1945	1,538	1,086	823	220		3,667
1946	2,428	1,368	1,440	328		5,564
1947	1,600	992	748	112		3,452
1948 [3]	1,595	999	935	148		3,677

[1] Includes small quantities of tung nuts produced in Texas.

[2] To avoid the possibility of disclosing individual mill operations the prices and values for Georgia and Alabama have been combined under Georgia.

[3] All 1948 figures are preliminary.

EXHIBIT B

Trend in prices received by farmers for selected oilseed crops, 1937–48

Item	Average 1937–41	Average 1942–46	1947	1948, preliminary
Actual prices received by farmers:				
Tung nuts, per short ton	$51.24	$97.72	$64.90	$54.70
Flaxseed, per bushel	1.63	3.00	6.15	5.75
Soybeans, per bushel	.96	2.02	3.34	2.39
Index of prices received by farmers (1937-41=100):				
Tung nuts	100	191	127	107
Flaxseed	100	184	377	353
Soybeans	100	210	348	249

Source: The Fats and Oils Situation, BAE, USDA, November-December 1948-January 1949, p. 8.

EXHIBIT C

Trends in the prices of selected oils, 1937–46, and December 1946, 1947, 1948

Item	Average 1937–41	Average 1942–46	December 1946 [1]	December 1947 [1]	December 1948 [1]
Actual prices (cents per pound):					
Tung oil, carlots, New York	[2] 21.7	[2] 39.1	39.5	28.4	23.8
Linseed oil, raw, tank car, Minneapolis	9.5	17.2	34.8	33.0	27.0
Soybean oil, No. 2, yellow, midwestern mills	6.8	14.0	24.6	26.2	17.8
Index of prices (1937-41=100):					
Tung oil	100	180	182	131	109
Linseed oil	100	181	366	347	284
Soybean oil	100	207	364	388	264

[1] The Fats and Oils Situation, BAE, USDA, November-December 1948-January 1949.
[2] Commodity Year Book, published by the Commodity Research Bureau, 1948.

Source: All other items, Agricultural Statistics, 1948.

Mr. PACE. That is a splendid statement. Are there any questions?

Mr. GRANGER. What is the chief competitor of tung oil, flaxseed oil, and linseed oil?

Dr. SAVILLE. Linseed in paint mixing, yes, and soybean oil.

Mr. GRANGER. You referred to incentive payment here in your statement. Did the Government give an incentive payment for tung oil during the war?

Dr. SAVILLE. In the State of Mississippi, they did have an incentive payment to farmers as a conservation measure, and they received benefits from $1 up to as high as $5 an acre in that State.

Mr. GRANGER. Did you think at the time it was comparable with other incentive payments on other crops?

Dr. SAVILLE. I would not be in position to answer that. I believe it would be better to get some of the growers to speak on that.

Mr. GRANGER. I am wholly ignorant of tung oil. I know that it is grown on trees, and of course if you had an incentive payment, if people went into producing tung oil, it would take them several years to get into it, would it not?

Dr. SAVILLE. Yes.

Mr. GRANGER. They would have had to supplant some other crops at least with the orchards?

Dr. SAVILLE. Yes.

Mr. GRANGER. You feel that since the Government did encourage them to plant this war crop, they should have some protection now?

Dr. SAVILLE. Yes.

Mr. GRANGER. Have you any support price on tung oil at the present time?

Dr. SAVILLE. I think not.

Mr. GRANGER. None at all?

Dr. SAVILLE. No.

Mr. GRANGER. Do you grow supplemental crops along in the orchards, such as grass that can be used for grazing?

Dr. SAVILLE. Winter cover crops are grown in the process of operating and developing an orchard, and they are grazed with cattle, sheep, dairy cows, yes.

Mr. GRANGER. How much of a crop is the tung oil business in comparison with other crops?

Dr. SAVILLE. In the area where it is grown, in the main area of Pearl River County, it is distinctly the leading crop.

Mr. GRANGER. Is it a new crop?

Dr. SAVILLE. I would rather refer that question to someone else here who can give you the history of the crop. It is new in terms of the fact it has not been produced for many years. We reached the main production in 1944, and it has stepped up pretty sharply since that.

Mr. GRANGER. You are not a farmer; you are with the State institution?

Dr. SAVILLE. I am with the college, and we were asked by the Commissioner and the Council to prepare a statement, and I am here as a representative of the Commissioner to present this paper.

Mr. GRANGER. That is all I have.

Mr. PACE. Are there any other questions?

Thank you, Doctor.

Mr. COLMER. I would like to present Mr. Tom O'Connor, a tung grower representing the American Tung Oil Association, who has a statement, but he will not read the statement. Mr. O'Connor is a tung grower in Picayune, Miss., in south Mississippi, but resides in Boston.

Mr. PACE. We will be glad to hear from you. If you wish, I can have your statement inserted in the record at this point, and then you can briefly comment on it. Is that what you would like to do?

STATEMENT OF TOM O'CONNOR, AMERICAN TUNG OIL ASSOCIATION, PICAYUNE, MISS.

Mr. O'CONNOR. Yes, I would, Mr. Chairman.

Mr. PACE. Without objection, the statement will be filed with the clerk, with the mimeographed exhibits, and the two newspaper items inserted at this point in the record. We will not include the departmental bulletin entitled, "Marketing Activity." That will not be included.

Mr. O'Connor. It is just one page in there; page 7 is the only one.

Mr. Pace. Do you want that in?

Mr. O'Connor. Page 7, if you do not mind.

Mr. Pace. Include page 7 of the bulletin attached.

(The information is as follows:)

A Brief by the American Tung Oil Association in Support of H. R. 3041 by Hon. E. C. Gathings, Representative from Arkansas, and H. R. 29 (H. R. 5348, 1948) by Hon. William M. Colmer, Representative from Mississippi, which Bills would Provide Parity Rating for the American Tung Industry and a Support Price Based upon a Percentage of Parity

For those who are interested in a brief review of the history of our American tung industry and an outline of its present status we attach hereto photostatic copy of an article appearing in the March 1949 issue of Marketing Activities, an official monthly publication of the Production and Marketing Administration of the United States Department of Agriculture.

The area of commercial production of tung oil in the United States extends from central Florida to southeast Texas in a belt about 100 miles wide along the Gulf of Mexico in the six States of Florida, Alabama, Georgia, Mississippi, Louisiana, and Texas. Approximately 200,000 acres of cut-over pine lands are now planted to tung trees. These tung trees grow in the Gulf Coast States in an area that once grew long-leaf yellow pine timber, which has since been depleted.

Before the timber was cut from these lands, the valuation for tax purposes ran better than $100 per acre. After the timber was severed, the valuation dropped to $1 per acre, and then the owners of the land let the lands go back to the States rather than pay taxes on $1 per acre valuation.

The tung groves, although they are in a young stage at this time, are being assessed at $7.50 or more per acre. The tung industry gives employment to many thousands of people who would have no other means of livelihood. If the tung industry is denied a proper recognition, the tung groves that represent an investment of millions of dollars will be abandoned, thousands of people will be out of work; it will be impossible for the schools to operate properly, and many will have to be closed; the roads will have no financial support; there will be no funds for health programs, and the people will be thrown on the charity of the Government agencies or welfare organizations.

Tung nuts have proven to be the only suitable crop that can be grown on the type of soil that exists where the long-leaf timber once grew.

What would be left for the people in this section where tung is grown if they were denied a livelihood from an industry that can thrive on a profitable basis for all years to come, if there is no proper support by our Government during the initial years of the industry?

During the period of World War II, the tung industry became one of the two or three most important cash crops to farmers growing it in the area of its adaptability in the United States. It also added substantially to the economic welfare of many hundreds of communities located in the domestic Tung Belt through the substantial purchasing power which developed throughout the area. As proof of the benefit which the tung industry has been to this section, we submit herewith photostatic copies of editorials appearing in several newspapers published in typical tung-producing communities.

We would further submit that during World War II, tung oil proved to be a very valuable and strategic war material for the United States and was, and still is on the strategic materials list. The only source of supply of this strategic tung oil upon which our country had to depend was from the domestic production.

Recent developments make it imperative that the American production of tung oil be fostered and preserved because foreign supplies, for example, in China, may be dominated by enemies of the United States.

It is well to remember that it takes from 4 to 6 years to develop a tung grove, and should the United States become involved in a war and our armed forces require tung oil, as they did in World War II, it would be impossible to immediately supply the needed tung oil if the domestic industry is allowed to perish at this time.

The development of a domestic source of tung oil is in line with the present policy of our Government which is trying to make the United States as self-sufficient as possible, particularly with reference to strategic materials. Currently, the domestic production in the United States is only 15 percent of our yearly consumption.

By giving the necessary assistance to our American tung industry, Congress would not only accomplish the desired objective of making it possible for a new industry to exist, but would also go a long way toward building up an adequate and stable supply of American tung oil of the highest quality for the many consuming industries which need it.

It is not the desire of the American Tung Oil Association or the American tung industry as a whole to see imports of foreign tung oil cut off, because we realize and appreciate the needs of American consumers for larger quantities of tung oil than we ourselves are in a position to offer at this time.

Tung nut production in the United States increased from 1,160 tons in 1939 to a record high of 67,200 tons in 1948.

The price received by growers has varied from $42 per ton of nuts in 1939 to $105.20 per ton in 1946 when tung oil in the United States reached an all-time high of 38⅜ per pound and went under the OPA ceiling until the end of the war. Since the war's end the price received by growers has steadily declined until today it stands at approximately $45 per ton. The foregoing price figures are based upon an oil content of the nut of 18 percent field run.

The following table compiled by the United States Bureau of Agricultural Economics, demonstrates how the industry has grown in the United States since 1939, the year in which the first real commercial production appeared on the market.

Production

Season	Total, 5 States	Mississippi	Louisiana [1]	Florida	Georgia	Alabama
	Tons	*Tons*	*Tons*	*Tons*	*Tons*	*Tons*
1939	1,160	425	150	550	15	20
1940	11,600	3,700	1,200	4,700	1.200	200
1941	8,750	3,700	1,800	2,250	650	350
1942	16,350	7,200	4,000	3,700	950	500
1943	6,200	1,940	3,260	700	200	100
1944	36,680	10,630	7,550	7,000	800	700
1945	37,080	15,690	10,750	8.400	1,100	1,140
1946	57,400	23,800	15,200	15,000	1,800	1,600
1917	53,200					
1948	67,200					

[1] Includes small quantities of tung nuts produced in Texas.

One may readily see from the above table that up to 1948 our American tung industry has shown a constantly increasing trend toward expanding production with an accompanying putting to work of an increasing number of acres of cut-over lands and submarginal and marginal cotton hill lands. An increasing number of employees has been engaged in the industry as it expanded. This trend was stopped in 1946 due to market conditions and rising production costs which were beyond the control of the industry.

It is conservatively estimated that if American tung growers are encouraged by an adequate price support to continue to give their orchards proper management, particularly in the way of fertilization and cultivation, domestic production of tung oil may reasonably be expected to reach a volume of 70 to 75 million pounds per year by the end of the following 5-year period. This volume can be increased to 100,000,000 pounds by 1960 by a continuation of proper care and management.

This increased domestic production of tung oil should be of prime importance to the consumers of tung oil as well as to its producers, since up to the present time one of the greatest concerns of the consumer has been the lack of dependability of supply from foreign sources.

It is now practically impossible for the American farmer, who is accustomed to enjoy a high standard of living, to compete with the Chinese coolie whose living standards are among the lowest to be found in the world.

In connection with the expanding production in the industry between the years 1939 and 1948 as noted above, acknowledgement should be made of the fine cooperation which the industry has received since 1938 from the United States Department of Agriculture through its Research Division, the Bureau of Plant Industry, Soils, and Agricultural Engineering, and since the mid-forties from the

Commodity Credit Corporation which aided the industry materially for several years with support-price programs on tung oil and tung nuts. It should be pointed out also in this connection that during the 3 years that the Commodity Credit Corporation supported the industry with a support price, in only 1 year was the industry forced to avail itself of the support price offered by the Commodity Credit. In the other years the market price on tung oil averaged well above the support level set by the Commodity Credit Corporation.

During the 1 year (1948) that tung oil was tendered, the cost to the CCC was only $365,000, which was a very minor expenditure for the protection of investments amounting to millions of dollars. These investments, in many cases, represented the life savings of a large number of people and also represented the means of employment to approximately 20,000 to 25,000 people.

This employment is diversified in its scope since it includes the various phases of tung production, from the farm to the milling process that produces tung oil. This oil is then used in a wide variety of manufactured products.

We have no criticism of the Government's support program for flax and linseed oil, but we would like to state that during the support program of flax and linseed oil, tung oil's greatest competitor, the United States Government in the last 2 years, has purchased 20,500,000 bushels of flax, at a cost of $123,000,000, and 205,000,000 pounds of linseed oil, at a cost of $55,350,000, or a total expenditure to date in excess of $178,000,000 for the support of flax and linseed oil, and we do feel that we are fairly entitled to equal consideration.

At this time we wish to point out that tung oil is the only domestically produced drying oil that does not enjoy a support price. It should also be noted that while other drying oils have an import tariff protection, tung oil is on the free list.

Since the middle of 1948 when the Commodity Credit's support program on the 1947 crop expired, production and marketing conditions, not only in the industry itself, but in many of the tung-oil-consuming industries as well, became such, because of general economic conditions, as to bring about a situation in the American tung industry so unstable as to threaten the future of tung production in America. About that time the market price of tung oil dropped to around the 20-cent level, while the level of production costs continued a steady climb upward.

Coupled with a declining price on oil and rising production costs, was a severe shortage in the supply of several of the essential fertilizer materials needed by the tung grower to increase his per-acre production in an effort to break even financially. As a result of these conditions that exist in the industry today, the American tung grower is sustaining severe losses. Unless something is done to support the industry upon a basis upon which the grower can meet his costs of production and make a reasonable profit, much of the acreage now planted to tung will go out of existence in the next year or two. The industry today faces conditions so severe that if these conditions are permitted to continue unchecked for much longer, large numbers of growers will be forced to abandon their projects.

We submit herewith under the headings of Exhibit A and Exhibit B schedules showing actual production costs as they pertain to the industry today. To summarize briefly what these cost data mean, we submit that the presently prevailing market price of tung oil is 19 cents per pound f. o. b. southern mills. This price reflects a price to the grower for his nuts of $45.64 per ton at the mill after deducting the customary milling fee. These price figures are based upon tung nuts of 18 percent oil content field run with a mill recovery of 85 percent of laboratory analysis. A comparison of the price ($45.64) which the grower's nuts are worth to him at the mill with the actual cost of producing these nuts today, as set forth in exhibit A and exhibit B, will readily reveal the severe loss which the tung grower is suffering today.

We herewith submit a brief table summarizing the index of prices for the years 1937 through 1948.

[Index of prices, 1937–41 = 100]

	Average, 1937–41	Average, 1942–46	1946 [1]	December 1947 [1]	1948 [1]
Tung nuts	100	180	182	131	109
Flaxseed	100	181	366	347	284
Soybeans	100	207	364	388	264

[1] The Fats and Oils Situation, Bureau of Agricultural Economics, U. S. Department of Agriculture, Nov.–Dec. 1948–Jan. 1949.

Source: All other items, Agricultural Statistics, 1948.

It will be noted from Mr. Colmer's and Mr. Gathings' bills that the period 1936–40 is used as the base period for the purpose of computing parity on tung nuts. This period has been chosen because this was the base period used by the Bureau of Agricultural Economics of the Department of Agriculture, for the development of parity prices for various agricultural commodities. Using this same base period, a comparable price for tung nuts was also developed by the Department of Agriculture.

To summarize briefly, we would assert that today our American tung growers, faced with a low market price for tung oil relative to today's exceedingly high production costs, are in urgent need of governmental encouragement or assistance to tide them over the present critical period until production costs may be brought into line with tung-oil prices. We would submit that such assistance would seem to be prudent and advisable by virtue of the fact that such assistance would not only support and enhance the economic well-being of a large segment of the population in the area in which tung is grown, but would also serve to maintain a dependable source of supply of tung oil, a highly strategic war material, for any future needs which our country may have for this material in the event of war.

We feel that encouragement of our American tung industry by Congress would be distinctly in the national interest, both as to the employment of people who would otherwise be reduced to a low standard of living, and in preserving a strategic material particularly needed in time of national emergency and a material which is also greatly needed and used by American industries throughout the Nation.

Tung: Old Crop With New Uses

(By Donald Jackson and J. C. Eiland)

Tung oil—something of a mystery product since Marco Polo first carried word of it from Kublai Khan's dynasty to Venice in the thirteenth century—is not the complete stranger you may think it is. It is a component of the oilcloth on your pantry shelves and a waterproofer of the raincoat you wear on a wet morning.

Whatever the ancients may have thought about tung oil and its unusual qualities, it is nothing more nor less than a first rate commercial oil whose importance in our economy is determined by its chemical properties and our skill in putting it to work.

Tung has been called the world's fastest drying and most durable natural oil—two designations that earmark if for many specific uses. Most widely it is utilized as a drying agent in paints and varnishes, though its durability, special insulation, and waterproofing qualities serve to greatly broaden its utility.

Actually, its list of uses is as varied as it is long. Gaskets, brake linings, printing and lithographing inks, calking materials, insulations for electrical appliances, waterproofing preparations for munitions and shell cases, and acid-resisting coatings for food containers all utilize tung in varying amounts.

TUNG FIRST IMPORTED IN 1869

Tung has been used for centuries by the Chinese as a multipurpose oil—as a base for their famed ceramic lacquers, as a calking agent for waterproofing their junks, and in China's interior, as a rather smoky illuminant. The first two uses are the tip-off to our first and still most important commercial utilization, for since the turn of the century tung oil has been imported from China as a significant raw material for our paint and related drying industries. According to the available records the first imports of tung to the United States were made in 1869, but it was not until after 1900 that tung shipments expanded into one of China's most valuable exports.

Even as the volume of China's exports grew, however, tung's versatile nature earned it such an increased rate of consumption in the United States that the supply was often inadequate. Moreover, as China's recurring internal conflicts served to complicate trade activities, it was no surprise that new sources of tung oil should be sought.

Although China had constantly maintained a strict monopoly on tung production, in 1906 a handful of kernels were brought to California where plant scientists soon produced a few seedlings. In the meantime it was determined that an area in northern Florida most closely resembled tung's native China in climate and soil conditions, so it was there that the seedlings were transplanted and the first bushel of American tung nuts produced in 1911. In 1947, more than 53,000 tons of tung nuts were produced by the 14,000,000 tung trees growing in the tung belt—a 50 to 100 mile strip of land skirting the Gulf coast and crossing six States. Mississippi now leads in tung production with Louisiana, Florida, Alabama, Georgia, and Texas following in the order of 1948 production.

Memorandum Regarding Cost of Tung Orchard Maintenance, Harvest, and Hauling to Mill of Tung Nuts

From recent actual case studies made in the field, it is revealed that a figure of $37.79 per acre is very close to the actual cost of maintaining a tung orchard today at present cost levels, in order to keep a tung grove in profitably producing condition—and that a figure of $19.64 per ton would represent very closely the cost of harvesting tung nuts today. Break-downs of these two figures are set forth in the attached exhibits A and B. A milling cost of $12.50 was agreed upon, as this is an actual fee being charged by several of the mills in the area today.

The above-mentioned maintenance and harvest cost figures are based upon an orchard yield of 1 ton per acre of whole tung fruit, and upon a program of orchard practices as recommended officially by the Director, Dr. George F. Potter, of the United States field laboratory for tung investigations, of the United States Bureau of Plant Industry, Soils, and Agricultural Engineering.

It is also agreed by growers that an oil content of 18 percent would represent a fairly close general average oil content for field-run tung nuts, and that a mill recovery of 85 percent of the laboratory analysis would approximate closely the actual conditions in the industry at the present time.

Using the above figures one may readily calculate that, at the presently prevailing market price of 19 cents per pound for tung oil, f. o. b., southern mill, that a ton of tung nuts is today worth $58.14 delivered at the mill, before deducting the milling fee of $12.50 per ton. After deducting this milling fee, the worth of a ton of tung nuts to the grower is $45.64 at the mill.

Upon adding together the above-mentioned maintenance and harvesting and hauling-to-mill figures, one arrives at a total cost of production to $57.43 per ton. Upon comparison of this figure with the worth of a ton of nuts to the grower at the mill, it is readily seen that the grower is today losing money at the rate of $11.79 per ton.

Exhibit A.—*Break-down of per acre cost of maintaining a tung orchard of trees 8 to 12 years old in the Mississippi-Louisiana area to yield 1 ton of whole fruit per acre*

February to March:		
1 round with disk tiller		$0.70
Break out middles with disk (2 rounds)		1.40
April to June 15: 4 times with spring-tooth harrow		4.50
June 15: Seed cover crop and apply slag or phosphate		3.00
Aug. 1: Brushing terrace rows for volunteer sprouts, briars, and brush that disking won't reach		2.00
Sept. 1: 1 or 2 rounds offset disk with drag		1.40
Fertilization:		
Cover crop: 500 pounds slag or 250 pounds phosphate with 500 pounds dolomitic limestone		4.25
Trees:		
9 years old average: 75 trees per acre: Nitrogen, 1½ pounds at $70 per ton ammonium nitrate basis	$11.90	
Phosphate applied with cover crop: Potash, 1 pound at $2.47 per hundredweight at farm, 50 percent muriate of potash	3.70	
Application to trees	1.50	
		17.10
Overhead—10 percent of cost		3.44
Total		37.79

EXHIBIT B.—*Break-down of harvest and hauling-to-mill cost per ton basis*

Bunching	$1.50
Picking and scrapping	8.00
Transportation of pickers	1.60
Bags, baskets, and twine	2.50
Sacking and running crew	2.00
Hauling to mill	2.25
Overhead	1.79
Total	19.64

[From the Weekly Democrat, Poplarville, Miss.]

WE SEEK CONSIDERATION

Indications from Washington are that a congressional committee will grant southern tung-oil producers a hearing at an early date at which producers will present their case in support of a plea for the placing of tung on the parity list.

We have no way of knowing the attitude of members of the congressional committee or of the Department of Agriculture toward the plea of tung producers. No doubt the gentlemen of this committee are withholding judgment until they have heard and weighed carefully all angles of the industry.

We urge their careful consideration of the plea of the producers—a plea voiced with the full support of business and professional people throughout the six Southern States in which tung plantings are located.

We feel that the economic life, to a great extent, of this coastal area is at stake in the scheduled hearings.

A short span of time back in the past, this coastal area was wealthy in timber resources. Millions were made in the cutting and selling of the virgin forests. Then the timber was gone, leaving the people with barren cut-over land that is not especially adapted to row-crop farming. Some substitute, some means of providing a livelihood for the people was sought. Livestock was the partial answer, but livestock, alone, could not bridge the void between the wealth of the timber days to the barren land of the present.

Tung appeared on the scene and furnished the answer. Tung, combined with the production of livestock, brought the per family income of our people back up to a level which afforded an American standard of living—until the price fell below the economic level at which other commodities have been held.

The present price of tung, approximately $45 per ton for the nuts, is unjust to the farmer who produces tung; is unjust to the merchant who supplies that farmer with the necessities of life; is unjust to the economic life of the area; and is unjust to the consumer of this vital oil. Under the present price level, the consumer of tung oil cannot be assured of an adequate supply to justify long-range industrial planning.

The average price for the nuts in 1939 was $42 for a crop that was 1,160 tons. The price continued to rise until 1944, the farmer received $102 per ton for a 2,680-ton crop. The next 3 years saw the price decline to $98.90, $96.90, and the $73.60 figure of 1947—and 1948 at $45.

Tung oil fell better than 50 percent in value, yet the items which the farmer had to buy in order to produce tung—fertilizer, implements, food, etc.—advanced almost 50 percent in cost. Such a trend could only result in discouraging the farmer, reduce the tonnage of oil produced on a long-range basis and cripple the economic life of the area involved.

During the war the Japanese cut our shipping lines from China off, leaving our armed forces wholly dependent upon the efforts of the American producers to supply them with a vital war commodity. It took all the effort of the American farmer to produce enough for the armed forces, alone, without producing any for civilian use. That farmer was rewarded for his effort by having the price structure of tung cut from under him as soon as hostilities ended.

In event another war should come—and we do not wish to see that happen—where would our armed forces be in regard to tung oil? Russia would quickly strike at cutting us away from China again—leaving only the American grower to supply the demand. If we wreck that American farmer with an uneven price structure, will he be able to come back fast enough to do his part?

In 1948 on a deflated tung market, tung oil was better than a $3,000,000 industry from the producing end alone. Add to that the industrial and consuming end end and it is a big industry—sound, proven, and going.

Our case is this. Tung is out of the experimental and promotional stage. It is a sound, vital industry upon which thousands depend for a livelihood. We do not ask for 1944 prices. We ask only careful consideration of a policy that will help the industry maintain a price in keeping with other commodities. Such a price will enable our area to keep pace and assure industrial and governmental users of an adequate supply of oil.

That policy simply means adding tung oil to the parity list.

[From the Picayune Item]

WHAT ABOUT PARITY ON TUNG OIL, TOO?

Last week the southern press carried a news story, which stated that "a congressional hearing will be had by tung growers of the deep South within the next 3 weeks." This announcement was made known through a letter from Congressman William M. Colmer of this district. We have no fear of Mr. Colmer's attitude on the hearing, because he is from the section of our country, which produces this important material and knows first hand what this crop means to the economy of this section as well as the entire country.

This new American industry has taken a terrible beating, to put it mildly, since the end of the war, First, because it was taken out of competition with its competitors, when the War and Navy Departments commandeered every drop of tung oil produced in the United States during this time of crisis. It was all important in the war effort, it will be noted.

Secondly, in the removing from the open market of this, "so vital" material, its consumers, of necessity, were compelled to seek a substitute, for their formulas, and we are told that the changing of these formulas is an expensive business. So it is only natural that in these unsettled times these same manufacturers, who were compelled to change their methods of operation, at great costs, as other patriotic citizens did in the fight for survival of their country do not feel so ready to take it on the chin again.

While there is now an absence of a shooting war, these industrialists cannot forsee a lengthy period in this status and quite naturally feel reluctant to make such a change of formulas at this time, lest they be caught again.

As we study this case, we can see these consumers' point of view. We are not, however, blinded by the fact that World War II is over with, and every business should operate on its own. However, we do not believe that it will take any philosopher or sage to reason that this young American industry deserves and should receive the same consideration, at least, as its competitors are receiving, with its greatest opponent material being a product of Argentina, linseed or flax oil.

This last-mentioned item is on parity. We have no bones to pick on this subject. But what about tung oil. The American product. Shouldn't our own "patriotic," critical in wartime material receive the same consideration? We think so.

Mr. O'CONNOR. Mr. Chairman, and other members of the committee, that brief is a brief by the American Tung Oil Association in support of Congressman Colmer's and Congressman Gathings' bill. as you have heard, there is approximately 200,000 or 250,000 acres of cut-over pine lands now planted in the Gulf Coastal Plains to tung trees. These tung trees are planted on land that once grew the long leaf yellow pine timber which has since been depleted. Before this timber was cut from these lands, these lands were valued at $100 per acre for tax purposes. The valuation dropped to $1 per acre after the timber was severed, and many owners let the lands go back to the State rather than pay taxes on this dollar per acre valuation.

The tung growers, although they are in the young stage of bearing, now are assessed at $7.50 or more per acre. So you can readily see that there has been a gain in taxes to the State or county which derives this revenue.

In addition, the tung industry gives employment to many thousands of people who have no other means of livelihood. If the tung industry is denied a proper recognition, these tung growers representing an investment of millions of dollars, will be abandoned, and thousands of people will be out of work. It will be impossible for the schools to operate efficiently and properly, and many will have to be closed. The roads will have inadequate or no financial support, and there will be no funds for health programs. The people will be thrown on the charity of government agencies or welfare organizations.

Tung nuts have proven to be the only suitable crop that can be grown on the type of soil that exists where the long-leaf yellow pine once grew. Other crops have been tried, peaches and satsuma oranges, but they have failed, due to the fact they were not suitable to be grown in that area.

I would like to ask you what would be left for the people in that section where tung is grown if they are denied a livelihood from an industry that can thrive on a profitable basis for years to come if it is given the support by our Government during these initial years of the industry.

During the period of World War II the tung industry became one of the two or three most important cash crops to the farmers who grew this tung tree in the area of its adaptability. It also added substantially to the economic welfare of many hundreds of communities located in the domestic Tung Belt by adding greatly to their purchasing power.

As proof of the benefit which the tung industry has been to this section, we are submitting in our brief photostatic copies of editorials appearing in several newspapers published in the Tung Belt.

During World War II tung oil proved to be a very valuable and strategic war material for the United States. The only source of supply of this strategic oil on which our country had to depend was the domestic source of supply. Recent developments make it imperative that American production be fostered and preserved, because foreign supplies, for example in China, may be dominated by enemies of the United States. It takes 4 to 6 years to develop a tung grove, and therefore it would be impossible to immediately supply the need of tung oil to the armed forces if the domestic industry is now allowed to perish.

The United States policy presently is one of self-sufficiency in regard to strategic materials. As an example of that, you have the Government now cooperating with the steel industry to establish a supply of manganese in Africa, rather than go to the supply depot of India, because they are not so sure that they could obtain that manganese from India in time of need.

The domestic production of tung oil is currently only 15 percent of our yearly consumption. So you see that the amount of oil that would be available in time of war would just about consume the domestic supply.

Mr. GRANGER. 15 percent of what?

Mr. O'CONNOR. Of the American consumption.

Mr. GRANGER. Of oil?

Mr. O'CONNOR. Yes.

Mr. GRANGER. Not just tung oil.

Mr. O'CONNOR. No, tung oil. The domestic production of tung oil is currently only about 15 percent of the American consumption. In other words, the other 85 percent is imported from foreign sources, but mostly China.

Assistance to the tung industry by Congress would not only enable the new industry to exist, it would go a long way toward building up an adequate and stable source of supply of highest quality tung oil for the many, many American industries that need it, and use it in their present processes.

The imports of tung oil should not be cut off, because we fully realize that domestically we do not produce enough tung oil for the industries in the United States that require it. We do not want the tung oil imports cut off at all. But we do request that we be given some assistance in our own native production.

This tung-nut production in the United States is increased from 1,160 tons in 1939 to a record high of 67,200 tons in 1948. The prices varied from $42 per ton in 1939 to $105.20 per ton in 1946, when the tung oil reached a high of 38⅝ cents, and then went under the OPA ceiling for the duration of the war. Since the war the price has steadily declined until today it is approximately $45 per ton, based on a field content of 18 percent of the oil in the tung nut.

There is included in our brief a table showing how the industry has grown in the United States since 1939, the first real year of domestic commercial production. From this table, it can be seen that the tung industry has shown a constantly increasing trend toward expanding production, which has been accomplished by putting to work an increasing number of cut-over lands and marginal cotton lands. Certainly not a week goes by but what we read in the paper the Government is interested in preserving the soil of the United States and preventing soil erosion. We have seen the multimillions of dollars spent in the West to build dams so that land that could not otherwise be cultivated properly may be cultivated by the use of irrigation of one type or another.

An increasing number of employees have necessarily been engaged by the industry and it expanded. These employees are hired in an area of the United States that was once referred to as the economic No. 1 problem of the United States. So that you can see there has been another advantage in that area by the hiring of these additional numbers of employees.

It is conservatively estimated if an adequate support of prices is forthcoming with proper management in regard to fertilization and cultivation practices, domestic production may reasonably be expected to reach a volume of 70 or 75 million pounds per year by the end of the next 5 years, and by 1960 be up to a volume of 100,000,000 pounds. This increased production would be of immense help to the consumer, as well as to the producer, because the consumer up to the present time has been concerned with the lack of a dependable supply from foreign sources. It is now practically impossible for the American farmer who is accustomed to enjoy a high standard of living to compete with the Chinese coolie, whose living standard is among the lowest in the world. I think we all recognize and know that. It has been brought to our attention many times, and has been one of our proud boasts that we here in the United States enjoy a high standard of living and intend to maintain that.

In connection with the expanding production from 1939 to 1948, we wish to acknowledge the fine cooperation rendered by the United States Department of Agriculture through its Research Division, Bureau of Plant Industry, and other agencies, and since the mid-forties by the Commodity Credit Corporation, which has also aided our industry. Only once in 1948, that is the only year, that was in the year 1948, did the tung industry have to avail itself of the support price offered by the Commodity Credit Corporation. In other years the market price was well above the support level set up by the Commodity Credit Corporation. During the year 1948, when tung oil was tendered, the cost to the CCC was only about $327,000, and I think Mr. Pritchard will confirm that, that is the price that I think he gave in the Senate hearing last Friday. I believe this is a very minor expenditure for the protection of investments amounting to millions of dollars. These investments, in many cases, represent life savings of many people, and also represent the means of employment to approximately 20,000 people. This employment is diversified in scope. Another topic of conversation that we hear, that the United States wants to diversify its industry with farming, and this employment is diversified by extending from the farm through the mill where the oil is produced, and then the same oil is used in a wide variety of manufactured projects throughout the United States.

We have no criticism of the Government's support program for flax and linseed oil, tung oil's greatest competitors, but would like to point out that in the last 2 years the Government has purchased 20,500,000 bushels of flax at a cost of $123,000,000, and 250,000,000 pounds of linseed oil at a cost of $55,350,000. We submit the support figure for tung of only $327,000 is negligible in comparison with this other figure. We feel that we are fairly entitled to equal consideration, and I believe this same thought was expressed by Senator Holland this morning. We would like to state that tung oil is the only domestically produced drying oil that does not enjoy support price, and it is also on the free list, while other drying oils have an import tariff protection. We just seem to have been left out here.

Since the middle of 1948, when the CCC support price expired, the price of tung oil has spiralled downward, while production costs have continued a steady climb upward. Unless support is given to the industry, much of the acreage now planted will rapidly go out of existence, and subsequently all groves will have to be abandoned. We submit herewith in our brief exhibits A and B showing actual production costs as they pertain to the industry today.

To summarize briefly, it is noted that the present market price of tung oil is approximately 19 cents per pound f. o. b. southern mills. This price reflects to the grower a $45.64 per ton for nuts after milling charges. This price shows a loss of $11.79 per ton to the grower, as shown in detail in exhibits A and B. I would like to state that in these two exhibits we have broken down what actually happens in the field by the grower.

If you will bear with me a few minutes longer, I will read this from actual case studies made in the field.

> It is revealed that a figure of $37.79 per acre is very close to the actual cost of maintaining a tung orchard.

And—

> A figure of $19.64 per ton would represent very closely the cost of harvesting tung nuts today.

And to that must be added the milling cost of $12.50. You can readily see by adding these figures, and subtracting the cost that the grower gets, that he suffers a loss of $11.79 per ton.

His cultivation cost is built up this way. In February and March he has to start out, and he has one round with a disk tiller, which costs 70 cents, and later on he has two more rounds at $1.50; in April and June he goes around four times with the spring tooth harrow at $4.50, and in June he puts in his seed cover crop and applies the slag or phosphate. He has brushing, terraces, and cutting out his volunteer sprouts, which would just rob the tree of the fertilizer. And then again in September he has to go around with the offset disk with the drag, and this at a cost of $1.40. He then has a fertilization program, which includes his cover crop, which requires 500 pounds of slag or 250 pounds of phosphate with 500 pounds of dolomite limestone at a cost of $4.25. And the trees we now assume that they are 9 years old, and have 75 of them per acre, we assume that, and we have to apply ammonium nitrate which costs applied $11.90. The phosphate applied with the cover crop costs $3.70, and to apply this costs $1.50, or a total on the fertilization program of $17.10, with an overhead cost of $3.44. That gives you the cultivation cost.

On page 2 of exhibit B, you have the harvesting cost, which amounts to $19.64.

We have been optimistic in stating that we are producing a ton per acre in using these figures. I am quite sure that everybody will agree that we do not produce that. Those figures are very much on the conservative side.

Mr. PACE. Thank you very much. Are there any questions?

Mr. GRANGER. You are appearing here in support of H. R. 29, is that correct?

Mr. O'CONNOR. Yes.

Mr. GRANGER. Has the author of this bill appeared before the committee?

Mr. PACE. Mr. Colmer has. Yes; he testified this morning.

Mr. GRANGER. What does he propose to do with this. I was under the impression that any agricultural crop that was produced under the war-incentive program was under the Steagall amendment, why was that dropped out?

Mr. PACE. My understanding is that notwithstanding the statements made here today there never was any official announcement by the Department asking for increased production.

Mr. GRANGER. They had incentive payments. They certainly did. How much was that an acre?

Mr. O'CONNOR. I believe that we did have incentive bulletins or requests by Mr. Wickard who was then the Secretary of Agriculture. There is a gentleman here who is a pioneer in the industry and he can recall from personal memory, I think.

Mr. PACE. That was under the soil conservation ACP payment.

Mr. O'CONNOR. That was under the soil conservation that is correct, but I believe also the Secretary of Agriculture, Mr. Wickard also asked the tung industry to increase and produce more tung oil for the armed forces during World War II. Mr. Rowlands, a pioneer in the industry, would probably have a more vivid memory of that request.

Mr. PACE. In order to conform with the Steagall Act, there was the necessity for issuance of an official proclamation to ask the producers to increase production, and Mr. Pritchard advised me that he made a thorough search, and it was determined that no such proclamation had been issued.

Mr. GRANGER. It seems to me that I saw a press release somewhere that the Secretary did ask for an increase in production of tung oil.

Mr. O'CONNOR. I think he did ask for it. Maybe it was an unofficial proclamation.

Mr. PACE. If that was true, the Secretary would have had no discretion last year. He would have been required to have supported at 90 percent. He would not have had to ask for it.

STATEMENT OF MARSHALL BALLARD, JR., TUNG GROWER, OF MISSISSIPPI

Mr. BALLARD. I think I can answer that question regarding an incentive payment by saying that for several years during the war, triple A did grant exceedingly high incentive payments for cover cropping and conservation practices in tung orchards. As a matter of fact, they singled out tung one year and paid an incentive payment as high as $5 per acre.

Mr. PACE. That did not make that a Steagall commodity, Mr. Ballard.

Mr. BALLARD. I do not say that but they did give the farmer the impression that the Government wanted more tung oil, in addition to which the draft boards all throughout the belt gave tung workers a top priority rating when it came to deferments.

So that the general impression created there was that the Government considered it a pretty top notch critical war material.

Mr. PACE. That is very evident.

Mr. GRANGER. That is the question here.

Mr. PACE. Any further questions?

Thank your very much, Mr. O'Connor.

Mr. COLMER. Mr. Chairman and members of the committee, we have Mr. Birkett F. Jordan here, an attorney and tung grower of Gainesville, Fla., and out of deference to the time of the committee he submits his statement for the record. Mr. Jordan has had a great deal of experience in this field.

Mr. PACE. Will you present it?

Mr. JORDAN. I filed it with the clerk this morning.

(The information is as follows:)

STATEMENT OF B. F. JORDAN

My name is B. F. Jordan. I am a lawyer from Gainesville, Fla., which is the center of seven tung groves. I also am a stockholder in two tung oil corporations and am an officer in three such corporations. I have been connected with the tung industry for 20 years.

Tung oil was originally called Chinawood oil and grows wild in China. The first plantings in this country were from nuts imported from China.

TUNG OIL A CRITICAL MATERIAL IN TIME OF WAR

During World War II, because of our inability to import oil, all of the domestic supply of this oil was commandeered by our Government for use by the armed forces. It had the following war uses:

1. Used to cover the inside of high octane gas tanks.
2. Used to insulate electrical coils.
3. Used as a covering for magnesium parts.
4. Used in time bombs.

5. Used in manufacture of all medical catheters purchased by the armed forces.
6. Used as a necessary base for marine paints.
7. Used for waterproofing shells and other ammuntion.

No substitutes for tung oil have been found which will fill the above requirements. Thus it appears that tung oil is a critical war material.

In addition to the above war uses, it is used as a drying oil in paints and varnishes and in the manufacture of linoleum and printing ink. During the war, however, it was diverted from these uses for war purposes only.

NEED FOR PRICE SUPPORT

Having shown the necessity of this oil in time of war, I will now attempt to show the need for aid to the domestic growers.

Prior to the war, the cost of production was from $27 to $32 per acre. The cost of milling or extraction of the oil from the nuts at this time was $8 to $9 per ton. The price per pound of oil was from 21 to 28 cents.

Now the cost of production, due to high wages, increase in cost of fertilizers, machinery, etc., is from $56 to $62 per acre or from $29 to $30 per acre more than before the war. The cost of milling is now $15 to $17 per ton or an increase of approximately $7 per ton. The price is now down to 19 cents per pound or a decrease of from 4 to 9 cents per pound.

Thus, it is readily apparent that the producers cannot stay in business with less income and more expense.

Moreover, the domestic tung is in an area of the South that is in great need of a more diversified agricultural program and of the industrial growth of the crushing mills and new paint plants that follow. If the areas in tung are bankrupt, these lands will be put into crops upon which there is parity and, of course, as follows that large private capital will be wasted.

CAUSE OF PRICE DECREASE

China is the principal producer of tung oil. There the trees grow wild and labor is very cheap, making the cost to the owner very little. Their oil is inferior to domestic oil and will not keep as well in storage. As you gentlemen well know, China is now being overrun by Russian-dominated Communists. The wealthy Chinese owners, in an effort to convert their oil into American dollars before confiscation by Communists, dumped their oil on our market and offered it for sale at practically any price. Naturally the American consumer purchased at the distress price.

The Communists, no doubt, in an effort to obtain the American dollar, will continue to dump the oil on our market. This will mean that our local producers will not be able to sell their oil for a return sufficient to even pay expenses. Then only two things can happen: (1) Bankruptcy of the producer, or (2) they will, in order to cut expenses, curtail their cultivation and use of fertilizers, thus allowing their groves to depreciate and decrease the supply.

Why not buy from China and allow industry to benefit from reduced prices? Why help local producers if they cannot compete with coolie labor and low cost of production? It must be borne in mind that tung oil is a critical war material and our domestic supply must not be endangered. We well know that in event of war with Russia we could not possibly obtain oil from Russian-dominated China. If we do not protect our domestic producers, we may well be denied the use of this most important strategic material.

Great Britain, in order to assure a supply in event of war with Russia, is now spending $4,000,000 in planting of tung trees in South Nysaland, where they now have a production of about 400 tons of nuts per year. They are planting sufficient acreage, which, when it comes into full production, will assure a supply of 7,360 tons annually.

Should we sit idly by and allow our production of this strategic material to be endangered by Russian-dominated Communist China?

INVESTMENT OF TUNG GROWERS IN THE SECOND CONGRESSIONAL DISTRICT OF THE STATE OF FLORIDA

In my congressional district there are seven tung groves containing about 7,550 acres. Most of these groves are now of good bearing age. The average cost to bring the present groves to good bearing age is $350 per acre. This will represent an investment of $2,642,500 in this district. The first commercial grove planted in Florida was planted in this district. Had not the owners of these groves and the other groves in this country risked their capital in this uncertain enterprise, the United States would have been denied the use of a critical material in World War II. If they are now denied relief, we will stand a good chance of being denied the use of a critical material in event of a future war.

Mr. COLMER. We have Mr. J. S. Wight, a tung grower of Cairo, Ga.

STATEMENT OF J. S. WIGHT, TUNG GROWER, CAIRO, GA.

Mr. WIGHT. Mr. Chairman and gentlemen of the committee, may I just call your attention to three situations we have had. The highest price we have ever had for tung oil was in 1935, when there was no control and no artificial restriction at all. The price of tung oil went to 45 cents a pound. This was due to a condition in China whereby they either used it themselves or it was not available to this country, and they made us pay through the nose for what we did get, the highest price we have had during any of the wars.

In 1932 and 1933 the Amtorg Trading Co. came through south Georgia and north Florida, and bought all of the seed they could get, and it was brought out here this morning that the Russians are the second largest producers of tung nuts. We know this country has been generous to Russia, and we know that they have gone back on promises that they made to our Presidents, and if we put our faith in the Russians, we are certainly treading on dangerous ground to think that they will be good to us, and if they control any part of the tung market, and we need it, we will certainly pay for it through the nose, if we take the basis of what they have done in the past.

Mr. PACE. With regard to the manganese, haven't they taken that contrary to the best interests of this country?

Mr. WIGHT. That is my understanding from reading the paper.

It was brought out here this morning that the British are spending $5,000,000 or more to establish a tung industry in their various possessions in Africa and New Zealand and in Australia. Mr. Andresen brought out the proposition this morning maybe we are paying for it. I think maybe he has the same opinion of the British that I have.

I am not questioning our goodness to them. I think they have helped us and they needed our help. At the same time I think both their diplomats and their businessmen are cold-blooded hard traders. If we were good enough to establish them in it, and if we got caught in a tight, I may be judging them, I think they are cold-blooded, they treat us just like they did in the rubber industry.

Mr. PACE. They are using our money to develop 300,000 acres of peanut lands down there in Africa, too.

Mr. WIGHT. That is right. So that historically if in our altruism this country has been good to every country we have been good to, so far as tung is concerned, they have shown us in one way or the other that they are not going to help us. So that if I am not too harsh in my statement, I think this country and this American people in this Congress, you might say if we haven't got sense enough to be selfish, we should help those people all right, but we haven't gotten sense enough to be selfish if we can't take care of a needful domestic industry, when all of the facts show that I believe Mr. Pritchard testified that our actual support program that we had before was one that cost $317,000.

Mr. PRICHARD. It was $327,000.

Mr. WIGHT. It cost us $327,000. If the Russians talk us out of some money, if the British can talk us out of some money and use it to compete, it certainly looks like our Congress might not be out of line to provide some plan to support an industry that has all of the competitors we have had. They have knifed us every time they could.

We respectfully ask that this matter be given careful consideration. As I said, I do not think we have sense enough to be selfish; if we are going to depend upon somebody like the Chinese, like the Russians, and like the British for working out our salvation. Thank you.

Mr. PACE. Thank you very much.

Mr. COLMER. Mr. Chairman, we desire to note the presence here for the record of Mr. Cliff Liles, representing Mr. W. E. Anderson, the commissioner of agriculture of Louisiana. Mr. Liles has come up to Washington to show the interests of that organization in this hearing.

Mr. PACE. The letter I had gotten from your commissioner stated that you would be present, and I said that in the record the other day. Do you desire to make a statement?

STATEMENT OF MR. CLIFF LILES, REPRESENTING THE COMMISSIONER OF AGRICULTURE OF LOUISIANA

Mr. LILES. No, sir. Our whole State, and all of our Congressmen, and the two Senators, and our secretary of agriculture are very much in accord with giving these tung growers some help. They need it very badly, and it would be a big help to the Government later on.

Mr. PACE. Thank you.

Mr. COLMER. Mr. C. C. Hanson, secretary of the Association of the Southern Commissioners of Agriculture, is present and we would like to note his presence.

Mr. PACE. The committee is always delighted to have him present.

Mr. HANSON. May I make this remark. Mr. W. E. Hartman, the personal representative of Commissioner Mayo, of Florida, is also here and we just ask the privilege of filing a short brief.

Mr. PACE. Without objection, you prepare the brief and file it with the clerk.

Mr. COLMER. We have about 20 more people here who would like to be heard on this subject, but we realize that this committee has been very patient, very gracious to us here today representing a small segment of the economy of this great country of ours, so we are not going to impose on you further.

We want on behalf of the various associations and the independent growers and millers to express our deep appreciation for your graciousness, your attention here, your consideration of our problems.

Mr. PACE. Mr. Colmer, I presume you are about to close, and before you close, from the efforts you have made the last several years, I have been rather intimately familiar with the repeated determined constant effort you have made to try to get support prices for tung oil. As the result of those efforts, are you convinced that the Department will not support this commodity unless it is provided and directed from the Congress?

Mr. COLMER. Mr. Chairman, that is one of the questions one might prefer not to answer.

Mr. PACE. That is all right.

Mr. COLMER. No, no, I will answer it. The Chair has asked it, and I am going to answer it.

The Chair himself is familiar with some of the efforts that have been made, if not all of them. I related earlier in the morning that we did have this support price for one year, 1948–49 crop, with the approval of Secretary Anderson. I also stated that Secretary Anderson, in my presence, conferred with the gentlemen in the Department and gave them the go-ahead sign on it for the next year. I don't think anybody will deny that. We did not get it. We made repeated efforts and I became convinced then that the only way we could get it would be through the mandatory action of the Congress. That is why we are here.

Mr. PACE. The reason I put that question is to explain the situation. As matters stand today, unless the Congress acts, what is known as the Agricultural Act of 1948, sometimes commonly referred to as the Aiken bill, will go into effect on the 1st day of January. I say to you quite frankly, that I do not know of anything that would be as unfortunate for agriculture in the United States or for the economy of the Nation as for that act to go into effect. But unless the gentlemen from Mississippi, along with, I believe, the majority of this committee, can bring about either its delay or repeal, it will go into effect.

Then what are you faced with? You have there an act that gives a flexible support price on a schedule for six so-called basic commodities, cotton, corn, wheat, rice, peanuts, and tobacco.

Then you have a specific support price from 60 to 90 for wool, and a specific support price from 60 to 90 for Irish potatoes. Outside of those, every other agricultural commodity produced in the Nation is under a blanket 0 to 90, in the discretion of the Secretary of Agriculture.

Consequently, as I see it, where tung oil is today, and, as they say, misery likes company, I suppose you are happy to have mohair along with you in the hearing today, because they are in exactly the same position unless there is a radical change in the act of 1948.

In the light of your statement that you question whether or not the Secretary will give you support, it is not likely that he would exercise any discretion under the 0 to 90. You see what I mean. Consequently, there needs to be a complete rewriting of the support program.

Personally I feel, taking into account the elements of perishability and storability, that every agricultural producer in this Nation should be treated just exactly alike. I think that this tung growers' crop is just as important to his economic welfare as is the crop of the cotton grower, the wheat grower, the corn grower, the cattle producer, and the hog producer, and so forth. That may not become the view of this committee. I do not know. But the gentlemen I hope, and I do not want to have anybody leaving here under false impressions, the gentlemen I hope can understand the difficulty this committee would have in reaching down into the basket of over 125 commodities that are today in the 0 to 90 schedule, reaching down and picking up tung oil alone, notwithstanding the most impressive showing you made here today, the difficulty we would have in just reaching down and getting tung oil alone and bringing it up into mandatory support of 60 to 90.

I am saying these things because I think that the gentlemen who have come here from such great distances, and are in such great difficulty, should understand the problem that is facing this committee. We have not only mohair and tung oil, but the able gentleman from Utah, the chairman of another subcommittee, recently had before him the question of the honey production in this country, had hearings on it, not only honey production, but the bee family, and certainly it must be agreed that there is nothing as important to agriculture than an adequate and abundant supply of bees, because we would not have much agriculture unless we had bees to do the pollination.

That is about all. But I did what to say that, and I will welcome any comment the gentlemen from Mississippi want to make.

Mr. COLMER. Mr. Chairman, I realize, and I asm sure my friends of the tung industry who are here realize, the extreme difficulties that this committee has, but it is my understanding that this committee is now in process of considering this whole proposition of support prices.

Mr. PACE. That is right.

Mr. COLMER. Therefore, we thought that we were very timely in coming here and presenting our cause to you at this time.

Mr. PACE. Most timely.

Mr. COLMER. I am in accord so far as I know now I would say with everything that the learned chairman has said, being a lawyer I always like to hedge a little bit, I am broadly in accord with everything the gentleman said.

Mr. PACE. I think so, too.

Mr. COLMER. I want to say this, too. Since the gentleman paid me a compliment, and this is not a tit for tat, that I know of no one in the Congress of the United States who has exhibited more interest in the problems of agriculture than the gentleman from Georgia who is presiding over this committee.

We have come here with our problem to you, as I said in the beginning. There is no pride of authorship about this thing on the part of Mr. Gathings or myself, but we want some protection. I am not asking this committee to reach down into the basket and pick out one thing, but I want to say this to my learned friend, there may come a time in the history of this country not too far distant when somebody down here in the Pentagon will express the hope or wish that somebody had reached down in the basket.

Mr. PACE. That may be of sufficient importance to give tung oil special treatment.

Mr. COLMER. Yes, sir. That is the point I am making, exactly. I express again on behalf of this young industry here, which is right on the threshold of bankruptcy, our deep and heartfelt appreciation of the courtesy extended us by you Mr. Chairman and the members of this committee.

Mr. GRANGER. Will the gentleman yield?

Mr. COLMER. Yes; to my learned friend from Utah, always.

Mr. GRANGER. Do you contend that the Secretary of Agriculture has authority now to support the price of tung oil?

Mr. COLMER. I do.

Mr. GRANGER. Do you agree with that?

Mr. PACE. Yes. I do not think there is any question about that.

Mr. COLMER. In fact, he did do it. Secretary Anderson did do it.

Mr. GRANGER. If that is true, I think that is true of honey, and I am certainly going to recommend that he reach down in the bag and support the price of honey.

Mr. Colmer. We have done the best we could. We are on the verge of bankruptcy. If we do not get some support from the Government, in this thing, I do not know what will happen to it. I dislike to think of these good people that have put their life savings in this industry losing it, and their efforts. I daresay there is not a gentleman on this committee, or Mr. Pritchard for that matter in his experience, who has not witnessed an occasion where some agricultural enterprise was started; a disastrous season or two followed, and they just folded up. I have seen that happen in the vegetable production in my country. It would be very unfortunate from the standpoint of the investors, the growers, the industry itself, as well as the country, for that to happen.

Just one final thing, and then I am through. Some time ago, some years ago, the then President of the United States pointed his finger down across the Mason-Dixon line and said, that section was the economic problem No. 1 of the country. Now you have people down there trying to do something about that economic problem. This industry furnishes employment to thousands of people, poor people, children, Negroes, who go out and pick these nuts up, and help to market them. Well, we can put them on relief. That is one way to handle it. Great Britain, realizing this situation, is expending money, I do not know, Mr. Wright, whether they got it from the United States or whether they got it out of the British pound, but they see the danger to their country, and they are not going to be caught napping.

It has been pointed out, I do not know how authentically, but it has been pointed out that Russia is doing the same thing—developing their own tung industry.

Mr. Chairman, again I express our appreciation. We leave our problem in your sympathetic hands.

Mr. Pace. Thank you. Now, a final word, with such exceptions as anybody wants to take to it, from the chief of the oil section of the Department of Agriculture, Mr. George Prichard.

Mr. Colmer. I would like to ask permission to insert in the record a statement that I received from Mr. O. V. Wells, Chief of the Bureau of Agricultural Economics of the United States Department of Agriculture on the question of parity.

Mr. Pace. That will be filed.

(The statement is as follows:)

Department of Agriculture,
Bureau of Agricultural Economics,
Washington, D. C., May 6, 1949.

Hon. William M. Colmer,
United States House of Representatives.

Dear Mr. Colmer: In response to your telephone inquiry requesting my comments on H. R. 29 relative to the parity price for tung nuts, we have computed a base-period price of $35.60, which, on the basis of April 15, would give a parity price of $74.

Our data on tung nuts are collected in December of each year and relate to the whole season, which is generally for the 5 months, November through March, the bulk of the crop usually being sold after January 1. The above base-period price has been computed using the prices for the crop years 1935–36 to 1939–40, inclusive. In so doing, since the price for the 1935–36 crop relates to the marketing period November 1, 1935 to March 31, 1936, this really includes 2 months of a season which is not within the base period called for in H. R. 29, namely January 1, 1936 to December 31, 1940. This, however, has been the customary practice in this type of situation in calculating United States parity prices. On the other hand, to use prices for the seasons 1936–37 to 1940–41, inclusive, to get a 5-year period would require using 3 months which are beyond the latter end of the base period specified in H. R. 29.

If we are correct in believing that the 5 years 1935–36 to 1939–40, inclusive, are those which you desire to use for the base period, you may wish to change the last two lines on page 1 of H. R. 29 to read, "In the case of tung nuts, such base period shall be the period August 1, 1935 through July 31, 1940." This would throw the five seasons used in computation entirely within the specified base period.

You will recall, I think, that in the case of commodities with a pre-World War I base period the legislation specifies an August 1909–July 1914 base period.

Similarly, for a group of commodities with a post-World War I base period the law specifies August 1919–July 1929. The base period for burley and flue-cured tobacco is August 1934–July 1939, and for Maryland tobacco, an August 1936–July 1941, so that there is adequate precedent for using the August–July season.

H. R. 29 would amend the Agricultural Adjustment Act of 1938, as amended; but the latter is also replaced as of January 1, 1950, by the Agricultural Act of 1948, insofar as parity calculations are concerned, so that H. R. 29, if enacted, would presumably be effective only until the first of next year. Under the formula of the Agricultural Act of 1948 the parity price of tung nuts as of April 15, 1949, would be $106, and the adjusted base-period price would be $43. These calculations necessarily use prices for the 10 crop years 1939–48, whereas, effective January 1, 1950, the Agricultural Act of 1948 would use average prices for the crop years 1940–49.

Available data for States and the United States are presented on page 52 of the enclosed publication, Fruit and Nut Prices. Recent data have been added.

With respect to your inquiry as to what a $74 per ton parity price might mean in terms of equivalent price for tung oil, we estimate that it is equivalent to a price of oil, in drums (carlots) at New York of approximately 30 to 32 cents per pound, or from 28 to 30 cents in tanks at producing mills.

Sincerely yours,

C. V. Wells, *Chief of Bureau.*

Mr. Prichard. Mr. Chairman, while you were called out this morning, Senator Holland was here and suggested that I incorporate in your record the statement which was made before Senator Gillette's subcommittee.

Mr. Pace. You mean a statement of your own?

Mr. Prichard. A statement that I gave them. The first one here which I believe every one is familiar with gives the history of the tung oil support price programs and some factual data regarding tung nuts and tung oil in this country.

Mr. Pace. File that with the clerk for insertion at this point in the record.

(The statement is as follows:)

Statement by George L. Prichard, Director, Fats and Oils Branch, Production and Marketing Administration, Department of Agriculture, in Regard to the Tung Oil Situation

Tung nuts and oil were first produced in the United States in commercial quantities in 1929. Stimulated by the availability of submarginal and cut-over land at low prices, tung acreage in five Southern States increased gradually during the next 10 years. However, there was no great expansion of the industry until curtailment of Chinese imports and increased demands for war purposes caused a rise in the price of tung oil from an average of 14.2 cents per pound during the

1934–38 period to the ceiling price of 39 cents in 1942. Production by States for recent years follows:

Tung nuts

State	1943	1944	1945	1946	1947	1948
	Tons	*Tons*	*Tons*	*Tons*	*Tons*	*Tons*
Georgia	200	800	1,100	1,800	900	1,200
Florida	700	7,000	8,400	15,000	11,000	17,000
Alabama	100	700	1,140	1,600	800	1,500
Mississippi	1,940	10,630	15,690	23,800	25,000	29,000
Louisiana [1]	3,260	7,550	10,750	15,200	15,500	18,500
United States	6,200	26,680	37,080	57,400	53,200	67,200

[1] Includes small quantities of tung nuts produced in Texas.

In order to control the distribution and use of tung oil, CCC purchased the entire domestic production from the crops of 1942 and 1943. However, even during these years of short supply, the Government declined to promulgate any program for exapnsion in tung acreage, on the ground that although there was immediate need for tung oil, the justification for a long-range program of expansion of the industry had not been established.

The Department activities and statements in many letters urged and lent assistance to a maximum production on available acreage. In view of the length of time between the planting of tung trees and the time of bearing, it was felt that the most practical approach would be to maximize the production from available acreage. Under the agricultural conservation program, an amount not in excess of $5 per acre on tung orchards, excluding old, nonbearing orchards, could be earned by carrying out certain cultural production practices designated and approved by the Agricultural Adjustment Administration. Also, the Selective Service gave consideration to tung oil in their occupational deferments for operators and workers on tung farms.

Increased production from the 1944 and 1945 tung nut crops caused CCC to discontinue the previous policy of buying the entire annual supply of oil. However, in order to assure maximum production from existing acreage, the first price-support programs were carried out in these years. The 1944 crop program provided for a support price of 36 cents per pound, f. o. b. mill. The 1945 crop program provided for a net price of 30 cents per pound but no oil was offered to CCC, since market prices still held to the 39-cent level.

In 1946 representatives of the industry requested a price-support program but withdrew their request when CCC indicated that a price of more than 30 cents per pound could not be justified, since the industry representatives believed that such an announcement would tend to lower the market. Market prices throughout 1946 remained at 39 cents per pound until the ceiling was terminated in October, and then advanced to 39.5 cents in January 1947.

In March 1947 the market price of tung oil was 38.8 cents per pound, but dropped rapidly to 29.2 cents in May. The industry requested price support in anticipation of a bumper domestic crop and increased competition from Chinese tung oil. CCC approved a program at the rate of 25 cents per pound, f. o. b. processing plant. The 1947 crop of tung nuts was supported by means of a contract with processors who agreed to pay producers not less than $72 per ton of tung nuts, basis 20-percent oil content. Premiums and discounts were provided for tung nuts containing more or less than 20 percent oil. Crushers who agreed to pay producers not less than this base price could sell tung oil to the Commodity Credit Corporation at 25 cents per pound, f. o. b. processing plant. Only 6 of the 14 processors signed this contract with Commodity Credit Corporation. In addition, tung-nut producers who had their tung nuts crushed on a toll basis could sell tung oil to the Commodity Credit Corporation on the same basis as processors. Twenty-two producers signed this form of contract with the Commodity Credit Corporation. Prices fell rapidly during the latter half of 1947 and the spring of 1948 to less than the support price, and CCC purchased approximately half of the total domestic production, with losses to CCC now indicated at $325,000 to $330,000.

As indicated above, only 6 of the 14 processors signed the processor contract. These are as follows: Goodyear Yellow Pine Co., Picayune, Miss.; Ozone Tung Cooperative, Covington, La.; La Row Investment Co., Picayune, Miss.; Wade Tung Oil Co., Richton, Miss.; Cairo Tung Mill, Cairo, Ga.; General Tung Oil Corp., Lamont, Fla. Two other processors deemed it inadvisable to sign the processor contract. However, they did sign a producer contract which covered the production of tung oil from tung nuts produced in their own groves.

At the urging of tung-oil producers, a program supporting 1948 crop tung nuts at $72 per ton and oil at not more than 25 cents per pound was considered by CCC in April and May of 1948. The market price of tung oil had recovered to approximately 26 cents per pound (Drummed, New York, about 23½ cents f. o. b. mill), but the industry contended that a price floor was necessary to stabilize the market, as well as to balance the support being given linseed oil prices through the flaxseed program. Paint and varnish manufacturers have stated that their utilization of tung oil varies with the availability of competing drying oils and synthetics, as well as price relationships. The Munitions Board had removed tung oil from the stock-pile list, indicating that it was no longer considered a strategic material in short supply. CCC was having difficulty disposing of its stock of 1947 crop oil, even at a loss. On May 19, 1948, CCC rejected the proposed program, feeling that continuing to support tung prices under current conditions would only create an unrealistic market for the oil and thereby contribute to an even greater market maladjustment in later years.

We understand that the Munitions Board made a careful analysis of the strategic requirements for tung oil, the estimated domestic production, the availability of satisfactory substitutes, both in the form of other oils and as a result of recent technological developments in the treating of domestic drying and semidrying oils and the use in connection with alkyd resins. As a result of this investigation, it was determined that although there is an essential need for tung oil as a component element in protective coatings, insulation, and resins that the prospective domestic supplies would be more than needed to meet our minimum strategic requirements. Therefore, tung oil was eliminated from the list of commodities to be stock-piled.

The following is a tabulation of pertinent statistical data affecting the tung oil industry:

Tung oil—United States supply, disposition, and average annual price in drums, New York, by calendar years [1]; tung nuts—United States production, 1939–48

Year	Stocks	Imports	Production	Domestic disappearance [2]	Exports and re-exports	Average annual price in drums, carlots, New York	Tung nuts production
	Thousands of pounds	*Thousands of pounds*	*Thousands of pounds*	*Thousands of pounds*	*Thousands of pounds*	*Cents per pound*	*In tons*
1949	47,145						
1948	37,777	133,282	16,749	129,739	10,924	24.6	67,200
1947	16,847	121,564	12,680	106,077	7,237	30.5	53,200
1946	6,514	36,207	11,046	35,632	1,288	39.1	57,400
1945	20,203	339	10,353	22,672	1,709	39.0	37,080
1944	27,067	1,771	2,558	[3] 10,109	1,567	39.0	26,680
1943	31,631	68	5,310	[3] 12,047	1,597	39.0	6,200
1942	32,809	8,269	2,290	[3] 11,830	1,100	39.6	16,350
1941	57,093	43,800	3,533	68,515	3,102	32.2	8,750
1940	31,400	97,049	62	66,937	4,481	26.3	11,000
1939	61,189	78,718	3,000	105,596	5,911	21.0	11,600
1938	48,656	107,456	[4] 500	90,795	4,628	13.5	
1937	28,981	174,885	[4] 2,000	150,157	7,053	15.7	
1936	19,008	134,830		118,896	5,961	16.1	
1935	31,495	120,059	[4] 400	128,022	4,924	17.0	
1934	41,750	110,007		114,965	5,297	8.9	
1933	30,915	118,760	[4, 5] 150	103,859	4,216	6.8	
1932	33,402	75,922		75,081	3,328	6.3	
1931	49,894	79,311		91,160	4,643	7.4	
1930	29,411	126,323		99,581	6,259	9.6	
1929	25,454	119,678		109,530	6,191	14.6	
1928	17,785	109,222		95,367	6,186	15.2	
1927	18,090	89,650		84,668	5,287	19.3	
1926	32,943	83,004		92,278	5,579	14.3	
1925	20,661	101,554		86,705	2,567	13.5	
1924	19,322	81,588		78,036	2,213	15.9	
1923	17,984	87,292		82,491	3,463	23.7	
1922	9,292	79,089		67,694	2,703	13.2	
1921	20,485	27,249		37,623	819	12.8	
1920	14,846	67,962		59,440	2,883	19.7	

[1] Compiled from reports of the Bureau of the Census and the Bureau of Agricultural Economics.
[2] Calculated in the Fats and Oils Branch.
[3] Reported factory consumption.
[4] Unofficial; from a report prepared by Bureau of Agricultural and Industrial Chemistry.
[5] Start of domestic commercial production.

Tung oil is bound on the free list with respect to imports by Presidential proclamation. There has never been a tariff on tung oil. Any change in status in this respect would require legislative action.

Mr. PRICHARD. The second one is a list. There were some questions raised at the other committee regarding the purchases and sales by Commodity Credit Corporation of tung oil under the price support program for the 1947 crop. I have here a complete list which was filed with the other committee which we would like to file at this time.

Mr. PACE. Without objection you can file that with the clerk for insertion at this point in the record.

(The information is as follows:)

Statement of support price operations—tung oil

PURCHASES

CCC contract No.	Name of seller	Date of purchase	Number tank cars	Approximate pounds	Cost price per purchase	Mill f. o. b. point
P-4983	Prices Creek Co.[1]	Feb. 12, 1948	1	62,000	$15,500	McNeil, Miss.
P-4984	Ozone Tung Cooperative	Feb. 16, 1948	2	124,000	31,000	Covington, La.
P-4985	La Row Investment Co.	Feb. 24, 1948	1	62,000	15,500	Picayune, Miss.
P-4986	W. B. Barrett[1]	do	1	62,000	15,500	Franklinton, La.
P-4987	Pine Grove Farms[1]	do	1	62,000	15,500	Do.
P-4988	Goodyear Yellow Pine Co	Mar. 2, 1948	7	434,000	108,500	Picayune, Miss.
	do	do	3	240,000	60,000	Do.
P-4989	Wade Tung Oil Co	do	10	620,000	155,000	Richton, Miss.
P-4991	Ozone Tung Cooperative	Mar. 5, 1948	5	310,000	77,500	Covington, La.
P-5025	Goodyear Yellow Pine Co.	Mar. 25, 1948	1	62,000	15,500	Picayune, Miss.
P-5026	Prices Creek Co.[1]	do	1	62,000	15,500	McNeil, Miss.
P-5028	Goodyear Yellow Pine Co.	Mar. 26, 1948	4	248,000	62,000	Picayune, Miss.
P-5029	do	do	4	248,000	62,000	Do.
P-5030	do	Mar. 31, 1948	4	248,000	62,000	Do.
P-5037	do	Apr. 5, 1948	9	558,000	139,500	Do.
P-5039	Pine Grove Farms[1]	Apr. 7, 1948	1	62,000	15,500	Hammond, La.
P-5040	Leon Tung Oil, Inc.[1]	do	1	62,000	15,500	Cairo, Ga.
	do.[1]	do	1	80,000	20,000	Do.
P-5042	Goodyear Yellow Pine Co.	Apr. 9, 1948	2	124,000	31,000	Picayune, Miss.
P-5043	Tangipahoa Tung Oil Co.[1]	do	1	62,000	15,500	Franklinton, La.
P-5045	Goodyear Yellow Pine Co.	Apr. 12, 1948	11	682,000	170,500	Picayune, Miss.
P-5046	Jumpie Run Plantation[1]	Apr. 15, 1948	1	62,000	15,500	Cairo, Ga.
P-5047	Heyward Green[1]	May 5, 1948	1	62,000	15,500	Franklinton, La.
P-5048	Bogalusa Tung Oil, Inc.[1]	May 13, 1948	5	310,000	77,500	Bogalusa, La.
P-5049	Pine Grove Farms[1]	May 24, 1948	1	62,000	15,500	Franklinton, La.
P-5050	do.[1]	May 26, 1948	1	62,000	15,500	Do.
P-5051	Tangipahoa Tung Oil Co.[1]	do	1	62,000	15,500	Do.
P-5052	The U. S. Tung Oil Co.[1]	May 27, 1948	1	62,000	15,500	Cairo, Ga.
P-5054	Bogalusa Tung Oil Co., Inc.[1]	June 2, 1948	2	124,000	31,000	Bogalusa, La.
P-5056	Pine Grove Farms[1]	June 3, 1948	1	62,000	15,500	Franklinton, La.
P-5057	Ozone Tung Cooperative	June 4, 1948	2	124,000	31,000	Covington, La.
P-5058	Gaylord Container Corp.[1]	do	2	124,000	31,000	Bogalusa, La.
P-5059	Cairo Tung Mill	June 8, 1948	1	62,000	15,500	Cairo, Ga.
P-5060	Goodyear Yellow Pine Co.	June 14, 1948	1	62,000	15,500	Picayune Miss.
P-5061	do	do	7	434,000	108,500	Do.
P-5065	General Tung Oil Corp.	June 17, 1948	6	372,000	93,000	Lamont, Fla.
P-5066	Heyward Green[1]	June 22, 1948	1	62,000	15,500	Franklinton, La.
	do	do	1	46,500	11,625	Do.
P-5068	Wade Tung Oil Co	June 24, 1948	4	248,000	62,000	Richton, Miss.
P-5070	Leon Tung Oil, Inc.[1]	June 25, 1948	1	62,000	15,500	Cairo, Ga.
	do	do	1	46,500	11,625	Do.

See footnotes at end of table, p. 1068.

Statement of support price operations—tung oil—Continued

PURCHASES—Continued

CCC contract No.	Name of seller	Date of purchase	Number tank cars	Approximate pounds	Cost price per purchase	Mill f. o. b. point
P-5071	Thomas H. O'Connor [1]	June 25, 1948	5	310,000	$77,500	Picayune, Miss.
P-5072	Bogalusa Tung Oil Co.[1]	June 29, 1948	4	248,000	62,000	Bogalusa, La.
P-5073	Cairo Tung Oil Co.	do	2	124,000	31,000	Cairo, Ga.
P-5075	Juspie Run Plantation [1]	June 30, 1948	1	62,000	15,500	Do.
	Approximate [2]		124	7,729,000	1,932,250	
	Quantity actually acquired		124	7,801,066	1,949,946	
	Approximate cost of freight and handling				154,982	
	Grand total (cost)				2,104,928	
	Sales			7,801,066	1,777,613	
	Approximate loss				327,315	

[1] Producer.
[2] Using 62,000 pounds as basis for 8,000-gallon tank car.

SALES

CCC contract No.	Name and address of purchaser	Date of sale	Number of tank cars	Approximate pounds	Selling price	F. o. b. point	Sales price per pound	Date of delivery	Market price New York tank cars on date of sale
S-5478	Florala Nut Oil Co., Gulfport, Miss.	June 7, 1948	2	124,000	$30,380	Tank car, Gulfport, Miss.	$0.24½	Immediate	$0.245
S-5481	do	June 16, 1948	1	80,000	19,600	Tank car, Laurel, Miss.	.24½	do	.23¼
S-5482	South Texas Cotton Oil Co., Houston, Tex.	June 14, 1948	1	62,000	15,190	Tank car, Houston, Tex.	.24½	do	.23½
S-5484	Florala Nut Oil Co., Gulfport, Miss.	June 16, 1948	1	62,000	15,190	Tank car, Laurel, Miss.	.24½	do	.23¼
S-5487	Murray Oil Products Co., Inc., 21 West St., New York, N. Y.	July 8, 1948	5	310,000	67,038	Storage, Guttenberg, N. J.	.21⅝	do	.21½
S-5488	Pacific Vegetable Oil Corp., 62 Townsend St., San Francisco, Calif.	July 12, 1948	1	62,000	13,330	Mill, Lamont, Fla.	.21½	do	.22
S-5489	Murray Oil Products Co., 21 West St., New York, N. Y.	July 20, 1948	5	310,000	63,550	Tank, Guttenberg, N. J.	.20½	do	.20½
S-5490	Columbus Coated Fabrics Corp., 1280 North Grant Ave., Columbus 16, Ohio.	July 19, 1948	1	62,000	13,466	Storage, Guttenberg, N. J.	.2172	do	.21½

S-5491	Onyx Oils & Resins, Inc., New York, N. Y.	July 22, 1948	1	62,000	12,710	do	.20½	do	.20⅜
S-5492	Murray Oil Products, Inc., 21 West St., New York, N. Y.	do	10	620,000	127,100	do	.20½	do	.20⅜
S-5493	L. N. Jackson & Co., Inc., 29 Broadway, New York, N. Y.	July 26, 1948	5	310,000	64,480	Tank, Guttenberg, N. J.	[2] .21 [3] .20½	do	.20½
S-5494	Pacific Vegetable Oil Corp., 62 Townsend St., San Francisco, Calif.	July 27, 1948	1	80,000	16,400	Storage, Houston, Tex.	.20½	do	.20½
S-5496	Murray Oil Products Co., Inc., 21 West St., New York, N. Y.	July 29, 1948	5	310,000	63,937	Storage, Guttenberg, N. J.	.20⅝	do	.20½
S-5498	Pacific Vegetable Oil Corp., 62 Townsend St., San Francisco, Calif.	Aug. 17, 1948	1	62,000	12,090	Tank car, Cairo, Ga.	.19½	do	.19½
S-5499	Alpine Corp., Gulfport, Miss.	Aug. 18, 1948	1	46,500	10,695	Buyers plant, Gulfport, Miss.	.23	do	.20¾
	Approximate [1]		(41)	(2,526,500)	(545,156)				
	Actual quantities		41	2,530,208	538,383.74				
S-5505	France (ECA)	Aug. 18, 1948		2,204,656	532,961.49	1,799,892 port of loading, New York, N. Y.	[4] .2417741	SS B/L Oct. 6, 1948 SS B/L Oct. 20, 1948	[5] .21¼ [5] .21⅛
						404764 port of loading, Houston, Tex.		SS B/L Nov. 2, 1948	[5] .2162
S-5510	U. S. Army (Pacific)	Sept. 10, 1948		3,066,202	706,268.10	252,699 port of loading, Brooklyn, N. Y.	[4] .2303	SS B/L Jan. 14, 1949	[5] .21
						1,688,350 port of loading, Brooklyn, N. Y.		SS B/L Feb. 4, 1949	[5] .20¾
						507,521 port of loading, Brooklyn, N. Y.		SS B/L Feb. 8, 1949	[5] .20½
						507,497 port of loading, Brooklyn, N. Y.		SS B/L Feb. 9, 1949	[5] .20½
						110,135 port of loading, Brooklyn, N. Y.		SS B/L Feb. 11, 1949	[5] .20½
	Total sales			7,801,066	1,777,613.33				

[1] Using 62,000 pounds, as base for 8,000 gallon tank car.
[2] Three cars.
[3] Two cars.
[4] Average (drummed).
[5] Date of lifting.

Mr. PRICHARD. The question was raised before the other committee as to our selling this oil, that it should have been stock piled, and I would like to file with you the same material, consisting of our offer of the tung oil stocks to the Navy, their reply rejecting it, our offer to the Munitions Board, and their rejection of the offer, and our offer to the Army. I did not file all of the replies from the Army, because as shown by this table, the Army took some of the oil. There were a number of interchanges of correspondence, cables and so on, and the oil was exported to one of the occupied areas.

Mr. PACE. Without objection those three statements will be filed with the clerk for insertion in the record at this point.

(The information is as follows:)

PHILADELPHIA, PA., *June 30, 1948.*

ROBERT M. WALSH,
Acting Director, Fats and Oils Branch, PMA,
Washington, D. C.:

Refer wire June 29 tung oil. Navy general stores has sufficient stocks on hand at present. No additional procurements anticipated for approximately 9 months.

AVIATION SUPPLY OFFICE PG4-B.

DEPARTMENT OF AGRICULTURE,
FATS AND OILS BRANCH, PMA,
June 29, 1948.

Lt. J. W. LIPSCOMB,
Assistant to Purchasing Officer,
Aviation Supply Office, Philadelphia, Pa.

Have on hand at Harbor Tank Storage, Guttenberg, N. J., approximately 5,000,000 pounds American produced tung oil. What quantity can you use now, and what are your requirements for near future. For price and particulars of sale please phone Herman M. Young, Republic 4142, extension 3228.

ROBERT M. WALSH,
Acting Director, Fats and Oils Branch, PMA.

TREASURY DEPARTMENT,
BUREAU OF FEDERAL SUPPLY,
Washington 25, May 17, 1948.

Confidential.
Subject: Tung oil.

Mr. GEORGE L. PRICHARD,
Director, Fats and Oils Branch,
Production and Marketing Administration,
United States Department of Agriculture,
Washington 25, D. C.

DEAR MR. PRICHARD: Reference is made to your letter of May 14, 1948, offering 78 tank cars of domestic tung oil for delivery to the national stock pile.

Tung oil was deleted from the stock-piling program by the Munitions Board January 26, 1948. Accordingly, no purchase of this commodity is contemplated.

Very truly yours,

H. C. MAULL, Jr.
Chief, Strategic and Critical Materials Division.

DEPARTMENT OF AGRICULTURE,
PRODUCTION AND MARKETING ADMINISTRATION,
FATS AND OILS BRANCH,
Washington 25, D. C., May 14, 1948.

Subject: Tung oil.

Mr. H. C. MAULL,
Chief, Strategic and Critical Materials Division,
Bureau of Federal Supply, Washington, D. C.

DEAR MR. MAULL: We hereby offer you 78 tank cars (approximately 60,000 pounds each tank car) of domestic tung oil for your stock-piling program for delivery ex-tank New York area, at a price of 25 cents per pound plus freight and handling charges. This material has been acquired by us from producers under Government price-support program.

We will appreciate if you will let us have a prompt reply.

Very truly yours,

GEORGE L. PRICHARD,
Director, Fats and Oils Branch.

DEPARTMENT OF AGRICULTURE,
PRODUCTION AND MARKETING ADMINISTRATION,
FATS AND OILS BRANCH,
Washington 25, D. C., June 29, 1948.

LT. COL. D. E. FERRISS,
Civil Affairs Division, Department of the Army,
Pentagon Building, Arlington, Va.

DEAR COLONEL FERRISS: We have on several occasions discussed with you the matter of our stocks of tung oil for export to Germany, and other areas, if possible.

We have approximately 6,000,000 pounds stored in Harbor Tank Storage at Guttenberg, N. J. This is American-produced tung oil, acquired under Government price support, and if tung oil is required in any of your areas we are sure you will agree that the American product should be given preference. If there is an interest we will be glad to discuss prices and other particulars of sale.

Very truly yours,

ROBERT M. WALSH, *Acting Director.*

Mr. PRICHARD. Just one other item that I think should be included in the record, Mr. Chairman, and that is the production of tung oil, domestically, during 1948, and in May it was 1,908,000 pounds; in June, 507,000 pounds. There was no production in July, August, September, or October, and in November it was only 528,000 pounds, and in December, 1,150,000 pounds.

The record of sales will show that all of the oil was sold between June 7 and September 10. I think, Mr. Chairman, that gives you all of the information in your record that was mentioned by Senator Holland this morning.

Mr. PACE. Any further statements that you care to make?

Mr. PRICHARD. No further statement.

Mr. PACE. You could not give them a support-price program at an early date?

Mr. PRICHARD. I could not.

Mr. GRANGER. Did you say you appeared on the other side in support or opposition to the Gillette bill?

Mr. Prichard. The hearing was not in connection with that bill, Mr. Granger. At the session that I attended, I have attended three sessions, and that bill has been mentioned in some testimony, but no questions that I have had regarding the bills, sir.

(A letter from Mr. Prichard dated May 10, with an enclosure, follows:)

Department of Agriculture,
Production and Marketing Administration,
Fats and Oils Branch,
Washington 25, D. C., May 10, 1949.

Mrs. Mabel Downey,
Clerk, House Committee on Agriculture,
House Office Building, Washington, D. C.

Dear Mrs. Downey: As indicated in our telephone conversation this afternoon, I am enclosing a copy of a memorandum which I request be inserted in the records of the tung oil hearing.

I suggest that this memorandum be inserted at the end of my other testimony, and that it be preceded by the following statement:

"In Mr. Lamont Rowland's statement, he quoted both me and Mr. Woolley as being opposed to price-support programs. This statement is quite incorrect as I indicated previously this morning. For the information of the committee, I would like to file for the record a copy of a memorandum which I wrote to Mr. Trigg and Mr. Woolley on November 17, 1948, regarding the October issue of the Tung World, which contained a similar statement."

Sincerely yours,

George L. Prichard, *Director.*

Department of Agriculture,
Production and Marketing Administration,
Fats and Oil Branch,
Washington 25, D. C., November 17, 1948.

To: Ralph S. Trigg, Administrator, F. K. Woolley, Deputy Administrator, Production and Marketing Administration.
From: George L. Prichard, Director, Fats and Oils Branch.
Subject: Tung oil.

For your amazement, I am attaching the October copy of the Tung World.

I regret that you seem to be slighted in this issue, but call your attention to pages 16 and 17 which outline the position of Mr. Woolley and myself in respect to support-price programs of the Department. Needless to say, we were misquoted and can prove it by reliable witnesses.

I do not intend to talk to these people without a transcript of the conversation being made and recommend this procedure to you both.

Mr. Pace. The Chair would like to state that tomorrow morning the subcommittee will reconvene. The witness will be Mr. John Davis, representing the National Council of Farmer Cooperatives, at 10 o'clock tomorrow morning.

We are indebted to you gentlemen for coming here and advising the committee with regard to the tung problem.

A statement by Mr. George Hixon, of Wichita, Kans., and a letter from the chairman of the agricultural committee, New Orleans Association of Commerce, will be inserted at this point.

Mr. Colmer. Just one final thing. I wonder if it would be appropriate if we could have placed in the record the names of those who are here but who did not have the opportunity to testify.

Mr. Pace. Mr. Colmer, if you will assume the obligation of working that out with Mrs. Downey, those names will be listed at this point in the record.

(The list is as follows:)

Mrs. Polly Moore Morrison, Gralyn Hotel, Washington, D. C.
J. Riley Rankin, Poplarville, Miss.
L. O. Crosby, Jr., Picayune, Miss.
J. Kenton Chapman, Columbia, Miss., and Washington, D. C.
S. Tonner, New York.
A. L. Stica, Picayune, Miss.
Tom Crawford, Bogalusa, La.

STATEMENT BY MR. GEORGE HIXON, WICHITA, KANS.

Gentlemen, my name is George Hixon, and right in here I must ask you a question. Would you like to have a fine big income-tax reduction? Well, just get yourself a tung orchard, where the net losses for the last 3 years on my mature 200-acre tung orchard in Washington Parish, La. have caused deductions totaling $3,225.65 on my Federal income-tax report. That experience is typical of what has been happening to all of in the five-State Tung Belt. The American tung oil industry is now dying of discrimination and neglect. There are two main causes for its plight. First, since 1946 the indifference of officialdom has helped the Chinese, desperate from 12 years of war and inflation for American dollars, to dump between four and six times as much cheaply produced Chinese tung oil into this country as our young American orchards could produce. Second, our cultivating, harvesting, and milling costs have risen drastically. The result is that we are cruelly ground between the milllstone of low prices, due to the dumped Chinese product, and high American production costs. Because of this whipsawing our American orchards which produce between one-fifth and one-eighth of our country's normal peacetime demand for tung oil are being neglected and are becoming less productive simply because their owners cannot afford to pay for the work to cultivate and harvest them, and this calamity of our fast-approaching ruin exists here now.

Despite the discovery at Bikini that tung-oil coatings may be the only practical protective coatings on ships and war equipment that would shield off gamma rays, and despite the fact that the Army and Navy found it necessary in this last war to commandeer the entire output of American tung oil for use in varnishes, in lacquers and for insulating materials in electrical equipment, our present predicament exists despite a normal peacetime demand at least five times greater than the home grown supply, and despite the fact that if war comes again America will again need many times the present production of the neglected and weakened American tung oil orchards and mills, but won't be able to get them from our importers or from Chinese speculators in their far isolated country; and finally, our impoverishment exists despite the immediate threat of the Chinese Communists to use their country's most valuable export as a weapon to spread unrest here here by finishing off the ruin of our American producers with the further and larger flood of yet cheaper tung oil. Here in America there are over 5,000 commercial tung orchards and 14 tung nut crushing mills scattered from Texas through Florida within about 100 miles of the Gulf coast and 10 years ago when tung oil also sold for slightly higher then its present price of 17¾ cents per pound in tank cars, we American producers could then compete with Chinese imported tung oil and with other competing American vegetable oils that are inferior for the particular application in lacquers, in varnishes, in linoleum, and in electrical insulation.

Compete, and make a profit. But now, with all the production costs far above 10 years ago 18-cent tung oil simply means debt and failure for us and ruin for an industry needed for this country's normal peacetime economy. An industry that is no less than vital to our armed services in wartime. During World War II, with Chinese tung oil shut off, we were able to make profits under the OPA limited price of 38⅜ cents per pound in tank cars. That price is more than twice the present price. Opinions differ, that if through proper Federal action correcting the present abuses we could now get 30 cents per pound for our oil in tank cars most of our older orchards would do fairly well. They would harvest labor rates alone now running better than three times what they were in 1940 before the present inflation, and with other production costs likewise inflated it can be readily seen that a continuation of this last year's prices of from 23 cents down to 17¾ cents per pound in tank cars will quickly complete our ruin. Our disaster has been helped along by the deliberate misinformation about our products that has been fed to the Federal Government. One lemon was that the armed forces need not put tung oil on the critical materials list for stock piling because our native supply was adequate for any emergency. That fairy tale was believed by the Army and Navy and used against us by the Agriculture Department itself, despite the aforementioned fact that our peacetime demand requires imports from China amounting in 1948 to better than seven times the whole American production of tung oil.

Another source of calculated misinformation has said in Washington that we are growing tung nuts without cultivation on $2-per-acre land and therefore don't have any investment worth the Government's protection. Yet another lie, one that was put forward skillfully enough to be accepted recently by Drew Pearson's column, said that no protection was needed by us because European countries, under the Marshall plan, would stimulate the demand for lemon, tung oil, and other citrus crops. This, of course, implies that tung oil is edible, whereas, even goats out in the orchards find the nuts and anything bearing any trace of tung oil entirely indigestible. But now, at long last, there is an official investigation by the Treasury Department into the charge of dumping that we have made against the Chinese exporter speculators. The Treasury Department's decision on the dumping case was due for the end of March 1949. Also another division of the Treasury Department investigation will, as soon as possible, visit the Gulf coast area to check our claim of hardship resulting from the dumping of the Chinese product here. An excellent place for the investigators to go to check the hardships experienced by small- and medium-sized tung orchard owners is to the Ozone Tung Cooperative, a tung nut crushing mill owned by some 70 or more tung orchard owners including, in part, by the writer. The co-op is located at Twenty-eighth and Jackson Streets, Covington, La., about 50 miles due north of New Orleans.

The most complete and factual information can be given there by the Co-op's president, Dr. Ernest Angelo, who lives nearby at Folsom, La., and by the Co-op's manager, Mr. C. R. Schultz, both of them tung orchard owners and both unusually competent, well-informed men. Also there are two bills now before Congress, H. R. 3041, introduced by Representative Gathings or Arkansas and a similar bill introduced by Representative Bill Colmer, of Mississippi. These bills are on the right track, for they seek for us the same treatment that has prevailed for such other necessities as wheat, corn, flax seed, potatoes, etc. That treatment is parity, which would now bring us about 30 cents per pound for our tung oil. But please remember, help must come soon, for the Chinese Communists or otherwise can finish us off for keeps with just the 88,000 tons of tung oil they are reliably estimated now to have available for export, and this crop of theirs is concurrent with our American crop of tung nuts harvested in December and now mostly converted into about 9,000 tons of American tung oil, all on which our livelihood and the security of our country precariously depends. For it should be clear that the enlightened self-interest of the American tung-oil industry is identical with that of our own peacetime economy in the rural Gulf coast area and of our wartime security as a whole Nation. May we therefore, depend on you to support the Treasury Department's investigation of the dumping charge. May we depend on you to publicize the gist of this appeal wherever it will help thousands of sorely tried Americans. We tung growers know it. And finally may we depend on you to support and pass either the bill of Congressman Gathings, H. R. 3041, or the bill of Congressman Colmer.

Thank you.

NEW ORLEANS ASSOCIATION OF COMMERCE,
New Orleans 5, La., April 29, 1949.

Hon. STEPHEN PACE,
Chairman, House Agricultural Committee Investigating Tung Legislation, Washington, D. C.

DEAR CONGRESSMAN PACE: The agricultural committee of the New Orleans Association of Commerce, located as it is near the center of tung production in the Southern States, has taken a great interest in improving the plight of the tung farmers of this area.

We have learned through the Tung Growers Council of America of the activity in Washington looking toward the enactment of legislation providing parity for tung nuts. At this time we are writing you to add our name to the record of those who seek to place the tung farmers of the United States in a position comparable with the financial return possibilities of other American farmers whose crops and incomes have been protected by parity through the action of Congress.

Parity for tung nuts is indeed a just and worthy cause and an absolute necessity if our nearby tung growers are to be protected against present low prices which threaten to result in their inevitable ruination.

We hope a just solution of the financial problems of the tung growers will be worked out by your committee.

Yours very truly,

T. F. Cox,
Chairman, Agricultural Committee.

MOHAIR

Mr. PACE. Gentlemen, at this time it is the pleasure of the committee to hear from the Representative in Congress from the State of Texas, Mr. Fisher, with regard to the problem facing the mohair producers. Mr. Fisher, we will be glad to hear from you.

STATEMENT OF HON. O. C. FISHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. FISHER. I appreciate the privilege of appearing before the committee, because I am fully conscious of the time situation with which you are faced. I have some representatives here from the industry in Texas, from the producers who would like to be heard briefly, and I think within 30 minutes we will be out of here, because I know you have other witnesses to be heard.

Mr. Ernest L. Williams, secretary of the Texas Sheep and Goat Raisers' Association, who can speak for all of the growers in Texas; Mr. Jake Mayfield, first vice president of the association in Texas, is here. One of them will be heard briefly, if it is agreeable with the committee. Mr. Byron Wilson and Mr. Casey Jones, both of whom are with the National Wool Growers Association, are also here, and are joining in sponsoring some relief or consideration to be given to the dilemma that the mohair growers are now in. Also Mr. Fernandez, Congressman from the State of New Mexico, in whose State considerable numbers of Angora goats are grown is here, and Mr. Ken Regan, and my colleague from just west of me in Texas, and whose district grows a considerable number is also present, and quite a number of others have spoken to me about this at different times. Probably some of them will be here shortly. This is a problem that is not limited in its scope, but spread out over some seven different States where Angora goats are run at this time.

This is an industry, Mr. Chairman, with which many people are not very familiar, and that is understandable, because the range where goats are grown successfully and economically is quite limited. It is down in the brush hilly country of the Southwest, principally in the States of Texas, New Mexico, Arizona, California, Oregon, some in Missouri in the Ozark country, and a few in Utah. That constitutes the principal States in which goats are found.

This industry, Mr. Chairman, if I may be very brief in giving you a little background of it, because I find everywhere I go so many people do not know very much of goats. Angora goats originated 100 years ago in this country when the first goats were imported from Turkey.

Following that time a considerable number came in and then gradually they located themselves apparently for biological reasons down principally in southwestern Texas, where now there are approximately 2½ million grown.

The industry has advanced tremendously in the past hundred years, particuarly in the last 50 years. We now have beyond any doubt the finest mohair that is grown anywhere in the world, and that has been the result of careful breeding, of selection, of promotion, and of the patience and industry of the growers who have devoted themselves to making this a really important and vital industry so far as fibers are concerned.

To acquaint the committee just briefly, those of you who are not familiar with the goats, and I will be very brief, I have a few pictures here, and I want you to take a glance at these which show the background of the habitat of the Angoras and where they are grown principally, and a good many pictures of them.

In this period of time, the flocks grew up to where there were more than 4½ million at the peak back in 1944. Following that time they dwindled away some in numbers, but at this time there are around 3,000,000 head in the country.

The consumption of mohair in the past has run an average, I think, of around 20,000,000 pounds a year. I have a table here before me from the Department of Agriculture which shows the mill consumption ranging in 1937 from 20½ million pounds, 23 million in 1939, jumping up to 1943, 29 million; 1944, 19 million; in 1945, 16 million; 1946, 23 million; in 1947, 18 million pounds. I do not have the complete figures since then, but it dropped off considerably after that time.

The reason for that decline has been culmination of circumstances over which the growers, of course, had no control, and for which they have certainly no blame. During the war we brought in 7½ million pounds of Turkish mohair for strategic reasons—to keep the Germans from getting it, and it was dumped on the market at the end of the war, and it has had a considerable effect on our own domestic market. In 1941 the tariff on coarse wools, which is competitive fiber, though much inferior, was dropped from about 25 cents a pound to around 13 or 14 cents a pound, whereas the tariff protection on fine wools from Australia and elsewhere remained at 34 cents, reduced, you know, about a year ago down to 25½ cents. With this considerable advantage, there was a great deal of stock piling during the war of South American coarse wools, bought in this country by speculators and others. So at the end of the war in 1946 and 1947, and in 1948, tremendous amounts of selling of this foreign coarse wool took place, which replaced the market that had formerly been given to the Angora mohair producers.

Before the war the average imports of those coarse wools ran around 35,000,000 pounds per year. Since the war, the imports have run up over 100,000,000 pounds in 1946, and averaging now around 50 to 60 million pounds a year, as contrasted, as I said, with the prewar averages of 35,000,000.

So as the result of the Government's policy in encouraging the import at extremely low tariff rates on the competitive South American fibers, mostly the BA–5's from Argentina and Uraguay, as a result of that the mohair producers were kind of crowded out of the market.

Then, too, we have been faced with a seller's market, rather than a buyer's market, and lack of competition, there has not been a great deal of use made of mohair in the last 2 years. They have turned to other things, cheaper fibers, inferior substitutes, because they could sell anything that rolled on wheels, regardless of what type of upholstery it had.

The mohair, as you probably know, is used principally for upholstery purposes in furniture, automobiles, airplanes, and so forth. That normally is the principal market for mohair; at the same time it has considerable use as a blend in wool and cotton and other fibers, nylon, for example, in men's suitings and women's clothing.

Now, Mr. Chairman, if I may, just to give you a little bit of a sample of what that is on the theory that many people do not understand the use that has been made of mohair extensively all through the years, and what this 20,000,000 pounds average has been used for, if I may I would like to pass around to the committee a few samples of mohair contents to give you an idea of just how it is used, and to what extent. The fabrics that I am now showing you are samples from the Pacific Mills, and contain 30 percent content of mohair blended principally with wool, I believe.

Many of the combinations are also with cotton. While I am at it, I will show you additional samples here which have the exact mohair content indicated in them. These come from the Forstmann Woolen Mills, showing the various fiber combinations and each indicates the amount of mohair the fabric contains.

Then as a sample of the use made in upholstery of this, I have a few samples here from Collins & Aikman, showing the mohair content in upholstery.

I do this, Mr. Chairman, simply to familiarize the committee at one glance with the established use that has been made, and is being made and will continue to be made of mohair as a blend with cotton and wool in the various fabrics that are manufactured.

Mohair has never had a support program; until the last 2 years there was never any particular need for it. In fact, back in 1943, when the Government undertook to purchase wool, the Department set up a program including mohair, but at the request of the mohair producers, the growers felt that since they were getting along fairly well, and were able to sell on the open market at a price that was reasonable, that there was no occasion for the Government to purchase mohair so they requested that they not be included, and then when the first wool bill was drafted after about 1946, mohair was included in the first draft of the legislation, but at that time mohair was selling fairly well, and the growers saw no particular need for burdening the Government with a program, so far as they were concerned, and suggested that it be left out, and so mohair was deleted from the program.

But in the last 2 years, because of the culmination of reasons which I have already described, mohair was gotten itself into a very depressed condition. The herds have been depleted tremendously, approximately 1,000,000 have been sold in the market the last year or two because it is not economic to grow them at the price they have been able to get for mohair during the last year or so. We have every reason to believe, however, that within another year or two with the research and development and promotion program that is now being undertaken by the growers and the Department of Agriculture, and with competition gradually getting into the picture from the standpoint of the consumers, that mohair will be back in the market before so very long. So it is for that reason that we feel quite justified in appearing before the committee and requesting that mohair be given the same kind of treatment, no better, and certainly no less than is given to all other agricultural products, such as wool, for example. Mohair is a double cousin to wool. It has always been treated as wool. Mohair is established in the Department of Agriculture in connection with research and all of those things, as wool. Mohair is never mentioned but the wool program includes certain appropriations that are allocated each year by the Department for mohair research purposes. So it always has been considered as a part of the wool program in these various respects.

Mr. Pace. It is frequently included in the definition of wool.

Mr. Fisher. That is true, even Webster's dictionary does that.

Mr. Poage. The law does not include it, and you would like for us to include it in the legal definition of wool?

Mr. Fisher. That is right. It does not include it in the legal definition.

Mr. Chairman, I was referring to the historical position of mohair in its treatment similar to that of wool in the past in various respects, and I was just referring to the Wool Products Labeling Act, as an example, which was passed in 1939. I have a copy of that act before me, and it will be noted that in section 2, subsection (b), the definition of wool is there given, part of which is as follows:

> The term "wool" means the fiber from the fleece of the sheep or lamb, or hair of the Angora goat.

So that it has been the established policy and practice in the past to always treat mohair as wool with respect to these various legislative matters that have come up, and as I said before, it would have been so treated with wool in the past, as the gentleman from Utah well knows, who has taken quite a part in the interest of the wool growers in the past, except for the fact that mohair was selling fairly well, and we did not want to burden the Government with that problem unnecessarily.

I might point, too, in passing to the fact that in 1938 and 1939 when the Commodity Credit Corporation set up a nonrecourse load program and allocated $50,000,000 for wool at the same time $10,000,000 was allocated for mohair under the same program, it was not used, but allocated, and I mention those only to illustrate the fact that mohair has always been considered hand in hand with wool.

In the interests of brevity, unless there is some question that the committee wishes to ask me, I am through.

Mr. Pace. Mr. Fisher, under the Agricultural Act of 1948, otherwise known as the Aiken bill, there is a provision saying that the price of wool shall be supported at such level, not in excess of 90 percent or 60 percent of the parity price of January 1, as the Secretary may consider necessary, in order to encourage the annual production of approximately 360,000,000 pounds of shorn wool, what you recommend to the committee is that the definition of wool be made to cover mohair, to come within the provisions of this provision?

Mr. Fisher. That is correct. That is our request, that the definition of wool as used in the agricultural program be defined to include wool just as it was included in the definition of wool as applied to the Wool Labeling Act.

Mr. Chairman, since I began my statement, the gentleman from Texas, Mr. Thornberry, in whose district a considerable number of goats run, has come in, and he would like to make a brief statement. He wants to be associated with me, and others in the interest of this program, and I might also add that Mr. Miles, the gentleman from New Mexico, is likewise interested and he is here, or on his way.

Mr. Poage. Would you yield? As a representative of a couple of counties that also have angoras, I would ask to be included in that. Of course you and I have discussed this proposition time and again. I have suggested the only solution was to come in under the section for wool growers, because they can't exist as I see it separate and apart. They have to come in and go through the same process as the wool grower.

Mr. Fisher. That is exactly correct, just as mohair is blended with wool in all of these fabrics to which I referred, so we must blend it, legislatively speaking, also.

Mr. Granger. I would like to say for the record that in conferring with representatives of the wool growers here, they certainly have no objection to the definition of mohair being treated along with wool, they do that providing the cotton people have no objection.

Mr. Fisher. I am certain the cotton people have no objection. That is fine.

Now, Mr. Chairman, Mr. Ernest Williams, who flew up from Texas yesterday to attend this hearing, has a very brief statement in behalf of the growers, if you will hear him.

Mr. Pace. Thank you, Mr. Fisher. Mr. Williams, we will be delighted to hear from you.

STATEMENT OF ERNEST L. WILLIAMS, SECRETARY TREASURER TEXAS SHEEP AND GOAT RAISERS ASSOCIATION, INC., SAN ANGELO, TEX.

Mr. Williams. Mr. Chairman and members of the committee, my name is Ernest L. Williams. I am secretary-treasurer of the Texas Sheep and Goat Raisers Association, Inc., with headquarters in San Angelo, Tex.

I want to thank the members of this committee for this opportunity to appear before you in behalf of the mohair industry and to request that you include mohair in the agriculture bill you are now considering.

In 1943 a support program for wool was set up through the Commodity Credit Corporation in which mohair was included. However, at that time mohair was not in financial trouble and the growers asked that it be removed from the program. They felt that they should not ask for assistance from the Federal Government when it was not needed.

From 1943 through the spring of 1947 mohair sold at fair prices, but since that time the prices the mills were willing to pay have been very low as compared to the increased costs of production.

We believe that the depressed mohair market has been caused by abnormally high postwar importation of coarse wools that were able to come into this country under a tariff reduction of nearly 50 percent. These wools are mostly Argentine and Uruguayan origin and are of high luster and long staple but do not possess the other desirable characteristics of mohair.

The Angora goat industry is one that is very vital to the economy of a considerable section of the grazing area of the Southwest and the Northwest. We feel that a support program will stop the depletion of herds that is now taking place. I might point out that the number of Angora goats in the United States in 1941 was 4,544,000; in 1947, 3,727,000 head; on January 1, 1949, 2,700,000 head. This last figure is an estimate believed to be conservative, based upon a report of the crop reporting service of the BAE, released February 16, 1949.

The Angora goat originated in Angora, Turkey, and was later exported to South Africa. A number of years later, in 1849, they were exported to the United States, and today the best Angora goats in the world are found in this country. Should this industry be allowed to be destroyed, goats of similar quality could not be found later for seed stock and another long breeding up program would have to be followed.

Mohair is a woollike fiber described in Webster's Dictionary as wool. It was classified during the war by the War Production Board as war quality wool and it is classed as wool by the Wool Products Labeling Act of 1939.

We sincerely believe that mohair deserves your consideration along with wool as an industry vital to our country.

I certainly appreciate this opportunity to appear before you and will be glad to try and answer any questions you might have.

Mr. Poage. Mr. Williams, I should like to ask just where you think, assuming that we include mohair under the definition of wool, which I think is thoroughly justified, where would we class mohair so as to get a fair price on it? Do I understand that merely including it does not do you any good unless you have some kind of grade or classification recognized?

Mr. Williams. That is true.

Mr. Poage. To put a price on it, what is your suggestion in that respect?

Mr. Williams. We have done a little work down there just breaking mohair down. Of course mohair is sold by grade down there anyway, and it would just have to be further broken down into grades, I mean just a broad break-down would be grown mohair and kid mohair.

Mr. Poage. That is, the kid would grade more than old goat mohair, and should bring a higher price. As I recall it in years past, back a number of years past, we expected mohair to bring substantially more than the normal ordinary grades of wool.

Mr. Williams. That is right.

Mr. Poage. In fact, just as a rough figure, we used to figure that wool was worth twice as much as cotton, and mohair was worth twice what wool was worth, which got it pretty high. Those relationships have disappeared today, and what I am getting at is about what relationship should be established between the grades of mohair. If it was cotton, I would call it Middling 15–16. What relationship should exist between the ordinary mohair and ordinary wool?

Mr. Williams. We believe that relationship is well established and the details can be worked out in the administration of the program.

Mr. Pace. Let me ask this, then. Has there not been through the years in the trade a rather fixed differential in a free market where the price of wool is at a figure that the price of mohair is at a certain figure?

Mr. POAGE. Prior to the war, it was far higher than comparable types of wool.

Mr. WILLIAMS. That is right. Ordinarily, on the average, mohair will shrink about 15 percent. I imagine that would be about an average. In other words, 100 pounds of mohair would yield about 85 pounds of clean hair, whereas wool—these gentlemen might check with me on this, I suppose will shrink about 55, as an average, in other words, 45 pounds.

Mr. POAGE. You are talking about getting it on a clean base.

Mr. WILLIAMS. Yes, sir.

Mr. POAGE. Once you have it on a clean base, then they are much more comparable, but the way the goat lives and the way the sheep lives, you get a different situation in the fleece that you shear?

Mr. FISHER. May I interrupt for just one remark? I do not think that would be a particular problem because the Department of Agriculture statistics which I have here in my hand show regular established prices over a period of years. You can go back 20 years and see what the price of mohair was each year, and it has always sold in quality as well as the wool is sold in quality, and the exact quality of any particular fleece can be determined the same way as they determine that of wool.

We can easily determine the average price over a period of years.

Mr. POAGE. Surely you do not recommend to this committee that we support mohair at twice the price of wool, because if we did, we would destroy every vestige of use of mohair, and you would be out of business completely.

Mr. FISHER. We are not asking for that.

Mr. POAGE. What I am asking is at what comparable figure, where would you put it in relation to wool? We have wool fixed. It is 42.2 cents, is it not?

Mr. WILLIAMS. Yes.

Mr. POAGE. We have got wool fixed. Where will you put that mohair? If you put it too far up here, you destroy every bit of use for mohair, and you ultimately put yourself out of business, no matter what the Government does temporarily. If you put it too low, here, you break the grower and you put yourself out of business. Where do you want to put it? Do you want to say, mohair today is selling for a little less than wool is, as I understand, do you want to say that mohair should continue at say 20 percent less than wool? Do you want to say that mohair should be supported at the same level with sheep's wool, or do you want to say that mohair, because over the past 20 years it has enjoyed a higher level than wool, should be supported at a level somewhat higher than sheep's wool? I do not know the answer. I am just asking what is the practical thing to do.

Mr. FISHER. The average price over 10 years for mohair has been 53 cents. Parity price at this time is a little better than 66 cents. As to exactly what level is should be supported, I would not undertake to say, but certainly 90 percent of parity would be ample.

Mr. POAGE. If you support it at 90 percent of parity, and I have no objection to giving you that, I think you are entitled to the same kind of treatment anybody else is, except I do not want to pass legislation that legislates you out of business. Suppose we put it at 90 percent of parity, which would be about 58 or 59 cents.

Mr. FISHER. Yes.

Mr. POAGE. Suppose we support the mohair at 58 cents, and wool at 42 cents, how long do you think that there would be any market for mohair at 58 cents? I realize the first 2 or 3 years you could sell the whole crop to the Government, but you cannot base a permanent program on simply loading it on the Government, the Government never getting rid of it. Where do you think we would go if we fixed a level of 58 cents on mohair?

Mr. FISHER. I was simply mentioning that as the 90-percent basis. We are not here insisting on 90 percent, but we do feel that by defining wool to include mohair, a relative price schedule of various grades—which will average less than 58 cents, can be devised.

Mr. POAGE. I know you are not. I am trying to find out what you think would be desirable. I have no criticism of 90 percent. I am willing that you should have 90 percent, the same as anybody else, if it will keep your business going, but I do not want to establish 90 percent base and just simply put you clear out of business. For instance, we know that if you were to guarantee the price of cotton at 40 cents a pound, we know we would be soon out of the cotton business, because foreign growths and synthetics would take the market, and we would have no place to turn except to the Commodity Credit Corporation, which would be a market for 1 or 2 years at the outside.

Mr. FISHER. We are quite conscious of that. Of course, the average price, if you want to put it on that basis, over the past 10 years has been about 53 cents.

Mr. POAGE. Do you want to put it on that basis? What I am trying to find out, what does the industry want to do.

Mr. FISHER. Our general proposition has been we want comparable treatment with that of wool. There are different grades of mohair just like there are different grades of wool. When a parity base is set, it will be fairly simple for the Department to establish relative grade prices.

Mr. POAGE. What do you call comparable is what I am trying to get at, and if you put it on the parity basis, is it safe to put it there?

Mr. PACE. I have just gotten the figures. The parity price on wool, January 1, 1949, is 45.4, slightly over 45 cents a pound. The parity price on mohair January 15, 1949, is 68.2, slightly over 68 cents. That may or may not establish the proper relationship.

Mr. POAGE. I am just suggesting to Mr. Fisher, Mr. Chairman, that I am perfectly willing to put it on that basis, and guarantee the goat wool, shall we call it, in the future for legislative purposes, I am perfectly willing to guarantee it at the 90 percent of parity if in so doing you do not destroy the industry, and I am willing to let you be the judge whether it would be destroying the industry. But I know full well as one who has had a little experience with cotton that if you fix the price of cotton at 40 cents a pound that we would be out of the cotton business in 3 years time. I think you will be out of the mohair business in an equally short time if you fix the price of mohair substantially above what the markets will pay. What I am asking you folks is, what do you want, and you have got to answer the question, I for one am willing to give you the 90 percent of parity, but I want to know, do you want it?

I wish that the representative of the mohair people would tell us whether they want 90 percent of parity or whether they do not. If they want it, let us give it to them, but if they do not want it, let us not destroy the industry.

Mr. PACE. Maybe they want to confer about it.

Mr. POAGE. Maybe so, and that is perfectly all right.

Mr. GRANGER. What did you hope to gain by having the definition as a grade of wool or connected with wool? It seems to me that instead of doing yourselves some good, you might do yourselves some harm that way. It should be considered as wool in that definition, should it not?

Mr. FISHER. It is our judgment that is the best way to approach it. Of course that does not mean that it will bring exactly the same price as wool.

Mr. GRANGER. You do not want it to.

Mr. FISHER. Wools are different prices, depending on the types and grades and likewise mohair is differently priced, depending on the quality and the age of the animal, and so forth. So far as figuring out exactly what it should be, we have not undertaken to do that. I do not know yet just what the basis for the computation of the wool price will be, as to whether it will be over an average of what has been paid the past 10 years or whether it will be on the old parity basis or what. Our thought was that mohair being so closely related to wool should have some comparable treatment when you undertake to establish the price level of it, based upon the historical past and upon relative grade values.

Mr. GRANGER. I do not go along with the gentleman from Texas. I do not know why you should not have 90 percent of parity the same as any other commodity.

Mr. POAGE. I am sorry the gentleman did not come in in time to hear my statement, because I tried to make it abundantly plain, because they are as much entitled to it as cotton and wheat men or anybody else, I have tried to repeatedly suggest if you put the support price of any commodity far in excess of what the market will pay, that you will get support prices about 1 or 2, or at the outside 3 years and then you will be completely out of business, because when you have put that support price on at a level far out of line with what the market will pay, somebody is going to be smart enough to put synthetics on the market, or bring in some kind of substitute at a good deal cheaper price, and you will find your industry without any market whatever, and the Government is not going to buy any crop year after year, the entire crop at far above the market.

Mr. GRANGER. That is true, and that is true with any other thing.

Mr. POAGE. That is true, and that is why we try not to price ourselves out of the market. As one interested in cotton I would love to have 40 cents a pound, but I know if we price it at that, we would not be growing cotton more than 3 years.

Mr. GRANGER. All these men are asking for is 90 percent of what the parity is.

Mr. POAGE. Their parity is so high that they are way above the market price. I am simply trying to ask them whether they want 90 percent of parity; trying to let them answer the question. I have not made any answer to the question here, because it is their move to give us their suggestion as to what they think they could sell their mohair for on the market. I am just as much agreed as you are that they are entitled to 90 percent. I am willing to vote to give them 90 percent at the old parity if they want it. If they want the 58-cent guarantee, why, it is all right with me but I do not think they can stay in business and have a guarantee of 58 cents, not very long.

Mr. WILLIAMS. May I interrupt there just a moment? I mentioned a while ago the difference in shrink between the two. On mohair the shrinkage is 15 percent. That would be 85 percent clean basis, and at parity price 68.2, that would be 80 cents a clean pound. On wool at parity of 42.3——

Mr. POAGE. About the same.

Mr. WILLIAMS. Shrinking 60 percent, the clean price would be $1.05 as compared to 85 cents to the mohair on the clean basis.

Mr. POAGE. I think that that might do it.

Mr. WILLIAMS. There is such a great difference in the shrink of the two products.

Mr. POAGE. But even so, the market has taken that shrink into consideration now when you have got a 35-cent market for mohair as against a 60-cent market for wool. The shrink has already been discounted. I don't want to have you folks think that I am trying to tell you that you should not have 90 percent parity. I want you to think this thing through and say it is your own wish if we give you a cup of poison that will put you out of business. I do not want you to say that we did it without your eyes open.

Mr. WILLIAMS. My thoughts on that have been that the mohair price schedule was certainly something that would have to be worked out, and can be in the administration of the program.

Mr. POAGE. I recognize the further problem involved there, that before you could make a recommendation, you have got to make one that you think your growers will at least give some approval to, and I recognize that the grower who has not thought through the market is always in favor, whether he is a grower of mohair or a grower of peanuts or corn, he is always in favor of getting every cent he can; he is always in favor of the highest possible market. That is immediately, and if he has not thought it through, he is going to blame you and he will blame Mr. Fisher, and will blame everybody else who had anything to do with it if they give him something less than he would like to have.

Mr. FISHER. Of course, basically as we have said, we thought we should have treatment comparable to wool; whatever basis you use to determine the support price for wool, we will accept it for mohair. We feel they are entitled to that much.

Mr. POAGE. I still have not made myself clear, I am afraid.

Assume that we give you, and I think you should have the same consideration as wool, assume that we say in the law that goat hair is a form of wool, and then when we have said that, we have already said that it is entitled to a support price on the same basis that wool is, whatever that basis may be, except that we have not determined by law what the grade of mohair is. I am simply trying to ask you as to where that grade should fit into the picture of the various grades or classes of wool. We will say by law, and I think we are all agreed that we should say by law that this hair that comes off the goat is one form of wool, and the hair that comes off the sheep is another form of wool. We have already said that these coarse wools from South America, they are one form of wool, they are not the same sort of thing that your American and your Australian fine wools are, but they are one form of wool, they grade way down, so that they actually do not bring in the market nearly as much as your fine wool.

Mr. FISHER. That is right.

Mr. POAGE. Where will you put the grade on that goat wool? That is all that I think we have to decide here. Maybe you don't have to decide it by law. Maybe you can leave it up to the Department to make that definition.

Mr. FISHER. The grades are not defined by law. Neither are the grades of wool, cotton, and so forth.

Mr. POAGE. I know the present grades are not set by law, but I am inclined to believe that you would be rather reluctant to leave it to the Commodity Credit Corporation, the power to determine where this grade is going to fit in, just what slot you will slip in this goat wool. I think you would be a little reluctant to do that, would you not?

Mr. FISHER. Of course, I assume they would be bound by such formula as would apply.

Mr. POAGE. Not unless we provided the formula.

Mr. FISHER. You have a formula for wool, 42 cents now. That does not mean all growers get 42, some of them get 35 and some get 55. All of those support prices are established according to grades. The 42 cents is just the average.

Mr. POAGE. You have had wool grades established for a long time.

Mr. FISHER. I think there is more of an established grading system in mohair than you realize.

Mr. GRANT. It may be that they want to confer a little later on this and let you know.

Mr. POAGE. I think they have to. I think if we are to be helpful to them, we have to get the suggestion from the mohair industry as to what price you can live under, and what price you can sell under, and they are two different questions. You want that living price to be as high as possible, and that selling price you have to get as low as possible to meet competition.

Mr. FISHER. You have it with cotton and with wool and with everything else, as to just what level is right. You might price yourself out of the market. Our thought has been, as I understand it, that mohair should be treated in a comparable way with wool. We have established grades, we have established prices. You can go back to the Department of Agriculture and find what the average price was for 20 years back. I feel certain a fair price for mohair grades can be determined administratively.

Mr. POAGE. I know all of that.

Mr. FISHER. We have an established grade system, a recognized grading system.

Mr. POAGE. Just get this thing straight. Let us not spend the afternoon on it. I know you have established grades for goat wool, and you have established grades for sheep wool, but now when you take the middle rate of both, which we have to take to get some kind of an average, when you take the average of both, where will you fit that goat wool into your sheep wool picture. Are you going to say if you take the 20 years past, you will say it is worth twice as much as sheep wool?

Mr. FISHER. It won't run that much.

Mr. POAGE. Then say a third as much. You know it is more.

Mr. FISHER. Some more; the average over 10 years is 53 cents.

Mr. POAGE. I have not any criticism in the world, if you want it. Put it higher than sheep wool, all right. I want you to go into it with your eyes open, and not be coming back and saying to this committee that we legislated you out of business because if you put that price substantially higher than the competitive products, you are out of business in 3 years and I think you people know it.

Mr. PACE. We agree that you gentlemen will consider that further and submit suggestions to the committee.

Mr. WILLIAMS. Yes, sir.

Mr. GRANGER. There has been a decrease of about a million head of goats in the last few years. What became of them? Where did they go, to slaughter or what?

Mr. WILLIAMS. I am speaking in my own State right now, Mr. Granger. Quite a number of them this last year have gone to market. There has been a fair price for goat meat just this past year, and when mohair got down very low, they culled quite a number of goats out, and they were sold on the market.

Mr. GRANGER. Coming back to the question that the gentleman from Texas, Mr. Poage put, certainly if the Agriculture Department had some figures to go on, and had some grades to go on, they could even fix the parity price of mohair, could they not?

Mr. WILLIAMS. I am certain of that; yes, sir.

Mr. GRANGER. That is all.

Mr. PACE. Thank you very much, Mr. Williams.

Mr. WILLIAMS. Thank you.

Mr. PACE. We will now hear from Mr. Fernandez.

STATEMENT OF HON. ANTONIO M. FERNANDEZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW MEXICO

Mr. FERNANDEZ. My statement will be very short. As a member of the Public Lands Committee, I have been accused from time to time of representing the cattle barons, and I am very happy to be before this committee today representing the lowly or speaking for the lowly goat.

I want to endorse every word that Mr. Fisher has said to the committee. We have full confidence in the wisdom of the committee. It is unnecessary for me to make any extended statement except to express my interest in this legislation.

Mr. PACE. As I understand it, you prefer that the definition of wool be as it has been some years past, that is, the definition to include mohair?

Mr. FERNANDEZ. That is my understanding.

Mr. PACE. That will meet the situation?

Mr. FERNANDEZ. Yes.

Mr. PACE. Thank you very much.

Mr. FERNANDEZ. Thank you.

STATEMENT OF HON. JOHN E. MILES, A REPRESENTATIVE FROM NEW MEXICO

Mr. MILES. I wish to speak, also, for the inclusion of Angora mohair in the farm program. It is my belief and I recommend that mohair be given the same consideration as wool, that it be included in the definition of wool under the law, and that it be given support in the farm program. The growers of mohair, the Angora goat raisers, have been fighting a losing battle for the past few years to find a market for their production. The importation of coarse wools, and of a large quantity of Turkish mohair at the close of the war so depressed the market for mohair that our domestic producers could not compete without great loss. Even now, some of the producers in my State have as many as five clips of unsold mohair.

The Department of Agriculture has been doing great work in trying to find a solution to the marketing problem of the producers. This has been principally in the field of research to find new uses for mohair. This work is admirable and should be continued; however, the nature of the work is such that it will take much time. The Angora goat raisers need to be helped soon. Their herds have been drastically reduced in the past few years. They cannot continue in business unless a market is found at once, or unless they can be brought under the national farm program.

STATEMENT OF HON. KEN REGAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. REGAN. That is my position also, Mr. Chairman.

Mr. PACE. We are happy to have your statement.

That will conclude for the present the hearing on mohair.

(Whereupon at 4:25 p. m., a recess was taken until Tuesday, May 10, 1949, at 10 a. m.)

TESTIMONY OF PRODUCER GROUPS AND MEMBERS OF CONGRESS

THURSDAY, MAY 19, 1949

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE OF THE
COMMITTEE ON AGRICULTURE,
Washington, D. C.

The special subcommittee of the Committee on Agriculture met in the committee room, 1310 New House Office Building, at 10 a. m., Hon. Stephen Pace, subcommittee chairman, presiding.

Mr. PACE. The committee will come to order.

The purpose of the meeting this morning is to have before us the Members of Congress and it is our pleasure at this time to hear from our colleague, Congressman K. M. LeCompte, Representative from the State of Iowa. We will be glad to hear from you, Mr. LeCompte.

STATEMENT OF HON. KARL M. LeCOMPTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. LECOMPTE. Mr. Chairman, being fully conscious of the effort that this committee is making to get at the facts and really conduct research into the subject of necessary farm legislation, I communicated with the president of the largest farm organization in the State of Iowa, the Iowa Farm Bureau Federation, and submitted to the president of that organization some questions on the subject of marketing quotas and acreage quotas.

Mr. PACE. On corn?

Mr. LECOMPTE. On corn—on nothing but corn.

I know your committee is engaged in the study of all the principal crops, but inasmuch as our State is first in the production of corn, my effort was only to get some information for the committee on the subject of corn.

Unless there are some questions that members of the committee would want to ask me, I was going to ask permission of the committee to insert in the record the letter that I received from Mr. E. Howard Hill, president of the Iowa Farm Bureau Federation, on the subject, and not take any more time of the committee. Of course, I would be glad to answer any questions.

Mr. PACE. Would you mind stating, without reading it, the substance of the letter?

Mr. LECOMPTE. I will just read one paragraph of it. He says:

> It is our belief that it would be wiser to decide definitely the type of long-time farm program we are to have in effect for the future years before making decisions about smaller parts of that program, such as marketing quotas. In other words, it is our feeling that we might be "getting the cart before the horse."

He goes on and says:

However, since you are so interested as to ask for our opinion, our board of directors has considered these questions and I am including herewith the answers.

Then he repeats the questions and gives his answers and I can read them.

Mr. PACE. Go ahead and read the whole thing.

Mr. LECOMPTE. The questions and the answers are as follows:

1. Do the corn producers desire to place corn under marketing quotas?

Answer. There is grave question as to the practicability of controlling corn surpluses through marketing quotas. Every effort should be made to convert corn and other feed grains into livestock and to increase consumption and exportation of these products before quotas are considered. Marketing quotas for corn should be proclaimed after these techniques and acreage controls have proved inadequate to control surpluses.

2. Should the commercial corn area be expanded?

Answer. Yes, to the amount necessary to prevent excessive diversion of land from other crops to corn.

3. Should quotas apply to corn produced and fed on the farm?

Answer. If marketing quotas are to be effective in controlling surpluses, it will be necessary to apply them to corn produced and fed on the farm. However, in connection with the marketing quota plan, consideration should be given to an incentive plan to encourage the conversion of corn and other grain feeds to livestock products.

4. Should quotas apply to corn produced for silage?

Answer. Yes, with the same considerations as indicated in the answer to question No. 3.

5. Should competing grains, such as grain sorghum, oats, rye, barley, etc., be brought under quotas at the same time?

Answer. The production of competing grains, such as grain sorghum, oats, rye, barley, etc., could be controlled to a satisfactory degree through acreage allotments both inside and outside the commercial corn area.

6. Should quotas apply to corn production throughout the Nation or be confined to the commercial corn area, as now provided by law?

Answer. If it becomes necessary to apply marketing quotas, they should be used only in the commercial corn area, but acreage allotments should apply to other areas in order to prevent competition from these areas with the commercial corn area.

Mr. PACE. Thank you very much, Mr. LeCompte. The committee is very glad to have that information. We want that kind of information and what you have given us will be very helpful to the committee.

Mr. LECOMPTE. Thank you, Mr. Chairman. This letter might go in the record.

Mr. PACE. Yes, sir; thank you for coming.

(The letter above referred to is as follows:)

IOWA FARM BUREAU FEDERATION,
Des Moines 9, Iowa, March 24, 1949.

Hon. KARL M. LECOMPTE,
House Office Building, Washington, D. C.

DEAR KARL: I want to thank you for sending me the letter from Mr. Pace, chairman of the special subcommittee studying marketing quotas.

It is our belief that it would be wiser to decide definitely the type of long-time farm program we are to have in effect for the future years before making decisions about smaller parts of that program, such as marketing quotas. In other words, it is our feeling that we might be "getting the cart before the horse."

However, since you were so interested as to ask for our opinion, our board of directors has considered these questions and I am including herewith the answers.

1. Do the corn producers desire to place corn under marketing quotas?

Answer. There is grave question as to the practicability of controlling corn surpluses through marketing quotas. Every effort should be made to convert corn and other feed grains into livestock and to increase consumption and exportation of these products before quotas are considered. Marketing quotas for corn should be proclaimed only after these techniques and acreage controls have proved inadequate to control surpluses.

2. Should the commercial corn area be expanded?

Answer. Yes; to the amount necessary to prevent excessive diversion of land from other crops to corn.

3. Should quotas apply to corn produced and fed on the farm?

Answer. If marketing quotas are to be effective in controlling surpluses, it will be necessary to apply them to corn produced and fed on the farm. However, in connection with the marketing quota plan, consideration should be given to an incentive plan to encourage the conversion of corn and other grain feeds to livestock products.

4. Should quotas apply to corn produced for silage?

Answer. Yes; with the same considerations as indicated in the answer to question No. 3.

5. Should competing grains, such as grain sorghum, oats, rye, barley, etc., be brought under quotas at the same time?

Answer. The production of competing grains, such as grain sorghum, oats, rye, barley, etc., could be controlled to a satisfactory degree through acreage allotments both inside and outside the commercial corn area.

6. Should quotas apply to corn production throughout the Nation or be confined to the commercial corn area, as now provided by law?

Answer. If it becomes necessary to apply marketing quotas, they should be used only in the commercial corn area, but acreage allotments should apply to other areas in order to prevent competition from these areas with the commercial corn area.

With kindest personal regards, I am

Sincerely yours,

E. HOWARD HILL, *President.*

Mr. PACE. The distinguished Representative from New Hampshire, Mr. Cotton, has something he wishes to submit for the record. We are glad to hear him.

STATEMENT OF HON. NORRIS COTTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW HAMPSHIRE

Mr. COTTON. Mr. Chairman, I will not take but a moment, but I have received communications from the Commissioners of Agriculture of four of the six New England States on the subject of price support and of the farm program in connection therewith; and also a letter from the New England Council, which is an organization formed by the six New England Governors and comprises representatives of all the States in industry, agriculture, and various other fields, expressing their opinion and enclosing a copy of a resolution adopted by that body on this subject; and I would like to ask permission of the committee to insert in the record at this point the letters of the following: Hon. Perley I. Fitts, commissioner, Department of Agriculture of the State of New Hampshire; Hon. A. K. Gardner, commissioner of agriculture of the State of Maine; Hon. John Chandler, commissioner, Department of Agriculture, the Commonwealth of Massachusetts; Hon. Frank H. Peet, deputy commissioner of agriculture of the State of Connecticut; and Hon. John J. Carten, Jr., chairman, Committee on Agriculture and Forestry, the New England Council.

Mr. PACE. Permission is granted without objection and they will be inserted in the record at this point.

We want to thank you Mr. Cotton, for presenting them.

Mr. COTTON. Thank you, Mr. Chairman.

Mr. PACE. You may assure those gentlemen their letters will be given consideration by the committee in its deliberations.

(The letters are as follows:)

STATE OF NEW HAMPSHIRE,
DEPARTMENT OF AGRICULTURE,
Concord, March 4, 1949.

Congressman NORRIS COTTON,
Committee on Agriculture, Washington, D. C.

DEAR CONGRESSMAN COTTON: I am sorry that I did not have more time to talk with you on your recent stop-off in Concord. In particular, I would like to have discussed price support with you.

It is our opinion here that flexible price support is undoubtedly the only answer at the present time, as fixed price support would continue to pile up surpluses. If the Federal Government should continue to make it profitable to allow agricultural products to be raised at a guaranteed profit and sell them to the Government, it would be only a short time before all displaced persons in industry and other activities would be farming for Uncle Sam. Unless strict and rigid control were put into effect this, in most cases, would limit the product to a very select group of people who might, or might not, be able to produce efficiently in farm competition.

For this, and various other reasons, I hope you will do everything possible to support any move so that a flexible price-support program may be adopted.

With the best of personal regards, I am,

Sincerely yours,

PERLEY I. FITTS, *Commissioner.*

DEPARTMENT OF AGRICULTURE,
STATE OF MAINE,
Augusta, February 28, 1949.

Hon. NORRIS COTTON,
House of Representatives, Washington' D. C.

DEAR SIR: I realize that there is a strong feeling on the part of the House Committee on Agriculture for a rigid 90 percent support program for the basic commodities. Unless such a support program provides for substantial reductions in production, it is obvious that we will have surpluses that may not be handled to the satisfaction of any one—the Congress, the administration, the Department of Agriculture, the producers, or the public.

Most of us here in the Northeast believe that control should be limited to minimums; that we should strive for a production which is adequate, but not substantially in surplus. Probably acreage controls or quotas or what-not are an essential part of the price-support program. However, price-support programs which assure protection from disaster are more likely to be acceptable to all concerned and should result in a minimum of production control.

Our northeast commissioners (comprising the area of New England, New York, Pennsylvania, New Jersey, Delaware, and Maryland) meet the 17th of this month at Hartford, Conn. I am sure they will be most likely to discuss this matter and will forward to you their recommendations. If there is anything that we can do to assist you in any way, be sure to let us know.

Cordially yours,

A. K. GARDNER, *Commissioner.*

THE COMMONWEALTH OF MASSACHUSETTS,
DEPARTMENT OF AGRICULTURE,
Boston, March 7, 1949.

Hon. NORRIS COTTON,
House of Representatives, Washington, D. C.

DEAR MR. COTTON: The farm people of Massachusetts, in fact of all New England, are definitely opposed to rigid high price supports. In such a program we can see no alternative but the arbitrary control of production.

Here in New England, where our agriculture is so closely patterned to our consumers' immediate requirements and needs, to be forced to reduce production could only result in hardship on ourselves and our consuming public.

All our farmers and farm organizations are in favor of flexible supports as outlined in the Agricultural Act of 1948. If too much of any product is grown in the country in any year, we prefer to pass on any savings, due to lower support prices, to the consuming public. Very definitely we prefer to take our chances rather than submit to Federal dictation as to how much we grow of any product.

I certainly hope that flexible price supports will prevail.

Yours very truly,

JOHN CHANDLER, *Commissioner.*

STATE OF CONNECTICUT,
DEPARTMENT OF FARMS AND MARKETS,
Hartford, March 11, 1949.

Hon. NORRIS COTTON,
House Office Building, Washington, D. C.

DEAR REPRESENTATIVE COTTON: I trust that you recognize the importance of Connecticut's agriculture as related to the economic welfare of every citizen of Connecticut; therefore I will not go into detail.

Those of us in the agricultural pursuit recognize that the formation of sound agricultural policy must of necessity extend beyond our borders to regional or national consideration and action.

In my opinion, one of the greatest factors involved in the stabilization of the Nation's agriculture, which includes Connecticut, is the retaining in principle of a flexible support price and revised parity as incorporated in the Agricultural Act of 1948.

I trust that you will give this important issue due consideration, for which I thank you.

Wishing you a successful year in Congress, I am,

Very truly yours,

FRANK H. PEET, *Deputy Commissioner.*

THE NEW ENGLAND COUNCIL,
Boston, Mass., February 4, 1949.

Hon. NORRIS COTTON,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN COTTON: The Agricultural Act of 1948 provides for flexible support prices for agricultural products to become effective January 1, 1950. The level of support will depend on the size of each crop in relation to the quantity needed for domestic use and export. The New England Council's Committee on Agriculture and Forestry is opposed to any change in these provisions until the new law has been given a fair trial.

A movement is on foot to extend rigid support of farm prices at 90 percent of parity without regard to supply or demand. If this movement is successful it can only result in discouraging a shift away from agricultural production of commodities that are in excess supply to commodities which are short. If the Government continues to support grain prices at 90 percent of parity and production continues at its present rate, it will inevitably result in continued overproduction of grain which is not needed and hold back the production of meat, eggs, and milk. The cost of living to consumers will be kept high by discouraging the most efficient use of agricultural resources.

Enclosed is a copy of a letter to Senator Aiken endorsing the principle of flexible support prices and the revised parity which he sponsored. Any support you can give Senator Aiken in upholding these principles will be greatly appreciated.

Very truly yours,

JOHN L. CARTEN, Jr.,
Chairman, Committee on Agriculture and Forestry.

THE NEW ENGLAND COUNCIL,
Boston, Mass., February 3, 1949.

Hon. GEORGE D. AIKEN,
United States Senate, Washington, D. C.

MY DEAR SENATOR AIKEN: At a meeting of the New England Council's Committee on Agriculture and Forestry held on January 14, 1949, in Boston, the current proposals to continue price supports at 90 percent of parity were discussed. Following the discussion, it was unanimously voted:

> That the committee on agriculture and forestry endorse and support the principle of flexible support prices and revised parity sponsored by Senator George D. Aiken, and to mail copies of this letter to the New England congressional delegation and to the Members of the Senate and House Committees on Agriculture.

It is a pleasure to send you a copy of this unanimous vote by the committee on agriculture and forestry.

Very truly yours,

JOHN L. CARTEN, Jr.,
Chairman, Committee on Agriculture and Forestry.

Mr. PACE. We will now hear from our distinguished colleague, Hon. Ben F. Jensen, of Iowa.

STATEMENT OF HON. BEN F. JENSEN, A REPRESENTATIVE IN IN CONGRESS FROM THE STATE OF IOWA

Mr. JENSEN. Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before this committee and be of any help I can in providing a few thoughts on what you and I consider the greatest problem facing our Nation today. Needless to say, the whole welfare of our economy, agricultural and industrial, weighs heavily on the decisions this committee reaches in regard to effective farm legislation.

The Nation is sadly in need of a sound approach to the economic problems that beset it today. Since directly or indirectly approximately 70 percent of our labor is employed in the production, processing, and distribution of farm products and the services incident to such activity, the destiny of our Nation's economy rests on the leadership and legislation you gentlemen and the other Members of Congress provide.

It is regretful that practically all of the help offered this committee by well-respected, and rightfully so, national agricultural leaders has been based on economic tangents and monstrosities irrelevant to the basic causes of our agricultural problems. They deal totally in trying to control effects.

Far too many of our agricultural legislation proposers ignore or forget that there is a bottom to the taxpayers' appropriations barrel. We would never have any economic problems if there were a limitless supply of dollars to cure our economic maladjustments. But we know that the Nation's Federal business structure is very similar to your family's or mine. We have to live within our income and cannot constantly overspend without irreparable disastrous results.

It seems obvious that if our people aren't interested in using more cotton—the fact is clear. If our people are not interested in eating more and more potatoes and consume all the farmers wish and can produce—that fact is also clear. The same is true in regard to certain grain crops. The Government does not have the right or obligation to force our people to utilize everything agriculture produces, or to force our people to pay through taxes sufficient money to make it profitable for our agriculture to continue the production of certain unwanted crops. Our people are interested in more food; but they want it in such items as more and better meat, milk, cheese, and other high standard of living foods. They do not object to using a reasonable portion of their income for food purchases. But they dislike spending part of their income for food purchases. But they dislike spending part of this income for the production of unwanted commodities as they are now dong through taxation.

That may sound like a peculiar statement since I do not represent a farm area. But I know that the people I represent want a truthful answer to our farm problems. They want legislation that will work and that will not bankrupt our Government. After all, our farmers have just as much stake in a sound, effective Government and economic system as does the city dweller.

Our farmers realize that their security is no stronger than their ability to produce the types of food the consumer wants to buy. They have no security when their affairs and production are manipulated by one or two people at the Washington level.

I have considered at length these farmer and consumer interests and problems in regard to farm legislation. As a result, I introduced H. R. 2368 earlier this year. This legislation is not a cure-all—it is just a beginning. It will start our Government on a constructive and nonbankruptcy path to helping farmers bring their production in line with consumer food demands, and at the same time will encourage more and more farmers to conserve and make better use of their soil resources.

We should first recognize what took place on our land to produce our 1948 crops. Of the nearly 351,000,000 acres harvested in 1948, approximately 148,500,000 were used for intertilled or row crops, 129,000,000 for close-growing or small-grain crops, and 73,500,000 acres for meadow or hay crops, as part of a soil conserving and building rotation.

A close analysis of 1948 row crop and small grain production shows that at a very minimum approximately 43,500,000 acres which were used for row crops and 28,500,000 acres for small grain should have been in meadow or hay crops for a minimum soil-conserving rotation. (Estimates based on study material used to compile testimony for Long Range Agricultural Policy Hearings, House of Representatives, March 10, 1948.)

It is very conservative to say that one out of every four acres in row crops or small grains in 1948 should have been in a meadow or hay crop for a minimum soil-conserving rotation. Likewise, we would not have a serious maladjustment to agricultural production today if our land were being properly used.

It should be possible through payments, as outlined under H. R. 2368, to reduce the corn acreage 5 percent, the wheat acreage 13 percent, and the cotton acreage 20 percent in this country by Federal payments not to exceed $200,000,000 the first year. This could be done on the basis of converting 20 million acres of land that had been, for the previous two or more years, in corn, wheat, and cotton to grass and woodland at the average rate of $20 per acre, the Government paying $10 per acre or one-half the total cost. Let me point out that a reduction of so large an acreage of these three crops the first year would very largely, if not entirely, eliminate the possibility of surpluses occurring in the production of these crops.

In the sixth year, at an annual cost not to exceed $200,000,000 per year, 10 percent of the present corn acreage, 25 percent of the present wheat acreage, and 40 percent of the present cotton acreage could be retired to grass or trees which would undoubtedly eliminate any further possibility of temporary surpluses occurring in the production of these crops. I should like to insert in the record a simple tabulation indicating what an annual Federal payment of $200,000,000 could do under the terms of H. R. 2368.

Mr. PACE. It may be inserted in the record at this point in your statement.

(The statement above referred to is as follows:)

Acreage of grain and cropland that could be converted to grass or trees with a governmental payment of $200,000,000 per annum as provided in H. R. 2368

	Millions of acres	Percent of cost	Cost per acre	Total cost
First year	20	50	$10	$200,000,000
Second year	20	20	4	200,000,000
Do	12	50	10	
Third year	32	20	4	200,000,000
Do	7.2	50	10	
Fourth year	39.2	20	4	200,000,000
Do	4.32	50	10	
Fifth year	43.52	20	4	200,000,000
Do	3.59	50	10	
Sixth year	46.11	20	4	200,000,000
Do	1.56	50	10	

Mr. JENSEN. Thank you, Mr. Chairman. It shows that 47,670,000 acres of land now in soil-depleting crops could be converted to soil-conserving crops; also, as I pointed out, it would eliminate this trend in a surplus which is bringing about a condition and a threat of acreage allotments.

The retirement of grain and row crop acreage under this provision of my bill is assumed to be at the rate if $20 per acre. That is, an acre of cropland could be retired to trees for an average of considerably less than $20 per acre. Similarly, an acre of cropland could be retired to grass, where no lime and fertilizer were needed, at somewhat less than $20, but if the farmer needed lime or fertilizer in order to encourage good grass pasture or range, it would take somewhat more than $20 per acre to obtain it, so an average of $20 is assumed.

Historically, reduction of crop acreage has not necessarily reduced production of the crop except temporarily. That is, the record shows that the attempts in the thirties to reduce the acreage of wheat, corn, and tobacco did not reduce total production. There was some reduction in cotton production as a result of acreage allotments. The reason for little or no reduction in production through crop acreage allotments is that land is only one of the resources of production at the farmers' command. In earlier attempts the farmer used more labor, fertilizer, and other resources on the land he had in crops and thereby produced greater yields per acre. My recommendations in H. R. 2368 would give the farmer the opportunity of using these extra resources, including his labor, to produce grass or trees, enhance his production, and produce animals and animal products for which there is likely to be a greater demand than for the grain.

As an initial move to help farmers bring their agricultural production and land use more in line with consumer demands, Congress should discontinue appropriating any funds that foster soil desctruction by supporting overuse of our soil resources for the production of certain row crops and small grains. We are appropriating hundreds of millions of dollars for this purpose every year.

One of the great travesties on the agricultural scene today is that we do not know actually what the Nation's soil resources are, their condition, or what treatment a vast portion of our land needs to keep it productive. In many ways it's ironic for Congress to legislate for agriculture when it knows actually so little about what our soil resources are.

Except for the work of the Soil Conservation Service in the Nation's soil conservation districts, farmers have no way to obtain information on the capability of their land for best use and production on an acre by acre basis, to learn the condition of their own agricultural food factory. In many places these factories are crumbling—saved temporarily by tremendous uses of fertilizers—but nevertheless washing and bleeding away. In other places tremendous use of fertilizers hides from the farmer's eyes what is actually happening to his land. We need the completion of a Nationa-wide land capability survey of our farms, ranch, and woodlands to determine the productive capacity of land conservation needs of each acre. This information should then be furnished to each farmer and rancher, so that he could know what is happening to his food-producing factory, and what his farm needs to keep its productive capacity permanent.

I believe that if all farmers and ranchers of our Nation knew what was taking place on their land, such as when they bypass minimum soil conserving rotations, we would see one of the greatest changes in land use imaginable, and within a period of a couple of years, I am convinced that when a farmer really knows the truth about his land, he becomes one of the greatest champions for effective soil and water conservation, which in itself would remove most of our present agricultural problems.

In H. R. 2368 I have provided for an early completion of a Nationwide survey of our soil resources and for furnishing this information to every farmer and rancher.

Nor is this all this legislation provides. There are provisions for a national land policy, a conservation timetable, and special measures to help landowners add sufficient acreage to their farm to complete a profitable farm, and thus reduce much land overuse resulting from uneconomic-sized units. This legislation provides technical assistance for soil and water conservation farming for all farmers and ranchers of our Nation who are not now located within a soil conservation district. There are conservation payments, part of which I described a few moments ago, which will provide for lasting soil conservation. Also, the legislation strengthens the system of farmer control of his agricultural affairs and fosters the organization of soil conservation districts.

No new agencies are called for, but the Secretary of Agriculture is given the power to join more closely the work of the Soil Conservation Service, conservation programs of the Production and Marketing Administration, and the Extension Service for concerted action on problems which confront this committee today.

It is obvious that a balanced agricultural production that can demand a rightful share of our national income depends on proper use of our soil resources. The sooner we help farmers to use their soil resources properly, as is done by all farmers who have effective soil and water conservation programs, the sooner we can ease the economic problems that confront our people today.

Now, Mr. Chairman, I hope I am not taking too much time.

Mr. PACE. No, indeed. May I say here that is one of the most sensible statements I ever heard on the point of the conservation of soil.

Mr. JENSEN. Thank you, Mr. Chairman. I know you have always been very interested in the problem of soil conservation, as well as all other problems so important to our Nation, and I want to compliment this committee now, each and every one of you, for sitting in these hearings so long, to learn just exactly what is needed and what is best for this Nation through a good agricultural program.

I can't minimize the importance of the job you have to do.

I would like just to express my ideas relative to the different types of programs that have been proposed for agriculture.

I would like just to read a letter which I have been sending out to my people who have asked me how I stood on the Aiken bill; and I think I can give you a clear picture of what I think we should have in the way of an agricultural program.

I might say that the bill which you gentlemen passed in the House in the Eightieth Congress, original bill, the House bill, which this committee brought to the floor of the House and which was passed, was, in my opinion, as good a bill as can be written, as could have been written at that time, for agriculture; and I recommend today that when you write the bill which you will no doubt bring out in this session of Congress, that it will not be too far away from the provisions of the bill which this committee approved and which the House approved during the last session of the Eightieth Congress.

Mr. PACE. Which is now title I?

Mr. JENSEN. That is right.

If I may, Mr. Chairman, I would like to read this letter. It covers about a page in the Congressional Record—it is a little less than a page; but in so doing, you will note that I am not only telling you folks here, this committee, what I think about the Aiken bill and some other things in the agricultural field, but you will also note that this is what I tell the people who hire me to come down and represent them in Congress, the people of the Seventh District of Iowa. The letter reads as follows:

HOUSE OF REPRESENTATIVES,
Washington, D. C., January 31, 1949.

DEAR FRIEND: Regarding the 90 to 60 percent slide-down scale for basic farm crops, versus the 90-percent support prices now in effect on such commodities, in order that you will know just why I am for the 90-percent support price, I will give you the background of what brought about the 90-60-percent provision which goes into effect January 1, 1950, as provided in the Aiken bill.

You know, of course, that the labor leaders made a lot of noise about high cost of food long before the last Presidential campaign got under way. They knew, of course, that it would be popular with most members of the trade-unions to do so, but they did not tell their members that their food bill was costing them a less percentage of their wage dollar than it had during any peacetime period of full employment in the history of our Nation.

The New Deal Party have constantly worked overtime in their great desire to prove to labor that they were the champions of high wages and cheap food while out of the other corner of their mouth telling the farmers they were for a high price for his products. Hence the New Deal have received a great majority of labor's votes. However, in the last campaign they felt it would be necessary for them to further prove to labor that they were still for cheaper food in order to hold the labor vote. So here is exactly how they did it.

The labor leaders collaborated with high officials of the Department of Agriculture in writing the so-called Aiken long-term agriculture bill. One of the provisions in the bill was the 90–60-percent slide-down scale for basic farm-crop supports. And between the New Deal campaign strategists and the labor leaders the Aiken bill was sold lock, stock, and barrel to the top men of our farm organizations.

The bill came to the Agriculture Committees of the House and the Senate very late in the last regular session of the Eightieth Congress. The House Agriculture Committee turned thumbs down cold on the 90–60-percent provisions. The bill came to the House with the full 90-percent provisions in the bill and was passed by the House in that form.

The Senate Agriculture Committee also held hearings on the bill and inserted the 90–60-percent slide-down scale provision. The bill was then taken to the floor of the Senate at about 2 a. m. one morning during the last week of the regular session of the Eightieth Congress, where Senator Aiken, from Vermont, chairman of the Senate Agriculture Committee, put the bill through the Senate with very little debate.

Maybe you want to leave that out, as a matter of courtesy but that is a fact. In other words, gentlemen, there are times you have to call a spade a spade, and name names in order to make a proper presentation, or a truthful and honest presentation.

After which the Senate and House conferees met in almost constant session for several days and nights to thrash out their differences in the bill. The 90–60-percent slide-down scale provision inserted by the Senate versus the 90 percent House provision was the main point of contention between the two Houses. These conferences between the House and Senate were held during the very last few days of the regular session. The House members held out for the full 90 percent of parity until about 4 a. m. on the morning of June 20, the very day Congress adjourned. However, a compromise between the Members of the two Houses was effected, and the 90 percent support provision to remain in effect until January 1, 1950, after which time the 90–90-percent slide-down scale was to go into effect. Then the compromise report was brought to the floor of the House about 30 minutes thereafter. The bill was passed by the House and the Senate within a very few minutes thereafter, and in due time the bill was signed by the President.

It is noteworthy that the very next day after the bill was passed prices on most all farm products began to drop and have been on the decline since, and from that day on the unemployment rolls have mounted. Now I am thoroughly convinced that until we repeal the 90–60-percent provision in the bill prices on farm commodities will continue to slide down and unemployment rolls will continue to mount proportionately. Not only will grain prices tumble further, but hog, cattle, and poultry prices will go right down the toboggan with them.

Let us not forget that farm prices were 66 percent of parity on an average in 1931–33, and that during those times not only the farmer, but the businessman, the laboring man and everybody in America were in a serious predicament. I need not remind you of this, I am sure, for I know you are old enough to remember it. There was on an average of 14,000,000 American people who were unable to find work during that era, for the very simple reason that the farmers' buying power was almost nil. Now certainly that should be a lesson we dare not forget, regardless of our politics, faith, or vocation.

Ever since my first year in Congress I have cooperated very closely with common-sense economic analysts and many Congressmen, most of whom are from farm States, in search of facts and figures to guide us in the right direction to avoid, if humanly possible, another depression, and possibly the complete destruction of our system of government and everything worth while in our blessed land.

Here is what these many years of research has brought to light. For the past 20 years the records of the Department of Commerce, which are compiled from the records of the Departments of Agriculture, Labor, and from other accurate sources in Government records, show that whether it be periods of peace, depression, war, or postwar prosperity such as we now have, the national income has been and is now approximately seven times the farm income. The postwar prosperity which we have enjoyed since World War II has held up mainly because we have had a high farm income due to the fact that basic farm commodities have been supported by our 90 percent parity law.

If you will remember, it was less than 2 years after the close of World War I that farm prices took such a terrific drop which brought about a national depression in 1920. And during the several years thereafter many farmers lost their farms and a lot of business houses closed their doors for the very simple reason that the farmer's buying power was almost nil. I remember that era only too well, as I was at that time running a lumber yard in Exira, Iowa, dealing with farmer almost exclusively. Certainly that horrible experience should be a lesson to all of us. It must not happen again. I am thoroughly convinced, after much study, that the 90–60-percent slide-down support scale on basic farm prices will bring about a repetition of a like condition during the era which I have just described.

Doubtless you have heard the argument it is necessary to reduce the price on farm commodities to avoid great surpluses from piling up, which the Government would have to buy and store in greater quantities than would be possible for the Government fiances to stand. That argument falls flat with those who have made a deep study of what causes surpluses to pile up, which is, when the buying power of the people is not sufficient to purchase the goods they need for the high standard of living we Americans want and expect. The facts are that a greatly reduced American standard of living will very surely be brought about by a great reduction in prices of farm commodities, since all wealth springs from Mother Earth, and because as I said before, the national income each year is approximately seven times the farm income; so, unless we maintain a high farm income sufficient to generate a high national income, and thereby assuring high consumption of all goods, Americans will be in serious trouble, and you can bank on that.

Here is something else to think about. Who in America would expect the good Lord to continue to bless us with such abundant crops as we have enjoyed the past 8 years? I am sure, you, like I, will agree that that would be too much to expect of Him who runs Nature's business. We are bound to have crop failures in some degree most any year now, and should it become our lot to suffer, say even a 25-percent crop reduction on an average for a period of 2, 3, or 4 years all over America, below the average of the past 8 years; how, I ask in all sincerity, would we feed and clothe the American people the way they like to be fed and clad, let alone help to feed the world, when now we are exporting only about 3 percent of our farm production?

You will also hear the argument that unless the Secretary of Agriculture is given the authority to reduce support prices as is provided in the 90–60-percent slide-down provision, that surpluses will pile up to such a degree that acreage control will again be necessary. That argument also falls flat when we know that it was cheap farm prices that brought about acreage control in the AAA bill of the early thirties. And the result of that program was that the farmers so fertilized and mined their allotted cash-crop-producing acres, that they produced more than ever, and were obliged to do so to meet their bills.

The 90-percent support-price program on basic farm products, corn, wheat, tobacco, cotton, peanuts, and rice has not cost the American taxpayer one thin dime to date. It has actually made a profit to the United States Treasury, to say nothing about the great benefits to the farmers of America and to our whole economy, and for these reasons I certainly will not be a party to a program which I honestly believe will be destructive to not only the prosperity of our Nation, but also to the peace and progress of our Nation and the world.

You, no doubt, also have heard the argument about the potato situation. I agree that potatoes, which are perishable and cannot be stored for any definite period, should not be supported at the full 90 percent of parity. The facts are that the Potato Growers Association of America suggested to Congress that the support price on potatoes be materially reduced. And the provisions in the Aiken bill directs the Secretary of Agriculture to do so. Hence, that argument made by the sliding-down-scale advocates also falls flat.

If our national income is drastically reduced the American market, which is the only stable and good market of the world today, will lose its buying power, and when that time comes we will neither be able to pay our own way nor help foreign nations with loans or free dollars with which to buy our goods or other nations' goods, or to ward off communistic aggression any place in the world, America included.

Records of the past 20 years also prove that for each dollar of gross farm income, labor (which includes all kinds, blue denim, white collar and professional) receives an income of over $4, so the laboring people have a mighty big stake in keeping the farmer's income on a high level, the source of all wealth. Regarding the businessman's interest in this proposition, I am sure I need not explain to them the need of keeping a high farm income for they know that is the only thing which will insure good profitable trade for them.

A $42,000,000,000 annual Federal tax take from the American people means that each American family pays on an average of over $1,000 per year in direct and indirect Federal taxes. Add to this around $300 which each family is paying per year in local, county, and State taxes, it makes a total outlay in taxes per year for each family of over $1,300. This being a fact, we must surely do two things, keep our national income at the highest possible figure and stop wasting the taxpayers' dollars.

I hope this will explain my reason for opposing any law which will reduce farm income.

Sincerely yours,

BEN F. JENSEN.

Mr. ANDRESEN. I would like to know what the gentleman's response was from the people who received that letter.

Mr. JENSEN. I may say I never had anything but complimentary responses. Those who were for the 90–60-percent slide-down-scale provision either did not write me or said, "Thank you for your explanation; it makes sense."

Now, gentlemen, I have taken too much of the committee's time.

Mr. ALBERT. I would like to ask the gentleman a question. I was very much interested in your discussion of your proposed bill, H. R. 2368, I believe. There are problems that worry me quite a little in regard to it and I would like to have your comment on the matter of soil conservation crops. First, would we run into the danger of many farmers having to go out of cash crops so that they would not have enough such crops to make a living for their families?

Mr. JENSEN. No, because the acreage reduction would be small for each farmer. But as you know it is that 5 to 10 percent surplus which depresses farm prices.

Mr. ALBERT. And would the 50 percent from the Government be inducement enough for them to do the job?

Mr. JENSEN. In answer to your first question, my bill is not mandatory, if anyone does not want to get in the program that is their own business. However, you say you wonder if they would have sufficient cash crops. Well, of course, now when you only transfer 10 percent of an average farm, and that is about what it would be, to balance your agricultural production—10 percent converted from soil depleting to soil conserving would certainly be a benefit not only to the farm itself, but to the farmer who would be building up his soil. He would be cooperating fully with the soil-conservation program, which I think all of us want. He would also be contributing to flood prevention, which is one of our big problems, for you know what flood control costs this country. Flood prevention is carried on in soil conservation. That is flood prevention because you hold rain where it falls and keep the mud and muck and trash out of our streams.

Mr. ALBERT. I think your proposal deserves a lot of consideration by this committee.

Mr. JENSEN. Thank you. My bill provides that we pay 50 percent the first year, and then in order to induce them to keep that land in grass or woodland, we pay them one-fifth of the first cost, or $4 of the first year's cost, for the next 5 years.

It is truly and fully a soil-conservation program in effect, but while we are doing that, we are also taking out of production those crops that are in surplus production. If the program which I recommend is put into effect there will be very little need, if any need, for acreage allotments, or for a reduced parity support price on farm crops, so it serves a threefold purpose.

The things facing us today are the problem of conserving our soil and the problem of keeping the farmer prosperous, for he must be kept prosperous in order to keep the Nation prosperous, as I am sure every one of you will agree.

The whole thing is that we do need a leveling out of our agricultural production. We produce too much of one thing and not enough of another. I don't like this acreage allotment thing and the farmers don't like it. They don't like to be told how they can run their farms. They would like to do it voluntarily and they can do it I feel certain under my bill H. R. 2368, if we will make the 90-percent parity supports permanent.

I have given this a lot of thought. I have worked on this problem constantly during my services in Congress. I am now in the eleventh year, and I know you folks, many of you, have done likewise. I have talked this matter over with many members of this committee, with Mr. Pace, with Mr. Hope, with Mr. Poage, Mr. Andersen, Mr. Hoeven, and most of the members who have been here during the past 11 sessions.

Gentlemen, I am sincere about this thing and I want you to know it, and I think my testimony proves there is no politics in it with me. Anyone who plays politics with this proposition is playing politics with a thing that is the most important to the progress, the peace, and the prosperity of America, and I might say the whole world.

Mr. PACE. Thank you very much. You have given us a very excellent statement.

Mr. Granger wishes to ask a question.

Mr. GRANGER. I appreciate the statement of the gentleman. I think he has given emphasis to soil conservation, as he indicated in his statement, and he played down acreage control and price support. I believe if we spent $1,000,000 in soil conservation for the next 25 years, it would cost us less in the long run than what it will cost us for price support, and for flood control, which will become more expensive every year. I certainly agree with you. We need a formula however to put in effect your recommendations.

Mr. JENSEN. I think we could spend $1,000,000,000 here and be justified, if we had the money to spend, but I brought it down to a very sensible and proper figure, commensurate with what I think we can spend under present conditions.

I am not asking this committee to appropriate too much more money in addition to what we already appropriate for soil conservation, and compliance payments. The amount is up to the committee; but I do feel, gentlemen, that we have an opportunity, if we take hold of it, to stop all these silly plans, including the Brannan plan and the Aiken plan, and a lot of other silly, unworkable, un-American plans that have come before this committee.

We can head them off, they are not necessary if we carry on a good, common-sense soil conservation and balanced-agriculture program for the American farmer as I have outlined.

Mr. HOEVEN. Mr. Chairman, I know there are other witnesses to be heard this morning and so I shall not ask any questions at this time. I simply want to compliment my colleague for the great interest he has always shown in the welfare of agriculture and the conservation of soil.

Mr. O'SULLIVAN. When you say that the Brannan plan is un-American, I don't believe I can agree with that statement of yours. I expect it is an imperfect statement on your part. I believe Secretary Brannan has as much patriotism about his plan as you have about yours. I think we are all Americans and I think it is a pretty poor thing for you to say, first, that you don't bring in politics in this situation, and then in the next breath try to brand Democratic members and Republican members of this committee as doing and putting out an un-American plan. I don't believe that statement of your sets very well with the members of this committee, when you say that is an un-American plan. You have no right to make any such statement, or in any way castigate the Secretary of Agriculture, whom I regard as a true blue American, in fact a little better American than you are.

Mr. JENSEN. All right; that is all right. Let me answer the gentleman. Please let me make an answer.

Mr. PACE. Go ahead.

Mr. HOEVEN. I doubt if we want this stuff in the record. I think Mr. O'Sullivan should withdraw it.

Mr. O'SULLIVAN. I will not withdraw it and I am sick of this kind of Republican propaganda.

Mr. PACE. I want to say this to my distinguished friend. I think we have the responsibility of protecting witnesses who appear before the committee. Of course, witnesses should make their remarks conform to the facts and not unduly attack anyone else. This angle of the matter can be dispensed with. Under the circumstances I think Mr. Hoeven should have an opportunity to reply to the gentleman.

Mr. HOEVEN. Mr. Chairman, I would like to propound a parliamentary inquiry. There was a gentleman's agreement that the witnesses should be permitted to testify and should not be interrupted by the members of the committee and no exception was made as to Members of Congress who testify. I asked no question but simply paid a compliment to the gentleman from Iowa.

Mr. PACE. The Chair took the position, in the light of the fact that there are Members of Congress who are questioning Members of the House. Has the gentleman from Iowa, Mr. Jensen, finished his statement?

Mr. JENSEN. If you will notice, Mr. Chairman, I took in a proposal by a Republican and by a Democrat; and I contend, in answer to Mr. O'Sullivan, that any program that will lead America into a dictatorship and bring every farmer in America under the control of a centralized government that can go out and put a gestapo at every farm if they so desire, to see that the farmer complies with the law, that is un-American, in my book, and I stand on it. I did not accuse Mr. Brannan of being un-American, or Mr. Aiken, or any of the rest of them who proposed any of these bills that I think are so destructive to our free system of government. I simply meant they were un-American propositions and proposals, and any proposal that brings the American people or any segment of the American people or any American under the complete domination and power of a centralized government is un-American; and if it is not un-American, then I do not know what our Constitution means and our Bill of Rights means, and I am going to stand on my statement that they are un-American proposals—any proposal that will bring dictatorship and complete control over any segment of the American people.

Mr. O'SULLIVAN. And I want to stand on my statement.

Mr. PACE. At the same time I think it should be said that the gentleman from Iowa not only criticized proposals made by the Secretary of Agriculture, but he also in the same breath and same classification referred to the legislation passed by Republican Senators and passed by Republican Congressmen, and he treated both of them alike.

Mr. JENSEN. That is right. I put both in the same category of being un-American legislation.

Mr. PACE. Thank you very much.

Mr. O'SULLIVAN. I would like to question the witness. I would like to ask Mr. Jensen a question.

Mr. PACE. No; we will have to call the next witness.

We will now hear from our colleague, the Hon. George H. Christopher, from the Sixth Congressional District of Missouri.

STATEMENT OF HON. GEORGE H. CHRISTOPHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. CHRISTOPHER. Mr. Chairman, as you have said, I am Congressman George H. Christopher, from the Sixth District of Missouri. I represent 11 of the greatest agricultural counties in the State of Missouri. My folks out there produce beef, pork, meat, eggs, and wheat; and, like everybody else, we are interested in production and so we are vitally interested in agriculture. We are vitally interested in the income agriculture receives in the United States.

American farmers, with the exception of the fisheries, the mines, and the oil wells, produce all the new wealth that is produced in the United States.

When a calf is born out on my farm, that calf was never there before; that was the first time. When I produce a steer, that is the first time that steer was ever in this world, too.

When my friend over here produces a bale of cotton, that bale of cotton has been created by his labor out of the soil and the air and the sunshine and the fertility that he puts in that soil.

Now there is a must, and that must is to maintain the income of 30,000,000 people who live on American farms, who are the producers of new wealth; and in spite of anything we can do, when their buying power sinks, they go out of the market, they go out automatically; but as they go out they expand their acreage and they expand their production and attempt to stay on that farm and live like Americans ought to live.

When agricultural prices sink, they plow up that unused 40 in bluegrass, which is so rough it never should have been plowed, hoping they can raise enough corn on that old rough 40 that we know ought not to be plowed to help them meet their overhead so they can stay there and keep their kids in school another year.

But I came directly from a farm to this Congress. I have never known any other home. I never even lived in a little country town. I started in the triple-A program back in the days of the corn-and-work program on the township committee and I worked clear through that program as a member of the county committee; as a wheat insurance representative I measured wheat and corn. Then I sat on a 12-county appeal board and heard 5 or 6 men out of each county who said they did not get a square deal on their wheat and corn allotments. However, our counties only turned up five or six men who objected to the allotments when they were passed.

Now, if there is a better way than that, I am ready to accept it, but we have got to maintain agricultural buying power.

There are still 50 percent of our farmers who haven't got REA. I am one of them, and 50 percent of the farmers that have got REA haven't got hot and cold water in the bathtub. A lot of us old fellows take a bath in the washtub every Saturday night, whether we need it or not

Mr. ANDRESEN. That is why you are such a good man.

Mr. CHRISTOPHER. Maybe. We will not go into that. We have lots of things which are more important.

I want to say that the agricultural people of the United States are still the best market that labor and industry have in the world, if they leave us an income so we can be good customers of theirs and pay cash; but the farmer has the power and he will exercise it as a matter of self-defense. When he begins to sink he will raise up and take hold of every industry in the world and pull it down in the hole on top of him. He did it in 1930, 1931, 1932, and 1933, and he will do it again. He will have to do it. It is just like a drowning man catching at a straw.

Before I forget it, I do want to compliment Mr. Jensen on at least 80 percent of the things he said while he was speaking here. At least 80 percent of the things he said while he was here were things that I intended to say myself. It is all right that he said them because I will not have to take the time to say them.

As far as I am concerned, I want to produce on my land anything and everything that will show me a profit. If I can't take the fertility out of my land sell it at a profit, I want to leave it in there. I don't want to mine that fertility out and give it away. It costs me money to put it there.

There is another thing that I know you gentlemen know, and I hope you will never forget. When a merchant sells goods off of the shelves of his store, when he takes his next inventory he compares the inventory he has there on hand at that time with the inventory he had a year previous. We have never considered the farmer doing that. We have so many pounds of phosphate and so many pounds of calcium and so many pounds of potash and so much nitrogen on each acre of soil. If we take 50 bushels of corn crop off of an acre of that soil, it will cost us $12.50 to go to the elevator to buy the plant food that is in that 50 bushels of corn, and yet it is not considered part of that farmer's cost of production. It ought to be, in my opinion it is, and here is the reason: If I have plenty of calcium or apply plenty, I can grow nitrogen, but I can never grow a pound of phosphate; I can never grow a pound of potash, and I can never grow a pound of calcium. Those things I will have to buy and haul out to that land. A farmer will have to put phosphate and potash and calcium on the land as long as he or his sons or his sons' sons operate the land, and it should be considered in the cost of production although it never has been.

Now I don't care what plan is adopted by the committee, so long as it has in the very forefront soil conservation. We have lost 50 percent of our soil now and we can lose the next 50 percent in half the time it took us to lose the first 50 percent. There are farms all over the United States which are now stark skeletons of what were once good, productive farms. I can drive in an hour from this city to fields with 20-, 25-, or 30-percent slope that there is not a vestige of topsoil on, and which will be in tobacco this year. They will use 1,400 pounds of commercial fertilizer to the acre. All the tobacco they can hope to grow is just what that fertilizer will produce.

Farmers don't realize the rate at which we are destroying our topsoil.

I not only preach soil conservation, but I am a soil conservationist. I have built 20 miles of standard terraces because I was afraid—I had lost half of my topsoil and I was desperately afraid before I could do anything about it I would lose the other half. I have conquered one little stream by terracing the watershed of it so that where it used to rise 9 feet, now it never rises more than 4 feet, in fact less than that, and it runs clear now whereas it used to run muddy.

Those are things, again, that I hope this committee will bring out. We need a program which will hold up the farm program in the United States to everybody. Everybody has an interest—business, labor, and the professional men, the farmers, even we in Congress ourselves, have a tremendous stake, not only in soil conservation but in the income of the farm.

The laboring man who gets up in the morning and wants his breakfast, we are the people who furnish it to him. The toast and bacon-and-eggs and orange juice that he has for breakfast, he thinks he goes down to the corner grocery store and gets it. Actually it comes from the farmer through agriculture.

Maybe we think we are smarter than the people of Europe and Asia, but we are not. The reason we can live better than they can live is because we have 3½ acres of good land for each man, woman, and child in the United States, and Asia has six-tenths of an acre, and Europe has a little over 1 acre. Reduce us to six-tenths of an acre of good soil land in the United States and see what our standard of living becomes.

I am opposed to the sliding scale of parity from 90 down to 60 percent. It will bring back to us the conditions which prevailed in 1932, just as surely as two and two make four. I am opposed to that sliding scale of parity. I always will be opposed to it. It won't work, in my opinion, and I am a farmer.

As soon as the folks don't want me any more, if I am alive I will be out on my farm.

Now let us talk on regimentation. I will tell you who they are who talk of regimentation. This talk of regimentation is just something for people to load their troubles on who don't believe in having a farm program that will work. It is just something to talk about.

I would rather have 50 acres of wheat that showed a profit than 100 acres of wheat that showed a loss, and it does not take a college professor to figure it out. Even an old farmer like me can get that answer, and if the markets of the United States and the markets of the world are not ready to absorb that second 50 acres of wheat to at least meet the cost of production, I am willing to let that 50 acres grow sweet clover and plow it under and not grow wheat. That is not regimentation but rather horse sense, and I submit common sense is one of the most uncommon things in the United States today.

I hope you gentlemen work out a farm program that will maintain agricultural buying power, and at the same time will give soil conservation, and I want you to link the two together. I don't care whether it is the Brannan program or some other program, but I do think a good, honest soil-conservation program or some other outstanding program like that will solve the problem. Such a program can be written. If the price in the market drops below the cost of production, it won't cost the taxpayer anything. If it does sink below the cost of production, even considering the Brannan plan, the consumer, who is also the taxpayer, will benefit. I like that part of it mighty well.

On the other hand, the other fellow says it will cost so much to do it. I want to ask him what it will cost if we don't do it. We found out in 1930 and 1933 what it cost not to do it.

I hope we don't have to have a repetition of what we had in 1932, and I hope I don't have to drink a glass of water out of a keg, such as I was forced to drink from in 1932.

Mr. PACE. Thank you very much. It was a very interesting statement and we are glad to have it.

Mr. PACE. Our next witness will be Mr. Carl H. Wilken, of the Raw Materials National Council, Sioux City, Iowa.

Mr. HOEVEN. Mr. Chairman, I am sure all members of this committee are acquainted with Mr. Wilken who has appeared before this committee on numerous occasions and before other committees of Congress. He is an economic analyst with the Raw Materials National Council and he is held in the highest regard in his field of economics.

Mr. PACE. I agree with the gentleman. Mr. Wilken, will you take the stand?

STATEMENT OF CARL H. WILKEN, ECONOMIC ANALYST, RAW MATERIALS NATIONAL COUNCIL, SIOUX CITY, IOWA

Mr. WILKEN. Mr. Chairman and members of the committee, I appeared before the House Committee on Agriculture in 1947 with a fairly comprehensive statement as to a long-term farm program with my recommendations. Nothing has happened since then to change the basic factors which enter into our economic problem. Instead, the record since then substantiates my analysis at that time.

I am going to be brief and specific as I know the committee is about ready to close the hearings. The question you have to answer is, What are we going to do after hearing all the different groups? My purpose in appearing before the committee is to set forth as simply as I can the key factors which will determine whether any farm bill will do what is required.

First of all I want to point out that gross farm income is based on two factors, the number of units of production and the price per unit.

In 1947 and 1948 we produced approximately 140 percent of our 1929 agricultural production. At the price which prevailed, this resulted in a gross farm income of approximately 32.5 billion dollars from the sale and use of crops on the farm.

As a result of this production and price level, we had a national income of approximately $225,000,000,000, the highest employment in ratio to population that we have ever had and a balanced national budget. Stated simply, our production and price level was sufficient to operate our economy on a sound basis.

Our first need then is to keep up the unit production in order that we may have the physical materials to employ labor and second, we must maintain our price level to generate the income to consume and distribute our products.

A 10-percent curtailment of our current production would cause a loss of 10 percent in our income and at the same time disemploy 10 percent of our labor. In other words, when we talk about parity of income for the farmer, we must bear in mind that parity prices alone are just a part of the problem. We need parity prices and at the same time we must have the unit production to employ all of our labor. Ninety percent of physical production will require approximately 110 percent of the parity price to create parity income.

I feel that most of our confusion in regard to the so-called farm problem is due to the failure of interested parties to dig deep enough to get out the real facts.

Several times in appearances before the House Committee on Agriculture I have pointed out that for approximately 25 years each $1 gross farm income has created $7 of national income. This has been true in spite of prosperity, depression, war, reconversion, and legislation. I have attached a table showing the record from 1929 to 1948, the past 20 years.

This simple relationship cannot be refuted except by the use of generalities based on theory rather than a thorough analysis of our economy.

With the definite knowledge that we will lose $7 of national income for each $1 that gross farm income drops, we are forced to the conclusion that we cannot afford to permit farm prices to drop below an average of 100 percent parity. We hear a lot about the cost of maintaining our farm price structure. That is not the question we should be asking. We should be thinking of the loss we will take if we don't maintain farm prices.

For example, the drop in farm prices since last September has wiped out approximately 4.5 billion dollars of potential gross farm income even though we maintain the same unit production in 1949 as in 1947 and 1948. Through the 7 times turn of gross farm income this means that we have kicked over $30,000,000,000 of potential national income out of the window.

What effect has this had? We are faced with a Federal deficit, we have disemployed some of our labor, and the end is not in sight unless steps are taken to keep up the farm income, the gear wheel of national income.

In discussing the matter of prices, the term parity has been used. Parity is in reality the average cost of production plus the average profit for all business. A study of our economy will reveal that the comparison of prices the farmer pays as compared to the price he receives is a very accurate equation. For each 10 percent of parity we have at stake 10 percent of gross farm income, 10 percent of national income, 10 percent of retail sales, 10 percent of total wages and salaries, 10 percent of employment and 10 percent consumption of goods.

If we permit our farm prices to average only 90 percent, then we must be content to have only 90 percent for the other segments that I have mentioned. I would like to illustrate that in this way. In the 10-year period 1930–39, using 1929 as 100, farm prices were 82 percent of parity. Employment averaged 81 percent of parity.

Last year the Senate passed what was known as the Aiken bill, which provides for a sliding-down scale of 60 to 90 percent of parity. In testifying before the Senate Committee on Agriculture, I told them that if the bill ever became law it would legislate the country into a depression. Why did I make that statement? The Raw Materials National Council has been impartial and we think in terms of facts only.

Here are the facts. The record of the Bureau of Agricultural Economics as published in their pamphlet The Agricultural Situation, reveals that using the current method of calculating parity, the farmers in the 5-year period 1930–34 averaged 66 percent of parity or 6 percent more than the floor price under the Aiken bill. What was the result at that time? We had about one-third of our labor unemployed and we were suffering a loss of about $45,000,000,000 a year in national income.

Then we started in with farm legislation, WPA, and so forth. But, we were afraid to provide legislation to give the farmer parity. In the 5 years, 1935–39 the farmer received 84 percent of parity as an average. In 1939 we were still running a national deficit of over $3,000,000,000 and still had 8,000,000 unemployed. In other words, with 16 percent below parity for agriculture, approximately 16 percent of our 1939 labor force was unemployed. With this definite ratio of farm prices and income to employment and other factors, the Aiken bill if it is permitted to operate will force a depression. I know that was not the intent, but two times two makes four and arithmetic pays little attention to theory or legislation.

Why 60 percent of parity? Why did we have the Aiken bill with its 60 percent price floor? Why have we failed to solve the farm problem after 20 years of legislation? Primarily because society doesn't like to pay its board bill.

All of last year everyone was discussing the high cost of living and many of our efforts, especially over in the Agricultural Department, were directed toward reducing farm prices. As a result we have lost a potential of over $30,000,000,000 of national income since September last year. The interesting thing about it all is that the American public didn't have an increase, in their real cost of living, in 1947–48. They merely had an increase in the price level which in turn increased the income of the Nation in proportion.

For example, in 1939 the gross farm income was approximately $10,000,000,000, we had a national income of $72,500,000,000 and the public spent $15,900,000,000 for food. In 1948 the gross farm income was $32,500,000,000, our national income approximately $225,000,000,000 and the public spent $48,800,000,000 for food or 21.8 percent of their income in both years.

In 1948, however, because of the increased per man production as compared to 1935 to 1939, the consumer received approximately 15 percent more food for the same percentage of income. The simple facts are that the real cost of living is lowest when the farmer receives an average of parity for sufficient production to fully employ our labor force. Until this committee realizes that simple fact, the various pressure groups will create a state of confusion that will make sound farm legislation an impossibility unless the committee has the courage to force the public to pay the farmer the price he must have if the United States is to avoid bankruptcy and chaos.

In connection with what I have stated up to this point, I want to give you a brief picture of two other segments of our economy, total wages and salaries and retail sales volume, to prove that these groups did not suffer from the level of farm prices that prevailed in 1947–48.

In 1939 retail sales were approximately $42,000,000,000 and in 1948 they totaled approximately $130,000,000,000. On the other hand, total wages and salaries in 1939 were $45,000,000,000 and in 1948 they approximated $137,000,000,000. You will note the balance between the rise in retail sales and total wages. This is the natural result of the laws of exchange which govern our economy. Wages go into the price of goods and wages are the market for goods. They have to be in approximate balance if trade is to continue.

I might also point out that in the past 20 years, in spite of all the legislation, depression, war, and reconversion, these ratios in 1929, 1939, and 1948 were in almost exactly the same balance.

Starting now with the basic assumption that society cannot afford not to pay the farmer an average of parity, without having society suffer in proportion, what can we do about it? Theoretically we have a problem such as that of law and order. Everyone should be a good citizen and a police force should therefore be unnecessary. But time has proved that we need a police force.

In the same way if society wants to eat, live, and work, it must be compelled to pay its board bill. Society, having the facts properly placed before it should cooperate to maintain an average of 100 percent of parity for agriculture, thus in turn avoiding the need of having a policeman on every man's farm and in every market place.

Stated simply, if society is willing to pay the farmer at the rate of $2.20 per bushel for wheat and 80 cents per pound for good steak, we can have a national income of $225,000,000,000, a total pay roll of approximately $135,000,000,000, and a retail sales volume of about $130,000,000,000. This would mean prosperity.

If, on the other hand, society, in its desire to obtain cheap food, insists that we have $1.10 wheat and 40-cents-per-pound beef steak, then society must accept one-half as much in wages and have only one-half as much retail sales volume, only one-half of the 1848 national income, bankruptcy, and unemployment.

With a full realization that we cannot afford not to pay the agricultural industry an average of 100 percent of parity, what steps can be taken to get the job done? Before giving my recommendations, I would like to briefly set forth our relationship to the balance of the world.

As I have pointed out, in the United States we have a seven times turn of our gross farm income into national income. This is due to our efficiency under which approximately one farmer produces enough for six other workers. In the balance of the world it takes one agricultural worker to produce enough for himself and one other worker. The rest of the world, therefore, has an income approximately two times its farm production. As a direct result, the 6 percent of the world's population, living in the United States, has 45 percent of the income in terms of dollars.

Because of this difference in efficiency, on the basis of an hour of work, the cost of living in the United States is about one-half that of England and about one-eighth that of Russia.

In the 20-year period 1929 to 1948, the United States has required approximately 3.1 percent of its national income in imports to supplement our own needs. In the war period, 1942 to 1948, when we had automatic tariff protection because of the lack of production in other countries, we imported only about 2 percent of our national income. During that period we had a 90 percent support price for many agricultural products at practically no cost to the Government and in turn to society. They suffered only from the pangs of prosperity.

The situation, however, has changed and the world is coming back into production. The imports have had a definite effect on our farm price structure. For example, in the years 1947 and 1948 we permitted the importation of approximately 840,000,000 pounds of fats and oils in excess of our exports.

As a direct result, the price of fats and oils has dropped an average of about 15 cents per pound. On the basis of 10,000,000,000 pounds of fats and oils produced in the United States, this has reduced the income from fats and oils about \$1,500,000,000 and in turn was the leading factor in reducing our potential national income over \$30,000,000,000 since last September.

The low price of lard, which is now selling on a basis of 11-cent hogs, has had a repercussion on the livestock market. The result of it all is that we are now faced with the problem of losing money on peanuts, soybeans, flaxseed, and other items in the support program. Elimination of the net imports, with a tariff or import fee at the parity level, would have maintained the fats and oils prices, and in turn the price of other products which were indirectly affected.

The fallacy of trying to curtail our production to meet this competition can be illustrated by tung oil, produced from tung nuts in six of our Southern States. Tung oil is a strategic material for war, and in recent weeks the Communists have taken over the tung oil area in China, our principal source of supply.

Our domestic industry produces only about 20 percent of our needs. But in spite of this limited production, importations from China have forced the price down from 38.6 cents per pound under OPA price ceilings to 19 cents per pound. Our producers face bankruptcy and, if they discontinue their production, we will lose this source of strategic material and become dependent on communistic Russia for our supply. An import fee, quotas, or tariff, whatever you wish to call it, would have maintained the price without any cost to the Government or society. In fact, with the ratio of $7 of national income for each $1 of gross farm production, the increase in our national income from a proper price for tung oil would have greatly exceeded any possible benefit from buying cheap tung oil from China.

Without a tariff or equalization fee to protect our domestic price level, we are forced into the position of supporting the price structure of the entire world to provide parity for agriculture and in turn, national solvency for the United States. With a tariff as a support price, our problem is relatively simple.

An equalization fee or import fee at the parity level would automatically and indirectly support the price of 85 percent of American production without any further legislation. A tariff at the parity level protects our domestic trade volume and also, by protecting our ability to consume, protects our volume of foreign trade. Commodity loans on eight basic, nonperishable crops, which take up 85 percent of our harvested crop acres, would support directly a sufficient foundation of price for our internal market. These loans should be callable at parity.

Reserves of at least 50 percent of these nonperishable crops should be carried at all times to protect our source of supply in peace and war and to protect our livestock industry which processes more tonnage of raw materials than all of our other factories combined.

With such a reserve any further increase in production can be controlled by a soil-conservation program. Crop acres can be shifted to grass. Our harvested crop acres total about 365,000,000 acres. At a cost of about $10 per acre, 10 percent of this acreage could be shifted to grass at a cost of $365,000,000. This would remove any possibility of surplus production. The amount thus spent is not a cost but an investment in a source of future materials and income for the Nation.

Last year our total exports of agricultural products amounted to $3,420,000,000. The extreme cost, even if we gave these exports to other nations, while at the same time protecting our price structure at a level of $225,000,000,000, would be a minor item of costs to the American people.

If this committee will draft a program providing for price supports at the parity level, which should be at least 169 percent of the 1925 to 1929 price level in order to be at par with the increase in the price of gold, through tariffs or equalization fees, commodity loans at 90 percent of parity, and make provisions for a soil-conservation program, such as I have suggested, you can underwrite, weather permitting the production, the national income of the United States at $225,000,000,000 a year and pay off the national debt in 50 years.

For each 1 percent that average farm prices are permitted to go below parity, the Nation will lose approximately $2,000,000,000, and all segments of our economy—agriculture, labor, business, trade, service, and government—will lose its proportionate share.

In closing, our foreign economic policy, if it is to be successful, must start with parity prices for agriculture in the United States. From that as a foundation, we should help bring about a reorganization, in the years to come, of foreign exchange and wage levels at a par with the American dollar and price level. In trading with other nations we must realize that in the same way that economic laws of exchange require parity for our own farm production, we must be willing to pay parity for any imports which we may need to supplement our own production.

World economic problems are the result of too low a price for farm products, and we cannot bring about world recovery by reducing our price level to that of the rest of the world. To do so will mean a depression, national bankruptcy, and world poverty as a stepping stone for communism.

Mr. Chairman, that concludes my statement, but I would like to insert in the record a chart which shows a record of 20 years—1929 to 1947—showing the economic balance between raw material income, total wages and salaries and, national income, for the United States. In the chart there are shown total wages and salaries, the national income, gross farm and mineral production value in dollars, the percentage of total wages and salaries to national income, and the percentage of raw material income to national income. I think there are copies available for the members of the committee.

Mr. PACE. You also want to include those tables at the end of your statement.

Mr. WILKEN. That is right.

Mr. PACE. The two tables will be inserted at this point in the record, to be followed by the chart.

(The two tables and chart are as follows:)

Year	Gross farm income billions	Percent gross farm income of national	Mineral production billions	Combined or total raw material income billions	National income billions	Percent of raw material income to national
1929	$13.0	14.8	$5.8	$18.8	$87.3	21.4
1930	10.5	14.0	4.7	15.2	75.0	20.2
1931	7.6	13.9	3.1	10.7	58.8	18.2
1932	5.7	13.6	2.4	8.1	41.7	19.4
1933	6.4	16.2	2.5	8.9	39.6	22.4
1934	7.8	16.0	3.3	11.1	48.6	22.8
1935	9.0	15.8	3.6	12.6	56.8	22.1
1936	10.0	14.9	4.5	14.5	66.9	21.6
1937	10.6	14.4	5.4	16.0	73.6	21.7
1938	9.4	13.9	4.3	13.7	67.3	20.3
1939	9.9	13.6	4.9	14.8	72.5	20.4
1940	10.3	12.7	5.6	15.9	81.3	19.5
1941	13.1	12.6	6.8	19.9	103.8	19.1
1942	17.7	13.0	7.5	25.2	136.1	18.5
1943	23.0	13.6	8.0	31.0	168.2	18.5
1944	23.6	12.9	8.5	32.1	182.2	17.6
1945	24.0	13.1	8.9	32.9	182.8	18.0
1946	27.1	15.2	9.1	36.2	178.3	20.3
1947	33.0	16.2	12.4	45.4	202.5	22.4
1948 [1]	32.4	14.4	15.6	48.0	225.0	21.3

[1] Estimated for 1948.

NOTE.—Gross farm income is total farm production sold, plus farm products used on the farm. Total average percentage of gross farm income to national income 14.3 percent or approximately $1 of gross farm production to $7 of national income.

Average percentage of total farm and mineral production 20.2 or approximately $1 of raw material income, farm and mine, for each $5 of national income. Percentage of parity for raw materials determines the percent of prosperity and each 1 percent of parity for raw materials represents approximately $2,000,000,000 of national income. Society cannot afford to permit raw material prices to go below parity and employment and national income will ratio directly to raw material income in ratios set out above.

Prepared by Carl H. Wilken, economic analyst, Raw Materials National Council, Sioux City, Iowa.

Year	National income (billions)	Total imports (billions)	Percent of national income	Retail sales in billions	Percent of imports to retail sales
1929	$87.3	$4.4	5.0	$47.0	9.3
1930	75.0	3.0	4.0	41.3	7.2
1931	58.8	2.1	3.5	34.5	6.0
1932	41.7	1.3	3.1	26.5	4.9
1933	39.6	1.4	3.5	25.7	5.4
1934	48.6	1.6	3.3	30.9	5.1
1935	56.8	2.0	3.5	34.5	6.0
1936	66.9	2.4	3.6	39.4	6.0
1937	73.6	3.1	4.2	42.2	7.3
1938	67.3	2.0	3.0	39.8	5.0
1939	72.5	2.3	3.1	42.0	5.4
1940	81.3	2.6	3.2	45.4	5.7
1941	103.8	3.3	3.1	53.7	6.1
1942	136.4	2.7	2.0	59.8	4.5
1943	168.2	3.4	2.0	67.7	5.0
1944	182.2	3.9	2.1	73.9	5.2
1945	182.8	4.0	2.2	83.3	4.7
1946	178.3	4.3	2.4	101.7	4.2
1947	202.5	5.5	2.2	117.4	4.7
1948	[1] 225.0	[1] 7.0	3.1	[1] 131.0	5.3

[1] Estimated.

Source of data: U. S. Department of Commerce.
Prepared by Carl H. Wilken, economic analyst, Raw Materials National Council.

Mr. WILKEN. In regard to the chart I want to call your attention to the constancy of this ratio. If you will note at the bottom there is a line drawn across which gives the average of raw material income to national income from 1929 to 1948. The total raw material income averages 20 percent of the national income straight across the board regardless of depression or war, and it will continue to be 20 percent. That concludes my statement.

Mr. PACE. Thank you very much, Mr. Wilken. I think you have presented to the committee a splendid statement and one which will be very helpful to the committee.

Mr. WHITE. Mr. Chairman, I want to say in my opinion this has been the best statement we have heard from any witness who has appeared before us.

Mr. WILKEN. Thank you.

Mr. WHITE. I would like to inquire as to the make-up of the Raw Materials National Council. How is it financed?

Mr. WILKEN. It is financed and set up by donations. I have carried on all the research work; I practically have done my secretarial work. We have a committee of 50 men in Sioux City who serve as an advisory committee, to gather up funds from time to time and I get donations from other sources. I earn some money by making economic surveys. We have no members who are a pressure group so you don't have to be afraid of their getting you out of office.

Mr. WHITE. I can see there is no ulterior motive back of it, but that it is an organization which is very beneficial.

Mr. PACE. The United Electric, Radio and Machine Workers of America have requested permission to submit a statement for the record. Without objection the statement may be filed with the clerk for insertion at this point in the record.

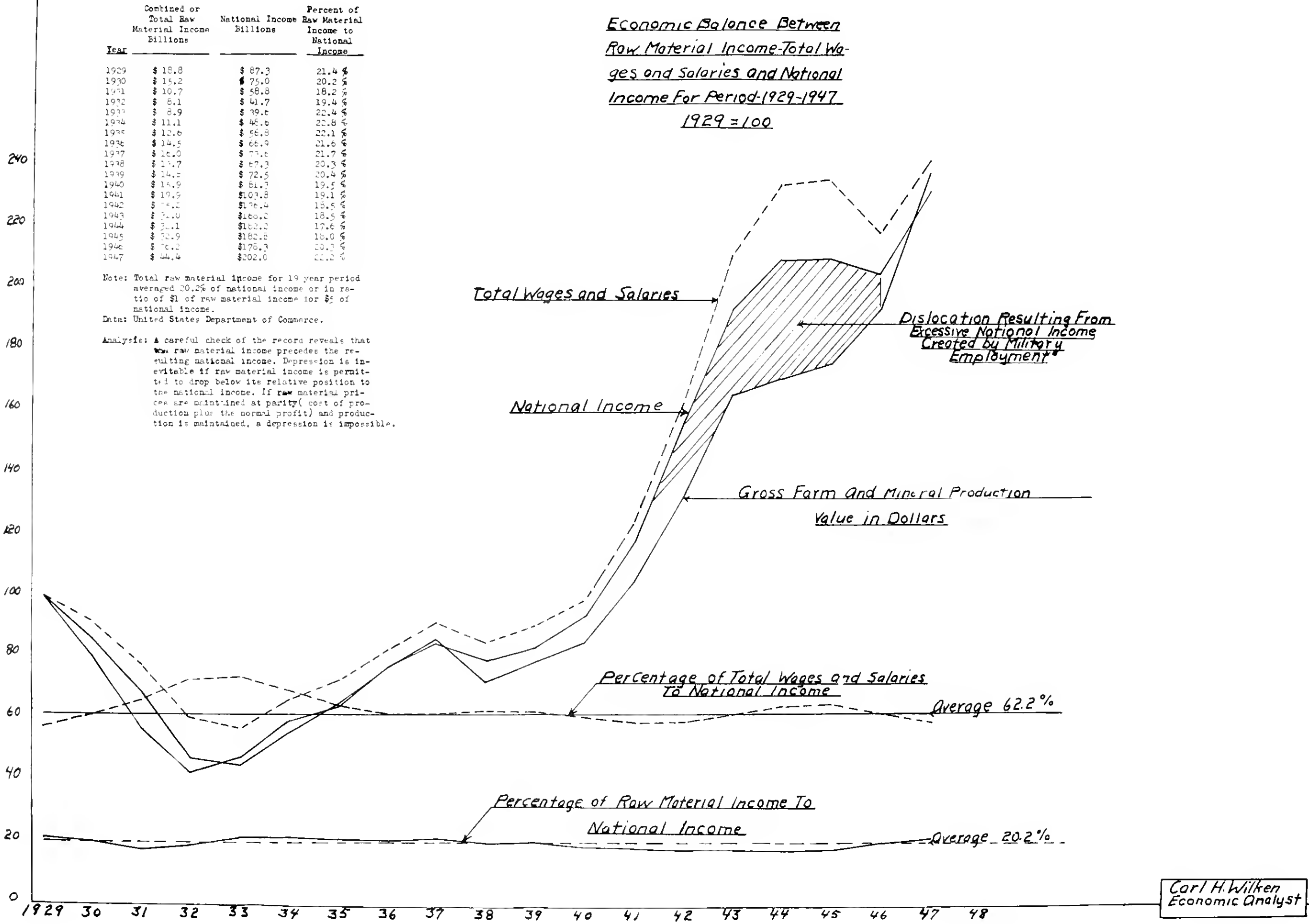
(The statement is as follows:)

Year	Combined or Total Raw Material Income Billions	National Income Billions	Percent of Raw Material Income to National Income
1929	$ 18.8	$ 87.3	21.4 %
1930	$ 15.2	$ 75.0	20.2 %
1931	$ 10.7	$ 58.8	18.2 %
1932	$ 8.1	$ 41.7	19.4 %
1933	$ 8.9	$ 39.6	22.4 %
1934	$ 11.1	$ 48.6	22.8 %
1935	$ 12.6	$ 56.8	22.1 %
1936	$ 14.5	$ 66.9	21.6 %
1937	$ 16.0	$ 73.6	21.7 %
1938	$ 13.7	$ 67.3	20.3 %
1939	$ 14.5	$ 72.5	20.4 %
1940	$ 15.9	$ 81.3	19.5 %
1941	$ 19.9	$103.8	19.1 %
1942	$ [illegible]	$136.4	15.5 %
1943	$ 31.0	$168.2	18.5 %
1944	$ 32.1	$182.2	17.6 %
1945	$ 32.9	$182.8	18.0 %
1946	$ 36.2	$178.3	20.3 %
1947	$ 44.4	$202.0	22.2 %

Note: Total raw material income for 19 year period averaged 20.2% of national income or in ratio of $1 of raw material income for $5 of national income.

Data: United States Department of Commerce.

Analysis: A careful check of the record reveals that the raw material income precedes the resulting national income. Depression is inevitable if raw material income is permitted to drop below its relative position to the national income. If raw material prices are maintained at parity(cost of production plus the normal profit) and production is maintained, a depression is impossible.



STATEMENT ON PARITY PRICE SUPPORTS FOR FARM PRODUCTS BY RUSS NIXON ON BEHALF OF THE UNITED ELECTRICAL, RADIO AND MACHINE WORKERS OF AMERICA (AFFILIATED WITH THE CIO)

My name is Russ Nixon, Washington Representative of the United Electrical, Radio and Machine Workers of America, CIO. My purpose in appearing before this committee is to express the deep concern of our members over what is happening to prices received by farmers, and to urge the restoration of Federal price supports for farm products at 100 percent of parity.

First of all, you may be interested to know why the UE, an organization representing nearly 600,000 of the electrical, radio, and machinery workers of our Nation, comes before your committee to testify on farm product price supports.

INTERDEPENDENCE OF FARMERS' AND WORKERS' WELFARE

We are acutely aware of the close interconnection and interdependence between the welfare of the farming population and the industrial workers of our Nation. In spite of all efforts to set the farmers and industrial workers at odds, we are unshakably convinced that our interests are mutual. Nothing is more definitely established by the experience of our country than the fact that the incomes and the welfare of farm people and industrial workers go hand in hand. For example, Senator Clinton Anderson, when he was Secretary of Agriculture, told the House Appropriations Committee in 1947 it was a chicken and egg proposition. He said:

"I don't know whether it is because the farmer has prosperity that there is industrial prosperity, or whether it is because the industry has it that the farmer has it. I don't think it is important. I think the important thing is that they have to go together. I think the farmer is just as interested in seeing high wages in the city as the man in the city, and I think that the people in the city are just as much interested in seeing that the farmer has a high level of return for his products. I don't think you can separate them. I don't believe either one is safe without the other one." (Hearings on Department of Agriculture appropriation bill for 1948, p. 65.)

In our large union this interest in farmers arises also because many of our plants and large sections of our membership are located in small towns and rural areas in intimate daily relationship with the farming people. A significant number of our membership either engages in farming themselves on a part-time basis, or are members of farming families who come into the city or town to work in the factory.

Our workers are directly concerned with the welfare of farmers because, as we pointed out to the House Appropriations Committee 2 years ago, people on farms constitute one-fith of the American people and provide an even more important market for such manufactures as radios, refrigerators, vacuum cleaners, and other products of our industry. According to the farm editor of Fortune magazine, farmers do more than 45 percent of the retail buying of these products.

Right now we are extremely concerned about that market for the things we make. Falling prices for farm products mean lower income for farmers, and that means a shrinking in the markets for electrical products. The Wall Street Journal has pointed out that, with tumbling farm product prices, "in one farm community after another, local merchants report farmers are putting a brake on their buying. And the local retailers are passing the slow-down back up the line to jobbers and manufacturers" (February 14, 1949). Our members are feeling the effect of curtailed consumer purchases in large-scale lay-offs. By March 1949, over 100,000 workers who had worked in the electrical machinery industry during 1948 had been laid off because of lack of orders.

I think it is clear that our industrial workers have a vital stake in the welfare of the people on farms. But what about farm product prices? Don't workers want cheaper food and lower living costs?

Indeed they do. But that does not mean we want to see a decline in farm incomes. To say that city workers can enjoy lower living costs only if farmers accept a cut in their prices, incomes and living standards, is to pose completely false alternatives.

FARMERS NOT RESPONSIBLE FOR HIGH COST OF LIVING

In the first place, farmers as a group were not responsible for the outrageous rise in food prices and general living costs which has occurred since the war. That came about because the NAM and its member organizations were successful in getting Congress to remove price controls. The major benefit of that action didn't go to the farmers. It went to the processors and distributors of farm products. This is clearly shown by Bureau of Agricultlural Economics data. From June 1946 to December 1948, the annul cost of the family market basket rose $183. The processors and middlemen got 54 percent of this increase (the Marketing and Transportation Situation, February 1949). Profits after taxes in the food processing industry doubled between 1945 and 1947 (Survey of Current Business, July 1948). In the same period leading food processors doubled their rate of profit on net worth (National City Bank letter, April 1947 and April 1948).

MIDDLEMEN SHIFTING PRICE DECLINES ONTO FARMERS

Now that farm product prices have started to decline, is it the processors and middlemen who are absorbing the bulk of the decline? Not at all. The BAE points out that, "considering only the relatively short recent period of decrease in retail prices, July 1948 through December 1948, we find that the farmers bore $39 of the $45 reduction in the retail cost of the family market basket. This recent trend becomes even more pronounced when we study the changes between December 1947 and December 1948. During this period the retail cost of the market basket decreased $20, the farm value decreased $34, whereas the marketing margins were still increasing. Marketing margins were $14 higher in December 1948 than they were in December 1947" (Marketing and Transportation Situation, February 1949).

It is, of course, unrealistic to ask processors and distributors to forego the unparalleled opportunities for profit making which have existed since price controls were removed, and to expect them voluntarily to absorb any price declines which may now result from the fact that their exorbitant prices and profits helped to curtail consumer buying power. What we do suggest is that the Federal Government has a solemn responsibility and obligation to protect both farmers and consumers from economic hardship resulting from this situation.

Farmers didn't want "high" prices in the first place; they wanted "good" prices—stable prices at levels adequate to provide a decent margin above costs and a decent family living. City workers never wanted "low" prices for farmers, when they know from experience in the 1920's and 1930's that such prices bring farm foreclosures, curtailed buying by farmers, and widespread unemployment, in cities.

MYTHS ABOUT FARM PROSPERITY

There has been a great deal of loose talk about farm prosperity in recent years, about farmers driving Cadillacs and flying airplanes and wearing diamond stickpins, etc. That kind of talk is just as false as the myths about all industrial workers during the war wearing silk shirts and drinking champagne. There are some well-off farmers, just as there are some well-off workers among the most highly skilled craftsmen; but it is national averages which count in making national policy, and the national averages show an appalling discrepancy between farm and nonfarm incomes and living standards. In 1948, farm income per capita was only $665, compared with $1,730 per capita nonfarm income.

	Income (billions)	Population (millions)	Per capita income
Total	$224.4	146.6	$1,530
Farm	[1] 18.2	27.4	665
Nonfarm	206.2	119.2	1,730

[1] Including 4.6 billion dollars for value of home-consumed production.

Sources: Income—Department of Commerce, Survey of Current Business, February 1949; Population—Department of Commerce, Census reports: Farm Population Changes, June 4, 1948; Estimates of the Population of the Continental United States, Aug. 13, 1948.

These figures show that farm people have a long way to go to achieve parity in living standards. It is well known that rural people are generally at a disadvantage in housing and house conveniences, in health and educational facilities, despite the improvements of recent years. After all, "money makes the mule to go," and the money just isn't there to bring the benefits of twentieth century American living standards to the majority of farm people.

Just to give you a simple illustration, the Census Bureau found that in April 1947, out of 7½ million farm dwellings, only 1½ million had both a private bath and a private flush toilet. Taking all the criteria of good housing listed by the Census Bureau—electric lighting and running water; flush toilet, bathtub or shower; and installed cooking facilities for exclusive use of the occupants—it was found that only 19 percent of farm dwellings had all these conveniences which most of us consider essential for decent living, whereas 80 percent of city dwellings were so equipped (Department of Commerce, Current Population Reports, Housing, Series P-70, No. 1, October 29, 1947).

There is certainly no room for complacency in view of such figures as these. The farm people have the same right as city people to the best standard of living our Nation is capable of providing, and it should be a national objective to assure them adequate levels of income to obtain such a standard of living.

FARMERS CAUGHT IN SQUEEZE OF HIGH COSTS AND FALLING PRICES

Farmers are now caught in the squeeze of falling prices for their products and fixed high costs for the products used in production and family living. Since July 1948, prices received by farmers have fallen 14 percent, while prices paid by farmers have declined only 2 percent. The parity ratio—prices received divided by prices paid—has declined from 120 percent of the 1909-14 average to 106 percent (April 1949).

URGENT NEED FOR PRICE AND INCOME SUPPORTS

It is high time to repair the damage done by the Eightieth Congress, and to take further steps to meet the new critical situation. In the face of a threatening fall in agricultural income, it is urgent that the general principles of Secretary Brannan's farm program, announced April 7, 1949, be put into effect. We strongly endorse those principles, as they restate the fundamental thesis that decent incomes for farm families and expanded food consumption by city families go hand in hand.

Without pretending to be expert in the technicalities of the Brannan program, we would urge a strengthening of its machinery to insure the realization of its principles. First, decent incomes must be assured for all farmers, not just big farmers; this means the income ceiling for parity payments must be set much lower than the $25,000 figure originally suggested. According to the last census of agriculture, only 5 percent of farms produced more than $10,000 worth of products (Statistical Abstract of the United States, 1948, p. 626); obviously, $25,000 is far too high a ceiling if the program is to aid small, family farms. Small farms should not be subject to the same acreage and crop reduction restrictions as large farms; else the basic objective of raising incomes on these farms will be defeated. Small farms will also need vastly expanded aid along the lines of the old Farm Security Administration, including purchase and development loans, a medical care program, etc.

Secondly the Brannan program must be supplemented by measures to expand consumption of farm products, which is the only economically sound and morally decent answer to the problem of farm surpluses. There must be no more burning of wheat, oranges, etc. This means there must be some way to regulate prices and profits of processing corporations and other middlemen—meat packers, dairy products manufacturers, flour millers, cotton ginners, chain stores, etc.—so that lower costs and prices at the farm level are passed on in full to consumers. This means also that there must be vast expansion of Federal aid to consumption in the form of the school-lunch program and a revived food-stamp plan for low-income consumers.

Without these supplements to the Brannan program, there is grave danger of its succumbing to the weaknesses of the old AAA program, which did nothing to expand city consumption, while it concentrated price-support benefits in the hands of big farmers and land-holders like the Metropolitan Life Insurance Co., and did little to protect the small family farms which have two-thirds of the farm population. Furthermore, as part of any price and income support program adopted, it is essential to restore to the Commodity Credit Corporation the power to acquire the necessary storage space, so that farmers will not be at the mercy of speculators and dealers at harvesting time.

PARITY MEANS A FAIR DEAL FOR FARMERS

In conclusion, I want to clear up a familiar confusion about parity. Parity means what it says: Equality. The purpose of supporting farm product prices at a parity level is to maintain farm purchasing power on a par with the incomes of other groups in the economy. If you cut parity to 90 percent, or 60 percent, or anything less than 100 percent, you are eliminating parity; you are telling the farmers they can't have equality. That is morally wrong and economically dangerous to the whole economy, for the reasons I outlined earlier in this statement.

It has been all too easy for processors and distributors to hide behind a veil of confusion about the price-support program first enacted by the New Deal Congress in 1933. They blame farmers for rising food prices—ignoring the fact that parity levels rise only insofar as industry raises its prices to farmers. Just as city workers must have wage increases to meet rising living costs, so farmers must have higher parity price levels to keep up with rising prices for the things they buy from manufacturers. The parity formula is simply a sort of farmers' minimum-wage law, tying farm prices to farm costs. As long as corporations like International Harvester insist in raising the costs of tractors and farm equipment—there was a 9-percent increase just last September—as long as the fertilizer trust keeps fertilizer prices high; as long as Standard Oil and its associates in the petroleum industry raise fuel prices—as long as these big corporations continue to boost their prices, then the parity levels will automatically rise. This ought to be so obvious that it shouldn't need to be spelled out. But many obvious things are overlooked these days.

In 1932, farmers' prices fell to 55 percent of parity. That was a year in which 223,000 farms were foreclosed and 12,000,000 people were unemployed. Let's not indulge in the criminal folly of letting that happen again.

STATEMENT OF H. E. SANFORD, CHAIRMAN, NATIONAL GRAIN TRADE COUNCIL

That National Grain Trade Council represents 6 Nation-wide grain and feed associations, and 27 organized boards of trade or grain exchanges, spread from Boston to Los Angeles. On behalf of these members, we thank the committee for this opportunity to discuss farm legislation.

We have been deeply interested in the seminar you have been holding, and particularly in the proposals made recently by Secretary of Agriculture, Charles Brannan. We welcome his fresh approach to this subject because it has excited wide interest. Public acceptance is essential to the lasting success of any farm program.

It should be said at the start that grain trade opinion is not unanimous regarding farm legislation. It is apparent that the same situation exists elsewhere: in other agricultural industries, in farm groups, in the Congress, and even within the Department of Agriculture itself. We hope the committee will recognize this statement therefore, as an attempt to convey only the very general character of an industry's thinking.

We believe the Secretary's recommendations merit earnest appraisal of the method and support level that he suggests.

METHOD OF SUPPORT

Production payments are advocated as a primary means of income support to producers of nonstorable commodities. These are estimated to constitute 75 percent of cash farm receipts and include such items as fruits, vegetables, meat animals, milk, butterfat, poultry, and eggs.

Production payments would be the difference between the average market price received by all producers and the calculated income support price.

Storable commodities would continue to receive support through loans and purchase agreements.

All commodities might be assisted by diversionary and other operations.

A new list of "basic" or group 1 commodites would be supported at the full support-price standard, including wheat, corn, cotton, tobacco, whole milk, eggs, farm chickens, hogs, beef cattle, and lambs.

Other commodities would be supported in relation to group 1 in accordance with available funds and other factors.

Benefits would be limited to 1,800 units, roughly a gross production of $26,300 at support prices, except when acreage allotments or marketing quotas are invoked.

Aside from the new list of basic commodities, most of the actions listed above are authorized under the Triple A Act of 1938. They are repeated under the Agricultural Act of 1948. Mr. Brannan simply proposes to make wider application of production payments than previously has been contemplated.

Leaving aside questions of support levels, cost, and controls, which will be discussed later, the method of supplemental or compensatory payments is quite generally favored by agricultural economists. Based on our own record, there are many of us in the grain trade who cannot fail to support employment of this method under suitable terms and conditions.

During 1947–48, a joint committee of the National Grain Trade Council and the National Association of Commodity Exchanges and Allied Trades, Inc., did considerable work on price policy. At a general meeting of flour and feed millers, grain interests, and others, held in Chicago on April 3, 1948, a proposal for farm-income insurance was offered for consideration and comment. In principle this does not differ greatly from production payments. While no action could be taken at such a meeting, the idea was quite generally approved for study and further development. The method is adapted from a contest paper for the American Farm Economic Association by Dr. Merrill K. Bennett of Food Research Institute, Stanford University. It appeared in the Journal of Farm Economics for November, 1945. In certain parts we quote from it literally, without giving further credit.

In approaching the study we found it necessary to keep in mind a rough analysis of farms and farming. We realized that there is not one farm problem, but many. There are as many problems as there are different commodities, different types of farms and farmers. Some of the problems are economic, others are social in their aspects. So while a general over-all program is about all that can be provided by Congress, it should be clearly designed to furnish help where help is needed; and to do so, so far as it is possible, on an individual farm basis.

In analyzing farms, we made use of the 1945 data by the Census Bureau and BAE. Farms are ranked in six groups, according to value of output, as follows:

Type of farm	Percent of all farms	Percent of all produce	Gross value of produce
Large-scale	1.7	21.9	$39,000
Large-family farms	7.0	23.5	10,500
Medium-family farms	20.0	30.0	4,600
	28.7	75.4	[1] 8,080
Small-family farms	28.4	17.1	1,800
	57.1	92.5	[1] 4,954
Small-scale farms	15.8	4.2	825
Part-time and rural resident farms	27.1	3.3	375

[1] Average.

The 1,600,000 farms in this last group are now classified as full-fledged farms, but probably should not be. They produce little, and people on them earn most of their living in off-farm work. Including them distorts agricultural statistics and makes average farm income look lower.

The top 28.7 percent of farms that raise 75.4 percent of all produce are the farms that are important commercially. It is likely that they receive the lion's share of benefits from price-support programs, particularly when only the present basic commodities are supported.

The Colmer Committee Report (Tenth Report of the House Special Committee on Postwar Economic Policy and Planning, dated Aug. 6, 1946), says that the problem of adjustments between farming and other occupations has primarily to do with the low-production farmers who do not have any supplementary family income. The solution suggested is to convert them gradually into farms fitting into one of the other categories, i. e. commercial, part-time, or residential farms.

The report points out that many of the Government commodity programs of recent years have been confined almost entirely to helping the more prosperous commercial farmers, while the supporting evidence for the need of such programs was drawn from the deplorable situation of farmers in the low-income group.

From this it may be concluded that agricultural price policy is of minimum importance to low-income farmers who have little or nothing to sell. Their problems have been more the concern of the Farmers Home Administration, with its grants and loans for relief and rehabilitation. Similarly, the Bankhead-Jones Tenant Purchase Act of 1938 provides loans to finance the purchase of farms by tenants under liberal terms and carefully made individual farm plans.

Price policy is of maximum importance only to the comparatively well-to-do commercial farmers. With them, we concluded that it might be looked upon as a business proposition, and that it might best be treated as a legitimate problem in "insurance."

There are a number of arguments which favor consideration of price policy in "insurance" terms.

1. It avoids governmental manipulation of domestic market prices, as well as the inequities and retaliatory features of most two-price systems.

2. It leaves prices to move freely in relation to one another, and in relation to nonagricultural prices, and to corresponding international market prices. Prices can perform their economic functions of guiding production, stimulating consumption, clearing surpluses, and freeing international trade. If the maximum basis for payments is not excessive, it can avoid uneconomic allocation of national resources to farming or to certain types of farming.

3. Consumers are not doubly penalized by having to pay twice for farm support: First, through taxes to finance the program; and, second, through artificially higher prices for their food and raw materials.

4. The cost of the program is more equitably distributed than is the case when it is financed largely through artificially high prices. These latter represent a form of sales tax which falls upon rich and poor alike. Most sales taxes avoid this inequity by exempting staple foods and clothing. High prices are an unfair burden on the poor, including perhaps one-half of all farmers, all of whom have to buy clothes and staple foods, but get small benefits from price supports.

5. Payments to farmers in depressions would be anticyclical, being widely distributed and spent rapidly.

6. Freely fluctuating market prices for basic raw materials and foodstuffs should stimulate general economic recovery, as people find ways of using low-priced foods and fibers.

7. While the parity price formula could be used as a basis for calculating payments, the exact correctness of parity would become academic. Moderate inaccuracies would not upset market relations, feeding ratios, and the like, because parity would not be used to fix prices.

8. The system can be set up to avoid a weakness of the price-support method, which ignores entirely the volume of production sold at the supported prices. Under the present program a producer benefits doubly from a large crop and has no protection against excessive losses from a crop failure.

9. Finally, the system makes possible a return to the concept that bountiful crops are a national blessing, and not a calamity. Good harvests should mean cheap and abundant food and farm products for all the people.

We are aware that farm organizations have bitterly resisted supplemental income types of programs. They say they do not want subsidies for the farmer, but merely fair prices in the market place. They argue with some justification that the farmer should not have to gamble on whether or not the Congress will vote appropriations.

Some of us have felt that farm organization objection might be at least modified by the insurance approach to this problem. We have believed that a stronger case for a sort of farm-security insurance can be made both economically and politically than is possible for any other form of protection. As a Nation, we are insurance-minded. There are few citizens who do not carry insurance of one, or several kinds. We are aware of the necessity of spreading unavoidable financial risks over the widest possible base. Farm-security insurance is not a far step from such common protections as group accident and health insurance, State industrial accident insurance, State unemployment insurance, Federal bank deposit insurance, Federal housing loan guaranties, social security, and the like.

The insurance concept makes possible a convenient and flexible mechanism for combining crop-yield and income insurance: for establishing premium rates either on a national, regional, or individual farm basis; for building up a fund with farmer participation through premium payments; and for determining and paying income deficiencies to farmer policyholders. It is possible, and may prove necessary, to follow the example of fire insurance underwriters in establishing State or county farm insurance rating bureaus. This can be conveniently done, and they will have the advantage of being purely statistical bureaus, relatively free from political pressures.

The proposal offered for consideration is as follows:

PLAN FOR INSURED FARM INCOME

1. It is proposed that the Federal Crop Insurance Corporation be reconstituted under a Federal charter into a new corporation which shall be called the Federal Farm Insurance Corporation.

(*a*) The purpose and object of the Corporation shall be to provide insurance to farmers, or reinsurance to insurers of farmers, against the hazards of the accident of abnormally low yield and the incidence of abnormally low price, or both in combination. The purposes and objects shall be clearly set forth in the charter of the Corporation.

(*b*) The Corporation shall have the usual specific and general powers common to Government corporations, which shall be carefully defined in its Federal charter. These shall include the power to borrow money from the Treasury of the United States.

(*c*) The management of the Corporation shall be vested in a Board of Directors, which shall consist of the Secretary of Agriculture and 6 to 10 other members who shall be appointed by the President and confirmed by the Senate. The Corporation's charter shall specify how the personnel of the Board of Directors is to be constituted, in order to insure its independence, its freedom from political pressures, and its competence in the business of insurance underwriting in connection with agriculture.

(*d*) The executive officers shall be appointed by the Board and shall serve at the pleasure of the Board.

(*e*) The Corporation shall issue a receipt to the Secretary of the Treasury for the value of the net assets transferred to the Corporation; such receipt shall be evidence of the ownership of the Corporation by the United States of America. The capital of the Corporation shall be not less than $100,000,000.

(*f*) Congress shall authorize to be appropriated to the Secretary of the Treasury, to be paid over to the Corporation from time to time, such sums as may be necessary to cover losses of the Corporation.

2. Specifically, it is proposed here that Federal agricultural price policy for selected farm products be based upon a system (*a*) of governmental insurance against abnormally low yield; and (*b*) of farm-income insurance paid (when the occasion for payment arises) by the Federal Farm Insurance Corporation against approved claims by policyholding producers as insurance against abnormally low prices, down to (*c*) a disaster-level floor price (say at 60 percent of parity), at which level the traditional methods of price support should be kept available to stop the snowballing effect of market declines in a depression.

3. In this outline very little need be said about governmental insurance against abnormally low yield. This program suffered originally from inexperienced management by a shifting series of executives, chosen not for any special fitness for the task. Domination by the Department of Agriculture probably resulted in adverse selectivity of risks and softness in dealing with claims. A satisfactory selectivity may be attained by tying in crop-yield insurance with farm-income insurance, with producers obliged to choose between taking both or neither, to the extent that crop-yield insurance can be made available.

Aside from the above difficulties the crop-yield insurance program now conducted on an experimental basis for wheat, flax, corn, tobacco, and cotton, only in certain counties, is beginning to show signs of maturity. A great deal of actuarial data has been accumulated, with studies by counties, areas within counties, and by individual farms. This information can be of great value to the Corporation, both in connection with crop-yield and farm-income insurance. It has even been suggested recently that crop-yield insurance might be taken over by private insurance companies, with certain minimum Government guaranties against unusual losses. Such a development would be highly desirable and in harmony with democratic ideals.

Crop-yield insurance protects the farmer against failure to produce a certain percentage of his normal yield per acre or, in the present program, failure to recover the average investment in his crop. Preliminary figures indicate that, for grains, about 65 percent of normal yield would equal the average crop investment. Premiums, as well as benefit payments, are calculated at 90 percent of the April 15 parity price for the commodity.

4. A farm-income-insurance policy migth be implemented as follows, by Federal Statute:

(*a*) DEFINITIONS

"Normal crop marketing" is the number of units of any commodity determined and announced by the Secretary of Agriculture each crop year in advance of planting or breeding, to be the goal for that year's marketing.

"Normal share" of each producer is the number of marketable units of each commodity ascertained by the Secretary of Agriculture to be that producer's share in the aggregate of the "normal crop marketing" of that commodity, or those commodities.

"Insurance price range" is the range expressed in percentages of parity price or other standard adopted by the Congress, which is established by statute for each included commodity; this range to endure until such time as revision of the statute occurs.

"Absolute insurance price" is the price determined and announced by the Secretary of Agriculture for each crop year in advance of planting or breeding, this to fall within the statutory "insurance price range" of each included commodity and, like parity price itself, to be expressed as an average national farm price, with similar adjustments for locations and qualities.

"National average farm selling price" is the annual average farm selling price as calculated after each crop year by the Secretary of Agriculture for each included commodity for that crop year (perhaps on principles specified by statute) and adjusted, like parity price itself, for location and quality.

(*b*) The operation of the income-insurance plan is, briefly, as follows:

The amount of the insured income of a policyholder for a certain commodity for any crop year is the producer's "normal share" multiplied by the "absolute insurance price" announced for that crop year.

(The result of using "normal share" rather than the policyholder's actual marketings, is that the insured income amount for any crop year becomes a constant; the producer is not doubly rewarded for a big crop or doubly penalized for a small one. The present support-price policy has this unfair result, in that it disregards the quantities sold at the supported price.)

From the above-determined amount of insured income for a commodity, and in order to establish the insurance payment due, if any, the potential actual crop income of the producer shall be deducted as follows:

(1) Any payments accruing to or received by the policyholder for crop-yield insurance for that commodity, and

(2) The amount of income that would be received if the policyholder's actual marketable production of the commodity (evidenced by bills of sale or otherwise as required by the Corporation), were to be sold at the "national average farm selling price."

(Using the actual marketable production figure prevents the policyholder from collecting insurance benefits because of low prices alone. Frequently, a large crop at a low price will yield greater total income than a small crop at higher prices. The "actual marketable production" determination, which can be accomplished under procedure required in any case for verifying crop-yield insurance data, makes possible the shifting of production and marketing plans by a producer during a crop-year—such as selling less corn and feeding more hogs, or carrying over part or all of a crop from one year to another—without invalidating or postponing payment of claims under the policy. Furthermore, the plan uses the "national average farm selling price" in determining the deduction for potential actual income, rather than the producer's actual sales price, because it is deliberately intended to leave the producer always with the incentive to produce efficiently and to market his crops to best advantage. He must not be left free to give his products away (thus demoralizing markets), or to produce inferior qualities, and rely upon Government to pay him the difference.)

(*c*) In order to provide farmers currently with income from insurance payments in years when actual market price at the farm is definitely known to be running below the announced absolute insurance price, the Secretary of Agriculture should be empowered by statute (1) to proclaim the existence of an "insurance year" for any insured commodity; (2) to estimate prior to the seventh month of the crop year the probable per unit insurance payment for the year; and (3) to extend to banks making loans to claimant farmers on the security of evidence of their share in the normal crop marketing, a guaranty of repayment of loan up to one-half of each borrower's attested claim for insurance payment for such commodity.

(*d*) In the present crop-yield insurance program for grains, producers pay premiums in bushels, or fractions of bushels, per acre insured. Different premium rates have been offered for insuring different percentages of the normal yield, according to the farmer's choice. Normal yields have been established for counties, areas within counties, and even for separate farms. Much data has been collected regarding yields, cost of production and the like. All of this can be useful in setting up the system of farm-income insurance.

It would seem desirable that premiums be paid in the dollar equivalent of "kind" for farm-income insurance as well as for crop-yield insurance. The effect is that farmers will pay higher cash premium rates when prices are high, and lower rates when prices are depressed. This assists in building up reserves during periods of prosperity.

Like unemployment insurance, it will be impossible to calculate the schedule of premiums for farm-income insurance on an actuarial basis. The plan is to be voluntary, therefore premiums must appeal to farmers as reasonable. It is recognized that the Federal Treasury will have to stand a substantial part of the loss. Premium rates, possibly, should be higher also in bushels in prosperous times, lower in periods of depressed prices. This, in itself, will be countercyclical to a degree. It is justified by the fact that risk of loss is greater when prices are high, less when they are very low. Farmers can afford more substantial premium payments in good times, and payments are felt less because provision must be made that premiums are deductible from income as a business expense for Federal tax purposes (if such is not already the ruling).

(*e*) Insurance, both for crop yield and farm income, should be written on a 5-year or longer basis. This is needed to avoid adverse selectivity, and to make possible the accumulation of reserves in good times.

Provision will have to be made in the policies for changes of farm ownership and tenant-landlord relationships in respect to insurance.

(*f*) The determination and announcement in advance for each crop year, of "normal crop marketing" and "absolute insurance price" by the Secretary of Agriculture, provides a means of announcing production goals in the first instance, and a method of "forward pricing" in the second, which may influence farmers in making desirable production adjustments.

(*g*) The Corporation shall establish within each agricultural State or geographical division a Federal farm insurance rating bureau which shall be charged with the duty of gathering all statistical data needed by the Corporation and the Secretary of Agriculture for the conduct of the plan. These bureaus shall also make, or cause to be made under their supervision and direction, all necessary investigations of the operations of individual producer policyholders for the purpose of assisting the Secretary of Agriculture in determining each producer's 'normal share" and "actual marketable production"; enabling the Corporation to write policies suitable to the individual farmer's operations, to determine losses and settle claims.

These bureaus, like the Corporation itself, shall be empowered with the consent of the agency concerned, to accept and utilize, on a compensated or uncompensated basis, the officers, employees, services, facilities, and information of any agency of the Federal Government, or of any State or political subdivision.

(*h*) A limitation shall be placed on the amount of total income which any one producer can insure except, perhaps, at an increased schedule of rates determined on an ascending scale until it reaches, as nearly as possible, an actuarial basis. The maximum amount of insurance carried at standard rates should take into account family living expenses and cash outlays for maintaining production capacity. Large farmers should be more nearly able to underwrite their own farming operations.

(*i*) Farmers shall have the further option of taking policies for a 5-year or longer period based on a lower percentage of the "absolute insurance price" at a correspondingly reduced premium.

FURTHER CONSIDERATIONS

1. In connection with the farm-income-insurance plan presented in this statement, the difficulties, etc., are minor and technical that might be expected to arise with reference to definition of "normal crop marketing," of "normal shares"

of producers (or farms) in normal crop marketings, of "absolute insurance price" after the range of insurance price had been established by statute, of actual "national average farm selling price," or of "insurance years" for the several included farm products. The major problems would arise not administratively, but in the writing of the statute: (*a*) The selection of commodities to be included, (*b*) the fixing of the statutory range of insurance price and premium rates (if fixed by statute) for each included commodity, and (*c*) size of the capital or borrowing power necessary to establish the Federal Farm Insurance Corporation. These are interrelated problems; for the wider the selection of commodities included and the higher the statutory range of insurance price, the larger might be the necessary annual expenditure. It should be observed, however, both that no payments would be necessary and a reserve would accumulate in years when actual market price of each included commodity equaled or exceeded absolute insurance price, and that in some years payments might be necessary on a few commodities but not on many, or all.

2. The question of proper use or investment of the reserve fund in periods when it accumulates is identical to the same question for other Federal funds such as social security, etc. It would seem that under present conditions such surpluses should be employed only for debt retirement.

3. With respect to commodities included, all significant contributors to farm income, whether crops or livestock and its products, could be covered, subject to available funds. It is true that administrative work would increase with the number of items covered; but this is not a compelling reason for initial selection of very few. Wide inclusion is made possible by the concept of basing insurance income payments upon normal crop marketings, because this concept immediately eliminates the problem of administrative differentiation between feed and seed, on the one hand, and marketed products, on the other. The farmer who normally produced corn solely for sale would have an insurance policy for marketed corn, but not for hogs or cattle fed on his corn by some other producer. The farmer who normally produced corn wholly for feed on his own farm would have no claim for insurance-income payments on corn but would have a policy covering the marketed hogs and cattle fed on his corn. Normal marketing practices, in short, would determine the nature of any farmer's claim to insurance payments. Of two farmers normally producing equal quantities of corn, one might have large claims to corn payments and small claims to hog payments, while the other might have small claims to corn payments and large claims to hog payments. Except as administrative work on farm products contributing very little to farm income seems undesirable, the insurance-income system might cover the widest possible range of products on the principle of extending benefits to all. The farmer who normally markets a variety of products and the farmer who normally markets only one could then share equitably in the benefits of the insurance-income system.

4. With respect to the statutory range of insurance price, the range might be anywhere from well below parity to approximately the parity-price level. For example, the minimum might be at 60 percent of parity, at which point the Secretary of Agriculture would be required to institute price-support measures under traditional methods for the specified commodities.

5. It is expected that the market structure will continue to be aided, and losses thus reduced, by continuing certain justifiable diversionary and stock-piling operations. The purpose should not be for price raising, but properly conducted programs for nutritional education, protecting feed supplies, and ECA exports will give incidental support to the markets.

6. While administration of the plan seems complicated in respect to determining the "normal share" and "actual marketable production" of individual producers, actually the difficulties would indeed be less than under our present price policy. It must be remembered that very detailed information about individual farm operations has been accumulated under our present acreage, production and marketing control, and crop-yield-insurance systems. To the extent that new commodities may be included, the work may be multiplied; but, otherwise, gathering these data is a far simpler job than the business of making loans, buying and taking possession of commodities, holding stocks, managing exports, and the like. The work will be largely confined to the county level, with State and National offices performing only the directional, supervisional, auditing, central accounting, and financing functions.

7. The burden of reporting by farmers may be confined to their applications for policies stating their production plans, and reports of their "actual marketable production" after harvest.

While policies should be written for 5-year or longer periods, the farmer will file an amended application whenever he plans a marked change in his marketable production.

The question arises, how policies can be written for 5 years or longer when they depend upon annual appropriations. Obviously, there must be an escape clause. As in all types of programs, the guaranty is conditional upon availability of funds and approval of individual applications beyond the current crop year.

8. Producer's applications for policies or policy amendments may be used as a basis for "individual farm plans," when and if such may be found convenient or necessary in connection with desired production-consumption adjustments or unavoidable production and marketing controls.

9. The suggestion of a special form of Federal income-tax return for farmers could be adopted to replace the report of actual marketable production required under this plan.

10. As experience under the plan becomes more routine, it may well be possible to turn over to private insurance agencies the writing of policies and handling of claims under general inspection, supervision, and auditing by the Federal Farm Insurance Corporation.

11. The plan as here outlined requires the Secretary of Agriculture to announce the "absolute insurance price" for each included commodity. In writing the statute the Congress can at its option grant this administrative discretion, or it can set up certain criteria to be used by the Secretary in making his determination, or the Congress itself can fix the price rigidly at a percentage of parity.

We realize that this matter of price level is the main point at issue between various factions within and outside the Congress. It seems that the question of support level must be decided, first, upon the basis of cost and how the cost can be financed; and, second, upon the controls that will be accepted by farmers and that are appropriate in a democratic society.

We should like to discuss these two considerations as briefly as possible.

COST OF PROGRAMS

In speaking of the "cost" of a price- or income-support program, we may be too inclined to think only of cost to the Government. This, obviously, is not the total cost. Total cost must include anything extra paid by purchasers of agricultural commodities and products by reason of governmental price maintenance above equilibrium levels.

In the Brannan "production payment" method, the total cost falls upon Government. This is a courageous proposal on the Secretary's part because full public knowledge of cost cannot be avoided. It must be paid directly by Government under appropriations from the Congress. It is clear that the number of commodities so supported, and their support levels, will depend entirely upon the appropriations that the Congress is willing to vote. This will be the exact maximum cost of the program.

It is our guess that the size of the appropriation will be established empirically. This may or may not have to cover CCC losses under loan and purchase agreement operations, in addition to production payments. In any case, administrative officials will be faced with the same situation that prevailed in respect to "parity payments" under the triple A act. They will simply have to count the money and spread it around as best they can among the various commodities. It is not realistic to argue about the level at which they will be supported.

The cost estimates that we have seen for the Brannan proposal are more or less meaningless. It should be possible, however, to apply his formula to past statistics and compare costs for basic commodities with the cost of the prewar programs that were then in effect.

Similarly, the estimate of 27,500 million dollars cash receipts for 1949, given in exhibit A of the Secretary's statement, can be applied in the formula (using the March 15, 1949 parity index of 1.44) and one gets in column (3) an "Average purchasing power of cash receipts" for 1940–49 equal to 19,048 million dollars, as compared with 18,218 million dollars for 1939–48.

This means that unless the parity index for March 15, 1950, falls sharply (to below 1.38), the income support standard will be higher for 1951 than for 1950. But the parity index is a retail index which lags considerably because it includes slow-moving items such as interest, taxes, heavy goods, autos, trucks, fuel oil, and feed components whose prices are supported.

It is possible, therefore, that for 3 or 4 years, the 26,234 million dollar income support standard may continue to go up, even if the bottom falls out of everything else.

If one assumes the 1950 parity index to be 1.38 and the 1950 cash receipts to be 24,000 million dollars, the adjustment factor to calculate individual commodity support prices for 1951 will be 1.164 as compared with 1.25 for 1950. On the other hand, the average prices (column (4) exhibit B), will be higher for 1941–50 than for 1940–49, so the price support standard, column (5), may be about unchanged, or even increased.

A further projection into the future probably can be made by competent economists using data from table 1 of your committee print "Study of Selected Trends and Factors Relating to the Long-Range Prospect for American Agriculture," March 10, 1948. This forecasts the necessary statistics under alternative situations of high employment, average level, and depression.

Secretary Brannan's calculation of income and price support standards starts with a period (1939–48) when prices averaged about 106 percent of parity on the old 1910–14 base. It is doubtful if the Congress will appropriate sufficient money to support indefinitely many commodities at this exceptional level.

In the insurance method all of the above reasoning applies, modified to the extent that producers pay premiums and that funds may accumulate in good times. If premiums are wisely graduated as between small and large policies; if limitations are placed upon the amount of income insurance a producer can carry; if higher premiums are charged when prices are dangerously high; and if the absolute insurance price is set within reasonable limits, the cost can be moderate.

It should be remembered that the total cost of supporting prices or income at a given level is approximately the same under any type of program that may be adopted. Under the production payment method, the cost is borne solely by the Treasury. The insurance method puts part of the burden upon the insured producers, from little or nothing upon small producers, to a substantial part of it upon the large ones, and varying considerably with the prosperity of agriculture.

The commodity loan and purchase agreement programs put part of the cost on the Treasury and the balance is shifted to consumers in the form of artificially higher prices. At present, however, experiences such as the potato program are clarifying public understanding of the price-support method, and some of its defects. People have seen huge stocks dumped on the Government, while the housewife could not buy decent potatoes, even at exorbitant prices. And if potatoes could cost the Government 200 million dollars in a year, plus perhaps a greater amount to consumers in high prices, what may be the total cost to consumers and Government if large surpluses emerge in wheat, corn, hogs, cotton, dairy products, poultry, eggs, and tobacco—supposing that all are supported?

It should be remembered that we have had no complete experience with the price-support method. We started in the depression with 6-cent cotton, 40-cent wheat, and 30-cent corn, and operated in an over-all "up" market from then until February 1948. Moreover, the 1938 act provided flexible supports at a very low level—52 to 75 percent of parity, at the discretion of the Secretary of Agriculture. Even so, by 1942 we had accumulated huge surpluses of wheat, corn, and cotton. What may now be the cost, if we should have declining markets, when we start with support prices on the farm at $1.95 for wheat, $1.42 for corn, and 27.45 cents for cotton? Will the Aiken bill, at 60 to 90 percent of parity, in a declining market, fare better than the Wallace program, at 52 to 75 percent, on a rising market? And will the people, now that they are alerted to inconsistencies, stand for artificial scarcities and high prices when they know that they themselves, as taxpayers, are financing great surpluses?

The Aiken method purports to keep support levels in line with the supply position. This cannot be completely successful, because to be so would mean setting prices at equilibrium levels—prices at which consumers will normally absorb the production. This, of course, is the same as no program at all and, obviously, is not what is desired.

It would seem that if a program is to be set up that will endure, and if parity prices are to be used and base periods are to determine the average levels, the principle of using the most recent normal or near-normal period, and supporting prices at 100 percent of that parity, is worth considering. According to this test it is believed that 1925–29 period is the one to use; it being the last period in which price relationships, wages, and, in general, our economy as a whole, was in somewhat near normal balance.

On the whole, the parity percentage of support is a question of what is reasonable and practicable. There is said to be no scientific basis for calculating the right level to use. It must be something that the public will continue to finance, and that will work out satisfactorily for the general economy.

CONTROLS

The great temptation to administrative officials is to limit the cost of farm programs by restricting production. We have had a good deal of experience since

1933 in trying to control production, but there is little evidence that we have learned how to do it. To the extent that we have succeeded, we have reduced farmers' volume and thus have reduced their farm income. We have tended to build up vested interests in acreage quotas and so have prevented young people or new farmers from getting started. As mentioned before in these hearings, the possession of a tobacco-land quota is worth more than the land itself. One can imagine the intolerable situation if this should extend into wheat, cotton, corn, and other controlled crops.

It is recognized, nevertheless, that the public cannot guarantee income to farmers without requiring protection to their side of the bargain. We cannot perpetuate the prosperity of large operators who raise huge quantities of unwanted commodities, for sale to the Government. This is ruinous to the family-type farmer and ultimately will destroy any program.

So it is not a question of whether we favor the presence or absence of any form of controls. It is a question of whether the controls are good or bad; whether they work well, or they do not; whether they shall be governmental or voluntary; direct or indirect; negative or positive.

The design and purpose of controls should be to lead agriculture by gradual steps into a sound production pattern, so that controls and supports may no longer be needed. Indeed, our farm plan may be likened to the European recovery program; it may start with relief, but it should be aimed at recovery. Its purpose should be to make agriculture viable so that it may prosper without supports or controls at the end of a period.

This leads to the recommendation that aside from emergency measures to cope with severe depressions, a program should embrace a well-designed plan directed toward a definite termination date.

Such a program will differ considerably from the blanket approach of the AAA under the acreage-allotment plan. This was intended originally to be flexible and adjustable, but it worked out quite the contrary in practice.

It is desirable that compulsory individual percentage quotas be replaced, as far as possible, by supplying farmers with full information as to market and production outlooks.

With some commodities, it probably will be necessary in the beginning to apply more definite and direct forms of production control, such as the "individual farm plans" suggested by Dr. John D. Black; or county planning programs as begun in 1938 under Howard R. Tolley and the B. A. E.

Dr. Black also suggests that production adjustments be encouraged by basing a payment plan (somewhat similar to production or insurance payments) upon total annual quotas for each supported farm product. The support system would then cover only this volume of production, expressed as a fraction of the total production plus any carry-over above normal. This is an example of the positive type of control which amounts to a bargain between the public and the producer, in contrast to the negative type which says, "Thou shalt not plant, etc."

And, finally, it must be remembered that the degree of governmental controls inevitably must vary in direct proportion to the level of supports and the cost of the program. This will be the price that producers must pay for whatever they get from the public.

CONCLUSION

To take an extreme case, it is clear that if unlimited acreage is put into grains and row crops they can easily bury the markets. Surpluses can be eliminated by production-consumption adjustments provided our economy is prosperous enough to absorb the resulting output of livestock and livestock products.

We agree that the Brannan program is intended to encourage such desirable shifts in production. It also attempts to bring price relationships up to date. We think it needs careful analysis for there is evidence that the mathematics of the formula may turn up some surprising and contradictory results.

It appears, for example, that the support prices of storable commodities may be frozen at about the present high levels for several years, no matter what happens to the rest of the economy. This is accentuated by the fact that production payments are added to the "cash receipts from farm marketings."

The support prices of perishables, supported by production payments, would gradually go down, because their free market price would affect the 10-year average price in column (4) of exhibit B (Brannan statement of April 7). This would disturb feeding ratios and so require separate treatment. Farmers in the Corn Belt would tend to sell their corn at the supported price, rather than feed hogs at a big loss and hope for production payments to reimburse them, after a long wait.

We agree, too, that the Brannan plan, or any new plan such as our suggested "insurance" system, should be tried out in a pilot plant operation. The Secretary's suggestion is to try it on hogs and perhaps with milk; but we wonder if hogs, in particular, would give a fair trial. The question arises about the effect on competitive meats; and about the feeding of grains whose prices are supported. It would seem better to try the plan on an unrelated commodity, of which cotton would be an example. A free market price for cotton would not upset other agricultural relationships. It would keep cotton competitive with synthetics, and also in international trade. It would discourage undue expansion of foreign production. All in all, it should help to clear out our surpluses.

These and other problems point to the need for flexibility in any farm program. We think the administrative officials need considerable freedom of action. We like the National Grange recommendation that they be assisted by an advisory council. This council should be empowered to contract for an independent and continuing study of farm problems by a group of economic advisers. This might be accomplished under an arrangement with the Association of Land Grant Colleges and Universities, or with the Brookings Institution, or some similar agency.

We hope that the result of the committee's painstaking study will be a forward step in agricultural policy. In the last analysis, your action will be judged by its effect on the farmer, himself. If he is misguided by fallacious price policy, he will pay for it in restrictive coercement. This may not greatly hurt the big operator; but what becomes of the family-sized and marginal producer?

Within the framework of strong government we need economic institutions that also allow freedom. The farmer is clearly identified with American capitalism, and capitalism is uniquely geared to the farmer. Our farm programs, therefore, should not lose sight of the basic market principle; the action of prices, wages, profits, and investments in performing their duties.

To this end, our programs must be workable, within the pattern of a democratic economy. It is a difficult task to protect farm income, at the same time preserving the delicate price mechanism that operates to keep things in balance.

It is for this reason that we decided to experiment with the idea of "farm income insurance." This statement goes into rather full detail, but it is not because the outline is thought to be complete or perfected. Our object is to give the committee the possible benefit of our prolonged study from this viewpoint.

Regardless of the action that is taken, we are mindful that our industry deals in commodities chronically in surplus. We have a vital interest in the success of programs that affect them. In the past, we have done our best to help make the plans workable. We shall continue to strive for their success in the future.

LOUISIANA DEPARTMENT OF AGRICULTURE AND IMMIGRATION,
Baton Rouge 1, April 23, 1949.

Hon. WALTER K. GRANGER, M. C.,
Chairman, Subcommittee No. 3, Committee on Agriculture,
House of Representatives, Washington, D. C.

DEAR CONGRESSMAN GRANGER: It is indeed regretted that previous commitments make it impossible to be present and present testimony in support of price support for honey on April 27 at 10 a. m. If at all possible, I should appreciate very much having read into the records for consideration by your committee and the Congress the following comments in support of price support for honey.

It is my firm belief that the importance of the beekeeping industry of this country has not been given sufficient recognition, because the production of honey is so completely overshadowed by the huge volume of production and the value of other agricultural crops (including livestock). However, as a means of livelihood, the production of honey is the justification of beekeepers staying in business.

In reality, the production of honey could in all propriety be regarded as having No. 2 place in the economic importance to agriculture of keeping bees. The real importance of bees to agriculture is as a pollinizing agent. According to the United States Department of Agriculture, some 50 agricultural crops are dependent to a very great extent on bees for proper pollination to be assured of profitable production of seed and/or fruit.

If production of many of these agricultural crops was reduced because of lack of pollination, it would seriously affect the economy of this country. (As an illustriation, clovers and various other legumes play a very important part in the soil-conservation program, and are also an important source of feed in the form of hay for livestock production, as well as the development of pastures for livestock grazing.) Without flower pollination, in many cases seed production is a failure.

The other pollinating agents (beneficial insects) are becoming depleted at an alarming rate, about which nothing can be done. The honeybee is the only insect of any importance that can be controlled and manipulated by man for his benefit. Therefore, agriculture must rely on the honeybee more and more as a pollinating agent if it is to prosper.

The beekeeper's reward and livelihood is essentially in the sale of honey. At the present price of honey, however, the beekeeper cannot stay in business and pay for his supplies and the necessities of life. Therefore, he will have to abandon beekeeping and seek a more lucrative means of making a living.

In the interests of agriculture and what it means to this country, may I respectfully urge that you, your committee, and the Congress take whatever steps are necessary to keep the beekeepers in business through price support of their honey at a reasonable profit above the cost of production, thereby serving the all-important purpose of pollination through proper distribution of bees in areas where farm people are dependent on pollinizing agents for the production of crops, especially clover seed, that mean so much in the agricultural pattern for a general prosperous agriculture and allied agricultural interests.

Again expressing my regrets at being unable to attend the hearing, and with best wishes, I am

Sincerely yours,

W. E. Anderson, *Commissioner.*

Mr. Pace. The Chair would like to state that this concludes for the present the hearings by the special subcommittee, and it is likely that it may conclude all hearings on the general proposal.

The committee will meet tomorrow morning in executive session, at 10 o'clock, to give consideration to numerous proposals submitted to it.

The committee now stands adjourned.

(Thereupon the meeting adjourned.)

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GENERAL FARM PROGRAM

(Testimony of Producer Groups and Members of Congress)

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HEARINGS

BEFORE

THE SPECIAL SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

EIGHTY-FIRST CONGRESS

FIRST SESSION

PART 5

MAY 2, 3, 4, 9, 18, AND 19, 1949

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TESTIMONY OF PRODUCER GROUPS AND MEMBERS OF CONGRESS

MONDAY, MAY 2, 1949

House of Representatives,
Special Subcommittee of the
Committee on Agriculture,
Washington, D. C.

The special subcommittee of the House Committee on Agriculture met at 10 a. m., Hon. Stephen Pace (chairman) presiding.

Mr. Pace. The committee will please come to order. It is our pleasure this morning to hear from representatives of the livestock industry.

I have been supplied with a list of witnesses in the order in which they will appear. I understand that the list has been worked out by the groups themselves.

We will hear from Mr. Howard Vaughn, president of the National Wool Growers Association, Dixon, Calif.

STATEMENT OF HOWARD VAUGHN, PRESIDENT OF THE NATIONAL WOOL GROWERS ASSOCIATION

Mr. Vaughn. Mr. Chairman, the wool growers of the United States appreciate this opportunity to sit in on the discussions aimed at the development of a proper livestock program for our Government. For we wish to be considered as citizens first and wool growers afterward. During the past 10 years a drop of 40 percent in sheep production in this country is indisputable evidence that sheepmen can and will do something else when sheep growing becomes economically untenable. You must agree that the very nature of our business has made us not only independent in thought but vocationally versatile.

We do not present ourselves here today to say to you that unless a change in economic prospect and Government attitude is accomplished soon this country will presently find itself with no wool-producing industry worth practical consideration. We do now contend, as we have on numerous occasions in the last 5 years that Government should take a stand on the wool-producing industry and then hold to its position. We are sure that the greatest single factor contributing to the reduction in numbers of United States sheep has been the recent vaccilating attitude of government on matters fundamental to profitable wool production. This attitude convinces possible new producers that some other industry would yield surer returns.

In this discussion we propose:

First. To establish the position in which the wool growing industry now finds itself.

Second. To consider the latest administration proposals as set up in the current program of the Secretary of Agriculture.

Third. To answer the questions listed by Chairman Pace relative to the use of Government support for the sheep industry.

As fundamental to this consideration, we ask you to establish in your minds a clear distinction between an industry such as ours which is important to the country but currently in deficiency production and those other industries involved in your program which are in imminent danger of oversupply. Moreover, there is no prospect for an increase in sheep production in the foreseeable future, and this must be considered in the light of the statements by economists, Government investigators and defense authorities that a minimum industry which would be desirable here would be one capable of producing not the current 233,924,000 pounds of wool, but at least 360,000,000 pounds of shorn wool.

The very natural question arises, "How did we get that way?" Why is the sheep industry important to the country and why has it declined in volume during the time when other industries have increased?

If all the land in the United States were like your garden and there were other fabrics with the same qualities as wool it might be hard to justify a sheep industry. But neither of those statements are true. The vast western ranges comprise 800,000,000 acres. About 90 percent of this area is usable mainly for grazing purposes. This can be made useful to humanity only through the medium of cattle or sheep. Since much of this area is not profitable for cattle production, it follows that sheep alone can gather and convert its resources into usable products. A similar condition in lesser extent exists in every State. In the Middle West and East and South there are native forages and crops, both planted and volunteer which only sheep can harvest efficiently. Now bring into your thinking the fact that less than 5 percent of lamb meat consumed in the United States has been produced from grain and 95 percent from pasture and roughage and you are forced to the conclusion that a sheep industry of considerable extent is necessary, if for nothing else, merely to prevent extensive waste in our agricultural economy.

Then consider wool. I do not need to tell this committee that wool is absorbent, elastic, warm in winter, cool in summer, and so forth, and that no other fabric, synthetic or otherwise, has these items so important to health to as great a degree as wool. Add to this picture the fact that modern science has largely eliminated the few old-time objections to wool use and it is easy to see why our people in greatly increasing numbers, as well as our Army and Navy purchasing departments, are insisting on wool as a basis for much of their clothing.

Now what has caused the recent fading out of the sheep industry? This is the most important information which we who have been through actual sheep operations of the last three decades can give to you who are planning the set-up for the future. This rise in sheep population from 1910 to the maximum of 48,000,000 in 1942 was accomplished under the following pertinent conditions:

1. A tariff which was intended to, and within reasonable limits did, equalize the cost of production of wool here with that in other wool-producing countries that compete for our wool market, and

2. Almost a complete absence in Government not only of actual regulations limiting production but even of talk concerning the limiting of production. It was just assumed that nothing should stand in the way of making available for human use whatever resources we had which sheep could use best. This was very important to us who were in business, because sheep raising is not something that can be turned on and off at will by the day or month, or even by the year. When you're in, you're in for better or worse and for a considerable time. When you're out, you're out until you can reassemble a proper combination of capital, feed conditions, and assured labor on a fairly permanent basis. In fact, it has been the historic pattern of sheep enterprises that they have learned to adjust fairly well to the rigors of climate and the fluctuations of price changes in a free economy, but they stand completely unnerved and helpless when Government frequently and arbitrarily changes the factors on which their possibility of profit and often even the preservation of their life's savings depend.

Think now what has happened since the peak years of our sheep population.

1. There has been a reduction of 25 percent in the tariff on wool. This is exactly the opposite of what should have been done to stimulate sheep production, because since 1941 the costs of producing wool in the United States have increased faster than in competitive countries. Nothing has been done to compensate for this loss. As a matter of fact, prominent Government spokesmen have indicated further tariff reduction on wool. Considerable sheep production has been lost here.

2. During the war there were ceilings on meat and wool prices. It is true there were subsidies which partially compensated, but the subsidies were limited compensation when compared to the vastly increased costs of labor and supplies. Those costs are still with us. More production has fallen by the wayside on this score.

3. Then there was talk by Government officials promoting the fantastic idea of exclusive grain diets and there has been a consistent attitude of Government support of grain production but a consistent refusal to list wool as a basis commodity. But no one with even a superficial knowledge of the position of the industry in over-all United States economy can deny that from the standpoint of our consumers and our military forces it is truly a basic commodity. Nevertheless, on one day we see Government extolling the needs of a sizable wool industry and talking of means to increase production, on the next we witness removal by Government of the very features that make production possible together with statements by prominent officials that we should buy our wool abroad. No realistic sheepman could study the Government policy of the past 8 years and invest his money in sheep. Still more production was lost for this reason.

4. And to cap the climax, there has been a very considerable Government tendency of late years to use public lands for many purposes other than livestock and wool production. Because of the fact that around 50 percent of the beef cattle and sheep slaughtered in the United States have historically been developed on ranges, it is easy to see what a revolutionary result this new policy is having on meat and wool production. We simply cannot afford to expand

production in the face of this policy. If the Government or the people continue to establish policies which limit the use of the grass that grows on our vast western areas, all we can say is they will have to do with a much reduced sheep industry.

But we did not come here to lament the past. Nor have we come primarily to criticize the Government for doing the things which I have just related. Please believe this to be a truly impartial, nonpolitical and factual listing of the pertinent deterrents to our industry expansion. All of these changes have been the result of a new philosophy of the relation of individuals to Government, the exact effect of which no one yet knows. Many wool growers in the past did not support these changed philosophies from the standpoint of practical use of national resources. May do not now, and it is furthest from our thought to issue anything in the nature of an ultimatum. But, since we are closest to the situation and feel that we understand the temperament of those who could be looked to for increased sheep production, we beg leave to say that your committee by its attitude toward and action on the long range sheep program will determine what sort of a sheep industry we as producers will be able to develop in the future.

Let me now list the principles on which we find ourselves in agreement with the Secretary of Agriculture in his announcement of April 7. We believe there is plenty of mutual ground on which to build a workable program for an expanding sheep industry.

We agree that agriculture and especially livestock agriculture must be a partner in the making of any worth-while prosperty (p. 31).

We agree that a large livestock population constitutes a reserve strength for our country (p. 9).

We agree that American business depends on agriculture for raw materials and business is starved if farm production goes down (p. 7).

We agree that as long as the current international trade relations are continued, Government must have some authority to support important commodities and meet national emergencies (p. 19).

We agree that such programs should be planned to cope with problems currently in sight (p. 3).

We agree that price supports now appear as the farmer's and livestocks man's only equivalent of the laboring man's minimum wage, social security and collective bargaining arrangements (p. 11). This is especially true in our industry because the minimum wages, social security and collective bargaining arrangements of business actually establish for us, directly or indirectly and without recourse by us, the cost of the items of labor, feed and technical supplies which our industry required.

And we agree that Congress should determine at least in general what products should be supported as well as at what approximate level the support should be. But we think that the details of support technique can be most practically set up by conferences of Department of Agriculture officials appointed to administer the particular program, with representatives of the industries involved.

Now, in spite of those areas of general agreement which we think are broad enough to cover actions that would increase sheep production in the United States, we see nothing in the Secretary's statement of April 7 or in his subsequent remarks before this committee that is definite enough to encourage livestockmen to grow more sheep.

Speaking concretely, the Secretary was asked by one of you "What about wool?" His reply was, "We'll take a good look at that later." We want to emphasize here again that ever since 1940 Government has been taking a series of "good looks" and sheep production has dwindled from 46,000,000 to 28,000,000. Do we want to "fiddle while Rome burns"?

In his letter inviting us to appear here today, Chairman Pace raised seven specific questions. We now desire to answer those questions in the light of our statement on the condition of our industry and the points of agreement which appear possible with the program of the Secretary of Agriculture.

1. Do livestock producers want price support? Our answer is that sheepmen see no alternative to some type of price support or compensation payment if liquidation is to be stopped and production placed at an optimum level.

2. What should be the level of support? It should compensate for tariff already lost, balance any tariff reductions in the future and set up at least a token incentive so that there would be no doubt about future Government attitude toward maintaining a wool-producing industry.

3. Should price support be mandatory or discretionary with the Secretary of Agriculture? It should be mandatory until production reaches 360,000,000 pounds of wool per year, which is the minimum amount considered permissible for the safety and economic stability of the country.

4. What type of controls should be set up to regulate the production or marketing of sheep and wool in order for producers to be eligible for price support? There should be no controls of any kind unless and until wool production in the United States arrives at the 360,000,000 pound yearly level. If and when production reaches this level, we should have another look at the support program.

5. Should price support be carried out through loans, purchases, direct payments to producers, or through some other methods? We believe that among the price support methods mentioned by the Secretary of Agriculture on page 20 of his April 7 statement, there is sufficient variation to permit arriving at a simple and workable support operation by consultation of leaders of our industry with the officials of the Department of Agriculture who may be designated to administer the program.

Just for example consider this. Here is an industry which is necessary to the country, which is in deficiency production, which is actually starving because its historic supports have been removed. It would cost Government less to support it than in the case of any other industry of anything like equal importance to the country. We suggest that if there is any question of the desirability of production payments now is the very best opportunity for a trial test. It should suffice to stipulate here however that the program finally arrived at pass these tests:

1. It should actually stimulate wool production.
2. It should be simple enough to be understood both by producers and consumers of wool.
3. It should allow a minimum of possibility for sidetracking Government support to anyone not actually responsible for production and a maximum of support to the most efficient producers.

In summary then, if our statement has seemed a little at variance with your already-thought-out ideas of commodity support, it is because our industry is in a very different current position from other industries of similar importance to the American people.

The practical question that confronts us is not how small an outlay from the Treasury will suffice to bolster the income of the people now engaged in producing sheep. For the longtime benefit of everyone, the much more pertinent question is: What sort of a Government policy will stimulate an early increase in sheep and wool production?

Such a policy must compensate for the removal of supports upon which the industry was originally built.

Such a policy must indicate at least by token support now and more substantial support if depression comes that the Government actually considers the industry important to the country.

Above all, such policy must carefully desist from setting up situations that discourage sheepmen from increasing production.

If Government will do these simple and relatively inexpensive things, we of the industry are convinced that greater production will result with surer returns to ourselves and at the same time lower prices to consumers.

Mr. PACE. Thank you very much, Mr. Vaughn.

Are there any questions?

The CHAIRMAN. Mr. Vaughn, you are president of the National Wool Growers Association.

Mr. VAUGHN. That is right.

The CHAIRMAN. Do you intend this complaint against the Government in view of the support price which the Government has provided for wool during the emergency? Do you feel justified in making the complaint?

Mr. VAUGHN. The support price to which you refer, I assume, is the policy which the Government now has of buying wool from farmers?

The CHAIRMAN. It is not only a policy; it is the law, and it is financed by the taxpayers' money to supports at 110 percent of parity. Wool has been given preferential treatment over and above that given to any other commodity in the country, and yet you say that we have been sitting here "fiddling while Rome burns."

Mr. VAUGHN. I stated in my statement that I hoped it would be sufficiently clear that this was not intended as an over-all criticism of the Government.

The CHAIRMAN. What do you mean, that we are sitting here fiddling while Rome is burning, and letting the wool industry of the country go to the dogs, so to speak? What do you mean by that?

Mr. VAUGHN. I mean just this. The Government has changed its attitude on the importance of the wool industry on numerous occasions; since 1940 in particular, and from that standpoint the man who expects, or is contemplating going into an expanded sheep production is forced to hesitate.

The CHAIRMAN. Forced to hesitate? Do you not know that the producers of every agricultural commodity are forced to hesitate now in this postwar period of great change and reconversion?

Mr. VAUGHN. This hesitation took place before the postwar period. It took place shortly after 1942, while the war was still on.

The CHAIRMAN. And Rome was actually burning in 1942?

Mr. VAUGHN. We understand that.

The CHAIRMAN. We were not fiddling. It just seems to me you do not have a single word of commendation in this statement for the acts of Congress.

I want to say to you that the wool growers of this Nation are ably and well represented in Congress, as evidenced by the fact that they secured for the wool industry of America more consideration than was accorded to any other commodity.

Mr. VAUGHN. I am glad that you brought that matter up because you are stating a fact which I think all of the wool industry, and certainly the officers, understand—that at the time the present support program was instituted it was the effort of the Congress to cooperate with the sheepmen. I think that I stated that; at least, I implied it here. The point is that since that time many Congressmen have made statements to the effect that wool is not an important industry.

The CHAIRMAN. But the fact remains that we have continued to support wool, and we are supporting it now.

You say that we lowered the tariff. That was done, as you know, in the interest of the wool trade, but we have more than compensated for the lowering of the tariff by providing an abnormally high support program for wool.

Mr. VAUGHN. I should like to call the Congressman's attention to the fact that the tariff was lowered 25 percent after the present program was put into effect, and nothing has actually been done to actually compensate for it.

The CHAIRMAN. What support price do you want for wool? Is not 110 percent of parity enough?

Mr. VAUGHN. We did not come here to argue the details of the support price.

The CHAIRMAN. But you came here with an entirely critical statement. There was nothing in it commendatory, from one end of it to the other. There was nothing commendatory of the acts of Congress.

Mr. VAUGHN. I think that you have misinterpreted my statement.

The CHAIRMAN. I have tried my best to see something in here to the contrary, but I have not found it.

Mr. VAUGHN. I have said at various times the Government has supported it. Then again they have changed their minds.

The CHAIRMAN. We have changed our minds? You are talking now to the Government. This is the Government up here right now, so far as this is concerned. When have we changed our minds and adversely affected the wool growers?

Mr. VAUGHN. In 1943.

The CHAIRMAN. What did we do?

Mr. VAUGHN. You put into operation the present wool-purchasing program. Do you agree?

The CHAIRMAN. Has that been disadvantageous to the growers?

Mr. VAUGHN. Could I ask you the question, Do you agree that in 1943 you did put that program into operation?

The CHAIRMAN. And I am asking you, Is that a disadvantageous program?

Mr. VAUGHN. At the time it was the best that could be accomplished, and we accepted it in good faith.

The CHAIRMAN. Are we to be criticized for the best that we could do?

Mr. VAUGHN. You asked me a specific question.

The CHAIRMAN. I have asked you where we have injured or embarrassed the wool industry.

Mr. VAUGHN. And I am saying that soon after you put that program into operation, which you considered a desirable support program, and which we accepted in good faith, you reduced the tariff, or somebody reduced the tariff 25 percent, which has never been compensated for, and during all this period costs have risen.

The CHAIRMAN. What difference would it make if we repealed the tariff entirely as long as we gave the domestic producer a support price of 110 percent of parity? How could that hurt you?

Mr. VAUGHN. It could hurt us very seriously.

The CHAIRMAN. How?

Mr. VAUGHN. At the present time only one-third of the wool which is consumed in the United States is produced here.

The CHAIRMAN. If you get 110 percent of parity on whatever you produce, that is all that you should ask for. Do you not believe that?

Mr. VAUGHN. Let me think a moment on that.

The CHAIRMAN. I think that you need to do a little more thinking.

Mr. VAUGHN. I beg your pardon. I would like to have a deep thought on it because I assume you have not agreed with my presentation. I would like for my secretary to make a statement on that.

STATEMENT OF J. M. JONES, SECRETARY OF THE NATIONAL WOOL GROWERS ASSOCIATION

Mr. JONES. I agree with my president, Mr. Chairman, that we have appreciated the support program since 1943. I do not agree that we have had a support at the level of 110 percent of parity. Our support level has been, 2 years after the beginning of the program—that would be 1945—42.3 cents per grease-pound on wool, and at the present level of parity which we never considered correct and which we presented to this committee a year ago was not a proper calculation, the parity today is about 46.5 cents. Ninety percent of that would be right in the neighborhood of 42.3, the present support program.

Under the Secretary's proposal, we grant you that wool has been increased from the level which would be applicable to the Agricultural Act of 1948, by about 6.4 cents per grease-pound above that level, but we also believe from the Secretary's statement and from his proposal that even though there might be sufficient money to support wool after the priority commodities were supported, he would not support wool at the so-called income level, or purchasing-power level for wool. He would, if we understand it, support it for priority commodities but not for wool. He would support at whatever level he determined was necessary to do the job.

The CHAIRMAN. What statement of the Secretary do you have reference to?

Mr. JONES. The cross-examination and the statement of his proposal in which he was asked the other day, April 26——

The CHAIRMAN. Do you mean the statement of April 7?

Mr. JONES. And the subsequent examination.

The CHAIRMAN. That deals with the future program.

Mr. JONES. That is right.

The CHAIRMAN. I will ask this question: How has Congress by congressional action injured the wool industry of this country?

Mr. VAUGHN. May I answer that? That question embodies the idea entirely different from what I conceive to be your question. You say, "How has Congress by its action injured the wool industry?"

The CHAIRMAN. That is right.

Mr. VAUGHN. The question was answered on the basis of the tariff reduction which Congress did not have anything to do with, so far as I know.

The CHAIRMAN. Why did it not? Congress provides the tariff law.

Mr. VAUGHN. Did Congress approve the 25-percent reduction?

The CHAIRMAN. Certainly. We gave the authority.

Mr. VAUGHN. So far as I know, Congress never discussed that particular feature. Possibly it did.

The CHAIRMAN. I will come back to my question—Suppose that we repeal it outright, as long as we support you at 110 percent of parity, why do you complain?

Mr. VAUGHN. That situation has not come up yet.

The CHAIRMAN. You are complaining because we lowered the tariff 25 percent in the interest of world trade, but we compensated for it by giving you a support price which would prevent your being injured in any way.

Mr. VAUGHN. That statement is only partly correct, as I see it, because you did not compensate after your reduction of the tariff.

The CHAIRMAN. In other words, you want something more than 110 percent of parity?

Mr. POAGE. As a matter of fact, cotton gets 90 percent of parity. That is all that cotton gets in the way of support. Is that right?

Mr. VAUGHN. That is right.

Mr. POAGE. Tobacco gets 90 percent of parity and that is all that it gets in the way of support.

Mr. VAUGHN. I can agree with that.

Mr. POAGE. Corn gets 90 percent of parity and that is all that it gets in the way of support.

Mr. VAUGHN. That is correct.

Mr. POAGE. Now then, we have said to the wool people we are going to give you support. I know that it is on a fixed basis, the 42 cents based on what the price of wool was on a certain date, but it figures a high percent of parity; as high as it does for any other commodity; does it not?

Mr. VAUGHN. I think so.

Mr. POAGE. Now, if that is true, and we are giving you a support just as high as we are supporting any other commodity in the United States, wherein are you being discriminated against?

Mr. VAUGHN. I did not come here, gentlemen, to get into that kind of an argument.

Mr. POAGE. After all, you are asking us to pass legislation here and we want to know—do you want the same treatment that we accord every other farm product in the United States? I want to say that I think that you are entitled to just as much protection as cotton, tobacco or corn or milk, but I think, and my State grows more wool than any other in the Union, that the wool man is not entitled to a more favorable position than anyone else. Are you satisfied to take the same treatment that we give cotton?

Mr. VAUGHN. Certainly. I am glad, if for nothing else, to hear you make that statement. The reason that I presented my argument the way I did is because you know as well as I that livestock men historically have been opposed to subsidies and Government payments. We are now, as far as the wool industry is concerned, putting ourselves on a little different basis. We are trying to say to our Government that although we have historically been opposed to tariff reductions and opposed to reciprocal trade agreements, we admit those are in the administration's policy and we are trying to adjust ourselves to those on a basis on which we can go ahead and increase production.

Mr. POAGE. Would you be willing to say that if this committee treats you the same as we treat other commodities or at least as favorably, you will be satisfied? I cannot see how in the world it would make any difference to you what the tariff is if you have a support price for your 360,000,000 pounds of wool. I agree with you that you should be allowed to grow a minimum, but if you produce above that certainly you ought to suffer a cut in production just as the cotton grower or anyone else does. Would you then be satisfied and quit complaining about our tariff policy? There is nobody in the United States who has done more just plain bellyaching about the tariff policy than the wool people. Why should you come around here complaining when you accept the same kind of treatment everyone else in the United States gets? If we give you that treatment what difference does the tariff policy make to you if you know that you are going to get 90 percent of parity on your wool, all that you produce up to 360,000,000 pounds?

Mr. VAUGHN. Mr. Congressman, if you knew how much difficulty I have had in talking to my executive committee to get approval of this statement, which is almost revolutionary from the standpoint of the sheepmen in the effect that it does attempt to cooperate with the administration in Government in their international thinking and does attempt to say that we will take a subsidy in lieu of tariff you would know how serious I am in saying "Yes" to your question.

Mr. POAGE. Fine.

The CHAIRMAN. I would like to point out to you that in recent years the cotton acreage in this country has been reduced from 49,000,000 to 23,000,000. Even in one year, 1947, the tobacco crop in my county was reduced 28 percent and the farmers accepted that without complaint.

Mr. ANDRESEN. Now, Mr. Vaughn, is it not a fact all of these other commodities like cotton and wheat that are now under support have been produced in surplus quantity in this country, and that is not the case with wool. You do not produce enough wool to take care of the needs of the American people.

Mr. VAUGHN. Currently we produce about one-third of what they require.

Mr. ANDRESEN. Assuming that you are going to have a higher support price than what you are getting now for wool and there is no change made in the tariff law, what will be the effect on the dumping of world wool on the American market? Will there be less wool coming into the country than there is coming in now?

Mr. VAUGHN. Will you state that question again?

Mr. ANDRESEN. We will assume that you want 50 cents a pound support price on wool.

Mr. VAUGHN. Yes.

Mr. ANDRESEN. What will be the effect on the price of wool in this country? Will it increase or decrease?

Mr. VAUGHN. I assume that the policy under considesrtion would be the allowing of the wool to come into this country so that it would assume its level with relation to the world price and the tariff, and then a subsidy paid to the wool growers which would interest them in producing up to——

Mr. ANDRESEN. I asked you if we fixed the support price at 50 cents a pound for wool would that attract more wool from the other countries of the world?

Mr. VAUGHN. I do not see the relation of the support price which you might fix to the income. The tariff has to do that.

Mr. ANDRESEN. You raise one-third of the wool in the United States that is consumed here. That is what you want to say.

Mr. VAUGHN. That is right.

Mr. ANDRESEN. And we do not produce enough to take care of our needs.

Mr. VAUGHN. That is right.

Mr. ANDRESEN. If we raised the support price in this country that would be bound to attract more wool from other countries, if my economics are correct.

Mr. VAUGHN. I would think that would be true.

Mr. ANDRESEN. That would mean a lowering of the price in the market, and should you then sell your wool at the market price with more wool coming into this country, and if you favor it, you will have to have a larger payment from the Government, is that not right?

Mr. VAUGHN. I would think so, yes. It could not be anything else.

Mr. ANDRESEN. Then you favor the administration's proposal to make and maintain a high income standard for the producers of wool in this country and to compensate you for the difference between what the wool price is and what you should have to maintain prosperity for the wool producers.

Mr. VAUGHN. In general that statement is correct, although as a citizen we do not want them to go any higher than necessary, at least to produce this amount of 360,000,000 pounds, because it will all cost the Government money. We do maintain our original proposition that the reason why production is going down is that we do not, as growers, have confidence in the policy of the Government to do that thing.

Mr. ANDRESEN. As I understand you, you want to place the wool and sheep industry in a position where it is absolutely dependent every year for its livelihood and its ability to do business upon the Congress appropriating the necessary money to take care of your group, and have collection of taxes to meet that appropriation?

Mr. VAUGHN. My statement was that what I deemed necessary was at least a token representation or payment to show us that it is the Government policy to support wool and that the 360,000,000 pounds is still the amount of wool the Government figures should be in production.

Mr. ANDRESEN. I understand that. Assuming that we fix a support price on wool of 50 cents a pound and the price in this country goes to 25 cents a pound, then your growers under the proposal that was made to the committee by the secretary should get a check from the Government for 25 cents a pound to make up the difference. Is that what you want?

Mr. VAUGHN. We have no idea that that would be necessary, because if the price were to go down 50 percent, we assume that our costs would go down and that the amount of the subsidy would be out of sensible proportion.

Mr. ANDRESEN. Whatever the difference is, you would want a check from the Government for it.

Mr. VAUGHN. We think that some sort of check from the Government would be necessary to balance the reduction I say has been made in the tariff since any support was given us. That would be in order if we want to increase wool production.

Mr. ANDRESEN. I have always been in sympathy with the wool growers and I voted against the reciprocal trade law because I felt your industry should have the protection in order to produce more wool to take care of the needs of the American people. That has been my philosophy and still is, but now I see you want to abandon that philosophy and put all of your industry on the bounty of the Federal Government and the ability of the Congress to pass laws to collect taxes so as to pay you to stay in business.

Mr. VAUGHN. May I correct your statement a little.

Mr. ANDRESEN. You do not need to correct that. That is what you say here today.

Mr. VAUGHN. After all, you said that you were expressing our view, which is not quite true.

Mr. ANDRESEN. Do you not believe these compensatory payments, or payments that the Secretary has suggested, should be made to each industry?

Mr. VAUGHN. I said as long as the philosophy of the Government is that the tariff should be reduced and that the old-time idea of protecting home industry by tariff is no longer a protection to wool, then we accept payment and anything that is necessary in order to keep wool production up.

Mr. MURRAY. I think in this connection that the record should show that you would not be in the embarrassing position that you are in if you had the same consideration that my colleague from Texas wants to have you accept.

For example, if we had an embargo on wool imports as we have on wheat, and if we had an embargo on cotton imports as we have on cotton, and if we had an embargo on tobacco in the form of a tariff that is up one dollar a pound on some kinds of tobacco, as we have on tobacco, you would not be in this position because then you would be assured of the American market for the American sheep grower. But you are not in that position. For several years you have been in this position of having your imports twice your domestic production.

Mr. VAUGHN. That is right.

Mr. MURRAY. If we do not have some control over what comes into this country, we will be supporting the whole world because the support price will be higher than the world wool price plus the free trade approach we have under the present administration.

Mr. VAUGHN. I think that you have stated our policy in very good terms, and I certainly want to leave this committee with the idea that we are attempting to cooperate with the effort of the Government and the Congress to put wool into the hands of the consumers as cheaply as possible and still maintain an industry which is necessray in volume for the growth of the country.

Mr. PACE. Thank you very much, Mr. VAUGHN. It will be the pleasure of the committee now to hear from Mr. A. A. Smith, President of the American National Live Stock Association.

STATEMENT OF A. A. SMITH, PRESIDENT OF THE AMERICAN NATIONAL LIVE STOCK ASSOCIATION

The American National Live Stock Association represents principally the range cattle growers of the Western and Southern States. In addition, we have in our membership many feeders located mainly in the irrigated valleys of the West and a scattered membership in other parts of the country.

In preparing this statement I have advised with representatives of our association from different sections of the country, and there are with me here today Loren C. Bamert, our first vice president from California; R. J. Hawes of Twin Falls, Idaho; George A. Godfrey of Animas, N. Mex.; and P. E. Williams of Davenport, Fla. They fully concur in the statement presented herewith.

We find it difficult to present a clear and concise statement on this proposed farm program for the simple reason that we have not been able to find anyone who can explain to us how it would apply to the beef cattle industry. We have diligently inquired of many persons in the Department of Agriculture but the best we can ascertain is that there is no working plan as yet and that many of the details in which we would be interested have not been worked out.

No bill has, as yet, been introduced to spell out exactly what is proposed so, to a certain extent, we are testifying in the dark.

It has been the historic position of the American National Live Stock Association to oppose governmental subsidies and controls. I wish to reiterate our belief that that position is correct. We are opposed to over-all grants of authority that inevitably will tend more and more to regiment the entire industry.

Aside from our belief that such subsidies and controls are fundamentally unsound, the very nature of our industry is such that it does not lend itself to operation under such controls. There is no fixed pattern of operation for a cattle producing ranch. Even in the same neighborhood there may be several different types of operation. There are various steps in the production of cattle as between the original ranch on which the calf is born and the final trip to the packing house. Often cattle change ownership several times in the process of beef production.

There are innumerable grades and types of cattle, as well as various weight and price subdivisions. The spread between the top and bottom of the market is always the narrowest in the spring, yet even now there is approximately a spread of $15 between the top and the bottom grades at the Chicago market. It is possible for cattle to sell at every 5-cent notch between the top and the bottom. In the fall of the year, when fed cattle are scarce and the range cattle represent the bulk of the movement, the spread is oridinarily much greater between the top and the bottom grades. It would be a difficult, expensive, and, we think, an impossible operation to attempt to keep track of all the transactions which even in the case of a medium-sized operator might involve numerous sales running from a single animal up to one or more carloads.

Under the OPA there was a limited application of direct subsidy payments to feeders of cattle and to producers of lambs and dairy products. The experience then gained indicated that uncertainties over the application of the subsidy payments tended to confuse both the producers and the processors and we think the net result, if attempted on a large scale as here proposed, would reduce production rather than stimulate it.

We call attention to the fact that the Secretary stated that 2 percent of the farms or ranches would be excluded from the income support standards established, and that he further stated this same 2 percent sold almost 25 percent of the entire farm products marketed. We believe that in the cattle ranching business, a very much greater percentage of all the units would fall in this class than in the average of all farms. A cattle operation which would come within the 1,800 units prescribed, even if nothing else were produced, would be considered a small ranching operation. It would hardly be an economic unit and many of the ranches throughout the whole range country produce substantially more than the minimum established and yet, as stated above, are not considered large and in many cases, not even medium-sized operations.

We question the effectiveness of any attempt to control a given commodity when as much as 25 percent of the production of that commodity is not covered by the proposed control program.

We think the program would discourage the feeding of cattle, particularly in commercial feed lots which are a substantial factor in beef production. All such operations would be excluded from the support level by the small maximum. They produce beef on a year round basis, while the farm feeding is much more seasonal, and the bulk of farm fed cattle are marketed in time for the farmer to get at his spring work.

In the irrigated valleys of the West and on many Corn Belt farms the total production of an average 160-acre farm far exceeds the 1,800 unit level. The cost of unit production on these irrigated farms is necessarily high and the output likewise must be high. Feeding livestock is an essential part of that operation.

At the same time that there is danger that cattle feeding would be discouraged, as indicated above, it would appear that the reduction of acres planted to corn, wheat, and other crops necessary to prevent serious surpluses, would result in increased production of stocker and feeder cattle not suitable for immediate slaughter. In the Corn Belt, shifts can be made from one crop to another at will. In the range-cattle-producing country of the West and South we have no such alternative. Grass is the main crop and if overproduction of cattle were brought about by a shift from grain and other crops to grass in the Corn Belt, it would create some very difficult problems in the range country. Much livestock is run on public lands, the land under the control of the Forest Service, the Bureau of Land Management and the Soil Conservation Service, and these are all on a definite permitted-number basis. To arbitrarily reduce production on range operations where there is no alternative crop that can be produced, would simply lessen the gross income of all people affected.

The cattle industry is one in which long-time planning as to operations is essential. Plans cannot be suddenly changed if we are to have efficient production. It takes 2 to 3 years from the breeding of a cow to the selling of a young beef animal.

We think there are other reasons, general in character, which should impose caution on the Congress in dealing with this program. While no estimate has, as yet, been made of the total cost of the program proposed, it seems inevitable that it would add tremendously to the already heavy tax burden. We believe that instead of adding to the tax burden under the conditions that exist today, steps should be taken to reduce it.

During the past year we have had a sharp increase in the importation of livestock and meat. The total imports of beef cattle and calves, dressed beef and veal from Canada between August 16, 1948, the day Canada's export ban was lifted, and December 31, 1948, all converted to a live-animal basis, were approximately 445,000 head. The imports of canned beef, largely from South America, for the calendar year 1948, were 129,200,000 pounds, the equivalent of approximately 650,000 live cattle. Instead of moving in the direction of production controls as this program does, it would seem more equitable to give the American producer a larger share of the American market and avoid any possibility of making production controls necessary.

Further, under the Agricultural Research Marketing program, adopted a couple of years ago, we have only scratched the surface in an endeavor to find new uses for our products or to develop new crops and products which would find a demand in this great country of ours and help replace crops which now are in surplus production.

Finally, may I suggest that this program is of such tremendous importance to the entire agricultural industry of this country that it should receive the most careful scrutiny and be thoroughly explored in every detail before any attempt is made to write it into law.

Mr. Pace. Judge Smith, let me summarize your statement briefly, if I might.

You propose no support program of any character for livestock; is that correct?

Mr. Smith. That is correct. I am speaking for cattle.

Mr. Pace. The members of your association are opposed to any program for livestock?

Mr. Smith. I am speaking for the cattleman, of course.

Mr. Pace. Yes.

Mr. Smith. That is true.

Mr. Pace. You are opposed to the production-payment plan proposed by the Secretary?

Mr. Smith. That is right.

Mr. Pace. You are opposed to the 1,800-unit limitation on supports as proposed by the Secretary?

Mr. Smith. We are.

Mr. Pace. You are opposed to the present liberal imports of beef and beef products into this country?

Mr. Smith. We are.

Mr. PACE. And the only recommendation that might be construed from your statement is the continuation of efforts under research?

Mr. SMITH. That is right.

Mr. PACE. For finding greater markets?

Mr. SMITH. That is right.

Mr. PACE. Is that a full and fair summary of your statement?

Mr. SMITH. I think that is true.

Mr. PACE. Finally, then, your recommendation with respect to the Secretary's proposal would be that you be left out of it?

Mr. SMITH. That is right.

Mr. PACE. And the information of the committee is that, under the Agricultural Act of 1948, commonly referred to as the Aiken bill, you are left out; there is no provision in the Aiken bill under which cattle could be supported at any level.

Mr. SMITH. That is my understanding.

Mr. PACE. And that is the way you want it?

Mr. SMITH. That is right.

Mr. HILL. Mr. Chairman, I would just like Mr. Smith to give you a brief statement of his experience in the livestock industry. Mr. Smith comes from Sterling, Colo., in my district, and I think the committee should have the benefit of the experience Mr. Smith has had in this industry so that you know, when he is talking, that he is talking from a lifetime of experience.

If you will just say a word about what you know about the livestock industry from actual experience, I think it would help the committee.

Mr. SMITH. I was born on a farm; I have been at it all my life. I am 73 years old and have been very actively engaged in Sterling, Colo., since I was 14, and am quite heavily engaged in the production and feeding of cattle.

Mr. HILL. Tell us something about your operations, so that this committee will know you are not just in today and out tomorrow.

Mr. SMITH. My operation at the present time is very much smaller than it used to be. I run about 700 cattle. I do not know, under this program, whether I would be in or out. I do not breed cattle. I do not know whether the Secretary means that I get the whole payment, if there is a payment made; I do not know whether I have to account to the man I buy from. In other words, I buy light yearlings weighing about 600 pounds. I do not know whether I have to account to this first man for those 600 pounds and I get the 375 to 400 pounds that I put on, or whether that is passed on to the man who buys my cattle and puts them in the feed lot.

Mr. PACE. Let me help you there. I understand the Secretary's statement to the committee was that the payment would go to the final man who sells the beef for slaughter, for processing. In many cases, it would, therefore, go to the feed-lot operator, as I understood his statement.

Mr. SMITH. Of course, you understand I do not want it at all; but if I have to take it, I would like to know how it operates.

Mr. HILL. Just one other thing. Mr. Smith closed his statement by saying—

> that this program is of such tremendous importance to the entire agricultural industry of this country that it should receive the most careful scrutiny and be thoroughly explored in every detail before any attempt is made to write it into law.

So you do say, in closing, if they want to go to work and explore the whole field or realm of the production of livestock, your organization has no objection to that whatsoever; is that correct?

Mr. SMITH. None whatever; no.

Mr. GRANGER. Mr. Smith, I was out to Denver 2 weeks ago today, and I saw at least 50 or 100 men come into the yard with cattle they had fed, and they were losing $100 a head. You think that is all right?

Mr. SMITH. No; I do not. I have not made any such statement. But there are a great many things that contribute to that loss.

Mr. GRANGER. But you do not want anything done about it; you just think that will right itself?

Mr. SMITH. No; I do not want the Government to guarantee me profits or against losses. I want them to give me a reasonable chance to operate my business.

Mr. GRANGER. But you know that situation exists?

Mr. SMITH. I know that is true; yes.

Mr. GRANGER. And many of the feeders, as they have for the last 50 years, I know, have gone broke constantly feeding cattle. You know that, do you not?

Mr. SMITH. Well, I have been broke myself. Yes.

Mr. GRANGER. So have I.

Mr. SMITH. Yes.

Mr. GRANGER. And you do not want to do anything about it?

Mr. SMITH. I do not want to do it in this way; no. I would not say I do not want to do anything about it.

Mr. GRANGER. But you have no program and are opposed to everything that has been suggested. Do you not have a constructive idea to offer this committee of what we might do?

Mr. SMITH. I have offered one. I believe in the American market for the American producer.

Mr. GRANGER. You know we have compensated for the cattle that come from South America by a strict quarantine against Mexican cattle that used to come in at the rate of 500,000 a year; you know that, do you not?

Mr. SMITH. You have compensated for them, you say?

Mr. GRANGER. I say you brought in formerly what was the equivalent of 650,000 head in canned meat, and to offset that—not voluntarily but of necessity, because of disease in Mexican cattle—we have barred the importation of 500,000 head of cattle that normally came to this country.

Mr. SMITH. You know, Mr. Granger, I presume, that up until August there was no prohibition against the importation of cattle from Canada, but due to an agreement between our Government and the English Government, all of it went to England. And no cattle was coming in from the south for the same reason, and all of a sudden that was dumped.

Mr. GRANGER. There has not been any change in that, Mr. Smith.

Mr. SMITH. I beg pardon?

Mr. GRANGER. You know as well as I do that the number of cattle that could come in from Canada was restricted, and they could not exceed that number.

Mr. SMITH. They were entirely prevented from coming to this country until August 10, 1948.

Mr. GRANGER. No; they were not prevented. That is in the tariff law, and it has not been changed at all.

Mr. MURRAY. I do not know if there is any quota or not, but a quota that does not protect does not mean anything.

Mr. SMITH. There was none coming in until August 16, 1948.

Mr. MURRAY. I went through the Middle West at that time. That was when the thing started to decline in price, because they were all talking about Canadian cattle; but for the benefit of the record, Mr. Smith, I would like to point out that before the war we had more cattle used for milk than we had going into beef.

Mr. SMITH. That is right.

Mr. MURRAY. And, of course, they did not have time to milk during the war, and now we have a little more so-called beef cattle in the United States than dairy cattle. But, as times get rough, as you know from many years' operation, people start to milking cows. So you are only speaking for the range-stock men. You would not want to take the position that your people sell all the beef and veal of the Nation but only 55 to 60 percent of it.

Mr. SMITH. I am not talking for the dairy man at all.

Mr. MURRAY. But that is where over 40 percent of it comes from.

Mr. SMITH. That is not our part of the business at all.

Mr. MURRAY. Then you have as part of these agricultural subsidies an indirect support. I think you realize that. For example, if hogs are supported, that will have an influence on the price of beef.

Mr. SMITH. That is right.

Mr. MURRAY. And all you are asking for is the American market for the American farmer?

Mr. SMITH. That is right.

Mr. MURRAY. And by lowering the duty a dozen times on livestock and livestock products in the last 15 years, we jeopardized, according to my analysis—and I guess yours—the system of agriculture that really would conserve the soil and we have spent money on the soil-depleting crops to the extent that we have to use public funds to get rid of the surplus after we pay them for riasing, or not raising it in some cases.

Mr. SMITH. That is right.

Mr. PACE. Thank you very much, Mr. Smith.

It is now the pleasure of the committee to hear Mr. Bryant Edwards, president of the Texas and Southwestern Cattle Raisers Association.

STATEMENT OF BRYANT EDWARDS, PRESIDENT, TEXAS AND SOUTHWESTERN CATTLE RAISERS ASSOCIATION

Mr. EDWARDS. Mr. Chairman and gentlemen of the committee, my name is Bryant Edwards. I am president of the Texas and Southwestern Cattle Raisers Association, for which organization I am now appearing. The principal office of that association is located in the Burkburnett Building, Fort Worth, Tex.

For our organization and for myself I thank you for the privilege you are extending us in allowing us to appear at this time and express our views concerning the proposals that have been made recently to you by the Secretary of Agriculture.

At the outset I want to make one thing perfectly clear. I speak only as a cowman—a producer of range beef cattle and the organization I represent is composed of that type of people. My remarks are confined strictly to an expression of the views of range producers of beef cattle. I do not, in any way, make any representation to you relative to any other segment of agriculture. But the view I express here today is believed by me to be the view of the beef cowmen of the Nation.

We have read Secretary Brannan's proposal in its original form and have seen his supplemental explanatory remarks. We are also aware of the testimony given by the Secretary before this committee. And we have seen many comments on this plan in the country newspapers in the range country. Our remarks are founded on these items. We have not seen the proposed bill which Secretary Brannan stated had been prepared in the Department of Agriculture.

We are opposed to Secretary Brannan's program insofar as it relates to beef cattle and beef. We want no part of it.

Among the reasons for our opposition to the Secretary's plan are the following:

I. HISTORICAL

At no time in the history of this Nation has our industry ever sought governmental support of prices. Nor has our industry ever been subjected to any character of program even resembling such a plan.

Even at the time when other segments of agriculture were recommending to the Congress the adoption of programs of price supports our industry consistently asked to be left out of all such movements. The production of cattle has never been classified by the Congress as a basic industry largely because the people engaged in that industry have uniformly opposed such classification. For the same reasons beef cattle have never been classified as a basic commodity. And beef, which is the ultimate form of our production, has likewise always avoided classification as a basic commodity. These statements refer both to the basic law and to the Steagall amendment.

The position of our industry is unchanged. We realize that, regardless of whether we are included in or excluded from artificial definitions, the importance of our industry is well known and appreciated. And we realize that our industry contributes substantially to the general agricultural income. We have neither the desire nor the intent to allow that contribution to decrease. But we know that the basic character of our industry, and the nature of the people engaged in it are such that the prosperity of our branch of agriculture is better served by allowing us to live and operate in our historically independent but self-sustaining way.

II. INDEFINITENESS OF THE PLAN

One thing that bothers us is the fact that we, and apparently the Secretary also, do not know how his program would work with reference to beef cattle.

I refer you to the Secretary's testimony as evidence of the fact that he had not thought this item out thoroughly. Until it was so thought out it should not have even been suggested to the Congress or to the industry. And Secretary Brannan told you he had not consulted the beef cattle industry at all. The Secretary, in answer to questions asked him by members of the committee, stated that he had not worked out the proposed program with reference to beef cattle in detail. He also made frequent reference to the fact that many items important to the industry had not been worked out and that "we will have to take a good look at that."

As illustrating the indefiniteness and uncertainty of the Secretary's position on items of essential importance, even his contradictory position, we point out that he stated in referring to hogs that the subsidy would be paid by buying pork. He then stated, in his supplemental filed statement, that an analogous program would be carried on in beef cattle, leaving the inference that the beef cattle subsidy would be paid by buying beef. Then he stated that the subsidy on beef cattle would be paid to the producers directly but modified this plan by saying that this subsidy would be paid to the last handler of the live animal, with the hope and expectation that the subsidy would be passed on back to the original producer. Experience has taught us, and should have taught everyone, that such hope and expectation is not realistic.

The Government has had experience in the payment of consumer beef subsidies. In the first place the Government was never able to evolve a workable plan for the direct payment of subsidies to beef cattle producers. It could not even evolve a plan it would try out. And when payment of such subsidies was attempted by indirection through the processors of beef, the friction of travel wore out the payment before it reached the producer.

Let us look at just one problem involved. It was stated that subsidies would be paid according to grades of the cattle. Who would grade these cattle? Where would they be graded, and when? An army of graders would be required to cover all the cattle markets. What would be done with reference to the substantial number of cattle sold for small-town slaughter? Who would grade or count them?

In selling cattle the producer tries to hold the grades up. The buyers try to press the grades down. Difference in judgment makes trades. But the ultimate grading is done on the carcass, after slaughter. Would the Government attempt to follow every animal from the range to the rack? If so, the task would be gigantic and the employees in this industry alone would outnumber the armed forces.

It is no wonder that the Secretary was both contradictory and uncertain when he was questioned about the application of his plan to the beef cattle industry. We feel that when he "takes a good look" at this problem he will strain both his optic nerve and his patience before he comes up with a practical, workable plan of operation. It is certain that he has none now.

In any event, it is expecting entirely too much to ask our industry to accept a plan, program or proposal when even the author and proponent of that plan does not know how it is supposed to work. Our business cannot, and in fact no business can, operate on guesses, hopes, and dreamy expectations. In any plan of operations in any endeavor, success depends on details carried out. Here we cannot know the details.

We people in the business of producing beef cattle are independently ambitious. We trade with each other all of the time, trying to outguess each other. We like this system and we do not want it interfered with. The proposed plan, with its accompanying controls, would take out of our economic life factors we like. We want to preserve our system and our independence.

Even if the basic philosophy of the program was not repugnant to us, which it certainly is, we could not accept a plan that is as indefinite and uncertain as is the Secretary's plan with reference to beef cattle.

III. NO NECESSITY FOR THE PLAN

In the Secretary's supplemental statement given to this committee on April 25, 1949, the following statement is made:

> I don't suppose anyone on the committee expects us to be in a program of supporting the price of beef cattle or lambs in the near future, but, if and when we are, the operation would be analogous to the hog example I have just given. * * *

We are sure that no one expects the Government to support beef cattle prices at any time soon. We are equally sure that no one in the business of producing beef cattle wants any such thing now or ever.

We have always been able to supply the demand for beef in this country without governmental price supports. We can still do so, and unless the Government intrudes too much into our business we will do so.

It may be interesting to point out some facts to the committee that are not generally known. We cattle producers of the United States are now producing, and for many years have produced, one-third of all of the beef produced in the world. The whole world annually produces about 65,900,000,000 pounds of meat. Of this total production from 37½ to 39½ billion pounds is beef and veal. The annual beef and veal production of the United States is 12,000,000,000 pounds, or approximately one-third of world's total. And the remarkable thing is that we Americans eat all of our own production together with a small amount imported from Canada.

The American people are real beef eaters. Fortunately, the American ranchmen are real beef producers. And these ranchmen have been able to supply the demand for beef for many years without the necessity of governmental subsidies. They do not now want this hand-out. They do not need it to make them produce. And they do not want to be forced to accept a subsidy instead of a fair market price.

The statement has been made that it is desirable to increase the beef-cattle population of this country. With time, which such a movement requires because of the laws of nature, this can and will be done. The sometimes ridiculed law of supply and demand will accomplish the desired result. There is already a trend in the industry to increase this beef-cattle population. The record shows that approximately 200,000 more 1- and 2-year-old heifers were kept on the range this year than last year. This means an increased breeding herd with resultant increased cattle population. The trend is not panicky. There is no big plunge. It is a gradual, healthy movement. It will continue to the saturation point. And we do have a saturation point. Range land will support only so many cattle, and when that number is reached no more can be successfully grazed. Fortunately that point of saturation is well above the possible demand or requirement of this country. We now have about 78½ million head of cattle in this country. About 42,000,000 of these are beef cattle. During the war we had 85,000,000 head of cattle, with half of them dairy cattle. Now we have 5½ million more beef than dairy cattle. And the number of beef cattle is again increasing. From wartime emergency demands we expected a reduction. We had it. We expect some further reduction in effective demand and we are attempting to adjust ourselves to such changes.

It is obvious that, insofar as the beef-cattle industry is concerned, the proposed plan is unneeded.

IV. FUNDAMENTAL OBJECTIONS

We ranch people do not like the basic philosophy of the proposed plan.

We do not believe in hand-outs, call them subsidies or "production payments" or anything you like. We believe that we, as a part of the citizenship of this Nation, should do our full part toward supporting our Government. We do not expect the Government to support us.

Our fathers built our industry on the American principle of free enterprise and independence of thought and action. We can imagine the graphic language that would have been used by one of our trail-driving ancestors to a proposal of a subsidy by the Government. And we can imagine what would have happened to some "economist" who would have had the temerity to tell an old cowman that the Government, or in particular the Secretary of Agriculture, would tell him how many cattle he could raise, or how many he could sell or where or when he had to sell them. And the character of the cowman has not changed.

And that is what the Brannan plan means. Perhaps not just yet, but it is the beginning of complete, unqualified, and absolutely controlled economy. This is strong language, but this conclusion is logical when you study that plan.

The plan now calls for immediate unlimited production with support prices applicable to only a part of such production. But the Secretary asks for authority to impose production controls and marketing quotas, either or both, as he may see fit. Imposition of the subsidy plan necessarily involves such controls. The Secretary has so stated and some members of the committee have agreed to this proposition. It is said that no one wants to impose complete controls—that producers should have faith in their officials and in their Government. Perhaps the present or even the next set of officials might not want to exercise this system of complete controls if given the opportunity, but some day there will come on the scene an individual who would not waste his given opportunity. And we do not want to give to anyone that opportunity. I am reminded of a statement made by Thomas Jefferson, the philosophy of which is applicable to the proposed plan. He said—

> Free government is founded in jealousy and not in confidence; it is jealousy and not confidence that prescribes limited constitutions to bind down those whom we are obliged to trust with power.

We may sound old-fashioned, but we still believe in the philosophy of Jefferson and we know no person in whom we have such confidence that we would entrust him with the power now requested by the Secretary of Agriculture.

Mr. PACE. Thank you very much, Mr. Edwards.

Mr. WORLEY. Mr. Chairman, I would like to ask Mr. Edwards a few questions. Mr. Edwards is not a constituent of mine, but he lives in an adjoining district. I have known him for quite some time; he is a typical and practical cowman.

I recall the testimony given by the Secretary of Agriculture when he was asked why the beef industry was included. It was because, I think, 17 cents out of every agricultural dollar came as a result of the sale of beef and the products of beef. Does that correspond to your figure—approximately 17 cents?

Mr. EDWARDS. It is 16½, I think.

Mr. WORLEY. I also recall the cattle industry has never been included in any type of governmental program except during the war when there was a subsidy.

Mr. EDWARDS. And we did not ask for that.

Mr. WORLEY. But it was supposedly done for the cattle industry and the consumers under the roll-back program?

Mr. EDWARDS. Yes, sir.

Mr. WORLEY. I understand, further, there is nobody who is even remotely connected with the cattle industry, no matter whether he is a feeder or what not, who wants any part of the proposed agricultural program. Is that correct?

Mr. EDWARDS. I think that is correct; I am sure it is.

Mr. WORLEY. You do not want to shoot both barrels at the Secretary of Agriculture for some assumptions that have clearly been made in testimony given this committee. He has had more than he could do. However, there seems to be no question, Mr. Edwards, but what there will be some sort of price-support program enacted by the current session of Congress for all agricultural production. Both political parties are on record for it.

Now, let me ask you this: assuming the beef industry is left completely out of any program—suppose that all other meats are in the program: What effect do you suppose that will have, if any, upon the beef-cattle industry if it is excluded from the program?

Mr. EDWARDS. I think the beef cattle people do not want any support at all. That is the only thing we are appearing on here.

Mr. WORLEY. There is no question in my mind—and I want to express my appreciation for the clarity of your statement—there is no question in anybody's mind that you want left completely out, but, before you can have any successful program under the Brannan plan, you have to have somebody making money to pay the taxes into the revenue department before you can use that money to make up the difference between the hog producer, for example, selling his product at the market price plus the support. In other words, you have to have somebody making money before you can pay it out of the Treasury.

Mr. EDWARDS. Yes. And to have a man making money for the support of someone else weakens it.

Mr. WORLEY. In other words, we cannot lift ourselves by our economic boot straps.

Mr. EDWARDS. We want to see our Nation as strong as it can be, and it takes strong people to make a strong nation, and, to make a strong man, he has to be able to support himself instead of being supported by the Government.

Mr. WORLEY. True. And on the one hand you have artificial supports which help the producer of other types of meat who asks for economic assurance; on the other hand, you have the beef producer who has absolutely no assurance at all except the economic law of supply and demand. I am trying to reconcile in my own mind just what is going to happen to that minority. Are you willing to take a chance on what might happen?

Mr. EDWARDS. Sure; we will take the chance.

Mr. WORLEY. You do not want any part of the program?

Mr. EDWARDS. We do not want any part of the program. We want to give our Government just that much strength.

Mr. ANDRESEN. Mr. Edwards, I do not understand you. I think you are a pretty good American, the kind we need more of in this country, but I do not understand you that if the beef industry will be left out of this proposal made by Secretary Brannan it would be all right. Do you think, if it is not right for you, that it would be right for the rest of the producers in the country?

Mr. EDWARDS. We do not, of course, believe—we believe in everybody, to make a strong nation, being able to support himself. If he has to be supported by someone else, he weakens himself and weakens the Nation. We are not going to get up and make any fight on what you give anybody else; we will probably keep our mouths shut about it.

Mr. ANDRESEN. But if we put in wool, hogs, and all of the other products and leave the cattle man out——

Mr. EDWARDS. We want to be left out.

Mr. ANDRESEN. But do not you see the danger there, that that is a creeping operation that would soon have everybody in it?

Mr. EDWARDS. Well, it may be somebody else is making a mistake besides us.

Mr. ANDRESEN. I do not think you are making a mistake, but certainly one trouble in this country, as I see it, is there are too few people who are ready to join together to stand for American principles.

Mr. EDWARDS. That is what we want.

Mr. ANDRESEN. They only think seriously for themselves. It is about time people got together to work to save this country rather than to let it go down to socialism.

Mr. HILL. Mr. Chairman, I would like to ask this question; I would like also to call Mr. Worley's attention to what the gentleman said in his second line. He said he represents the Southwestern Cattle Raisers Association. Then immediately the first question you asked him was to get him into the whole meat production. He is testifying for the Southwestern Cattle Raisers Association.

Mr. WORLEY. I appreciate the gentleman's suggestion.

Mr. Edwards, do you know a proposal has been made to conduct a so-called trial run under the Brannan program on one product, and do you have any reaction or comment on that?

Mr. EDWARDS. No; I have not.

Mr. MURRAY. In case they get that program over your dead body——

Mr. EDWARDS. They probably will.

Mr. MURRAY. I presume you support the position taken by Mr. Goss, head of the National Grange, in which he asks for a board rather than to have the power all concentrated in one individual?

Mr. EDWARDS. I am not trying to tell you how to handle it. We do not want any part of it; we want to get plum away from it.

Mr. MURRAY. Do you know anyone in the United States who has as much power today, without asking any more, as the Secretary of Agriculture, outside of the President himself?

Mr. EDWARDS. He has a lot of it, I know.

Mr. MURRAY. He controls pretty much our grocery bills.

What disturbs me is an editorial in the paper this morning that after farm prices have been cut from a third to a half, there is less than 1 percent difference in the cost of living in March 1948. That is what makes me question the Brannan plan; because, if we are going to help the consumer by it, why waste a few hundred million dollars more on the program?

Another pertinent point I think you brought out is that any one of us who knows anything about livestock knows you would have to have the thousands of OPA's and all of its relatives back on the Federal pay roll and with a shotgun out for everybody.

Mr. EDWARDS. Every cowman's business differs, like every woman's bread differs; yet they all make bread; and he don't want anyone to tell him just how to run his business. If he does, you tangle it up.

Mr. MURRAY. And you do not want it, anyway.

Mr. EDWARDS. No, sir.

Mr. PACE. Thank you very much, Mr. Edwards.

The next witness is Mr. P. O. Wilson, secretary-manager, National Livestock Producers Association.

STATEMENT OF P. O. WILSON, SECRETARY-MANAGER, NATIONAL LIVESTOCK PRODUCERS ASSOCIATION, CHICAGO, ILL.

Mr. WILSON. Mr. Chairman and members of the committee, my name is P. O. Wilson. I am secretary-manager of the National Livestock Producers Association, Chicago, Ill.

This statement is presented for the National Livestock Producers Association, 139 North Clark Street, Chicago, Ill., which is a cooperative service organization, owned and operated by 19 cooperative livestock sales associations which render livestock selling service to more than 450,000 producer-members on 62 of this country's livestock markets. These markets are scattered throughout the principal producing areas and extend from Buffalo, N. Y., to Los Angeles, Calif.

During 1948 our 19 units, operating on these 62 markets, handled for their producer-members 10,873,678 head of livestock, having a value of $738,435,867. This supply of livestock originated in 32 States of the Union and Canada.

Our producer-members, as well as their organizations, have experienced all of the difficulties of producing and merchandising under the wide range of conditions that have prevailed in this country during the past two or three decades. They know that in good times when national income is at a high level, it is not difficult to move the livestock supply through a free market from our farms and ranches into consumptive channels at fairly satisfactory prices. They also know that, in periods of depression when national income is low and many people are unemployed, the demand for their product is slow even at low prices.

This same group also knows that every attempt on the part of our Government to maintain higher prices for a particular commodity than actually exists in a free market costs a lot of money, and that the taxpayer—not the Government—pays or will pay the cost of such a program.

They are not unmindful of the fact that the farmers and livestock producers are taxpayers and that upon then falls a sizable share of the tax burden which results from governmental attempts to maintain price levels above prices which the public is willing to pay in a free market.

Recently I read an item which included a quotation from Thomas Jefferson, made more than 130 years ago, in which he warned his fellow citizens of the dangers which they faced at that time. I quote:

> I place economy among the first and most important virtues, and public debt as the greatest of dangers to be feared. To preserve our independence, we must not let our rulers load us with perpetual debt. We must make our choice between economy and liberty, or profusion and servitude.
>
> If we run into such debts, we must be taxed in our meat and drink, in our necessities and in our comforts, in our labors and in our amusements. If we can prevent the Government from wasting the labors of the people under the pretense of caring for them, they will be happy.
>
> The same prudence which in private life would forbid our paying our money for unexplained projects, forbids it in the disposition of public money. We are endeavoring to reduce the Government to the practice of rigid economy to avoid burdening the people and arming the magistrate with a patronage of money which might be used to corrupt the principles of our Government.

This quotation from Thomas Jefferson is particularly apropos at this time. With taxes alreadyat their highest level on record and with our Federal debt around the $250,000,000,000 mark, we have apparently reached the point referred to by Mr. Jefferson when he said that if we run into such debts we must be taxed in our meat and drink, in our necessities and in our comforts, in our labors, and in our amusements.

And it is further apparent we have now arrived at the point where we are raising money under the pretense that it is necessary in order to take care of the people. Frankly, we have reached the point where too many of our citizens are willing and anxious to follow the path of least resistance and depend upon Government guaranties, subsidies, and doles.

We cannot speak for all of the livestock producers of the country but I quote for the record a resolution adopted by our membership in its annual meeting held March 23, 1949, in which they established their policy on the subject of price supports and Government regulation. I quote:

> While opposed to the policy of price ceilings, supports and so-called floors, the National Livestock Producers Association recognizes that the National Government is committed to a principle of price supports and many growers of agricultural products have started their production programs for 1949–50 based on these commitments.
>
> We therefore recommend that the price support of 90 percent of parity which has been announced effective until January 1, 1950, be carried out but that a policy of flexible supports as provided in the Hope-Aiken law be allowed to become effective in 1950 and that any changes in this law be directed toward minimizing the use of Government controls and guaranties.

This resolution, while opposing the principle of price supports recognizes that commitments already made must be carried out. It further indicates that our members favor the flexible provisions of the Hope-Aiken law over the 90 percent of parity provisions now in effect and which is scheduled to expire at January 1, 1950. But, most important, is their stand that any changes in this law should be directed toward fewer Government controls and guaranties.

Your committee is now considering a new plan or program for agriculture which was suggested by Secretary of Agriculture Charles F. Brannan. While we have not seen a specific bill covering this plan, we have studied the outline as presented by the Secretary and it is quite obvious that this plan would expand the use of subsidies, guaranties and Government control further than any other previous suggestion that has been presented on this subject.

This new plan would include more agricultural products and would move the base period to include the war years so that the program would actually result in raising the base at which prices would be guaranteed at a point substantially above those which are in effect under the present law. His plan would also expand the authority of the Government to regiment agriculture and further dictate production policies.

On the basis of the resolution adopted by our membership at their 1949 annual meeting, we must register our opposition to this new plan and recommend that it not be approved by the Congress.

We fully realize that the campaign slogan of cheap food for consumers and high prices for farmers and agricultural producers is bound to be popular with a number of people, but to achieve this goal someone must pay the bill.

That is the joker in this scheme, and Congress must not forget that if they approve this program they will be requested to appropriate funds to cover the cost. This will require such increases in our Federal tax rate as are needed to furnish the money—including a very substantial amount to pay the cost of administration.

Our members would like to know what this new plan will cost. Since an estimate has not been furnished by the Secretary of Agriculture or the Department we have had to depend upon our own estimates and such information as we could gather from outside sources.

The department of agricultural economics, University of Illinois, has this to say: "It could easily be as much as the total Federal budget before the war." They have given an illustration and an estimate of possible cost on one product—hogs, as follows:

> The estimated price-support level for hogs for 1950 is $19 a 100 pounds. Suppose the actual market price averaged only $15. (That would be about 2¾ times as high as the price just before World War II began in Europe.) In this case every hog producer would be given an additional payment of $4 a 100 pounds for the hogs he sold. On a 250-pound hog, that would be $10 a head. On a typical year's marketing of 70,000,000 head the cost would be $700,000,000.
>
> Hogs represent only about one-seventh to one-eighth of the total output of United States farms. If payments and losses on other products averaged about the same in proportion as those on hogs, the total cost of the program would exceed $5,000,000,000. That would be about 10 times as much as the average annual cost of farm programs in the prewar years 1934 to 1939. In the event of serious unemployment and decline in consumer demand, the cost would be much greater.

From other sources which have been honestly trying to figure the cost of this program, I have been informed that there are so many variable factors that it is difficult to reach more than a rough estimate. The estimates which I have been able to obtain vary from $1,000,000,000 to a possible $12,000,000,000 a year. Either of these estimates represents a lot of tax money.

We are not so foolish as to believe the taxpayers of this country will long continue an expenditure of this magnitude in order to maintain agricultural income at or near the wartime levels. This will be especially true if prices of other segments of our national economy continue on a downward trend.

Price supports and production controls are like a contagious disease—once started it spreads, is difficult to control, and it moves from one commodity to another. You control the production and price of a given commodity and immediately you are confronted with controls over the raw product that goes into the production of that commodity.

Also, there comes a demand for a control of substitutes, and the next step is the demand that the substitutes for the substitutes be controlled.

This leads eventually to the elimination of free markets, which allow prices to be determined by the free choice of the people. It eliminates the freedom of operation which has long been enjoyed by the people of this country and it is this freedom which we believe has made our country great and preserved for our people the highest standard of living enjoyed by any country in the world.

The National Livestock Producers Association is opposed to the trend outlined in this new farm program and recommends that it be checked, and that this proposed plan be rejected.

In summary, the National Livestock Producers Association is opposed to the principle of Government guaranties and undue regulation. We recognize that the commitment on certain farm products of 90 percent of parity which has already been announced, must be kept until January 1, 1950.

We are not asking for Government subsidies or floors under livestock prices, but if subsidies are to be continued after January 1, 1950, we prefer that these be on a basis of flexible parity such as is now provided under the Hope-Aiken law.

We urge that any changes in the Hope-Aiken law, or any new legislation adopted, be in the direction of minimizing the activities of the Government in the fields of price control, guaranties, and regulation.

We are unalterably opposed to the far-reaching, socialistic type of program which has been presented by our Secretary of Agriculture, Charles F. Brannan.

We firmly believe in the principle enunciated in the quotation from Thomas Jefferson, namely, "If we can prevent the Government from wasting the labors of the people under the pretense of caring for them, they will be happy."

AFTER RECESS

Mr. PACE. The committee will come to order. Mr. Wilson, do you speak in behalf of the producers, or do you speak in behalf of your organization as a service organization serving the producers?

Mr. WILSON. In behalf of our organization, which is composed of 450,000 livestock producers; that is, cattle, hogs, and sheep.

Mr. PACE. For the sake of the record, I want it to appear whether or not there have been any conferences on your part with the producers, and I want to know, as a matter of fact, whether you do express your individual views.

Mr. WILSON. Mr. Pace, the resolution which I read into the record was passed at the annual meeting in March of 1949. To be exact, it was March 23, and the delegate body there representing the livestock producers passed that resolution. I have their letters. I have not had a chance to talk with my board as a board since. I have had letters from a number of them and have talked to them as individuals, and the statement is made for the association on behalf of its members.

Mr. PACE. Mr. Wilson, it seems to me from your statement that you give sort of a half-hearted endorsement to the Agriculture Act of 1948, otherwise referred to as the Aiken bill; sometimes the Hope-Aiken bill. Is that your intention?

Mr. WILSON. To give you a little clarification on that, in our resolution we are opposed to subsidies, price control, and undue Government regulation. We as a group recognize that the Government is committed to 90 percent of parity on some commodities until June 1, 1950. As the lesser of two evils, after 1950, 90 percent of parity, or a graduated parity, which the Hope-Aiken law calls for now——

Mr. PACE. Let us stop right there. I have had great difficulty in trying to accept the principle of flexible support, first, because I think if there is anything that agriculture needs it is stabilization. Once the farmer pitches his crop it must be produced. There is no way of stopping it. I think he is entitled to know and should have a pretty good idea of what he is going to get, certainly to the extent of the support program.

Under the Aiken bill, the flexible support feature, there is no such thing as forward pricing. Under the Aiken bill the producer does not know until harvest time; not planting time—he does not know until harvest time what the support price is going to be because the flexibility depends upon the supply. I do not believe upon reflection you could embrace that principle. I think that you will agree that the producers to say the least are entitled to better treatment than that, will you not?

Mr. WILSON. I do not. That is what I have tried to bring out in our statement here. Each move on the part of the Government to guarantee the people of this country a definite income, and anything that calls for a move to take care of the rest brings you a heavier load and that is exactly what we are trying to get away from.

Mr. PACE. Outside of that principle which you are certainly entitled to support, if there is going to be a support price, do you not think the producer ought to know at planting time rather than at harvesting time?

Mr. WILSON. That is where I think you are getting yourself into trouble. If you guarantee the producer at the time that he plants, or at any time during that period, exactly what he is going to get, then you step right into a program which calls for guarantees for everybody, and that is not the thing that has made this country great. That is the thing that has you in trouble.

Mr. PACE. Assume for the moment there is going to be a support program.

Mr. WILSON. I do not want to assume that. I have stated our position that we are opposed to it. Secondly, we do expect the Government that has committed itself to a certain number of commodities to carry through until that commitment has been made good, because the crops are planted, they are in, and a lot of crop has been planted on the guarantee very definitely.

Mr. PACE. Then you said to come in after that in the Aiken bill.

Mr. WILSON. I will refer back to our resolution, that after January 1, 1950, "A policy of flexible supports as provided in the Hope-Aiken law be allowed to become effective in 1950"—that is, if you are to have a support price. Then we tack on, I think, the most important part—"and that any changes in this law"—and I think they had in mind any new law—"be directed toward minimizing the use of Government-control guaranties"—getting out of this thing instead of into it further.

Mr. PACE. That was the second reason I was surprised to hear you give a sort of left-handed endorsement to the Aiken bill, because this should be understood, Mr. Wilson, that outside of one feature, that is, with regard to this 1,800-unit support, the Secretary of Agriculture has not requested in his plan one single power of control that is not in the Aiken bill.

Mr. WILSON. I believe that you used the term "left-handed." We realize that you have some left-handed stuff in there. It is in the law; it is on the books. We are considering here one which not only takes all of that but goes further, and it raises your guarantees above the flexible rates you have in there. We are against them all—period.

Mr. PACE. I am surprised that you did not say that.

Mr. WILSON. We did say it two or three times.

Mr. PACE. You said that you were against the Secretary's proposal, and in the light of the philosophy expressed in your statement I do not understand why you did not say that you were against the Aiken bill, too, and that it should be repealed. That is where I found apparently an inconsistency in your position. The right to make these production payments that the Secretary of Agriculture is talking about is authorized in the Aiken bill; it is in the law now.

Mr. WILSON. That is right.

Mr. PACE. Consequently, how do you come to us and condemn the Secretary's proposal with regard to payments without at the same time condemning the Aiken bill with regard to payments?

Mr. WILSON. I am certainly not approving the Aiken bill; our group is not. They are approving the principle of flexible parity rather than 90 percent, or rather than the one which is in his——

Mr. PACE. You just say the flexible is the lesser of two evils and that you think they are all bad.

Mr. MURRAY. Even under the Aiken bill with the discretion that it gives the Secretary of Agriculture, there is nothing to keep him from making parity what he wishes. There is nothing in connection with the Aiken bill to prevent the Secretary from making it 90 percent, if he so desires.

Mr. PACE. He can make it 90 percent and he can increase it if it is in the interest of national security.

Mr. HILL. 150 percent, if he wishes.

Mr. MURRAY. This sliding scale is at the discretion of the Secretary of Agriculture and that is one of the bad parts of the legislation. It puts too much power in any one man's hands. One man should not have that much authority over every man's grocery bill and over every farmer in the United States. That is the big stumbling block of a support program based on the particular attitude of one individual who is not elected by anybody; just appointed.

Mr. WILSON. Mr. Murray, I think in the resolution we make it very clear that we are opposed to it. This is the lesser of two evils.

Mr. PACE. Right there, Mr. Wilson, please understand that the flexibility in the Aiken bill applies only to cotton, corn, wheat, rice, tobacco, and peanuts. There is no flexibility as to livestock. It is entirely within the discretion of the Secretary of Agriculture. Consequently, when you appeal for flexibility on livestock under the Aiken bill, there is no basis for that appeal.

Mr. WILSON. Mr. Pace, we are not appealing for that. We recognize with the temper of Congress and the administration you are going to force some of this on. We are asking that it be made as painless as possible.

Mr. PACE. Just being realistic.

Mr. WILSON. Being realistic, and we ask in each step that you take from here on out you try to minimize it.

Mr. GRANGER. I did not hear your statement to begin with, Mr. Wilson. Do you belong to the same organization that Mr. Smith belongs to?

Mr. WILSON. No; I do not.

Mr. GRANGER. What is the National Livestock Producers' Organization?

Mr. WILSON. The National Livestock Producers' Organization is a service organization for livestock producers, handling the sale of livestock on the markets of this country. It is a cooperative organization handling the sale of livestock produced by its members on 62 markets of the country.

Mr. GRANGER. It is a cooperative?

Mr. WILSON. It is a cooperative owned and controlled by some 450,000 farmers and ranchers.

Mr. GRANGER. They only deal in their own lines?

Mr. WILSON. That is right.

Mr. GRANGER. They own livestock?

Mr. WILSON. That is right.

Mr. PACE. Your organization is interested in hogs, is it not?

Mr. WILSON. That is right.

Mr. PACE. The Secretary of Agriculture has already announced the support price for hogs. What do your members suggest as a way for the Secretary to carry out that commitment?

Mr. WILSON. We had some experience with that during the war days. We had some support when the price dropped below the support. There was more skulduggery carried on in the country at that period of time than almost any other period of time.

Mr. PACE. I know the facts. As a matter of fact, under congressional mandate, the Secretary of Agriculture is now announcing a support price for hogs. It is out. It is a Government commitment; a Government guaranty. He is out on that limb. There are a lot of pigs. What do you propose, representing the hog growers, that the Secretary of Agriculture do to fulfill that commitment?

Mr. WILSON. He got himself out on a limb and I am going to leave it up to him to find out how to get off of it.

Mr. PACE. We cannot do it; Congress put him out on that limb. We could not leave him out there by himself. As I see it, the Secretary could take a shotgun and go out and shoot the surplus hogs in the head and throw them into a ditch. We do not want any more of that, do we?

Mr. WILSON. No; we we never did want it.

Mr. PACE. Mr. Wallace tried that. He can take that same shotgun and shoot them in the head, clean them and dress them and put them in cold storage. It is doubtful that the storage facilities are available. That would cost an enormous sum. Do you suggest that plan?

Mr. WILSON. I did not suggest it to him in the first place.

Mr. PACE. Let us be realistic.

Mr. WILSON. I am being realistic. You have a guaranty at $1.43 under corn. You are cribbing the corn and storing it. You have $2 under wheat. When you guarantee one you move into hogs.

Mr. PACE. Do not take me off hogs; I want to come back to hogs.

Mr. WILSON. I will come back to your hogs. That will bring you to hogs. The Secretary and the Congress moved in and guaranteed hogs. Any time that we guarantee a price higher than the free market which the consumers of this country can and will support, you go right back to the taxpayers and the load falls on their shoulders.

Mr. PACE. I admit all that.

Mr. MURRAY. Surely you would not want to put some new scheme into operation that you saw operating during the war, at least, not until your Government had done two things—let any foreign country that is willing to take any excess pork we have at support prices; second, so long as we have any restrictions on export. In other words, it sounds silly to me to talk about putting the program in operation and rolling out the barrel from the United States Treasury at the same time that we will not even allow export of the same products. Evidently, we do not make much effort to fill the commitments if it is true that England would buy hogs and surplus pork that we have. Then there is No. 3. We have the section 32 funds that come from taking 30 percent of the customer's receipts. That is largely from livestock and livestock imports.

Last year we used $149,000,000 of section 32 funds; $13,000,000 of it for livestock production and the remainder of the funds outside of the livestock field altogether, including 22,000,000 pounds of applesauce.

Mr. WILSON. And potatoes on top of that.

Mr. MURRAY. We cannot have any program work unless we have someone who wants to make it work, and we cannot solve this hog program unless we have people at the top who know what the score is and who want to know what the score is.

Mr. WILSON. I think that you have expressed my opinion.

Mr. GRANGER. Mr. Wilson, you kept saying that the Secretary of Agriculture got himself out on this limb. I might say for the benefit of the record that what was done was through absolute and determined insistence of a member of this committee who comes from the greatest hog-producing State in the United States. He insisted that we support the price of hogs this year. It was not the Secretary. It was over the objection of the Secretary. It was Congress and the committee that did it. He is out on a limb. We are out on a limb, and you want us to get out the best way we can. We want to get out the best way we can, but we do not want simply to do nothing. I am rather disturbed that you, representing the big organization that you do, do not have some constructive thoughts to leave with this committee. You are not prepared to do that.

Mr. WILSON. I think I have. I think I put that in the document I am filing with you. I tell you to go in the other direction rather than more guarantees. When you guarantee one, when you start with one, you have to guarantee all.

Mr. GRANGER. I know; but, coming back to what we are talking about, we are talking about the commitment already made, that we have to do something about.

Mr. WILSON. The guarantee of hogs, you mean?

Mr. GRANGER. Yes.

Mr. WILSON. I think on that that your Secretary or the Department will possibly move in the direction they did before, of taking the product out of the market and trying to bolster the price up to that. I say again there that is merely a stopgap to get through the problem we have gotten ourselves into. If you are going to guarantee one, then you step to the next and on and on.

Mr. GRANGER. You are away ahead of me. I want to get back to the Secretary. He does not, as a matter of fact, have any solution for the problem?

Mr. WILSON. I think that is right.

Mr. GRANGER. And you have not any recommendation you can make?

Mr. WILSON. No.

Mr. PACE. Thank you very much, Mr. Wilson.

It is now the pleasure of the committee to hear Mr. Mark W. Pickell, executive secretary of the Corn Belt Livestock Feeders Association.

We will be delighted to hear from you at this time.

STATEMENT OF MARK W. PICKELL, EXECUTIVE SECRETARY, CORN BELT LIVESTOCK FEEDERS ASSOCIATION

Mr. PICKELL. My name is Mark W. Pickell. I am executive secretary of the Corn Belt Livestock Feeders Association, with executive offices at 176 West Adams Street, Chicago. This association was formed by the State Livestock Feeders Association from Ohio on the east and Kansas, Nebraska, and South Dakota on the West. Its president is C. B. Watson of DeKalb, Ill., who is here with me. Mr. Watson feeds about 1,500 head of hogs and about 600 head of cattle a year. The first vice president is Herb Barr of Leoti, Kans., and the second vice president is E. H. Mattingly, sheep breeder near St. Louis, Mo.

Anticipating this hearing, we sent out to the officers of the State and county livestock feeders associations all through the Corn Belt States, a questionnaire in which we asked them to express their opinion on the proposed Brannan farm program. We asked three questions.

The first question asked was, "Should the Brannan proposals pertaining to livestock whereby a subsidy paid direct out of taxes equal to the difference between the average farm price and the new 'parity' is given the producer, be endorsed and advocated before congressional committees?"

Instead of voting on this individually and each director sending in his vote by mail, the directors of the Nebraska Livestock Feeders Association met in special session on April 15 and voted as a group.

On that question, "Should the Brannan proposals pertaining to livestock whereby a subsidy paid direct out of taxes equal to the difference between the average farm price and the new 'parity' is given to the producer, be endorsed and advocated before congressional committees? Mr. Melvin Todd of Union, Nebr., president of the association, told me the directors voted a unanimous and emphatic 'No.' "

The second question on which we asked a vote was, "Should this program be opposed and Congress asked to continue the current program or the Aiken program that would go into effect January 1, 1950, until something more sound could be worked out?" On this question, the Nebraska association directors, each of whom is president of his county association, also voted a unanimous "No."

The third question asked was this, "Should the Corn Belt Live-Stock Feeders Association continue opposition to any and all programs whereby the Government seeks to control prices or production of meat?" And on this question, the Nebraska Livestock Feeders Association directors voted an emphatic and unanimous "Yes."

The other votes came in by mail, from all of the States of the central Corn Belt. In filling in their answers, these officers and directors of the State and county livestock feeders associations were not under the influence of some silver-tongued orator or some dominant personality. Their vote was made in the full privacy of their own home. They placed their vote in an envelope and mailed it in, either signing it or not, just as they chose. No place was put for such a signature. They were invited to express their views, but this was not made at all obligatory.

We got back 97 votes, and, gentlemen, out of all those who answered that questionnaire, only two voted for the Brannan proposal to subsidize livestock. Of those 97 answers received, 92 turned thumbs down, and some of them most emphatically, on his proposals. Three did not vote.

On question No. 2, as to whether or not we should ask that either the current program or the Aiken program be continued until something better can be worked out, 82 said "Yes"; 6 said "No"; and 9 did not mark their ballots.

On question No. 3, 86 out of 97 voting said to oppose all efforts to control prices or production of meat.

Some of these men expressed their own views in letters. I have their letters here, which I would like to make a part of the record, with your permission.

(The letters above referred to are as follows:)

To Whom It May Concern:

Whereas livestock farmers of Winnebago Co., Ill., favor free enterprise; the right to produce in abundance, without restriction; and the right to freedom in shaping up farm programs and policies, and

Whereas the farm program as recently proposed by the Secretary of Agriculture carries the threat of regimenting farmers as well as makes it possible for certain individuals to draft and direct farm policies and programs; and

Whereas the proposed program offered by the Secretary of Agriculture will undoubtedly cost the taxpayers of this country an added burden of taxes for administrative and subsidy purposes; and

Whereas the livestock farmers here assembled are of the opinion that the program proposed by the Secretary of Agriculture is not workable; be it hereby

Resolved, That the Winnebago County Livestock Feeders Association support the farm program known as the Aiken bill, to the extent that this program be given a fair trial and conducted until such time as the farm leaders of our country change and improve this bill.

Respectfully submitted,

HARRY H. FENTON,
C. A. LIGHT,
F. W. WILLOUGHBY,
Resolutions Committee.

HARTINGTON, NEBR., *April 27, 1949.*

MARK W. PICKELL,
Suite 1036–38, 176 West Adams Street, Chicago:

Directors Nebraska Feeders association voted unanimously against any Government program for control of prices or production of meat.

WILLARD W. BURNEY.

DEAR MARK: My ancestors came to America in 1620 abroad the *Mayflower.* They were the famous John and Priscilla. I don't know if that makes a person any better than the ones coming now or not. But I do know they came here to be free from oppression, from government and church. They and the others who came really made a wonderful country for us and now we should see to it that communistic and socialistic ideas are not allowed to destroy free enterprise. The Corn Belt livestock feeders should fight this idea of Mr. Brannan's to the last ditch. I am quite sure you will have nearly 100 percent cooperation from the members.

Yours truly,

ED. HOLLENBECK.

TEEDS GROVE, IOWA, *March 17, 1949.*

DEAR MR. PICKELL: Just a few lines to let you know we here in Clinton County are very much opposed to Brannan's program. We are with you in what can be done to defeat it.

Sincerely,

WILL H. JARGO,
President, Clinton County Cattle Feeders Association.

HARMON, ILL., *April 14, 1949.*

Mr. C. B. WATSON,
De Kalb, Ill.

DEAR MR. WATSON: The ballot you sent is enclosed and marked in opposition to the Brannan proposal.

Three things, or stop signs, stick out in his new program:

1. Lower farm prices.
2. Taxation.
3. Rigid control of farm products and land use. Naturally, along with this goes the control of our way of life.

My answer to this attempt is no farm program at all rather than accept infringement of this kind.

With kindest personal regards, I remain.

Yours sincerely,

HUGH J. HERMES.

I have always been opposed to the Government trying to control prices and production, as it just won't work.

We now have 230 head of cattle on feed, but when they are gone will quit if the Government still wants to try to tell as what we can do.

1,800 points would sure slow down things around here, as lots of my neighbors would have to cut away down to comply.

We raised about 30,000 bushels of corn last year, to say nothing about all the livestock that we produced to help feed the world.

H. GLENN SPERRY,
Macomb, Ill.

P. S.—Keep fighting them.

Every clear thinking stockman who wants to manage his own business will not accede to Government control. The incentive for enterprise, risk, and individual gain should be preserved to insure quantity and quality of wholesome meat. Experience of past attempts to be regimented should lead to bitter opposition of any regulatory controls of price and quantity of production.

JAMES B. DUNN.

SIR: Your constructive statesmanship is highly commendable and in line with true American principles.

Your association activities need to be sold to more people.

Yours truly,

HOWARD C. MYERS.

MILLEDGEVILLE, ILL., *April 16, 1949.*

DEAR FRIEND MARK: In regard to the Brannan program. I think that is the darndest thing I ever read in any print.

When will there be a time when we get some common sense men in our Government instead of a bunch of educated, pencil pushing, theory-minded fools, with no business experience and no common sense.

I am sending you a clipping from our paper on Thomas Jefferson according to Roger Babson; you may have read it. For me, Mark, I say we should oppose any program and instead of talking about the cost of meat in our diet we better do something about the cost of Government, and especially the kind we are paying for.

Sincerely yours,

ELMER W. BUFFINGTON.

VERMILLION, S. DAK., *April 27, 1949.*

GENTLEMEN: In marking this questionnaire I have conformed with your request but I would like to add that I am definitely against any program that will further our regimentation as producers and, that I believe is exactly what that bunch of hijackers in Washington would like to accomplish.

My father who passed away 2 years ago at the age of 85, was an early settler in northeast Nebraska and at the age of 12 years drove four yoke of oxen all summer for 50 cents per day to help build this country and if we are going to give it to anyone lets give it back to the Indians rather than a landful of dictators

Yours truly,

VERN HEIKES,
Vermillion, S. Dak.

ELGIN, ILL., *April 18, 1949.*

DANIEL PICKELL,
Chicago, Ill.

GENTLEMEN: Inasmuch as you are going to Washington to answer some questions and you have requested answers to some questions; I should like to offer my 2 cents worth by asking you a couple of questions, the answers to which seem of far greater importance than what you are asking; perhaps you can find the answers.

Are you sure that farmers of America understand just what socialization of America by the politicians means, namely the freedom for which our ancestors, starved, fought, and died to get for us is being bartered and lost entirely in exchange for the return of a few paltry dollars which we ourselves earned by the sweat of our own brows and which the politicians would tax away from us with one hand and then pay back with the other less what they wasted or withheld for their own parasite needs?

Next are you sure that once farmers of America understand the above question plus the great hoax that is being foisted upon them by the crafty, lawyer politicians who get themselves elected to Government office with a pack of smooth lies and false promises all because as Harry Hopkins once said "the public are to damned dumb to understand, so we'll elect and elect and tax and tax and spend and spend;" end of quote?

The whole idea that political control of our lives and work is the trend of the future should be retired into the obscurity from which it is a pity it ever emerged.

Americans for 200 years have fought, bled, and died to establish the only foothold of freedom in all the world; has this generation grown so soft and weak that we willingly sell our birthright for a mess of pottage?

Do the farmers of America really want a bunch of commissars and little peewee dictators telling us how and how not to run our affairs?

Lets start swinging before it's too late, Americans?

ROBERT MCEWAN.

FARMER CITY, ILL.
April 28, 1949.

DEAR MARK: I think all that could be done against the Brannan agricultural program should be done.

We have enough socialism as it is. The farmers don't want this kind of aid and thus more Government control.

Was sorry I could not attend the DeKalb meeting but had another engagement planned ahead when I received letter from Mr. Watson.

Very truly yours,

ROY E. WRIGHT.

PITTSFIELD NATIONAL FARM LOAN ASSOCIATION,
Pittsfield, Ill., April, 29, 1949.

CORN BELT LIVESTOCK ASSOCIATION,
Chicago, Ill.

GENTLEMAN: Enclosed my vote.

I think the Brannan proposals are going too far and I know the farmers do not want that kind of program. We have got to beat it down. It is another crackpot idea.

Very truly yours,

L. E. NEWMAN.

Mr. PICKELL. As I say, some of these men expressed their own views in writing. I have their letters which I will make part of the record, with your permission. Some of them are particularly interesting. For instance, Ed Hollenbeck of Dixon, Ill., president of the Lee County Livestock Feeders Association, wrote:

My ancestors came to America in 1620 aboard the *Mayflower*. They were the famous John and Priscilla. I don't know if that makes me any better than the ones coming now, or not; but I do know that they came here to be free from oppression from government and church. They and the others who came really made a wonderful country for us and now we should see to it that communistic and socialistic ideas are not allowed to destroy the free enterprise. The Corn Belt Livestock Feeders Association should fight this idea of Mr. Brannan's to the last ditch. I am quite sure you will have nearly 100 percent cooperation from the members.

One of the largest livestock feeding counties of the Nation is Clinton County, Iowa. And it contains one of the largest livestock feeders associations of the country, over 600 members. The president of that association is Will H. Jargo. He writes:

Just a few lines to let you know we here in Clinton County are very much opposed to Brannan's program. We are with you in what can be done to defeat it.

Hugh Hermes, of Harmon, Ill., puts his objection specifically. He writes:

The ballot you sent is enclosed and is in opposition to the Brannan proposal.

Three things or stop signs stand out in this new program.

(1) Lower farm prices; (2) increased taxation; (3) rigid control of farm products and land used. Actually along with this goes the control of our way of life.

My answer to this attempt is, "No farm program at all rather than one of this kind."

And Mr. H. Glenn Sperry, of Macomb, Ill., writes:

I have always been opposed to the Government trying to control prices and production as it just won't work. We now have 230 head of cattle on feed, but when they are gone we'll quit if the Government still wants to tell us what we can do.

Eighteen hundred units would sure slow down things around here as lots of our neighbors would have cut away down to comply. We raised 30,000 bushels of corn last year to say nothing about the livestock which we produced to feed a starving world.

Mr. James B. Dunn, of Luverne, Minn., president of his State livestock feeders association, wrote:

Every clear-thinking stockman who wants to manage his own business will not accede to Government control. The incentive for enterprise, risk, and individual gain should be preserved to insure quantity and quality of wholesome meat. Experience of past attempts to be regimented should lead to bitter opposition of any regulatory controls of price and quantity of production.

These are just a few of the expressions from farmers.

Now may we make some further specific criticisms of the plan—and end with some of the things we would like to see done.

HELL-BENT ON LOWER LIVESTOCK PRICES

In his appearance before the joint session of the Agricultural Committees of the Senate and House, and in his latest appearance before your subcommittee, Secretary of Agriculture Brannan has seemingly been hell-bent on knocking the prices of livestock down.

He stressed most emphatically to the housewife that if his program went into effect the prices of livestock would break to a level where he would be compelled to pay the farmer a subsidy equal to the difference between the actual selling price and what he deemed "parity."

He told her, in his appearance before you on April 11, that before long he would be supporting hog prices through purchases of pork. It was an open invitation to the housewife and to industrial users of meat products or byproducts of all kinds to withhold purchases so the price would break. They did. It did. And the feeders lost heavily.

Now, parity is supposed to be a fair exchange value of farm products for other products, the things the farmer buys. Under the current program the Secretary of Agriculture is not supposed to support the hog market until the price gets 10 percent below what is deemed a fair exchange value of hogs for other commodities. But a price only 10 percent below a fair exchange value does not seem low enough for the Secretary of Agriculture. He wants it to go a whole lot lower than that.

We producers of hogs and cattle have waited in vain for the Department of Agriculture to point out to the housewife the huge increase in the overhead of the processors, the carriers, and the retailers that has occurred during the past few years, due primarily to the increase in costs of labor. But no such explanation of high retail prices of foods has ever come. The only suggestion of the Secretary of Agriculture has been—not to lower wages or at least to stop their increase just as the increase in agricultural prices stopped when the big corn crop was made—but to lower agriculural prices still further.

Mr. Brannon must be a very welcome visitor in the Bureau of

Labor and in CIO labor circles. But we livestock feeders wonder who in the Department of Agriculture is looking after the interests of the farmer.

LOW AGRICULTURAL PRICES A NECESSITY

It would of course be necessary for agricultural prices to break to levels far below their normal exchange value for other commodities if Mr. Brannan's plan were to become effective. It would be neces-for them to break so low that farmers were entirely dependent for profit, or even to break even, upon the dole handed out by the Government. Otherwise there would be no incentive for farmers to acdept the controls on marketing, on land use, even on the size of the farm one might be permitted to operate.

In fact, the whole program seems built around lowering prices to such a level that the theorists can take over the job of running the farms and the farmers will be but hired men, to do the bidding of the Secretary of Agriculture. According to the press reports, he has acknowledged this by saying that no price-control legislation will be necessary if his program goes into effect.

This whole program smacks to us of a continuation of the effort of the labor unions to have the Government pay a part of their cost of living through subsidies. During the war there was also a subsidy on meat. It was supposed or advertised as being of benefit to the farmers. But of that subsidy farmers got $15,000,000 and packers $2,283,269,000 to indemnify them against loss in their sales of meat at less than cost to the consumers. Farmers fought against that subsidy them. And they are going to keep on fighting to stop it now from again going into effect.

Not only is the plan designed to lower prices and make the farmer subservient to the Secretary of Agriculture, it is designed to lower the quality of the meat the farmer produces. Instead of producing juicy steaks, this program, if carried out to the ultimate, would lower the quality by taking away the incentive to produce them. If this program was so successful that cattle prices declined to levels prevailing in 1943 and yet the parity remained at $16.90, as used by Secretary Brannan in his presentation, then all who sold cattle would be given a subsidy or dole of $5.10 a hundred, regardless of grade. Under such a subsidy and market selling price, instead of Good grade cattle being 86 percent of the return on Choice grades, such as prevailed during 1943, those Good grades would bring 89 percent; instead of Common cattle bringing 71 percent of the price of Choice cattle, such as they actually did in 1943, those Common cattle under this plan would bring a net return of 79 percent of the return on Choice cattle. And instead of old dried up cows, cripples, and the other kinds that sell as Cutters and Canners bringing only 46 percent as much as Choice cattle, like they did in 1943, they would bring 59 percent. So the incentive would be to lower the quality of the meat the farmer offered to induce the consumers to eat it. And lowering the quality never yet has caused an increase in consumption, other things being equal. But lowering the quality has caused loss of demand for many a product. We livestock feeders do not want that to happen to meat even if Mr. Brannan does.

The whole program seems one of tearing down instead of building up. The advantage the American farmer has had over other farmers of the world was in farming with his head as well as with his hands. He has cut down his cost of production by use of high-speed machinery. Corn is more and more planted four rows at a time. Land is plowed with a four- or five-bottom plow. More and more farmers are coming to install corn driers so they can not only save the hydrid corn of big yields, but by picking it when it has only 28 to 30 percent moisture, in September or early October, they can still have time to plant a cover crop on the sides of their hills and prevent soil erosion.

These things, this farming with the head as well as the hands, is typically American. It did not, however, originate in the Department of Agriculture. It originated in the minds of American farmers who are trying to make their farms successful enough to compete against peasant labor and cheap land in other countries.

But it can be successful only if the unit of operation is large enough to make purchase of the expensive machinery necessary a paying proposition. We produce more agricultural products per person employed on farms than any other nation of the world. We feed more cattle and raise more pigs per man employed than anywhere else on the globe.

But the Brannan plan would change all this. It would cut down the size of the farm permitted to participate in the subsidy. And it would so drive the prices down that without the subsidy even the most efficient producers would be driven to bankruptcy. It is the people who add and multiply that increase production. Mr. Brannan seems only able to divide and subtract.

His plan would soon bring a meat famine because it would drive out of business the commercial feeders of livestock. These are the men who have livestock on the market every month and many of them every week of the year. Without them the consumers would have a big supply of grass cattle in the late summer and fall months. Then they would have a supply of fed cattle in the late winter months. But this program would not, as it was first announced, permit the farmer to operate in a manner large enough that he could employ someone to to operate and plow the fields while he fed the livestock. He would be compelled to feed only in the winter months when he could not be in the fields. This program would drive the Nation to a diet of parched corn and boiled hay.

Instead of stabilizing prices, it seems inevitable that his program would disrupt prices tremendously because the amount that could be produced would be left entirely to the whim of one man. It would be up to that one man to determine how much might be produced, what farmers must do to be "in compliance" with the rules and regulations that he would prescribe—and might change overnight. And it would be up to him to determine the penalties to be assessed against those who ask only to be left the freedom that their ancestors fled to this country to get—the freedom to produce goods that other people want and will pay for.

Never in all history has there ever been a man big enough to determine just how much goods was to be produced by all of the people and how much they were to receive for it. Many have tried. The results have been consistently bad. They might look good for a time. They might have a black rust scourge like this Nation had in

1933 to destroy the wheat crop. They might have droughts to destroy the corn and oats and hay crops like we had in 1934 and again in 1936. Or they might have a war like World War II. But history shows that efforts by one man to control prices and production in the past have invariably resulted in chaos, confusion, and shortages. The most famous case of historical record was that of Joseph of Biblical fame. But before he was through he had used his power over the food to enslave all of the people of Israel, taking from them their money, their horses, their land, their flocks and herds and after breaking up the families, scattering them all over the nation as slaves. Caesar also was ambitious. So was Hitler. So was OPA. It is time to call a halt on such trends.

Last July Harry Reed, Chief of the Beef Division of the Department of Agriculture, told me that if Canadian cattle were permitted entry into this country,they did not have over 100,000 head that could come in. Yet when the bars were let down in what we feeders think was the first step in a deliberate attempt so break livestock prices, 400,000 head or their equivalent in meat came in.

Last July and August the Department of Agriculture officials declared most emphatically, in the press and over the air, that livestock prices could not be expected to break until the end of 1949. They asked farmers to increase production of the fall pig crop of 1948. They asked them to increase the size of the spring pig crop of 1949. Hardly had their statement that livestock prices would not break until late in 1949 been issued before prices started to crack. Now the Secretary of Agriculture tells you that he will soon be supporting the hog market, that the marketing of those fall pigs (in which he asked an increase in production), and particularly the spring pig crop (in which he asked an increase of 19 percent in production), would so depress prices that he would have to buy pork products when the market gets 10 percent below a fair exchange value of pork for other commodities. If they were going to be such a burden on the market as to carry prices down 10 percent below that fair exchange value, why did he ask for the increase in the first place?

Yet this is the man and the Department which, in a throw-back to the feudal days of central Europe which our ancestors came to this country to escape, are now asking not only the American farmer bu American consumers as well to place in their hands complete power over prices and production of agricultural products. That would be the most dangerous thing ever done by Congress. It would jeopardize the food supply of the Nation by leaving the determination as to its production in the hands of a few men who have proved their inability anticipate actual conditions and who cannot possibly control nature even if they might control acreage.

WOULD BREAK BREEDERS OF PUREBRED LIVESTOCK

The Secretary of Agriculture is reported asking support of a bill to permit him to start direct payments on hogs immediately. If enacted that program would break every rancher of the country. It would break every breeder of pureblood cattle in the country. It would break every breeder of pureblood sheep and sheep rancher in the country. It would break the chicken raisers, the turkey raisers. It would be completely disastrous.

If Mr. Brannan can, for a time, give such a guaranty on hogs that he can boost the production to a big oversupply so their prices go down and he can get his objective of paying out a huge dole to their producers, he would not need to subsidize cattle or sheep or poultry to get their prices down. Competition of the dressed pork would automatically pull the prices of these other meats and competitive foods down. Not only would it knock down the prices of meat and therefore of the feeder cattle and finished cattle and poultry, but it would knock down the prices of fruits and vegetables and all other foods. And he knows that. It is perhaps the big reason back of the program. The CIO would succeed in their program to have cheap food. But without a prosperous agriculture, the CIO would soon exhaust its association funds through strike benefit payments, increased taxes to pay unemployment insurance, etc. That program would bankrupt the Nation.

CONSUMERS BEING DELUDED

Under the system of marketing under which this Nation grew to be the envy of the world, the economic function of the price was to balance the supply and the demand and move that supply into consumption.

That supply might vary as much as 30 to 40 percent in a year. But under the free play of prices, it would be found that at the end of the year the carry-over was not so tremendously different than that of the previous year—the people had all they wanted to eat, and there was a carry-over. In years of big supplies the price broke to levels where increased consumption resulted. In years of short supplies the price advanced to levels, if necessary, that brought in supplies from other countries, such as occurred in 1934 and 1936. The important thing is that supply and demand were balanced by the action of the price, the supply went into consumption, the people had plenty to eat, and there was a carry-over of nominal proportions.

A representative of Swift & Co. made the statement at our Kansas City convention in February that if allowance was made for the general changing levels of commodity prices, they paid out, year in and year out, just about the same amount of money for livestock. When lareg supplies forced prices downward, the increased numbers took up the money saved by the lower prices. In years of short supplies, the market price advanced, they paid out more per head for the shorter number. So at the end of the year, everything else being equal, they paid out about the same amount.

In those days the housewife paid a sum for her meat that would carry all of the supply into consumption. None of the larger killing, in years of ample supply, is ever wasted or thrown out. It is consumed. The packers get for the meat a sum of money that will move it into consumption. If supplies are large, the price drops. If supplies are short, then the price reduces consumption.

The farmer, in those days, got the sum of money that the consuming housewife paid less the cost of marketing, processing, transporting, and retailing that meat.

But under this new program, the housewife would not end her part of the transaction when she had paid the sum of money that would consume the available supply. On the 15th of March she or her husband would turn over to the Government not only about 80 percent of the cost of the dole paid direct to the farmer, but in addition she would be compelled to pay for the thousands and thousands of additional bureaucrats that it would take to make Mr. Brannan's low-price program effective.

The farmer, instead of getting all of the money that was left after the housewife had paid a price to consume all of the meat produced, less the cost of marketing, processing, transporting, and retailing that meat, would get that price plus the dole but minus his share of the cost of the huge number of bureaucrats who would tell him how much he might produce, and at least 20 percent of the dole.

The net spread between the price received by the farmer and that paid by the consumer would widen out tremendously. This would be a complete reversal of everything that has been striven for, everything that has been taught our producers since the landing of the Pilgrims at Plymouth Rock.

And when the supplies had been built up to levels where the difference between the market price and the guaranteed price was so large that the consumer housewife did not have enough left to meet the taxes because her husband was out of employment, the consumers would demand an end to the dole to the farmer—and he would be left holding the bag.

WANT A COMMON SENSE PROGRAM FOR LIVESTOCK

The Corn Belt livestock feeders call upon the Secretary of Agriculture to take the lead in a program of common sense to produce an ample supply of meat at a price the housewife can afford, and make a prosperous agriculture. We suggest the following steps.

1. Urge farmers to market their hogs at weights between 200 and 225 pounds. Point out to them that where between 1920 and 1939 lard sold at a price $2.80 above the price of hogs, on the average, lard now is selling at a price level about $8 a hundred below the price of the hog from which it is rendered. Emphasize to farmers that packers, to make up this loss of more than $10 a hundred on the lard, must either charge the housewife more for the pork or pay the farmer enough less for the pork portion of that hog to absorb that loss. Point out to him that lard constitutes about 20 percent of the hog, that the heavier the weight the more lard the hog produces, lard on which the packer must take this loss. Emphasize to him that the most economical weight at which to market hogs has repeatedly been proved to be around 225 pounds. Point out to him that if hogs are marketed at this weight, instead of 260 pounds, that the reduction in total weight slaughtered would counterbalance the increase in production, and that a larger portion of the total production would be meat that is desired and which can be sold at a profit. So the packer, if hogs were marketed at that weight, could either reduce the price of pork meat to the housewife or increase the price paid to the farmer because a large portion of the product on which the packers are taking a loss would be eliminated. With the greatly reduced numbers of sheep available, and the small numbers of beef cattle per capita compared with bygone years, there is no need for pork to sink to levels far below its normal relationship to other commodity prices, if the Department of Agriculture will stop its price-depressing tactics.

2. Use every legitimate means of expanding our foreign trade.

3. Give to American farmers the same protection against foreign goods that industry has through the tariffs and labor through the

immigration laws. Let him get behind Senate bill 1594, introduced by Senator Gillette of Iowa and Senator Wherry of Nebraska.

4. Aid the industry in finding new uses for animal products and byproducts.

5. Drastically reduce the personnel of the Department of Agriculture so taxes can be cut, and make the balance a service bureau for farmers, giving them just as much information as possible on supply and demand, and economical methods of production so they may make up their own minds as to how much of what product they will produce.

6. In support of other agricultural prices such as grain, first of all determine a parity on the basis of what, in a series of normal years, (exceeding those of war, drought, or other abnormal years) has proved to be a natural relationship between the price of that commodity and other commodities. A natural price must be a price that, on the average in a series of normal years, has caused production of a supply sufficient for the demand and has moved the great bulk of that supply into consumption, but has left a moderate carry-over. This natural price might change as production costs were lowered, such as it has in potatoes. Or it might change as demand changed, such as it did for a time in oats when the numbers of horses on farms declined so drastically. This natural price cannot obviously be based on any one period of years like 1910–14 or the past 10 years, for all commodities. Changing conditions must be allowed for. If the hybrid corn seed producers are successful in producing a seed that will grow 200 bushels of corn commercially on the average land, then the price must be permitted to adjust itself to a level that will move into consumption all that is produced, or caused production only of a supply that can be consumed.

Secondly, make the Government support price of this commodity at the historical average low of a series of years when supplies have been large due to natural conditions, and the price of that commodity has gone low compared to its natural relationship to other commodity prices. Supports through loans at that average low price will thus be based on common sense. History will have shown that in extreme cases the price might have gone lower; but in the long run natural conditions will cause the price to rise back to its natural price in relation to other commodity prices. On wheat, the average low from 1869 to date has been made at approximately 70 percent where 1909–13 is used as a natural relationship of wheat to general commodities. There have been times, like in 1932, after the Farm Board folly had lost our export trade, that wheat sank to levels only about 48 percent of its long-time relationship to general commodities. Nevertheless, had loans been made or wheat purchased whenever it reached a level 70 percent of its natural relationship to general commodity prices over that long series of years, it would have been a profitable investment. Instead of costing billions of dollars, it would not only have blocked disastrously low price levels, but would have made money if that wheat were held until a price level was reached 110 percent of the natural price. And it should be remembered, so far as the farmer is concerned, that he has had more bushels to sell when the price was at a level 70 percent of the natural price than he had, on the average, when the price was at, say, 125 percent of that natural price. In fact, it was only the abnormally large quantity he had to sell that made the price decline to the low level in the first place in its effort to expand consumption and reduce production. Or it has been the scarcity of supplies that caused the price to advance to the level 125 percent of the natural price, in an effort to expand supplies or reduce consumption or both.

7. Make the rules definite: Stop granting discretionary power to make rules and regulations that can be changed overnight. The appeal of the current farm programs, so far as the loans are concerned, has been that the farmer knew exactly what could be done. He has known that he could borrow a certain amount on a certain grade under certain conditions up to a certain time. The rules were specific. If he wanted to take advantage of them, he could. If not, he did not need to. And that is the way any and all such programs should be.

Mr. PACE. Thank you very much, Mr. Pickell.

Are there any questions?

Mr. COOLEY. Mr. Chairman, I would like to ask the witness one question.

I assume, Mr. Pickell, you have conferred with other people who are similarly situated, and I would like to ask you whether or not anyone in your group is in favor of the Brannan proposal.

Mr. PICKELL. Yes. I pointed in the front part of my statement that, of 97 answers, we got back——

Mr. COOLEY. I remember those figures. I mean—do you know whether or not any of these witnesses here have testimony that is substantially different from yours.

Mr. PICKELL. Pardon me?

Mr. COOLEY. Are there any witnesses here who want to offer testimony that is substantially different from the testimony which has already been offered by the beef cattle people.

Mr. PICKELL. I really do not know. I have not consulted them.

Mr. COOLEY. You do not know?

Mr. PICKELL. No.

Mr. COOLEY. I am just trying to ascertain if subsequent witnesses might not be offering just cumulative testimony.

Mr. PACE. This is all of the witnesses.

Mr. COOLEY. Then I would like to ask you one other question.

As cattlemen, you feel that no program at all is needed in behalf of the cattlemen of the country?

Mr. PICKELL. Our people never have asked for any subsidy or anything of the sort. That is right. And we still feel the same way.

Mr. COOLEY. And they do not want any price support, price control, or any other Federal control in the interest of the livestock industry?

Mr. PICKELL. Not on livestock; that is right.

Mr. COOLEY. You made the statement here that if Congress approved compensatory payments or production payments on hogs, as recently suggested by the Secretary, that program would ultimately bankrupt the United States.

Mr. PICKELL. I think it would.

Mr. COOLEY. That is your view about it?

Mr. PICKELL. Yes, sir.

Mr. COOLEY. You do know the Secretary is now charged with the responsibility of supporting hog prices in the event they reach approximately $16.50 a hundredweight, do you not?

Mr. PICKELL. Yes.

Mr. COOLEY. So, rather than pursue the compensatory payment plan, knowing that he must support prices, you think it would be better for him to go to the packing plant and buy hogs there, put them in storage, and withdraw them from the market?

Mr. PICKELL. I think he should, first of all, try to get the farmer to market hogs at a lower weight. I think he should encourage, by every possible means, the exportation of pork and lard. I think he should try to get through this Congress——

Mr. COOLEY. Let me interrupt you there just a minute. He is charged with a definite, fixed responsibility by Congress itself.

Mr. Pickell. Yes, sir.

Mr. COOLEY. And, unless we change the law, he has no alternative other than to go into the market and buy live hogs from the farmer or go to the packer and buy hogs there.

Mr. PICKELL. He was also instructed by Congress to do that back in 1944. When he came out, he said he cannot buy hogs at that price, that it would do no good, that the packers have not the space to store them, and he would not have, either, and he did not do anything at all to support the price at that time.

Mr. COOLEY. I still think that does not answer my question. If Congress has given him that responsibility—and we assume he will execute the laws we have enacted—as compared with the method he has now, that is, buying hogs, putting them in storage, and taking them off the market, you think he should not do that?

Mr. PICKELL. He has to do whatever Congress instructs him to do, but I think "No."

Mr. COOLEY. You do not even approve that program?

Mr. PICKELL. That is right.

Mr. COOLEY. And you think the livestock men of the country generally agree with you in that regard?

Mr. PICKELL. I have read into the record from their testimony. I am going to put their letters into the record.

Mr. COOLEY. I know you have given us your individual group. My question now applies generally to the livestock producers of the country. You think they do not want any support program on hogs?

Mr. PICKELL. Accordingly to our survey, they do not.

Mr. COOLEY. All right, sir; that is all.

Mr. MURRAY. Mr. Pickell, what disturbs me is an editorial in the Washington Post today that goes on to say:

> Retail food prices, to be sure, are 7 percent lower than they were at the highly inflated level of last July. But they are only a fraction of 1 percent below the index for March 1948. * * * Retail meat prices also advanced in March to a level slightly above that of the previous year, despite substantial declines in livestock and wholesale meat prices.

In other words, the fact that hog prices could be cut in two during last year is no indication, if you put the Brannan plan into effect, that the consumer is going to get any particular benefit out of the cut—out of the money appropriated for that purpose?

Mr. PICKELL. I think that if the farmers took their livestock and gave it to the packers for nothing, you still would not have cheap meat.

Mr. MURRAY. There are three things, then, before we get into going out of the money. We can at least try to get England or any country that wants to buy our surplus pork at support prices, that would make sense, would it not?

Mr. PICKELL. Absolutely.

Mr. MURRAY. Number 2, we can repeal the export controls whereby we have been keeping people from shipping lard and all of the other stuff out of this country. There are still controls over it. It is not a free world market.

Mr. PICKELL. That is right.

Mr. MURRAY. Third, for just a change—I have been sitting here 10 years watching them dissipate section 32 funds and I would like to live long enough to see them just once use a little of it for livestock products, instead of using $136,000,000 for nonlivestock products, like we did last year, and only $13,000,000 for livestock products. I would like to see the reverse 1 year, because there is a fund that can be used to great benefit to the producers of livestock products.

Those three proposals all make sense in your language, do they not? If farmers gave the milk away in many sections the consumer would still pay 10 to 12 cents per quart for it.

Mr. PICKELL. Yes, sir.

The CHAIRMAN. Did I understand you correctly to say that even if the farmers gave the hogs to the packers, we still would not have cheap meat in this country?

Mr. PICKELL. I do not think you would have anything like you used to have back in the old days.

The CHAIRMAN. Why? Is that because the price that the farmer receives is such an inconsequential factor in the ultimate price that the consumer pays?

Mr. PICKELL. I have been trying to get some figures on that. The nearest approach that I can get, and I asked the American Meat Institute, and they said that they did not have any reliable figures on it, but some figures that they saw of a Government analysis of it showed that if the livestock was delivered to the packers for zero, that they could cut the retail price about 25 percent.

The CHAIRMAN. Then if that is true, certainly the farmer is not responsible for the high cost of living.

Mr. PICKELL. That is for sure.

Mr. PACE. For the record, Mr. Pickell, I would like to read the law as it is today with regard to hogs:

> The Secretary of Agriculture is authorized and directed through any instrumentality or agency within and under the direction of the Department of Agriculture, through loans, purchases, or other operations to support until January 1, 1950, a price to producers of hogs at 90 percent of the parity price.

I am sure you will agree that that is entirely compulsory.

Mr. PICKELL. Yes, sir.

Mr. PACE. On the part of the Secretary.

Mr. PICKELL. Yes, sir.

Mr. PACE. You make the suggestion that the Secretary urge the farmers to market their hogs between 200 and 225 pounds.

Mr. PICKELL. That is right.

Mr. PACE. What influence would that have upon the hog growers?

Mr. PICKELL. Well, point out to them that if they do not do it, the price is going down. He has no way of supporting it down there. I do not think the farmers, those that I know, are so plumb crazy that they will cut their own throat.

Mr. PACE. Well, now, under the so-called Aiken bill, which is otherwise known as the agricultural bill of 1948, it contains the following provision:

Compliance by the producer with marketing practices prescribed by the Secretary may be required as condition of eligibility for price support.

If that act ever goes into effect, would you suggest that the Secretary of Agriculture exercise the authority he would have in determining expressly the weights at which the hogs might be marketed?

Mr. PICKELL. I would suggest that Congress change that provision, eliminate any discretionary power. If you want to give support, to grains and cotton, and so forth, at 70 percent of a natural price in relation to other commodities, go ahead, but the rest of it no; change it.

Mr. PACE. In other words, that the hog growers would have the benefit of the support price; secondly, that it would save the Government millions of dollars to market them within certain weights, but still you would not be willing to limit that support to marketing within those weights.

Mr. PICKELL. I am not willing to concede that it ought to be supported at any weights or any price.

Mr. PACE. You do not favor the support of hogs or cattle or any livestock at all at any figure?

Mr. PICKELL. Absolutely.

Mr. PACE. Are there any other questions?

Mr. ANDRESEN. You suggested, Mr. Pickell, about marketing hogs at 200 pounds. Do you not think it would help the situation if the Government would remove the export controls on pork and pork products?

Mr. PICKELL. I think from a practical viewpoint that the Secretary of Commerce Sawyer did that pretty well on the 11th of February, did he not?

Mr. ANDRESEN. No, sir. There are still controls on.

Mr. PICKELL. They are possible, but yet he did actually take them off and since then the consumption of lard, for instance, has been greater than the production.

Mr. ANDRESEN. They still have the controls on, but they are permitting under general license the export of a certain amount of pork sides and sow bellies and fat backs and lard. Personally, I am convinced that with the money that the ECA has got, which is taxpayer's money from the people of this country, that if they were to remove those controls, the Government would not have to buy 1 pound of pork.

Mr. PICKELL. They not only ought to remove the controls; they ought to help get that stuff out of the country in every conceivable way they possibly can.

Mr. ANDRESEN. Especially when they do it with our own money.

Mr. PICKELL. Certainly.

Mr. PACE. Are there any other questions by the committee?

Mr. Pickell, the committee is greatly indebted to you for coming here and giving us this expression of your views.

Mr. PICKELL. Thank you, sir.

Mr. PACE. Mr. Chairman, let me announce now that tomorrow at 10 o'clock representatives of the dairy industry of the Nation will be here to testify.

(Thereupon at 3:05 p. m., a recess was taken until Tuesday, May 3, 1949 at 10 a. m.)

(The following letter from Mr. P. C. Jagge, of Hondo, Tex., is submitted as a part of the record:)

HONDO, TEX., *June 13, 1949.*

CHAIRMAN, COMMITTEE ON AGRICULTURE,
House of Representatives, Washington, D. C.

SIR: I am aware that Mr. Bryand Edwards, president of our association expressed his views for the Texas Southwestern Cattle Raisers Association when he appeared before you on May 2, 1949. Now I wish to state to you that as a member of the above association, the above views expressed by Mr. Edwards are not that of all the members at the cattle convention at Houston, Tex., in March of this year. I spoke to members of parties and they did not feel that way.

There was great opposition expressed at the convention against President Truman's policies. They were also much derided.

I think Mr. Edwards is entirely wrong when he states that the cattlemen want to be let alone, that we don't want any of the Brannan plan.

If in the near future the cattle price will again drop to 5 cents as it has done three different times since 1912, it will force 90 percent of the smaller cattlemen to the wall and the entire economy of the country will collapse. If the prices of the cattle industry will be left to supply and demand then a break will be unavoidable. It will take the Government to keep it from ruination, whether we like it or not.

The Brannan plan is a tremendous job, but it is a logical one. The Brannan plan would work as an agitator for all our economy. It would act as an investment that will bring dividends. The manufacturer could sell his products to labor and agriculture producer, and the wheels of commerce would turn. I am in favor of trying it, but it must be done before prices break too far.

Yours truly,

P. C. JAGGE.

TESTIMONY OF PRODUCER GROUPS AND MEMBERS OF CONGRESS

WEDNESDAY, MAY 18, 1949

House of Representatives,
Special Subcommittee of the
Committee on Agriculture,
Washington, D. C.

The special subcommittee of the Committee on Agriculture met in the committee room, 1310 New House Office Building, at 10 a. m., Hon. Stephen Pace (subcommittee chairman) presiding.

Mr. Pace. Gentlemen, the committee will please come to order.

I would like to say at the outset that the committee welcomes the opportunity to hear witnesses scheduled for today and tomorrow. Present plans contemplate closing the hearing tomorrow. Therefore, with some great embarrassment I must say that the committee is going to be very much pressed for time, both this morning and tomorrow morning, but we do want to give the witnesses an opportunity to present the views of the organizations they represent.

The Chair understands that some witnesses scheduled to be present were not able to be here and members of this committee will speak in their behalf.

Mr. John G. Wright, president of the Boston Wool Trade Association, was unable to be present, and permission is asked to file his statement at the proper point in the record, where otherwise he would appear.

We will treat him as the first witness and his statement will be inserted in the record at this point.

(The statement is as follows:)

Statement of John G. Wright, President of the Boston Wool Trade Association, Before the House Agriculture Committee on the Proposed New Agriculture Bill

My name is John G. Wright of Boston where I am engaged in the wool business. I appear here today as president of the Boston Wool Trade Association. This association has among its members about 650 individuals and firms engaged in the buying, selling, and manufacturing of wool. A large proportion of the wool consumed in the United States is handled through the members of this association which is natural as most of the wool which is manufactured in the United States is manufactured in the Northeastern and Middle Atlantic States.

The exigencies of the war unquestionably justified the Government in taking over the domestic wool clip and becoming a dealer in wool. It has been proved, though, in years of operation that free enterprise can handle the very complex operation of marketing the wool clip, more efficiently and economically than can an agency of the Government. Each fleece of wool is different from every other fleece with very wide variations in the quality, length, and yield and other characteristics. This very wide variation in the characteristics causes a multiplicity of grades which are used for many different purposes.

Changes in the market and style trends necessitate great flexibility more easily attained by private firms or individuals than a large Government agency. This is indicated by the fact that the CCC still have wools on hand of 1943, 1944, and 1945 clips despite the largest consumption of wool in our history during those years and since of over a billion pounds per annum. Also, Congress made it mandatory that this stock pile of CCC wools should be made available first for relief of European nations under the Marshall plan.

We are therefore strongly opposed to any new law which might encourage the Government's remaining in the business of buying and selling wool.

We do approve of support for wool to prevent hardships at a level to be determined by Congress in line with support levels for other equally important agricultural products.

We are very perturbed at the small stocks of wool now in this country or being grown in this country suitable for military requirements.

The number of sheep in the country is now the smallest it has been in the last 80 years and in the case of wool, the production is far below the barest minimum requirements for our military forces in case of a national emergency, if those requirements were at all comparable to those of the last war.

Should Congress decide that for reasons ot national defense there should be further inducement offered to increase the number of sheep within the United States, such inducement might be in the form of a direct subsidy which would obviate the necessity of the Government's entering the wool business and raising the price of wool to a point where it was beyond the reach of a large percentage of our people to obtain their essential woolen clothing.

One of the reasons for the small stocks of wool in this country at present is the general feeling that prices are fictitiously high in dollars because of the official rate we are obliged to pay for sterling. This feeling is confirmed by the fact that certain European nationals are able to obtain sterling at about 20 precent less than the rate we are obliged to pay. While efforts are being made to correct this, we do not believe that any permanent solution will be found until the dollar becomes the convertible medium of exchange throughout the world.

Mr. PACE. Mr. Charles E. Jackson, general manager of the National Fisheries Institute, Inc., was present, and asked that he be permitted to submit his statement. Without objection the statement was ordered to be inserted in the record at this point.

(The statement of Mr. Jackson is as follows:)

My name is Charles E. Jackson. I am general manager of the Natonal Fisheries Institute, Inc., in Washington, D. C. Our organization represents a substantial majority of the firms engaged in the production, processing (freezing and canning) and distribution of fish and shellfish in the United States. Our membership includes all segments of the fishing industry between the fisherman and the retailer.

The fishing industry is very much concerned over the proposal offered by the Secretary of Agriculture in connection with the further subsidization of agricultural commodities. Up to the present time we have no knowledge of the plan except reports carried in the newspapers. In the event that legislation is introduced, I shall ask that an opportunity be granted representatives of the National Fisheries Institute to appear and testify regarding same.

Fishing is perhaps the oldest industry in America. Those engaged in it are a proud, independent group of people. Members of the National Fisheries Institute have not and do not seek a Government subsidy of any kind. We are greatly concerned over the proposed plan for the reason that we do not see how it will be possible for one element of the food industry, like fisheries, to compete with another element of the food industry, like agriculture, if the latter is to be subsidized by the Government. To a certain extent agriculture is competitive with the fishing industry. Prior to the war, pork was regarded as one of the chief competitors of fish, along with poultry, eggs and cheese. This has not been the case in recent years due to abnormal scarcities and other war conditions, but from what little is known of the proposed farmer-consumer subsidy plan, we do not think it feasible for the fishing industry to sel its products in competition with subsidized agricultural products.

Mr. PACE. The committee has present this morning a Member of Congress, our colleague from the State of Texas, who will be glad to introduce the next witness. The Honorable Tom Pickett, representing the Seventh Congressional District of Texas.

STATEMENT OF HON. TOM PICKETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. PICKETT. Mr. Chairman, thank you. I might say a word of commendation of the committee and its exhaustive efforts to get to the heart of the subject, which is of such broad interest and import.

It is my pleasure this morning to present to the committee a gentleman from Rusk, Tex., and my district, who not only has personal experience as an actual farmer himself, but has dealt in many fields of agricultural endeavor since he quit farming and went into the broader fields of operation. It is with pleasure that I introduce Mr. J. Perrin Willis, who will speak for himself and other farmers of east Texas as well.

Mr. PACE. Mr. Willis, we will be glad to hear from you.

STATEMENT OF J. PERRIN WILLIS, RUSK, TEX.

Mr. WILLIS. Mr. Chairman and gentlemen of the committee: I came down here in the interest of all farmers, particularly the farmers in Texas.

We content that the agricultural problem is a national problem, not an individual problem.

A bunch of us gentlemen got together and formed a committee known as the Committee for Economic National Stabilization. Then we began the circulation of a petition, and in that petition we asked the Congress to give us a support price or parity on all farm products. It is our contention if parity is beneficial on six basic crops, it should be extended to all the farm crops, and I should like to read the petition [reading]:

To the President and the Congress of the United States of America, Washington, D. C.

HONORABLE SIRS: We, the undersigned, respectfully petition your honors—the President and the Congress of the United States—to recommend and cause to be passed—such laws and regulations—necessary for the stabilization of our national economy.

In view of the fact that those engaged in agriculture—farmers—purchase one-third of all manufactured products—representing the largest unit of buying power—it is our belief parity on all farm products, including citrus—

I understand citrus has not been considered an agricultural product. We who raise citrus believe it is. It is grown on the farm [reading]:

* * * rather than parity on the six so-called basic crops, as is now, the practice would accomplish the desired results, economic stability.

During the past several years we have found parity on the six basic crops strengthened our democratic system of government and preserved free enterprise. However, it is our belief, under our democratic government, there should be no law or regulation favoring the few—if parity supplies producers of the six basic crops security and buying power, it then should be extended to cover all farm products, giving farmers the same protection and security.

We believe parity on all farm products will produce the following results:

It would afford a means for balancing wages with the cost of living.

It would increase the buying power of the farmer and wage earner.

It would insure against unemployment.

It would guarantee the farmer a minimum wage and encourage young farmers to remain on the farms.

It would increase national income and give the Congress a reasonable basis upon which to estimate income for budget and taxes.

It would insure food for national defense.

It would insure credit for farm products and encourage private venture capital and private enterprise.

It would mean a saving in the cost of living for the consumer;

It would eliminate waste on farm products through overproduction;

It would afford business a chart for production, and

It would insure against communism and socialism.

It is our opinion that such a law at this time would prove a stablizer for jittery business and prevent the predicted and expected depression. We further believe a law which has been tried and proven successful is to be preferred to large expenditures through WPA programs and drastic rules and regulations as would be necessary to bail us out of a depression. The fact is buying power is the sustaining element of free enterprise and our competitive system. We respectfully submit this petition for your consideration and have voluntarily contributed our financial assistance thereto.

Respectfully.

Now right at this particular time salaries from the President on down have been increased, whereas farm income has dropped down to and below the level of 1942. Unemployment has increased to its highest point since 1941. In the face of that fact all of these wages have been increased.

It would insure food for national defense; it would insure credit for farm production and increase private capital for private enterprise.

Right at this particular time it is impossible for a banker to loan a farmer money on a vegetable crop. He has no idea what price those vegetables will bring.

It would mean a saving in the cost of living for the consumer. It would eliminate waste of farm products on the farm.

Now in the circulating of this petition we have found that 98 percent of the people with whom we have been in contact, doctors, lawyers, bankers, bootblacks, Japs, farmers, carpenters, painters, have signed this petition. They have signed it for the reason that they believe that peace and prosperity are at times, and at the present time, the two most important things of life.

Within the past few years we have fought two world wars. The cost cannot be estimated. Hundreds of thousands of the finest citizens lost their lives; thousands were wounded and will never be able to take up life as they had. Billions of dollars and mountains of resources were used in these wars.

While we know it was all man-made and inevitable, we have recently discovered preparedness is one way we will be able to prevent war. We have learned the way to peace is expensive. Isolationists now recognize we are a world power and that our responsibilities are not confined within the boundaries of these United States. At last we have set up a program, costing billions of dollars, not as a preparation for war but for the preservation of peace.

Like peace—we are beginning to learn—progress costs money. As we venture into the higher standard of living, more money is required to attain that level.

The day of the one-mule farm in Georgia is passed. Our prosperity, like peace, has been attacked many times, and depressions, like wars, are costly.

We find that isolationists are against safeguarding prosperity, just as they were against preserving the peace. We know depressions are farm-fed and far-led; that the farmer is the first to fall and suffer from low prices, and to plow under a farm product means decreased buying power, unemployment, and closed factories. We come to you this morning with the idea that agriculture is equally as important as preparedness. We don't hesitate in spending money for soil conservation because we know for years we have been writing the death warrant to future prosperity by dissipating our soil. Now we are preparing to restore that soil, but it is our belief that if the farmer is to secure a minimum wage, he is best qualified to protect that soil.

Now in the circulation of these petitions we have found that all farmers that we have contacted, as well as businessmen, have insisted on one point, and that point is there must be control of acreage. We know what is going to happen to cotton in Texas this year because we have got too much of it, and we know what is going to happen to parity elsewhere because they will have to drop it down.

I think that the majority of the people, if they will look instead of listen, they will find out that the farmer will back some plan along the lines suggested by Mr. Brannan. It is not a cure-all but a plan can be worked out that will give the farmer a minimum wage, will insure compensation for the high cost of agriculture, will insure food for national defense and buying power. Without that buying power for the farmer, the city factories are going to close. I believe that would conclude my remarks.

Mr. PACE. Mr. Willis, I am quite sure your views will be very helpful to the committee.

The committee will hear next from the distinguished representative from Wyoming, the Hon. Frank A. Barrett, who will have a short statement to make for the record.

STATEMENT OF HON. FRANK A. BARRETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WYOMING

Mr. BARRETT. Thank you very much, Mr. Chairman. I appreciate the opportunity to appear at this time as I must attend a meeting very shortly in the Interior Department and so, Mr. Chairman, I ask unanimous consent to extend and revise my remarks.

Mr. PACE. Without objection that courtesy will be extended.

Mr. BARRETT. Mr. Chairman, livestock is the basic industry of Wyoming. We produce more wool than any other State of the Union, with the exception of Texas. Accordingly, we are deeply interested in the welfare of the sheep industry.

At the outset let me say, Mr. Chairman, that the sheep industry of Wyoming and of the West is deeply appreciative of the splendid cooperation it has received from you and the former chairman of this committee, Mr. Hope, and in fact from all of the members of this committee on both sides. I want it to be distinctly understood, that the industry feels that it has been accorded splendid treatment at the hands of this committee and by the Congress during war years and since. There are, however, Mr. Chairman, some matters that I would like to call to your attention today.

The sheep industry has been subjected to rather difficult problems during the past 7 years. The sheep population of this country has been reduced during that time to the point where it is the lowest of any period in the past 80 years. That is not good for the West, nor for the country as a whole. We would like to have a concrete and stable policy in regard to wool.

I want to call your attention to the fact that when the war was declared on December 8, 1941, the price of wool was frozen at the then market price. It remained at the same price all during the war. At the same time the cost of production doubled and in some cases trebled and that produced innumerable problems for the wool industry.

Now because of the fact that the price of wool was frozen at the prewar market price, it was necessary to enact the wool support program of 1943, which was reported out by this committee and for which we are very appreciative. Matters went along until in 1947, as you will remember, the Secretary of Agriculture refused to continue that program unless the Congress authorized him to do so. We are grateful to this committee and to the Congress for the fact that two pieces of legislation were passed the first of which met a veto at the hands of the President. Ordinarily we might have been forced to accept the veto without further legislative action and such would have been the case, if it were not for the splendid consideration given by this committee.

Now, of course, we felt that the first bill was eminently proper, in view of the fact that the tariff on wool was reduced by 25 percent in 1947. I may call your attention, Mr. Chairman, to the fact that the people of this country got no benefit whatsoever because of the reduction of the tariff, by reason of the fact that the price of wool was raised by foreign producers to take up the reduction in the tariff, and accordingly, the consumers in this country did not benefit in any way.

Now under the Aiken-Hope bill, wool has been adequately taken care of and, of course, we have nothing whatsoever to complain of. We do feel that wool ought to be accorded the same treatment as basic commodities in this country.

I do not know too much about this present proposal, Mr. Chairman, and I don't propose to make any statement on it. I understand wool has not received the consideration to which it is entitled in that program. I might say this, Mr. Chairman, that the only criticism I have, if you might call it that, is that the wool growers of the West have been confronted with such instability and insecurity during the past 7 years: First, the fact that the price of wool was frozen and the cost of production went up and up; and then that the tariff was reduced on wool. Then after we were able to get favorable legislation in 1948 through this committee and the Congress, we are now faced with a new proposal before this committee which we are advised at least that wool has not received favorable treatment.

I am sure, however, Mr. Chairman, that this committee will accord to that great industry the same fair and equal treatment that they have accorded it in years gone by; and I am hopeful that wool be accorded the same treatment as the basic commodities.

So, in conclusion, Mr. Chairman, I want to say again that the sheep industry is deeply appreciative of the splendid consideration that this committee has given it down through the years.

Mr. Pace. Thank you very much for your statement, Mr. Barrett.

The Chair is advised that there are probably some witnesses present who will not be able to be here tomorrow, and we will try to hear as many as we can today. Also that there are some witnesses present who do not care to present their statements personally, but will file their statements, and they may do so now.

The CHAIRMAN. The next witness will be Mr. C. B. Heinemann, president of the National Independent Meat Packers Association. We are glad to hear you, Mr. Heinemann.

STATEMENT OF C. B. HEINEMANN, PRESIDENT, NATIONAL INDEPENDENT MEAT PACKERS ASSOCIATION

Mr. HEINEMANN. Mr. Chairman and gentlemen of the committee, my name is C. B. Heinemann, of Washington, D. C. I am appearing here on behalf of the National Independent Meat Packers Association, of which I am president. This is a D. C. nonprofit corporation organized in the District in August 1942. Washington is our headquarters.

Our membership, composed of individuals, firms, and corporations, is found in every State of the Union. We have at present over 700 members. Many of them have been and some continue to be producers and/or feeders of livestock.

NIMPA, as the association is generally known in the industry, came into being during World War II at a time when the small packers were threatened with extinction because of the rules and regulations imposed upon the industry. During our existence we have had to fight constantly to survive and to continue to do business in the truly American way, as a group of independent operators.

I have been with the organization since its formation. Virtually all my life has been in the livestock industry, as my mother's family has been for nine generations. As a boy I lived in the country, raising and feeding livestock, with vacation periods in the range country with my kin. My father also bought and shipped livestock to market, then a most hazardous financial gamble.

Since 1903 I have worked with the world's largest handler and feeder of livestock, with packers, with the market agencies, with stockyard markets, and now with a packer association. I do not speak of this boastingly, but merely to let you know that I can and do speak with some knowledge of this industry.

In appearing in opposition to the Brannan program, I do not wish to be hypercritical when I borrow from our general counsel this sentence in his report on the proposed program:

> I regard this whole program as un-American, undemocratic, preferential, and vicious * * * in spite of the fact that meat packers would probably benefit from certain features of the plan which would encourage production, * * * provided the farmer is willing * * * to give up his freedom and bend his knee to Federal regimentation.

I speak only about the effect of this program on the livestock and meat industry. Others will cover other phases of it.

In this country we have always boasted that our form of Government and under our Constitution all are to be accorded equal treatment. One of our primary objections is that this program will not only differentiate and discriminate between classes, plus the fact that it will then divide the agricultural group into two separate groups—those who would be protected and those who must fight without Government protection.

This same Department of Agriculture in 1922 published the result of a study under the title "Food Control During Forty-six Centuries." This takes you back to the fifth dynasty in Egypt, or about 2830 B. C., when monarch Henku left an inscription on his tomb reading: "I was lord and overseer of southern grain in this nome." Parenthetically, I may remark that there was apparently no fighting Tom Linder in south Egypt. The report ends with this summary:

> The history of Government limitation of price seems to teach one lesson—that in attempting to ease the burdens of the people in time of high prices by artificially setting a limit to them, the people are not relieved but only exchange one set of ills for another which is greater. Among these ills are—
>
> 1. The withholding of goods from the market, because consumers being in the majority, price fixing is usually in their interest.
>
> 2. The dividing of the community into two hostile camps, one only which considers that the Government acts in its interest.
>
> 3. The practical difficulties of enforcing such limitation in prices which in the very nature of the case requires the cooperation of both producer and consumer to make it effective.

While we do not subscribe entirely to the analysis by that able economic analyst, Carl H. Wilken, he certainly sets out some sound and constructive criticism of Mr. Brannan's program. We recommend reading of his analysis as a "must."

I shall not undertake to discuss in detail the proposed plan, but we are opposed to it in its entirety. We believe the proposed discrimination between large and small feeders will curtail livestock production in those areas where most animals are finished for market.

Its inauguration right now would ruin virtually every one of our member, because there is no provision for protecting inventories, which were accumulated by purchases on an open competitive market.

There is nothing seriously wrong with this industry which is not directly attributable to the lack of competent planning and administration in Mr. Brannan's Department. Have we any reason to believe this will be an improvement over past experiments?

I could take a lot of time in listing those things which have contributed to our troubles, but time does not permit. Summed up, they refused to listen to the advice of our people, given as the end of the war approached. They had a surplus of meat animals, and then created a shortage of feed. They bought in almost record-breaking crops of feed, only to find themselves short of feeding animals.

They closed to us the export world market in fats and oils while a hungry world clamored for them and bought them from other countries at prices several times the domestic market in this country. They have able men in the Department, but seemingly prefer the "great planners" as advisers. Practical men available to them are frequently not consulted.

Regardless of what you call this plan to conceal its real purpose, it is our belief that this is one of the means designed to control production by Government order, to control prices, to effect certain phases of rationing, and, finally, to subsidize by one means or another the producer directly, and the consumer by indirect means.

If the United States Department of Agriculture would only devote a few thousands of dollars in studying methods for wider usage of some of the products of livestock, there would be no need for even considering such un-American ideas. There is not and never has been too much livestock produced. It still provides the finest, most nutritious, and cheapest food, judged by nutritional tests. The health of the Nation would be improved if every man, woman, and child would increase their consumption of meat products a few pounds each year.

We hear complaints about some high prices to consumers, but these planners never admit the truth about one prize cause for the prices, which are not high, is their miserable handling of two of our major products, viz, animal fats and hides. A kindergarten student should know and industry cannot take care of a price shrinkage of 60.5 percent in inedible and 81 percent in edible animal fats out of their profit of a fraction of a cent per pound. This mishandling adds several cents to every pound of meat consumed, yet the planners would have the taxpayers pay for their own faulty judgment.

Having experienced the disastrous results from subsidies or livestock slaughter payments, we certainly plead with utmost sincerity that nothing even remotely resembling them be undertaken again. There still remains due to our members and other packers millions of dollars under the so-called price roll-back plan. Scores of firms had to discontinue operations, and in some cases those withholdings of amounts due were because of conditions wholly beyond the control of those entitled to the money.

We urge you to keep this industry from the army of parasites necessary to supervise this program. Let the American farmer alone, and he will adjust operations by sound production methods and marketing practices, and perpetuate the American way for future generations of his family.

I thank you, gentlemen.

Mr. PACE. Thank you very much for your statement, Mr. Heinemann.

The next witness will be Mr. Harry Donohue, representing the Oil Association of the Triple-A committee from Blanchester, Ohio. Mr. Donohue.

STATEMENT OF HARRY DONOHUE, BLANCHESTER, OHIO

Mr. DONOHUE. Mr. Chairman, Mr. Pace, Mr. Hope, and the other members of the committee, I received a telegram from Congressman Cooley telling me I should have my statement prepared and several copies to pass out. I just did not have the time to do anything like, and, honest, while I was eating breakfast this morning I prepared a few notes that I will try to follow and not wander too far.

Now, I am Harry Donohue from Blanchester, Ohio. I am a farmer. My whole occupation is farming. I operate a farm of 150 acres. I am a small farmer in Clinton County, which is situated in the southwestern part of Ohio, and which is known as the richest farm part of Ohio. It is what we call the Corn-Hog Belt of Ohio. We produce corn, also wheat and soybeans, grain crops are planted, and we raise stock and hogs, although we feed beef cattle, do quite a bit of dairying, raise chicken, and so forth; but then Clinton County is known as a large hog county. I think the census gives it as the largest county in Ohio.

Now I will try to follow my notes here and not wander around so much.

First, I am testifying as to my own thoughts. I am not here instructed by anybody and what I say I will have to be responsible for myself. I am testifying from conversations with actual, what we call, dirt farmers, with the farmers operating the land, endeavoring to make a living off the land.

First, I want to say this, that farmers have come to the conclusion that they are the only group that are selling their services or products out on a free market, and that we just can't longer do that thing and keep up with the other boys.

We note that industry sets the prices on their products and either lists the prices or cuts down the output if they cannot sell at the price.

Labor is organized and they are going to stay with the hours and wage rate rather than reduce it..

We find in Ohio that all of our proessional people are organized and really have what amounts to a closed shop whereby they regulate the price charged for their services. So we are beginning to think that while the farmers are thinking about it, the rest of the groups are going ahead, and I am reminded of the old saying, "If you live in Rome, you have to do what the Romans do." And so we have come to that conclusion although it is a little confusing to us, in the light of the abundance of natural resources that we have and the know-how, that we cannot work it some way so that we will all have a good standard of living out of it, because I feel that is what is necessary for all of us, to have a good standard of living if you work it right, and there are plenty of natural resources and the know-how. So we feel we should have some legislation that would permit us farmers to work together, that we might regulate at least our supply to the needed demand.

Since it has been indicated that the farmers are consumers of about 40 percent of the industrial output, we can't keep up that consumption unless our return is kept up in line with the other fellow's.

I can make this statement in regard to my own income. When we sold our hogs off this spring, we sold the same amount we did 2 years ago this spring, and the income was some $1,800 less.

Now, gentlemen, that means that I and hundreds of other farmers in my county had a lot less money to spend in the county, and we realize that if we had had that money it would have pyramided as it went up through the business channels. That means there is going to be less work for the fellows producing those things, and maybe a less amount of money to buy our produce.

We feel that it is O. K. to carry a large reserve of grains and fibers, if that can be done without depressing the market so that we can't receive anythig near what it costs us to produce the stuff.

We also believe that it would be better on those products if we could store, if there were some means that we could feed them to people before we dump them. In other words, if it means lowering the price on them, let us try lowering the price once and feed them to the consumers. As farmers we don't like to dump things. We are convinced sometimes if we dump half of it in the river we would get a lot more for the rest of it than for all of it, but we don't like to do that thing as farmers; but we would be interested in a bill that would perhaps lower the price and see if the consumer could not consume it, yet not ask the farmer to take the whole burden of the subsidies for the consumer.

We feel right along in all these years as farmers that we have been subsidizing consumers; and it is no more than fair that some of those folks who do not need that subsidy would refund part of that subsidy back to us. We talk a good deal about the farmer receiving a subsidy, but to me it is simply refunding a subsidy that has already been made to the consuming group.

We also realize we cannot have price support unless we are willing to regulate ourselves and produce only that amount that is needed. We realize it is not fair to ask the consumer to pay us a fair price for something that he does not want or does not need.

We do feel that that regulation should be put forward, and if we do not vote favorable, then we should be out and on our own completely. I will say this for myself, I would feel like in any program where it became necessary that we have quotas to safeguard the Treasury and the consuming public in the amount of money we are paying, that if we voted out those quotas, then we should be on our own entirely. That is, if we want to go that way, let us go that way.

We have heard a good deal about the food-stamp plan. Perhaps that would solve the thing we have in mind and that will take care of the surplus. To me the thing has always worked this way, gentlemen. We have here the consuming public that is divided, we will say, into groups as far as their income is concerned, starting with $1,000, $2,000, and so on up. If we produce enough beefsteak to only take care of those in the $3,000 and up group, they will consume it at a price so that those under that salary cannot have the beefsteak. But if we produce enough beefsteak for the $1,000 group on up. then they would all receive it.

Now farmers' costs are not based on an income like the $1,000 group. We pay the high wage rates, the big salaries, and all that which goes into producing of those things that we are producing. We pay high prices for all the things we use in production, so that we can't produce milk and eggs at the price that this $1,000 income family can afford to pay for them and keep our farms going.

We talk a lot about soil conservation. Farmers believe in soil conservation. The great majority know how to practice soil conservation. The main thing they need is income that will permit them to do the things they know. We are not as short on technical advice as we are on income to do the things we really know how to do.

I will say this for my neighbor farmers, that every last one of those would like to operate his farm to its fullest capacity and get a good price for what he produces, but we do realize that if we produce more than the consumers want, that we cannot do it that way. We don't like the controls but I will say this, that I think that the great majority of the farmers out there have decided if we are going to have any, we will need to regulate ourselves along with it.

Now I have just a few words to say about some of our present legislation on the books.

I have yet to meet a neighboring farmer who said he liked the Aiken bill. They feel like there is just as much regulation in that. Congressman Hope, I heard you make the statement—you made it once—that when that bill went through it was with the understanding you would have the right to reconsider it and not just what it meant to the farmers. That is the way the farmer feels. There is just as much control in this bill as in any of the others but the return is not as great.

I am rather amused at the farm bureau—and I have been a member of the farm bureau ever since we had a farm bureau started with the county farm bureau in 1917, and I have been a member ever since. To begin with, they kind of gave us the idea that by having that, we would avoid any marketing quotas, any control. Now we hear them all the time talking about "it will be 72 percent rather than 60 percent because we will have quotas," and so it just has not gone down with the farmers out there on the land.

Now I have read the Brannan plan and given some little study to it and discussed it with some of my neighbor farmers. We do like the income-support approach in the plan. They still like it. That is the thing we should have, something which will give to agriculture, which permits us to go ahead and consume the other fellow's goods and services, and thereby keep the wheels turning.

We do like the idea of lowering the price and trying to get increased consumption of these nonstorable products, such as milk and meat products. Frankly, of course, we would rather that we would get the return some other way if it was possible than from this check that everybody wants to call a subsidy. As I said before, we are inclined to look at it that it is simply a refund from some of the folks who were not entitled to the subsidy that we gave to the consumers, but if you can devise some other way that we can get the prices put down where this $1,000 family can consume all the milk and everything they need, we would be glad to have it that way.

Mr. PACE. Your statement has been very interesting.

Mr. DONOHUE. I would be glad to answer any questions. That is about all, you see, that my envelope can hold and I jotted it down on both sides.

Mr. PACE. Thank you very much. The committee is delighted to have your very comprehensive views on the problem, because they realize you have been working on it for a long time.

Gentlemen, a distinguished member of the committee will present the next witness. Mr. O'Sullivan.

Mr. O'SULLIVAN. Mr. Chairman and members of the subcommittee on agriculture and other members of the full Committee on Agriculture, I wish to present to you Mr. Lyle Cooper, research director of the United Packinghouse Workers of America, CIO, who is substituting today for Mr. Ralph Helstein, president of the United Packinghouse Workers of America, CIO, who was prevented from being here and testifying on account of serious illness. So Mr. Cooper will testify on behalf of his organization.

Mr. Lyle Cooper.

Mr. PACE. Thank you, Mr. O'Sullivan.

We are delighted to hear from you, Mr. Cooper, and I am sure you appreciate the limitation on time.

Mr. COOPER. Yes, sir, Congressman Pace. I will try to be as brief as I can.

STATEMENT OF LYLE COOPER, RESEARCH DIRECTOR, UNITED PACKINGHOUSE WORKERS OF AMERICA, CIO

Mr. COOPER. Mr. Chairman and members of the subcommittee on agriculture and the members of the full Committee on Agriculture, I am appearing here today in the place of our president, Mr. Ralph Helstein.

The packinghouse workers represent most of the unionized workers in the slaughtering and meat-packing industry. This holds particularly for those employed by the Big Four—popularly, and we believe correctly, known as the Packing Trust—Swift, Armour, Wilson, and Cudahy. Our union also holds collective-bargaining contracts covering most of the workers in such large companies as Morrell, Hormel, Hygrade, Kingan, and Tobin, and also with numerous smaller packing companies.

For some years it has been the policy of the UPWA to devote much attention toward promoting better relations with farmers. I shall not take the committee's time to outline in detail our activities along this line. However, I am frank in emphasizing that our interest in farmers, especially in those who raise and market livestock, is based on very practical considerations affecting the interests of these farmers as well as ourselves.

First. The functions performed by packinghouse workers—slaughtering, dressing, and processing—are closely interdependent with those of farmers who produce livestock.

Second. In our day-to-day experience we find the methods the Packing Trust uses for keeping wages low closely parallel its methods for pushing down prices on livestock.

Third. Over and above these special considerations which are of immediate and vital effect both to ourselves and to livestock farmers, and that means most farmers, we hold, on principle, that the prosperity and welfare of city workers and working farmers can be achieved only through close cooperation between these two great predominantly low-income groups of citizens.

Stated a little differently: The United Packinghouse Workers maintains that what is good for the vast majority of farmers is good for the workers in factory, mine, and mill, and vice versa. Basically the interests of the two groups are the same and not in conflict. This is the conviction on which our policy is based. And because of this conviction I have asked to appear before this committee.

I would like at this point, Congressman, to make this a little more concrete.

I suppose most of the members of the committee are familiar with the fact that some of the principal packing plants are in relatively small cities, in Nebraska, in Iowa, and Minnesota. They will have a plant of about 4,000 employees at Ottumwa, Iowa, with a population of 25,000. There are relatively large plants in such small cities as Fort Dodge, Mason City, Iowa; Austin, Minn.; Albert Lea.

Now at these plants most of those workers have themselves a farm background. They have many relatives who are farmers, but in addition to that many of them put in part time on farms. They are in communities where the very prosperity of agriculture determines directly their own prosperity, because in so many of those small places such as I have named—and also I think Congressman O'Sullivan would say that Omaha is in the same situation essentially—that if there is depressed agriculture in the particular area served by Omaha, then the whole community suffers; the packinghouse workers don't have enough work, there are substantial lay-offs, their annual income is greatly reduced; so that we can see there is an interdependence of the farmer and farm prosperity, and that relatively large cities like Omaha and Kansas City are quite obviously affected when there is a drop in farm prosperity.

We have examined Secretary Brannan's program for agriculture with intense interest. While I make no pretense of being an agricultural economist, the general principles expressed in Secretary Brannan's proposals strike me as sound.

Not surprisingly, the features in the Secretary's program relating to the Nation's livestock economy appeal strongly to packinghouse workers, for the aim is to provide a sound foundation for increased livestock feeding and breeding. Not only would expanded livestock output provide more jobs and steadier employment for packinghouse workers, irrespective of whether they are unionized.

In addition, increased livestock marketing and slaughter would reverse the downward trend in livestock numbers evident for several years. In terms of meat available for the public, this trend necessarily expresses itself in reduced consumption which is now headed for the low levels of the thirties. In fact, 1948 and 1949 per capita consumption will register only about 10 pounds per year above the low levels prevailing in the depressed thirties. Per capita consumption is now consumption prevailing during most of the war period, not to speak of the enormous meat exports which the American farmer was providing for out armed forces abroad and for relief in other countries.

In a separate supplementary submission, prepared by the research department of our union, this alarming decline in per capita consumption and what it means for low-income families in the cities—and for the American livestock grower—is analyzed in greater detail than I have time for here. Our thesis is that there now exists a serious meat shortage in the United States, when the measure applied is the scientifically determined nutritional requirements of both adults and children. To be sure, there seems to be enough meat, as evidenced by well-stocked counters in the stores. But this deceptive appearance must not be allowed to obscure the fact that demand has declined significantly because far too many families cannot afford to buy all the meat they need.

Some price declines on meat have taken place but increasing prices in other directions, including rentals, as well as reduced dollar income in the lower brackets because of growing unemployment and part time, are causing meat supplies to back up. A recent example is the extremely disappointing experience this year in the "dull demand" for Easter hams, a condition noted by the Business Week (April 23) which will also be verified by the sales department of any packing company.

Now it might be assumed that "supply and demand" will eventually solve this problem of under consumption and meat shortage. But to make any such easy assumption amounts to accepting at face value the public relations claims of large, dominating packing companies. They assert that they compete "intensely" among themselves and with the three-thousand-odd small slaughterers and processors.

However, we agree with the opposite view held by the Department of Justice. The Department of Justice charges, in its pending antitrust action against the Big Four that there exists collusion among them in keeping wholesale meat prices higher than would prevail under real competition—and, simultaneously, that there is collusion among the Big Four to depress livestock prices. Parenthetically, I will say that I am not at all certain that antitrust action is the answer to this price-rigging problem, but that is another story.

In connection with this important price aspect of the interrelated livestock and meat problem, I again want to direct the committee's attention to our supplementary economic analysis. In it, Department of Agriculture figures are cited and charted relative to both the marketing margin on meat and the farmer's share of the consumer's meat dollar.

In brief, the marketing margin which was 20 cents on the dollar in June 1946 had jumped to 36 cents on the dollar in January 1949. This increase of 16 cents in less than 3 years amounts to 80 percent. About half of the marketing margin on meat is normally accounted for by retail charges, with the rest mainly attributable to the packer both as processor and wholesaler.

I attach great importance to this matter of the marketing margin. Analysis in detail of the month-to-month changes in margin over the period just cited, 1946–49, I am sure will provide strong circumstantial evidence of collusive action at the wholesale—that is, packer—price level in this period. In practice, the only packers capable of such collusion are the largest companies. Again, I call attention to the very detailed charges specified by the pending action instituted by the Department of Justice.

This whole question of margins calls attention to a potential danger that might easily undermine the otherwise well conceived program of Secretary Brannan which seeks to achieve income parity for the farmer and, at the same time, adequate supplies of food within the reach of the low-income consumer.

This is the problem, as I see it. Secretary Brannan's plan, in effect, assumes that lower livestock prices—irrespective of whether or not they fall below the support levels—will automatically be passed on in lower prices to the consumer. Our examination of the record on marketing margins for meat during the past few years raises a serious question about the validity of any such assumption.

For such an assumption amounts to believing that we have free, if not perfect, competition all along the line, from livestock producer to retailer, and also among consumers in their competition for the available meat supply. If, however, the Packing Trust constitutes, at the very least, a partial monopoly which, in its strategic middleman position, is able to raise or lower the tolls it levies, on the basis of the public's ability to pay, then the assumption of the beneficent results of free competition are not warranted.

The practical conclusion I draw relative to this serious threat to Secretary Brannan's program as it now stands, is that the program should be extended to include over margins at the very least, at the processing and wholesale levels.

Although our evidence in support of this conclusion is chiefly based on knowledge of what has happened during recent years in respect to livestock and meat, I am sure that restraints on competition are not confined to the packing industry. I have heard of the Dairy Trust. And I believe the long-delayed decline in the price of flour following the big drop in wheat prices indicates that there is not complete and perfect competition among the large flour millers.

Consequently, the case for the exercise of control by the Department of Agriculture over marketing margins is much broader than that of the extremely important area of marketing the Nation's meat supply. I respectfully suggest that this committee thoroughly look into this whole problem of margins. For there exists here a probable weakness which could easily endanger—or even wreck—an otherwise admirable program.

Several additional points are worth emphasizing in the time allotted to me. I want to endorse fully Secretary Brannan's proposal for compensatory payments, when needed, in order for the livestock producer to attain income parity.

It is not necessary, I am sure, to dwell at length before this committee on the fact that price supports for livestock cannot successfully be implemented by the same methods as apply to storable grains. Meat is perishable and/or semiperishable, and the problem of storage could not be met when supports are most needed. If price supports are to be made effective for livestock, practical measures must be devised for underpinning the supports. Otherwise, they will collapse.

Recall in this connection the experience with the heavy 1943–44 hog marketing. Because of a large corn crop, farmers increased hog breeding at that time. There were "floors" as well as "ceilings" for hogs. But with the heavy hog marketing which developed, complicated by labor shortages at the major packing plants—a condition I have reason to believe the big companies did not wish to avoid—the operation of supply and demand caused hog prices to fall through the floor. Therefore, numerous hog producers took a severe beating on prices, in spite of the so-called price support guaranty.

Significantly, the packers did not pass on to consumers anything like the full benefit of lower prices on hogs. This provides further evidence that the marketing margin does not automatically adjust itself to conform with changes in raw material prices.

Very recent experience in respect to hog prices, when compared with wholesale prices on pork, provide further evidence on the threat arising out of the margin situation. In the weekly Livestock and Market News for April 26, 1949, issued by the Production and Marketing Administration in Chicago, we find data which is extremely illuminating.

This authoritative Department of Agriculture source states that barrows and gilts in Chicago on August 21, 1948, averaged $29.90 per hundred pounds, whereas on April 23 of this year they averaged $18.22. This is a steep drop of 40 percent. But for the same period we find that the wholesale (packer) price on pork loins weighing 8 to 12 pounds sold up to $72 a hundred on August 21, 1948, compared with up to $51 on April 23 of this year, a drop of 29 percent. Again pork loins weighing 12 to 16 pounds went down from $65 to $50 a hundred for this period, a change of 23 percent. And, most significant, for the same period pork loins weighing from 16 to 20 pounds, popularly known as the "poor man's pork," went down from $55 a hundred to $45. This was a drop of only 18 percent.

These figures afford further demonstration of the failure of the marketing margin on meat to adjust itself in conformity with changes in livestock prices. Observe that this failure is most glaring for those low-income consumers who are always under the greatest pressure to curtail their meat purchases to a scale below minimum family nutritional requirements. Again, I urge that this situation relating to margins be studied with the greatest care and that steps be devised to safeguard against the real dangers that are involved.

I wish now to comment briefly concerning the price support method for livestock proposed by Secretary Brannan as an alternative to storage under loans and/or Government purchase. I am aware that efforts have been made to damn compensatory payments as a form of "subsidy." This word does not frighten me, especially when I remember that "free private enterprise" has never been averse to subsidies, whether direct or indirect, when the funds stay put in its own treasuries.

"A rose by any other name is still a rose." And I submit that loan and storage techniques which involve a net cost to the United States Treasury constitute a subsidy just as much as direct payments to the farmer. The somewhat notorious situation with regard to potatoes currently illustrates this. And I submit that efforts to support livestock prices through storage of meat would almost certainly boomerang in the form of an nunecessary drain on the Treasury. Secretary Brannan has gone into this problem in great detail, and so far as I am concerned, he has proven his case for compensatory payments.

Bringing cattle and sheep, as well as hogs, under price supports appeals to us strongly. There is no compelling reason, either in logic or equity, which justifies including producers of one type of livestock under a price-support program while excluding others.

Here again, it is apparent that the compensatory payment procedure for underpinning supports is esesntial if cattle and sheep prices are to be supported effectively and with the minimum net cost to the Government. This is because storing beef and lamb, if anything, presents greater practical difficulties than apply to pork, a condition arising out of the fact that normally a much larger proportion of the pork output is placed in cure.

A final word on the subject of cost. It is important and proper to think of cost in terms of monetary outlay. And on this level of analysis, Secretary Brannan presents a persuasive case for the view that the net over-all financial cost to the Government is likely to be somewhat less than the methods on which we have been relying—that is, trying to segregate so-called surpluses through loans, cash purchase, and storage, and hold them off the market until better prices somehow happen along.

But to the extent that such methods dam up and hold back the movement of needed food into consumption, this represents a real cost to our Nation. In spite of the gains made in per capita food consumption during the war and postwar periods, great segments of our population still cannot afford to buy, at existing prices, adequate amounts of fresh fruits and vegetables, dairy products, and meat. And, as I have indicated earlier, during recent months this already deplorable state of affairs has become worse.

We now stand at a critical turning point where per capita consumption of food and fiber will fall still further, or where we can put our economic machine into reverse and make further gains such as those, paradoxically, we now seem to make most headway in attaining during the scarcities characterizing a war economy. The great merit of Secretary Brannan's program is the principle animating all its details, namely that farm prosperity is essential to achieving general prosperity for all, but that, to nail this down on a sound foundation, the abundance of farm output which the program aims for must be permitted to move into the homes of consumers at prices they are willing and able to pay.

To the extent that encouraging expanded livestock production is consciously given a prominent place in the whole program, we welcome this feature and regard it as sound. It is sound for two principal reasons. First, emphasis on a livestock economy is in line with past tendencies and the future needs of American agriculture, including the vital need for conservation of our soil resources.

Second, a greater provision of meat and other livestock products (that is, dairy products) in the American diet is one of the most practical and effective ways of improving the general level of health and raising the standards of living of our people, especially for those who need these gains most.

For the reasons set forth in this statement, I strongly endorse the general principles embodied in Secretary Brannan's program. I trust that this committee, on the basis of its study of the program, will recommend to the House of Representatives the enactment of legislation giving expression to Secretary Brannan's recommendations.

Now, Mr. Chairman, Congressman Pace, I would like to take a couple of minutes to offer several additional suggestions.

This statement was prepared about 6 weeks, actually, when we thought we would get on then, and since then we have been thinking a little more, and so I will be very brief in indicating what our thoughts are.

I haven't mentioned here that we rely on the basis or principle that the family-type farm should be mainly benefited and that its income needs support most.

We like that provision in the original proposal of Secretary Brannan which reconsidered the dividing line of $25,000 gross income. It seems to us that there would be much to be said for not extending the limitation in the form of allotments for acreage limitation, to say those farmers whose income has grossed over the 10-year average period less than $6,000 a year. Their net, I would suppose, on the average is not more than $1,200 or $3,000, and it just strikes us that on the basis of family needs that they ought to have a bit more flexibility, if they can put in a few more acres, than those farmers for the most part by the very nature. That is the limitation on their income. They do not have too many acres to play with. Any increase that they might be able to make in acreage, in view of how the individual farmer analyzes the prospect, will not be treated in the form of possible burdensome supplies of the particular commodities that they produce.

We would also like to endorse the point made by the Secretary himself that this whole approach to the support price and income parity does not reach several million, I judge, subsistence farmers, those who are down at the bottom of the scale; and he himself said that the Farmers Home Administration was worthy of further development and expansion. I think that is an extremely valid point, that for those farmers whose cash receipts really do not bring them in a position to benefit, it was not the income approach; they need other methods of shoring up their position.

Now the Secretary mentions the school-lunch program, and certainly there, I think, the statistics afford a demonstration of the need for expanding that program; and, by the way, it would seem to us to be a very good program to see to it that every kid in school gets a serving of meat once a day. I think the packers would like it as well as the packinghouse workers, too.

Finally, it seems to me that while we are all hopeful that unemployment will not snowball and become unmanageable, nevertheless it would be well to have as a stand-by provision a revamped and improved plan ready for application if it is needed.

I noticed in this week's United States News it predicts a volume of unemployment of 6,000,000 by early 1950. They go on to say that some Government authorities think that is too low. Now it would be fine if after reaching 6,000,000 we started whittling that down, and we all hope this is a very mild recession, but it is not being pessimistic, it seems to me, to take the measures that would be needed just in case it was needed.

Mr. PACE. Thank you very much, Mr. Cooper. Your statement will be very helpful to the committee, I am sure.

We will now hear from the distinguished Representative of this committee from New Hampshire, the Honorable Norris Cotton.

Mr. COTTON. Mr. Chairman, we have here today a distinguished group of poultrymen. Mr. Hubbard, the president of the National Poultry Producers Federation, does not need introduction to this committee.

I might say that Mr. Hubbard's family comes from Walpole, N. H., where they operate one of the finest hatcheries and poultry plants in the country, of which we are very proud. However, this member of the family showed very poor judgment and moved down to Lancaster, Pa., but his home plant is still maintained at Walpole, N. H.; and you will recall this group was entertained last year when you visited my State and we went through Mr. Christie's plant. So I would like the privilege of presenting both these gentlemen.

Mr. PACE. Who will testify first?

Mr. COTTON. Mr. Hubbard will speak first.

STATEMENT OF L. S. HUBBARD, PRESIDENT, NATIONAL POULTRY PRODUCERS FEDERATION, LANCASTER, PA.

Mr. HUBBARD. My name is Leslie Hubbard. I make my home at Lancaster, Pa., where I operate a branch hatchery for Hubbard Farms.

We are a family business specializing in the breeding of New Hampshires. Our breeding farms are at Walpole, N. H., where we house 25,000 breeding birds. We also multiply our improved breeding stock by use of supervised flocks and hatch and distribute over 11,000,000 baby chicks annually.

The National Poultry Producers Federation, of which I am president, is a nonprofit organization whose membership is made up of the national and regional poultry producer and poultry breeder organizations.

Membership includes Northeastern Poultry Producers Council, with a membership of 5,000 producers in 13 northestern States, National Turkey Federation, with a membership of 5,000 turkey producers in the 48 States, International Baby Chick Association, with over 5,000 hatcherymen and breeders holding membership in the 48 States, Utah Poultry Producers Cooperative, and the Washington Cooperative Farmers Association.

Cash income from poultry and eggs last year exceeded 3¼ billion dollars, according to figures compiled by the United States Bureau of Agricultural Economics. Poultry and eggs ranked forth as a source of farm income, exceeding the total cash income from grains, cotton, tobacco, fruits, and vegetables. The cash income received from poultry by farmers last year was exceeded only by that obtained from dairying, cattle and calves, and hogs.

The foregoing is ample proof that any farm program designed by the Federal Government will be inadequate unless it takes into consideration the relative importance of the income positions of the various agricultural commodities, including poultry.

With that fact in mind, the members of the National Poultry Producers Federation are in unanimous agreement on the following general statement of policy with respect to a Federal farm program:

> Whereas the poultry industry in all its ramifications includes the production of chickens for meat and eggs, turkeys, and ducks, on some 5,000,000 farms, therefore, be it
>
> *Resolved*, It is our belief that it is economically unsound to impose production controls on the poultry industry.
>
> However, in view of the fact that the present Government is committed to the policy of price support and production controls on those products which this industry uses as basic materials, the poultry industry should be protected with a floor price on its products as enumerated above, to prevent disaster.
>
> This floor price should by no means reflect any profit in production.
>
> Discretionary powers to determine support levels should rest with the Secretary of Agriculture and a properly constituted advisory committee selected by the producing industry as represented by national and regional industry organizations.
>
> In no case should the price support be higher than 90 percent or lower than 60 percent of the revised parity formula.

That concludes the general statement of our federation. I should like now to call on the officials of the member organizations for further elaboration with respect to their own particular segments of the poultry industry.

Mr. PACE. Thank you very much for your statement.

Mr. COX. That concludes the general statement of the National Poultry Producers Federation. I should now like to call on the officers of member organizations for further elaboration.

Mr. PACE. Thank you very much.

Who will be the next witness?

Mr. COX. The next witness will be Noel Shaver, President of the International Baby Chick Association, of Crawfordsville, Ind.

Mr. PACE. We are glad to hear you.

STATEMENT OF NOEL SHAVER, PRESIDENT, INTERNATIONAL BABY CHICK ASSOCIATION

Mr. SHAVER. Mr. Chairman and gentlemen of the committee: My name is Noel Shaver. I live in Crawfordsville, Ind., where I am engaged in the operation of a chicken and turkey hatchery, producing 700,000 chicks and 125,000 turkey poults annually. I also grow around 11,000 turkeys annually and I supervise the flock improvement and disease control work on 156 farms supplying my hatchery with hatching eggs. In addition, I market eggs for these and other farms. I also farm about 510 acres of land.

I am here today in my official capacity as president of the International Baby Chick Association, a nonprofit corporation organized in 1916. We have a membership of 5,000 chicken and turkey hatcherymen and breeders, most of whom are located in the United States. We maintain executive offices in Kansas City, Mo.

Our board of directors made up of men from 41 State hatchery association affiliates, went on record a year ago in favor of a farm price support program which would be, in effect, a stop-loss operation on all farm commodities.

We do not believe the Government is justified in guaranteeing a profitable operation in any line of endeavor. Such a procedure operates in direct opposition to the American way of reward for individual enterprise.

The poultry industry has been the recipient of Government aid off and on for over 15 years. I cannot say today that any of the panaceas solved our periodic problem of overproduction. They frequently enabled our producers to show a profit on their poultry operations, whether justified or not. Our hatcherymen are frank to admit that they in turn receive direct benefits when an effective price support program is in operation. We sell more chicks.

There can be no question but what the heavy demand for chicks this year is partly due to the Government's action in supporting eggs at a level which is designed to reflect a minimum of 35 cents a dozen to the producer. Members of this committee should bear in mind one striking difference, however, between the support price program this year as compared with that of a year ago: Although the support price is identical, food costs are lower and the support level has automatically become much more profitable to the poultrymen. Last spring, when feed prices were high, the support price on eggs was not sufficient to stimulate interest in chicks.

We appear agreed on one point with respect to support prices in our industry: Programs to date have worked in favor of the submarginal producer while penalizing the man who makes poultry his business. The support program has kept the submarginal man in business, with his frequently low-quality merchandise entering commercial channels to compete with the man who does not need, or does not care for a Government support.

Another point on which our industry members are in apparent agreement is that support program to date have not been developed with any particular regard to one of the greatest admonitions in all time: Man must earn his living by the sweat of his brow. The policy of supporting wheat, for example, at levels which enable the wheat man to make around $1 a bushel on every bushel produced, with perhaps no more than 3 weeks' work on the crop, is morally wrong. The policy has resulted in upsetting the balance between grains and grain-consuming animals, and the American public is paying the bill today. It also is destroying the fertility of our soil.

The present support program is the outgrowth of a wartime measure. It was to provide a cushion so that farmers could taper off production from the wartime heights and return to peacetime levels. I ask you whether this has been done. You know the answer. The Government has kept faith with the farming industry but farmers have not kept complete faith with the Government.

And now, as in so many instances where the Government is attempting to relieve the citizenry of the burden of making its own way, we find a growing expectancy among our peoples that the Government should and will protect them against all harm.

This committee is wasting its time in trying to build a Utopia for the American farmer.

It is an impossible goal. In our humble opinion, the Government should adopt the principles of the flexible price-support program, with price supports set at a level which will do nothing more than help check the producer's losses in time of surpluses.

You've got to make him accept certain risks, just the same as any businessman accepts risks in every transaction he makes. This risk will control production.

The flexible program takes into consideration changing markets, development of new products, and the recognition of progress.

The executive committee of our organization feels that the Brannan program has one good goal which might well be incorporated into any new program that is developed. Some way should be devised to pass along to the consumer the benefits of the low prices which should result from abundant production. We do not feel that a compensatory payment program is right, for it involves production controls, a tremendous bureaucratic set-up, and a terrific March 15 headache for the entire citizenry. While consumers might swallow the sugar-coated pill for a time, it could only produce new afflictions within our economic set-up which would destroy the Nation.

Gentlemen, let us not dodge the facts: Government aid of this type smells like socialism. Let's be strong. Let's look at the issues clearly. Our Nation is drifting steadily toward socialism. Some even are resigned to this fate.

Let's begin right now to check the trend.

A flexible support program ranging between 60 and 90 percent of parity on all farm commodities is a step away from production controls and a step toward putting the individual back on his own responsibility. I have just mentioned that the support price apparently determines production. Why set up a big bureau to control production? Why not let a lower price guaranty handle the entire job for you?

One gentleman has said that the flexible program takes aid away from the farmer when he most needs it. I disagree. It's a simple procedure to force the farmer into line with the Nation's needs.

Mr. PACE. Thank you very much, Mr. Shaver.

Who is your next witness?

Mr. HUBBARD. Our next witness will be Mr. Todd, managing director, Northeastern Poultry Producers Council.

Mr. PACE. We are glad to hear you, Mr. Todd. We are glad to see you before the committee again.

STATEMENT OF LEON TODD, MANAGING DIRECTOR, NORTHEASTERN POULTRY PRODUCERS COUNCIL, TRENTON, N. J.

Mr. TODD. Mr. Chairman, and gentlemen of the committee: My name is Leon Todd. I live at Trenton, N. J., where I operate a 65-acre farm and serve as managing director of the Northeastern Poultry Producers Council.

The Northeastern Poultry Producers Council is a nonprofit organization representing the producers of eggs and poultry meat including broilers and ducklings, the breeders and hatcherymen, the turkey growers, and the egg and poultry marketing organizations of the 13 Northeastern States. For the past 18 years, we have had the privilege of working with and speaking for the northeastern poultry industry.

Over a period of years, this council by vote of officially designated directors and delegates has been consistent in its stand regarding Government-support prices and production control, and that stand is expressed in the following résumé of a resolution passed at a recent meeting of the board of directors.

1. It is not economically sound for the Government to attempt to control price or production within this industry.

2. Since it is certain that some form of price support and production controls will be applied to those products which make up the basic materials of egg and poultry production, therefore the poultry industry should be protected with a minimum or floor price for its products to prevent disaster.

3. Such a floor price should by no means reflect any profit in production.

4. It is recommended that a so-called flexible price support policy be applied to the poultry industry and that it be based upon the parity formula as revised in the Marketing Act of 1948.

5. It is recommended that discretionary powers rest with the Secretary of Agriculture to determine the level at which eggs and poultry be supported—this to be in relation to economic factors within the industry, but in no case should the support level be higher than 90 percent or lower than 60 percent of the revised parity for poultry products.

6. It is recommended that an industry advisory committee to the Secretary of Agriculture be appointed. Such committee to be consulted before any major change in policy or level of support shall be promulgated.

We believe it would be impossible to properly limit the size of the individual poultry flocks without employing great numbers of people. The cost of administering such a program would be tremendous. In 1948 there were produced in this Nation 3,936,750,000 dozen of eggs. If a direct subsidy of 3 cents a dozen would have been paid to farmers in 1948, the total paid out would have been $118,102,500. If the producers received a 5-cent per dozen subsidy it would have meant a lay-out of $196,837,500. These figures do not include the cost of administration. We believe that this amount is many times what is appropriated for research and extension work for the poultry industry throughout the country.

We believe that the poultry industry has the leadership and facilities to improve both efficiency and quality of production. We believe further that consumers will be benefited in a more substantial manner if efficiencies and improvement in quality of our products are a part of the natural progress of an industry—and they won't be paying taxes for the accomplishment—they will pay less for better quality food.

After analyzing the several proposals for supporting agricultural prices, we are convinced our industry will make the most progress, produce better products more cheaply and avoid the costly processes of attempts to control production if the principles of flexible support prices are put into effect.

Mr. PACE. Thank you, Mr. Todd, you have certainly given us an excellent statement.

Who is your next witness; Mr. Hubbard?

Mr. HUBBARD. Our next witness is Mr. Warren D. Johnson, first vice president of the National Turkey Federation.

Mr. PACE. We are glad to hear you, Mr. Johnson.

STATEMENT OF WARREN D. JOHNSON, FIRST VICE PRESIDENT, NATIONAL TURKEY FEDERATION

Mr. JOHNSON. Mr. Chairman and gentlemen of the committee, my name is Warren D. Johnson. I live at Nottingham, Pa., where I am operating a turkey farm and hatchery producing 9,000 turkeys annually and maintaining a flock of 1,900 breeders.

The National Turkey Federation is a federation of 48 State grower associations.

Although we are in general agreement with the position taken by the National Poultry Producers Federation, we feel that there are some factors peculiar to the turkey industry that call for some variation in our proposal and explanation thereof.

The turkey industry is primarily a conversion industry, converting feed grains and concentrates into animal protein. Feed represents in excess of 60 percent of the costs of production including costs of poults, labor, depreciation on equipment and buildings, interest on investment, and so forth. The major ingredients of the feed ration of turkeys under present provisions of the Aiken-Hope bill, and its predecessor, the Steagall amendment, are supported at 90 percent of parity. It is therefore the opinion of the turkey growers that turkeys should also be supported at the same levels as these major ingredients (corn, wheat, soybean meal, and so forth). It is assumed that any agricultural program has for its objective the stabilization of farm income. We believe that all farm commodities should be included in any progarm in such a way as to protect farmers from undue losses caused by economic conditions beyond their control, but at no time should prices be supported at a level that assures the average operator a profit.

Stabilization of income, eliminating the peaks and valleys in price structure has a strong tendency to eliminate peaks and valleys in production thus breaking the cycle that causes an unstable agricultural economy.

Mr. PACE. Thank you very much, Mr. Johnson.

The next witness will be Mr. Heiss.

Mr. HUBBARD. We have Mr. Clyde C. Edmonds in his place.

Mr. PACE. We are glad to hear you, Mr. Edmonds.

STATEMENT OF CLYDE C. EDMONDS, GENERAL MANAGER, UTAH POULTRY AND FARMERS COOPERATIVE, SALT LAKE CITY, UTAH, FOR THE ASSOCIATED POULTRY AND EGG INDUSTRIES

Mr. EDMONDS. Mr. Chairman and gentlemen, my name is Clyde C. Edmonds. I am general manager of the Utah Poultry and Farmers Cooperative, of Salt Lake City, Utah, and I am president of the Associated Poultry and Egg Industries, consisting of 10 national and regional organizations of poultry producers, breeders, hatcherymen, processors, and distributors.

At a meeting held May 17, 1949, at which eight member groups were represented in person and two by proxy, the following principles with regard to price supports for poultry and eggs were unanimously adopted:

1. We advocate that support-price levels for poultry and eggs be maintained, only as a protection against demoralized poultry and egg markets. On no account should the level of support furnish any incentive to produce and market low quality poultry and eggs, or any encouragement of inefficient operations. We recommend that the Secretary of Agriculture be authorized to determine the level of support in accordance with this general recommendation.

2. We are vigorously opposed to production controls and marketing quotas applied to poultry and eggs. We believe that such attempted controls of 5,000,000 producers would be unsound, unworkable, and extremely costly and burdensome in administration.

3. Because of the magnitude and complexity of our industry we advocate the establishment of an industry advisory committee which shall be consulted by the Secretary of Agriculture for the purpose of receiving recommendations on this particular problem.

4. We strongly urge that the foregoing recommendations be put into legislative effect no later than January 1, 1950, for the following reasons:

(*a*) As a result of the present program a surplus of eggs continues to pile up in Government storage with but little outlet in domestic or foreign channels.

(*b*) Under the stimulus of present artificially high support prices, egg producers are raising so many chickens this year that a continuation of this support-price basis into 1950 would force the Department of Agriculture to accumulate still greater quantities of eggs next year, at heavy expense to the taxpayer.

(*c*) Egg prices to producers in 1950 would, under the present formula, be kept so high that many inefficient producers would stay in production, and again lead to unmanageable surpluses in 1951.

Mr. PACE. Mr. Edmonds, the committee unfortunately does not have the time to question you, but just summarizing the statement we had from Mr. Johnson and other witnesses they wish support on poultry between 60 and 90 percent of parity, but you want whatever the Secretary wants to put it.

Mr. EDMONDS. We feel he should use his own discretion based on conditions in the industry. We have talked in terms of 0 to 90 percent. However, as I mentioned in my statement, price supports should be at a level to protect against demoralized prices in the market. I think it is generally accepted that anything below 60 percent is too low.

Mr. PACE. I have no further questions; thank you.

Who is the next witness?

Mr. HUBBARD. Mr. R. F. Frazier, executive secretary of the Southeastern Poultry and Egg Association.

Mr. PACE. Mr. Frazier.

STATEMENT OF R. F. FRAZIER, EXECUTIVE SECRETARY, SOUTHEASTERN POULTRY AND EGG ASSOCIATION

Mr. FRAZIER. Mr. Chairman, the broiler industry in this country today supplies the major sources of income for tens of thousands of family-size farms, and its capital investments include buildings and equipment on these farms. As one of the latest developments of the ingenuity of the American farmer, this broiler industry has enjoyed phenomenal growth during the past decade. Production of poultry meat attributed to concentrated broiler-producing areas increased from 105,630,000 birds in 1939 to 350,773,000 in 1948. The growth of this farm industry, and the increase in the number of farm families who gain their livelihood from it, may be attributed largely to two factors: (1) A shift in production to more economical units; (2) the concentration of production into closely knit areas.

To produce a pound of broiler meat with a minimum of labor and capital outlay for buildings and equipment, and to gain economies from heating larger units, broilers are produced in these areas in flocks ranging from 500 to over 30,000 birds.

The concentration of broiler production in localized areas has brought further economies to both the producer and the consumer. The larger number of birds in one locality offers a better opportunity for helpful assistance from technically trained personnel of the United States Department of Agriculture, feed companies, and others. The concentration of birds in the area also results in savings in assembling birds at processing plants and markets, since a truckload may be secured at one farm, rather than by visiting a number of scattered farms or assembly points. This has reduced the cost of assembling birds from 2 cents per pound to one-half a cent per pound. Economies in processing, packaging, distribution, and selling have also resulted because of the adequate volume that is so necessary for efficient operation.

These closely knit areas have developed an acute sense of awareness of consumer demands and changes in market trends. Since broilers are marketed every week throughout the year, the areas have constant guides in the marketing figures gathered for their information. This has resulted in a more flexible program, paving the way for rapid changes or adjustments in production or marketing methods as the need arises.

This system of production has also resulted in an improved standard of living for the many thousands of farmers. This factor is especially true in the Southeastern States where, as you drive through one of these concentrated broiler areas in north Georgia, North Carolina, Virginia, Alabama, and Mississippi, you will see new homes that have been erected by farmers with profits from broilers. An increasing number of refrigerators, radios, electric water systems, and other improvements in these areas have been made possible through the income from this industry. In addition, litter from the broiler production operation, an excellent fertilizer, has been used to improve thousands of acres of land, thus making it possible to produce cover crops, good meadows, and pastures, which have led to increased production of other livestock, more effective control of erosion, and, to a large degree, elimination of the necessity for these farmers to depend upon one-crop farming for an income.

It is significant that this industry has not only enjoyed remarkable growth during the past decade, but that it has brought about a better way of living for those who are participating in it without having to depend upon Government support programs, production controls, compensatory payments, or any of the other features which so many consider as necessary when they view the present-day agricultural horizon.

Thanks to efficiencies that have lowered production costs, chicken is no longer a luxury in the American home. It has become more competitively priced in relation to other foods and under normal conditions, the broiler producer who created this situation receives a fair profit on his labor and investment.

As the best minds in the broiler industry have considered its future, they have given careful study to its past. They fully realize that had production controls been in effect for this industry 15 years ago, the system of producing poultry meat that has enabled growers to shift their production to more economical and profitable units as well as provide the consumer with a product of better quality, would have been hopelessly crippled even before it had an opportunity to get started, and benefits resulting to thousands of producers from the achievements of this industry would have been lost.

But changing economic conditions direct the attention of the leaders of this industry to the situation broiler growers face in this and future years.

Here are some of its opportunities:

1. As the number of eggs produced per hen increases, the number of hens required to supply the consumer demand for eggs would decrease. Fewer hens would create a gap in the poultry meat picture to be filled in the future, as in the past, by the broiler producer. The United States Department of Agriculture as well as the land-grant colleges recognize that not only has the rate of lay per hen increased considerably in the past, but that a great deal of further improvement can also be made in this direction in the future.

2. Commercially produced broilers still find a market, primarily in larger cities and towns. Throughout much of the year, it is still impossible to buy a top quality broiler or fryer in thousands of the small towns. Yet when birds of this type are available consumers, buy them every month throughout the year. Therefore, greater perfection of our present distribution system should make it possible to more effectively tap this large unclaimed market.

3. The rapidly grown, soft-meated broiler meets a highly favorable consumer reaction, and when birds of this type are available there is every indication that an increase in the annual per capita consumption of poultry meat results.

In view of these examples of opportunity it is the desire of the broiler industry to avoid a production strait-jacket that would impede its progress.

While the need for a flexible production program is apparent, it should also be recognized that there is a real need for price supports in the broiler industry. Such price supports should have a stabilizing influence during periods of adverse marketing to prevent wide variation in production. Such variations in production offer opportunities for certain middlemen to swell their profits by increasing their operating margins, on the poultry they have bought when plentiful supplies had forced prices down, so that only a small portion of the lower producer price is passed along to the consumers when the poultry is sold. Under such donditions in the past, there have been short periods when producers not only lost all return from the labor expended on broiler production, but also had received a price for birds which fell short of paying for such items as feed, chicks, and fuel by 5 to 7 cents a pound.

Price supports are also needed to prevent undue hardships to the growers resulting from governmental programs. Three such programs in recent years have caused broiler producers unwarranted hardship. the ill-advised publicity from the Luckman committee during the poultryless Thursdays campaign caused poultry prices to drop below the cost of production; the exporting of grain caused an unfavorable broiler-feed ratio by increasing the price of feed, and the profitable support prices paid recently for eggs not only caused egg production to increase beyond the level needed for consumption, but also promises to create an additional supply of poultry meat for market as a by-product of this increased egg production, which is expected to have an adverse effect on all poultry meat prices.

Looking at the future, the broiler industry realizes that if Government programs now under consideration should be crystallized into law, they might likewise have an adverse effect on the economy of the poultry industry. For example, a program which involved heavy compensatory payments to producers of red meats while broiler production was unprotected would certainly bring hardships and perhaps disaster to the poultry industry. When all these factors are considered, the reasons for price supports, for the broiler industry become clearly evident.

Recognizing the need of price supports for the broiler industry, careful consideration should now be given to the level at which prices are to be supported.

Since broiler production responds rapidly to changing economic conditions, high prices, accompanied by large profits, bring an expansion of production; low prices and losses will substantially reduce production. A high support price would tend to bring about the necessity for regimentation of the industry under a system of production controls and likely limit future opportunities. A support price near the cost of production should tend to bring about an orderly adjustment of production to market requirements, prevent disastrous losses to growers and eliminate inefficient operations.

We firmly believe a program to support broiler prices at a stop-loss level for the average grower, omitting production controls, to be in the best interest of the broiler producer for the following reasons:

1. It would protect the average grower from severe losses, and yet, since it would operate only in extremely low markets, the cost to the taxpayers, including the broiler producers, would be slight.

2. It would still place the emphasis on the initiative and individual efforts of the grower, since a profitable income for future years would depend primarily on the efficiency of his management practices.

Mr. Pace. Thank you very much for your statement.

STATEMENT OF HOMER AYRES, FARM RELATIONS DIRECTOR, UNITED FARM EQUIPMENT AND METAL WORKERS, CIO

Mr. Pace. We will hear next from Mr. Homer Ayres, farm relations director, United Farm Equipment and Metal Workers, of the CIO.

Mr. Ayres?

Mr. Ayres. Mr. Chairman and members of the committee, my name is Homer Ayres. I am farm relations director for the United Farm Equipment and Metal Workers, CIO. I have been a farmer myself for about 30 years, or more, and I have a ranch now in western South Dakota.

Our organization has long been aware of the fact that the interests of the farmers and the interests of the farm equipment workers are interrelated. When farmers have purchasing power they are able to buy the implements our workers make in the plants. Then our members have steady employment. Steady employment, of course, at a decent wage is one of our chief concerns.

We are also interested in the farm problem because we are consumers of farm products. A third reason we are interested in the farm problem is because many of our members live on farms themselves, working part time in the shops. Finally, we are interested in the welfare of the farmers because we believe that it is necessary for the farmers to be in a prosperous state if the economy of the country as a whole is to be healthy.

For this reason, we have been vitally interested in legislation which will insure high farm incomes and prevent the national farm income from slumping down to the point where we will have a depression. The depression of the 1930's had a devastating effect on the whole farm-equipment industry. Many of the plants were idle and the men unemployed. We do not wish to see a recurrence of this situation.

We are interested in a high farm income, not only for the farmer situated on the best farms and blessed with sufficient rainfall, but for the farmers who have been characterized as being the lower half, who even during the war years and since, when farm prices were relatively high, failed to receive sufficient income to enable them to buy much needed farm equipment and have a living standard comparable to urban and farm families elsewhere.

When the farm commodity market slumped last fall and this winter, the workers in the farm-equipment plants started to suffer lay-offs. Many of them have had their working hours shortened. Few now work overtime. This is due, in part, to the fact that farmers are worried about the future prospects for farm prices. Farmers are tightening their purse strings, even though some still have money in the bank, waiting to see what sort of a farm program Congress will enact.

In support of this statement I will quote from a story the news magazine United States News and World Reports carried on April 15. In a report from the rich farming area of Grundy Center, Iowa, we are informed that in farm machinery—

> demand has slumped sufficiently to transform scarcity into plenty almost overnight, without much increase in the supply of farm machinery * * * One farmer has just canceled a $5,800 order placed a year ago for a heavy tractor, a corn picker, and a combine. He said a 28-cent drop in the price he could get for his corn and a 67-cent break in the soybean price convinced him that he could not afford that much machinery. Not, at any rate, until the price of machinery also came down.

This same general condition that exists in Grundy Center, Iowa, holds for the rural towns all over the country. Implement dealers' yards are now well stocked with farm machinery and the farmers are canceling orders.

Pursuant to our policy of supporting the farmers, many of our locals passed resolutions favoring 100 percent of parity as a basis for farm price floors. Later, our fourth constitutional convention held in Cedar Rapids, Iowa, in March confirmed the action of our locals on the parity issue and came forward with a program which we feel conforms to the interests of the American family farmers. We so notified Secretary of Agriculture Brannan, and the various Senators and Members of Congress, who represent our members in Washington.

I would like to file with the committee a copy of the convention resolution. It was adopted unanimously by the convention.

Mr. PACE. Without objection it may be inserted at this point in the record.

(The resolution is as follows:)

FE-CIO FARM POLICY

Our union has long believed that the family farmers are the allies of labor and their problems interrelated with the problems of labor, both arising from the strangle hold on the national economy by the large monopoly employees and food processors.

Pioneering in the field on farm-labor relations we launched a program to apprise farm groups of labor's problems and labor groups of the problems of the farmers. Our objective was farmer-labor cooperation based on understanding and respect. This program has been highly successful within the framework of our limited resources. Our work has borne fruit.

The break in farm prices within the past year has particular significance to labor and especially to the workers in the farm-equipment industry. Farm purchasing power is shrinking and the agricultural crisis is coming to a head at an extremely increasing tempo in the countryside.

Today, the farmers have the atomic guns of the large monopolies trained on them, just as labor was bombarded by the propaganda organs of Big Business before the passage of the Taft-Hartley law. The object of the monopolies and their congressional hatchet men is to remove as many as two-thirds of the farmers from any benefits which they might derive from an adequate Federal farm program, to enact into law measures which would aid only top-bracket farmers and corporation enterprises, drive as many as 4,000,000 farmers completely from the land and into the towns and cities as a reservoir of labor to undermine wage rates and trade-unions, and to prevent the family farmers from receiving the 100 percent of parity which they need in order, together with other measures, to guarantee a floor under their annual income: therefore be it

Resolved, That we, the delegates to the Fourth Constitutional Convention of the United Farm Equipment Workers, hereby reaffirm our active support of the family farmers and their struggle for security in their farms and homes and for a standard of living comparable to other social groups.

We support legislation which will—

1. Guarantee family farmers 100 percent of parity as a base for farm price-support floors.
2. Compensatory payments to farmers, when needed to enable consumers to take advantage of food crops which are temporarily plentiful.
3. The food-stamp plan.
4. Adequate crop storage facilities.
5. Rural telephones and electricity.
6. Crop insurance.
7. Cheap Government credit.
8. Soil conservation.
9. And the development of the river valleys patterned after TVA.

We support legislation which will make for a better social and cultural life in the countryside, better roads, housing, education, medical facilities, and recreational facilities: be it further

Resolved, That, pursuant to our policy of developing better understanding and more cooperation between the men and women in the factories and the men and women on the farms that we continue our farm relations work * * * (and) * * * wholeheartedly support the formation of a national farmer-labor committee, now in the process of being formed by our farm relations department.

Mr. AYRES. Mr. Chairman, we support the broad general outline of Mr. Brannan's farm program. His proposal for relatively high support prices is in keeping with our ideas.

Unless farm prices are supported at a high level we will experience farm bankruptcies, foreclosures, and evictions very similar to the period of the 1930's. One reason for this is that farm operating costs have continued to rise, while farm prices have fallen. The break-even point of ranching and farming, like other businesses, is higher in relation to past periods. Most farms are mechanized. In the days when farmers raised their own power in the form of horse flesh, hay and grain, they were able to weather hard times and hang on a little longer when the going was tough. But now the farmers have to pay high prices for machinery, gas, oil, and all the other supplies they need for their operations. When they do not have the money and are unable to secure credit for these operating items, they simply are unable to put in a crop, Some farmers are in this shape this spring. Others have quit rather than take a chance on losing more capital, since the farm market has dropped. They were young men, just starting to farm, and their operations were geared to $2 corn and $35 cattle.

Another feature of Mr. Brannan's farm program with which we are in agreement is his proposal to let the market for nonstorables seek its own level and compensate farmers for the difference between the market price and the price determined by Congress to be what the farmers should receive as a support price. As consumers, the members of our organization wish to receive the benefits of any low market prices. Lower market prices make for a broader market and enables low income consumers to buy more food. But we believe that there should be some legislation, some sort of price controls, so when cattle or hogs or sheep fall $5 per hundredweight on the market, that this drop is handed down to the consumer when he buys his steak or hamburger or pork chops over the meat counter.

Past experience shows us that when livestock prices rise sharply the price of meat in the butcher shop jumps along with it, but when the livestock market falls the packer and retail butchers are very reluctant to pass lower livestock prices on to the customers. We know also that although wheat has dropped the price of bread has not gone down any. Therefore, to prevent the food processors from pocketing what the consumers should get in the form of lower prices there should be some teeth put into the Brannan law in the form of price controls.

Still another principle of Mr. Brannan's original program which we feel is necessary is the proposal to limit price supports to farms having 1,800 units of production, or produce worth about $25,000 gross. We are in favor of making the cut-off point lower than Mr. Brannan suggested, as we believe that the smaller farmers are more in need of the benefits of the production payments than the larger farmers.

We feel that production payments should not be used to encourage big agriculture and discourage small agriculture. We feel that no legislation should be enacted which would speed up the trend toward the elimination of the small farmers by the large commercial farmers and corporate farming interests.

In this connection we warn against making crop reduction or marketing controls a condition for small farmers receiving the benefits of the farm program. The bottom half of the farmers now have only a 10 percent share of the total market, while the top 10 percent of the farmers have over half of the total market. If it comes to a place where we have to reduce acreage on certain crops, it should start with the largest farms and the suitcase farming outfits who are today plowing up virgin prairie sod in the range country of the grazing States, and that is just what they are doing out in my State of South Dakota today.

It is our emphatic opinion, however, that we should have a program of abundance and not a program of scarcity. We feel that if the American worker had sufficient purchasing power to buy all the food and clothing needed for a minimum health standard there would be little need for price-support floors for most farm commodities. The Heller committee a fact-finding group at the University of California, estimates that a city wage earner's family of four needs $79.06 a week for a minimum level of healthful living. It is our contention that a wage increase for all the workers in the country would help greatly in solving the farm problem and that if wages were increased to the standard set by the Heller committee no one would need to worry about farm surpluses or a farm crisis.

We are warned about the situation we are in today, and which from all indications will continue to get worse unless measures are taken to remedy it, by no less a person than the Secretary of Agriculture, Clinton Anderson. Two years ago he told the meeting of the National Council of Farmer Cooperatives, on January 28, 1947, that "unless we have the kind of employment and purchasing power in the cities the farmers can easily produce wasteful surpluses." He assured us that "no matter how abundantly farmers produce, we know from past experience that a good diet will not be assured for the people in the cities and towns unless those people have the food dollars that they need.

Now, maintaining farm prosperity is tied up with city mass purchasing power, which means full employment, wage increases, the repeal of the Taft-Hartley law, and the reenactment of the Wagner Act, together with a higher minimum wage law.

The dire need for price-support legislation and a whole farm program should be discussed too in the light of rising farm operating costs, as well as falling farm prices. I agree with the statement of Mr. Charles Shuman, president of the Illinois Agricultural Association, who told the group's thirty-fourth annual convention that, "Unless checked soon, this two-way trend can have but one result—a repetition of the disaster which befell this Nation in 1929."

One of the reasons farm operating costs continue to rise higher and higher is because the farm-equipment monopolies have successfully maintained prices, according to the report of the Federal Trade Commission, at levels far higher than those of farm products.

For example, the profits of International Harvester Co., one of the largest farm-equipment companies, were $55,679,000 in 1948, more than two and one-half times as large as the $24,477,000 profits in 1945. These great profit increases were not altogether due to increased output of the company, but to more profits per worker. Harvester's profits per worker employed increased from $441 in 1945 to $748 in 1948, nearly 100 percent. The same general picture holds true for the other larger farm machinery firms, such as Oliver, Deere, and Allis-Chalmers, and at this point I wish to submit as part of my statement here a profit analysis of the Oliver Corp., Allis-Chalmers, and International Harvester Co., which was prepared by our research department recently from reports of the companies themselves.

Mr. PACE. Would you like those reports to be inserted in the record?

Mr. AYRES. Yes, Mr. Chairman.

Mr. PACE. They may be inserted in the record at the conclusion of your statement.

Mr. AYRES. There was an increase of 2 percent in the number of people hired to work in farm-equipment plants at the end of 1948, but production increased 20 percent. This increase in production per worker was not handed to the farmers in the form of lower prices or the workers employed in the plants in the form of wage increases, but pocketed by the farm-equipment monopolies.

Between 1941 and the end of 1948 farm machine prices were jacked up again and again. By early 1949 farmers were forced to pay 60 percent more for implements and 72 percent more for trucks than in 1941.

Despite IHC's frequent attempts to pin the blame for its price policy on its workers, the Government itself, sometime ago, exploded the myth that high wages were responsible for high prices. In its eighteenth quarterly report, the Office of Price Administration showed how industry raises prices far above levels necessary to offset any wage increases. Adjusting the figure to International Harvester, the 9.4 percent increase in hourly earnings between 1947 and 1948 could have been offset by a 2-percent price increase. Instead, International Harvester boosted farm machine prices 20 percent and truck prices 18 percent above the already towering 1947 levels.

According to the company's own report, the cost of wage and salary increases in 1948 was "about $10,000,000." Yet price increases during 1948 amounted, on all Harvester products, to a grand total of 88.5 million dollars. That was more than eight times the amount necessary to cover the cost of wage and salary increases during the year.

Not high wages, but pure and simple profiteering, robbed millions of dollars from farmers' pockets at a time when their desperate need for farm machines made them helpless in the face of IHC's greed for profits.

In conclusion, let me state that we think there is great danger of another depression. With farm prices falling and unemployment rising, all signs point to another economic crisis. Although price-support floors high enough to maintain a high-level farm income will not prevent a depression they will go a long way in helping prevent one. I am in agreement with Mr. Brannan that depressions have been farm-led and farm-fed. Holding up farm income is the main farm problem as we see it.

But we go further than just supporting legislation guaranteeing a high farm income and high price supports for the family farmers. We support the development of river-valley projects, patterned after the highly successful TVA. Such projects will lay the foundation for electrification, rural telephones, better roads, better educational and health facilities in the country, and for a better social and cultural life for all farm families. We support legislation which will give farmers cheap Government credit, crop insurance, and soil-conservation programs, now more necessary than ever before. We believe that in addition to present proposals we should have the food-stamp plan again to enable low-income families to have an adequate diet.

We favor adequate crop-storage facilities as part of the Federal farm program, especially on the farms or close to the farms.

We want to emphasize the fact that we do not agree with those interests who would, for one reason or another, leave the small farmers to the mercy of the foul economic weather.

The lower half of the farmers who only have a 10-percent share of the market operate on a very narrow margin of safety. We are interested in keeping these farmers on the farms and in a state of prosperity. If they are allowed to become the victims of an economic crisis, they will be moving into the towns and cities, scrambling for jobs, undermining wage rates and trade-union contracts.

Lastly, we feel that the cost of an adequate farm program is cheap to the price we will have to pay without one. Some people think that a farm program is necessary only in times of a depression as an economic life preserver. We think that a farm program is necessary to help prevent economic chaos.

Mr. PACE. Thank you, Mr. Ayres, for your fine statement. May I say I appreciate your understanding of the problems of the small farmers and wage earners, and your statement will be helpful to the committee. The profit study of your research department may be inserted in the record at this point.

(The profit study referred to is as follows:)

FINANCIAL REPORT ON ALLIS-CHALMERS COVERING 1948 OPERATIONS

You probably didn't see A-C's announcement of its 1948 profits. Most financial editors cooperated with the company by hiding the story on an inside page with a small headline.

Allis-Chalmers in 1948 made fantastic profits. Their 15.4 million dollars after taxes was nearly three times as large as 1947 profits. That kind of profit is too big to boast about. Too many people consider it pure and simple profiteering, extracted by excessive prices, speed-up, and wages too low for decent living.

The fact is that while a few big executives got much richer in 1948, a lot of A-C workers' families went without desperately needed food, clothing, education, and medical care to produce that profit.

The table below shows how 1948 dwarfs all recent prewar, war, and postwar records:

Year	Sales	Profits before taxes	Profits after taxes
Prewar average (1936–39)	$74, 519, 000	$6, 231, 000	$4, 496, 000
Wartime average (1941–44)	248, 313, 000	35, 417, 000	7, 250, 000
1945	290, 302, 983	22, 947, 467	7, 090, 467
1946	93, 784, 000	[1] 25, 941, 000	[2] 144, 000
1947	211, 950, 000	9, 072, 308	5, 422, 308
1948	328, 101, 328	26, 241, 523	15, 441, 523

[1] Loss.
[2] After tax refund from Government of over $25,000,000.

Note especially that in 1948 alone, Allis-Chalmers made more net profit than in the years 1945 to 1947, inclusive, even after $25,000,000 handed to the company from the United States Treasury in 1946 as tax rebates.

As an indication of future trends, a comparison of A-C figures for the first three quarters of 1948 and the last quarter is revealing. Net sales of 225.5 million dollars and net profits after taxes of $9,869,512 were reported for the first 9 months. That means in the last quarter alone A-C sales were more than $100,000,000 and its net profit 5.6 million dollars. The sales for just this one quarter were far above the average prewar yearly sales, as were net profits—which were also greater than for the full year of 1947.

It is the final quarter of 1948 which really sets the pace for 1949. It shows the kind of profit that can be taken, now that postwar expansion, modernization, and speed-up are having full effect. A-C President Walter Geist admitted this when the Wall Street Journal (January 15, 1949) reported his statement that the company "looks forward to some improvement in earnings in the current year (1949) with plant expansion, increased efficiency from reorganization, and availability of materials all playing a part."

"Some improvement in earnings" is the way a wary corporation president admits that earnings on a quarterly level of 5.6 million dollars add up to 22.4 million dollars net profit for a year. This is a very minimum estimate of the company's profit potential in 1949.

It also represents a very direct payment on the capital expenditures made by A-C since the war. Around $8,000,000 was spent during 1948, Geist reported, compared to 8.4 million dollars in 1947 and 12 million dollars in 1946. Expected expenditure during 1949, he said, "will be considerably less than 1948." To date total postwar plant and equipment expenditure amounts to about 27.4 million dollars and 1948 profit was only a small measure of the way this investment is expected to pay off.

Acres of new factories and machines are a guaranty of high-level future profits. But these fine new facilities could also stand idle in the next depression. Exorbitant profit for a few big shots is the fuse that sets off the depression depth bomb. If workers continue to receive smaller and smaller portions of the wealth they produce, there is certain danger ahead. Already mass lay-offs and growing unemployment warn that the fuse has begun to sputter.

Allis-Chalmers workers speak for their own needs and that of their country when they demand wage increases out of these huge profit stacks.

The balance sheet of Allis-Chalmers shows over-all strength of the company and its substantial growth in resources. In the 10-year period from 1939 to 1949, total assets have more than doubled, earned surplus (plowed-back profit) has almost tripled, and the company now has almost $6,000,000 in reserves.

The surplus, which is available for any purpose the company sees fit (including wage increases) amounted to $35,000,000 at the close of 1948. It is made up of profit which has been left over, year by year, after dividend payments and plowed back into the company. The reserves are just another form of hoarded profit and bring the total to more than $40,000,000.

Protection against practically all eventualities is an A-C motto—so far as the corporation is concerned. (The desire to protect workers is considerably less strong.) For the corporation, protection is sought even against its own folly. The major part of the reserves—$5,000,000, to be exact—is a so-called inventory reserve—to protect the company against the consequences of its own high price policy. The cycle goes like this: Raise prices, make tremendous profits, conceal some of these profits in an inventory reserve to cushion the bumps when the high-price policy kills the market and prices tumble.

Allis-Chalmers workers (like the U. S. Treasury itself), cannot consider these reserves legitimate. The sums so built up would be put to much better use providing protection against workers' risks. They could very well be utilized to provide pensions for overaged workers and social security for A-C workers who become injured or ill. If that sum is not sufficient, it could be supplemented out of surplus. The plain truth is that past and present profits are more than ample to meet workers' needs for higher wages and pensions.

Below are selected balance sheet items:

Item	Year ended Dec. 31—		
	1948	1947	1939
Total assets	$253, 890, 000	$202, 448, 000	$108, 060, 000
Net working capital	125, 327, 000	106, 364, 000	49, 613, 000
Long term debt	25, 000, 000	15, 000, 000	25, 322, 000
Common stock	72, 706, 000	72, 706, 000	54, 965, 000
Preferred stock	35, 937, 000	35, 937, 000	
Earned surplus	35, 444, 000	26, 465, 000	13, 745, 000
Reserves	5, 813, 000	4, 546, 000	
Net worth	144, 087, 000	135, 108, 000	68, 710, 000

FINANCIAL REPORT ON INTERNATIONAL HARVESTER COVERING 1948 OPERATIONS

The International Harvester Co. prettied up its sky-high 1948 profits last month with a barrage of high-powered newspaper ads and booklets all declaring that "Profits mean progress." Skillfully juggling its own figures, the giant farm-machine monopoly tries to prove that it exists in business solely for the greater good of employees and customers.

But all those columns of print and fancy charts (which will be charged off taxes) only conceal the real facts about IHC operations. Here are some to keep in mind:

PROFITS AND SALES PEAK

In every respect, 1948 operations smashed all previous records established by the company. Sales, profits before and after taxes, assets, plowed-back profits, new plant and equipment—every item hit a new high. The table below gives the sales and profit picture, as reported by the company in its annual reports to stockholders:

Year	Sales	Profits before taxes	Profits after taxes
1936–39 (average)	$289,062,000	$29,508,000	$23,426,000
1941–44 (average)	454,416,000	52,861,000	27,092,000
1945	622,011,000	36,978,000	24,477,000
1946	482,328,000	30,613,000	22,326,000
1947	741,252,000	74,419,000	48,469,000
1948	945,486,000	85,579,000	55,679,000

Note especially that 1948 reported sales and profits shot far ahead of even the banner year, 1947. But that doesn't count at least 9.2 million dollars additional net profit not publicly reported.

IHC included in published net profit only 11.3 million dollars in cash dividends received from subsidiaries, although the company's own figures show their share in profits of subsidiary companies was actually 20.5 million dollars. With the hidden 9.2 million dollars, 1948 profit came to $65,000,000. That means actual 1948 profits after taxes were 33 percent above 1947, 191 percent above 1946, 165 percent above 1945, 139 percent above the wartime average in the years 1941–44, 177 percent above the peacetime average in the years 1936–39. So to say, as company propaganda does, that 1948 profits were merely "good" is a vast understatement. A better word is "exorbitant."

PROFIT RATE

Keeping in mind that actual 1948 after-tax profits were about 2⅓ times as large as the average yearly wartime profit, it is no surprise to find that the $65,000,000 represents a very good profit rate, too. Net profit expressed as a rate of return on invested capital is an excellent measure of a company's profitability. IHC's $65,000,000 represents a 16.2 percent profit rate on its invested capital of $400,000,000.

That means that on every $100 of stockholders' investment, the Company made $16.20 clear profit last year. This is proof of the extreme profitability of IHC operations, since only 5 more years of profit at this level would be sufficient to replace the corporation's entire capital investment. More than 50 years of capital accumulation could be equaled with only 6 years' profits.

At the same time IHC was stacking up these extraordinary yearly profits, it was improving its over-all financial strength and its ability to continue making top profits.

ASSETS AND EXPANSION

IHC total assets are well over the half-billion mark. As of October 1948, total assets amounted to $672,000,000. More than one-fifth of this ($142,000,000) represents undistributed profit—profits left over after dividend payments and plowed back in the company. Called either "surplus" or "reserves," these hoarded profits are available for any purpose (recently used almost entirely for plant expansion) and assure stockholders of ample dividends for years to come. Quite properly they could be used to provide pensions for IHC workers whose efforts have created this tremendous wealth.

The table below gives a quick summary of IHC increasing prosperity:

Item	1948	1947	1946	1945	1939
Total assets	671, 800, 000	$620, 100, 000	$559, 961, 000	$558, 715, 000	$427, 915, 000
Net working capital	241, 500, 000	233, 300, 000	270, 005, 000	317, 752, 000	218, 082, 000
Gross property	382, 912, 000	330, 231, 000	276, 617, 000	224, 044, 000	207, 582, 000
Depreciation reserve	137, 526, 000	124, 044, 000	120, 049, 000	116, 822, 000	98, 569, 000
Surplus and reserve	141, 601, 000	113, 077, 000	154, 737, 000	150, 864, 000	140, 917, 000
Net worth	541, 701, 000	513, 177, 000	491, 151, 000	487, 278, 000	392, 418, 000

Note in particular the millions—137½ million dollars to be exact—which IHC has set aside to pension off overage machines. Human workers should receive at least as much consideration as the machinery they use.

Since 1945, IHC has spent $184,000,000 in its vast expansion and modernization program (reflected in the gross property figures in the above table). With an estimated $55,000,000 to be spent in 1949, the company will have invested $239,000,000 for new, more efficient equipment. This is in addition to 47.8 million dollars in new facilities operated by Harvester during the war.

Like the war facilities, the postwar expansion has been publicly financed. This time not by tax dollars (as during the war) nor by bank loans or new stock (as is the usual practice)—but out of the corporation's huge profits. Harvester workers and Harvester customers paid for the new buildings and equipment because IHC piled up astronomical profits rather than lowering prices and increasing wages.

So long as the boom in farm machines lasts, modern facilities will guarantee ever greater profit for the company. But these acres of new equipment can stand empty and idle if the Harvester monopoly continues to pursue the same policy of maintaining high prices and laying off its workers that it followed in the last depression. Already the increasing efficiencies of these new plants are resulting in lay-offs. Unless wages are sharply raised to augment buying power (and IHC prices cut) IHC workers may find the new plants they paid for responsible for throwing them out on the street.

This is decidedly different from the company's claim that profits are put to work for the benefit of customers and employees. Can we judge from past experience that the worker in a Harvester plant and the farmer who buys a tractor really get a better break because of these mountainous profits? Let's take a look at both:

THE WORKER

At the same time that IHC went on its postwar profit spree, it forced the union to fight for every wage increase that was won. Any demand by the union that profits be put to work to raise workers' living standards was bitterly resisted by the company. IHC workers had to strike to win the first postwar wage increase of 18 cents in 1946. Even after this victory, earnings were below wartime. And IHC workers continued to lose ground as the profiteering price policies pursued by IHC and other monopolies wiped out 1947 and 1948 wage increases almost before they went into effect.

Yet IHC profits never faltered. While the worker's position deteriorated, IHC profit after taxes rose steadily through 1946, 1947, and 1948.

By year-end 1948, Harvester net profits were more than 2½ times as large as profits at the end of 1945.

By year-end 1948, Harvester workers' wages were about $12 short of the buying power of their 1945 wage.

That is why the country is fast approaching the dangerous climax of which FE-CIO and other progressive unions warned. Tremendous profits at the expense of workers' living standards spell disaster. To maintain a healthy functioning economy, the worker's position must not only be maintained—it must be improved.

But International Harvester's own figures show how the worker has fallen further and further behind. Although the number of Harvester workers has increased, sales and profits per worker have shot up. In other words, the company is wringing more and more production out of its workers, and more and more profit, as the table below shows:

Year	Sales per worker	Profit (before taxes) per worker
1941	$7,927	$1,060
1946	8,175	519
1947	10,900	1,094
1948	12,441	1,576

Sales volume per worker has risen steadily since 1941. The equally steady rise in profit per worker was interrupted only briefly when, in 1946, the company forced its employees into a strike. Sales per worker rose 57 percent between 1941 and 1948; profit per worker, 49 percent.

Other figures published by the company show even more clearly how its workers—whose production has made possible ever-higher sales and profits—have just as steadily received a smaller and smaller share of the total receipts.

In 1946 the share of receipts going to employees was 40 percent—in 1947 it was 36 percent—and in 1948 it was only 34 percent. This occurred despite wage increases and despite the fact that there was an average of 94,700 employees in 1948, compared to 85,400 in 1947 and 74,300 in 1946.

Even more striking is this: While 57,400 employees received 35 percent of total receipts in 1941, 94,641 employees received only 34 percent of the receipts in 1948. In a 7-year period in which FE–CIO succeeded in raising hourly earnings 92.6 percent (again according to the company's own figures), the share of company receipts going to employees actually declined 1 percent. One percent less is going to employees with each employee producing 57 percent more dollar volume and the number of employees up 66 percent.

What does this mean? Simply that workers' wages are not keeping pace with their increased production. The IHC worker is steadily losing ground while the company piles up more and more profit at his expense.

THE FARMER

Exorbitant and unjustifiable are the only words for IHC's price policy. Between 1941 and the end of 1948, farm-machine prices were jacked up again and again. By early 1949 the farmer was forced to pay 60 percent more for farm implements and 72 percent more for trucks than in 1941.

IHC propagandists attempt to build a case for their price policy by comparing Harvester price increases with others since 1941. Conveniently overlooked are the two most relevant considerations: that Harvester prices, monopoly-controlled, were already at high levels in 1941, and that increases since then were based on greed, not need.

One example shows this clearly. Despite IHC's frequent attempts to pin the blame for its price policy on the backs of its workers, the United States Government itself, some time ago, exploded the myth that high wages are responsible for high prices. In its eighteenth quarterly report the Office of Price Administration showed how industry raised prices far above levels necessary to offset any wage increases. Adjusting the figure to Harvester, the 9.4 percent increase in hourly earnings between 1947 and 1948 could have been offset by a 2-percent price increase. Instead, Harvester boosted farm machine prices 20 percent and truck prices 18 percent over already towering 1947 levels.

According to the company's own report, the cost of wage and salary increases in 1948 was "about $10 million." Yet price increases during 1948 amounted, on all Harvester products, to a grand total of 88½ million dollars. That was more than eight times the amount necessary to cover the cost of wage and salary increases during the year.

Not high wages but pure and simple profiteering robbed millions of dollars from farmers' pockets at a time when their desperate need for farm machines made them helpless in the face of IHC's greed for profits.

THE STOCKHOLDER

This is the one group for which profits have actually meant progress—and lots of it. Yet even here company propagandists hide the real truth.

"The 46,000 IH stockholders are a cross section of all groups—farmers, housewives, factory workers and others" blurbed the company publicity agent. He neglected to point out that these stockholders, each of them owning only a small parcel of stock, have absolutely no control over the company.

The real control is vested in the nine individuals who, according to United States Government investigations, own 38 percent of all Harvester common stock. Banks, brokers, trustees, and insurance companies own another 40 percent, so that only approximately 12 percent of the total stock is held by 46,000 stockholders.

The nine stockholders owning 38 percent of Harvester common stock are the McCormick family and heirs. Their share of 1948 dividends amounted to $8,000,000 (not including dividends from preferred stock). That's the real story of how profits mean progress. For a handful of people—a tightly knit family group owning almost two-fifths of all common stock—there is unbelievable wealth.

Many of the large stockholders are among the top executives, so they draw down handsome salaries in addition to their dividends. In its 1948 report to the SEC, Harvester revealed that it supports 94 top executives at salaries of more than $20,000 each. The three highest are:

Name	Total 1948 salary	As bonus	Amount paid by company to pension	Probable pension on retirement
Fowler McCormick	$161,000	$60,000	$11,010	$30,000
John L. McCaffrey	161,200	60,000	14,521	30,000
Christian E. Jarchow	81,350	30,000	7,790	15,000

Not only do top executives enjoy fat salaries, plus in many cases, tremendous dividends, but the company also provides for their old age. About $215,000 was paid into a pension trust by IHC in 1948 for the benefit of 94 big shots. The FE-CIO challenges the company to justify a pension policy that takes care of a $200,000-a-year executive but not a $3,000-a-year worker. FE-CIO calls for pensions for Harvester workers, financed by the company and jointly administered with the union.

IHC paid out $3,000,000 in salaries in 1948 to 94 top executives earning in excess of $20,000 annually. In effect, millions in profit were thus concealed (and tax free to the company) in excessive top-bracket salaries.

The company slogan is right. Profits have meant progress—for the insiders, the McCormicks and other heavy stockholders, the big executives. But for the worker and farmer, the progress has been all backward.

Financial Report on Oliver Corp. Covering 1948 Operations

Oliver Corp. completed its thirteenth consecutive year of profitable operations in 1948 with a record that eclipsed those of all previous years. Sales were 103.3 million dollars, being 40 percent over 1947 sales of 73.8 million dollars and 103 percent over 1946 sales of 50.8 million dollars.

Profits after taxes climbed even more rapidly. The 1948 net profit after taxes of 7.9 million dollars was 94 percent over 1947 net of 4.1 million dollars and 295 percent greater than 1946 net profits of 2.0 million dollars (see table at end of report).

These 1948 superprofits were taken directly from the pockets of Oliver workers and farmer-customers as the economies of new and more modern production methods and greater output per worker were reserved solely for stockholders and company profit coffers.

Oliver workers will be cheered to learn that "in addition to quarterly and extra dividends, a special centennial dividend was paid to stockholders on June 30, 1948, to coincide with the celebration of the beginning of the second century of the business." (1948 Annual Report to Stockholders, p. 4.) Had the Oliver worker shared equally in centennial year disbursements, he would be enjoying wages three times as high as 1947. For the well-cared-for common stockholder rejoiced in 2.4 million dollars in dividends in 1948, compared to $802,859 in 1947.

Even after these generous dividends (plus the fixed $368,940 for preferred stockholders) there was 5.1 million dollars net profit left over in 1948 which was plowed back in the company. Previously, corporations financed new plants and machinery by issuing stock or borrowing money. Now they consider it a matter of course to finance it out of plowed-back profits. Thus, instead of new plants paid for by stockholders or banks, they are today paid for by workers and farmers who—without being consulted—are forced to forego higher wages and lower prices to provide the huge profits that are reinvested.

The Oliver Corp. boasts that capital expenditures during fiscal year 1948 "were 6.8 million dollars, bringing the total spent from November 1, 1944, to October 31, 1948, to 19.7 million dollars." That $20,000,000 in 4 years came directly from the pockets of Oliver employees and customers. And the new facilities are in turn a guaranty of more high profits to come.

As can be expected, Oliver profit rate—measured by any standard—is considerable. For example, profit per dollar of sales has risen from 4.0 cents in 1945 to 5.5 cents in 1946 to 7.7 cents in 1948.

But even more significant is net profit as a return on invested capital. The 7.9 million dollars 1948 net profit amounts to a fat profit rate of 30.87 percent on invested capital. Stated another way, on every $100 of capital investment, Oliver earned a clear $30.87 in 1948 alone. Thus in only 1 year it earned profits almost one-third as large as its total invested capital. This is a truly astronomical profit rate and is bedrock proof of the extremely profitable nature of the company's business.

Further evidence of growth and wealth is seen from the sharp rise in total assets and plowed-back profits since the reorganization of the corporation in 1935. At that time the firm had assets of 21.8 million dollars. At the close of 1948, total assets had risen by more than 235 percent to $73,000,000.

From 1935 to 1948, 17.5 million dollars of the profits have been retained in the business as "surplus." To this should be added 2.7 million dollars in "reserves," bringing the grand total to more than $20,000,000 hoarded profit.

The outlook for this corporation continues to be good. Said the company in its 1948 report to stockholders:

"Demand for the company's major items of farm and industrial equipment, such as wheel and track-type tractors, combines and corn pickers, continues to exceed the company's ability to produce. It is expected that the demand for farm equipment will continue to be high well into 1949 because of the large income realized by farmers during 1948."

The company also predicted that "unit production of the Oliver Corp. for 1949 is expected to equal the company's performance in 1948," and made the further statement that "net sales for 1949 might somewhat exceed sales of the past year because of higher prices now in effect." (Wall Street Journal, December 30, 1948.) This was confirmed by a report in the Chicago Daily News (March 22, 1949) that sales for the first 4 months of 1949 fiscal year (November, December, 1948; January, February, 1949) were up 11½ percent. Company spokesmen claimed profits were down some, but admitted this was due chiefly to the necessity of buying "premium" steel, which will end "in the near future."

The truth is that with higher sales levels and higher prices, Oliver Corp. profits will be above even the high levels of 1948.

Periodically, Oliver tries to pin the blame for high prices on the backs of its workers. In its 1948 report, there is a publicity blurb that "higher costs of labor and materials have required substantial increases in the prices of Oliver's products since 1939. * * *" Not "higher costs" but unbridled greed for profit has been responsible for higher prices. Even just since 1945 Oliver has taken 93 percent more profit on every sales dollar. There lies the blame for higher prices. Unquestionably Oliver could have lowered prices on their machines to farmers and paid increased wages to workers—and still have chalked up substantial profits.

Year	Sales	Profits before taxes	Profits after taxes
Prewar average (1936–39)	$20, 726, 000	$1, 180, 000	$957, 000
Wartime average (1941–44)	31, 452, 000	3, 032, 000	1, 699, 000
1945	54, 554, 000	3, 105, 000	1, 676, 000
1946	50, 840, 000	3, 590, 000	2, 000, 000
1947	73, 783, 000	7, 655, 000	4, 072, 000
1948	103, 310, 000	13, 381, 000	7, 906, 000

Mr. PACE. The next witness will be Dr. H. M. Griffith, vice president of the National Economic Council, of the Empire State Building, New York City.

Dr. Griffith, we are delighted to have you here.

Dr. GRIFFITH. Thank you very much.

Mr. PACE. You may proceed.

STATEMENT OF DR. H. M. GRIFFITH, VICE PRESIDENT, THE NATIONAL ECONOMIC COUNCIL

Dr. GRIFFITH. Mr. Chairman and gentlemen of the committee, the National Economic Council is fundamentally opposed to the so-called Brannan plan for American agriculture, or to any similar legislation. It is further opposed to any continuation of agricultural subsidies of any kind. All are plainly nothing better than economic quackery and political fakery. Designed as special interest legislation to favor one part of the population at the expense of the rest, they actually do no good to anybody except the bureaucrats who dispense the benefits. In the long run they injure the farmer, impoverish the nonagricultural population and vitiate the entire economy. Nobody with more than a smattering of sound economics would vote for them unless outside pressures made him think it necessary. It is time for statesmanship to take over from politics and have done with economic imbecility.

The National Economic Council is further opposed to the so-called Brannan plan because it is one step, among a number of other steps, by which certain persons obsessed with an un-American economic ideology are attempting to transform the nature of our free society so that it will become a collectivist society.

At this point someone may rejoin that there is no "American economics." Such a rejoinder could stem only from profound ignorance of American history and the nature of American institutions. The Constitution of the United States was understood by its framers to be what it is: a charter of liberty whose consequences and implications are as thorough-going for economic life as for political and social life. The Constitution is a profoundly economic document, and it was intended to be so. The economic philosophy which permeates it is the philosophy of economic freedom.

The two basic conceptions of government known to man in history are these: (1) Government based upon a social order whose regulative principle is liberty. This is the society of contract. (2) Government based upon a social order whose regulative principle is not freedom but status—that is, direction from those in authority, which nowadays is called social control. Our ancestors had a shorter and more accurate name for it: they called it tyranny.

The American Republic, as it was founded, and as it grew to strength and greatness, was based squarely upon the continued existence of a society of contract. The implications extend to every area of human activity, and the economic relationships are not excepted. Therefore, it is only out of vast historical ignorance that it be can asserted that our American society is not tied to any one type of economics. It is so committed, and the economic theory to which it is committed is the economics of freedom. If economic freedom goes, social and political freedom will follow: freedom is indivisible. That principle is woven into the warp and woof of our Constitution and our institutions.

Our fundamental objection to the Brannan proposals is that they belong not in the free society of contract but in the slave society of status and compulsion. Their adoption would go a long way toward transforming the American society from the one into the other.

As economics, and considered as economics only, the whole ideology of price supports and subsidies is a fraud upon everybody concerned. The Brannan plan gives to the consumer the illusion of low prices—but the illusion only. Everybody knows that the subsidies to be paid to farmers would come out of general taxation. Some of it would come from the farmers themselves, and to that extent they are among the deceived. But most of it would come from nonagricultural consumers, and the prices they would actually pay, counting in the extra tax burden, would be greater than the law of supply and demand would fix both by the amount of subsidies paid the farmers and the political brokerage which is sometimes called the cost of administration.

By selecting one particular economic and political interest for this favoritism, such legislation, instead of balancing the whole economy, will throw the total economy out of balance, with ruinous effects for everyone. For only an economy which governs its free activity by the immutable law of supply and demand can long endure. That law cannot be repealed by any Congress. It exists in the nature of all economic life. It is the prime cause of efficiency, of production for real use in response to real demand (which alone can result in real profits), and it operates to promote the general welfare by the elimination of economic services and products which consumers do not desire. It would be better to play football with an atom bomb than with the law of supply and demand. For a while, politicians may think they are getting away with kicking the law around, but eventually it explodes in their face. The pity is, that when it explodes not merely the players but the spectators of this madness—the public—will be economically vaporized along with the team. That it has not yet happened in all its fury is no reason to imagine that it will not happen. The longer it is delayed, and the more the law is tampered with, the greater the economic and social disaster will be.

The subsidies under the Brannan plan are to be paid only to the "little producers." The 2 percent of "big" producers who account for 25 percent of agricultural production are to be left out. Surely it does not require a great brain to see what the result of this will be, and of what it is intended to be. The 2 percent who supply 25 percent of the crops will be forced out of business. Then the little fellows will be shackled to the wheel, no matter whether they realize what is happening to them, and will be serfs of the State, dependent for their very existence upon Mr. Brannan and the future Mr. Brannans who will rule from their royal city of Washington.

That this program would cost billions is a truism, but it is almost irrelevant in view of the larger issues at stake. Representatives from farm States now have the choice of becoming mere crumb-gathering political lackeys, or of rising above all low, prudential considerations into the pure, clean air of patriotic statesmanship. If they are content to be the former they will vote for the bill and spend the rest of their lives with their conscience, living on the crumbs that fall from their masters' table. If they will be the latter—and the choice is solemnly individual in the presence of God—they will be willing to fight the good fight even if it means personal oblivion.

But to fight the good fight for the maintenance of American liberty need not result in personal oblivion. Let those who are resolved to be statesmen rather than political lackeys go out among their constituents and tell them the plain, unvarnished truth about what this and similar plans mean. The one fact that many political "experts" leave out of their calculations is, that farmers are Americans first and farmers second. They can understand these issues when they are placed squarely before them, and can be counted upon to see that their own interest, as well as the interest of America, will not be served by legislation which sells them into serfdom.

Never foreget, gentlemen of this committee, that it was a group of farmers who first felt the impact of physical tyranny at Lexington. It was an embattled farmer-army that blunted the spearhead of tyranny at Concord, and sent the King's soldiery routed back on the bloody road to Boston. Don't think low of the farmer—of his intelligence or his patriotism. He is a better man than the collectivists think he is. Take your case to him, show him the deceit of these plans, their inevitable economic legacy of ruin, their threat to freedom. Then ask him his decision. He is an American. He will justify your faith in him.

Mr. PACE. Dr. Griffith, tell us who comprise the National Economic Council?

Dr. GRIFFITH. It was established in 1930. It is a cross-section of American people. We have among our members farmers, workers, business people, housewives—almost every segment of the American economy.

I, myself, was personally raised upon a farm and engaged in farming at one time, so I am not without sympathy for the farmers.

Mr. PACE. Thank you very much, Dr. Griffith, for your excellent statement.

Who are the officers of the National Economic Council?

Dr. GRIFFITH. Mr. Merwin K. Hart is the president. We number among our directors one former Vice President of the United States.

(The officers and directors are listed below:)

Officers: Merwin K. Hart, president; Constance G. Dall, assistant to the president; Ora A. Taylor, vice president; A. Margaret Schmid, vice president and assistant treasurer; McKay Twombly, secretary; Sibylla Schilling, assistant secretary; Glenn G. Munn, treasurer; Helen M. O'Connor, assistant treasurer.

Directors: Ira L. Anderson, Reginald Boote, Charles J. Brand, James C. Bronner, S. M. Brown, Walter O. Caldwell, Jr., George H. Cless, Jr., Dr. George B. Cutten, Constance G. Dall, Charles G. Dawes, D. Boyd Devendorf, Robert B. Dresser, Clarence L. Fisher, Rudolph B. Flershem, J. H. Gipson, Dr. H. M. Griffith, Earl Harding, Merwin K. Hart, Edward A. Kracke, Ivan Lebedeff, Nicholas F. Lenssen, V. S. Makaroff, Edwin S. Morgan, Glenn G. Munn, Roscoe Peacock, Isaac A. Pennypacker, J. Howard Rhoades, Sibylla Schilling, A. Margaret Schmid, Ora A. Taylor, McKay Twombly, Dr. Harrison J. Weaver.

Mr. PACE. The committee will recess until 2 o'clock this afternoon, when we will hear those who cannot stay over until tomorrow; and any others we may have time to hear.

(Thereupon at 12:30 p. m., a recess was taken until 2 p. m.)

AFTER RECESS

Mr. PACE. The committee will come to order.

The committee would like now to hear from Mr. Iberg, chairman of the legislative committee, United Farmers of America, Inc., of Highland, Ill.

Mr. Iberg, will you come around? We will be glad to hear you.

STATEMENT OF RAY IBERG, CHAIRMAN, LEGISLATIVE COMMITTEE, UNITED FARMERS OF AMERICA, INC., HIGHLAND, ILL.

Mr. IBERG. I have a paper which I should like to submit to the Subcommittee on Agriculture, House of Representatives, Washington, D. C., in behalf of the United Farmers of America, Inc.

Mr. Chairman and members of the Subcommittee on Agriculture, I have a prepared statement in addition to the regular testimony I am presenting to this committee in behalf of the United Farmers of America. This statement explains the connection of the reciprocal trade agreements with our economy and national farm problems. I ask this honorable committee to grant me the privilege of having the additional statement inserted into the printed hearings along with my regular testimony.

Mr. PACE. Without objection the supplemental statement will be filed with the clerk, and inserted at the close of your present statement.

Mr. IBERG. I want to thank this Subcommittee on Agriculture for the courtesy granted to me on this trip to Washington in behalf of the United Farmers of America, Inc.

My name is Ray Iberg, of Highland, Ill. I am a farmer and operate about 200 acres of land in Bond and Madison Counties. I am engaged in diversified farming and kept very busy in the production of grain, hogs, poultry, and beef cattle along with repair work on agricultural equipment.

The United Farmers of America, Inc., is a farm organization composed of farmers who believe in justice and equality, men who attain their livelihood by the sweat of their brow by tilling American soil.

Unlike many leaders and representatives of so-called farm organizations who have never plowed a row of corn or done an honest day's work, yet speak for farmers, you will find that any representative of the United Farmers of America who appears before this or any other congressional committee is a farmer himself. He has the callouses on his hands and the marks of farm labor show on his person. He knows what it means to be a farmer because he is a farmer, and he will present our findings from knowledge gained by practical experience.

Because we are interested in the welfare of America, we have cut through the propaganda to the facts. Therefore, I submit the following remarks and recommendations for consideration by this honorable committee.

Intelligent farmers who have the welfare and future of America at heart are bitterly opposed to any form of support-price system or relief payments, plus regimentation from their Government made possible at the taxpayers' expense.

They are very much displeased as real farmers who produce the vital necessities of life, food and fiber, to be placed into the category of leaf rakers and beggars.

However, the majority of farmers participate in this type of a program for the simple reason that they realize it is the only means of recovering their share of the appropriated funds made possible only through taxation, their only recourse is to participate in the program if they desire a return on their tax dollars. Intelligent farmers have long ago discovered that the dollars they send to Washington, D. C., are a whole lot smaller when they are returned.

Now, we farmers are being offered a soil-conservation payment to conserve our soil. Perhaps we should also repair the leaky roof for the businessman that neglects to take care of his property.

As Congress has never produced any wealth, but only handed out funds taken from taxation, would it not be better and cheaper for us all to heed what Lincoln said, that Government should do nothing for the people that the people can do cheaper and better for themselves. Who is more capable of taking care of the soil on the farm than the farmer himself?

We appreciate the interest that the coming generation has in soil conservation and also aware of the seriousness of erosion, but no farmer worthy of the name will destroy his own farm. We who are farmers know that it is an inherent instinct of those who till the soil to conserve it, and only economic necessity and uncertainty of future farm prices compel us to deplete our soil and do those things which are wrong.

Low farm prices are the major cause of soil erosion. Let us use an arbitrary figure, and suppose for example that my overhead expenses in a certain year are $3,000, for taxes, insurance, labor, repairs, depreciation, and other elements of cost, and corn is my cash crop and selling at $2 per bushel. It is obvious that I must produce and market 1,500 bushels a year to meet my expenses. When corn drops in price to $1 per bushel, I must sell 3,000 bushels, and if corn goes down to 50 cents—and I have sold corn for less—then I must produce and sell 6,000 bushels or lose my farm. It should be obvious to anyone that it is low farm prices that causes us to plow up our pastures and fence corners and start erosion.

The United Farmers of America, Inc., maintain that it is the duty of the people to support the Government which they themselves establish; and contrariwise that it is not the function of the Government established by our Constitution to endeavor to support its peoples, and that taxes collected from the American farmers are the moneys earned in the sweat and toil and privation.

It is because of these reasons and for reasons hereinafter to be enumerated that the United Farmers of America, Inc., are asking members of this committee and the Congress of the United States to enact legislation that will stabilize the price of American agricultural commodities at true parity levels at the market place.

We are most interested in a revised parity formula. Parity means equality, but under the present way of figuring parity it is far from equality for the farmer. I shall prove this to you.

From the latest available records from the United States Department of Agriculture, we find that from 1929 and up to the end of 1946 that the per capita net income of the people who farm was never one-half of that of the rest of the population in any year. The average for farmers was about one-third that of other people. Yet the same table tells us that the farmers had all the way from 61 percent of parity in 1932 to 168 percent of parity in 1946.

In the latter year of 168 percent of parity our per capita net income was $620, but the rest of the population had a per capita income of $1,326. Now, how can that be called parity?

Therefore, we stipulate true parity. Farm business must be handled like any other business in order to be successful. Farm income must be protected under an up-to-date revised formula that will include as in any other business all our necessary cost of production. When we speak of cost of production, we mean depreciation, soil depletion, interest, taxes, an equitable return on our investment, and wages for farm and family productive labor at a reasonable rate necessary to maintain the high American standard of living.

Such a price would give us equality which is only just and sound. You may call this "100 percent true parity" or simply "true parity."

Now, we hear so much about the danger of too-high support prices. The argument is that they create surpluses. I will prove this is not true. In regard to this I shall quote some interesting figures from the United States Agriculture Census.

The population in 1890 was 63,000,000; in 1944 it was 138,000,000, an increase in 54 years of 120 percent; and since 1944 the rate of increase in population is even greater.

In 1889 we raised 34 bushels of corn per capita; in 1944 we raised 20 bushels of corn per capita.

In 1890 we produced about one hog per capita; in 1945 we produced about one-third of a hog per capita.

In 1889 we raised 13 bushels of oats per capita; in 1945 we raised 7 bushels of oats per capita.

In 1889 we raised 7 bushels of wheat per capita; in 1944 we raised 7 bushels of wheat per capita.

These are the figures for the whole United States. Our production of wheat per capita even with tremendous wheat crops of the war years is no greater than production per capita in 1889. The last depression of the thirties was said to be partly due to surplus production. This is not the case.

In 1934 we imported 3,600,000 bushels more wheat than we exported.

In 1935 we imported 30,709,000 bushels more wheat than we exported.

In 1936 we imported 26,340,000 bushels more wheat than we exported.

And during the year 1943 we imported 96,201,000 bushels more wheat than we exported. This is from the United States Department of Agriculture statistics.

During the days of the acreage allotments and wheat penalties, we imported more wheat than we took out of production here at home. It was these imports during this period that brought about the depression to a great extent. These imports came in at prices below our cost of production. From 1932 to 1941 we imported more wheat than we exported, but were continually told that we had a surplus of wheat. In this same period net farm income in general was far below parity even under our present formula.

Our country normally consumes 90 percent of its farm production. Of the remaining 10 percent we need to store some from the fruitful years to prepare for the lean years, and for emergencies. We can export some at a world price, and we can find new uses for increased production.

Surplus is not the problem; control of imports and proper distribution of our own production is the problem.

For many years now we have known that farm income sets the economic pace for the great majority of our citizens.

Farm income is the barometer that reveals in advance the threat of a coming storm, or the promise of clear skies in our economic weather.

Mr. Carl H. Wilken, common-sense economist of the National Raw Materials Council in Sioux City, Iowa, the Honorable Tom Linder, commissioner of agriculture of the State of Georgia, along with a few others who have studied the relation and effect of farm income upon our national economy, have revealed their findings to the various congressional committees, and I am here to tell you gentlemen of this committee that the United Farmers of America, Inc., are sincere when they say that we are thoroughly convinced the findings of these gentlemen are correct and worthy of serious consideration by the Members of Congress if we expect America to remain strong and solvent.

To lower farm prices would indeed be dangerous to the welfare of America for the simple reason that national income is always approximately seven times gross farm income. This ratio has been found to be true to within a fraction for the past 25 years, good years or bad, peace or war, prosperity or depression, and even through OPA and Government controls.

Therefore, you cannot reduce farm income without reducing national income, as every dollar of gross farm income automatically creates $1 of factory pay roll and, approximately $7 of national income. This is known as the 1–1–7 ratio and has never been refuted.

At this point I wish to insert a reproduction of a statistical record from Government figures of 1921 to 1938, inclusive, showing agricultural income, factory pay roll, and national income in billions of dollars.

Year	Gross agricultural income	Factory pay roll	National income
1921	$8,900,000,000	$8,300,000,000	$62,300,000,000
1922	9,900,000,000	9,100,000,000	61,100,000,000
1923	11,000,000,000	11,000,000,000	59,200,000,000
1924	11,300,000,000	10,500,000,000	71,900,000,000
1925	12,000,000,000	10,800,000,000	76,500,000,000
1926	11,500,000,000	11,400,000,000	80,200,000,000
1927	11,600,000,000	11,200,000,000	82,900,000,000
1928	11,700,000,000	11,300,000,000	84,100,000,000
1929	11,900,000,000	11,700,000,000	81,100,000,000
1930	9,500,000,000	9,600,000,000	75,400,000,000
1931	7,000,000,000	7,000,000,000	63,200,000,000
1932	5,300,000,000	5,200,000,000	48,800,000,000
1933	6,400,000,000	5,500,000,000	44,200,000,000
1934	7,300,000,000	6,800,000,000	50,400,000,000
1935	8,500,000,000	7,600,000,000	55,800,000,000
1936	9,500,000,000	8,800,000,000	63,900,000,000
1937	9,800,000,000	9,300,000,000	67,500,000,000
1938	7,500,000,000	7,800,000,000	54,100,000,000
18-year total	170,600,000,000	162,900,000,000	1,192,600,000,000

You will notice how closely the factory pay roll corresponds to the agricultural income. If you will multiply the gross agricultural income of any year by seven you will arrive at approximately the same figure as quoted for national income of that same year.

If you will take the total sum of agricultural income for the entire 18 years and multiply it by seven you will notice that the total national income for the 18 years only lacks 1$\frac{3}{10}$ percent of being exactly seven times the agricultural income for the 18 years.

This should prove beyond any question of doubt that the farm dollar is the motive power of our national economic cycle.

The reason each dollar of farm income creates a dollar of factory pay roll and generates into $7 of national income is quite simple.

All wealth must come primarily from Mother Earth; the soil and streams and agriculture produces approximately 65 percent of all our new wealth. While the American farmer purchases approximately 40 percent of all the products of industry, he is therefore the greatest consumer and industries' biggest and most reliable and permanent customer.

Using the year 1940 as an illustration, American farmers had 10 times the capital investment of our steel and automobile industries combined, and employed ten times more labor. This should be self-evident that agriculture exerts a greater influence upon our economy than any other factor.

The farm dollar generates the steam for our dynamic free economy expanding as it does into $4.25 in retail sales and ultimately shows up as $7 in our over-all national income.

Agriculture being our basic industry, the agriculture dollar becomes the key to our national prosperity. Therefore, the Nation prospers only when the farmer prospers.

America must remain solvent. We must retain prosperity.

To do this we must retain farm income at a high level. Low farm prices will result in depression. Depression means bread lines and unemployment with a severe drop in national income, financial chaos and fertile soil for communism.

We the United Farmers of America, Inc., are not seeking any special benefits or privileges. We are concerned about the future of America. Therefore, we ask that the economy of this Nation be preserved.

In 1948 farm income was about $33,000,000,000 and the national income was approximately $247,000,000,000, which again proves that national income is approximately seven times the total of all those who farm.

If the Government is to collect enough taxes to support the Federal expenditures, then our total gross farm income in 1949 should be no less than $35,000,000,000; this will result in a national income of approximately $25,000,000,000; any less will result in a shortage of tax funds. Remember, the people pay taxes to support the Federal Government. And the people pay taxes on their net income, not their gross income.

According to press reports during the past month of February we had 3,000,000 unemployed. Why? I heard one radio commentator remark that due to the recent slump in farm prices, he estimated a loss of $3,300,000,000 in farm income. This resulted in cancellation of millions of dollars worth of industrial goods for farm use. Taking this into consideration, does this not bear out the fact that as the farm income declines, so does factory pay roll to a like amount? This recent slump amounted to a loss of approximately $23,000,000,000 in national income. This is, indeed, a matter that requires the attention of every intelligent American citizen, and we, the United Farmers of America, Inc., recommend that Congress recognize the natural economic law which results in the national income being approximately seven times the amount of gross farm income and five times the income of the producers of all raw material.

If the present program for agriculture stands and the support price is reduced to 60 percent of parity, then that will certainly reduce the gross income of the farmers, and if the gross income of farmers is reduced in the same proportion, the total agricultural income will be approximately $20,000,000,000, and if the ratio 1–1–7 still holds good, as it has for more than the past quarter century, then the national gross income would be approximately $140,000,000,000.

At the present time the Federal budget is $41,500,000,000, and the States, counties, cities and districts have budgets totaling $14,000,-000,000, which together make a total tax bill of the sum of approximately $55,000,000,000. In the name of good common sense, how could 60 percent parity mean anything less than depression and financial chaos?

A profitable agricultural price structure must be maintained in order that the national economy be automatically maintained.

The triple A farm program worked against the farmer instead of for him. He accepted it because it was misrepresented to him. Leaving out the big words and the confusing formulas, this is what Government said to him: "Let us tell you how much to plant and how many hogs to raise and we will use that power to reduce the 'surplus.' We will bring about a scarcity and make the law of supply and demand work for agriculture. We will get you the parity prices to which you are entitled."

Government did use that power to reduce domestic agricultural production. At the same time, by means of its program of reciprocal trade agreements and the depreciation of foreign currency, it encouraged the importation of competing farm products, so that for every acre taken out of production under the triple A, we actually imported the product of more than an acre of foreign agricultural products which, being offered at low prices, kept forcing our domestic prices down toward world prices. The "surplus," of course, was not reduced and the program never got anywhere near parity prices for the farmers.

During the war Government flatly repudiated the triple A program when it stated bluntly that "parity prices for agriculture means uncontrolled inflation." That was a false statement. Parity prices as they are now calculated do not return even reasonable profits to farmers. The truth is that prices for the food and fiber of this Nation which return reasonable profits to farmers cannot truthfully be called inflationary prices. Inflationary prices are not created by fair and just returns, but by insufficient quantities of consumer goods to equal the consumer demands.

Our foreign trade should be truly reciprocal. Products we have in abundance should be traded for products that we need, and should be under the supervision and direction of a committee of truly American statesmen.

Therefore, we, the United Farmers of America, Inc., recommend a flexible import tax on each commodity so that the amount of import tax, when added to the market price of such foreign product, will amount to 110 percent of the parity price of such product. This import tax would vary automatically with the change in the market price in this country of each commodity.

This is an import tax that would automatically cause the importations of things we need and would shut out the things we do not need.

This is an import tax which would automatically make each nation with whom we trade a preferred nation to the extent that its own internal economy approached the same level as our economy.

All tariff rates on imports should be calculated in United States currency at port of entry and not in the currency of the nation with whom we trade.

While speaking of trade, we also recommend an investigation be made into our interstate commerce laws, whereby farmers and truckers are forbidden to transport their products between States within the United States, while at the same time Congress is enacting legislation to cut our tariff rates with foreign and beggar nations and place our Nation on a free trade basis without limitations.

The United Farmers of America, Inc., recommend the abandonment of all regimentation of every kind and an immediate return to a free American economy.

We want no subsidy payments or hand-outs for the products we produce. We want no acreage benefit payments, and we are capable of taking care of our own soil.

What we want is an American price for our agricultural products on a true parity with the costs of the products of other American industry and American services.

The farmers of this Nation are entitled to a true parity of price and it is only just, fair, decent and equitable that Congress protect farm prices of American production. This should be done not for the sake of farmers alone, but for the welfare of the vast majority of our American citizens.

The United Farmers of America, Inc., petition this Eighty-first Congress of the United States to enact legislation that will forever solve the farm problem. This can be done by means of a minimum floor price by national law at not less than 100 percent true parity at the market place.

A floor or minimum price is set by law on wages, legal hours of work in a day and workweek, the value of gold, legal rate of interest, freight rates, electric power, telephone and telegraph charges, water rates, including water used for irrigation, and 1,001 other services obtained by farmers, and by sovereign law are compelled to pay out of the products of our soil and toil.

Food and fiber are vital necessities of life, and should come under a higher category than less important items I have mentioned that do have a minimum floor by law.

Why cannot floor prices be established by law, just as well as the ceiling prices of a few years back.

We, the United Farmers of America, Inc., are sincere in our recommendations that this is the solution to a stable economy and would be sound security for all Americans. It would be insurance of a balanced economy and prosperity for the Nation, a minimum floor by law, to be determined by yearly intervals, at an American price of true parity, for that portion of agricultural production consumed in America, and a world price level for that portion exported to other countries.

Under this plan, we could all enjoy prosperity unlimiteed, the American way, without regimentation and relieve the taxpayers of the unnecessary expenses of millions of dollars paid out in doles to farmers, plus the salaries of thousands of unnecessary job holders in the present farm program, and forever end booms of depression.

We would not need to worry about a surplus of farm commodities as long as we had a national law of minimum floor prices, as this would automatically increase the buying power of the farmer, and in return increase the buying power of all other segments of our economy.

The United Farmers of America, Inc., never did and never will recommend a program of scarcity deploring the good things of life; such a program is strictly in violation and defiant to the laws of God and Nature.

Gentlemen of the committee, you cannot ignore the natural economic law. You cannot tolerate a program of scarcity and get by with it.

In order to enact a sound and permanent program for agriculture, you must coordinate and recognize the law of God and Nature if you expect to solve the farm problem. This applies especially to agriculture and because the farmer works and lives so close to nature.

In the future we had better be concerned about raising enough food for our rapidly increasing population.

The United Farmers of America, Inc., are not asking for stability of farm income because of selfish interest, but because we have studied our problems, we have learned and have cut through the propaganda to the facts, and I am reminding you gentlemen of the committee that these findings are in the best interests of the great majority of our American citizens.

In closing, I believe I should mention that a review of the immediate history of our Nation, and how we got the way we are, will convince the members of this committee of the soundness and fairness of these recommendations.

(The supplemental statement is as follows:)

TRADE TREATIES AND INTERNATIONAL CONTROL OR AMERICA FOR THE AMERICAN PEOPLE—WHICH WILL WE CHOOSE?

(Prepared by Ray Iberg, chairman, legislative committee representing United Farmers of America, Inc. For presentation to the subcommittee of the House Agriculture Committee, Washington, D. C.)

IN OPPOSITION TO EXTENSION OF TRADE TREATIES

I want to make it very, very clear that I am asking no special favor for the American farmer or for agriculture.

The American farmer will survive under any conditions imposed by Congress where he is given equality of treatment with industry and business.

Give us a protected economy and the farmer will continue to be the backbone, the cornerstone, and the foundation of a prosperous America.

Give us tariff for revenue only and the American farmer will be as prosperous as anybody else. Give us free trade for everybody and on everything and the American farmer will exist so long as America exists, but give the farmer the same deal, the same protection, or the same lack of protection that you give to every other segment of America. All that the farmer asks for is equal rights to all with special privilege to none.

We believe in America for Americans. We believe that an America for Americans can be and will be the great power for good and uplift for humanity in the world. On the other hand, we believe that the conomic destruction of this country will destroy the people of this country without being of benefit to anyone else in the world, but still we believe that if the same treatment is accorded the American farmer that is accorded other segments of society, that the farmer will be here as long as there is anyone else to uphold the American flag.

The question of reciprocal trade agreements is so closely linked with each branch of business, industry, and agriculture it is impossible to grasp the effect of trade treaties without a thorough study of our entire economy.

Whatever policy we pursue from now forward must be a policy that is consistent with our existing situation and condition.

Whether we like it or not and whether our course in the past has been correct or not, we cannot ignore the past in determining our future policy without completely wrecking this Nation.

Through the years that are gone, we have established our monetary and credit system. We have tried to maintain the dollar on a standard much higher than the monetary units of most of the other countries of the world. This Nation has a national debt of around $260,000,000,000. The States, counties, municipalities, and school districts have accumulated additional debts running into many more billion dollars.

I think everyone would agree that a radical reduction in the present value of the American dollar would, in effect, be a repudiation of all debts and would destroy the accumulated savings of all kinds that the people of this country have made.

I do not believe that this Congress is ready and willing to repudiate the national debt, neither do I believe that this Congress is ready to destroy the validity or to take away the substance of other outstanding debts, and certainly know that this Congress is not ready or willing to destroy the savings of the people by a further radical reduction in the value of our money.

I am sure that everyone who has given serious consideration to the subject realizes that free trade for this country is impossible at this time without and unless we are ready and willing to destroy, or at least radically reduce, the value of our money.

I am further confident that every one who has studied the question must realize that reciprocal trade agreements is another name for free trade. The only difference being that reciprocal trade agreements theoretically limits that trade to specified commodities and to specified countries.

Under reciprocal trade agreements already in force, a large segment of American producers have already been placed on a free-trade basis to the extent that imports are available for shipment into this country.

The idea that American farmers have been producing surplus food crops is purely fiction invented first by Henry Agard Wallace and preserved through the present administration.

This fiction of Wallace has been preserved through the administration of Wickard and Anderson and Brannan for the reason that the same departmental bureau heads who held key positions under Wallace continued, in most instances, under Wickard and now under Brannan.

Should there be any question in your mind as to the accuracy of this statement, please consider the following:

Food Shortage Is Result of Trade Treaties, Crop Control, or So-Called Price Supports

During the years from 1931 to 1940 there was a lot of talk about surplus crops. We have never had any surplus crops in this country.

We have had underconsumption when millions of people were unemployed and when other millions with jobs were forced to substandard living.

In the over-all picture, of the United States as a whole, the production of meat is limited by the production of corn.

It is still true that the production of meat and meat products is very largely controlled by the production of corn.

It is a general rule among livestock men and hog growers that 1 bushel of corn produces 10 pounds of meat on the hoof. How could we have a surplus of hogs and cattle when we didn't produce the corn to feed them?

According to the Yearbook of the United States Department of Agriculture from 1910 to 1919 we averaged producing 2,635,000,000 bushels of corn per year. From 1920 to 1929 we averaged 2,695,000,000 bushels of corn per year. From 1930 to 1939 we averaged only 2,307,000,000 bushels of corn per year, and during 1940 to 1941 we averaged 2,563,000,000 bushels of corn per year.

You can see from these figures that our annual production of corn during the last 30 years has decreased instead of increased. How could we have a great surplus of corn when we did not produce the corn.

According to the figures of the United States Department of Agriculture, from 1910 to 1919 we averaged a total of 27,678,000,000 pounds of hogs and beef cattle combined. From 1920 to 1929 we averaged 28,146,000,000 pounds of hogs and beef cattle combined. From 1930 to 1939 we averaged 28,607,000,000 pounds of hogs and beef cattle combined.

From the above it is clear that during the 30-year period of 1909 to 1939 our average production of meat increased less than 4 percent.

During the same 30-year period our population increased from 91,000,000 to 131,000,000.

Our population increased 44 percent while our meat production increased only 4 percent during the same 30-year period. Our population now has increased to more than 145,000,000.

The triple A was created in 1933 to limit production of crops in the United States. Those who sponsored the triple A program were not deceived about the facts. They knew we had no overproduction of food but the shortage fitted into their over-all plan to destroy American agriculture. Congress was fooled and acted on the misinformation furnished them. Congress was laboring under the terribly mistaken idea that we had overproduction of agricultural products.

Congress was asked to create the triple A to limit farm production in this country. The same Congress was asked to pass and did pass the law providing for special trade agreements. These special trade agreements were passed to permit the importing into this country of farm products which the American farmers are not allowed to produce in sufficient quantity for our needs. Both acts were passed in 1933.

It is hard to understand why Congress would have been so gullible. To pass the Agricultural Adjustment Act in 1933 to reduce and limit the American farm production was bad enough. For the same Congress to flood this country with like agricultural products from all over the world was astounding.

The proponents of extension of trade treaties have many times pointed out that the limitation of our exports to foreign countries is American dollars and American credits which those countries have with which to pay the United States for such exports.

The proponents of trade treaties simply use this involved language to camouflage facts which could be much better stated in simple words.

Actually, the limiting factor of our exports to foreign countries is the amount of imports that we will accept from them in payment of our exports.

In other words, Argentina, Brazil, Australia, Canada, and all of the other countries of the world will buy as many automobiles, suits of clothing, dresses, and gasoline as we will ship them and accept payment in corn, wheat, jute, hogs, cattle, cotton, and other agricultural crops and products.

The catch is that if we sell automobiles, suits, dresses, and gasoline at American prices and take pay in corn, wheat, cattle, hogs, jute, and cotton, we would soon have all of the corn, wheat, cattle, hogs, jute, and cotton in the world and would have to bury it in the ground just as we had to bury the gold in Kentucky, when we got all the gold in the world.

In the meantime, if they trade their corn, wheat, cattle, hogs, jute, and cotton for automobiles, suits, dresses, and gasoline then, they like Europe, would be on starvation. The United States would immediately be called up to ship all of this food back to them to keep them from starving. Again the American taxpayer would be called upon to foot the bill for all this foolishness.

By the time we carried on this kind of trade for a few years instead of our national debt being $260,000,000,000 it would be 3 trillion dollars. You would have to take a wheelbarrow full of dollars to buy a cup of coffee or a loaf of bread.

When Congress, therefore, is considering extension of reciprocal trade agreements, it is in fact considering the question of free trade limited to certain segments of society chosen by the millionaire club called the State Department.

Suppose that Congress had under consideration a bill to repeal all protection and throw the ports of the United States wide open to imports of all kinds from all countries.

I do not believe there are very many men or women in Congress who would be willing or radical enough to support such a measure. Yet Congress is asked to sanction such a measure, provided it only applies to such segments of society and such commodities as is chosen by the international millionaires who haunt the State Department.

Under this so-called Reciprocal Trade Agreements Act, the international millionaires of the State Department not only have authority to select the segments of American society to be destroyed; they not only have the power to select commodities to have free entrance into this country, but above all, these international millionaires have the power to select the country from which such imports are to be made.

Since these international millionaires have great financial personal interest in certain foreign countries, it naturally follows that they have and will continue to select those countries in which they themselves have financial and property interest.

The result of this kind of condition and this arrangement is that these international millionaires in the State Department are just as much the representatives of such foreign countries as they are of the United States which houses them and places them in seats of authority.

There can be no "intentional patriot." The very word "patriot," derived from the Greek and the Latin, means a love of one's country. It means, literally, a father to the country.

Those who try to bring about internationalism and world rule are as great traitors and saboteurs of American liberty and American rights as were those saboteurs landed by a German submarine and who were justly executed. Those individuals who are now trying to destroy the American National Government and substitute international government should be dealt with in the same way.

For instance if the President of the United States should nominate a citizen of Brazil to be Assistant Secretary of State and to make trade agreements for the common people of this country, I think the United States Senate would indignantly refuse to confirm such nomination. Yet, from a practical standpoint, there would be little difference in naming a citizen of Brazil and in naming an American with $150,000,000 invested in Brazilian enterprises. It is a travesty on truth to name a treaty "reciprocal" when such treaty amounts purely to a license to international millionaires to plunder the American public.

Take for instance the representatives of J. P. Morgan & Co. We had Mr. Stettinius representing these great international bankers and their subsidiaries such as the Chase National Bank. To turn the tariff-making or tariff-destroying power over to these millionaire plunderers of the people of all nations is, in my opinion, an act as unpatriotic as the act of Benedict Arnold. I can think of nothing that any foreign power could do or any representative of any foreign power could do in our Government that would be more detrimental than the turning over to the representatives of these international bankers the power to enslave the working people of this country. Under the Constitution of the United States, the power and duty rest on the Members of Congress to regulate our commerce with foreign countries and to lay and collect excises, etc., in connection therewith.

For Congress to delegate this constitutional power and duty to representatives of the international bankers of the world is, in my opinion, betrayal of the people they represent.

It is true that Mr. Stettinius is no longer in the State Department, but he is no doubt merely a type of the representatives of this great international interest.

The same reasoning would apply to Mr. Rockefeller, and those who in the past have and who now haunt the Department of State, representing private interest in this and foreign countries, but who in no way represent the men and the women who performed the labor and furnished the sweat, blood and tears to defend and preserve this country from its foreign enemies.

I repeat that I do not believe the Members of this Congress would even consider a measure to destroy all of our protection and put this country on a free-trade basis and yet, the so-called Reciprocal Trade Agreements Act is much worse than this, because an act providing for free trade without any restrictions would put all Americans on the same basis, while the so-called Reciprocal Trade Agreements Act is discriminatory in every way.

The history of the British Empire should be an object lesson as to what free trade will do for a civilized country. It is true that Great Britain in recent years attempted to get away from free trade by various trade and financial devices. These, however, were tried in the latter days after British statesmen began to realize that a free-trade nation could not endure. But even with these devices, the British Empire incorporated such great areas and populations of very low standards of living, very low wages and very crude production that the countries within the Empire itself were sufficient to pull down and destroy the economic structure of Britain itself.

If on the other hand, this Congress would not consider putting the country entirely on a free-trade basis, then the protection given to any one segment of American society should, in all fairness, be extended to our entire people.

THE SMOOT-HAWLEY TARIFF BILL

I notice some of the newspapers are still talking about the Smoot-Hawley tariff bill destroying our foreign trade and causing the stock market crash of October 1929 and the panic which has followed ever since.

Once again, let me repeat, for the benefit of the newspaper editors, that the Smoot-Hawley tariff bill was not enacted until June 1930, 8 months after the New York stock market crash. But let me point out to these editors the following acts of the official Government record:

During the 11 years from 1933 to 1943, inclusive, we heard more talk about overproduction of agricultural products than we have heard in all of the 150 years' history of this country.

We have had the AAA to prevent production, and we have had agreements to encourage imports. We had farm subsidies; we had rental checks; we had price supports. We had every imaginable gadget that human minds could devise. Let us see what the results of all this New Deal experiment amounted to in practice.

According to table 715, on page 656, of Statistical Abstract of the United Sates of 1944–45, we find that during the 11 years of 1933 and 1943, inclusive, we exported agricultural products in the total amount of $8,723,787,000, but imported during those same 11 years, agricultural products in the amount of $12,786,725,000. We actually imported $4,062,938,000 more than we exported of agricultural products.

In the year 1940, we passed a lend-lease bill, under which the American people imagined that we shipped vast quantities of American farm surplus to the Allies. Let us see what the Government figures show. In 1940 we imported $1,239,444,000, while we exported only $737,640,000 agricultural products.

In 1941 the story was even worse. In 1941 we imported agricultural products to the extent of $1,473,661,000, while our exports of agricultural products amounted to the measley sum of $349,821,000. We imported more than four times as much as we exported of agricultural products in 1941. In 1942 our imports of agricultural products exceeded our exports by the sum of $472,941,000.

The fact that we imported more than $4,000,000,000 in excess of what we exported does not begin to give you an idea of the true story.

From 1933 to 1943 the average price of corn was 73 cents per bushel. The average price of wheat was 89 cents per bushel. The average price of hogs on foot was 8 cents per pound. The average price of cotton was 12 cents per pound.

Most of our imports of agricultural products were in raw form. Most of the processed, semiprocessed, and manufactured agricultural products imported were of the cheapest character. It is thus evident that the volume of imports measured in pounds, bushels, and bales was much greater than the volume of exports when measured in terms of pounds, bushels, and bales.

Suppose, for example, that these imports had consisted of corn, wheat, hogs, and cotton.

In order to import $4,000,000,000 worth of either of these four commodities, it would have been necessary to have brought in—

Corn—5½ billion bushels.
Or wheat—4½ billion bushels.
Or hogs—250 million head weighing 200 pounds each.
Or cotton—66 million bales averaging 500 pounds each.

During the period of 1933 to 1943, our excess of imports of agricultural products over our exports of agricultural products amounted to about 10 entire crops of wheat.

This excess of imports amounted to about two entire crops of corn. This excess of imports amounted to about two crops of hogs.

This excess of imports amounted in 11 years to about five crops of cotton.

In order to see the story in full, we must deal with the entire volume of agricultural imports.

During the 11 years of 1933 to 1943, inclusive, our total of agricultural imports amounted to $12,786,725,000.

If all these imports had consisted of corn and wheat and hogs and cotton, it would have amounted to—

Corn—4,000,000,000 bushels—2 crops.
Wheat—3,500,000,000 bushels—7 crops.
Hogs—187,000,000 head—1¾ crops.
Cotton—53,000,000 bales—4 crops.

AMAZING RECORD

Talk about employment?

If the American farmer had been allowed to produce the amount of agricultural products that we imported, it would have, conservatively, required 15,000,000 able-bodied men the entire 11 years to have produced these crops and hogs.

Talk about markets?

If these 15,000,000 able-bodied men had been employed and had produced that additional $12,000,000,000 of raw products, then the industries of this country would have been short-handed and there would never have been a day that industry would not have had the best market in the world for all it could produce.

Do not forget that, under the natural economic law, this $12,000,000,000 would have turned into $84,000,000,000 in our national income if the goods had been produced here at home.

There are, in a rough way, substantially as many people engaged in manufacturing as there are on the farms. It should be self-evident that a farm worker should be able to buy approximately the output of an industrial worker and that an industrial worker should be able to buy the product of a farm worker.

When the product of one industrial worker is exported at American prices, it is necessary to import the products of half a dozen agricultural workers from other countries to get pay for these exports. When we import the products of half a dozen foreign agricultural workers, we put a half dozen American farm workers out of a job. When we put a half dozen American farm workers out of a job, then a half dozen industrial workers must lose their American market for what they produce.

It is an evil cycle which destroys America without doing any good to the balance of the world.

Only those big international traders such as now and in the last several years who have infested the State Department make any profit out of such trades.

We hear a lot of talk about international trade being necessary to prevent war. Ask yourself the question, which is most likely to cause war? Is a foreign nation going to be more resentful because we do not trade with them, or if they will be more resentful because we ceased to trade with them after the trade is once established?

The cold facts of history show that those nations which have engaged to the greatest extent in international trade are the nations who have brought on both World Wars. Let the State Department answer that.

Every law of the nature of Reciprocal Trade Agreements Act is either good, bad, or indifferent according to the men who have control of its execution and according to the policy and program of which such a law is only a part.

It is, therefore, of most importance that the Congress look largely to the program and purposes behind the demand for such legislation rather than to the terms of the legislation itself to discover whether or not such legislation will be for the benefit of the masses of the people of this Nation.

I wish to call attention specifically to the fact that each Cabinet member is the personal choice of the White House and as such is beyond the reach of the people and largely beyond the reach of Congress.

For this reason the delegation of constitutional authority by Congress to a member of the President's Cabinet should be done with the greatest caution, especially when the power so delegated is of a nature that amounts to the power to enact law.

1919 TO 1929 WERE CRUCIAL YEARS

The fact of the matter is that the United States has simply been the fat goose that has been picked by the internationalists over a period of 30 years.

For almost 70 years beginning in 1837, the British Empire had at its head one of the greatest characters in modern history.

For almost 70 years Queen Victoria guided the destiny of an empire whose proud boast was "That the sun never sets on the empire of the queen." During those 70 years major wars were kept to a minimum between the countries of Europe by the firm hand of this woman of destiny.

The royal families of Russia, Germany, Holland, and other nations in Europe were relatives, and some of them descendants of this ruler of Great Britain.

When Queen Victoria died at the beginning of the twentieth century and weaker hands took the helm of the British Empire, then trouble began to brew that was to shake the very foundation of the world.

It was approximately one decade from the death of Queen Victoria until the First World War broke in all its fury in 1914.

INTERNATIONAL MONEY CHANGERS TOOK OVER

I do not have exact figures, and I doubt if anyone has, but from the best information that I have been able to obtain, the following is substantially the fact as to the international dealings which ultimately brought this country into World War I and which later brought a policy to our national administration which culminated in the stock market crash in October 1929, and which in turn, brought us the New Deal and crypto communism.

When England, France, Holland, and Italy became involved in World War I against the central powers, the international bankers, especially J. P. Morgan & Co. of America, the Rothschilds of England and the Guggenheims of France, together with their associates, were called upon to loan large sums of money to the Allies, including England, France, Holland, and Italy.

Loans from these international bankers totaled approximately $15,000,000,000 in American money.

At the time $15,000,000,000 was almost an unheard of sum of money.

By the summer of 1916, it became apparent that left to themselves, the Allies would lose the war and the Central Powers would be victorious.

In the summer of 1916, the campaign for the election of a President for the United States got under way.

Woodrow Wilson was elected on a platform of peace just as Abraham Lincoln was elected on a platform of peace in 1860.

Wilson was elected in November with great shouts of rejoicing among the people that America would not be involved in a war; just as Abraham Lincoln was elected in November 1860, amid great shouts of joy that the people of the United States would be spared the horrors of internal strife.

On March 4, 1917, Wilson was inaugurated just as Abraham Lincoln was inaugurated on March 4, 1860.

Before the April flowers were gone, about 6 weeks later, America was in the midst of a great world conflict just as the people of the United States were involved in internal strife before the flowers were gone in 1861.

When the United States entered World War I, in addition to the great loss of wealth, human life and suffering involved by the United States, we were called upon to loan approximately another $15,000,000,000 from the Public Treasury to these same European countries. The net result was that the Allies were indebted to the international bankers $15,000,000,000 and to the United States Government another $15,000,000,000. They could pay not either at that time.

THE AMERICAN PEOPLE PAID THE INTERNATIONAL BANKERS WHICH WRECKED OUR OWN ECONOMY

The international bankers looked over the world and saw the hopelessness of collecting the money from the hungry and naked people of Europe. The only place the international bankers could get their money was from the taxpayers of the United States.

Accordingly, in 1919, while Mr. Wilson was still President, the newspapers of this country, with one accord, began a campaign demanding that the war-torn countries of Europe pay us what they owed us.

Then as now, Bernard Baruch was on hand as the liaison between the international bankers and the White House. From 1916 to 1945, the man who was nearest to the international bankers was also the nearest man to the White House.

This cry that "Europe pay US what she owes US" was a very popular cry. The newspapers did not take the trouble to explain who the "US" was who was to be paid. The burdened taxpayer of America naturally thought that he was the "US" that was to be paid.

No one took the trouble to explain that this country having a balanced economy could not collect in goods without having to pay for those goods all over again.

The taxpayer was accustomed, when someone paid him a debt, to go to the bank and get the money. He has no conception of the vast difference between collecting a debt here at home and collection of a debt from a foreign country.

Consequently the taxpayer who believing that he was the "us" that was to get the money fell for the trap, and became himself one of the loudest to demand payment of those debts.

The United States had no need of foreign goods. Our factories were capable of turning out all the manufactures that we needed. Our farmers were capable of producing all the food, fiber, and feed that we needed. Our labor supply was adequate for every purpose. Our economy had become adjusted to a high level of prices and volume.

We were enjoying the best economical experience of our history. Nobody was being hurt except the international bankers who had loaned their money to England, France, Holland and Italy.

If we had followed the same course, we could have marked off those war debts and kept our own national economy on a high scale and have told the international bankers to go jump in the ocean.

Instead of doing this, we lowered the tariff bars and we started importing goods, merchandise and commodities to collect the war debts. From 1919 to 1929, over a period of 11 years, according to Government figures, we imported goods to a total of more than $43,000,000,000. By the time Mr. Coolidge was going out of office, it was apparent to all students of national and international economy that the American economic set-up had been wrecked by these wild imports. Mr. Coolidge, being as astute student of national and international economy, stepped out from under with the memorable phrase, "I do not choose to run."

Mr. Hoover came into office and inherited a condition which was bound to blow up in his face.

Mr. Hoover thought that somehow he could avoid the immutable law of economics just as the administration today foolishly thinks it can escape the immutable law of pay day. Mr. Hoover got nowhere, neither can Mr. Truman. The die was cast for Mr. Hoover when he took office and likewise the die was cast for Mr. Truman when he came to the White House.

From 1919 to 1929, $43,000,000,000 worth of goods, merchandise and commodities of all kinds came into United States ports.

Naturally, $43,000,000,000 worth of foreign imports closed down, or put on part-time, our manufacturing industry and created an army of unemployed which we said was 12,000,000 strong. Nobody knows how many. Imports of agricultural products took away the American market from the American farmer and he was faced with crops which he could not sell.

The administration called the American Farmers' crops surplus and sought to deal with them as surplus. Actually, the surplus consisted of imports which replaced the American market, and actually, the American farmer, in the over-all picture, did not have a surplus.

The proof of these statements can be easily found in the statistical report of the Government which shows the excess of agricultural imports over agricultural exports.

Mr. Hoover took office on the 4th day of March 1929. Mr. Hoover took a most proper action in passing an Executive order declaring a moratorium on the collection of war debts.

In the meantime, out of the sale of $43,000,000,000 worth of imports, the international bankers received their money. The international bankers were the "us" that was going to be paid all the time, but the innocent taxpayer who had already paid $15,000,000,000 in loans to Europe, instead of being the "us" to receive payment, was called upon to pay out an additional $15,000,000,000 so that international bankers could get their money.

One thing Mr. Hoover overlooked was that England, France, Holland, and Italy had credits in American banks in the amount roughly of $3.500,000,000. Mr. Hoover should have provided in his order for the conversion of the $3,500,-000,000 into the United States Treasury as payment on their war debt. Instead, he overlooked this most vital matter and when his Executive order went into effect the $3,500,000,000 credit was left subject to draft.

As soon as the moratorium went into effect and this $3,500,000,000 became subject to draft those countries began to draw this out in gold as they had a right to do under international agreement.

At that time, under Federal law, if my memory serves me right, banks were required to maintain a gold reserve of 68 percent against deposits and some other liabilities.

At that time, we could not spare $3,500,000,000 worth of gold and still maintain the legal gold reserve.

When the gold supply was depleted $3,500,000,000 it became necessary for United States banks to reduce their deposits.

But the banks could not reduce their deposits without first making collections from their customers to whom the depositors' money had been loaned, therefore, the banks were under the necessity of enforcing collection. When they went out to collect they found their customers could not raise the funds with which to pay.

The banks were compelled to unload stocks and bonds which they held as security against loans and the natural result was the great stock market crash in New York in October 1929. What followed in 1930, 1931, and 1932 was but the natural result of what had gone before.

The year 1932, however, brought some relief. When the President's election came on in 1932, the country was considerably better off than it had been in 1930 and 1931.

FEDERAL RESERVE BOARD ACCENTUATES A BAD CONDITION

In 1920, the Federal Reserve Board precipitated a panic by deflating the currency and credits.

No one knows exactly how much the defiation amounted to, but the fact can be established that the currency was deflated at least to the extent of $2,000,000,000. It was this deflation by the Federal Reserve banks which caused the first panic after the First World War.

It was this deflation of the currency which caused the absorption of $43,000,000,000 worth of imports to have a fatal impact on our economic stability.

Deflation of the currency caused low prices, low prices doubled the amount of goods we were forced to absorb.

This deflation of the currency, plus $43,000,000,000 worth of imports, was enough to wreck our economies completely and bring a condition of chaos following the stock market crash of 1929.

After the export of $3,500,000,000 worth of gold, after the stock market crash of 1929, after the years 1930–31 which carried us through the depth of the depression, came another Presidential election. At the time of the election in 1932, the rank and file of the people had gone through the worst years of a national economic adjustment. The great danger spot then was the banks.

The banks had made loans on a basis of high prices which they could not collect under panic conditions. The result was that the banks, as a whole, were most unstable and in great danger of collapse.

PARTY PLATFORM OF 1932

The Democratic condidate for President in 1932 ran on a platform very much akin to the Republican platform of 1946. Any man who will take the trouble to read the Democratic platform of 1932, and then read the history of the Roosevelt administration, is bound to admit that there is no similarity in any particular. The Democratic platform of 1932 was still a good platform in 1946 for the Republicans, because it had never been used. It had been put away with the dry cleaners over the entire period of 14 years. It remains to be seen whether the Republicans will also put it back in storage or whether they will use it.

When Mr. Roosevelt came into office on March 4, 1933, the Government, as such, was in splendid condition for the reason that the great wealth of this country was not incumbered to any major extent. The only thing needed was to use public credit sufficiently to enable the banks to work out their problems, to put enough money into circulation to start our industries and agriculture moving, and to prevent imports of those things for which we had no need.

The administration started out in an effort to bring some gold back into this country to enable the banks to maintain a necessary gold reserve to stabilize the currency, all of which was well and should have been done.

THE UNSEEN HAND

Almost overnight there was an unseen hand which wrought a miracle and caused the President and Congress to completely change and go off on an entirely different tack.

This unseen hand scrapped the platform of 1932 and plunged this Nation into a communistic, totalitarian, democratic impossibility.

When the price of gold was raised from $20 to $35, this, of course, had the effect of making money cheap. It had the effect of bringing shiploads of gold into this country. Gold piled up so that every dollar of currency could have been covered 200 percent by gold deposits.

The administration began a program of wild Government spending which would involve an amount of money so great that all the gold in the world would not be sufficient to stabilize it on any reasonable percentage.

Not only that, but men in high places, especially the State Department, let the secret leak out that the day was coming when this gold would be used to stabilize the currency of other nations and, therefore, could not be used to stabilize our own money.

Not only that, but the unseen hand, by some means, caused the administration to believe in free trade on raw materials and agricultural products. At the same time, the administration adopted a policy of high wages and tariff protection for industry.

The administration became sold on the idea that the American farmer should be put on an equality with the farmers of South America, Asia, and Africa.

This could not be done if we should maintain a stable dollar because the prices of labor and raw products were so cheap in other parts of the world that it would be impossible to carry on free trade so long as American money remained so much higher than the money of the balance of the world.

Consequently, the vast quantities of gold were buried in the ground at Fort Knox waiting for the day to come when the taxpayer, who paid $35 an ounce for that gold, would have the pleasure of giving it back to the international bankers under the title of a World Bank.

Neither President Roosevelt nor the Congress would have the courage to have enacted a law providing that industry should be on a protected basis but that agriculture should be on a free trade basis.

If that had been done, the world would have known about it.

The real purpose of the so-called Reciprocal Trade Agreements Act was to manipulate tariffs favorable to industry and unfavorable to raw materials without the administration going on record and without the masses of the people knowing what was going on.

The truth of this statement is positively proven by the fact that the same Congress which passed the Reciprocal Trade Agreements Act to increase our imports of agricultural products also passed the Agricultural Adjustment Act to decrease our production of agricultural products in this country. From 1933 to 1943, inclusive, our imports of agricultural products amounted to $12,786,725,000 and our exports amounted to $8,723,787,000. During these years of the New Deal, our imports of agricultural products exceeded our exports of agricultural products in the sum of $4,062,938,000.

During the very years, according to the Government's figures, Mr. Henry Wallace and the administration were killing pigs, burning wheat, and destroying cotton and corn. We were importing more agricultural products than we were exporting.

During the same years, when we were importing more agricultural products than we were exporting, the United States Department of Agriculture was maintaining corps of men in other lands, clearing land, building terraces, putting out trees and teaching them how to produce crops to be shipped to the United States.

Even during the war years, when American farmers could not get tractors and other farm equipment to produce farm products, quantities of this equipment have been going to these countries where the Department of Agriculture has been teaching them how to produce crops to be consumed in the United States.

Did it ever occur to you that there was a reason why the State Department should suddenly become the rendezvous of such men as Mr. Stettinius, of J. P. Morgan & Co., Mr. Rockefeller, of the Standard Oil Co., and Mr. Clayton, of Anderson-Clayton Cotton Co., and other international businessmen?

The reason is reciprocal trade agreements and the opportunity which the international bankers and businessmen see to use this great country with its tremendous producing ability as a pawn in world finances and world power politics.

These great international interests have billions of investments from the Rio Grande River to Cape Horn and from high meridian to high meridian as the earth revolves on its axis. These internationalists and their liaison representatives shuttle back and forth between London and Washington.

Every time Congress is asked to move a man on the checkerboard, the move fits into the over-all plan for a great monopolistic industrial empire of England and the United States, on the one hand, and for a great raw material and agricultural empire in the same countries and in all other agricultural countries and islands of the sea, on the other hand.

These great internationalists have organized the Committee for Economic Development. The outline of their program is to develop industrial production to supply nonindustrial countries. For an industrialized America to supply industrial commodities to nonindustrial countries, it naturally follows that the bars must be lowered for importation into America of agricultural products and raw materials to pay for these industrial products.

The Department of Agriculture, the Department of State, the Department of Commerce, the Office of Price Administration, and other Government bureaus were being used by these great internationalists to further their great scheme for world empire. Charles E. Wilson of the War Production Board was an adviser to this great international syndicate. Jesse H. Jones of the Reconstruction Finance Corporation called together a group of businessmen and suggested that the group be organized. Chester C. Davis was vice chairman of the research committee.

The research committee also included such men as Eric A. Johnson, president, Brown-Johnston Co., Spokane, Wash., and president, Chamber of Commerce of the United States: Thomas W. Lamont, vice chairman of the board, J. P. Morgan & Co., director, United States Steel Corp. On the advisory board was William I. Myers, head, department of agricultural economics, Cornell University.

In its literature, the Committee for Economic Development stated:

"If you need any additional information, you may write to the Committee for Economic Development, Field Development Division, room 3311, United States Department of Commerce Building, Washington, D. C."

This committee also stated:

"Its program and its aims have been discussed with officials of the National Association of Manufacturers, the United States Chamber of Commerce, and also with such governmental groups as the State Department, Federal Reserve Board, National Resources Planning Board, the Board of Economic Warfare, and the War Production Board."

This committee further stated:

"The prospects are both agonizing and inspiring: but the vigorous support promised by private organizations, plus the active interest and cooperation offered by the Department of Commerce and other Government agencies, has given rise to a growing confidence that the contemplated program can contribute substantially to the maintenance and development of a free, dynamic economy."

The committee's research advisory board was composed of representatives from America's leading universities. Among these are: Prof. Sumner Slichter, of Harvard University, chairman. According to Who's Who, Professor Slichter was a student of Munich University in 1910. He was a member of the American Association for Labor Legislation and a member of the National Consumers League. Another member of the research advisory board is Prof. Theodore C. Yntema, who has a long background of association as an economic adviser both to governmental agencies and to American industries such as United States Steel Corp., the Association of American Railroads, Liggett & Myers Tobacco Co., Inland Steel Co., United States Gypsum Co., Armour & Co., and others. His name does not appear in Who's Who.

The Committee for Economic Development asked its members this question:

To what extent are we maintaining the necessary contacts abroad (where possible) and with Government to assure having the best available information on questions concerning tariffs and foreign trade policies so we shall stand the best chance of securing our share of participation in world markets.

The American farmer has been sold down the river as ruthlessly as any slaver ever sold Negroes from Africa to the settlers of New England.

Why was Mr. Prentiss Brown appointed as Director of the Office of Price Administration? Because he was defeated by the voters of his home State in 1942 due to his antiagricultural record.

Why was Mr. Henry A. Wallace named to serve as President of the Senate? Because he created the "antiagricultural department."

Why has the administration so relentlessly, persistently, and unalterably pursued a policy of starvation prices on farm products? Because only in this way can the great international scheme for world empire be carried out.

Now, Mr. Chairman, I will take up this other statement.

Special trade agreements were not war measures. The act of Congress providing for special trade agreements was first passed in 1933—I believe that it is 1934, but it was the same Congress. Any attempt to claim special trade agreements as a war measure was simply an effort to prevent meritorious arguments in opposition to this scheme to lower American agriculture to the level of other countries.

It is impossible to consider adequately the question of special trade agreements aside from the general question of tariffs generally.

The question of special trade agreements, as well as the broader question of tariffs in general, is no longer a party question. Indeed we no longer have a political party in this country which in any sense represents the views and traditions of its founders. The Republican Party and the Democratic Party alike, as we have known them in the past, existed on sectional questions and differences.

Protective tariff, as it has operated, was simply the use of governmental power for the industry of the East to levy a tribute on agriculture of the South and West. As we all know, the protective tariff which was originally the child of the Republican Party was made possible as an aftermath of the war between the States. Changing economic conditions has now made tariff protection just as essential for the South as for any other section of the Nation.

The fact of the matter is that regardless of parties, party names, or party organizations, the thinking of the masses in this country is divided into two schools. One of these schools of thought can be summed up in the term "patriotic nationalism." The other school of thought can be summed up in the term "international nonpatriotism."

There can be no international patriot. The very word "patriot" derived from the Greek and Latin means a love of one's country. It means, literally, a father to the country.

Those who try to bring about internationalism and world rule are as great traitors and saboteurs of American liberty and American rights as were those saboteurs landed by a German submarine and who were justly executed. Those individuals who are now trying to destroy the American National Government and substitute international government should be dealt with in the same way.

I do not know whether or not in the national election of 1952 there will be any political party to carry the banner of "national patriotism," or whether it will be like a neglected stepchild, left to its own resources to keep alive the spark of patriotic Americanism through these dark times through which we are now passing. The banner of internationalism and world empire will undoubtedly be carried by one or both of the old parties; 1952 will mark an epoch. Will we develop or fail to develop a party to carry the banner of "Americanism" and "national patriotism?"

If this country continues to drift into unlimited internationalism as it is now headed it will mark an epoch in world history. It will be as tragic as the carrying away of the children of Israel into Babylon 2,500 years ago.

In past years it has been the Republican Party that has stood for the principle of "America for American people." The election of 1946 proved unmistakably that the American people still have confidence that the Republican Party will continue to stand for "America for the American people." The burden is on the party now in power in Congress to give the people relief from these un-American trade treaties.

These trade treaties were the brain child of Mr. Henry Agard Wallace and fellow-traveling internationalists. The principle involved in these trade treaties is consistent with Mr. Wallace's un-Republican utterances in Europe and America.

The people who now urge trade treaties to import agricultural and raw products were very much opposed to importing industrial products in exchange for American cotton.

This plan to flood the United States with cheap foreign agricultural and raw products is not new. It does not have its inception in war conditions or war policies. It is true that we have been told recently that these trade treaties are intended to cement world peace, but all this is merely a matter of time serving.

This plan to flood the United States with foreign agricultural and raw products was initiated in 1933 by the passage of the Agricultural Adjustment Act and the Special Trade Agreements Act. This plan has been persistently followed at every phase. The determination of the administration to hold down the prices of agricultural products is simply a part of this nefarious plan and purpose.

When Congress passed the Agricultural Adjustment Act of 1933 they provided for parity in two ways. The act provided for a parity of price and also for a parity of income. The act provides that the net per capita income of those on the farm shall be maintained at the same ratio with net per capita income of those not on the farm.

Let's see what the Secretary of Agriculture has done about this. If you will refer to any of the statements of the Department of Agriculture giving details of farm income for the last few years, you will see that the gross return of the farmers is treated as their net income.

Now, Mr. Brannan is bound to know better than this, but he does it in accordance with the plan to hold down prices on and production of American farm products.

Mr. Brannan has also unlawfully held down the parity price of farm products. The act requires that the farm product must have the same purchasing power in terms of things which the farmer buys that it had in the base period.

The main thing that many farmers buy is labor. Without labor there could be no farm commodity. When Mr. Brannan refuses to include labor in his calculation he is simply refusing to carry out the plain common sense mandate of Congress in the insane determination to hold down the prices of agricultural products as nearly in line with prices in foreign countries as possible.

It should be remembered that all proposed Government money to be set aside for Government payments to farmers is counted as a part of the farmer's net income. A very large percent of this money will never reach a farmer at all. A large proportion of this money goes to pay salaries of an army of Federal employees, for overhead, and for other expenses.

If should also be remembered that of that portion of triple A funds that did not reach the farmer, almost 100 percent of it went into soil conservation and the loss of a portion of his annual crop through reduced acreage. This money was in now way comparable to the net per capita income of persons not on the farm.

It should be remembered that out of the farmer's gross sales he must pay for supplies, repairs, fertilizer, labor, and a thousand and one other items, which leaves him only a fraction of his gross receipts as a net income, comparable to the net per capita income of persons not on the farm.

It should be remembered that under the rule of the AAA the farmer was compelled to spend a large portion of his time at the county AAA office, which seriously interferred with production of crops in this country.

The reduction of production on American farms, the low prices forced on American farmers by the administration, and the regimentation and aggravation involved in AAA-controlled farming drove milllions of persons from the farms to the city. This condition was more aggravated by each and every trade agreement entered into by Secretary of State Hull. Indeed, it was the announced policy of the New Deal to continue the movement of the people from the farms to the city.

It was the practice of the Secretary of Agriculture to threaten to dump Government stocks of farm products on the market every time the market starts to go up. With these trade agreements, the Secretary of Agriculture and Secretary of State can threaten our domestic market not only with Government stocks of agricultural commodities in this country, but they can dump farm crops from all over the whold onto our domestic markets.

It has been the policy of the Secretary of Agriculture to greatly exaggerate the stocks of farm products on hand. The surpluses we hear so much about were largely fictitious. We do not now have enough cotton of the grade and staple needed to operate our mills until the new crop comes in.

According to press dispatches, Mr. Chester Davis announced a raise of 5 cents per bushel in the ceiling price of corn in order to insure plenty of cheap meat. Think of anyone believing the public gullible enough to swallow that. Saying we will get cheap meat by raising the price of corn and at the same time the AAA had an army employed to hold down corn production.

Back of all these ills and back of all this grave threat to our country in this hour of national peril stand the Agricultural Adjustment Act of 1934 and the Special Trade Agreement Act of 1935.

If the people of all countries are placed on an equality so that the Mexican farmer will be on an equality with the American farmer, the Chinese farmer, the Russian farmer, the farmer in Brazil and Cuba, the farmer of Haiti and the Philippines, then it is clear that in spite of any sugar-coating by the administration the American farm population will be reduced in their standards of living to the standard made possible in all these other nations.

It is easy to say that we believe in equality. Some individuals do honestly believe in equality but these are comparatively few.

Do the industrialist, the newspaper editor, who are urging extension of trade agreements, really seek equalities for themselves with the people of other countries? No. The last thing they want is the equality about which they talk so blibly.

If the industrialist really seeks equality, let him ask Congress, first, to repeal the tariff laws and put industry on an equality with agriculture here at home. If the newspaper editor and columnist really seek equality, let him add his voice to that of the industrialist in seeking repeal of the tariff laws and their discrimination against the farmer, the white-collar worker, the business and professional man.

Do the labor leaders who now urge reenactment of trade agreements really seek equality? If so, let them disband their unions; let their union members quit paying initiation and union dues; let them surrender union hours and go out on equal terms with all unorganized labor on the farms and elsewhere.

The industrialist does not actually want equality and every thinking person knows it. The newspaper editor and columnist do not want equality and no one knows it better than they. The labor leader does not want equality—the very purpose of labor organization is to escape the competition of equality in the cheap labor world.

If the industrialist, the newspaperman, and the labor man do not want equality here at home, why, then, do they ask that trade agreements be extended and say that these various nations must be on an equality with the United States? The answer is not far to seek.

The industrialist sees in Latin and South America and the islands of the sea vast sources of cheap raw materials and agricultural crops and he wants the American farmer and producer of raw material equalized with other countries that produce agricultural products and raw materials.

The labor leader, already enjoying the great benefits of organization against the unorganized farmer, sees vast sources of cheap food in other lands and would like the American farmer to produce on equal terms with countries of rich land and cheap labor.

The newspaper editor and columnist, whose very existence is bound up with big business and organized minorities, are simply parrotlike repeating the hollow call for equality of nations and world prices.

If you gentlemen of Congress will prepare a bill that actually provides for equality for all people and nations, the din of protest, from the White House to the Department of Labor, will drown out all other noise. Yoy provide for free imports of manufactured goods and you will be forced to stop your ears to protect your eardrums. The cry of protest from these advocates of trade treaties will make the welkin ring in Washington as it has never done since the first Battle of Bull Run.

You provide for free importation into the United States of 20, 30, and 40 cents a day labor from Central and South America and provide that there shall be no labor union unless the farmers are equally well organized, and these labor leaders who advocate these trade treaties will call every union strike in protest before the sun goes down.

The only people I know who would actually be willing to see American workers put on an equality with the pauper peon labor of other countries is the international multimillionaires of the State Department and the international bankers. I do not believe the New Dealers with some few exceptions would go along with this intentionally. I cannot imagine the majority permitting the American people to be put on an equality with the people of other countries.

Originally the great profits of protective tariffs were reaped by the owners and operators of the great industrial plants of New England and the East. The protection of American industry against competition from England, Germany, the Netherlands, Belgium, France, and other countries made it possible for American industry to demand and receive fabulous prices for their products while the export of raw cotton from American to these industrial countries brought in a flow of gold which made possible the building of transcontinental railroads, skyscrapers, and the development of the great industrial and business world which we have enjoyed for several generations.

The high prices of American industrial products made the cost of producing cotton and wheat so high in this country that with the growing of cotton, wheat was successfully developed in other countries the American farmer lost his world markets for raw cotton.

The introduction into the United States of cheap agricultural products from fertile countries with cheap labor, if continued, will lose the American farmer his home market also—not only for cotton, but for his wheat, his corn, his meat, and every other farm crop and product.

Gentlemen of this committee, is not the result obvious? The farmer of South America can undersell the southern cotton grower in the markets of Europe and Canada and Great Britain. With equal ease, the cotton grower of Brazil can undersell the southern cotton grower right here in the United States, if we but let him do it.

If the Brazilian farmer can undersell the American farmer here in the United States as to cotton, he can also undersell the wheat grower, the corn grower, the meat producer, and the farmer of all other crops.

It is impossible to raise the living standards of the people of the world so long as all the profits from machinery and labor-saving devices go into the pockets of a comparatively few people.

Eighty years ago, hundreds of thousands of northern and western farmers fought the bloodiest war in history, with the men carrying the rifles and bayonets believing they were fighting to liberate slaves. Is it possible that we are now ready to enslave all farmers, black and white, in this country at the behest of a bunch of unpatriotic internationalists?

As the American manufacturer waxed rich behind the protection of tariff walls the laborers who labored in these factories gradually began to awaken to the pitiful conditions under which they labored. This gave rise to labor unions which later came to be known as organized labor. In the early 1900's the movement to organize industrial labor became so aggresive that the owners of industry in this country went to Congress and secured the passage of a law which can be found beginning on page 1213, volume 32, part 1, of United States Statutes at Large of the Fifty-seventh Congress of the United States. The purpose of this law was to bring into the United States unlimited cheap labor from Italy, Austria, Hungary, and other countries of middle Europe. The purpose, of course, being to create a surplus of labor in the United States and thereby hold down the price of all labor.

The purpose of this act of 1903 was identical with the purpose of these special trade agreements. These special trade agreements have the effect, the way they are applied by the Secretary of State, of flooding the United States with cheap agricultural products and other cheap raw products. They, thereby, cause cheap agricultural and raw products in this country. They likewise force low wages for those engaged in producing agricultural and other raw products.

The same selfish greed that prompted high protective tariffs, and the same selfish greed that prompted the enactment of the act of 1903 to flood this country with cheap labor, is the same selfish greed that prompted the legislature of 1933 for these special trade agreements. It is the same selfish greed and unlimited internationalism that is now seeking the power to extend these special trade agreements.

Let's see how the Immigration Act of 1903 resulted in bringing cheap foreign labor into this country. Immediately after the passage of the Immigration Act of 1903 a drive was put on to bring these immigrants into this country.

From 1903 to 1914 there were about 12,000,000 immigrants entering the United States—to be exact, 11,791,856. The influx of this tremendous tide of cheap foreign labor held down the price of industrial labor in this country. The influx of this great number of immigrants also greatly increased the demand for agricultural products. The tide of 12,000,000 new people held down the price of industrial labor. They increased production at low cost of industrial products which the farmer bought. They increased consumption at fair prices of food and fiber that the farmer sold. These two factors taken together brought about a few years of substantial equality between the farm and industry. It was because of this equality between the farm and industry that the period of 1909–14 was chosen as the parity period.

The outbreak of World War I brought about such a demand for both industrial and farm production, as well as manpower, that from 1914 to 1918 there was wild demand for everything that both factory and farm could produce.

After the armistice of November 11, 1918, both factory and farm were kept busy for a few years to feed the hungry people of Europe and to replace the terrific economic destruction of that great world conflict.

As business became more normal in the 1920's and it became apparent that all the industrial labor was not needed, the leaders of organized labor hit upon the plan of reducing the hours in a day's work to such an extent that there would be jobs enough to go around, not only to native Americans, but to this great influx of imported labor from the Old World. It was but natural that as these unions of labor became stronger, as they realized their strength, that they should demand more and more from their employers.

It was but natural that the employers, when forced to accede to the demands of organized labor, should pass these added costs on to the general consuming public. It was but natural that the increased cost of industrial goods should force the farmer to demand more and more for the crops which he produced.

It is but a natural outgrowth of all this that both industrial ownership and organized labor should begin to look with desiring eyes on the cheap agricultural products of other lands which have not been industrialized and which have not suffered under our protective system. It is but natural that organized labor itself should look to lands which have no organized labor as a source of food and clothing.

It is but natural, and it is now the case, that industry and organized labor should now lay plans to eliminate the American farmer from the picture almost entirely.

This desire to bring into this country cheap agricultural and other raw materials from foreign countries fits in nicely with the desire of our internationalists to equalize all races of people of all lands.

Let us see how these special trade agreements attempt to flood this country with cheap agricultural products and other cheap raw products. You can search these trade agreements from cover to cover and you cannot find where they provide for lowering the tariff on any industrial products that the farmer buys. They are devoted entirely to shipping agricultural products in to compete with the American farmers. Raw materials for industrial plants and agricultural products are the only items covered. No finished product for use of the farmer is included. You can look over the hundreds and hundreds of items specified in these treaties and every item they cover is an agricultural product.

Typical of the products brought into this country under these special trade agreements are cotton, cottonseed oil, flaxseed oil, linseed oil, olive oil, palm kernel oil, palm oil, peanut oil, soybean oil, sunflower oil, tung oil, and vegetables of many kinds; buttermilk, skimmed milk, whole milk, cream, dried buttermilk, malted milk, oleomargarine, and other butter substitutes; cheese, baby chicks, geese, guineas, pigeons, turkeys, barley, buckwheat, wheat, corn meal, grits, flour, oats, rice, rye, bran shorts, skimmings, soybean meal, tankage, apples, apricots, berries, cherries, citrus fruits, pineapples, plums, jellies, jams, marmalades, cow peas, cabbage, and many other vegetables, fruits, and farm products. Horse and mule meat for human consumption from Mexico are also included.

Most significant is the special trade agreement with Great Britain. Great Britain, next to America, is the greatest industrial country on earth. England produces industrial products to sell in world markets in great quantities. Great Britain also controls many of the rich farming countries of the world. Our special trade agreement with Great Britain provides for the importation into the United States of many agricultural products, strangely enough it does not provide for the importation of any of Great Britain's industrial products, not a single item.

Some time ago I told you of the over-all plan for a great industrial empire to be matched with a raw materials empire of nonindustrial countries, with cheap prices on all agricultural and other raw products. If you will refer to the Congressional Record of February 8, 1943, appendix, page A486, you will see where Congressman James H. Morrison, of Louisiana, put these same facts in the Congressional Record.

The special trade agreement between Great Britain and the United States provides for a competitive market on agricultural products only. It does not provide for any competition between industrial products. This is most illuminating and needs no further proof that these trade agreements are intended to pauperize the American farmer and reduce him to the level of the farmers of South America and the islands of the sea.

The fact that these trade agreements were provided for by Congress in 1933 takes away from them every vestige of claim that they were a war measure. They were enacted by the same Congress that provided for crop control and certainly no sane man would claim that crop control was a war measure.

This scheme of international interests to secure cheaper farm products from other lands fits in nicely with the over-all plan of our great internationalists in New York and London. Such great international families as the du Ponts, the Guggenheims, the House of Morgan, and the Astor family have seen their opportunity to go along the same road with these internationalists in Government bureaus to accomplish their purpose in the world-wide picture.

This, in my opinion, explains the activities of Mr. Bernard Baruch. From the offices of great international banking houses back and forth to the offices of high officials in Washington travels Mr. Bernard Baruch as a liaison man in this great over-all picture of globular international economic and military control. It is now recognized by a great many thinking people that the over-all picture for this great globular empire contemplates a monopolistic industry along the Atlantic seaboard in this country and in Great Britain. A great industrial empire with high prices for industrial products. A world's raw materials empire with low prices. What a picture of wealth on one hand and squalor and despair on the other.

We have seen that our special trade agreement with Great Britain provides for competition of raw materials in America and in world markets. We have likewise seen that this special trade agreement with Great Britain does not provide for any competition of American and British industrial products in America and in world markets.

We have seen the United States Department of Agriculture spending the farmer's money, which is deducted from his parity price, to develop the production of agricultural products in Central and South America, in Cuba, and in all the islands of the sea.

We now see the Department of Agriculture has the brazen impudence to announce a plan to move a large portion of the farm population that is left on

American farms to the industrial centers to be utilized in grinding out profits from industry in this great world monopoly of industrial enterprise.

Let us sum up the facts. First, the Immigration Act of 1903 flooded this country with 12,000,000 immigrants from low-wage countries of middle Europe. Second, an effort was made to keep all these unneeded workers in jobs by making a shorter working day with increased prices per hour. This, of course, resulted in higher prices to farmers, white-collar workers, business people, and professional people. Third, the passage in 1934 of the Agricultural Adjustment Act resulted in reduction of crops and meat production.

Fourth, the passage in 1934 of special trade agreements and increased imports under these agreements prevented us from realizing that we were far from self-sustaining, while we were being told by our Government that we had immense surpluses of food and fiber. Fifth, the millions of people in our great cities who are not farm-minded have been propagandized into looking across the sea for cheap food and fiber and other raw products. They have been propagandized to forget that high wages and high prices of industrial products are due to special tariff protection which the farmer generally does not share. Sixth, the millions of people in our great cities have been propagandized to look to other countries of the world because this makes possible the carrying out of great international ideas of a few great international families with millions invested from the Rio Grande to Cape Horn and from high meridian to high meridian. Seventh, these billionaire internationalists, in their attempt to carry out this great international scheme, are but fellow travelers with the internationalist crackpots who infest some of the bureaus in Washington. Eighth, these special trade agreements, as they now operate, are but one cog in the wheel of unlimited internationalism which is intended first of all to crush the American farmer.

We pass a law in Congress to limit production by American farmers. The same year we pass a law in Congress to flood this country with agricultural products from foreign lands. We burn wheat in the field. We plow cotton in the ground. We throw hogs in the river. And then, what do we do? We turn right around and make treaties to import wheat, to import cotton, and to import horse meat and mule meat from Mexico. Did ever a drunken sailor do anything more foolish than this?

We create high prices by artificial means of a protective tariff. We increase these artificially high prices by higher wages and shorter hours. We spend $210,-000,000,000 in 2 years to pay for these artificially high-priced products to conduct the war and then, when the farmer asks for a little raise so that he may be permitted to do his part toward raising food and fiber, they cry "overproduction."

The Treasurer of the United States, with all the international gold for a footstool, says the farmer is causing inflation. Bernard Baruch, as he commutes from international offices in New York to the seats of authority in Washington, sends out a parrot-like cry, "The farmer is causing inflation."

Henry "Aggravating" Wallace as he talks for the edification of these low-wage countries with which we have these trade agreements, repeats the echo, "The American farmer is causing inflation." The Secretary of Agriculture, getting his cue from these internationalists, reechoes the cry, "The farmer is causing inflation."

This country was founded and set up by men who had courage of individual initiative and the determination to maintain their individuality at any price. If this kind of America is to survive, then the American farmer must survive. When the independent, God-fearing, liberty-loving, and freedom-maintaining American farmer is no more, then the America as we have known it and that is worth saving, will be no more.

CONDENSED SUMMARY

1. The United States lavished hundreds of billions of dollars, partially wrecked our national economy and sacrificed much of the bloom of our youth in a world war to destroy totalitarianism in individual countries.

2. The United States cannot carry on free trade with other countries unless we are willing to reduce the value of the American dollar to 20 cents.

3. The repeal of the corn laws in England 100 years ago sacrificed and abandoned British agriculture in favor of British industry and British foreign trade.

4. For a hundred years or more, the working people of Britain have been enslaved under this antiagricultural policy. The very low wages and low standard of living, necessary resulting from that policy of Great Britain for a period of 100 years, finally have resulted in the decadence, the impoverishment, and the insol-

veney of the British Empire an has further resulted in the present so-called Labor Government of Britain.

5. As Great Britain, with humbled pride, retires from its time-honored pedestal of world leadership, the United States steps in to assume that world leadership with all the responsibility that such leadership carries with it.

6. Just as Great Britain a hundred years ago deliberately destroyed its substantial agriculture in order to become a great international trading country, in like manner the United States today, under the influence of millionaires in the State Department, international bankers, "crypto-Communists" and Communists, attempts to launch America as a great industrial international trading country.

7. To do this, America finds, just as England found a hundred years ago, that it must choose between national agriculture and international commerce.

8. If the international millionaire club known as the State Department ,"crypto-Communists" and foreign labor leaders who have lost their "crypto" are permitted to carry out their nefarious, infamous, and traitorous schemes, then the greatest Nation on earth will also be embarked on the path of decay and fall.

9. A concrete illustration of what these international millionaires and international crackpots have already done to this country is furnished in the matter of sugar and potatoes.

10. The people of this Nation rationed sugar for so long that the young people did not remember a time when sugar wasn't rationed.

11. Go up into the great Northwest and you will see gigantic sugar-manufacturing plants which have stood idle for years and are rapidly going to decay. On those fertile acres where once grew millions of tons of lush sugar beets you will find mile after mile planted in potatoes.

12. Under the communistic leadership of Mr. Henry Agard Wallace, Mr. Rex Guy Tugwell, Mr. Mordecai Ezekial, Mr. Leon Henderson, a Mr. Ginsburg, and the Wall Street international bankers, together with the Texas-Brazilian cotton king, Mr. Will Clayton, sugar production was moved from the United States to the islands of the sea.

13. The result was a shortage of sugar.

14. Following up their illogical plan, these conscienceless bureaucrats promised the American beet growers a floor under potatoes if they would convert their lands from sugar beets to potatoes.

15. The results is, of course, that we have more potatoes than we can do anything with and sugar was so scarce that it was rationed out by the spoonful.

16. What sugar we do get must come in under trade agreements. But the overplus of potatoes does not go out under trade agreements. They rot in Government warehouses, after absorbing hundreds of millions of dollars of the taxpayers' money.

17. These bureaucrats have consistently and persistently said that cotton in the United States was too high, yet it is a matter of record, both in the United States Department of Agriculture and in other governmental offices, that Mr. Will Clayton's Anderson-Clayton Co. sold to the Federal Government 255,000 bales of cotton at approximately $13 a bale above the market price on the date of sale. This one item of added profit amounted to more than $3,000,000 on 1 day's business.

"THE REMEDY"

Trade agreements, together with these other forms of regimentation, are the brain children of men who are inimical to the best interests of patriotic Americans.

Therefore I recommend as follows:

(*a*) First, I recommend that this Congress discharge to the American voters by a thorough investigation into the motives of these multimillionaires holding subordinate positions in our State Department.

(*b*) I recommend a thorough investigation into why the Department of Agriculture continues to force the American people to depend on sugar produced outside the United States by Wall Street internationalists when ample supplies of sugar would be produced by United States farmers if they were encouraged to do so.

(*c*) I recommend that Congress investigate why it is necessary to have a trade agreement with Cuba and the Wall Street farmers in order for American people to get a spoonful of sugar.

(*d*) I recommend that you investigate why the taxpayers' money is used to pile up useless potato crops on land that was formerly planted to sugar beets after using millions a year of the taxpayer's money to hire the sugar producers not to produce the sugar.

(*e*) I recommend a thorough investigation into why the Department of Agriculture has a plan to move millions of people off the farms in the United States while at the same time claiming that trade agreements are for the purpose of finding markets for the products of the farms.

(*f*) I recommend a thorough investigation into why we loaned England billions of dollars to buy tractors and other farm machinery and equipment which our own farmers are denied in order that England can open up unlimited production of peanuts with quasi-slave labor in Africa; in order to ship such peanuts and peanut oil and peanut products into the United States under a trade agreement. If we need a foreign market for oil why do we need to create oil production in foreign countries.

(*g*) I recommend that such investigation cover the question of personal interest and profits to members of the State Department from trade agreements.

(*h*) Second, I recommend the abandonment of all regimentation of every kind and immediate return to a free American economy.

(*i*) Third, I recommend that Congress recognize the natural economic law which results in the national income being approximately 7 times the income of producers of farm products and 5 times the income of the producers of all raw materials.

(*j*) Fourth, I recommend the enactment of a law to fix the actual parity value of each raw material product, including farm products. This, of course, means actual parity and not some arbitrary of fake parity figure as now exists.

(*k*) Fifth, I recommend the fixing of import taxes on each commodity so that the amount of the import tax, when added to the market price of such product in the country where produced, will amount to 110 percent of the parity price of such product.

I recommend that such import tax vary automatically with the change in market price in this country on each commodity.

In effect, this is an import tax which affords automatic protection to producers here in the United States.

This is an import tax which would automatically cause the importation only of the things that we need while shutting out the things which we do not need.

This is an import tax which would automatically make each nation with whom we trade, a preferred nation to the extent that its own internal economy approached the same level of our national economy.

This is an import tax that would enable us to trade with those nations with whom we can afford to trade without granting any special privilege to any and without discriminating against any nation.

Of course, the international bankers, with interests in many foreign lands, the international multimillionaires who now infest our State Department, as well as Mr. Henry Agard Wallace, Mr. Rex Guy Tugwell, Mr. Mordecai Ezekial, Mr. Leon Henderson, a Mr. Ginsberg and others would not approve a measure that would preserve American constitutional Government, American high standards of living and American high wages for workers in this way.

I believe, however, that a review of our immediate history and how we got the way we are will convince the members of this committee of the soundness and desirability of these recommendations.

Mr. PACE. That is a splendid statement, Mr. Iberg. We appreciate your coming here and submitting it to the committee. Thank you very much.

Mr. IBERG. Thank you.

Mr. PACE. The committee will now be glad to hear from Mr. Charles Jones, of Mount Vernon, S. Dak.

STATEMENT OF CHARLES E. JONES, MOUNT VERNON, S. DAK.

Mr. JONES. I have a prepared statement for the committee, and at the end of this I would like to insert some more remarks on commodity loans, crop insurance, and soil conservation, if I may.

Mr. PACE. Do you have those prepared now?

Mr. JONES. I would like to make those orally, if I may.

Mr. PACE. All right. You may proceed.

Mr. JONES. I own and operate a 360-acre farm in east central South Dakota, on which I produce, wheat, corn, and oats. A major portion of grain crops produced are consumed on the farm. I also produce hogs, cattle, and chickens for market. Incidentally, I was born and raised on this farm and have continually lived there. I have served as a county AAA committeeman for a period of 7 years, and as a community committeeman 3 years.

As a result of this background and experience of administering AAA programs, the farmers of central South Dakota have thought me qualified to appear before the Agricultural Committee, and as such I am here, more as a reporter to give the members of this committee a report of what the farmers are thinking in regard to a permanent, long-range farm program.

It was my privilege in 1937 to go on a farmers' goodwill trip through the South. There were 200 county AAA committeemen and a few State AAA committeemen on this special train from eight States of the North Central region. At nights we would gather together and discuss things we farmers deemed necessary in a farm program to protect farm income. Foremost were parity price and parity income, of which no less than 100 percent would be adequate to suppport our national economy. The thinking was that farm income is the basis of all our national economy, that $1 of farm income turns over seven times, or a ratio of 7 to 1. So less than 100 percent parity was not thinkable.

May I give the committee an example of less than 100 percent of parity? And this is my own experience. I have sold hogs for from $1.75 to $2.50 per hundred pounds; eggs for 6 cents per dozen; butterfat for 11 cents per pound, and have as evidence receipts of sale of cattle on the public market—cow, $1.75 per hundred; heifer, $3.25; steer, $3.

That was good grade Hereford stock. That was not cull stuff. I have the evidence of the sale on the market here.

My wife's best dressed was made by herself of print material from feed sacks, and this is not my experience alone, but of farmers in general. This was a flexible parity, for at no time did farmers receive less than 59½ percent of parity.

How to achieve 100 percent of parity, by subsidy or otherwise? Farmers want a subsidy only as a last resort. They want the 100 percent of parity income from the market on the portion of their crop which is fairly allotted to them by their farmer-elected committeeman. The national quota of each commodity should be determined by the Secretary of Agriculture, to adequately meet the domestic needs of our country. The surplus should be disposed of on the world market, with a food and clothing plan for the low-income groups in our country; or in other words, a two-price system. How would this create parity price? This is simply making the law of supply and demand work, just as any other business does.

How could this be done without subsidy? And would all farmers support this? By using the principles of the McNary-Haugen plan, twice passed by both Houses of Congress, and twice vetoed by President Coolidge. It should include a tax so severe on the sale of surpluses that the chiselers can't afford not to comply. In my visits with farmers and committeemen of South Dakota and other States. I find they do not object to these controls and realize that they are a must if parity income is obtained, but don't like the chiseler—neighbor or brother.

At this time, Mr. Chairman, I would like to thank the Eighty-first Congress for their giving new life to the Commodity Credit Corporation. The farmers in my area think a whole lot of that commodity loan program. They feel that there should be permanent storage facilities, rather than those of a temporary nature, something that we could adequately keep this grain in condition for periods of two or more years, if necessary.

With that kind of a loan program, with that kind of storage, we could have a full 100 percent loan program.

The Federal crop insurance program has not proved out very successful in our country, at least. The cost to the Government has been too great for the benefits derived by it.

A Federal crop depository for surplus grains or portions of surplus grains with the producers merely taking a deposit slip would make 100 percent crop insurance, rather than 50 or 75 percent insurance, whereby the producer would always have a parity income regardless of weather hazards. This would stabilize our national economy for no matter whether a farmer lives in South Dakota, Georgia, or Texas, we have crop losses, high and low yields. This insurance could be handled just as a bank handles credits and debits. This to be a self-supporting insurance program of 100 percent.

Continuing with soil conservation, this is the only place that I see a subsidy proper. Our soil is rapidly and at an alarming rate becoming depleted. For the United States to remain great our soil must not be so depleted. The soil fertility must be retained for generations to come, and as such it becomes the duty of society to pay that cost.

That concludes my remarks, Mr. Chairman.

Mr. PACE. Thank you very much, Mr. Jones, and I might say that the committee is delighted to have men like you fresh off the farm, and the experience you have had in the past programs, to come and give us your views.

Mr. JONES. Thank you.

Mr. PACE. Our next witness today is Mr. H. R. Justice, who is in the lumber and building business in Calcis, Ala. We will be delighted to hear from you, Mr. Justice.

STATEMENT OF H. R. JUSTICE, CALCIS, ALA.

Mr. JUSTICE. I appreciate this opportunity of appearing here. Evidently I am a different kind of witness from most others, from possibly all others appearing here today, inasmuch as I am not sent here by anybody, I am not representing anybody or trying to represent anybody. I am here today entirely on my own volition.

Furthermore, I am not a farmer, and have no direct interest in farming. I am primarily in the lumber and building business. I will not try to read entirely from my prepared statement. I will just speak somewhat.

I do have a great indirect interest in farming, in all kinds and types of farming, to the extent I would like to see everyone engaged in all kinds of farming have their income stabilized to a point that would be profitable to all, if this could be done, but I am most especially interested indirectly in the lower class of our farmers, principally our tenant farmers, the ones who are the most underprivileged, the ones who are more in need than any other type of farmer. Their interest is greater to me than all others, and especially I am interested in helping those who merit help, but am opposed to helping or giving anything to anybody that does not merit it.

I am a very close observer, tried to watch things very closely, especially the administration of our laws. I am not a lawyer, and I am unable to read law and understand all of the details, but can understand the primary parts, features.

During our great emergency a few years ago we enacted a law, I believe it was in 1933, and I observed very closely, although not directly interested in the administration of this law, and to me I found a great deal of inequity and discrimination. I believe that the law itself, the basis of it, was written wrong, inasmuch as it paid a premium to those who did not merit any help, and penalized those who should have received a premium, those who were entitled to the blessings and help and support of our Government.

I have a practical example in my written statement covering this. I will invite all of you to read very carefully, as this was carried out in practice under my observation, not only this example, but another one that I will call to mind was like this:

This law set up a quota for the entire Nation. Then that was broken down to each State, and to each county, and then each county agent organized community committees to break down this to each individual farmer as their quota for all Government benefits and so forth to be based on.

In doing this, it was my observation that the greatest of our farmers, the most influential ones, were able to get around to these committeemen with their pleas to get all the acreage, and all of the support they could, and many times this was stretched a little toward them, and when it got around to the little man who was unable to speak for himself, unable to stand for his own rights, they had a very small acreage left, and just dished out a very small amount to some of them.

I live in a very poor agricultural section comprised almost entirely of little one- and two-horse cotton farmers. Under the administration of this bill, when we had the farm allotment, the quota system, there were some of those little small farmers with big families dependent upon them that got such a small amount of tax-free exemptions for their cotton, some were less than 1 bale of cotton exemption, many others were 50- and 100-bale exemptions, and these little fellows had where they made 2 and 3 and 4 bales, had to buy their exemptions from the bigger man, paying him another premium, so they were hurt very badly in the deal.

And the basis of all of these Government benefits that have been paid ever since has been upon those figures that were established back there at that time. I think that should be corrected. That was, I think, a great inequity, and I am no lawyer, as I say, but it seems to me that it is discrimination. In fact, it seemed like discriminating to me when you tell any man that he can produce so much cotton or corn or wheat tax free, and his neighbor over there that he can produce half that much or less. It looks like plain discrimination to me.

These are very fundamental things. As I say, I am not directly interested in farming, but I would like for the man who needs the help the most to be thought of more, his benefit to be worked out more.

GENERAL FARM PROGRAM

(Price Support Through Use of Production Payments)

Bnd in IV

HEARINGS

BEFORE

THE SPECIAL SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

EIGHTY-FIRST CONGRESS

FIRST SESSION

PART 6

JUNE 6, 7, AND 8, 1949

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PRICE SUPPORT THROUGH USE OF PRODUCTION PAYMENTS

MONDAY, JUNE 6, 1949

House of Representatives,
Special Subcommittee of the
Committee on Agriculture,
Washington, D. C.

The special subcommittee of the House Committee on Agriculture met at 10 a. m., Monday, June 6, Mr. Pace (chairman) presiding.

Mr. Pace. The committee will please come to order.

I would like to state that I regard the committee meeting today, as well as the meetings tomorrow and probably the next day, as of more than usual importance with regard to the future agriculture program.

The hearing this morning has a twofold purpose. First, the subcommittee has before it by reference of the chairman H. R. 4485, which would authorize the use of the production-payment method in the support-price program for hogs heretofore announced. In that connection, I should like to say that the support on hogs this year was announced by the Secretary of Agriculture under a mandate of the Congress. I do not understand that the Secretary had any discretion whatsoever in announcing the support price on hogs, but it was made mandatory by the provisions of title I of the Agricultural Act of 1948.

Personally, I have felt that inasmuch as that announcement was made under a mandate of the Congress as recommended to the Congress by this committee, this committee has a very deep responsibility in seeing that the Secretary has the machinery to carry out his announcement.

(H. R. 4485 is as follows:)

[H. R. 4485, 81st Cong., 1st sess.]

A BILL To amend the Act of July 3, 1948 (Public Law 897), entitled the "Agricultural Act of 1948"

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act of July 3, 1948, entitled the "Agricultural Act of 1948", is hereby amended by adding after the period of the last sentence of section 1 (b) the following: "The Secretary may provide price support for hogs under this subsection, in whole or in part, through payments to producers. The Secretary may determine the rate or rates of payments annually or periodically on the basis of the amount by which the estimated average price to all producers of the commodity for the period to which the rate relates is less than the level of price support therefor; and such rate or rates may be adjusted by the Secretary, to the extent he deems practicable, for differences in quality, location, and other factors. Payments hereunder may be limited to the quantity marketed by the producer."

The second purpose of the hearing is that the subcommittee has given consideration to the proposal submitted by the Secretary of

Agriculture of the general use of production payments in connection with the support price program on all commodities other than the so-called basic commodities.

Due to the lateness of the session, the subcommittee has given consideration to the possibility of delaying consideration of the general authorization of the production-payment plan as to all commodities and instead authorizing what may be called an experimental program or a trial test on selected commodities, selected either by the committee or by the Secretary. While this list is not all-inclusive, and while it does not bind any member of the committee in his interrogation this morning, for the purpose of a beginning the Secretary has been requested to testify this morning concerning the matter of the practicability and advisability, the effect and the probable cost of using the production-payment plan in the support of the following six commodities: Wool, Irish potatoes, hogs, chickens, eggs, and milk.

As I have stated, that list is merely suggestive, is not all-inclusive, and does not bind anyone to confine himself to that list.

The committee is privileged this morning to have with us the Secretary of Agriculture. Mr. Secretary, we will be delighted to hear from you at this time.

STATEMENT OF HON. CHARLES F. BRANNAN, SECRETARY DEPARTMENT OF AGRICULTURE

Secretary BRANNAN. Mr. Chairman, I do not have a prepared statement this morning. I have come prepared as best I could to answer the interrogatories of the committee with respect to the area you discussed with me on the telephone.

Mr. PACE. Mr. Secretary, I will propound a few questions to open the matter.

You have, of course, heard the preliminary statement I have just made.

Mr. Secretary, I am advised that the Senate Committee on Agriculture had under consideration the use of the production-payment plan with respect to wool at the time they wrote the word "payment" into what is known as the Aiken bill. What are your views with regard to the use of the payment plan on wool as a test of the plan as to its cost and also for the purpose of determining administrative difficulties which may exist in the new program which has not heretofore been administered.

Secretary BRANNAN. Mr. Chairman, first I would like to state that it is my understanding also that wool was one of the commodities the Senate Committee had before it when it inserted the word "payments in title II of the 1948 act. I think that is also evident from the fact that wool is classified, quite properly, I think, as a storable commodity and payments in that act are generally applicable only to storable commodities. Under title II, which the exception of potatoes, you practically cannot—or, with very limited exceptions, you cannot—apply the production payment device to the perishables.

It was obvious that they had in mind applying payments to storables or to perishables that could be converted into storable form or to the extent that a program could be carried out with perishables with postwar funds still available to the Department. That is all by way of saying to you, Mr. Chairman, that I assume that is what was in the minds of the committee in the Senate.

I would like to say further to you that the view that production payments or payments of some type was a feasible means of supporting the price of wool has always been favorably commented upon in several of the trade journals of the wool producers' industry and that, therefore, there seems to be some sentiment among the producers of wool that this was one of the devices which might feasibly work in the wool program.

Mr. PACE. Mr. Secretary, are you prepared to give us an estimate of what would be the cost of the program on wool in the event production payments were used?

Secretary BRANNAN. Again, Mr. Chairman, I will say to this committee and to everybody else who asks for these kinds of estimates that, of course, they depend upon the condition of the economy, the activity in the market place for that particular commodity, the availability of supplies of a competitive nature, specifically wool from offshore sources, which are the primary sources for the American wool-manufacturing industry, notwithstanding our own production.

I did not make an estimate with respect to wool in the supplemental statement I made to you on April 25, so I would like to amplify that statement by saying along these lines.

If we were to assume (1) that there was an estimated production of around 244,000,000 pounds of wool and (2) that the price-support standard in 1950 would be the estimated price-support standard which we had talked about in our computations—in our suggested projections of the price-support standard on the formula which we recommended to the Congress in my initial statement before the committee—then, Mr. Chairman, for want of a better point of cutting off, we will say (3) that the price of the commodity fell 20 percent below the support level and (4) that as a result thereof we were required to pay the production payment on each and every pound of wool that was produced during the period of time.

The cost to the Government would run about in the neighborhood of $20,000,000.

Mr. PACE. What cost, if any, is attributable to the present wool program?

Secretary BRANNAN. I will try to give you a figure in just a minute. The present support-price operation for wool has been probably one of the most expensive programs, potatoes being the most expensive. The wool program has been expensive. We have purchased all of the wool under our support-price obligations from time to time. We have stored it; we have classed it; we are engaging in selling it, and we are engaging in all phases of the wool-marketing operation right up to the manufacturer's door. We have sustained losses through fire. We have sustained losses through deterioration, and we are sustaining losses of all kinds. It has proven an expensive type of operation.

In 1948, the fiscal year, we will have lost about $19,000,000. We anticipate about the same level of loss in 1949.

Mr. PACE. Mr. Secretary, to get the figures in the record, what is the 1950 support price for wool under your proposal?

Secretary BRANNAN. It would be 49.8. Ninety percent of present parity is 40 cents.

Mr. PACE. You would estimate a drop in the market of 20 percent?

Secretary BRANNAN. Yes, sir. In other words, Mr. Chairman, I want it clear here that I am using the high figures in each case. Our suggested support level for wool is higher than 90 percent of parity, and we did indicate that there might be need for adjustments in some areas. I have not made any of those arbitrary adjustments, but have taken the high figure all the way across the board.

Mr. HILL. Mr. Chairman, just a moment on that wool. Let us get that $19,000,000 straight. Is that exactly the amount of money that you lost from July 1, 1947, to June 30, 1948, 1 year's loss on wool?

Secretary BRANNAN. That is correct.

Mr. PACE. Just a moment, Mr. Hill. I have concluded the preliminary questions on wool. If it is the pleasure of the committee, I would like to direct that we will stay right on wool for a few minutes before we get on the next commodity. Is there any objection to that? Are there any questions for the Secretary?

Mr. HILL. Mr. Chairman.

Mr. PACE. Mr. Hill.

Mr. HILL. I cannot understand that $19,000,000. I thought wool stayed up fairly well, up to, if not above, the parity price all through this last year. Now, you say we have had a loss of $19,000,000. That is beyond my understanding.

Secretary BRANNAN. Mr. Hill, maybe we ought to work out a full statement for you here which, if you would like, we can put in the record. The wool program is a continuing program.

You take in stocks and you sell out stocks over the course of several years. Some of these commodities we have carried 1, 2, or 3 years. When we give you the figure of $19,000,000, it is the losses on the wool program during that fiscal period. It is not confined exclusively to the amount of wool which came into our possession on June 30, 1947, and extended up through the balance of the fiscal year. It covers all of our operations in wool during that period of time.

Mr. HILL. Then it means the wool you had in supply and the wool you sold and accumulated in the year of 1947–48?

Secretary BRANNAN. Yes, and remember, Mr. Hill, we have just moved out of a reasonably favorable marketing period for wool. During the war and immediately subsequent to the war was a reasonably favorable marketing period for wool.

Mr. HILL. I still cannot understand how we have that great a loss with the market staying where it is. What would happen if the market really dropped? This has been a rising market and you have been in a good market. Still you lost $19,000,000.

Secretary BRANNAN. I am not certain that this has been a rising market in the last 2 years in wool. As a matter of fact, it has been reasonably weak. We have been quite successful, however, in moving out a good part of the Commodity Credit Corporation stocks during these past few years. Again I want to point out to you that the comparison here is the actual operation. We are talking about all the factors which go into handling the wool from the time we take it from the producer, which is an active disposal campaign, an active storage operation. It is the grading and the downgrading.

The difficulties which we have in moving the wools which are most desirable at a particular time for a particular cause are also included. The buyers of wool know the Commodity Credit Corporation's stocks as well as we do. We have a difficult time moving that wool at any of the favorable advantages that a private trader in that commodity would have.

Mr. HILL. One other question. When you put those figures in the record, can you bring us up somewhere near to the 1st of January or the 1st of May this year with the amount of wool you have in storage in pounds?

Secretary BRANNAN. Yes; we can do that.

Mr. HILL. So, we can tell somewhere near whether the $19,000,000 is for 1 year or whether it is not. In other words, then, the figures will be worth something. We do not know what you have on hand or the price the wool is apt to sell at.

Secretary BRANNAN. Let me say that we are prepared to answer all of these questions to the best of our ability.

Mr. PACE. Mr. Secretary, of course, you realize we cannot spend too much time on past losses, but I will ask that you have prepared and submitted by tomorrow morning a statement of losses and so forth and the supplies up to as late a date as possible.

Secretary BRANNAN. We can come up fairly currently on that.

(The information referred to is as follows:)

Wool: Estimated distribution [1] of wool-purchase program results from April 1943 through April 30, 1949, and valuation reserve for wool in inventory as of April 30, 1949, according to clips for 1947 and prior years, 1948, and 1949

Clip years	Program loss from April 1943 to Dec. 31, 1947	Program loss from Jan. 1, 1948 to Dec. 31, 1948 [2]	Program loss from Jan. 1, 1949 to Apr. 30, 1949 [2]	Valuation reserve as of Apr. 30, 1949 [3]	Total loss and reserve
1947 and prior-year clips	$56,885,492.42	$17,930,194.91	$2,066,713.06	$4,219,000.00	$81,101,400.39
1948 clip		1,144,480.53	2,066,713.06	3,164,000.00	6,375,193.59
1949 clip				731,000.00	731,000.00
	56,885,492.42	19,074,675.44	4,133,426.12	8,114,000.00	88,207,593.98

[1] The total loss shown represents the amount actually recorded for the whole period, but the distribution according to clip has been estimated on the basis of pounds bought, sold, and in inventory and does not represent recordings of losses against programs in the records of the Commodity Credit Corporation.

[2] Distributed on basis of pounds of wool sold according to clips.

[3] Distributed on basis of pounds of appraised wool in inventory according to clips.

Mr. HOPE. Is there any way of breaking that down so as to show the losses for the wool clip of any particular year? The reason I ask that question is that we have a statement from the Secretary as to what it would cost to support the price of wool by the payment plan for a year.

Is there any way that these figures can be broken down by years so that we can make a comparison as to the difference in the cost of supporting wool by one method as compared with the other method?

Mr. PACE. Mr. Woolley says that can be done.

Secretary BRANNAN. It can be done, but, Mr. Hope, the reason I felt at liberty to use the $19,000,000 figure is because it is a continuing figure. We have been in that area for the last several years, which would indicate that that would just about average out for any specific year. That is the reason I felt at liberty to use the figures.

(The information referred to is as follows:)

The total appraised and unappraised wool on hand April 30, 1949, was 86,583,252 pounds. Assuming no marked changes in wool prices generally, the probable losses on this inventory are presently estimated at $8,114,000. Losses on operations under the programs through April 30, 1949, have totaled $80,093,595. Including the $8,114,000 estimate for losses yet to be taken on the wools remaining on hand as of April 30, 1949, total losses under all programs to date, beginning April 1943, are therefore expected to aproximate $88,000,000.

Figures on the cost of the wool-purchase program for the wools of each clip year are not presently available. The wools tendered in any 1 year to Commodity Credit Corporation are not all sold the same year; and, to obtain the losses for a particular clip year, it would be necessary to trace the records for each lot and apply the results to the appropriate clip year. A clerical task of such magnitude is prohibitive from an administrative standpoint in relation to the ultimate use of the end product.

Mr. PACE. Mr. Granger.

Mr. GRANGER. Mr. Secretary, under price control you did accumulate all the domestic wool and in addition to that a lot of foreign wool, did you not?

Secretary BRANNAN. Yes, we did.

Mr. GRANGER. Then, of course, you sold the better grades of wool and you carried over the poorer grades of wool into this year. Is that not true? You had the inferior grades of wool on hand that you could not sell?

Secretary BRANNAN. Mr. Granger, that is in part true. You sell what people come after. They did come after the better grades of wool and we have sold the better grades of wool, but we always have the poorer grades of wool to move at some time.

Mr. GRANGER. But you accumulate an unusually large amount of interior wools over the war period years, is that not true?

Secretary BRANNAN. We have.

Mr. GRANGER. And that would not necessarily reflect what you might lose on one year, 1947 or 1948, if you confined it entirely to that year's product?

Secretary BRANNAN. No, it would not necessarily, but it does point up a very significant thing, that when the Government operates as it does now with the purchase program for wool, it gets most of the inferior grades anyhow and it is faced with the problem of always trying to handle those inferior grades because the better grades move out automatically into the market place notwithstanding. What you say is true, Mr. Granger, but it is also very significant as a part of the problem with which we have been confronted. We have had to deal with tough problems in the wool marketing business from the very beginning.

Mr. PACE. Mr. Poage.

Mr. POAGE. Mr. Secretary, you estimated for comparative purposes that a drop of 20 percent would occur in the price of wool. I wonder if there is any basis for that? Is there anything in that except that you merely wanted some kind of illustration?

Secretary BRANNAN. No, Mr. Poage, we just arbitrarily took 20 percent.

Mr. POAGE. I did not know whether there was a special probability of a 20 percent drop.

Mr. PACE. What is the world price of wool?

Secretary BRANNAN. The world price of wool is like cotton. There are a hundred different prices for a hindred dufferent grades and styles and character of fiber and their conditions.

Mr. PACE. If you open a free market on American wool it would drop the world price, would it not?

Secretary BRANNAN. I think it would.

Mr. PACE. And you do not know how that balances off by a reduction of 20 percent or whether it would be 15 or 25 percent?

Secretary BRANNAN. No, it would not be a stable figure, you see. The 20 percent was selected arbitrarily and without reference to the world price. It may be that at some time the world price would exactly coincide, but as a matter of fact I think the tremendous British stocks is one of the principal factors in the world price anyway.

Mr. POAGE. You are figuring that the present average price of wool is around 50 cents for the purpose of your calculations, are you not?

Secretary BRANNAN. No, we were taking the support level for that.

Mr. POAGE. The present support level is only 42 cents plus.

Secretary BRANNAN. No, my calculations are 49.8 cents.

Mr. POAGE. That is what you propose to support it at?

Secretary BRANNAN. Yes. In other words, I am taking the high figure everywhere it shows up.

Mr. POAGE. But the present support level is only 42 something, is it not?

Secretary BRANNAN. No, it is 40.5.

Mr. POAGE. And your proposal was to support it at approximately 49 cents. For the purposes of illustration, you propose to take a 20 percent drop from that 49 cents. That would bring you down below 40 cents a pound, or just below the present support level. As long as it does not drop below the present support level it has not cost anything under the present program. Any cost under a new program would be just that much more than the present program until you reached the point of the present program.

Now, suppose the price of wool were to drop even more, and we anticipate that it might else the present program would not mean anything. Yet it obviously does mean a good deal. You are paying out a good deal of money under the present program. Suppose the price of wool dropped down to where wool did not bring more than 30 or 32 cents in the market. You would then pay the difference between 32 cents and the 49 cents, which would be 17 cents you would be paying to the producers. The producers of wool would be taken care of all right. I can see how the producer would come out all right. He would get just as much money as he would if he sold it at 49 cents. But what effect would a situation of that kind have on cotton prices?

Secretary Brannan. I think the answer to that is anybody's guess. My own feeling is that the relationship between cotton and wool is not such a close and sympathetic relation that as one goes down the other goes down accordingly. However, I suppose there is some sympathetic relationship between all fibers.

Mr. POAGE. I think it is perfectly clear that a drop of just 2 or 3 cents or maybe even 5 cents in the price of wool when it is up substantially above the price of cotton would not materially affect the cotton prices. But when wool prices closely approach the support price of cotton, which today is 27½ cents I fear we will feel the effect. If you let the market price of wool get down to within 5 cents of the price of cotton the Government will have to support that cotton at 27 cents under the present program. It might cost the Government considerable in the extra payments we would have to make on cotton.

If you let the price of wool get within 5 cents of the price of that cotton, are you not going to actually depress the market price of the cotton to such an extent that the Government will be buying a whole lot more cotton?

Secretary BRANNAN. My own impression is that you would not for this reason: First of all, the world market fixes the price of wool. We are only supporting the domestic production of wool, which is a small part of our national consumption. The price of wool is made by the world market plus the tariff or import duties. Therefore, what happens in the support price relationship to the amount of domestic wool produced, in my opinion, would have a very small impact upon the price of cotton.

Mr. POAGE. But, Mr. Brannan, the price of that domestic wool is going to drop under this program; is it not? The price at which the spinner can buy is going to drop down to the price at which he can buy Australian wool or South African wool or Argentine wool. You are going to let the price of domestic wool, as I understand it, drop in the market place to the point where somebody buys it. If the spinner is going to buy it, we will assume he will buy it at 32 cents. He is not going to pay 35 cents for it. The producer, I understand, is going to get 49 cents because you are going to pay him the difference. I am not bothered about that producer at the moment.

I say at the moment, because I am bothered about him in the long run. The spinner will not buy domestic wool until it gets as cheap as any competitive wool that he can buy. Then he will buy it. So the price of all wool, both domestic and foreign, is the thing that will be competitive with cotton. You are not going to simply let this 244,000,000 pounds of American wool drop to 32 cents. All wool is going to be on the American market at 32 cents. When it is that close to cotton, I would much rather have a suit of clothes made out of wool than one made out of cotton and if the cost were only a few dollars more than a cotton suit, I would probably buy it.

But, if, the cotton suit is selling today for half or a third what the wool suit is selling for, I will buy a cotton suit. Is it not going to affect the price of cotton when it gets that close to the cotton-support price?

Secretary BRANNAN. Mr. Poage, let me point out two things.

First of all, the effect of the present operation is to feed the American supply of wool into the market at almost the competitive prices. We cannot force any manufacturer to take wool from us at the support level. We have to sell it in competition with the world supply and the world supply coming into this market plus tariff and so forth.

My first point is that no matter what you do about the domestic supply, you are not actually changing the situation very materially.

Mr. POAGE. Of course, I know it may not drop to 32 cents. I am just asking what will happen when it does.

Secretary BRANNAN. The second point I would like to make is that, of course, the quality of the various fibers is one of the main and controlling factors. If the domestic wool moves into the American market and is more attractive to the weavers in this country and elsewhere, they are going to buy it anyhow.

The third point I would like to make is that the relative cost of the suit that you are wearing in relationship to the price of the raw material is very small. I think one of you people said the last time that I was up here that the cotton in one of our three- or four- or five-dollar shirts is probably worth only a few cents. It is the first and third of those factors which cause me not to be at all disturbed about the impact that our operation in wool will have on cotton.

We are doing that in effect now except that we are paying it out in administrative costs and a lot of other things.

Mr. HILL. Mr. Poage, if you will yield to me a moment, I would like to ask a question along the same line you are pursuing. It comes very forcibly to me.

What percentage of wool used by the United States is produced in the United States?

Secretary BRANNAN. I would guess it is around a third, but we will have that in the information we give you tomorrow.

Mr. HILL. You mean we only produce a third of all the wool we use, yet in a year's time it is costing the Treasury $19,000,000 to support the price of wool? Then it is evident that what Mr. Poage says is entirely correct. We are not dealing here with a surplus crop. We are dealing with a crop that is produced in deficiency for our own use. You are dealing with a world price of wool here entirely. If we only produce a third of the wool we need for domestic consumption and you are trying to support that at a support price that is costing us $19,000,000, what in the world would happen to us if we produced all the wool we needed? That is the thing that bothers me.

You are not dealing with a surplus crop at all. You are dealing with a shortage. You are dealing with a production that never has supplied our domestic use. You are dealing at a time when you have less wool produced than you have had since before the Civil War. I would like to know how you are going to deal with a crop in short production during a shortage of domestic need and put it in the same program that you have when you have a surplus crop.

Secretary BRANNAN. Mr. Hill, I do not know whether I understand all the things you have just said.

Mr. HILL. I do not think anybody understands them because you cannot put wool in the same class as wheat, that is a cinch.

Secretary BRANNAN. I agree with that. Mr. Hill, first of all you are for a Government operation to support the price of domestic wool?

Mr. HILL. Yes; but I am not sure that I am for it the way we do it. Maybe we could do it much better by a tariff. I do not know that we could, but I am asking you. You want to bankrupt the Treasury. There is a tariff on every pound of wool that is imported.

Secretary BRANNAN. No; the people who import it pay that.

Mr. HILL. There is $19,000,000.

Secretary BRANNAN. The people who import it are paying it.

Mr. HILL. The man who gets the wool in his suit is paying it. Let us not kid ourselves.

Mr. PACE. Mr. Albert.

Mr. ALBERT. Mr. Secretary, on the basis of your present knowledge, if Congress authorized the production-payment plan on an experimental basis on two or more commodities, would you recommend that wool be one of them?

Secretary BRANNAN. I would like to include wool in them.

Mr. ALBERT. I want to classify these on the basis of their relative desirability and I wanted your expression on wool.

Secretary BRANNAN. Yes, sir; I would include wool.

May I make one point, Mr. Chairman? It came up in connection with what Mr. Poage said and it also came up again in connection with what Mr. Albert said. You will recall that we did not include wool as one of the priority group commodities because it was not in the category of those commodities which contributed to farm income. Wool is in the draft of the bill which has been introduced on this side. I am not opposing its being in there, but I wanted to point out to you that by moving it into the priority commodity group you did put the price level automatically at 49.8 cents, which is the figure we used here.

Otherwise, we might have been able to support it at a lesser figure. These costs might have been appreciably different than the estimate I made.

Mr. Poage. Mr. Secretary, in connection with placing wool in any of these groups, I wonder if we can understand that the hair of the Angora goat is included as a type of wool?

Mr. Hill. How about the rabbit?

Mr. Poage. I am talking seriously about mohair right now.

Mr. Hill. We have Angora rabbits, too.

Secretary Brannan. Mr. Poage, we have in the Department, since long before I got there, taken a negative position on that. I have not seen any arguments which would justify us in changing that tradition.

Mr. Poage. You mean we should not support mohair?

Secretary Brannan. I would say that is correct, sir.

Mr. Poage. I wonder why we should not support mohair. The goat eats the brush instead of the weeds. Why should that goat hair not be supported?

Secretary Brannan. That is a long discussion which you have gone over a number of times with everybody in the Department.

Mr. Poage. I just want to serve notice now that certainly I am not going to support any kind of proposal to support wool anywhere unless we include mohair in the definition of wool because I think it is just as much entitled to support as the wool is.

Mr. Hill. And that is a short production, too. There is no surplus of that.

Mr. Pace. Are there any other questions about wool?

Mr. Hope. I have a question.

Mr. Pace. Mr. Hope.

Mr. Hope. Mr. Secretary, has any consideration been given to supporting the price of wool in much the same manner as we support the price of sugar? They are products that are rather comparable with respect to the fact that we import most of our consumption. Both are products that have been protected in the past by the tariff and the tariff protection is practically gone now. We are handling sugar in a very satisfactory way, I think, for the producers. I am wondering if we could not handle wool in much the same way.

Secretary Brannan. There is some similarity between the sugar operation in a very limited way, and the various additional little provisos that have been added to the wool program from time to time. I cannot say that we used the sugar program as a pattern and tried to operate wool accordingly.

I do say that we did, in our initial studies, study wool as a commodity and the various means of trying to support it in the most effective way. There is one distinction, however, between wool and sugar. That is that sugar is one plain, simple commodity. It moves almost completely in accordance with a long-established pattern of consumption. It does not have the competition of synthetics and it is a finished product as it moves into the area of support or governmental concern or interest. Wool has many steps to go through in between. I do not know whether those are valid differentiations or not.

I would like to say to you that if you would like to have us sit down and try to work out a wool scheme using the form and method that has been applied to sugar, we would be happy to try it. I say to you that the sugar program is one of the most complicated to operate.

Mr. HOPE. I realize that and, of course, the thing that might have some appeal is that we are supporting sugar without its costing the Treasury anything. That is a matter that I think we must consider in connection with all these programs.

Secretary BRANNAN. Mr. Hope, you are not overlooking the sugar payments that are made to the American producers, are you?

Mr. HOPE. They are financed by the tax on all sugar so it does not actually take any money out of the Treasury that does not come in as a part of the program, as I understand it. In fact, we make a little bit on it, I believe. The Treasury takes in more than it pays out.

I would like to have some consideration given to a program that we might be able to finance without cost to the Treasury.

(A memorandum as to possible application of the provision of the Sugar Act to wool follows:)

POSSIBLE APPLICATION OF PROVISION OF SUGAR ACT TO WOOL

This report is an analysis as to whether it would be practicable to administer a wool price-support program under a wool act similar to the present Sugar Act.

There are several basic differences between sugar and wool which would make a program for wool much more difficult to administer than the sugar program if, in fact, they would not practically preclude the operation of such a wool program. The major differences creating possible difficulties are listed below with a brief explanation:

1. *Contravention of trade agreements.*—The general agreement on tariffs and trade which was negotiated at Geneva in 1947 provides in volume 1, article XI, that no prohibitions or restrictions in the form of import quotas shall be instituted or maintained with certain minor exceptions which could not be applied to wool.

In addition, other provisions of the general agreement provided an exception for any quotas then in effect. The Sugar Act was then in effect and therefore is not in contravention of the agreement. However, as we understand it, any quotas on wool would be in contravention of the general agreement on tariffs and trade, as well as trade agreements with individual countries which were in effect before the general agreement.

2. *Grades involved.*—While sugar is imported generally in two forms, either refined or raw, and in either case the commodity can be processed to an end product which is nearly universally substitutable, wool involves a great many more variations. There is an entirely different demand between the uses for different grades of wool. We may have a shortage of fine wools and at the same time a surplus of coarse wools. If imports of wool were restricted, the reduced imports could be offset by imports of a processed product such as wool fabrics or the finished wool articles. This would tend to make it necessary to set up quotas not only for wool but for each important grade category of wool and for each wool product developed by the different stages of processing. Obviously this would make the program very complicated.

3. *Number of countries involved.*—While sugar is imported largely from two foreign countries, Cuba and the Philippines, wool is imported from a large number of producing countries and products produced from wool are imported from another sizable group of countries. Wool quotas would have to be established for Australia, New Zealand, Chile, Argentina, Uruguay, South Africa, and others, while quotas for materials processed from wool would have to be established for the United Kingdom, Belgium, France, Italy, and others. The large number of

countries involved, together with the variations in exports to the United States in recent years because of the war and postwar conditions, would tend to make the establishment of quotas very difficult.

4. *Rate of consumption.*—While the rate of consumption of sugar is not uniform from year to year, it is much more stable than the consumption of wool. Also consumption is fairly constant throughout the year in the case of sugar, whereas wool consumption may be at a very low rate for a period of time and then when orders are received, wool may be consumed in large quantities for a period of several months. This is true also of the different grades of wool. Wool consumption for certain grades may be high during one year or during a season and at other times these particular grades may be consumed in small quantities. It is very difficult, if not impossible, to predict the rate of consumption for wool a year in advance. Consumption of wool has always varied greatly in normal times and this condition is made possible because our mill capacity has usually been about twice as great as necessary to fill our requirements.

5. *Quotas.*—While the sugar industry is characterized by a small number of large operators, the wool industry is characterized by a large nember of both small and large operators. In addition to establishing quotas for imports by countries, it probably would be necessary to establish quotas for each importing establishment in this country. Establishing quotas for such a large number of importers by grades or classifications of products would place a heavy administrative burden upon the agency operating the program. It would also place a very heavy burden upon importers who attempt to bring wool into this country. As a result, it might develop that the most practical way to handle imports would be for the Commodity Credit Corporation to become the sole importer. The CCC could then distribute the imported wool by sales to the highest bidder or by sale at a fixed scale of prices. Of course, by doing this, the Government would be taking over a large part of the private wool trade.

Basically such a wool program would involve a restriction on imports which would reduce the consumption of wool in the United States. This would be necessary in order to get an increase in price to United States producers which is the objective of such a proposal. Such action would, of course, tend to increase prices to consumers and would have the effect of encouraging use of synthetic fibers. The consumption of synthetic fiber has increased greatly since the war, and it is an important factor in supplying our fiber requirements, having already displaced wool to a significant extent.

Mr. PACE. Mr. Andresen.

Mr. ANDRESEN. Mr. Secretary, what is the average price of American wool today?

Secretary BRANNAN. An average of good and low grades? We are supporting right now at 40 cents.

Mr. ANDRESEN. Are you buying any wool?

Secretary BRANNAN. No, the producers are not offering it now. It is not shearing time.

Mr. ANDRESEN. Is the market price above the support price?

Secretary BRANNAN. On the finer grades I am told it is.

Mr. ANDRESEN. What kind of wool will the Government loan money on at 40 cents, 90 percent of the parity support price?

Secretary BRANNAN. We have a purchase program on wool. We buy it.

Mr. ANDRESEN. Then you are not buying any wool from the 1949 clip?

Secretary BRANNAN. We will as soon as it starts moving.

Mr. ANDRESEN. They have already clipped their sheep.

Mr. HILL. Only in a small section. In our territory we have not clipped yet.

Mr. ANDRESEN. When do you clip?

Mr. HILL. June.

Mr. ANDRESEN. It is June now.

Secretary BRANNAN. We are buying some low grades of wool now I think.

Mr. ANDRESEN. And you pay on the basis of 40 cents for the low grade?

Secretary BRANNAN. Yes.

Mr. ANDRESEN. So that is the rock-bottom price for all grades, is that right?

Secretary BRANNAN. No; you have a differential in your purchase price for the differential in quality or the form in which the wool is being offered to you.

Mr. ANDRESEN. Is 40 cents the top for the top grade of wool?

Secretary BRANNAN. No; that is the average area.

Mr. ANDRESEN. So some may be higher and some may be lower?

Secretary BRANNAN. That is right.

Mr. ANDRESEN. Can you give us an average price of all American wool as of this present time so that we can figure out how much the market is at the present time?

Secretary BRANNAN. Fifty and six-tenths I am told at average price.

Mr. ANDRESEN. When you handle wool that is entirely under the purchase program and not under the loan program, is it not?

Secretary BRANNAN. Yes.

Mr. ANDRESEN. Under the support program you will abandon the purchase program and you will pay the producers, I understand it, the difference between the market price they get for their wool in the supply and demand market and the support standard, which would be 90 percent of parity under the present law, or 40 cents. That will go directly to the producer, is that correct?

Secretary BRANNAN. That is right.

Mr. ANDRESEN. Then you would discontinue the purchase program. That is also correct, is it not?

Secretary BRANNAN. No; we would not entirely discontinue the purchase program. I think we would like to retain the authority for this and some other crops, but for the most part it would be discontinued. I do not want the record to show that we would like to give up the power to make some purchases in some commodities when that is the more efficient and simple way of doing it.

Mr. ANDRESEN. I want to get at just how you would carry this out because it is proposed that it be included now as a part of the experimental program. If you are going to deal only with producers, who do you classify as producers, the farmers who raise the sheep?

Secretary BRANNAN. I do not get the distinction.

Mr. ANDRESEN. Who would be the producer of wool?

Secretary BRANNAN. The man who owns and shears the sheep.

Mr. ANDRESEN. He would get the support payment?

Secretary BRANNAN. That is right.

Mr. ANDRESEN. Would you pay that to him directly?

Secretary BRANNAN. Yes, sir.

Mr. ANDRESEN. Most of the producers of wool sell their wool through cooperatives or other business concerns. It might be the packers. There would be no need for the cooperatives, then, if you would deal directly with the farmer.

Secretary BRANNAN. Certainly there would. We can deal with farmers through their cooperatives. Production payments do not mean the end of cooperatives in any sense of the word.

Mr. ANDRESEN. Then you would send the check either directly to the producer or through the cooperative?

Secretary BRANNAN. Whichever would be the most efficient and would tend to support the price at the mandatory level.

Mr. ANDRESEN. As I understand it, the packers also have a lot of sheep. Would you send a check to the packers for the difference between what they got for their wool and what they should have had?

Secretary BRANNAN. That is an administrative problem that I am not sure we have the answer to. The obligation, as I understand it, for the Commodity Credit Corporation is to support the price of these commodities at given levels to the producers thereof. It does not seem to me that the packer who gets the wool incidentally is a producer thereof.

To answer the question as specifically as I can this morning, I would say we probably would not.

Mr. ANDRESEN. Do you know what percentage of the wool is produced by the 400 packers in this country?

Secretary BRANNAN. I would say none of it but what percentage comes into their hands I am not sure.

Mr. ANDRESEN. Right now you would rule them out as being producers and entitled to checks?

Secretary BRANNAN. It does not necessarily follow that that lets that wool out of support but generally speaking, let us say it does.

Mr. ANDRESEN. I will yield to Mr. Granger.

Mr. GRANGER. The producer who sells the wool through a cooperative sells his own wool. He only gets what his own wool brings, does he not?

Secretary BRANNAN. That is right, Mr. Granger, because these are not producer cooperatives. They are marketing cooperatives. They have gotten together for the purpose of marketing and not for the actual production. Even if they were on the producing side, I think we could make the payment directly.

Mr. GRANGER. How would you pay the production payment to a grower? On his level there is no standard, as I understand it.

Secretary BRANNAN. You mean for grading?

Mr. GRANGER. Yes.

Secretary BRANNAN. You remember we are going to pay the average for the various grades. We are not going to pay back to the producer exactly the difference between what he got in the market place and the support level.

Mr. GRANGER. But you would pay each one of them on a clean basis after the wool was scoured?

Secretary BRANNAN. If it were possible in the particular area to do that, we might well do it, but the point is to establish a level of support for a criterion type of the commodity, then make your variations from that. Your modifications or additions would be made from that figure. That is an administrative problem which, as a matter of fact, I think is going to have to be developed as we go along.

Mr. ANDRESEN. I have one more thought, Mr. Secretary. Of course, we know that the trade and the manufacturers generally prefer foreign wool on account of its quality and therefore a larger percentage of the American produced wool is relegated to a lower class.

Would you have any objection to putting on an import fee on wool coming into this country?

Secretary BRANNAN. There is one now.

Mr. ANDRESEN. There is a tariff duty that has been cut way down but in addition to that would you have any objection to putting a quota on wool that came into the country?

Secretary BRANNAN. I think that involves a lot of other questions I would like to consider a little bit which are not directly pertinent to the method of supporting. We have an obligation here and we are trying to find the most desirable method of discharging it. The question you ask affects the levels of support and many of the other factors. The tariff will not get back to that producer.

Mr. SUTTON. Mr. Chairman, we are not studying tariffs here. That is for the Department of State.

Mr. ANDRESEN. I proposed that as a part of this program if we authorize the support payment to producers. I think that certainly would be in order.

Secretary BRANNAN. It certainly would not be in order for the Commodity Credit Corporation to try to enforce it.

Mr. SUTTON. That is a reciprocal trade agreement.

Mr. PACE. Mr. Murray has a question, then we will move on to the next commodity.

Mr. MURRAY. Mr. Secretary, getting back to the suggestion made by Mr. Hope, what is the present duty on wool?

Secretary BRANNAN. Twenty-five cents a clean pound.

Mr. MURRAY. What would that be per pound on ordinary greased wool?

Secretary BRANNAN. Ten or twelve cents.

Mr. MURRAY. In the grease?

Secretary BRANNAN. That is what I am told.

Mr. MURRAY. I thought that was cut in two in Geneva 2 years ago. If 250,000,000 pounds are produced in the United States and the price went down 8 cents per pound it would cost 20 million dollars a year. Following the sugar pattern, the funds obtained from imports could be used to supplement the income of the domestic wool producers. Is that right, Mr. Hope?

Mr. HOPE. I suggest we follow the same plan we do on sugar whereby all domestic and all imported sugar pays a tax of 50 cents a hundred pounds. The tax applies to everybody.

Mr. MURRAY. That would be the same principle that you have on sugar.

Mr. Secretary, is that not one of your troubles in particular? When you support a commodity like wool, of which the United States only produces a third of what it uses, when the world price plus the duty is less than our support price we are faced with a very difficult problem. If you had control of the imports like they have on cotton and wheat, practically an embargo, as well as the tariff rates on tobacco up to $1 a pound, then you are in a different position than you would be if you had a commodity like wool where you are handicapped in trying to support the price for a deficit production crop.

Is that not one of the things that you have to face in connection with a support program, that some machinery has to be worked out that is a different set-up where you have the American market for the product than where you do not have the American market for the product?

Secretary BRANNAN. Mr. Murray, I look upon the offshore supplies of wool and our dependency upon them, when you study the problem of price supports, merely as a factor in fixing the price of the commodity as it would be in the market place. That is all it means to me, as I view the problem from the standpoing of support. It does not change the mechanics in any way whatever. It simply has a bearing upon what the level of the price of the commodity would be in the free market place. Therefore, it does not really bear upon the price support problem, as I see it. It may make the margin between the support level wider or narrower but it really does not make any difference. Mr. Hope has added a new element to that by relationship to the sugar program which, it seems me, is simply this: Because there is a supply coming in from outside of the country all the time, some kind of a tax on that would be the source from which you would raise the funds to pay for the support operation on the domestic commodity.

Again, that is really incidental to whether or not you use production payments to support the price of wool to the producers thereof or whether you use purchases as we are now doing.

Mr. MURRAY. But the point is, Mr. Secretary, that if this wool goes from 50 cents to 20 cents—and I have seen it sell for 10, so I guess it can be 20 if it wants to—you automatically reduce the amount of wool that is going to be imported. That will be one of the automatic circumstances that will take place. It will decrease imports as the price goes down. That stands to reason.

Secretary BRANNAN. You mean you are taking an analogy from the sugar law now?

Mr. MURRAY. Yes, the sugar act controls the imports. Then it could be an instrument for increasing the domestic wool production in the United States. If we put the Brannan plan in operation tomorrow morning it would have a tendency on these deficit products —and wool is a good example—of lowering the imports of those agricultural commodities that are coming into the United States to compete with what we produce in the United States. Your support to the farmer, paying the difference between what he gets in the market place and what the support price is, would stimulate the sheep business and automatically lower imports.

Secretary BRANNAN. Mr. Murray, that is a very complicated way of saying simply that the price to the domestic consumer is the thing that he is going to look at primarily. If I understand you correctly, that is what you are saying.

Mr. Murray. Do you think our imports of wool would be as great if wool was 20 cents a pound as we have at 40 cents?

Secretary BRANNAN. I do not know that the price would make a great deal of difference. It is the domestic demand for the commodity and the people will pay for it if they have the money to buy it. I do not think you can tie it to one thing. Certainly you can raise the tariff what you will to the place where you can keep all commodities out but the domestic use is another thing.

Mr. MURRAY. But you agree that if the price goes down the imports will be reduced, Mr. Secretary?

Secretary BRANNAN. The price of what?

Mr. MURRAY. Well, take wool, for example. If wool goes to 20 cents a pound, the imports would go down.

Secretary BRANNAN. In the world market?

Mr. MURRAY. We will say the price in the United States goes down to 20 cents. You believe that it will lower the imports of wool, do you not, and you believe that it will increase the number of sheep in the United States over a period of years?

Secretary BRANNAN. I do not know that that necessarily follows unless you assume no changes whatsoever in the supply and demand domestically for the types of wool that the people need and want. It is my understanding that in the clothes that we buy are qualities, types, and styles of wool which we do not produce domestically and perhaps which we have never been geared up to produce domestically.

Mr. MURRAY. That is all, Mr. Secretary.

Mr. PACE. In the interest of time I am going to have to ask that we do not exhaust other alternative plans. If we did, we would be here a month.

Hoping that it will take only a few minutes, I will ask the Secretary next about Irish potatoes. Then we will take up hogs.

Mr. Secretary, what were your losses on the Irish potato program for the 1947 Irish potato crop?

Secretary BRANNAN. May I give you the losses for 2 or 3 years in a row?

Mr. PACE. For the 1947 crop and for the 1948 crop, at least.

Mr. WOOLLEY. For the 1947 fiscal year it was $42,582,000.

Mr. PACE. For the 1948 fiscal year?

Mr. WOOLLEY. These are just Commodity Credit Corporation losses I am giving you here. For the 1948 fiscal year it was $44,000,000.

Mr. PACE. And 1949?

Mr. WOOLEY. I have only an estimated figure here, Mr. Chairman. The estimated figure for 1949 is $220,000,000.

Mr. PACE. What about the section 32 money for the 1947 and 1948 fiscal years? Add them all up and I will pass on to another question.

Mr. Secretary, it is well known that the support price on the potatoes for the 1949 crop has been reduced to 60 percent of parity. Under the program now set up what do you anticipate the loss will be on the 1949 potato crop?

Secretary BRANNAN. It is a little early for us to say, Mr. Chairman, but I can say that apparently the volume of commodity coming on the market is only 2 or 3 percent less than came on the market last year.

Mr. PACE. In other words, there has been only a very slight reduction in the production?

Secretary BRANNAN. Yes, sir; in the volume of production.

Mr. PACE. What do you estimate would be the cost of supporting the potato crop under the production-payment plan?

Secretary BRANNAN. If in the support of potatoes by the production-payment plan, we would require the people to stay with their allotments or goals, the cost of which would be somewhere near the supply which the American consuming public can reasonably absorb at any price or under any circumstances, we can reduce the cost to a nominal figure of somewhere in the neighborhood of ten to fifteen million dollars after being in operation two or three years. That is nominal compared with what we have lost in the past.

Mr. PACE. The plan would be to make those payments only to producers who conform to the goals.

Secretary BRANNAN. Who are compliers.

Mr. PACE. Which has not been possible in the program heretofore and is not possible this year.

Secretary BRANNAN. We have goals identified and compliers identified, but we still have very little benefit from the program.

Mr. PACE. Mr. Woolley, are you ready with the figures, the over-all figures, both Commodity Credit Corporation funds and section 32 funds for the 1947 fiscal year?

Mr. WOOLLEY. It is 91,000,000 for 1947; 1948, 53,000,000; 1949, 222,000,000.

Mr. PACE. Are there any questions on Irish potatoes?

Mr. MURRAY. I would like 1943, Mr. Chairman.

Mr. PACE. Get the 1943 figures, Mr. Woolley. While he is doing that, go ahead, Mr. Hope.

Mr. MURRAY. The 1943 crop. We had a 458,000,000-bushel potato crop and the program cost $21,000,000.

Mr. PACE. You seem to be acquainted with those figures and we will take your statement as to their correctness.

Mr. WOOLLEY. I do not have the 1943 figures with me.

Mr. PACE. We will take Mr. Murray's statement.

All right, Mr. Hope.

Mr. HOPE. Mr. Secretary, you spoke about a nominal cost of ten to fifteen million dollars if you were making price-support payments rather than following the plan we have followed. At what level of price support would that be?

Secretary BRANNAN. I am assuming the mandatory support at 60 percent.

Mr. HOPE. You are speaking about this year?

Secretary BRANNAN. Yes, sir.

Mr. HOPE. If you are allowed to take care of it in the form of payments. Do you have any estimate as to how much it would be if we go ahead and carry it out on the basis of Government buying, as has been the case in the past?

Secretary BRANNAN. Mr. Hope, what year are you talking about now?

Mr. HOPE. The current year.

Mr. PACE. He means going ahead with the program as it is now.

Secretary BRANNAN. May I say first of all that I think we are obliged to go ahead with the program as it is now. I do not think you can switch in the middle of the potato season from one program to another because we would be treating farmers in one part of the country differently than we were treating farmers in the other part of the country. So far as I am concerned, I would say no change for the 1949 crop.

Mr. PACE. You would take the payments and apply them to the 1950 crop?

Secretary BRANNAN. That is right.

Mr. HOPE. But the figure that you gave a while ago of $15,000,000 was based on the support-price level we have been using in the 1949 year.

Secretary BRANNAN. That is right.

Mr. HOPE. Are you prepared to give us any estimate as to what the program will cost this year?

Secretary BRANNAN. At 60 percent of parity for the present year? We are not, Mr. Hope, because the only potatoes which have moved to market so far are those in the southernmost part of the country. We might have the figure here on how much we have lost.

Mr. WOOLLEY. We asked for purposes of the budget of the Commodity Credit Corporation. It is estimated that it will be $58,500,000. That is a budget figure.

Secretary BRANNAN. I do not think the figure is worth anything because that was before the first evidences of intentions to plant were known.

Mr. HOPE. You have the figures as to how much has been expended up to date, have you not?

Secretary BRANNAN. I am afraid we do not have that.

Mr. HOPE. That is all, Mr. Chairman.

Mr. PACE. Mr. Cooley.

Mr. COOLEY. Mr. Secretary, in giving us the figure of $15,000,000, what assumptions are you making with regard to production? What part of the crop do you assume will be under control and what part will not be under control?

Secretary BRANNAN. I was assuming that the acreage goals or limitations would be in effect and that we would make payments only to compliers.

Mr. COOLEY. Then you assume that most all of the potato producers would comply with the goals that you fix?

Secretary BRANNAN. That is right.

Mr. COOLEY. Do you think it would be well to try to support a part of the production of the potato crop and not try to control all of the production of it? In other words, what I have in mind is, if you control the little fellow who is willing to comply and does comply and you have a lot of commercial growers who plant large acreages and bring about an abundant crop and break the price, then it will be an expensive project for the Government.

Secretary BRANNAN. It may be an expensive project for the Government for the first year, but it will be an expensive project for those growers, too.

Mr. COOLEY. Do you not think that we should consider the advisability of trying to control the entire production rather than a part of the production?

Secretary BRANNAN. By acreage limitations or marketing quotas?

Mr. COOLEY. Yes.

Secretary BRANNAN. That would be a terrific job. There are potato growers in almost every county of the United States. To get the vote for it, I think, would be most difficult.

Mr. PACE. Will the gentleman yield right there?

Mr. COOLEY. Surely.

Mr. PACE. Mr. Secretary, under the production payment plan as applied to potatoes, you would in effect allocate acreage through your goals?

Secretary BRANNAN. As we have done now.

Mr. PACE. And you would make payments only to those producers who conform to those acreage allotments?

Secretary BRANNAN. That is right.

Mr. PACE. And you would have a new element to counter the overproducer whereby all of those who conformed to their goals would be opposed to a man exceeding his acreage allotments because it would have some relation to the payments that they received.

Secretary BRANNAN. That is right, sir. Not only that, who would have all the good-quality potatoes going into the market and some disposition being made of the others.

Mr. PACE. That is right.

Mr. COOLEY. I do not believe it is sound or feasible to control part of the production of any commodity and support the other part. If you take the program you have just discussed and apply it to tobacco and let the farmer in my section plant all the tobacco he wants to plant and control part of it, you would ruin the situation because you would have a tremendous crop. Prices would go down and down and the Government would be holding the bag and protecting the man who did not comply.

I think the same thing will apply to potatoes or any other commodity.

Secretary BRANNAN. The difference is that potatoes are a perishable commodity and will get out of the market one way or the other. Tobacco is not perishable and will stay with the market a long time.

Mr. COOLEY. Potatoes got out of the market under this $220,000,000 program in different ways, too. Why would it not be well for us to consider penalizing the man who does not comply so as to make him stay within his acreage allotments?

Secretary BRANNAN. Mr. Chairman, I am very reluctant to talk about any kind of penalties imposed except after a full vote and referendum of all the people concerned.

Mr. WOOLLEY. I mean that. We would provide in the law that we cannot impose those penalties unless two-thirds of the farmers vote in favor of it. But I think the potato situation is such that certainly two-thirds of the producers in this country would be willing to vote to control production if they knew they were going to be supported. We have it in cotton, peanuts, and wheat. Why not have it in potatoes? It would be an expensive and burdensome program, but it certainly would not be as expensive and burdensome as this one is.

Secretary BRANNAN. I agree with you there.

Mr. COOLEY. That is all, Mr. Chairman.

Mr. PACE. Are there any other questions on Irish potatoes?

Mr. HOPE. I have some more questions.

Mr. PACE. Mr. Hope.

Mr. HOPE. Was your figure of 10 to 15 million dollars as the cost of a payment program this year based upon the idea of operating with or without marketing quotas?

Secretary BRANNAN. That was operating with marketing quotas.

Mr. HOPE. If we operated without marketing quotas, the cost would be greater, I assume.

Secretary BRANNAN. That is right, sir.

Mr. PACE. Mr. Hill.

Mr. HILL. Mr. Chairman, in the interest of time, my questions could be answered very easily by putting a table in the record. When did the Department begin to set up acreage goals for Irish potatoes?

Secretary BRANNAN. It was sometime during the war.

Mr. HILL. Can you furnish us in the record a table showing what year you began the recommendation of acreage goals for Irish potatoes, putting it in a form that I can understand for 1942, 1943, 1944, and on down to 1948? I want to know your goal. Can you do that for us?

Secretary BRANNAN. We can do that.

Mr. HILL. Then follow that with the production of those years.

Secretary BRANNAN. We can do that.

Mr. HILL. And, further over to the right, the loss per year. Can you do that?

Secretary BRANNAN. Yes, sir.

Mr. HILL. That will answer all my questions with one additional.

(The information referred to is as follows:)

Potatoes: Goal and actual acreage, yield, production, and surplus purchases 1943 to 1948 and preliminary indications for 1949

Crop year	Acreage (1,000 acres)			Yield per acre	Production (million bushels)		Surplus purchases	
	Goal	Planted	Harvested		Goal	Crop	Quantity	Net cost
				Bushels			*Million bushels*	*Million dollars*
1943	3,260	3,355	3,239	142	408	459	23.4	21.7
1944	3,480	2,885	2,786	138	448	383	3.6	3.3
1945	3,137	2,766	2,700	155	408	419	22.8	14.7
1946	2,771	2,645	2,598	186	377	484	108.5	91.3
1947	2,517	2,136	2,101	185	375	389	40.1	[1] 53.5
1948 [2]	2,352	2,127	2,099	212	375	446	127.8	223.0
1949	1,938	[3] 1,938						
1949 [4]				185	350	359	10.0	[6] 15.0
1949 [5]				227	350	440	90.0	[6] 135.0

[1] Includes 13.8 million dollars recovered under section 11 (c) of Public Laws 389 and 393, 80th Cong.
[2] Preliminary as of this date.
[3] Based on preliminary indications that 1949 planted acreage will be at or close to goal acreage.
[4] Estimated minimum.
[5] Estimated maximum.
[6] The estimated budgeted net loss for the 1949 program is approximately $70,000,000.

Mr. HILL. If my memory is correct, practically every one of those years the Department recommended more acres in potatoes than the farmers planted in the United States. Is that true or false? Answer "Yes" or "No."

Secretary BRANNAN. That will show from the table.

Mr. HILL. It certainly will. It will show that the farmers did not produce the acreage the Department recommended.

Mr. PACE. Mr. Hoeven.

Mr. HOEVEN. Mr. Secretary, do I understand you as recommending that Irish potatoes be a part of the experimental program?

Secretary BRANNAN. Yes, sir. I think we must revise the Irish-potato program if we intend to save the price-support program for the American farmer.

Mr. HOPE. But not this year, you say.

Secretary BRANNAN. Not for the crop which is in the process of being marketed; that is right.

Mr. HILL. Leave it at 60 percent this year.

Secretary BRANNAN. Not disturb title I of the present legislation.

Mr. HILL. You also feel that this 60 percent working this year will have an effect on the number of acres that the farmers plant to potatoes in 1950 providing you do not recommend too many acres in potatoes.

Secretary BRANNAN. No; I do not think it will have any effect.

Mr. PACE. I would like to dispose of Irish potatoes with the statement that the Irish-potato producers of the United States, through their representatives, met with me some days ago and they have since sent copies to all members of the committee of their statement that if the 60-percent support price this year does not reduce the production within reasonable limits they will themselves come to this committee next year and recommend controls. That is a matter of record, and they have suggestions which the committee will consider in the next few days. They say that, if the support of 60 percent does not make the reduction, they will recommend controls.

Now, gentlemen, we will take up hogs. Mr. Secretary, as briefly as you can, give us the situation with regard to the supply of hogs this year as compared to last year.

Secretary BRANNAN. Mr. Chairman, I would like to have Mr. Preston Richards answer that for us, if I may.

Mr. RICHARDS. I am Preston Richards, Assistant Director of the Livestock Branch.

Mr. PACE. All right, Mr. Richards, be as brief as you can, please.

Mr. RICHARDS. We had a hog and pig crop last year 8 percent larger than the previous year. Those hogs are coming to market this spring and summer. The estimate for the 1949 spring pig crop will not be available for a couple of weeks, but there are many indications that it may be 15 to 20 percent larger than that of the previous year. Those hogs will be coming to market beginning perhaps in August or September, with the bulk of them coming in the period from October through next April.

Mr. PACE. So you really do not know yet what repercussion on the market this increased production will have, and you will not know until October?

Mr. RICHARDS. No, sir, except that we had a very sharp decline in the market beginning last August. The price dropped from about 30 cents down to 18 cents within a period of less than 6 months. It has since recovered some, but the price in Chicago last week was around 22 cents.

Mr. PACE. Mr. Secretary, you have already announced the support price of hogs this year.

Secretary BRANNAN. That is right, $16.50.

Mr. PACE. On a graduated scale, changing in the season, I believe.

Secretary BRANNAN. That is right.

Mr. PACE. Would you care to make an estimate for the committee, if you must proceed under your present authority to carry out that mandate of Congress, as to what you estimate the cost will be?

Secretary BRANNAN. Mr. Chairman, may I again refer to the estimate we made in my supplemental statement to the committee? On that occasion we assumed that we would have to take about a billion pounds of pork out of the market place to maintain the price at the support level.

Mr. PACE. A billion pounds of pork at the support level is how much money?

Secretary BRANNAN. It would be $165,000,000.

Mr. PACE. That would be through the purchase and storage of the pork.

Secretary BRANNAN. That would be purchase only. That was an assumed purchase as though we had bought the hog on the hoof from the farmer at his gate.

Mr. PACE. Then you would have to pay the cost of the killing and the dressing.

Secretary BRANNAN. Yes, and all of the rest of the preparation, including getting it into a refrigerator.

Mr. PACE. Have you any idea of the comparison of the cost per pound of the live hog and the meat in the refrigerator?

Secretary BRANNAN. The answer is about 6½ cents.

Mr. PACE. Then on the support level you would have about 22 or 23 cents per pound with the cut meat in the refrigerator.

Secretary BRANNAN. Yes, the day it got in the refrigerator.

Mr. PACE. Then would that raise your figure to $220,000,000.

Secretary BRANNAN. $230,000,000.

Mr. PACE. Do you have the storage facilities to store a billion pounds of pork in the United States if the regular commercial storage operates normally?

Secretary BRANNAN. I would assume that it could be found.

Currently, Mr. Chairman, that is an optimistic estimate. I have been thinking in terms of all the packers' facilities and ours too. I do not know how much we would actually have access to for this storage.

Mr. PACE. Is there any limit on the storability of pork?

Secretary BRANNAN. It begins to deteriorate at the end of 6 months to a year. Some deterioration will set in after 6 months.

Mr. PACE. Do you care to make any estimate of what your losses would be through deterioration?

Secretary BRANNAN. In anticipation of the fact that this recent run of hogs may have driven the price below the support level, we have looked around the world for markets for the sale of hogs which we thought we would have to go in and buy. I can only say to the committee that we ended up with a sale to the British, but outside of that the world market for hogs at any figure that we would have to buy them at is a very bleak looking picture.

Mr. PACE. I read in the paper that the British had committed themselves and now want to back out of that commitment. Do you know whether that is true?

Secretary BRANNAN. They are going slow on their purchases.

Mr. PACE. Mr. Secretary, what do you estimate would be the cost of this program on hogs this year if the Congress approves H. R. 4485 to authorize the production payment method of support?

Secretary BRANNAN. Again, Mr. Chairman, until we have a pretty good figure of what the run of hogs will be in October it is hard to estimate because it is hard to say how far down it would go. If the price does not go down below the support level by more than 15 percent, we would not lose any more than the two hundred and thirty million-odd dollars which we now anticipate we would lose anyway.

Mr. PACE. What effect, Mr. Secretary—and this has been in the minds of all the members of the committee—would releasing the support price of pork where it could drop to the market price and assuming that that was substantial, a 20- to 25-percent drop in price, have on the price of competing meats such as beef, lamb, chicken, and other meats?

Secretary BRANNAN. First of all, I think it must be admitted that there is some sympathetic relationship between the prices of meats. If the price of any of those commodities would change materially it would have an impact upon the price of the other commodities.

Mr. PACE. How materially must the change be to have an impact?

Secretary BRANNAN. I would like to go into the area of the specific commodities. With respect to chickens, the sympathetic relationship is rather mild. It is extremely mild. In the relationship between hogs and lambs, again the sympathetic relationship is fairly mild.

As we looked at the charts, there are a number of occasions in which the prices of those two commodities moved in just exactly the opposite directions, one going up and the other going down. People's tastes are geared to some of those commodities and at seasonal times of the year the demand is heavier on one than on the other.

The hot season doesn't bring as big a demand for pork as the other commodities. As you get into the area of beef, there is perhaps a little more close relationship. On the other hand, there are some experiences in which those prices have moved in the opposite direction.

What I am trying to say is that there is some relationship but after studying all the information and historical data we could get our hands on, we do not feel that a drop of 20 percent in the price of hogs would have a very serious impact upon the price of beef because we are still considerably short of beef animals in this country in comparison with the genuine demand for them.

While you must admit there is some sympathetic relationship, I do not think it is so dangerous as to cause us to say that you should not use production payments on hogs because of the weight of the impact on beef animals. I would like to point out that beef is now selling at about 150 percent of present parity. Beef is selling in the market place at around $20 to $21 and the support level under the 90 percent of parity would be $13.

Mr. PACE. They are both above parity at the moment.

Secretary BRANNAN. Yes.

Mr. PACE. Are there any questions?

Mr. COOLEY. Mr. Chairman.

Mr. PACE. Mr. Cooley.

Mr. COOLEY. Mr. Secretary, under 4485 you would have the payment-to-producers program plus the program you now have and if it happened that the payment plan was more expensive than the purchase plan you would be at liberty to change it.

Secretary BRANNAN. That is right.

Mr. COOLEY. Do you feel that we should give you both powers and if you found that the payments would work better you would use them and if not you would certainly not be worse off because you could come back to your purchase-and-storage program? As it is now, you have no alternative and you have to go one way.

Secretary BRANNAN. That is right. We would like to retain the purchase authority also because on some occasions meat is out of proportion, so to speak, and we could buy a little and stabilize the market in those areas. That is particularly true in some of the southern areas.

Mr. PACE. In that connection, Mr. Secretary, you would have no objection if the committee authorized two or three commodities or all the commodities under the payment plan that are stipulated in the law if it was found that that was the most economical way of doing it? That is fundamental, is it not?

Secretary BRANNAN. Yes.

Mr. PACE. If you found you would purchase hogs more cheaply and efficiently you would use that method.

Secretary BRANNAN. That term "economically" will probably bother our lawyers a little bit. If economical means saving dollars only and not some of the other elements that are involved in this that would be one thing.

Mr. PACE. Mr. Hoeven.

Mr. HOEVEN. Mr. Secretary, when do you anticipate that the prices on hogs this year will have declined to the support level?

Secretary BRANNAN. We anticipated that they would have last month. As a matter of fact, the range did move down from the choicest at around $18 to the less desirable at below the support level. The range was still above. I think some time in October is when we anticipate the big flow of hogs to the market again.

Mr. HOEVEN. You anticipated a run some time ago and the market last week, I think, was $22. It was $22.50 at one time, which is still about $5 or $6 above the support figure.

Secretary BRANNAN. Mr. Hoeven, let me say to you that our anticipation of a run was not wholly unwarranted. There was a run and the prices did get seriously low. I would like to just point out that if we had not been able to announce that British arrangement at the time we did, we might have been in there buying hogs for a week or so.

Mr. HOEVEN. You contend that it was that factor that kept the price up.

Secretary BRANNAN. That was one of the factors. I think the run was shorter than we anticipated, too. There is no representation on our part that we are infallible about these things. We just do the very best estimating we can on all the facts that we have available.

Mr. HOEVEN. Mr. Secretary, one of the things that bothers me is this. Under the production payment plan you would drive the price of hogs down.

Secretary BRANNAN. No; you do not drive them down. They find their level in the market place.

Mr. HOEVEN. They are going down to whatever they will bring in the market place. That is driving the price down.

Secretary BRANNAN. That is right. If we have no price-support system that is what will happen, too.

Mr. HOEVEN. Then what is going to happen to the farmer who is confronted with feeding $1.36 corn to low-priced hogs?

Secretary BRANNAN. You will remember we have a provision in our original propositions and statements, and it is also in the law, that we can make an adjustment within the range of 15 percent to bring the corn-hog ratio into a good working balance.

Mr. HOEVEN. Does it not stand to reason that if the hogs go down to meet the price in the market place corn will also go down? There is a close relationship between corn and hogs.

Secretary BRANNAN. Yes, sir. It means we will get a great deal more consumption of both the hogs and the corn, which is another problem we are confronted with.

Mr. HOEVEN. Once these prices on hogs are down and prices on corn are down, how are you ever going to get those prices back under your plan?

Secretary BRANNAN. If the supplies begin to shorten up they will go back.

Mr. HOEVEN. But as long as you are permitting hogs to be sold in the market place at a low price level, corn will go down also. I cannot understand how as long as your program is in force and effect the prices will ever go up.

Secretary BRANNAN. They will come up seasonally when hogs are short in the market place. It is my firm belief that we would not be in the market at all times throughout the year supporting the price of hogs in any event. If the supplies in the market place are short, the price is going back up, no matter what other factors are. They always have before.

Mr. HOEVEN. But under your proposed plan would not the price of these basic commodities always be regulated at what they will bring in the market place?

Secretary BRANNAN. Certainly.

Mr. HOEVEN. Why should there be any fluctuation, then?

Secretary BRANNAN. Mr. Hoeven, that is what is happening now. The support mechanisms are not affecting the price of any meat commodities in the market place today. The price of hogs is not at $22 because of a support price nor was it at $30 a short time ago because of that.

Mr. HOEVEN. The minute your production payment plan goes into force and effect the price of hogs will go down and they will no longer be $22.

Secretary BRANNAN. I do not agree. I think if you were to change that as of this minute, the price in the market place for hogs would not be affected 1 cent. It would still be $22. Why? Because the supply of hogs coming into the market is small in relation to the demand.

Mr. HOEVEN. I hope you are correct in your assumption, but I feel it is going to be otherwise.

Secretary BRANNAN. Mr. Hoeven, I do not see how it can have any impact on it at all.

Mr. PACE. Mr. Sutton.

Mr. SUTTON. Mr. Secretary, if the test run on production payments were limited to two commodities, which two would you prefer?

Secretary BRANNAN. I would say to you very frankly that the greatest trouble for us is in potatoes. Nevertheless, I say to you that the most trouble for the price-support theory and philosophy also lies in potatoes, so I think we have to make a forthright approach to the potato problem. Much as I dislike all the trouble that I see is going to come to us, I think that is one that we probably ought to take on.

The second one, which will be most vexatious if we are called upon to support them, is hogs. The support-price problem in connection with hogs is just a plain practical matter. I do not think it is feasible to support the price of hogs by withdrawing them from the market and sticking them in storage. I do not think it will work and I think the American people will be quite angry about it.

Mr. SUTTON. Had you rather have dairy products than hogs?

Secretary BRANNAN. No. You see, we have been able to operate reasonably successfully so far in the dairy field because we have gone in and bought dried skim milk and we have bought butter. I am not saying that is the only satisfactory way but we have had some impact on it under our present authorities. Furthermore, in the milk area, as you know, there are milk-marketing orders and agreements in existence which have stabilizing effects in the big milksheds.

The problem is not as vexatious there from the farmer's point of view, although in some of those areas it is a little vexatious from the standpoint of the consumer.

Mr. ALBERT. Will the gentleman yield, Mr. Chairman?

Mr. Secretary, would it be possible to take these six commodities that Mr. Pace has outlined and list them in the order of desirability for purposes of experimental production payment work?

Secretary BRANNAN. Right now?

Mr. ALBERT. Well, tomorrow if you would like.

Secretary BRANNAN. I think we can do it now. I would say one would be potatoes. Two would be hogs. Wool would be three. Eggs would be four, and milk would be five. My feeling is that before we get into the chicken operation we should see what the impact of the operations would be on eggs. They are very closely related

Mr. PACE. Are there any other questions on hogs?

Mr. HOPE. Mr. Chairman.

Mr. PACE. Mr. Hope.

Mr. HOPE. Mr. Secretary, you would put potatoes at the top of the list but I understood you to say a while ago that you did not think we ought to apply it on potatoes this year. I understand you do think we ought to apply it on pork this year and I am wondering what is the difference in your reasoning, that we should apply it on pork and could not very well apply it on potatoes.

Secretary BRANNAN. First of all, we have no operating program in force and effect on hogs as we now have on potatoes because we have already gotten into the 1949 support operation on potatoes. I do appreciate your asking that question Mr. Hope, so that we can make this distinction. I realize the question was about a trial run. What I was thinking of was what would be our situation after the first of the year in relation to a trial run on most of these commodities.

The question of hogs is a supplemental question because the vexatiousness of it will be upon us, if your estimates are correct, in October in an aggravated form and will run on into the next year for several months. I am thinking in terms of these commodities by way of supplement to or addition to the authority under title II, or in place of that authority. I am also thinking about an amendment to the existing law for hogs for the balance of this year.

Secretary BRANNAN. Is that clear to you also, Mr. Albert?

Mr. ALBERT. Yes.

Mr. HOEVEN. Mr. Secretary, by that do you mean you would favor advancing the effective date of the Aiken bill to about September 1 of this year?

Secretary BRANNAN. No; I am not saying the same thing at all. You understand in all these perishable commodities you cannot handle them under title II. You have to have a revision of that law. The word "payments" is in the Aiken bill—I accept that as the recognition of the feasibility of that device, but the Aiken bill will not allow you to apply it to any perishable commodity except potatoes.

Mr. HOEVEN. If the Aiken bill was amended and made effective as of September 1, for instance, it would meet the proposal you have in mind, would it not?

Secretary BRANNAN. No, sir; it would not. If we had the Aiken bill in force and effect today, on the commodities we are talking about today the only one we could apply payments to would be wool, because wool is a storable.

Mr. PACE. Would the gentleman yield there? For the sake of the record, Mr. Secretary, you are talking about the following language in the Aiken bill. are you not:

> The Commodity Credit Corporation shall not carry out any operation to support the price of any nonbasic agricultural commodity other than Irish potatoes, which is so perishable in nature as not to be reasonably storable without excessive loss or excessive cost.

Secretary BRANNAN. That is right, sir. That excludes all of these.

Mr. PACE. And under that language as you have stated, neither hogs nor cattle nor any other perishable can be supported under title II of the so-called Aiken bill other than Irish potatoes. You cannot support the price of hogs or the price of cattle or any other perishable commodity.

Secretary BRANNAN. That is right, sir.

Mr. PACE. That is exactly the situation.

Secretary BRANNAN. There are a couple of exceptions in there which are unimportant, but I think we might as well make reference to them. One, if you could put these perishables into storable form.

Mr. PACE. Then you would have the procesing cost.

Secretary BRANNAN. We could use it to the extent that there are any funds left in the postwar payment reservoir, and that is fast dwindling. It is below $180,000,000.

Mr. PACE. You could use some section 32 money, but you do not have much of that.

Secretary BRANNAN. Section 32 money does not allow you to make payments directly to the farmers. Section 32 money is an acquisition program for disposal at some useful source.

Mr. PACE. That is right.

Mr. Hope?

Mr. HOPE. Mr. Secretary, it is not quite clear to me as to why it would be desirable to proceed with payments on pork and not on potatoes. I understand you make the distinction that you have an operating program on potatoes and you do not have it on hogs at the present time, but still you have made the announcement to producers of a support-price program on hogs and the Department has held itself in readiness and the producers have had the right to rely on the fact that there would be a price-support program.

What is the distinction as far as your obligation to producers is concerned; which, I take it, is the reason you think you should not go ahead with the payment program on potatoes?

Secretary BRANNAN. Mr. Hope, let us approach it from a mechanical point of view. Today we are supporting the price of potatoes in the southern part of the country by withdrawing the potatoes from the market and taking them out and disposing of them in the best uses we can find. The complier and noncomplier get along just about as well.

The noncomplier comes in and sells his potatoes a little under the support level and the market absorbs them and we buy all the complier's potatoes through the Government and dispose of them. We move up into New York or Maine, we will say, for the late marketing season.

Here are the complier and the noncomplier. We tell the noncomplier under the law that we will not support the prices of his commodity because we are now applying production payments. That fellow, it seems to me, would be quite irate because he would say "I got into this business this year relying on the existing law and what you are doing to me now is very drastically penalizing me by changing the law in the middle of the season." It would be applicable to any crop which had gone into the ground.

Mr. HOPE. Do you feel that you are under a moral obligation to support the price even to the noncomplier in the case of potatoes?

Secretary BRANNAN. No; I do not feel we are under a moral obligation to him, but I think a person has the right to rely upon the law as he finds it and he saw title 1 was going to apply until January 1 and he figures he could get in with his type of operation and get out and he has done it.

I do not think we owe him any obligation, Mr. Hope, but I do think we would have a great to-do if we tried to switch this program in the middle of the marketing year, after the planting.

Mr. HOPE. To that extent there certainly is a difference in the potato program and any program you might put into effect on hogs.

Secretary BRANNAN. On hogs we have done nothing, you see. All marketers would be treated alike.

Mr. COOLEY. Will the gentleman yield there?

Mr. HOPE. Yes.

Mr. COOLEY. Did you say, Mr. Secretary, that we are now supporting the potato market by buying potatoes in the South and destroying them?

Secretary BRANNAN. Yes, sir. Excuse me, I did not mean destroying them. We are finding the best possible uses for them.

Mr. COOLEY. I thought you used the word destroy and that is the reason I asked you about it.

Secretary BRANNAN. May I change the record to say that we are finding the best possible uses for them. We are having trouble finding any uses, I must confess.

Mr. COOLEY. Are you giving some to the school-lunch programs?

Secretary BRANNAN. We are giving all that they will take. They are going to starch, alcohol, potato flour.

Mr. COOLEY. In other words, whether you are actually destroying them now or not, there is a possibility that you might have to destroy some before the program is over, is that it?

Secretary BRANNAN. That is right.

Mr. COOLEY. That is all.

Mr. HOPE. Mr. Secretary, Mr. Hoeven raised a question awhile ago which seems to me most disturbing concerning the matter of price supports by payments on hogs or any other commodity. That is how you would get the price up once it got down to a level at which consumers would take the current supply off the market.

Without marketing quotas I would think the inclination of the farmer would be to increase his production because he will be getting what would be considered a rather attractive price. He would increase his production and there would be an outlet for it, we will assume, because no matter how low the price got somebody would consume it. Would there not be a tendency for the price to go down further and further and the cost of production to become greater and greater and the necessity for restriction of production to bring the price up would become stronger and stronger? I would like to have you comment on that situation.

Secretary BRANNAN. Mr. Hope, if we are to assume that the production of any commodity can run so far beyond the reasonable consumptive capacities of the people, thinking of perishable commodities, that the production-payment plan would become highly expensive, then I think we would have to say that the production-payment plan would become highly expensive in the course of 3 or 4 years from now.

But it seems to me that when the supply of the given commodity in the market place has flown out to the genuine demand at reasonable prices for that commodity in the market place, the producers thereof ought to consider some type of limitations upon their marketings or their production, just as you now do for tobacco and peanuts and as you have authorized us to get ready to ask the producers of cotton, corn and what to do. As a matter of fact, when you speak of corn the relationship of the marketed hogs is very close to corn.

If we have marketing quotas or acreage limitations in corn it would have the effect of preventing the oversupplying of the market to the place where you would distress prices and cost the Government a lot. I think theoretically it is entirely possible that you could produce enough hogs in 2 or 3 years that it would depress the prices greatly.

But I think when that time comes, just as it can come in some other commodities, then farmers have got to take a look at their own situation and do what is appropriate to be done about it.

Mr. HOPE. Then it logically follows that there would have to be in the background some provision for controlling the marketing of hogs or any other perishable commodity that might be involved in a program of that kind.

Secretary BRANNAN. Mr. Hope, I think that is right. May I also say that under the purchase program the farmer gets the same dollar for his production and therefore the impetus to go and produce indefinitely is there just as strongly under the purchase program which is now authorized as it would be the other way. The potential losses to the Government are just as big under the purchase program as they would be under the payment program.

What causes the farmer to produce under either program is the net return to him. Therefore it seems to me he would be just as attracted to produce for $16.50, if that were the support level, if he got half of it from the market place and half from the Government, as if he got it all from either one of those two sources.

You are confronted with that problem either way. It is one that in my opinion is one of the fortunate problems with which the American economy is faced. When we think of most of the countries of this world having a deficit production problem all the time, we are really confronted in almost every commodity with a surplus-production problem.

Mr. HOPE. Do you not think there is quite a little difference between two methods of handling these things, in the case of a storable and a nonstorable commodity?

Secretary BRANNAN. There is. It seems to me that it makes it all the more important that we bring the producer into the picture somehow for the perishable commodity. Let us suppose the price went 50 percent below the price in the market place and got to cost us a billion dollars a year for support and the price to the consumer was still at the very high level. I do not think we would have a price-support program shortly after that.

What we are really trying to do is get a program which will be defensible from all angles. I say taking this pork out of the market and trying to put it in the refrigerator is going to give us all kinds of trouble.

Mr. ANDRESEN. Will the gentleman yield?

Mr. HOPE. I have concluded.

Mr. ANDRESEN. How much pork do you think you would have to buy before you would influence the price to go above the support-price level? You stated a few months ago, as I understand you, that the announcement that the British were going to purchase 60,000,000 pounds had an influence to bring the price up to the support level or above.

You have had a great deal of experience in buying wheat in particular and the Government was the main buyer of wheat in the market. Do you think you would have to buy those billion pounds that you have been talking about without bringing the support price up above $16.75?

Secretary BRANNAN. Mr. Andresen, the question has breadth and length and depth. Our example was a billion pounds over a year. That again was related to the demand in the market place at a particular time, which is related to the national level of income. I do not know how much of any one of these given commodities you have to take out of the market place. I think it is particularly hard to judge in the case of meat because meat is such an elastic item in the consumer's budget.

The housewife spends her money for about three items first—bread, milk, and meat. If meat is attractive she is buying meat in greater quantities than she is many of the other commodities. On the contrary, with our potato example, we have to take every potato out of the market over about 250,000,000 bushels. It has gone down to about 230,000,000 bushels because the inelasticity of the market for potatoes is startling.

Mr. ANDRESEN. I think potatoes would go to 50 or 60 cents a bushel if you did not support their price.

Secretary BRANNAN. They have been at that price.

Mr. PACE. May we suspend here? Mr. Secretary, I dislike to ask it but we would like to have you back for a little while tomorrow morning. We have two other commodities to cover.

Secretary BRANNAN. It is getting to be a habit, Mr. Chairman. I will be happy to come back.

Mr. PACE. It is a nice habit and we will expect you back at 10 o'clock in the morning.

(Whereupon, at 12 o'clock, the committee adjourned, to reconvene on Tuesday, June 7, 1949, at 10 a. m.)

PRICE SUPPORT THROUGH USE OF PRODUCTION PAYMENTS

TUESDAY, JUNE 7, 1949

House of Representatives,
Special Subcommittee of the
Committee on Agriculture,
Washington, D. C.

The subcommittee met at 10 a. m., Hon. Stephen Pace (chairman) presiding.

Mr. Pace. The committee will please come to order.

I would like to state the committee invited representatives of the producers of the six commodities which are now under study to appear today and tomorrow. We had hoped to conclude the Secretary's testimony yesterday. There are seven gentlemen, most of whom are from out of town, to be heard this morning. I am therefore expressing the very earnest hope that we will be able to excuse the Secretary not later than 11 o'clock.

We had not concluded on the subject of hogs. Mr. Andresen, do you have some questions?

Mr. Andresen. Yes, sir.

STATEMENT OF HON. CHARLES F. BRANNAN—Resumed

Mr. Andresen. Mr. Secretary, you made an estimate yesterday that the hog purchase program would cost around $234,000,000.

Secretary Brannan. $230,000,000 in round figures, to get about 1,000,000,000 pounds of finished pork into refrigeration. There would be a continuing charge after that time.

Mr. Andresen. Is it your estimate that would be a total loss?

Secretary Brannan. Let me say it this way: it has potentials of amounting to almost a total loss. If we can find offshore purchasers for it, then, of course, to the amount we could sell it offshore, we would recoup or offset the initial $230,000,000 of investment in the meat. But it is obvious, I am sure, to the committee—it does not even need to be said, I suppose—that you cannot sell it back into the domestic market, because if we were to sell it back into the domestic market, we would still keep the prices depressed below the support level and we would, in effect, be acting as a funnel for buying the pork and putting it back in the domestic market.

Mr. Andresen. If it is your opinion that would be virtually a total loss, that would be just as bad as killing off the pigs.

Secretary Brannan. You are under no impression that I am advocating that, are you?

Mr. Andresen. Oh, no; but I say the result would be the same.

Secretary BRANNAN. Well, it might or it might not. We are not advocating either killing the hogs or——

Mr. ANDRESEN. No.

Secretary BRANNAN. We are advocating trying to get the food into the hands of the consumers.

Mr. ANDRESEN. But I cannot quite agree with you that it would be a total loss, because it seems to me, with the Government going into the market and buying the equivalent of 1,000,000,000 pounds of pork, the tendency would be—and I think it has been shown in the past on other commodities—that the price would go up above the support price and you could dispose of some pork which you had acquired during the shorter season when not so many hogs are marketed.

Secretary BRANNAN. That, of course, is always a possibility, but the minute we start to move any of the meat back into the market place, the probable result would be to drive the price right back down below the support level, and we would be back in business again buying.

Mr. PACE. The fact about it is as soon as you put that much meat in storage and had it there available to be released it is going to have a depressing effect on the market.

Secretary BRANNAN. Its very existence may well have that kind of effect. I have not said it was a total loss, but I said it potentially could be. You might find offshore purchasers or you might find offshore uses for it through our international objectives or some such thing as that; but it is not like cotton, is not like wheat, or is not like some of the other commodities which can be stored for several years during which time you have the opportunity to look for disposable uses, to get good disposition.

Mr. ANDRESEN. Do not you think, Mr. Secretary, if you have 6,000,000 or 7,000,000 bales of cotton under either Government ownership or Government loan, that will have the same effect on the market as the chairman has indicated pork would have on the market?

Secretary BRANNAN. Well, there is a difference in the rules which apply. We do not sell the cotton back into the market except through the original owners and under careful circumstances.

Mr. PACE. I want to say I think cotton will also have a depressing effect. We have found it so in past years. When the Government owned cotton, everybody was anxious about the price of cotton. As you know, there was a law to prevent dumping it back in the market. Any big supply that is available does have a depressing effect, in my judgment.

Secretary BRANNAN. As an economic fact, it does.

Mr. PACE. That is right.

Mr. ANDRESEN. What will the support price be at the time you have to acquire this pork?

Secretary BRANNAN. If we have to acquire it in October, the support price will be around $16.50 under existing law.

Mr. ANDRESEN. For what size and what quality hogs would that be that would receive that price?

Secretary BRANNAN. That is the range we are talking about. The heavy hogs would probably go into the market place at less than that, and the choicer animals would be going into the market at a higher figure than that on the date when we fine it necessary to step into the market. In other words, you have to take the range between the qualities and types of all commodities coming into the market place. We do that in several other commodities.

Mr. ANDRESEN. I have before me here a release from the Department dated April 1 relating to the support price of hogs for this fall. I see this states $16.25 per hundred. As I understood the article when I read it, that would be on the good, choice hogs, and that would be the top. Now, would you pay more than that for good, choice hogs weighing, say, 170 to 220 pounds?

Secretary BRANNAN. You understand, Mr. Andresen, we would not buy hogs at all; we would buy the finished products.

Mr. ANDRESEN. I mean under the present program.

Secretary BRANNAN. Under the present program, we could not buy hogs at all. We have to buy the finished products. If we bought hogs in any quantity, then, of course, we really would be in the hog business, and we would have to supply lots, feed, vaccination, and all the rest of the things.

Mr. ANDRESEN. I appreciate that; but, of course, you would naturally buy the pork products the same as you are buying butter.

Secretary BRANNAN. Yes.

Mr. ANDRESEN. And the same as you are buying milk products.

Secretary BRANNAN. Yes. And whenever you buy any commodity in the finished form which comes into the market in various grades and varieties, it is almost impossible, in our opinion, to get the support price through that processor back to the producer.

Mr. ANDRESEN. In this calculation of $230,000,000 as being the cost, you contemplate a 20-percent drop?

Secretary BRANNAN. Well, we did not contemplate any drop. The computation of $230,000,000 is based simply on this buying of the finished product from the packer's door and putting it into cold storage. That is where the $230,000,000 comes from.

Mr. ANDRESEN. Buying at the support price?

Secretary BRANNAN. That is at whatever price you have to pay presumably to reflect the support price to the producers.

Mr. ANDRESEN. This $230,000,000 would be the amount that you would pay to the producer, or would that just be the cost to the Government?

Secretary BRANNAN. No; that amount would flow incidentally to the producer. The objective of the payment would be that it would by paying a specific amount per pound to the processor for the finished product—that the price would be intended to reflect to the producers $16.50 or the support level as of October.

Mr. ANDRESEN. The pork price would have to go down, then, below the support level before you would start paying the producer?

Secretary BRANNAN. Mr. Andresen, we cannot pay the producer directly at any time. I am talking about the existing program and the existing authorities and not about any proposal.

Mr. ANDRESEN. The proposal we have before us is a temporary try-out proposition. How would that be handled?

Secretary BRANNAN. Speaking of the proposal, the proposal is to allow the hogs to go into the market place under the normal practices, under the normal processes, and if the net to the producer is below the support level, on the average, then to pay the difference between the average which all farmers got in the market place for that same commodity, for the same types of commodities, and the support level, whatever that may be.

Mr. ANDRESEN. Assuming, then, the price went down to $12, average price, you would be paying the producers $4.50 a hundred, or that would cost, then, $450,000,000 if you operated on the basis of a billion pounds. Of course, I can see you would have to pay on all hogs rather than on the billion pounds as under existing law.

Secretary BRANNAN. That is right.

Mr. ANDRESEN. Have you any estimate as to the prospective cost if the price of hogs goes down $4.50 a hundred below the support price?

Secretary BRANNAN. No; but I can sit here and figure it out in a moment.

Mr. ANDRESEN. I think it would be interesting to have that figure, to give some idea as to the total cost of the program.

Secretary BRANNAN. You remember we said for the $230,000,000 we could allow prices to go down in the market place about 7 to 10 percent, and you can figure out from that, in round figures, what the additional cost might be.

Mr. ANDRESEN. You would pay it on all the hogs that were sold at $4.50 a hundred under the support price, if that was the average?

Secretary BRANNAN. Yes; if that was the average.

Mr. ANDRESEN. So, if that was 40 million hogs, it would be the poundage of the hogs times $4.50 a hundred?

Secretary BRANNAN. In that area.

Mr. ANDRESEN. Have you any estimate of the prospective cost of the trial program?

Secretary BRANNAN. Let us divide the trial program into two parts. Under existing authorities, we would only be under the trial program, say, from October, or whenever the price went below the support price, to the end of the year. Then you go under title II. Under title I, you would be supporting the price on the balance of the hogs marketed between October and the end of that year at the differential I just made reference to a few moments ago. We assume perhaps $150,000,000 would probably be the outside figure for that type of operation for that period of time.

Mr. ANDRESEN. Does Mr. Richards have any idea how many hogs will be marketed from the spring pig crop for the balance of the year?

Mr. RICHARDS. The total live weight of hogs marketed on an annual basis in 1948 was about 15,000,000,000 pounds. Now, it is pretty hard to say what it will be in the year beginning October 1949, but a figure of 16,000,000,000 is certainly not out of order, and it might be close to 17,000,000,000.

Mr. PACE. What percentage of the crop of hogs is marketed from October 1 to January 1?

Mr. RICHARDS. I would say from 30 to 35 percent.

Mr. PACE. About one-third?

Mr. RICHARDS. About one-third. It is more than a quarter.

Mr. ANDRESEN. What, then, is the total production for marketing of hogs in poundage, do you think?

Mr. RICHARDS. That was the figure I was giving—around 17,000,000,000.

Mr. ANDRESEN. And around 35 percent of that is marketed in the fall?

Mr. RICHARDS. Yes—the last 3 months of the year.

Mr. ANDRESEN. Now, as I understand it, Mr. Secretary, under your program each farmer, assuming it becomes a permanent program, would be allowed to produce up to 550 hogs and receive the support price on that number, which is 1,800 units. Do you contemplate any regulation of hog production or any controls over the amount that can be marketed?

Secretary BRANNAN. No, sir; not during the balance of this year.

Mr. ANDRESEN. But I mean on a permanent program.

Secretary BRANNAN. As I said yesterday, there may well come a time when the production of hogs might reach proportions that the American market and any potential export markets would not absorb them at reasonable prices, and on that occasion I think the farmers themselves would probably want to—and I think they should—take a look at the possibilities of limiting the production and marketing of hogs under the existing authorities which are now available to some crops. It just seems to me, Mr. Andresen, that our capacities to produce in this country are so extensive that from time to time with respect to some crops we can be producing in what amounts to a very wasteful way. I think we produced in a wasteful way with respect to potatoes this last year. That is no accusation against any farmer. Nevertheless, our great capacity to produce could lead us into some wasteful production, and I think the farmers would want to cut off when it reaches that kind of proportions.

Mr. ANDRESEN. Of course, if every farmer would go in and raise 550 pigs, you would have so many hogs that you could not have anything else in the country.

Secretary BRANNAN. That is right. But there is nothing to limit the production of commodities you can raise in 1950 or the number of hogs at all.

Mr. ANDRESEN. But under the proposal you made, you suggested a support price of $19 a hundred and also 1,800 units, which is equivalent to 550 hogs, and it would be very profitable for the farmers to increase their hog production if they could be guaranteed $19 a hundred.

Secretary BRANNAN. As you also remember, we said some items in the projection of the support price standard might be out of line because of factors which have occurred in the last few years. I think on the very first occasion of my appearance and many times subsequently we indicated hogs were probably one of the items which was out of adjustment because of a very short corn crop in 1947. Therefore, we never talked in terms of actually $19 for hogs, and I do not think the farmers would actually think in those terms. The bill we sent up here contained language which would permit us to make arbitrary adjustments in connection with corn-hog ratios or in ratios of as much as 15 percent. So I would not be too apprehensive about the $19.

Mr. ANDRESEN. Has the trial program been approved by the Bureau of the Budget?

Secretary BRANNAN. I think you will have a letter very shortly expressing their views, and I would rather not anticipate it, if I may.

Mr. ANDRESEN. Up to the present time, you do not know if they have approved it?

Secretary BRANNAN. We have discussed it with them orally, and they were aware and consented to the bill having been sent up here.

Mr. ANDRESEN. Thank you very much, Mr. Secretary.

Mr. PACE. Just a few questions. Mr. Secretary, there are two things I want to get your considered judgment on that have been brought to my attention repeatedly. You touched on one of them yesterday.

Is it your considered judgment that in the event the production payment plan is used on hogs, it would not have a material effect on the marketing of other meat products; is that your considered judgment?

Secretary BRANNAN. Mr. Chairman, I think I would be willing to state it just about that way. I would like to amplify it by stating this, that unless there was a very drastic immediate drop in the price of hogs, we would not expect any appreciable sympathetic reflection upon the price of beef animals.

I also would like to say this, that while there might be some sympathetic effect on it which we would not contemplate, at least which the livestock growers would not contemplate, with too much pleasure, nevertheless a choice has to be made here between some type of operation which is palatable to all the people and a type of operation which we have before us which, in my opinion, will be most unpalatable to people. And you have a selection between alternatives, neither one of which is wholly attractive.

Mr. ANDRESEN. Would it not depend entirely on how low the price support might be as to whether or not consumption would be increased to such an extent that, by causing a shift in the diet of people, if they buy more pork, they will buy less beef? Is not that right—and that depends on the price of pork?

Secretary BRANNAN. No, sir; I do not think that follows necessarily. They might buy less of a lot of other commodities. The things which will control the price of any one of those commodities is the amount of offerings in the market place at any particular time. Surely there will be a sympathetic relationship between the two commodities, but there are other factors which are equally controlling and, in my opinion, much more controlling. They would be the volume of marketings at any particular time, on the one hand, and the demand, pressure, or activity of the demand, on the other hand.

Mr. ANDRESEN. You are expecting a large marketing in the fall, in October, which is going to bring the price of hogs down below the support price. That is why this legislation is being considered here.

Secretary BRANNAN. Yes. Let us assume, also, at the same time there was a very light marketing of beef cattle—and I am not predicting any such thing at all—the light marketing of beef cattle might very well offset any adverse sympathetic influence that the price of pork would otherwise have had on beef. In short, it is not a simple problem where you can just take two factors and set them in juxtaposition and say if you move one an inch, the other one reflects a comparable move of an inch or a quarter of an inch. There are many, many factors all the way across the board that will bear on the price movement of any commodity at any time.

Mr. PACE. The other question takes you into the field of speculation, surely; but, drawing upon your experience, would the announcement of a production payment plan on hogs or any other commodity have any psychological effect upon producers and buyers? I mean to say would there be any feeling that "Well, we get the difference; so what does it matter?" Would it have any effect in restraining smart bargaining, you might say, in trying to get the best price?

That statement has been made, and I want the benefit of your experience.

Secretary BRANNAN. Mr. Chairman, it has to be anticipated—and very rationally, I think—that the use of production payments would encourage each producer to try to bargain for the best possible price in the market place and to produce the best possible quality of hogs, because it is not a differential between what he got in the market place and the support standard, but he gets the difference between the average of all of them, and if the differential is $3 between the average and the support level, and that $3, let us say, represents $12 or $14 and the particular individual comes into the market and, by good bargaining or selecting the day of his marketing, can get $14.25, then his net for that year on his marketing is $3.25.

Mr. PACE. Or better than the support price.

Secretary BRANNAN. He is getting better than the support price, which is an encouragement rather than an opposition.

Mr. PACE. One other question and I am done. If the committee should authorize the hog program as covered by H. R. 4485, would it or not be feasible for the committee to put in there some authority whereby, if necessity arose, you could have some voice in the marketing? I mean to say, I am told that, without rhyme or reason always, there is always a rush to market at a certain period; that there is usually a rush to market on Monday of each week and that that contributes, where the supply is abundant, greatly to the breaking of the price. Do you feel the need, would you want the authority, even though it is quite limited, where you could persuade producers not to flood the market on one day and whereby there could be orderly marketing throughout the country?

Secretary BRANNAN. I agree with the premise you just stated, that, unfortunately, producers do come into the market in bulk at times when it would be smart for them to have the marketing in the aggregate on a more orderly pattern. But I have misgivings about the Department of Agriculture or anybody else trying to tell them when to market. The only approach that I feel we ought to try to make to it would be through normal educational channels, through the use of the Extension Service and the other production and marketing facilities that we have for getting good information into the hands of farmers.

Mr. PACE. I am certainly not going to press the point, but I can see little difference in having marketing quotas where you can tell me that I cannot plant but 10 acres of cotton and, in turn, where you have no marketing quotas but have a support price program, of at least telling the producer to be reasonable about his marketing methods, to be efficient about them, and do not dump all of his product on the market in one day. I do not see any difference between the control features, and I do not see that one is any more unreasonable than the other. I realize the packers probably would complain, but what if they do? They have never produced a hog throughout their experience.

I am not going to press the point, but I can see no great objection to at least asking the producers to keep within reasonable limitations, the same as you ask those you put under marketing quotas to keep within reasonable limitations.

Secretary BRANNAN. I would like to make clear if such language is in the provisions we would do our very best to administer them in the most equitable and efficient way we could.

Mr. PACE. I do not know whether it is practicable, but it has been brought to me, and I wanted the benefit of your judgment.

Now Mr. Murray has some questions.

Mr. MURRAY. What is the estimated production of hogs on the farms in pounds in 1949?

Mr. RICHARDS. Mr. Murray, the number of pounds of live weight in 1948 was 15,500,000,000.

Mr. MURRAY. According to table 10 on circular 670, there was a production of 18,000,000,000 pounds of hogs.

Mr. RICHARDS. Well, the production, of course, includes hogs slaughtered on the farm.

Mr. MURRAY. That is right.

Mr. RICHARDS. And marketing is what we are interested in.

Mr. MURRAY. And the beef production in the United States is the same amount—18,000,000,000 pounds—according to this circular.

Mr. RICHARDS. Yes, sir.

Mr. MURRAY. Mr. Secretary, frankly, if you are going to put this in operation on hogs, from a lifetime of experience in the livestock business—not that my opinion is of any great value to anyone but myself—we might just as well take the payment plan hook, line, and sinker. If anything happens to the price of pork, regardless of what any of your economists might tell you, temporarily it may not be true, but in normal times we cannot lower the price of pork without also lowering the price of beef.

Of course, the beef people are not in the picture, and evidently, from their testimony here, they do not want to be in the picture. And then on imports, we have had the first 8 months of this year 10 times the number of cattle coming into the United States, beef cattle, as we had in first 8 months of the last year. And how are we going to keep from having the price of beef go down and all of the other livestock products? I cannot see how you can take the position that if hogs go down to 10 cents a pound without any marketing responsibility on the part of the farmer that it won't have a bad effect on the price of beef.

Secretary BRANNAN. I think, Mr. Murray, we have agreed—I agreed— that there is a sympathetic relationship.

Mr. MURRAY. I thought so yesterday, but today you did not think there was a sympathetic relationship.

Secretary BRANNAN. No, sir; I am still agreeing there is a sympathetic relationship. I am saying, however, I do not think that sympathetic relationship is of the character of the Siamese twins at all; that there is considerable latitude and flexibility or delayed reaction, or however you might want to describe it, between the change in the price of hogs and the change in the price of the other meat animals.

I also want again to say to you that I do not think that one factor alone is the controlling factor; that you have to weigh the other things which bear upon prices all the time, namely, supply and demand in the specific commodity, because the rules of supply and demand are operating in beef just as well as they are in pork. As soon as you take the position that beef and pork are interchangeable, tastewise and otherwise, and in attraction to the American consumer, then you have to recognize the supply and demand factor in each commodity, and I do not think they are interchangeable in any way, shape, or form.

Mr. GRANGER. Let me ask a question there. Mr. Secretary, lamb would also be in the same category as beef, would it not?

Secretary BRANNAN. It would, sir. And the relationship would even be less, in my opinion.

Mr. MURRAY. You only had 4 billion pounds of lamb and 18 billion pounds of beef.

Mr. GRANGER. But, coming back to this question of prices, when the market broke on hogs and reached their lowest point, lambs went to the highest point they have ever been in history.

Mr. MURRAY. And the answer to that is that lambs went much above parity and hogs did not.

Mr. GRANGER. It does not make any difference; if your theory works, it would work there. It was a matter of the supply of lambs.

Mr. MURRAY. That is right; because they killed them all off in the last 6 years and are then talking about spending all of our money on soil-depleting crops. I cannot help it if you killed off all of the sheep. I did not kill them off. The trouble is all these years you killed so many they did not have them to sell.

If we are going to put into operation this plan you ask for—I do not care if it is only on hogs—the thing that worries me and I think would worry anyone else who has been very close to the livestock industry is I can see where we can start a lot of things that we cannot quit. And if we go to work and if the Agriculture Department or the Agriculture Committee wants to take the responsibility, without putting any marketing responsibility on the farmer at all or the producers of this commodity, and they go on the market and get the price down—and prices must be going down or else you would not ask for these funds to pay the difference—and then we run out of "soap"—and if you have read a Congressman's mail in the last 30 days, 9 out of 10 letters say they do not want to spend money—and if we run out of money and cannot pay the difference, we have the prices down, and I would like someone to tell me how you are ever going to get them back up again.

Secretary BRANNAN. I just rely on the law of supply and demand to get them back up. Also, as I have answered here earlier, I have said to you and said to the committee a couple of time that there is a point beyond which production of many of these commodities would become wasteful, at which time the farmers should take some cognizance of their responsibility to avoid waste by controlling their production under the machinery which is now provided for a number of the basic crops.

Mr. MURRAY. Livestock products up to this time have not cost Commodity Credit Corporation anything, have they—any losses?

Secretary BRANNAN. Except wool.

Mr. MURRAY. That is correct—which probably was caused by the fact of our being the only country buying. In other words, I do not think the support program should be buying rancid butter, just because they are buying butter; that there should be some qualifications to support it.

Now, wheat is selling, according to Senator Thomas, about 20 percent below the support price at the present time in Oklahoma, Texas, and the Southwest; hogs are selling at between 20 and 25 percent above the support price today. Why don't we have the first try-out on that; why don't we try this out on wheat first?

Secretary BRANNAN. Because wheat is a storable commodity, and we can put it in good and adequate storage, I hope, next year, and not be required to have to deal with it in the same fashion as we are some of the nonstorables. I am not saying to you that some day the committee might not want to look at that problem, but that is one which we are not suggesting for consideration at all. Let us deal with the problems we think we are confronted with and for which we do not have adequate opportunities to handle.

Now, if the President signs the Commodity Credit Corporation bill, we hope we will be able to step into the wheat situation and rectify the low price or at least restore it to the support level, or, to put it another way, give the farmer the type of protection to which the statute said he was entitled.

Mr. MURRAY. Regardless of what the present program costs in connection with meat animals in the United States, properly administered, it will be infinitesimal compared to the amount of public funds poured out for bad or good reasons, of the billion dollars that indirectly came out of the taxpayers' in connection with the wheat program last year and the half a billion in connection with cotton. And I do not see why everyone seems to want to get after the livestock industry. I should think there is one industry that has carried its own load in American agriculture and has been discriminated against the last 15 years.

Secretary BRANNAN. All I have to say to you is that if the price of hogs goes below \$16.50, the support level in October, what do you say the Department of Agriculture shall do?

Mr. MURRAY. That is a good question.

Secretary BRANNAN. That is the one we have been talking about for 2 days.

Mr. MURRAY. I will give you the answer to that one, and that is, first of all, section 32 funds are buying a lot of cotton and then we import \$5,000,000 worth of apples and export \$4,000,000 and spend a million dollars trying to get rid of our surplus apples. I would check over section 32 funds and spend a dollar or two on meat. In 1948 you never spent a dollar on meat products, as I have ever found, in operating under section 32. There is no reason why it would be sacrilegious to use a little of section 32 funds for meat. The goal was 60,000,000 hogs for 1949, and only 50,000,000 for 1948. The hog farmers produced only 101 percent of the goal in 1948.

Secretary BRANNAN. Let us say we spent all of section 32 funds—and you know there are statutory limitations against that——

Mr. MURRAY. Yes.

Secretary BRANNAN. Let us say we spent them all on meat. Then what would we do?

Mr. MURRAY. There would be \$147,000,000, and I do not imagine you can use over 25 percent under the law; but, at least, assume you used them all. There would be that much less for the market to take.

Secretary BRANNAN. Let us say we spent all we can under section 32. Now what would you do?

Mr. MURRAY. No. 2 is I would take off export controls that are going to expire on June 30, anyway.

Secretary BRANNAN. For all practical purposes, on meat they are off now.

Mr. MURRAY. They are?

Secretary BRANNAN. They are. Do you know anybody offshore that wants to buy meat that cannot buy it today in the United States?

Mr. MURRAY. No; except they can buy it cheaper some place else; they can buy it cheaper in Argentina. And the same on cotton. And that is the trouble; our support price is higher than the world price, and that is the reason we import in pounds, bushels, and tons more agricultural products this year than last year.

Secretary BRANNAN. Would you advocate that we drop the support price to the Argentine level?

Mr. MURRAY. I have not said anything about that. I would live up to the law, first of all. I would spend my time following the law we have. I would figure out, in connection with the support price of milk, that $1.50 multiplied by $2.46 equals $3.69, and 90 percent of that is $3.21, and then I would know what the support price of milk was, and that would not be $2.40, $2.50, and $2.60 a hundred that they are getting at the present time in many sections. I would do that first.

I do not want to say anything more about that. You know there is nothing personal in what I say to you.

Secretary BRANNAN. No.

Mr. MURRAY. And I compliment you on one thing you did; you did admit that the New Deal part of the program did not make sense, because twice in your testimony you called attention to the fact that only 25 percent of agriculture was covered and you wanted to take care of the other 75 percent. I liked that point. I said "Here is a man who is going to look after livestock." I did not think you were going to reverse and have me change my opinion so quickly.

Mr. PACE. Shall we leave hogs now and go to the next commodity?

If there are no further questions on hogs, we will take up eggs next.

Is there presently a support price on eggs?

Secretary BRANNAN. Yes, sir.

Mr. PACE. What is the support price?

Secretary BRANNAN. The support price on eggs is around 35 cents a dozen at the farm.

Mr. PACE. How has that support been maintained—through the purchase of what?

Secretary BRANNAN. Through the purchase from driers of dried eggs.

Mr. PACE. What has been the cost annually in the last 2 or 3 years?

Mr. WILLIS. In 1937, it was $13,209,000; in 1948, it is $25,928,000; and estimated for 1949, it is $7,760,000. That estimate for 1949 was a budget estimate that was given to the Appropriations Committee in February. Since that time that figure would be increased.

Mr. PACE. Those losses in 1947 and 1948 are total losses—or is that the amount purchased?

Mr. WILLIS. Those are the amounts of losses as a result of the purchases.

Mr. MURRAY. He said 35 cents a dozen at the farm. That does not mean a thing to me, because what kind of eggs are you talking about? You grade eggs; every farmer I know grades eggs. What is that 35 cents a dozen for—any kind of eggs—pullet eggs, large eggs, or small eggs?

Secretary BRANNAN. That is the same situation with respect to every other commodity. You break out a mean good average and apply the price to that and then vary it in one direction or the other. If you want it, we will put in the record a list of the grades, sizes, and all the rest of it.

Mr. MURRAY. That is what we should know, because you know every farmer grades his eggs.

Secretary BRANNAN. The farmer does know it; it is his business to know it.

Mr. MURRAY. Thirty-five cents is the base floor for standard eggs?

Secretary BRANNAN. Yes.

Mr. PACE. Are purchases now being made?

Secretary BRANNAN. Yes, sir.

Mr. PACE. Would you or not suggest that the production payment method be used this year, then? Is that comparable with potatoes?

Secretary BRANNAN. The amount of purchases have not gotten too large so far, and we are in the middle of a program, and we felt as though we probably ought to make it a general transition at a specified time rather than to try to break the program in the middle.

Mr. PACE. You would not, then, recommend that the egg program be used this year?

Secretary BRANNAN. That is right.

Mr. PACE. In the event the program could be used on eggs in 1950, are you prepared to give the committee any estimate of the cost of the payment plan?

Secretary BRANNAN. We would estimate it under various possibilities as running from around $331,000,000 to $367,000,000, assuming we would be in the program all year long and that the price of eggs would never go above the support at any time during the year.

Mr. PACE. That is, the total cost would be three-hundred-and-some-odd-million dollars?

Secretary BRANNAN. Yes, sir.

Mr. PACE. As compared with the present loss of $25,000,000 last year?

Secretary BRANNAN. Yes. But may I point out this very important distinction? The reason the losses are quite small these past 2 or 3 years rests on the fact that we have had outlets for the dried eggs that we have been able to purchase. We have put them in the school lunch program; we have sold them to the Army and have sold them to many offshore purchasers. But now those sources of sales are beginning to dry up and have practically dried up; so the investment we put in the egg program now means or represents the potential loss of almost all of the money that we may put into the program, unless we can find some offshore man with a lot of dollars who will buy dried eggs.

We do keep them stored in frozen form until we get ready to process for export.

Mr. MURRAY. I would like to explore those section 32 funds once more. As long as eggs have not been bought under section 32 for the school lunch program——

Secretary BRANNAN. We have put eggs in the school lunch program.

Mr. MURRAY. In a certain form—and that is the only livestock product that has ever been bought with section 32 funds; $3,000,000 last year out of the 1949 bill. I wonder what is the possibility of using fresh eggs in connection with the school lunch program and getting out of the expensive process of powdering.

Secretary BRANNAN. You jump at the conclusion that powdering now is a very expensive process, but the handling, refrigeration, and transportation under refrigeration of fresh eggs is more expensive than dried eggs. You remember the school lunch program is of a character of putting reasonably small quantities in many, many places, and it is just not feasible to handle commodities which require refrigeration and storage in that type of way. As a matter of fact, I think as and when we begin to put meat into the school lunch program, we will probably have to have it canned meat or some other process to make it storable.

Mr. PACE. If there are no further questions on eggs, I will ask you now about chickens. Do you have at present a support price program on chickens?

Secretary BRANNAN. We do not have one. I think we have an obligation under the present law to support chickens, but we are not now buying under that obligation.

Mr. MURRAY. They are much higher than the support price, are they not?

Secretary BRANNAN. That is right.

Mr. PACE. What has been the cost during the last 2 or 3 years of the support program on chickens?

Secretary BRANNAN. We have not had any cost on the support of chickens, I think.

Mr. PACE. Do you recommend that the chicken support program be based on the payment plan?

Secretary BRANNAN. It is our recommendation that for the time being, even if we had authority to support both eggs and chickens, that we would operate in eggs as long as it was effective to support both chickens and eggs. In other words, they are so closely related that the operation in eggs alone, we hope, would be satisfactory, would be sufficient to support the price of chickens or to keep chickens from getting out of line.

Mr. PACE. Would it have that effect so far as the commercial chick producers are concerned?

Secretary BRANNAN. I am not sure about that. You are talking about the broiler industry?

Mr. PACE. No; about chicks.

Secretary BRANNAN. About baby chicks?

Mr. PACE. About baby chicks.

Secretary BRANNAN. We are not operating in that area.

Mr. PACE. And never have?

Secretary BRANNAN. No, sir.

Mr. WHITE. Mr. Secretary, I understand you propose to operate in turkeys, in price support this year. Am I correct in that understanding?

Secretary BRANNAN. Yes. I think we have a statutory obligation to. As a matter of fact, we have a statutory obligation to operate in almost every kind of fowl.

Mr. PACE. Are there any questions on chickens?

Mr. HOEVEN. Mr. Secretary, I understand, then, you are not recommending that chickens be made a part of the experimental program. Is that right?

Secretary BRANNAN. Our feeling is that if it is put in the law, I would say right now to the committee if we put in an experimental program, we would operate in eggs as long as that was the feasible and practical way of getting the job done for both eggs and chickens.

Mr. HOEVEN. Then you have changed your position on that since yesterday?

Secretary BRANNAN. I did not intend to.

Mr. HOEVEN. As I recall, in response to a question by Mr. Albert——

Mr. ALBERT. He changed it right after that.

Mr. HOEVEN. What I was trying to get at is yesterday you did list chickens as the No. 6 item in your proposed experimental program.

Secretary BRANNAN. Yes.

Mr. PACE. He was listing the six items put in the experimental program, and he listed chickens last.

Mr. HOEVEN. I wanted to clear that up.

Secretary BRANNAN. We were called on to talk about six items, and I put chickens at the very end.

Mr. HOEVEN. That you were going to propose chickens as part of the experimental program? Was not that proposed in your listing of yesterday?

Secretary BRANNAN. No.

Mr. PACE. Let us get that straight for the record. The six commodities were put in that order by the committee; he did not put them in that order.

Mr. HOEVEN. But in response to a question by Mr. Albert, he listed them as potatoes, hogs, wool, eggs, milk, and chickens in that order.

Secretary BRANNAN. That is right.

Mr. PACE. The point I am trying to make is that the Secretary did not suggest these six; the committee suggested these six commodities.

Mr. HOEVEN. That is true; but in response to a question by Mr. Albert, the Secretary listed them in the order I indicated.

Mr. PACE. That is right; he listed the six.

Secretary BRANNAN. And, as I remember, the preface to the question was "If you were only to have two or three, how would you list them?"

Mr. PACE. Are there any further questions on either chickens or eggs?

If not, we will go to the last item.

Mr. O'SULLIVAN. I do not want Mr. Murray's remarks to be passed over without making an observation on the matter. I think it is important.

It is my thought that this barrage of economy mail mentioned by Mr. Murray is not of spontaneous origin but has been instigated by professional whooper-uppers and that we are now experiencing the full impact of Government by propaganda from an entity which is now outside the political portals, shivering with a combination of "ousters ague and malaria" and longing and striving to get back into the political pilothouse of Government.

Mr. MURRAY. Of course, this is the first politics that has been brought into it since we began.

Mr. HOEVEN. I ask unanimous consent that all members of the committee may insert their remarks at this point in the record if they care to reply to Mr. O'Sullivan's political speech.

Mr. PACE. Without objection, it is so ordered.

We will now turn to milk.

Mr. COTTON. Before you turn to milk, I want to ask the Secretary: I understand from what you just said that you have finally settled the question of which comes first, the chicken or the egg.

Mr. PACE. At least, at this hearing he put chickens last and he put eggs first.

Mr. Secretary, do you now have a support program on milk?

Secretary BRANNAN. Not directly on milk, but we are now buying dried skimmed milk and butter in an effort to maintain a reasonable relationship between the price of milk in general or dairy products in general and what would be a support level.

Mr. PACE. Under paragraph (b) of title I of the Agricultural Act of 1948, you are obligated to support milk and its products at 90 percent of parity. Is the program you are now carrying on having that effect?

Secretary BRANNAN. We think it is.

Mr. PACE. You are now in the midst of that program?

Secretary BRANNAN. Yes, sir.

Mr. PACE. What does it cost?

Secretary BRANNAN. We are buying those commodities for resale, and we have resold them as fast as we have been able to buy them. So the only expense so far has been the handling charges.

Mr. PACE. What has been the cost of the program in 1947 and 1948 of the support price of milk and its products?

Secretary BRANNAN. None in either year.

Mr. PACE. Are you prepared to make an estimate as to the cost of carrying out the support price under the production payment plan?

Secretary BRANNAN. We made an estimate, Mr. Chairman, in my supplemental statement of April 25, in which we indicated that for every cent of reduction it would probably cost in the neighborhood of $150,000,000.

Mr. PACE. Do you not recommend that for this year that program be changed and the production-payment method be used?

Secretary BRANNAN. We did so recommend, Mr. Chairman.

Mr. PACE. If authority was granted, you would immediately change the program to the production-payment method?

Secretary BRANNAN. Not during the current year.

Mr. PACE. But you would undertake it next year?

Secretary BRANNAN. We would, sir.

Mr. PACE. Do you recommend that you be given the authority to undertake that on milk?

Secretary BRANNAN. Yes, sir; I would like to see the authority there. I am not prepared to say that if the present type of operation was going along satisfactorily we would immediately resort to it.

Mr. PACE. In fact, to make it perfectly clear, Mr. Secretary, your recommendation is that you be permitted to authorize the use of either the purchase program or the payment method, whichever would get the best effects?

Secretary BRANNAN. That is correct, sir.

Mr. PACE. And if only authorization were given on three of the commodities which have been mentioned, you would not include milk as one of those?

Secretary BRANNAN. No, sir.

Mr. PACE. I believe you listed potatoes, hogs, and wool as the first three.

Secretary BRANNAN. Yes, sir.

Mr. PACE. And that is still your view?

Secretary BRANNAN. Yes, sir.

Mr. PACE. Are there any questions on milk?

Mr. ANDRESEN. Mr. Chairman.

Mr. PACE. Mr. Andresen.

Mr. ANDRESEN. As I understood you, Mr. Secretary, you said there was no need to have a trial run on milk and dairy products for this year?

Secretary BRANNAN. That is right, sir.

Mr. ANDRESEN. So for the purpose of this legislation it is not necessary to put that authority in there that you can go ahead and pay support prices on dairy products?

Secretary BRANNAN. That is correct, sir. It was my impression that we were talking not only about the hog price support bill for the balance of the calendar year 1949, but that we were also talking about an experimental program in 1950.

Mr. ANDRESEN. That is not my understanding. My understanding was that here we are going to have a large marketing of hogs in October and November and that you could not handle the hogs.

Secretary BRANNAN. We cannot handle them in October and we cannot handle them after the first of the year either if we get excessive marketings. So the discussion of hogs is applicable both to the balance of the calendar year 1949 and from then on, as far as I am concerned.

Mr. ANDRESEN. But you would like to have the experimental program for milk authorized in this legislation so that you can carry it on during the flush season in 1950, is that right?

Secretary BRANNAN. That is right.

Mr. ANDRESEN. I think it has been demonstrated that the present program works quite successfully. You have not had to take on any butter as a permanent holding.

Secretary BRANNAN. That is right, but I think Mr. Holman will probably have some different points of view about it. It is not unanimously agreed that it is working and that it will work in all periods of time.

Mr. ANDRESEN. Of course, some of us from the dairy section would like to see a higher support level but the present program seems to be satisfactory to a good many of the dairy farmers.

As I see it, it is working out rather well as far as costs are concerned.

Secretary BRANNAN. As long as we can find sales for the dried milk that we have to purchase in this semisupport operation, then I think we ought to continue as we are doing.

Mr. ANDRESEN. Is the sale of the dried skim milk mostly in the foreign market?

Secretary BRANNAN. Army and foreign markets.

Mr. ANDRESEN. And the butter that you have acquired has been resold for domestic use?

Secretary BRANNAN. It has been applied partly in the school lunch and so has the dried milk but the balance of it has also been foreign sales.

Mr. ANDRESEN. That is all.

Mr. MURRAY. Just one question, Mr. Chairman.

If you bought all the skim milk produced in the United States it would only cost $75,000,000, according to last year's production. If you lose it all it would look pretty small in comparison to the losses on a lot of these other commodities.

Mr. Secretary, if milk brought $1.50 a hundred in evaporated milk plants in the base period, with the factor at 246, the parity price of milk would be $3.69; 90 percent of that would be $3.21, according to the arithmetic that I learned in the grades. That is the legal and lawful support price for milk according to the present law. Evaporated milk is one of the products of milk. The evaporated milk people in the United States today do not get $3.21 per hundredweight and are losing 40 to 60 cents per hundredweight.

In other words, the milk that goes into manufactured products this year is bringing at least $100,000,000 less than what the present law states, according to the way I figure it. I have tried to cooperate in every possible way with your Department in working this out. I do not play politics with agriculture. I leave that out of it. It would not make any difference to me who was down there as Secretary. I think I am absolutely right on that.

I would like to know why we are not following the present law. That is the reason I cannot project my thinking into these new laws. I would like to understand the way the law is applied now.

Secretary BRANNAN. Mr. Andresen seemed to indicate that he thought it was operating satisfactorily.

Mr. MURRAY. Yes. Maybe that is all right because Mr. Andresen happens to come from a country where they are tickled to death to get that, but you want to remember that prices are higher in Wisconsin. His milk has been as low as $2.40 out there. Milk in my State averaged $2.85 in March. He might be better satisfied with his butter set-up than I would be on the evaporated milk because evaporated milk has always brought more per hundred pounds than has the milk in butter and powder form.

Mr. ANDRESEN. Will the gentleman yield?

I think I did say, Mr. Secretary, that the farmers thought they ought to have a higher support price. I said it was working very satisfactorily and I meant there that it was satisfactory to the Department because it was not costing the Government much of any money to handle the program. I did say that a good many of our farmers were happy to get as much as they were getting. I suppose as long as the law is administered the way it is, we will have to be satisfied.

Mr. MURRAY. All I want, Mr. Secretary, is to follow the law. When it says $1.04 or $3.69, I want to follow the law. If we do not do that, we just put ourselves into jeopardy as far as the future is concerned. There is no use having it on the book if we are not going to carry it out. That is my great grievance and has been since the 1st of January.

Mr. PACE. Is that all?

Mr. MURRAY. That is all.

Mr. PACE. Mr. Secretary, we may later find it necessary to call on members of your staff to advise the committee on details. We know how busy you are and we are greatly indebted to you for coming here and aiding the committee. You may now be excused, Mr. Secretary. Thank you very much.

The next witness if Mr. Mark W. Pickell, the executive secretary of the Corn Belt Livestock Feeders Association; Mr. Pickell, will you come around?

STATEMENT OF MARK W. PICKELL, EXECUTIVE SECRETARY, CORN BELT LIVESTOCK FEEDERS ASSOCIATION

Mr. PICKELL. My name is Mark W. Pickell. I am executive secretary of the Corn Belt Livestock Feeders Association, with executive offices at 176 West Adams Street, Chicago. This association was formed by the State livestock feeders association from Ohio on the east to Kansas, Nebraska, South Dakota on the west. Its president is C. B. Watson, of DeKalb, Ill. The first vice president is Herb. Barr, of Leoti, Kans., and the second vice president is E. H. Mattingly, sheep breeder near St. Louis, Mo.

We are opposed to the proposed program of subsidizing hog marketing on three bases, viz:

(1) It is completely impractical of application.

(2) It would be completely disastrous to the balance of the livestock feeding industry.

(3) Its cost could run well over a billion dollars and might come to $2,000,000,000.

Discussing these three points, before we make some suggestions as to what should be done, we offer the following:

I It is completely impractical of application.

Last week the manager of one of the largest commission firms in the country, a firm that operates on 10 different markets, phoned me to say that an investigation disclosed that 61.8 percent of all of their consignments of hogs during the month of April had been in lots of 10 or less. I will confess that I was surprised. I did not think the shipments would be that small per customer. So I checked on it, getting reports from seven of the largest commission houses on the St. Louis market, five at Omaha, one at Kansas City, four at Sioux City, and four at St. Joseph. These reports, however, showed that the statement of Alan Wilson of John Clay & Co. was conservative. The average of all of these other reports showed that 65 percent of all of the consignments of hogs to the stockyards during April were in lots of 10 or less.

This is very important from the viewpoint of practical application of the proposed Brannan hog subsidy program.

Last year only 40.2 percent of all of the hogs slaughtered under Federal inspection were purchased at public stockyards. So of the total of 47,614,000 hogs slaughtered under Federal inspection, approximately 19,140,000 were purchased at the yards. If 65 percent of these were sold in lots of 10 or less, it would mean that there was a minimum of 1,244,000 consignments, each of which would need to be checked before checks would be written in payment of the subsidy. The other 6,000,000 head were sold in consignments averaging not over 25 per head. So there would be at least another 260,000 consignments there. That means that a minimum of 1,500,000 sales made at the stockyards would need to be checked before checks could be mailed.

That would be just a small beginning.

The official records show that last year 59.8 percent of the hogs slaughtered under Federal inspection were purchased at points other than at the organized stockyards. That would mean 28,473,000 head were purchased by packers under Federal inspection direct from the farmer or at their concentration points.

Now, the big appeal of the direct purchases or the sales at the concentration points is that these points are located close to the farm. The farmer can load just a few head, haul them a short distance and sell them. While no figures are available, inquiries would indicate that the average number of hogs sold per farmer at the concentration points or in direct shipments would be less than 10 all the way through. That would mean at least 3,000,000 more separate consignments that must be checked, before checks could be mailed. And surely neither you nor the Appropriations Committee would permit the mailing of these checks without a complete check.

That would make a minimum of 4,500,000 separate sales to check before checks could be mailed. When this was done the Government officials would just barely have started.

On January 1, 1948, there were 55,038,000 head of hogs on farms. The 1948 spring pig crop was estimated at 51,286,000 head. The fall pig crop was estimated at 33,915,000 head. Adding the pig crop to the supply on farms at the start of the year would give a total supply for the year of 140,319,000 head. Of these as stated, 47,615,000 head were slaughtered under Federal inspection. At the end of the year, or on December 31, 1948, there were 58,235,000 head still on farms. So there was a disappearance during the year, other than under Federal inspection, of 32,469,000 head. That other disappearance was equal to 70 percent of the disappearance under Federal inspection.

What became of those 32,469,000 head? Some of them died. Just how many, no one can possibly say. It is safe to surmise, however, that if there is a subsidy paid on hogs, very few hogs of the future would be found to have died natural deaths. The Government pig reports and the estimate of the number of hogs on farms show they were there originally. They are a potential on which the subsidy would need to be paid.

Many of the disappearances of 32,000,000 head were in sales, 1 head at a time, to the local butcher. But if a subsidy were paid, each such sale would need to be verified before the subsidy check could be mailed. Many more of the sales were one head at a time to renters of locker space.

Here again, each sale would need to be verified. And under that Government regulation could they force me, as a renter of locker space, to turn over to them my records showing whether I had bought only 1 hog or had bought 15 or 20 hogs during the year? If I gave my buddy a slip showing that I had purchased 15 hogs from him for use in collection of the subsidy, how could they possibly prove that he did not raise that many hogs to maturity, or that I did not buy them? He might easily produce substantiated evidence that he had bred a certain number of sows, and claim an unusual average of pigs saved per litter. And remember, that there was a disappearance last year of 34,000,000 head of hogs over and above the inspected slaughter. The proposal is simply wide open to fraud.

It is estimated that farmers slaughter for their own use 12 to 13 million head annually. But if the hog market declined, as it would, until there was a subsidy paid on all hogs slaughtered for consumption, would I butcher my own hog? Certainly I would not. I would buy my hog to butcher from my neighbor, giving him a bill of sale on which to collect the subsidy. This would make some 12,000,000 more sales that would need to be checked before checks could be sent to cover. What an army that would take. What a chance to build up a bureau that would outrank every other bureau in Washington. And what a bill would be added to the net cost of meat to Mrs. Consumer.

There would undoubtedly have to be a deadline on this bonanza. It would only hold good up to a certain date. The Treasury could not stand for it to run too long. So what would I as a hog producer do before that deadline?

I would sell every hog on the place. It might take some scurrying around among my neighbors to find one who had an equal number with me, and of the same breed. Or it might be necessary for my original herd to change hands two or three times before I got them back in my name. But how often is the opportunity given you to sell your hogs to your neighbor and buy his, then sell his back to him and buy yours back, and both of you profit by many hundreds if not thousands of dollars?

There again would be million upon million of sales to check before checks could be mailed.

I am sure that the impression prevails among farmers that all they would need to do would be to take their sales slip to somebody immediately after the same was made and collect enough money to bring their dollar return on the farm up to levels that prevailed during the war. They do not understand nor appreciate that no one would know until the end of the marketing period how much the subsidy would be. They would not know until that time and until they had gone with their sales slips to the proper authorities, agreed to abide by any and all orders issued from Washington as to the operation of their own livestock program, and had run the gantlet of the supposition that their claim for the subsidy was wrong or crooked until it could be proved right before they would eventually get that check, so they would know how much their hogs actually brought.

The sale of the farmer to the local butcher or to the renter of locker space is just as legitimate as his sale to the packer. So I cannot see but what there would be a minimum of 16,000,000 sales to check before the subsidy checks could all be mailed. This checking program would not start until after the beginning of 1950 at least. It is very doubtful to me that that number of sales could be checked and the final checks mailed out before election time of 1950.

Now, it might be argued that restrictions could be thrown around this program eliminating some of this checking. For instance, a suggestion might be made that payments of the subsidy would be limited to sales of hogs for slaughter. Such limitations are completely impractical.

As a hog producer, I might sell two or three hogs to a local buyer. He is not a slaughterer. He sorts my hogs in with those of other producers bought in a similar manner, and sends them on to an organized market. Here they might again be sorted and a few of the shipment go to a slaughterer, while the balance went east. In the East it is possible that some Maryland farmer might desire to replenish his herd and buy some of these hogs to get on the gravy train. Would the subsidy be denied to the original producer of those hogs? Would those Government inspectors be expected to follow each such shipment to make sure that the hogs were actually slaughtered? And if that Maryland farmer bought some gilts, raised some pigs, and then sold his gilts, would he be denied a subsidy?

Many farmers of Wisconsin, the Dakotas, and Arkansas in particular have a climate very suitable for raising young pigs but do not have the climate nor the feed to finish them up. They perform a real service to the consumers and to the Nation. Would they be denied the subsidy? It would be completely impractical to have two markets, or to go on the supposition that the buyers of the feeder pigs would make an allowance for the subsidy in his purchases. This buyer would not know until long after his finished hogs had been sold how much that subsidy was. How could he possibly make a fair allowance for it in his purchases?

After listening to the discussion yesterday, I would like to throw this in on feeder sheep. This would particularly apply on feeder sheep, but I learned from the testimony yesterday it is intended to include that in this program. Our Corn Belt livestock feeders buy feeder lambs from the lamb country. Many of these lambs are contracted in the spring to be delivered in the fall to be fattened and marketed the next winter. Who would get the subsidy on the lambs? Would it be the Corn Belt feeder or the rancher? How much would that subsidy be? Our people find it most difficult to gage the market so they can pick out a time sometimes 9 months later and market those lambs at a profit.

Now, Mr. Brannan would ask them not only to gamble on the price of lambs next winter, but to gamble on the price lambs will average all next year. There is only one way that they could do that and that would be to pay such a low price for the feeder lambs that if the price broke 15 percent below the supports, such as he suggests, or 25 percent on hogs, such as I believe would happen, they would still come out. I noticed that he sidestepped the question as to whether or not the packers would be paid a subsidy on lambs. Yet the packers feed thousands and thousands of lambs for market each year. What is he going to do? Knock them clear out of the business so that the feeder lambs they buy would go lower in price until some new buyer could be found?

I hold no brief for the packers, but we of the Corn Belt Livestock Feeders Association want to work with them to expand the markets for our products.

For instance, we have been encouraging them to develop a lard that will meet in competition any other shortening product on the market. We think that great progress is being made right at the present time.

We would just like to call to your attention that whenever it is necessary for them to come down here with a big force of high-priced lawyers to defend themselves against such discriminations as Mr. Brannan implied he might make in the application of his wool subsidy, it is we livestock feeders who pay the bill. The same thing would apply if the rules were made that the subsidy would apply only on hogs sold at the market, on the assumption that sales to the local butcher or the locker-space renter would take the subsidy into consideration. Did Mr. Brannan tell you yesterday how much per hundred that subsidy would be? He could not possibly do so. So how could the buyer in the country?

Many hogs are sold one or two or three head at a time to the local hog buyer and he assembles a carload. If the assumption were that the subsidy could be paid only at the yards where commission men are under bond and under Government supervision, how could this local man operate? Would he buy hogs on the basis that they would be sold at the terminal market, or at the country point? Once you start the wheels rolling, there are more and more wheels that immediately become involved.

Another proposal might be that the subsidy payment would be made only on sales of hogs weighing between 200 and say 250 pounds. This would not only be extremely unfair to farmers but would open up new avenues of fraud and also new avenues whereby scalpers either at the markets or in the country could make fortunes.

Only a small percentage of the farmers have a scale capable of weighing live animals on their farms. While some can guess accurately they are a minority. The difference in the quality of the meat from a hog weighing 1 pound over any fixed maximum limit and a hog weighing the limit is absolutely nil. So is the difference between a hog weighing 1 pound under the minimum and that minimum. But the loss of the subsidy might mean the difference between the seller of those hogs making a profit for the year particularly if his death losses were suddenly eliminated, and the loss of his farm.

During OPA days, when hogs were supposed to weigh within the brackets or fall without the fixed price range, one of the most lucrative businesses of the country was to buy a bunch of heavy hogs, mix in enough light hogs with them so that the average weight was within the bracket and sell them at the fixed price. Under those circumstances, the seller met opposition from the packers who did not want the heavy-weight hogs. But under this set-up, if the hogs were sold at the market and the subsidy paid only on certain weights, this opposition might be eliminated.

And when it came to the sale of hogs to the local butcher or to the renter of locker space or from one farmer to another for home slaughter, it would just be astonishing how many of the hogs slaughtered each year fell within those bracket weights regardless of what they were.

Gentlemen, this whole proposal is perfectly absurd. No rules or regulations on it could be written that were fair and equitable in operation. One regulation would lead to another. Chaos would follow confusion. Even if it were at all practical, which it definitely is not; even if it were necessary, which it is not, we would still be opposed to this "trial run" on hogs because:

II. It would be completely disastrous to the balance of the livestock feeding industry.

Normally at this time of year there is a fairly good movement to market of young sows weighing from 275 to 300 pounds. These are gilts which have had their pigs, the pigs are weaned, the young sows fattened and sent on to market. This year very few of such light-weight sows are coming in. What is happening? They are being rebred for fall pigs.

I got that statement from the head of the Government Livestock Reporting Service at the yards, so I have every reason to believe it is absolutely right. Also, I am told that the number of gilts coming to market now is dropping very, very sharply. What is happening is that they are holding them back to breed if this program goes through.

It was just 2 months ago today that Secretary Brannan was crying on your shoulder, telling you how he would need to support the hog market very soon. And it is important to note that on the day before he made his appearance, the top on 220 to 240 pound Good to Choice hogs at Chicago was $20.75. Immediately upon his telling the consumers and the other buyers of meat what a terrible situation confronted the hog trade, the market started to break.

The top on April 7, the day he appeared before you, was 50 cents below what it had been on April 6. From the $20.75 top of April 6, the market declined rapidly as he continued to talk, to a top on April 30, of $18.25. That was a break of $2.50 a hundred, or a loss to every farmer who sold, of around $7 a head.

On May 2 the representatives of the various livestock industries appeared before you in emphatic opposition to this program and demanded that the Secretary of Agriculture stop his bearish propaganda. On that day the top on hogs was $18.50. On June 2 the top was $22.50. We were convinced in early May that Mr. Brannan, in his appearance before you, was representing the consumers rather than the producers of agricultural products. The market action bears out our contention.

But unless this committee rejects quickly and most emphatically his demand for a "trial run" (isn't that a slick phrase?) his misunderstood promises of wartime monetary returns to the farmer can result in such a huge production of hogs that the market might very easily crack far below any possible conception of a fair exchange value of hogs for other commodities.

The pattern of the past is the guide to the future. The moment it is announced that this "trial run" on hogs is to be adopted, that moment every buyer of hog product for storage will withdraw from the market. And that moment will every foreign buyer of hog products go home to wait.

This would be inevitable. We got a taste of it in April. No packer would dare to stock his cellars with product in the face of adoption of a program designed to lower prices. Instead of buying, they would liquidate. And foreign buyers would do exactly the same thing.

Thus the avalanche would be on. So long as prices remained above the support levels, farmers would soon start liquidating their old hogs. Feeders and ranchers with cattle could join if they did not lead the parade to liquidate. So would the poultry industry. I know of no more certain way than this to plunge the Nation into a depression.

I need not go much into detail to show you that such a break in cattle and sheep and poultry prices would be inevitable, nor what this would do to every man with these animals on farms. For the livestock feeder, it would be a repetition of the history of the OPA which, for four straight years, waited until the feedlots had been filled, and then took steps to knock prices down when the feeder was helpless to protect himself.

As for the ranchers, they have gone through a hard winter which did big destruction to their herds and flocks as well as to their fences and other equipment. To keep men on the place, they have been compelled to pay the highest wages in history, and the highest prices of record for their machinery and equipment. Now, with the months ahead when they will be cashing in on those efforts, it is unthinkable that you would permit a program to go into effect that would force feeders who have not yet filled their lots to bid prices far below a fair level for that stock. As a political measure, it would be suicide.

Most of the chicks have been hatched for the year. Those who have made their purchases are powerless to protect themselves. Yet if the price of pork smashes to levels far under a fair exchange value of pork for other commodities, it must inevitably affect the prices of competitive poultry, as well as beef and lamb.

III. Its cost would run well over a billion dollars and might come close to $2,000,000,000.

Under the marketing methods on which this Nation built a prosperity that is the envy of the world, the housewife paid a price for meat that took into consumption all slaughtered but not exported. But under this plan, she would only have started then.

If a limitation were not put on the weights of hogs on which the subsidy was paid—and that is completely unfair and impractical as I have pointed out—then the housewife might for a time find cheap meat in the market places. But instead of finding lean, good pork that she desires, she would find the pork chops shot through and through with fat. The subsidy would be paid on the total volume of hogs sold, by weight. The whole thought of the farmer would be to get tonnage instead of something the housewife desired. So instead of desirable meat, she would find only extremely undesirable kind as that is the only possible way the packers could move the vast amount of lard that would be produced. They would have to sell it as meat. Her "cheap" pork chops might not be so cheap by the time she trimmed them.

And on the 15th of March she and her husband would march to the offices of the Internal Revenue Department and pay and pay and pay.

Mr. Brannan has advertised so thoroughly to the housewife that his plan would knock prices of meat downward that she would probably be dissatisfied with a price less than 25 percent below current levels or 15 percent below the fixed-support level. To do this latter, it probably would be necessary to knock the price of hogs down to an average of at least $4 per hundred below the supports, or a subsidy of around $10 on a 250-pound hog. Otherwise the housewife would consider his program a failure.

Last year the Government placed slaughter under Federal inspection at 47,615,000 head, "other wholesale and retail" slaughter at 12,428,000 head. They admit that this latter figure is estimated and does not include farm slaughter. It was around 13,000,000 head. So the actual estimated slaughter for consumption was around 73,000,000 head. But there was an additional disappearance of 7,000,000 head—part of it deaths after weaning, part of it allowance for errors in their estimates.

If the subsidy came to $10 a head, that would be a minimum of $730,000,000 on the basis of last year's marketing. And if, as I have pointed out, a time limit were put on it and it not hedged about by unfair and impractical regulations, so that all hogs changed hands, it could have been $1,400,000,000. This year the spring pig crop has been increased, and if this plan goes through the fall crop will almost be as large as the spring crop, or at least it will be greatly increased.

Inspected slaughter in 1949 will be near 50,000,000 head, other disappearance raised proportionately except farm slaughter. So it would be unsafe to figure on a minimum of below $750,000,000 for a year. The maximum could easily run double that.

In addition, there would be the cost of the labor of all of the men to check the various sales, do the book work, and write the checks. As I have pointed out, there would be around 4,000,000 sales under federally inspected slaughter, to check. Just how many sales were involved in the estimated "other wholesale and retail" slaughter, there is positively no possible way of knowing. But this involved the sales to the local butcher, the locker-space renter, and so forth, which means they would be mostly in lots of one head at a time. It would take as much time, almost, and probably a whole lot more work, to inspect each of these as to inspect the sale of a full carload at the market. And in addition there would be the sales of one farmer to another of the hogs slaughtered on farms, to say nothing of the sales to get under the deadline at the end of the period.

So there would be a minimum of 15,000,000 sales—and it might be a whole lot more than that. How many men as field inspectors it would take to make these inspections is anybody's guess. Back of each field inspector would need to be the clerks in the office. And how much the cost of such a force would be is another guess that I would not care to hazard. Certainly it would not reduce the cost of Government, nor permit any more then of the declining income taxes to go toward payment on the national debt.

Mrs. Consumer, according to population, would pay approximately four-fifths of this load. Accompanying herewith is a pictograph of meat consumption and the hours worked per week by labor. Study of this discloses that as the number of hours per week worked by labor has declined, in the past, meat consumption per capita also declines. During the days of heavy unemployment in the early thirties, meat consumption declined to as low as 115 pounds per capita.

I am firmly convinced that the Government estimate of meat consumption per capita this year is high by at least 15 pounds per capita. I think their estimate has been high all during the war. In 1946, for instance, I do not see why the butcher shops would have been compelled to close for so many days a week, selling cold meats which consisted mostly of cereal, or boning out whole carcasses of beef and grinding it into hamburger so everyone would get some, if consumption had been above 140 pounds per capita. With our current population, it would have required the services of every retailer and every packer in the country on a full schedule, to have distributed that much meat. Black markets are a result, not a cause.

Right now unemployment is increasing at rates which are not at all good. One of the largest industrial concerns in Chicago is cutting back so that employees with less than 10 to 15 years' service are let out. Overtime has been completely eliminated. The take-home pay is being cut. Out in our district we have just been appalled at the size of our personal-property and property taxes. If to these, and with the reduced pay checks are now added the cost of this subsidy, I fear for the continued consumption of meat, particularly if the buying power of the producers of other livestock is knocked out so that unemployment increases. In 1932 to 1935 it certainly was not the high cost of meat that drove its consumption down so drastically.

Gentlemen, the opinion of the directors of the Corn Belt Livestock Feeders Association is that this Brannan program of a hog subsidy would result disastrously to the feeders of livestock. They believe that the program is impractical; that in the long run it would be disastrous on hogs; that it would be immediately disastrous to the cattle and sheep feeders and producers; that it is unsound economics and therefore would not prove beneficial to the consumer; that the whole thing is absurd and should be rejected immediately.

Price history shows that from 1920 to 1939, the average top on cattle at Chicago was about 15.7 times the price of a bushel of corn at Chicago. On this basis, to cattle at Chicago last year, with the short corn crop, should have gone to around $44 per hundred. They did not go that high.

On the basis of the big corn crop of 1948, the Corn Belt Livestock Feeders Association warned its members that top prices for cattle would probably work back toward the $25 level. It went nearly to that level—despite the forecast of the Department of Agriculture last August that livestock prices could not be expected to break until late in 1949. The top is higher than that now, and may work just a little higher under normal conditions—or if this Brannan proposal is rejected.

Right now contracts for delivery of corn in December are trading for around $1.13 at Chicago. If the corn crop comes through so that price becomes an actuality at delivery time, then a price 15.7 times that would be a top price of only $17.75 for cattle. July is the month that makes or breaks the corn crop. If the August 1 estimate is for a crop of over 3,000,000,000 bushels, then the total supply of corn will be at new records because the carry-over will be between 800 and 900 million bushels.

So if Dame Nature is good, we in the livestock feeding business except lower prices for meat this winter. That will be a natural development, probably abetted by the declining tendencies in general commodity prices.

But if that break comes, we want it to come in a natural way.

We would like to see the Secretary of Agriculture help us by getting just all of the information possible on prospective supplies of feeder cattle, the size of the 1949 calf crop compared with other years, and information on prospective demand both here and abroad. Instead of an attitude of "keep 'em guesseng," we want him to adopt one of helping in just every way possible. We want restrictions taken off immediately so that if some foreign buyer wants to buy lard or meat or other agricultural product, the sale can be made right then and a delivery date set, instead of the packers being compelled to run first to this department and then to that to get permission to make the shipment—with the result that the buyer in the meantime has gone somewhere else to satisfy his wants. We want the Department of Agriculture to get out of the road so a maximum of business can be done.

And we want our home markets protected for our production, with tariffs high enough to force foreign goods to be used only when domestic supplies or substitutes are not available. We want the same protection on our goods that industry has through the tariff and labor through the immigration laws.

We face the future with confidence that you men of Congress will reject this proposal and permit America to continue as the leader, under the same system of individual freedom from Government domination that has brought it leadership of the world.

(Table accompanying Mr. Pickell's statement appears on the following page.)

Mr. PACE. At this point I would like to have inserted in the record a telegram from P. O. Wilson, secretary, National Livestock Producers, and a telegram from C. W. Mitchell, secretary, American Pork Producers Associated.

DENVER COLO., *June 4, 1949.*

MABEL DOWNEY,
Clerk, House Agriculture Committee,
House Office Building, Washington, D. C.:

We appreciate committee's invitation, but due to other commitments will be unable to have representative at June 7 hearing. Our position on Secretary Brannan's plan is unchanged. Please refer our statement to committee at May 2 hearing.

NATIONAL LIVESTOCK PRODUCERS,
P. O. WILSON, *Secretary.*

DECATUR, ILL., *June 6, 1949.*

MABEL DOWNEY,
Clerk, Subcommittee on Agriculture,
New House Office Building, Washington, D. C.:

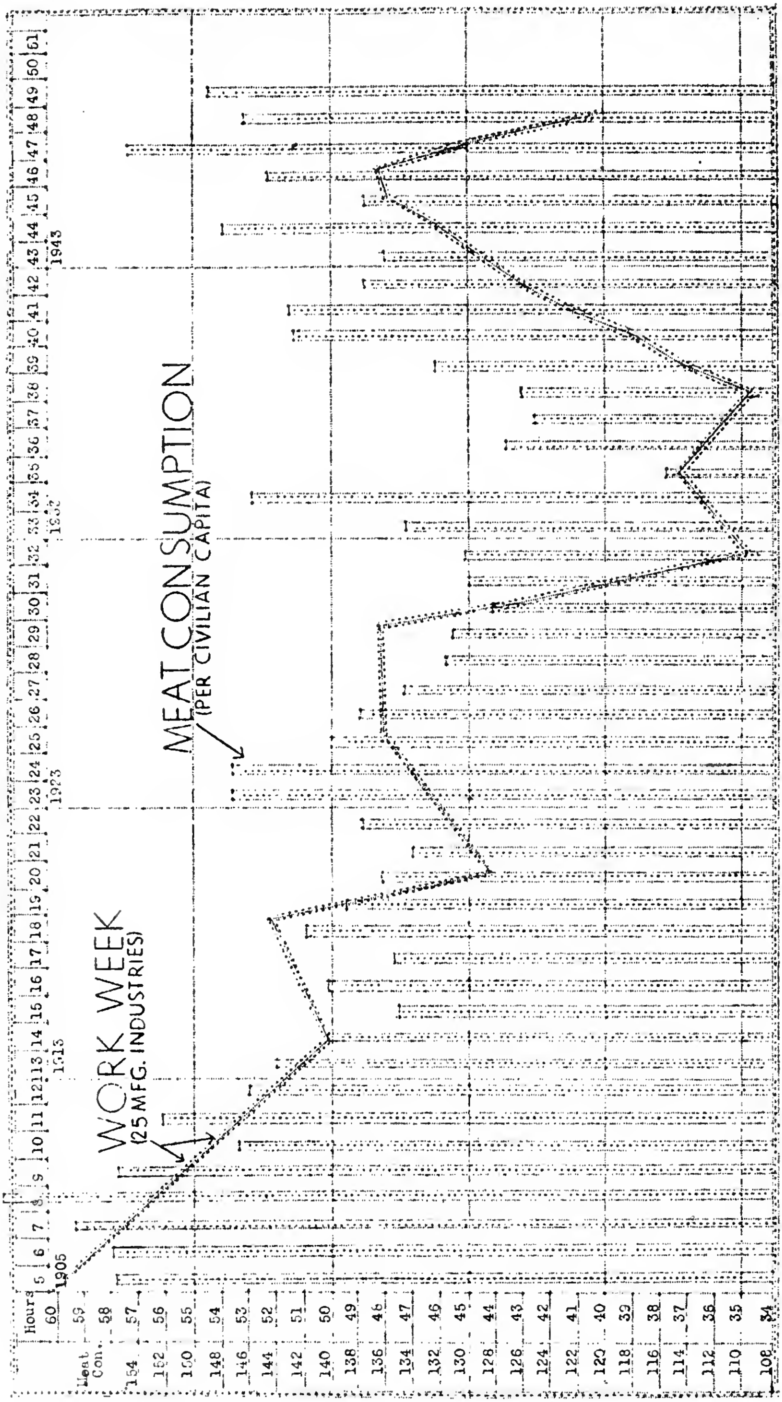
Regret inability to attend or get anyone to attend hearing on hog supports on this short notice. With the limited information available we feel the suggestions of the Secretary of Agriculture would be entirely too expensive and no more effective in operation than direct purchases of pork products. We are unalterably opposed to any program which would lead to arbitrary curbs on production. We much prefer variable support prices to any system leading to artificially high prices to producers at the expense of the Public Treasury.

AMERICAN PORK PRODUCERS ASSOCIATED,
C. W. MITCHELL, *Secretary.*

Mr. PACE. Thank you, Mr. Pickell.

I have only one question. The Secretary of Agriculture has announced a support-price program for hogs. What is your recommendation as to how he should carry out his commitment?

Mr. PICKELL. In the first place, why did he ask for an increase of 19 percent if the market is going to go below the support prices? I think if he will tell the farmers that the increase has been less, that the price might go below the support price level, and therefore if he will do everything possible to urge them not to market their hogs above a weight of 250 pounds, but to concentrate on weights between 200 and 235 pounds, the reduction in total production of meat will offset the reduction in increased numbers. It will produce more of the desirable cuts of meat which the packers can sell at a profit. It will produce less of the lard on which they are being forced to take losses right now of 8 to 10 cents a hundred. He just will not need to support the price.


WORK WEEK
(25 MFG. INDUSTRIES)
MEAT CONSUMPTION
(PER CIVILIAN CAPITA)
Hours
Meat Con.
1905
1915
1923
1932
1943

Mr. PACE. Mr. Pickell, that does not click with the statement you have just given us. The statement you have just given us said that in order to enjoy these benefits the farmers would fatten up their hogs.

Mr. PICKELL. That is right, if he is going to put in this subsidy proposal. They will just produce all the tonnage they possibly can.

Mr. PACE. Well, Mr. Pickell, that does not add up to me. The most the farmer can get under either program is going to be the support price, assuming that the price drops below that.

Mr. PICKELL. But his support price is $19.

Mr. PACE. We are talking now about the outstanding support-price program of $16.50. I do not understand why the farmer would respond voluntarily by keeping his hogs within certain weights in order to get the $16.50 support price program.

Mr. PICKELL. To prevent having to take the $16.50 support price level.

Mr. PACE. You have given us figures here on the pig crop this year that are so high that you have no misgivings in your mind about hogs staying up to the support price level, do you?

Mr. PICKELL. I do not think they will go below it if the farmers will market their hogs between weights of 200 and 235 pounds. I do not think the market will go below that $16.50.

Mr. PACE. I think that is a pretty big "if" you are throwing at us. I think the "if" is just as big in that as it is in your statement.

Then your opinion is that if the Secretary of Agriculture would issue a statement to farmers appealing to them to keep their hog weights within certain limits that it will not be necessary for the Secretary to buy any hogs in order to maintain them at the support level this fall?

Mr. PICKELL. I think that might be absolutely true.

Mr. PACE. I was not talking about that big "might" you threw in there, Mr. Pickell.

Mr. PICKELL. He said the market was going down in April or May. It did not. It went down, yes, as long as he was talking about how far it was going down and what a terrible situation there was. The minute he stopped talking about that, it turned right around and went in the other direction. There is not a big surplus of hogs. The number is not excessive.

Mr. PACE. I thought you just said there was.

Mr. PICKELL. There will be if he puts this program through. I think the first reaction to his statement that the hogs should be marketed and that this program is not going through would be that these young sows which are being held back now and being rebred would come to market.

Mr. PACE. I do not want to belabor the point, Mr. Pickell, but it does not seem to me you are being very consistent. If the production payment plan of the Secretary is put into effect this year on the present price support program, all that the farmer can hope to get would be his market price plus the payment to bring his price up to $16.50. That is all he could hope for under any circumstances. He could not sell his sows and its gilts for slaughter. That would not help it any. He has a $16.50 limit on him in both cases, whether we go on with the purchase program or whether we go on with the payment program.

Mr. PICKELL. No, $19 on the payment program.

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Mr. PACE. That is assuming that the committee would also enact the new parity formula of the Secretary. That is not contemplated in connection with the trial program.

Mr. PICKELL. Mr. Pace, the impression out in the country is that it is going to be that $19 and the fellows are saving their gilts to breed and they are saving their young sows and rebreeding them.

Mr. PACE. It seems funny to me that you say that the hog producers of this country are prepared to go wild on a plan submitted by the Secretary of Agriculture which certainly cannot be said to have had an overly enthusiastic reception by the Congress as against a law which is now ln the books, known as the Aiken bill, and which absolutely prohibits the Secretary of Agriculture next year from supporting the price of hogs at any figure. It not only does not authorize him him to do it, but it prohibits him from doing it.

I am not going along with you that any considerable number of intelligent hog growers of this nation are preparing to act under the Secretary's proposal and have overlooked the statute already on the books that goes into effect on the 1st day of January and prohibits the support price of any hogs.

You are not going to have a dime of support price next year as the matter stands now. You will not have 5 cents. You will not have 1 cent support. If the hog growers are doing all the things you are talking about, keeping back the gilts, keeping back the sows, trying to produce great litters of pigs this fall, then they are making the greatest gamble of anybody I have ever heard of in this country in two respects.

First, they are gambling on the Secretary's proposal going into effect and they are gambling on the fact that they are going to get a support price with the present law absolutely prohibiting it. With all kindness to you, Mr. Pickell, what you are telling me does not add up, not under the rule that two and two makes four. Are there any questions?

Mr. ANDRESEN. Mr. Chairman, by that statement do you mean this committee does not propose to get out any legislation to give the hog farmers and others support for 1950?

Mr. PACE. I certainly hope this committee will. The gentleman, however, knows as well as I do that there is a statute on the books now known as the Aiken bill.

Mr. PICKELL. I do not think the farmers appreciate that, Mr. Pace.

Mr. PACE. Which absolutely prohibits any support price on hogs in 1950.

Mr. PICKELL. I do not think the farmers of the country appreciate that at all.

Mr. PACE. It has been testified before this committee with a great deal of publicity.

Mr. POAGE. That is exactly what this organization ought to be doing, letting these people know what the law is.

Mr. PICKELL. We certainly hope that you gentlemen will come out with something.

Mr. PACE. Let me say in response to the question offered by the gentleman from Minnesota, that I do not agree with that law. I do not know of anything that would be more disastrous to this Nation than for that law to go into effect on the 1st day of January. For my part, I think hogs and every other agricultural product are entitled to a support price. I want to be crystal clear on that point.

Mr. ANDRESEN. I am glad the chairman has stated that. As we have been sitting here for 5 months now, I have been ready every day to write a law that would give us that protection for the farmers of the country. I am hoping the majority will get busy and permit us to get out a bill that will do the very thing the chairman has suggested. Your organization is a practical operating organization, is it not?

Mr. PICKELL. We feed hogs, cattle, and sheep, yes, sir. We are farmers.

Mr. ANDRESEN. When the Secretary made his original proposal he said that the payments would be made to the feeders of hogs and cattle but not to the original producers. Do you recall that statement?

Mr. PICKELL. No, I was not here. Yesterday he said it would be to the producers. I could not distinguish whether it was going to be producers or feeders or who would get it. I do not think the thing is practical at all.

Mr. ANDRESEN. I think you have made an excellent statement here from the practical angle of it rather than from the theoretical angle of it.

Mr. PICKELL. That is what we are up against.

Mr. HILL. Mr. Chairman, I want to add one word here, since politics has been brought into this committee for the first time since I have been a member of this committee. I wish you would tell me, on page 10 what you mean by this. You have almost sold me that I am for this Brannan plan because it says here that if this plan goes into effect, as a political measure it would be suicide.

Mr. GRANGER. I think you would if you thought it would do the job.

Mr. HILL. I am not so sure that the gentleman is not correct because you could not get into a worse mess than you have us in at the present time.

Mr. GRANGER. May I ask the gentleman a question?

I think when I asked you a question once before about what we were to do about this program, your answer to me was that the Secretary had gotten himself out on a limb and now we would let him get off from it. Is that not right.

Mr. PICKELL. No.

Mr. GRANGER. Was that not you?

Mr. PICKELL. No, sir.

Mr. GRANGER. If you do not see any practical way of supporting the price of hogs, how would it be to introduce a bill striking the provision of the support price for hogs for this year out of the bill? Would you agree to that?

Mr. PICKELL. The Corn Belt Livestock Feeders most emphatically endorse that.

Mr. GRANGER. They would like it stricken out?

Mr. PICKELL. Yes, sir. We have never asked for support and we do not want it now.

Mr. GRANGER. That would be one way of settling this hog business anyhow, would it not?

Mr. PICKELL. That is right.

Mr. PACE. And it would be your recommendation that the authorization of the Secretary to support the price of hogs this year be repealed?

Mr. PICKELL. Absolutely.

Mr. PACE. For whom do you speak?

Mr. PICKELL. The Corn Belt Livestock Feeders Association.

Mr. PACE. That is the feeders?

Mr. PICKELL. Yes, sir.

Mr. PACE. That is not the hog growers or producers.

Mr. PICKELL. They produce their own hogs and feed them; yes, sir.

Mr. PACE. Mr. Hoeven.

Mr. HOEVEN. Does the Corn Belt Livestock Feeders Association include the swine breeders and the hog producers?

Mr. PICKELL. Not the swine associations: no. Our people, however, feed cattle and sheep also.

Mr. HOEVEN. Is your association not made up mainly of cattle feeders?

Mr. PICKELL. No, they feed in numbers slightly more pigs than cattle.

Mr. HOEVEN. Does your membership include feeders in the State of Iowa?

Mr. PICKELL. Oh, yes.

Mr. HOEVEN. In reference to the statement made by the chairman a few moments ago as to the provisions of section II of the Agricultural Act of 1948, the Secretary of Agriculture this morning admitted that he did have the authority to use section 32 funds in supporting hogs but that he had not resorted to the use of those funds in supporting hogs.

Mr. PACE. Under the law which prohibits the use of those funds in excess of 25 percent for any one commodity.

Mr. HOEVEN. But he testified that he never used them for hogs in any amount.

Mr. PACE. He never had.

Mr. HOEVEN. Yes. He did not deny the fact that he could use the funds.

Mr. PACE. Mr. Murray this morning stated that there was a total of $149,000,000 a year. It had not been my understanding that the sum was that comprehensive. I thought it was nearer a hundred million. In any event, there would not be over 25 or 30 million dollars available for supporting the price of hogs, which would be an inconsequential amount, would it not, Mr. Hoeven?

Mr. HOEVEN. Oh, yes, I appreciate that, but I think the Chairman's statement was quite all-inclusive and did not relate to the possibility of doing something else.

Mr. PACE. Let me say that I want to be fair and clear. I do not believe in the light of the law that the Secretary would feel that he could use any such funds. Mr. Pickell, the language of the law is this:

> The Commodity Credit Corporation shall not carry out any operation to support the price of any non-basic agricultural commodity (other than Irish potatoes), which is so perishable in nature as not to be reasonably storable without excessive loss or excessive cost.

The Secretary of Agriculture testified here yesterday that under that language he could not support the price of hogs or any commodity other than cotton, corn, wheat, rice, tobacco, peanuts, Irish potatoes and wool. Under the law, beginning the first day of January, the only commodities he could support would be those eight commodities.

It is on the basis of that provision of the law and that statement of the Secretary that I stated to you that if this law goes into effect on the 1st of January there cannot be any support price for hogs next year. It is true, as Mr. Hoeven has stated, that he would have a law whereby he could apply section 32 money that might be available to the extent of 25 percent of that fund, whether it is 109,000,000 or 149,000,000, but it is my belief that under the light of this expressed prohibition he would not feel justified in resorting to a fund of that kind. I think that is in complete accord with the testimony of the Secretary here yesterday. Mr. Hoeven, is that all?

Mr. HOEVEN. That is all.

Mr. PACE. Mr. Murray.

Mr. MURRAY. First of all, I think maybe the Agriculture Committee and the Congress had better take time out and find out what is in the bills already passed before we get ourselves projected into some new proposal. We evidently cannot even find out what is in the Aiken bill. At a committee hearing since the first day of January I asked that question. The answer I got was that after the 1st of January the Secretary of Agriculture put a floor under these commodities if he so desires at 60 percent of parity or at 90 percent of parity or at 160 percent of parity, in an emergency. Of course, that did not satisfy me because I do not want to have to run down and ask the Secretary of Agriculture what the law is. I like to have the Congress pass a law and then ask him to carry it out so I have no responsibility to take for the Aiken bill. My record is pretty good on that because I am not delegating the power of the people to any one man that has never been elected by anybody to anything, but who is appointed by someone else.

I think that is a new interpretation of yours, Mr. Pace.

Mr. PACE. No, sir.

Mr. MURRAY. In the hearings I asked that question. I wrote a letter several months ago and I have not received an answer from the committee to put that question up to this committee so that I would have it in black and white. What I was going to use it for was to send a copy of the letter to constituents who were complaining because I would not sign the conference report on the Aiken bill. The reason I would not sign the conference report on the Aiken bill is because of the delegation of power that goes with it. They did a lot of talking about this sliding-scale business but if you have confidence in your Secretary of Agriculture there is nothing to worry about in the sliding scale. He can make it 60 or 90 or, according to the testimony before our committee, 190 in an emergency.

Mr. PACE. If the gentleman will look at the hearings that are already printed and available, he will find that Mr. Hunter, the Solicitor of the Department, fully concurs in that interpretation of this act.

Mr. MURRAY. Mr. Hunter concurred in an interpretation of the act that milk and its products could have a support of from 0 to 90 percent of parity or more in an emergency.

Mr. PACE. What we are facing now is the interpretation of the Solicitor fortified by the Statement of the Secretary of Agriculture.

Mr. MURRAY. It is a new approach to frighten us into some kind of scheme, evidently, because I had not heard that before this morning.

Mr. PICKELL. May I object right here that I have gotten a completely different interpretation of that Aiken law this time than what I got on the second of May? In the hearing on the second of May I was under the impression that the Secretary had almost the same powers under the Aiken law as he has under this new proposal except that I think there were one or two little provisions. Now, it is completely different.

Mr. MURRAY. That is right.

Mr. PACE. He does have many powers, Mr. Pickell. The word "payment" is written into the Aiken law. He does have now, in my judgment, and in the judgment of the Solicitor of the Department, the right to employ payments but he has testified that the legislative history of that word is such that he would not feel justified, unless in an emergency, to use payments because it happens that the one word appears in the act. He has asked for express legislative authority to do so. This committee spent nearly 3 weeks doing nothing but getting interpretations of the Aiken law. It will be my pleasure to give you a copy of those hearings before you leave in order that you might give them to your general counsel.

Mr. PICKELL. I would like very much to have them.

Mr. MURRAY. Getting back to the hog business for a moment, I think there is another addition to your presentation. It is that if you put this in operation on hogs but not on beef, it would be a fact that your feeds would be funneled more into hogs than into beef because they know where they are sitting.

Mr. PICKELL. Certainly. I was perfectly astounded at his statement yesterday that if the hog market broke 15 to 20 percent it would not affect cattle.

Mr. MURRAY. They do not teach that in the law schools anyway.

We have too much of our agriculture being run from States that cannot feed themselves and have no connection with the livestock industry. But I have struggled along with that for 10 years so I am used to that.

The other side of the picture is that you will get more hogs produced because you will funnel the feed into hogs and not into cattle.

Mr. PICKELL. I am not giving my opinion on what is happening, but the opinion of the fellows down at the yards, particularly the Government men whose business it is to observe those things.

Mr. MURRAY. If the Aiken bill is not all right, the Department will have to take the responsibility for it. They helped write it. I did not help write it. If they did not get the words right in there, it does not matter because it is a good deal the way they want to interpret it around this town anyway.

Mr. PACE. Mr. Hoeven.

Mr. HOEVEN. You heard the statement made by Secretary Brannan this morning that there was only a slight relationship between cattle and hogs. What is your experience as to that?

Mr. PICKELL. I have been studying prices now since 1916. My experience has been that when there is a change in the supply and demand condition of one particular commodity its price immediately moves to discount that changed condition. Then it turns to follow not only the other commodities it substitutes for and similar commodities, but the general trend of commodity prices. They all move in the same direction.

In 1930 or 1931 there was a short corn crop. At the beginning of the year general commodity prices, you remember, were trending very definitely downward. Corn went up during November and December. Then it turned around and followed the general commodity prices and other grain prices down until it ended the year much lower than it had started. It will adjust itself to the changing condition of supply and demand within its own particular sphere. Then it will turn and follow commodity prices down.

Mr. HOEVEN. You believe, then, that if prices go down under this trial-run plan the prices of cattle will also go down?

Mr. PICKELL. With the biggest run of cattle coming to market in the fall of the year, naturally they will go down.

Mr. HOEVEN. Let me ask you another question. If these prices on hogs and cattle go down under the proposed plan, can you tell me how those prices will ever come up again, as long as the Brannan plan is in force and effect?

Mr. PICKELL. Yes, it could happen. The biggest factor in the price of cattle, for instance, is the price of corn. If the corn market advances, the cattle market will very soon advance.

Mr. HOEVEN. But is it not a fact that when the price of hogs goes down the price of corn will go down? Farmers are not going to feed high-priced corn into low-priced hogs.

Mr. PICKELL. But suppose Dame Nature steps in like she did in 1935 and 1936 and causes a very short corn crop. Then your prices could change.

Mr. HOEVEN. That would be an abnormal situation; I am talking about a normal situation. The thing that disturbs me is that if we once get these prices down, it will be difficult to get them back up.

Mr. PICKELL. It would take an abnormal situation to pull them back up.

Mr. HOEVEN. That is all.

Mr. GRANGER. Mr. Chairman.

Mr. PACE. Mr. Granger.

Mr. GRANGER. As I understand your testimony, you are not worried about the price of hogs under a trial-run plan?

Mr. PICKELL. I am under a trial-run plan.

Mr. GRANGER. You are opposed to that and you do not care anything about the Aiken bill going into effect or if it leaves livestock out entirely.

Mr. PICKELL. Our people are opposed to Government subsidies of any sort. They are opposed to Government domination of the farms. They just simply want to continue as they always have, and that is dependent entirely upon themselves.

Mr. GRANGER. Then so far as you are concerned, we could repeal the provision of the law that supports the price of hogs during 1949?

Mr. PICKELL. That is right.

Mr. GRANGER. You would like to see it done?

Mr. PICKELL. Provided the Secretary of Agriculture will come out and stop talking prices down.

Mr. GRANGER. We could not put any stipulation in the bill as to what he would do. I am anxious to settle this question. I will introduce a bill to do that in a minute, and I would like to do it if I thought that the producers of livestock think as you do.

Mr. PICKELL. I can only speak for my people and tell you that that is precisely what they want.

Mr. GRANGER. That would be a very easy thing to settle by just striking that out. Then we would not have any difficulty about it.

Mr. MURRAY. Mr. Chairman.

Mr. PACE. Mr. Murray.

Mr. MURRAY. The beef people are not in it now so it is just the rest of the livestock that would be out from under it.

This plan will really not put our cheese fellows out of business because the longer it is stored the better it gets.

Mr. PICKELL. I do not know anything about cheese.

Mr. PACE. We will be delighted to hear at this time from Mr. Leslie S. Hubbard, president of the National Poultry Producers Association of Lancaster, Pa. Mr. Hubbard, do you have a prepared statement?

Mr. HUBBARD. Yes. We have not had time to process them. I will see that copies come to Mr. Parker.

Mr. PACE. I will see that the other members of the committee get copies of them.

STATEMENT OF LESLIE S. HUBBARD, PRESIDENT, NATIONAL POULTRY PRODUCERS FEDERATION, LANCASTER, PA.

Mr. HUBBARD. Mr. Chairman and members of the committee, the National Poultry Producers Federation is glad this committee has invited it to appear before it again. The federation and each of its member organizations has been quite concerned about our national farm program and a number of meetings have been held by each organization and by the federation itself in an effort to arrive at a policy that can be subscribed to by the whole federation.

The immediate question before this committee is, Does the poultry industry believe that egg and poultry prices should be supported by production payments? We in the federation have give this question a great deal of thought and have come to the conclusion that supporting prices by means of making production payments is not a sound or wise method.

There are several reasons for our belief. In the first place, there are nearly 5,000,000 farmers who raise chickens and turkeys. This is probably a larger number of producers than there are in any other agricultural industry. The magnitude of the administrative task of making payments to each producer would be enormous.

Several well-informed people have stated that four payments a year would be the minimum needed. This means probably more than 16,000,000 checks a year to be issued.

Secondly, because of the great number of ways in which eggs and chickens are sold, a large body for administrative procedure would be necessary. A great many farmers sell eggs to local stores, hatcheries, and housewives. A person of even dull imagination can visualize the tremendous administrative staff that would be needed to properly carry out a production payment program for the poultry industry.

Our third objective is a very serious one. There are values of greater importance to our national welfare than promises of economic security. Direct production payments make opportunities for easily tempted individuals to prepare to exaggerate their records of production and sales in order to secure larger production payments than those to which they would really be entitled.

The committee should keep in mind that about 90 percent of this country's egg production comes from flocks of less than 200 hens. Such small flocks are very often a minor enterprise in relation to other projects on the farm and a great many farmers do not know within 10 to 20 percent of the actual number of layers on their farms.

We believe that egg sales would have to be checked against the number of layers on each farm. To do this would require at least an annual census, since hen numbers change during the year and from year to year. A support price at a level in line with this industry's reommendations will eliminate the necessity of any involved support program. This industry has repeatedly urged that the Department of Agriculture should support prices of egg and poultry products at levels of from 60 to 90 percent of parity as determined by the Agricultural Act of 1948. We believe this level should be so calculated as to stabilize egg and poultry production at a volume in line with projected consumer requirements.

We realize this is an intricate and difficult determination and again urge the Congress to authorize the creation of a poultry industry advisory committee to confer with the Secretary of Agriculture in the determination of this level. Currently the Department of Agriculture is buying egg products in order to support prices at 90 percent of parity in response to title I of the Agricultural Act of 1948.

To date since January 1, 1949, more than 4,300,000 cases of eggs have been purchased in this program and we are told that no foreseeable outlets are available for the dried eggs purchased. In the meantime, egg prices have been maintained at such favorable levels that farmers are buying far more chicks than are necessary to maintain the Nation's egg-laying flocks.

So far about 25 percent increase in chick purchases over last year have occurred. Consequently, egg production in 1950 may easily be increased by 5 to 15 percent and this increase is a direct result of the present price-support program. I do not believe we can expect any increase in per capita consumption of our eggs. If the Congress decides to extend into 1950 title I of the Agricultural Act of 1948, I can say with complete assurance that the Department of Agriculture will have to buy from 15 to 20 million cases of eggs at a cost of approximately one-fourth of a billion dollars. This is an actual case history of a price-support program which feeds upon itself because the supports were set at a level which insured profits to a large segment of the industry.

We of the National Poultry Producers Federation wish to bring about a sound economy within the poultry industry and we therefore recommend the establishment of flexible price supports to become effective as of January 1, 1950. Thank you.

Mr. PACE. Thank you, Mr. Hubbard. You wound up by saying flexible. You meant from 60 to 90?

Mr. HUBBARD. From 60 to 90.

Mr. PACE. Rather than a rigid 90 percent?

Mr. HUBBARD. Yes. It is our thought that consumption can be fairly well plotted and the price level at which eggs are supported is a big factor in the volume of chicks purchased. Probably a sound price-support program along that basis at 60 to 90 would be a dollar or so below the cost of production, not allowing any profit to producers.

Mr. PACE. I understand there are no circumstances under which your group would want the production payment method of support.

Mr. HUBBARD. We can find so many disadvantages to it that it overrules all of the visible advantages. It seems to us that the bureaucracy involved would be very tremendous.

Mr. PACE. Mr. Hubbard, your association of poultry producers is whom?

Mr. HUBBARD. That is made up of our regional and national poultry producers organizations.

Mr. PACE. Is that your commercial producers?

Mr. HUBBARD. The Federation is made up of the Northern Poultry Producers Council, the International Baby Chick Association, the National Turkey Producers Federation, the Southeastern Poultry Producers Federation, and the Utah Farmers Cooperative.

Mr. PACE. But on the whole they are large commercial producers?

Mr. HUBBARD. Our leadership in the industry comes very much from commercial operators.

Mr. PACE. And its thinking is somewhat controlled by that group?

Mr. HUBBARD. Of course, the improvement in efficiency of the poultry industry has resulted very much from the leadership and the improvements that have been developed by the commercial operators and your farm operators follow those practices.

Mr. PACE. I want to say that they are to be commended for the great improvements they have made, not only in the respect you mentioned, but also in the development of feeds for pountry. I think that has been one of the greatest forward steps in the Nation's history in the agricultural field.

Mr. HUBBARD. I have a wire from one of our members which I would be glad to read.

Mr. PACE. All right, sir.

Mr. HUBBARD (reading):

Have canvassed most of members of Associated and would appreciate your reporting our position as follows:

We stand firmly on the statement presented to the Pace subcommittee on May 18. We feel that the suggested change from subsidy based on loans and purchase to an experimental plan of subsidy based on production will prove to be another type of production incentive or profit guaranty instead of a stabilizing factor to protect the producer from ruinous loss and the markets from serious demoralization. We oppose such experimentation. Please convey this thought to the committee in behalf of Associated Poultry and Egg Industries. As for the Utah Poultry and Farmers Cooperative, our position is expressed in the statement of the National Poultry Producers Federation.

CLYDE C. EDMONDS,
President, Associated Poultry and Egg Industries, and
Secretary of the Utah Poultry and Farmers Cooperative.

Mr. PACE. Are there any questions?

Mr. MURRAY. Just one. Supporting the position that the gentleman has taken, in the balmy days of the OPA, though they had a price control over eggs they never even entered into the other phase of the industry as they did in other farm commodities. They did not try to control the consumption of them because they just saw how hopeless such a procedure was, is that not right?

Mr. HUBBARD. Our industry has been very free from control and we are very proud of the fact that we met all the goals asked of us during the war.

Mr. MURRAY. But you had a reason for that. It was because you did not come under the OPA. That was because of the difficulty with the flocks being from 5 hens up to 5,000 hens.

Mr. HUBBARD. Yes.

Mr. PACE. Thank you very much, Mr. Hubbard. We will next hear from Mr. John Rice, president, Northeastern Poultry Producers Council.

STATEMENT OF JOHN RICE, PRESIDENT, NORTHEASTERN POULTRY PRODUCERS COUNCIL

Mr. RICE. Mr. Chairman and members of the committee, my name is John Rice. I live at Trumansburg, N. Y., where my brother and I operate a farm on which we keep approximately 7,000 layers and produce about a hundred thousand chicks and grow about 500 acres of field crops and fruit. We appreciate the invitation to appear before your committee now dealing with one of the most perplexing and far-reaching problems facing American agriculture.

On May 18, 1949, our organization presented to your committee the policies concerning price support problems as developed by careful deliberation of our board of directors. You were told that we believe it is not economically sound for the Government to attempt to control price on production within the poultry industry.

We further stated that since some form of price support and production controls will be applied to those products which make up the basic materials of egg and poultry production, the poultry industry should be protected with a minimum of floor price for its products to prevent disaster and that such a floor price should by no means reflect any profit in production.

We further recommend that if we must have price supports a so-called flexible price support policy be applied to the poultry industry. In the face of some sort of a price support program, we believe firmly that our recommendations are most sound and practical from the standpoint of both the poultry industry and the Government. We believe it would be impractical to apply production payments to our industry because, one, the cost of administering a production payment plan on some 5,000,000 poultry flocks would be tremendous and hardly in keeping with the public's demand for economies. It is estimated that the cost to the Government of writing one check a year for the poultry flocks of the Nation would be no less than $1,000,000.

Two, tremendous local political pressures could and undoubtedly would develop. Much chance for paper expansion of records would be possible and many statements about such performances would reach the public to the detriment of the poultry industry and the Government, too.

Three, production payments at a high level will lead to production controls, and it is the opinion of the poultry industry leaders the Nation over that it will be impossible to control production in this industry other than by price. In fact, Government officials reported to us that even during the height of the rigid Hitler regime in Germany poultry was the one industry they were unable to control, possibly because small flocks are very often managed by the farmer's wife.

Price supports at a lower level will be more effective in controlling production than any form of governmental regulation. This is a world-wide experience.

Four, we have in this industry the leadership and facilities to improve both the efficiency and quality of production. During the past 20 years, annual average production per layer has increased some 46, and production of poultry meat per pound of feed has increased by at least 25 percent.

We accomplished this by our own initiative, and most certainly consumers have benefited because of this effort. Such progress would not have been accomplished under rigid production controls. Give us the freedom of action which we enjoyed even during war years when we met every production goal without subsidy, and it is certain that greater efficiencies in production and even greater improvements in quality are gained for both consumers and producers. We definitely recommend to the Congress that the following basic policies be enacted into law so far as the poultry industry is concerned:

A. That so-called flexible support prices be established for this industry. Such prices to range between 60 and 90 percent of parity as defined by the Agricultural Act of 1948. We are definitely opposed to title I as a stopgap measure, and we urge that the flexible price policy be enacted into law to be effective January 1, 1950.

B. To overcome inevitable pressures brought upon the Congress and the United States Department of Agriculture to support our products at the higher level and to effectively administer our recommended program, we urge that the actual level of support vary inversely with the attainment of production goals. A table specifying support levels in relation to production can easily be developed in cooperation with the United States Department of Agriculture.

C. We strongly urge the Congress to establish in such legislation an advisory committee to the Secretary of Agriculture to be consulted before any major changes in policy of support shall be promulgated.

In conclusion, the Northeastern Poultry Producers Council and other farm organizations everywhere are constantly encouraging our young people to stay on the farm. We, as a Nation, cannot afford to create controlled conditions which most assuredly would not attract young people to the farm and which would kill the incentive of young people to go back to the farm.

Mr. PACE. Thank you very much, Mr. Rice.

As I understand it, with regard to the matter at issue before the committee, it is your view and the view of those for whom you speak that the production payment method should not be used in maintaining support prices?

Mr. RICE. Yes, sir.

Mr. PACE. And you think that production can be controlled in good measure by the price level?

Mr. RICE. Yes, sir.

Mr. PACE. Have there been such advances in poultry production that even 60 percent would be a price sufficiently attractive to bring about heavy production?

Mr. RICE. I doubt if there have.

Mr. PACE. Well, that would be rather important, whether or not the bottom should be 60. Some of the groups would like us to think that there have been such advances in production methods that even 60 percent would prove to be an attractive price.

Mr. RICE. I suppose it is possible that it might so today occur, but it really does not seem feasible that it would.

Mr. PACE. You are satisfied that for the time being, if the support price was dropped from 90 down to 60, it would have the effect of substantially reducing the production?

Mr. RICE. Yes, sir.

Mr. PACE. Would it, at the same time, produce the needs of the Nation?

Mr. RICE. Yes; I think it would.

Mr. PACE. Are there any questions of Mr. Rice?

Thank you, Mr. Rice.

We will now be glad to hear from Mr. Warren Johnson, vice president, National Turkey Federation, Mount Morris, Ill.

STATEMENT OF WARREN JOHNSON, VICE PRESIDENT, NATIONAL TURKEY FEDERATION, MOUNT MORRIS, ILL.

Mr. JOHNSON. Thank you, Mr. Chairman, and other members of the committee.

My name is Warren D. Johnson. I live on a farm near Nottingham, Pa., where I operate a turkey farm, growing about 9,000 turkeys annually, and I am appearing before this committee as a representative of the National Turkey Federation, with executive offices at Mount Morris, Ill.

The National Turkey Federation has previously stated before this committee its policy with regard to Government support of farm prices. Our policy is identical to the policy of the National Poultry Producers Federation.

You have requested an opinion concerning the matter of price support by production payments to producers of poultry and eggs as compared to the methods of price support used in the past. If the proposed production payments to turkey producers would be at a level of more than 90 percent of the parity, we would be definitely opposed to the program. We very definitely do not want production control, which would be inevitable if price-support payments reflected a profit to turkey producers.

Therefore, we are insistent that support levels be held at not more than 90 percent of parity, as this, we believe, is a stop-loss or a break-even level of prices.

Mr. PACE. Will you read that again?

Mr. JOHNSON. Therefore, we are insistent that support levels be held to not more than 90 percent of parity, as this would be a break-even point in profit.

The National Poultry Producers Federation, of which the National Turkey Federation is a member, has taken the position of opposing production payments to producers. We stand by this policy for the primary reason that we believe it would be impossible to set up any program of payments that would be practicable and workable. We know from close contact with marketing experience that, if any commodity in abundant supply is allowed to seek its own low level, wholesale buyers particularly will stand by and wait until they are very sure that the bottom has been reached. This would be especially true in the early part of the fall, when the first turkeys were looking for a buyer with little current demand for turkeys for immediate consumption.

We feel sure this plan would be far more costly to the taxpayers than the purchase program. On the other hand, we believe a purchase program would be cheaper. It has been shown in the past that the level of turkey prices has been substantially helped by the very announcement of a Government purchase program. The announcement of a floor price gives confidence to those who store, and the Government has need to buy few, if any, turkeys.

Thank you.

Mr. PACE. Mr. Johnson, there is one change in your statement from that of the previous statement. You said you did not think the support ought to be over 90 percent. Those gentlemen recommended that supports be from 60 to 90. Do you join in that recommendation?

Mr. JOHNSON. I see no objection to joining with it, providing it does not show a profit. If 70 percent would show a profit, we would want the 60.

Mr. PACE. The other question is this—I would like for Mr. Rice and Mr. Hubbard also to listen to this question.

Mr. Johnson, assuming that the interpretation placed on the Aiken Act, which is scheduled to go into effect on the first day of January, and the interpretation placed thereon by the Secretary of Agriculture to the general effect that no support for any commodity is available, but is rather prohibited, where the commodity is perishable in nature, is not reasonably storable without excessive cost or excessive loss, if that is interpreted to apply to chickens and eggs and turkeys, then do you want the Aiken bill to go into effect on the 1st day of January?

Mr. JOHNSON. No; I do not believe the turkey producers would.

Mr. PACE. You feel they are entitled to a reasonable support?

Mr. JOHNSON. That is correct.

Mr. PACE. I might add here that in our hearings, which I have reviewed here, the testimony of the Solicitor with regard to livestock under that act was that there were only one or two ways that they could support livestock. One would be to buy cattle and build pens and feed them, and the other would be to kill them and put them in storage. He thought that both of those methods were impractical.

Of course, you cannot support the price of eggs and chickens and turkeys unless you buy them and put them in storage, where there is certainly a high cost and a certain amount of loss. You think that if that construction of the language is correct, it should certainly be amended before it goes into effect?

Mr. JOHNSON. That is the Aiken bill?

Mr. PACE. Yes.

Are there any questions, Mr. Granger?

Mr. GRANGER. Yes. I am just a little confused about your statement there. You said you did not want the support price less than 90 percent of parity, which was a break-even point. What do you mean by that? You do not have to have 90 percent of parity to break even; do you?

Mr. JOHNSON. It is definitely the opinion of the turkey growers that 90 percent of parity is the break-even point. There are some reports we have had recently from the west coast that 90 percent would not break even this year inasmuch as grains have gone up. The feed as we buy it in the bag has gone up a lot in the last 6 to 8 weeks. If that continues, it is the opinion of those on the west coast that they will not make a profit at 90 percent of parity. They will not even break even.

Mr. GRANGER. As I remember, about 60 percent of the cost of raising turkeys is in the feed; is it not?

Mr. JOHNSON. That is right.

Mr. GRANGER. Certainly, if corn and everything that goes to make up your feed enjoyed a price support, you would have to have a price support also?

Mr. JOHNSON. I believe so.

Mr. GRANGER. That is all.

Mr. PACE. Thank you very much, Mr. Johnson.

At this point, I would like to insert in the record a telegram addressed to the clerk of this committee from Mr. Don M. Turnbull, executive secretary, International Baby Chick Association, Kansas City, Mo.

The substance of it is that he thinks "it is impossible to administer compensatory payments without submitting to production goals. It would take an army to enforce such controls on 5,000,000 farms now raising poultry."

There will also be inserted a letter addressed to Congressman Andresen by Norris K. Carnes, general manager, Central Livestock Association, Inc.

KANSAS CITY, MO., *June 2, 1949.*

MABEL DOWNEY,
Secretary, Committee on Agriculture, House of Representatives, Washington, D. C.:

Contrary to previous report. No one will appear before Pace subcommittee from this association June 7. Our position respect to Brannan plan stated clearly in testimony presented to committee by President Noel Shaver May 18 and is unchanged. Think it impossible to administer compensatory payments without submitting to production goals. It would take an army to enforce such controls on 5,000,000 farms now raising poultry.

DON M. TURNBULL,
Executive Secretary, International Baby Chick Association.

JUNE 2, 1949.

Hon. AUGUST ANDRESEN,
House Office Building, Washington, D. C.

DEAR CONGRESSMAN ANDRESEN: I am extremely sorry that I have found it impossible to appear before the Special Subcommittee of the House Committee on Agriculture and testify on the proposal submitted to said committee by the Secretary of Agriculture, which, if enacted into law, would authorize him to carry out the price-support program with respect to certain perishable agricultural commodities, including hogs, by the use of direct production payments in place of loans or purchases.

It is my candid opinion that the proposed program seeks to do the economically impossible: lower food prices to the consumer and at the same time guarantee higher prices to the producer. I fully realize the popular appeal of such a program, but I feel that it is imperative that it be carefully and thoughtfully analyzed by all concerned before it is approved.

In studying this program, these questions come to my mind:

1. What would such a program cost the taxpayers of this country?

2. Wouldn't this program regiment farmers to a greater degree than ever before?

3. Wouldn't this program place farmers in a position where they would be dependent upon the Congress for a high percentage of their income, and isn't such a position a dangerous one for a minority group in our society to occupy?

4. Wouldn't it substitute subsidized low prices for fair prices in the free markets?

It is my opinion that consideration of this plan brings up a question of economic philosophy: State-controlled agriculture or free enterprise. Basically, the proposed program appears to represent a long step toward absolute control over a large and important division of our American economy. It offers what appears to be economic security to a large class in these United States in return for absolute control over their productive efforts. These facts exist regardless of the worthiness of the objectives or the sincerity of the officials charged with the responsibility of administration: total control of individual farmers is included in the plan; controls are a certainty if the plan is to work, controls in many cases will be invoked whether the individual farmer wants them or not, and the threat of nonparticipation in its economic benefits to those who are reluctant to submit to the plan will undoubtedly be used to bring these objectors into line.

I cannot see how anyone who believes in a free economy can support this suggested program. If this philosophy is accepted by the Nation for the farmer, it must and will be accepted for all the other economic groups in our society.

The Central Livestock Association, Inc., with offices at South St. Paul, Minn.; West Fargo, N. Dak.; and Billings, Mont., has a membership of around 150,000 farmers residing in the States of Minnesota, Wisconsin, Iowa, North Dakota, South Dakota, Montana, and Wyoming. The annual meeting of its stockholders is held the second Wednesday in February of each year. Because of this fact, the proposal submitted by the Secretary of Agriculture has not been acted upon by the members of this association. However, many of its members have contacted me relative to the so-called Brannan plan, and I have yet to find one who is willing to admit that he is favorable to it. I think they fully realize that our National Government is definitely committed to price supports and that many producers have made plans with that fact in mind. I think that the majority of our people would recommend that our agricultural economy continue to operate under the present law, which provides for price supports at 90 percent of parity until January 1, 1950, and then under the Hope-Aiken law, which provides for flexible supports, and that consideration be given to amending this law so as to provide for less regimentation and more freedom of action. I am certain that the majority of our people favor the support of hog prices through purchases of pork products through the Commodity Credit Corporation rather than by direct subsidies to the producers.

I reiterate, I am sorry that I cannot be with you in person next week at the hearing, but commitments previously made will not permit me to accept your invitation.

Believe me, I am

Sincerely yours,

CENTRAL LIVESTOCK ASSOCIATION, INC.,
NORRIS K. CARNES, *General Manager.*

Mr. PACE. Gentlemen, there are other witnesses here and there will be others tomorrow morning. We will start promptly at 10 in the morning and try to get complete this part of the hearing tomorrow. I, therefore, will ask that other witnesses who are here will please be with us promptly at 10 o'clock tomorrow morning.

We will stand recessed until that time.

(Whereupon, at 12 o'clock noon, the committee recessed, to reconvene at 10 a. m., Wednesday, June 8, 1949.)

PRICE SUPPORT THROUGH USE OF PRODUCTION PAYMENTS

WEDNESDAY, JUNE 8, 1949

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE OF THE
COMMITTEE ON AGRICULTURE,
Washington, D. C.

The subcommittee met at 10 a. m., Hon. Stephen Pace (chairman) presiding.

Mr. PACE. Our first witness this morning is Mr. J. M. Jones, secretary, National Wool Growers Association.

We are always delighted to have you here, Mr. Jones, and will be glad to hear from you at this time.

STATEMENT OF J. M. JONES, SECRETARY, NATIONAL WOOL GROWERS ASSOCIATION

Mr. JONES. Mr. Chairman and members of the committee, my name is J. M. Jones; I am secretary of the National Wool Growers Association with headquarters in Salt Lake City, Utah.

The National Wool Growers Association appreciates the invitation to appear before this committee on the subject of the method of price support for wool.

The matter of Government support, whatever its nature, is not new to the wool industry. Since wool has always been produced cheaper in other parts of the world, since production has recently greatly decreased here, and since most authorities agree that a considerable wool-producing industry is necessary here for our domestic economy and for our national safety, it follows that we must continue some sort of Government support.

Asearly as 2 years ago, the National Wool Growers Association discussed in its meetings the idea of production payments as a substitute for the purchase program now in operation, and as late as May 2 last we suggested to this committee that our industry would be a good one on which to try the operation of production payments, because we will probably be in deficiency production for a considerable time.

Chairman Pace's telegram of June 1 stated in part:

> The committee desires to obtain the views of the wool growers with respect to the use of the production payment method of providing price support as distinguished from other methods of providing support such as through loans, purchases, or other operations.

We shall attempt to confine our remarks to the purpose of this hearing as outlined by the chairman.

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Congress has in the past permitted price support for wool through nonrecourse loans (1938–39) and purchase program (1943–49). These support operations have been of material benefit and are greatly appreciated.

Under these methods of support certain difficult problems have developed, such as: (1) the inability of Government agencies to merchandise wool effectively, (2) the building up of wool stock piles at the wrong time, (3) the technical problems involved in the physical appraisal of wool by Government employees, and so forth. We think that the major difficulties could be overcome through the production payment method for wool which would lend stability to the producer and to the market. The producer would know and the market would be aware at the beginning of the year what price level in general could be expected for wool and therefore the uncertainty in the minds of the producers as to price, which has been the greatest cause for the recent decline in production, would be largely overcome; wool would be available to the highest bidder at all times and would be taken into business channels in the normal way and utilized, thereby avoiding the creation of a stock pile to hang over and depress the market at a later date, and the true value of the wool would be arrived at by the producer and the merchant.

We visualize this method of support for wool and mohair would operate in the following manner:

1. All wool would be sold on the open market and through the regular and normal channels of trade either on consignment to cooperatives and others or outright sale by the producer.

2. At the time of sale by the producer, certification or other evidence required by the Government would be sent by the handler, agent, or purchaser of wool to a designated agent of the Department of Agriculture.

3. This certified bill of sale would show the pounds of wool sold, price received, date sold, to whom sold, and any other information considered necessary. One copy of this certified bill of sale would go to the Bureau of Agricultural Economics for the purpose of determining the average price received by producers.

4. Certification would be made only at the time the primary producer disposed of the wool.

5. As January 1 of every year has been determined as the beginning of the marketing season for wool, the Secretary of Agriculture at that time would determine the level of support for wool for that year.

6. Evidence on the certified bill of sale would supply the Government with the figures from which to determine the average price received by producers during the year.

7. The difference between the support price and the average price received would determine the amount of payment due the producer if a support program were necessary. Of course, if the average price received were higher than the support price, no payment would be forthcoming; it would be unnecessary.

8. If the average price received were lower than the support price, the difference would be expressed in terms of percentage. From the standpoint of the producer this percentage is the key to the successful operation of the production-payment program. Without it we seriously doubt the advantages of such a program over the present purchase program.

9. This percentage would then be multiplied by the price received per pound to determine the payment per pound and then multiplied by the number of pounds to get the total payment due the producer.

10. Upon the announcement by the Secretary of Agriculture that support was due the producer, producers holding the certified bills of sale would present them as claims to the Government. Processing of claims would begin immediately upon presentation of certificates of sale by producers.

For example; assume that the support price is 55 cents per grease pound and the average price received, according to the Bureau of Agricultural Economics, for the year in question is 50 cents per pound. The percentage difference is 10 percent. Again, assume producer A received 60 cents per grease pound. His payment would be 60 cents times 10 percent or 6 cents per pound.

Producer B receives 50 cents per pound. He is exactly on the average. His payment would be 5 cents per pound (50 cents times 10 percent). Producer C receives 30 cents per pound. He is below the average. His payment would be 3 cents.

This percentage calculation is most important because it encourages improved production and marketing; it encourages the producer to get the highest price possible for his clip of wool; and it permits support on the basis of the clean wool content and all wool in the United States as well as throughout the world is bought and sold and all duties are collected on the basis of its clean value and not on the amount of grease, dirt, and vegetable matter in the wool. This type of percentage calculation would cost the Government the same as a straight across-the-board payment which does not have the advantage of encouraging production.

From the standpoint of our Government such an experiment with wool would seem to us to be desirable because wool is an import commodity for which the price is determined in this country by the world market price for wool plus the existing tariff duty. This program would work equally well for mohair.

We have pointed out the production-payment program:

1. Lends stability to the producer and to the market because the producer knows and the market is aware at the beginning of the year what price level in general can be expected for wool and therefore the uncertainty in the mind of the producer is to a large degree overcome. The producer may sell his wool at any time during the calendar year.

2. The program makes wool available to the highest bidder at all times and is taken into business channels in the normal way and utilized, thereby avoiding the creation of a stock pile to hang over and depress the market at a later date and the true value of the wool is arrived at by the deal or trade made between the producer and the merchant. We believe it is the general consensus of opinion that grease wool should not be stock-piled for strategic purposes, but should be manufactured into fabric and clothing because of the time required to convert wool into cloth.

We also foresee other advantages in such a program:

3. The program is automatic. There would be no necessity to come to Washington and plead for a program after disaster has struck the producer.

4. It makes support available to the producers at the time when price disaster strikes and when it is needed.

5. The program lends itself to improved production and marketing of the wool clip because the payment is based on the percentage of the sale price.

6. Such a program would eliminate the additional cost borne by the producer as a result of the Government actually taking over the wool.

7. The program would save the Government money and cut down red tape when compared to a purchase program.

8. The plan would give the Department of Agriculture the most accurate record of prices received and pounds of wool produced whether support was necessary or not.

9. Last but not least, it takes the Government as far as possible out of the business and still provides a support program when necessary.

Now, Mr. Chairman, I would like, if I may, in addition, to cover a few matters which I did not think were too well covered the other day when the Secretary appeared.

Under the present parity basis of the 1909–14 price, which the President of the United States and former Secretary of Agriculture Anderson have both stated is not proper for wool, as of May 15, 1949, the 44.8 cents per grease pound.

Parity under the Agricultural Act of 1948 for wool is 48.2 cents a pound as of March 15, 1949, and the support level is 43.4 cents. Now, the price support standard for wool under Secretary Brannan's proposal is 49.8 cents per pound.

The present support level under the purchase program for wool was established by specific legislation without regard to any percentage of parity, and under the Wool Act of 1947 it is 42.3 cents per grease pound. The average price for wool as of May 15, 1949, according to the Bureau of Agricultural Economics, is 50.6 cents per pound.

As to prices today, the price for good fine, and half-blood Australian wool, comparable with the Texas fine and Territory half-blood wool, is approximately 68 cents a pound, and at the present time the market is hardening in Australia on those types of wool.

In closing, may I say if Congress does permit a trial run of production payments on wool, we suggest that they specify that those payments be made on the basis of a percentage calculation and not "straight across the board."

Thank you very much.

Mr. PACE. The hurried reading of your statement, of course, did not permit of a complete analysis. State again to me, briefly, the significance of this percentage method. It seems to me, in the example you used, that the man who receives the most for his wool would get the biggest payment.

Mr. JONES. That is correct. Perhaps one reason why he would get the biggest payment is because on the fleece that came off the sheep's back, he had more actual clean wool in that fleece than the man who got 30 cents, because there would be less percentage of grease, dirt, and vegetable matter in his wool. On that fleece, just to take one fleece as a example, the man who got 30 cents per pound would probably receive, for the same quality of wool, the same amount of money per fleece as the man who received 60 cents per pound when the fleece contained less dirt.

Mr. PACE. Well, you would not make any payment to him where he sold it for as much as the support price, would you?

Mr. JONES. Yes. Under this proposal, it is just like every other commodity we have discussed. Yesterday the committee and the witness spoke of the difference in quality of eggs. We have the same thing in the difference of the quality of wool. There are various grades and characteristics, and those grades and characteristics demand at all times a difference in price.

Mr. PACE. Oh, well, I agree with you that the support price should be the base, and, of course, if you have wool of a grade higher than the base, your support level is more.

Mr. JONES. Yes, sir.

Mr. PACE. That is recognized. But if, in taking that into account, the producer actually receives for that grade up to the full support price, you would not insist that he still get the payment?

Mr. JONES. We think on the basis of the clean wool content, he would be entitled to the payment. For instance, take the purchase program at the present time of fine wool. I am talking about clean wool, wool from which the dirt, grease, and vegetable matter has been removed. The scheduled price the Commodity Credit Corporation today will pay is \$1.30 per clean pound for that wool. On a grease basis, that would mean he would receive less, perhaps, for the amount he produced of half-blood wool, because half-blood on the schedule is \$1.26 per clean pound.

Mr. PACE. I am frank to say I had not contemplated that the man who in the market receives the full support price would, in addition, get a payment. While the price that man receives for wool will enter into the calculation of the average price that the whole wool crop will get, I had not contemplated that the man who in the market receives the full support price would, in addition, get a payment, because the purpose of the payment is to maintain the support price, and that producer, when he received it in the open market, I had not contemplated would, in addition to that, get the payment.

Mr. JONES. The trouble is there is no such thing as an average grease price for wool. There is where the problem lies. But that is the basis upon which the calculations of the price received by the farmers is figured. The man who received, we will say, just exactly the support level is the average, and under all of the wool that is taken into account and after the Secretary has made a determination of the difference between the average price received and the average support price, then, regardless of what the man received, he is entitled to that percentage of difference, in our opinion.

And it does not cost the Government any more. If one man receives more for his wool than the other, he is entitled to it because of the clean value of his wool, and it does not cost the Government any more to support on the percentage calculation than it does "straight across the board" on so much per head. In fact, we see no advantage to a program of this kind unless his support is on a percentage basis.

Mr. PACE. I am not going to pursue it in the record now, but I want to discuss this matter with you.

Mr. JONES. I will be happy to do it.

Mr. POAGE. Mr. Jones, as I understand, you do not want to follow the policy the Secretary suggested of simply determining when the average price—of course, adjusted to grades—was below the support level and then paying each producer the difference between that support price and the average price. You would make it dependent upon what that producer actually got for his clip?

Mr. JONES. That is correct.

Mr. POAGE. I can see there are advantages to that, but do not you open the door, when you do that, to interminable fraud? I am not charging the wool growers are any worse than the cotton growers, the corn growers, or the wheat growers; we are all just about alike—the hog growers and everybody else. They are no different from Congressmen or no worse. Would not there be an open temptation there, if I have some wool and I come to you and you are buying it, for you to say "Well, Poage, this wool is worth 40 cents, but I will just give you a receipt for the wool and you give me a receipt for the money, and we will show I only paid you about 25 or 30 cents for it. Then, when you get your Government check, why, you just split with me on the difference, and we will both make a profit out of it, you for the producer's part and I for the buyer's part, and we'll just let Uncle Sam pay it"? And is not that what would happen if you put that open invitation into the law?

Mr. JONES. I do not think so. The reason I do not think so is because when this wool is sold, no one knows whether or not the payment will be available, and the higher they get the price of the wool sold, the less payment they are going to get, because it will more nearly approach the support level. I do not think it is reasonable to expect that a man, time after time, would falsify his records to that point, not knowing at all what payment he would get, and to try to beat his neighbor out of it, because that is what he would be doing, and eventually he would eliminate the entire support.

As I visualize this thing, this certificate of sale, the moment the sale is made and dated, goes into the Bureau of Agricultural Economics, goes to the Department of Agriculture, and, if I see it correctly, that one slip would go to the county committee of the county who would, in turn, forward it and, if that was out of line with the going price, I am quite sure, out in our western country, the county committee could see there was something wrong with it. So I cannot visualize any problem there.

Mr. POAGE. I do not see how the county agent could do much hollering about it, because, after all, these fellows doing the selling are the people who employ him. He owes his job to the local support, and he is not going to holler too loud about a thing of that kind.

Mr. JONES. The thing that happens in our western country is that when dealers come in to buy wool, everybody pretty well knows what the price established for wool is, and if one fellow gets a quarter of a cent higher than the next fellow, he begins to wonder why; he thinks he made a bad sale, and he tries to investigate and see why he could not "spring" the price.

Mr. POAGE. Does not the plan Secretary Brannan suggested to us afford just about all the advantage or reward a grower of a good product could expect? It still allows the man who grows a superior product to get a superior price, and while he might even sell his wool for more than the support price, if the average price was below the support price, he would still get his payment under the plan Secretary Brannan suggested to us.

Mr. JONES. He would, but we think on a percentage basis it will encourage the thing our association has striven for and is still striving for, that is, to improve the production of our wool and get the highest quality we can produce and do the best possible job of marketing, and this is an incentive to do that.

Mr. POAGE. It is only a small incentive compared with what the original Brannan plan provides.

Mr. JONES. That is correct.

Mr. POAGE. It seems to me for that very small incentive, which might well be 5 or 10 percent of the total, you are willing to burden the Government, in the first place, with a tremendous amount of bookkeeping, because, say what we may, when you begin to make a bunch of duplicate copies of every individual sale and begin to require a record to be kept of every individual sale, you immediately build up the very thing which we all say we do not want, that is, a big bureaucracy to handle all of these records. And if you had everybody honest, you would still have the expense of a burdensome and complicated calculation of figures, which nobody likes to have to go through with.

Even if you had everybody honest—and frankly I think you pay too much tribute to the honesty of the wool man or any other group; and, I repeat, I am not imputing to them a dishonesty that I do not impute to anybody else—but I do say there are in this country too many men who are dishonest when they begin to deal with Uncle Sam. A man who would never think of being dishonest with you or with other individuals, a man whom you could trust absolutely to go and make an investment for you and return all of the earnings without any accounting and keeping of books, will get his hand in Uncle Sam's pocket and feel there is nothing wrong about it. It is unfortunate that we have that condition but it exists.

Mr. JONES. In the first place, I do not believe it would be too difficult a job in getting these certificates of sale in the hands of the proper parties. We feel definitely that the Bureau of Agricultural Economics needs considerable help in the determination of the pounds of wool produced and the prices received. We do not think they have an accurate record now.

Mr. PACE. In the interest of time, let me make this comment, although I myself am guilty of asking a question about it: Certainly if this committee should authorize a trial run on wool, it is not going to try to legislate on how it should be done. In fact, the purpose of the trial run is to find out where the administrative difficulties are and how it should be handled. Therefore, I am wondering if the committee will agree with me that the details are going to have to be left with the administrative authority and not to this committee. This committee has no authority for putting in the bill that you should use the percentage method.

Mr. JONES. But you do not mind my bringing it up, do you?

Mr. PACE. Not at all.

Mr. JONES. We think that is the only way in which it is possible to operate it.

Mr. PACE. But I do not want us to spend the morning discussing details that we are not going to legislate on. In my judgment, that is one of the purposes of the trial program—to find out how it should be handled most effectively and economically to all parties, including the United States Government.

Mr. JONES. Correct, sir.

Mr. PACE. Do you agree with me about that, Mr. Poage?

Mr. POAGE. While I agree we cannot fix all of the details, I do not know how many we might want to write in.

Mr. GRANGER. Mr. Jones, where are you going to propose that you have the support price level? Is it going to be on the clean basis, the grease basis, or what?

Mr. JONES. I think, Congressman Granger, as far as the law is concerned, it would continue to have to be on the grease basis as now established, because parity is calculated on the grease basis, and I think perhaps we have to accept that as the proper basis.

Mr. GRANGER. You heard the question yesterday that indicated there is some confusion about what effect it would have on market co-ops. Would you care to say anything about that?

Mr. JONES. Yes. We think this program would be equally as advantageous for marketing co-ops as any other program we could have. We look at it from the standpoint of the normal operation. We anticipate wool would go in on consignment as much and even more under this program, because the grower would hesitate to sell his wool if he felt the price was too low and there was a chance of bringing it up. We do have some opposition—and I want frankly to admit we do have some opposition—I would not say from the co-ops necessarily, but from some groups who are in the business of storing wool. It follows that the stock pile which is being built up costs the Government a great deal of money. If the Government has 100,000,000 pounds of wool in storage, it costs the Government $1,000,000 a year, and it does not produce anything. If, like Congressman Murray's cheese, would improved with age, it would be a little different proposition, but it deteriorates with age, and those who are receiving returns as a result of storage perhaps would be opposed to this program, because it is quite a lucrative business. But we think we can save the Government money, and if we save $1,000,000 a year on 100,000,000 pounds of wool, if we have 500,000,000 pounds of wool, it is $5,000,000 saved, and that would go a long way, we think, in probably doing the thing Congress wants to do in supporting the price for the producers when they need it.

Mr. POAGE. As I understand the marketing of wool, even now, where wool is sold, each man has his identical clip of wool and gets a separate sales slip and a separate check for it.

Mr. JONES. That is correct.

Mr. POAGE. Whether it is sold through a cooperative or sold through a private wool buyer.

Mr. JONES. That is correct.

Mr. ANDRESEN. Mr. Jones, as I understand the program to which you have subscribed, the farmer would sell his wool in the open market.

Mr. JONES. Yes, sir.

Mr. ANDRESEN. And as long as he would receive a separate payment for the difference between the price he sold at and the support price, he could sell it at any price, could he not?

Mr. JONES. He could sell it at any price. I think the tendency, Congressman Andresen, would be to sell it at just as high a price as he possibly could, for two reasons, of course the main reason being that is where the most of the money, we would hope, would come from, and if this program is put in on a percentage calculation basis, it means he would receive that much more subsidy, having sold it at the best possible advantage.

Mr. ANDRESEN. What would be the incentive for him to do that?

Mr. JONES. The incentive, first of all, is getting the best price he could per pound of wool; not realizing or knowing whether or not he would have a subsidy payment, he would want to get just as high a price as he could. The subsidy, we would hope, would be a very minor part of the return he would receive for his wool.

Mr. ANDRESEN. How much would it cost with a wool clip of 250,000,000 pounds, which is just about what would be raised here?

Mr. JONES. If I may assume some things, on the production payment program and its cost, if it went into effect in 1950 and the difference between the support level and the price received was 10 percent, that would be equal to 5 cents a pound on all of the wool produced, or approximately a cost of $12,200,000 under the assumption.

Mr. MURRAY. Mr. Jones, I presume you realize that the days of something for nothing are pretty well over; that the honeymoon is pretty well over.

Mr. JONES. I would think so.

Mr. MURRAY. Now we are not going to have something for something from here on out, and if the 250,000,000 pounds of wool should go down to 20 cents a pound—and you have seen it go to 10——

Mr. JONES. Yes, sir.

Mr. MURRAY. I would like to have you tell me where you are going to get the money. You have just as much right to assume wool is going to be 20 cents a pound as you have to assume it is not going to be. I think if we did not have the wool support program today, wool would be much lower in price in the United States. The world wool monopoly might control the price temporarily. If we would have to pay at least 20 cents a pound as a subsidy or $50,000,000 a year, I wish you would tell me where you are going to get the $50,000,000.

Mr. JONES. If we continue on the basis of direct subsidies from the Government, it would come from them..

Mr. MURRAY. It would come from them, but how are you going to get the money? You know, that is the trouble in Washington; we have too many people who never earned a dollar in their lives; all of the money they ever had is what they either inherited or got from the United States Treasury. Plenty more people are trying to get money out of the United States Treasury, and if you have any program to propose, I would like to have you tell me where you are going to get the money to carry it out.

Mr. JONES. If we had our choice, we would feel in the case of wool, an equitable tariff, and a disaster floor in the event there came a depression in this country, would be the most desirable thing. That as we visualize it now, is not in the picture, but if we want to keep a domestic sheep industry and direct subsidies from the Government, is the only way, this is the method we think would do the best job for the producers of wool.

Mr. MURRAY. That may be, but you have not answered my question of where you are going to get the money.

Mr. JONES. I think, sir, it would come from the taxpayers' pockets.

Mr. MURRAY. We are taxing people now so that they cannot even read a newspaper without paying a tax on the electric lamp, and they cannot go to church without paying a tax on gasoline for their automobiles to ride to church. I want to know, from here on out, where you are going to get the money to carry this program through.

Mr. JONES. In 1947, the last year for which figures are available on wool duties, these duties were revenue that went into the United States Treasury, amounting to $77,587,000. And that is the least revenue from import duties that has been collected from wool for many, many years. Between the years 1941 and 1946, inclusive, wool duties averaged $119,000,000 a year. So money is available there which comes from duties collected on foreign wool.

Mr. MURRAY. That is the biggest contribution that agriculture makes to section 32 funds—is through wool. But we have to have that money to grind up tobacco and sell it for fertilizer; we have to have it to get rid of surplus apples. We import $5,000,000 worth and export $4,000,000 and buy 22,000,000 pounds of applesauce, and we cannot be using that for the livestock industry. We have to use that for these other groups who produce the other things; so we have not used any for wool; not a dollar of that has been used for wool.

Mr. JONES. That is correct.

Mr. MURRAY. So that, if you will put that little gadget into it, you would make some contribution, because then you would propose that part of the section 32 funds would be used to support the domestic price of wool, which does have some merit.

Mr. JONES. We would like to suggest that.

Mr. MURRAY. Outside of that, outside of a certain amount there, everybody seems to know, except Keyserling down at the White House, that we are running out of money, but he is hearing about it lately. A lot of people still think this money is growing on trees. It is only a few years back, in 1939, when we had 10,000,000 people unemployed, and you know what prices were in the United States. Now, these commodity prices go along with unemployment. There is not anybody who can dispute that. And I say to you with all friendliness there is no use coming in here with any grandiose scheme, because if you have any program, you have to have one that shows where you are going to get the money. Would you put a processing tax somewhere along the line to get the money; would you put in some other gadget to produce the money? Otherwise, you are just talking about something we do not have.

Mr. JONES. Of course, Congressman Murray, I was assuming we had a law in the statutes that provided for support. Of course, as I say——

Mr. MURRAY. Sure—in the statutes, but where are you going to get the money?

Mr. JONES. What I was trying to do was to give the Congress and the Department what we think is the best method of operating a support program for wool.

Mr. MURRAY. And if you carry out the program based on a plan like we had the pay-roll program, it might take $50,000,000,000.

Mr. PACE. Are there any further questions on wool?

Mr. POAGE. I want to say I appreciate your coming here and offering us a practical plan and trying to face the realities of the wool situation, world trade, and all of the other matters, and I appreciate your bringing us a plan that is a sincere effort to meet the actual existing conditions——

Mr. JONES. Thank you.

Mr. POAGE. But I want to ask you, if I understand your proposal, would you include mohair simply as a grade in the price of wool?

Mr. JONES. I think it should be. I agree with you in the statement you made the other day that, after all, just because they eat a little different type of brush is no reason why it should not be included as a part of the support program for wool. Heretofore, in the case of mohair, from 1938 to 1939, they gave it the same treatment. They have a basis on which they can easily work and calculate the support level for mohair.

Mr. POAGE. As a matter of fact, there is more difference between certain classes of wool than there is between some classes of wool and mohair?

Mr. JONES. Yes, sir.

Mr. HILL. I would like to ask the gentleman would he object to putting in the Angora goat clip of wool and choice wools?

Mr. GRANGER. Surely, if they get any protection under it, but it would have to be a couple of dollars per pound.

Mr. HILL. That is up to you Democrats; I belong to the minority. It is not up to the Republicans.

Mr. PACE. Thank you very much, Mr. Jones.

(A supplemental statement by Mr. Jones, letters from the Boston Wool Trade Association and National Wool Trade Association, and a statement by Mr. C. J. Fawcett, general manager, National Wool Marketing Corp., Boston, Mass., follow:)

PRODUCTION PAYMENTS—PERCENTAGE DETERMINATION VERSUS "STRAIGHT ACROSS THE BOARD" PAYMENTS

(Supplemental statement of J. M. Jones, National Wool Growers testimony)

Points to consider:

1. In considering wool production it is the number of pounds of clean wool produced per head of sheep that really counts because the ewe is the production unit.

2. Wool is generally bought and sold as it comes from the sheep's back (in the grease as we call it); but every buyer when he buys the wool in this form automatically calculates in his mind how much clean wool is in that fleece and then bases his price per pound on his determination of the clean content.

3. The example illustrates that that is exactly what has been done in this theoretical case—the price per pound varies in inverse proportion to the number of pounds per fleece. The price received for the wool per head, however, is exactly the same ($4.20).

4. By utilizing the percentage method in calculating the production payment this true value relation is maintained and total amount received by each producer per head of sheep, assuming the like grade and quality for each, is exactly the same ($4.62).

5. Considering the "straight-across-the-board" payment producer A with a light shrinking fleece and with the same amount of clean wool receives only half as much payment as producer C with a heavier grease weight but the same clean wool content (producer A, 30 cents; producer C, 60 cents).

6. The cost to the Government is exactly the same by either method ($1.26). The incentive to the producer to improve his production and marketing is readily seen from the example given.

7. Some might say that the difference of 12 cents producer A would receive under the percentage calculation as compared to the other method is inconsequential (42 cents versus 30 cents) but the United States Tariff Commission in estimating the profit and loss on domestically produced wool shows that in their study the producer lost 6 cents per head on wool in 1948. The point is that

whether or not there is a profit determines which way sheep—lambs and wool—production will go in this country.

8. It seems highly important to us to encourage improved production and marketing of wool to better enable the domestic producer to complete in a highly competitive market and increase production.

Percentage calculation in production-payments program versus straight-across-the-board payments

PERCENTAGE CALCULATION

Producer	Prices received per pound (grease)	Weight of fleece per head of sheep	Price received for wool per head	Production payments 10 percent of price received	Total received per head of sheep
		Pounds			
A	$0.60	7.0	$4.20	[1] $0.42	$4.62
B	.50	8.4	4.20	.42	4.62
C	.30	14.0	4.20	.42	4.62
Total			12.60	1.26	13.86
STRAIGHT-ACROSS-THE-BOARD PAYMENT					
A	$0.60	7.0	$4.20	[2 3] $0.30	$4.50
B	.50	8.4	4.20	.36	4.56
C	.30	14.0	4.20	.60	4.80
Total			12.60	1.26	13.86

[1] 10 percent of price received per pound times the fleece weight.
[2] Differenee between support level and price received (4.28 cents) per pound times the fleece weight.
[3] Production payments straight across.

NATIONAL WOOL TRADE ASSOCIATION,
Boston, Mass., June 9, 1949.

Representative STEPHEN PACE,
Chairman, Special Subcommittee of House Committee on Agriculture,
House of Representatives, Washington, D. C.

DEAR REPRESENTATIVE PACE: The National Wool Trade Association heartily endorses the wool production payment plan as outlined in the statement of J. M. Jones, secretary of the National Wool Growers Association, before the special subcommittee of the House Committee on Agriculture, Stephen Pace, Member of Congress, chairman, on June 8, 1949, a copy of which is enclosed.

Yours very truly,

HUGH MUNRO, *President.*

BOSTON WOOL TRADE ASSOCIATION,
JUNE 9, 1949.

Representative STEPHEN PACE,
Chairman, Special Subcommittee of House Committee on Agriculture,
House of Representatives, Washington, D. C.

DEAR REPRESENTATIVE PACE: The Boston Wool Trade Association heartily endorses the wool production payment plan as outlined in the statement of J. M. Jones, secretary of the National Wool Growers Association, before the special subcommittee of the House Committee on Agriculture, Stephen Pace, member of Congress, chairman, on June 8, 1949, a copy of which is eclosed.

We are opposed to the production-payment method as proposed by the Honorable Charles F. Brannan, Secretary of the Department of Agriculture, before your committee.

Yours very truly,

JOHN G. WRIGHT, *President.*

Production Payment Price Supports Versus Nonrecourse Loans

(Statement by C. J. Fawcett, general manager, National Wool Marketing Corp., Boston, Mass.)

The National Wool Marketing Corp. is a national wool-selling agency serving 22 State cooperative wool-marketing associations with a membership of 70,000 wool growers. Serving in this capacity, the National Wool Marketing Corp. is the largest handler of domestic wool in the United States. Our principal sales office and warehouses are located in Boston, Mass., in order that our stocks may be accessible to the manufacturers at all times. A very large percentage, probably 85 to 90 percent of the wool used in the United States, is manufactured within a radius of 400 miles of Boston.

We have been invited by your committee to present our views with respect to the use of production payments as a means of implementing a price-support program on wool as distinguished from methods now employed in agricultural support programs through loans, purchases, or other operations.

The matter of production payments has had careful consideration by the majority of our State marketing associations and their wool-grower membership since the plan was first introduced in the early forties by the Boston wool trade as a substitute for the CCC wool-purchase program then in effect. All of our associations and their individual membership, so far as we have been able to ascertain, favor a nonrecourse loan such as has been recommended for nonperishable or storable commodities by the Secretary of Agriculture rather than the production-payment plan. Wool is a commodity that lends itself to support programs involving extended storage periods for it does not deteriorate with age when properly stored.

Domestic-grown wool is a deficiency commodity and probably always will be. We now produce approximately one-third of our annual requirements. For this reason, large stock piles of domestic wool are not probable if priced on a competitive basis with comparable foreign grades. So long as we require 2 pounds of foreign wool to 1 pound of domestic wool our market values are largely governed by foreign market levels. Stock piles of deficiency commodities are not a menace to market values if properly regulated and intelligently marketed. In fact, the advisability of creating a stock pile of wool is now under consideration by the Munitions Board as a safeguard against an emergency situation such as occurred in 1941 and 1942 and as an insurance policy against unreasonable price advances in foreign markets upon which we must rely for the bulk of our requirements.

There is abundant evidence at hand that the most efficient use of our natural resources in the form of feed and grain will include an expansion of the sheep numbers in the United States. In a recent analysis made by the Department of Agriculture pertaining to the 1949 goals, sheep and lambs, we find the following statement:

"Present range grazing resources are now being utilized less fully than they have been during the last 30 years. Much of these resources can be utilized best by sheep. The possibility of increased sheep numbers is greatest in the western range area. As farmers reduce their acreages of cultivated crops they may find a need for increased sheep numbers to utilize their increased pasture and forage, particularly in some of the wheat-producing areas. There is a possibility also for an expansion in sheep numbers in the farm flock areas so as to utilize more fully the pasture now available and which will become available when crop acreage is reduced."

This report would seem to substantiate the need for a support program. The purpose of this brief, however, is not to supply additional evidence that a support price is needed, if our industry is to be maintained at present levels, but rather to discuss the most desirable type of a support program to be employed.

Since it organization in 1930, the National Wool Marketing Corp. has operated under two support programs—a nonrecourse loan program in 1938 and 1939 and under the outright purchase program in effect since 1943. It is our considered opinion, based on experience with both programs, that a nonrecourse loan type of program provides the most protection to the producer and that its application is more simple, therefore, more efficient than the present purchase plan. It is also our firm conviction that it would operate at far less cost to the Government than either the present plan or the proposed production-payment plan.

So far as the grower is concerned, the manner in which the present purchase program is applied not only provides a floor under the market below which the grower is not obliged to sell his product, but it also establishes a price ceiling above which he cannot sell his wool after it has been tendered to the CCC. In this respect, the present CCC wool purchase program is not flexible enough to permit the grower to enjoy the full benefits of a strong market for a particular grade or portion of his wool clip, whereas a nonrecourse loan type of program allows the grower full freedom within the life of the loan. Under a loan program the producer, so long as he retains the beneficial interest in his commodity, is free to redeem his wool clip by paying off the loan and carrying charges and to sell it in the open market, thereby securing the full benefit of particular demand for a particular grade that may develop within the life of the contract. This privilege is not available to him under the present purchase program which follows the same general pattern as the wartime measure which established a ceiling as well as a floor on wool values.

It is our belief that a nonrecourse-loan program could be operated at much less cost to the Government than either a purchase program, such as we now have, or a production-payment plan such as has been suggested, and at the same time provide greater benefits to producers. We strongly favor this type of program which would provide maximum freedom in merchandising the commodity and permit the market to function through usual channels with a minimum amount of Government regulation.

It is not clear what method would be employed to implement the proposed production-payment program nor what machinery would be employed to determine the amount of the production payment to be paid to domestic wool growers. The term "production payments" would seem to indicate the possible implication that there might be some regulatory measures imposed with respect to production such as is the case in programs covering surplus agricultural commodities. We assume, inasmuch as wool is a deficiency commodity in the United States and obviously always will be, that increased production of domestic wool would be extremely desirable in the interests of our national economy and that no such feature would be necessary or desirable in any type of wool-support program.

Inasmuch as only one method or plan of implementing a direct-payment program to producers has been evolved or presented, we will attempt, in the light of experience, to point out what appears to be unsound policies involved in direct producer payments and to point up some of the distinct advantages of a nonrecourse-loan program.

The production-payment plan now before your committee provides for a direct payment to growers by the CCC based on a percentage of the sale price of the growers' wool sold in the open market at shearing time or as a result of consignment sale. Using the example, which will be found on page 4 of the brief filed by the National Wool Growers Association in which the support price named by the Secretary of Agriculture on January 1 is assumed to be 55 cents per grease pound and the average price received by growers as computed by the Bureau of Agricultural Economics for the year in question is assumed to be 50 cents per grease pound, the percentage of difference would be 10 percent. The theory expounded in this brief would require a production payment by the CCC to every wool grower in the United States of 10 percent of the price he received through sale of his wool in the open market regardless of whether the price received by him was higher than the support level on a per pound basis or lower than the support-price level.

Let us assume that this proposed plan of production payments had been effective January 1, 1949. Because of a temporary scarcity of fine wool in February a few of the larger fine wool clips of the country were contracted on the sheep's back at 76 cents per grease pound to the grower. This relatively high price was obtained because of a temporary shortage of fine wool. In this month (June) choice clips of medium wool of the quarter and three-eighths grades are selling as low as 43 cents per grease pound to the producer. Under the proposed production-payment plan, as set forth in the National Wool Growers Association's brief now before you, the grower who received 76 cents per pound for his wool would receive a production payment of 7.6 cents per pound and the producer of the 43 cents per pound wool would receive a production payment of 4.3 cents per pound. Assuming the fine wool fleece commanding the 76-cent price would average 9 pounds per fleece, the payment in this instance would be 68.4 cents per fleece or per head. In the case of the quarter and three-eighths fleece which was sold at 43 cents per pound, which would average about 7½ pounds per fleece, the grower would receive 32.2 cents per fleece or per head or less than one-half the amount of the production payment due the producer who received 76 cents per pound for his wool. It should be pointed out, however, that over a period of years wool of the medium grades is as essential to our national economy as wool of the finer count. Therefore, the proposed production-payment plan would at this time tend to provide the greatest payment where least needed. It would be a substantial aid to the large operator producing fine wool but of little benefit to small farm operators who number approximately 75 percent of those engaged in wool production in the United States.

A "nonrecourse loan" program would completely eliminate this unsound principle, for any grade or class of wool commanding a higher price than the support level would be redeemed and sold in the open market through usual channels at no cost to the Government. Under the proposed "production payment" program all grades and classes would be subjected to payments if the over-all average price received by growers was below support levels.

The wool market has already suffered a severe and apparently unwarranted decline. There appears to be no market at primary shearing points. In 1948, however, less than half the clip was sold to the CCC. If the proposed "production payment" plan had been in effect in the year 1948 and the average price was determined to be below the support level, all growers regardless of the grade of wool produced or the price obtained would have received the same percentage of the sale price as a production payment. It would have been applied to all growers or to none. The additional cost of a "production payment" program cannot, of course, be accurately calculated. While an analysis of our sales of wool in the year 1948 would provide the best basis for calculating additional costs of such a program, we would be reluctant to even attempt such a calculation.

The wool clip of the United States is practically all shorn in the months of May and June. The entire wool clip is seeking a market at this time and approximately 75 percent is sold by the growers during this period to dealers and merchants who carry the wool so purchased and distribute it to the manufacturers throughout the year as their requirements demand. A substantial risk is taken by dealers in acquiring the clip which must be offset by price differential between prices paid to growers by dealers and prices that will be realized through sale to manufacturers

Because of the tendency on the part of wool growers to sell at shearing time and the financial burden on the part of merchants involved in lifting the clip at shearing time, the spread between the price the grower receives and the price the manufacturer pays is usually substantially more than marketing costs. Wool is purchased by merchants and dealers from growers on an average price basis in the majority of cases for it is obviously impossible to make an examination of each individual clip and ascertain its true market worth. The production-payment plan would encourage the purchase of wool on an average price level with little or no consideration for extra quality and breeding.

The application of the production-payment plan, in our opinion, would promote careless breeding and careless preparation of wool. Much of the progress growers have made in the way of better breeding for quality wool and better preparation of wool for market in the last 20 years would be lost or discontinued. If the entire wool clip was forced on the market at shearing time, or any substantial portion thereof, it would have a tendency to abnormally depress market values and thereby increase the amount of production payments to all growers.

The present slump in the wool market and the almost total absence of trading at country points affords a striking illustration of the extent to which the amount of the production payment would be increased under such circumstances. Such an operation would constitute market glutting which would inevitably increase the spread between the price received by the producer and the average support level named by the Secretary of Agriculture. Such a plan would surely lift the cost to the Government far beyond the cost of an intelligent merchandising program wherein the wool is sold to manufacturers throughout the consuming year as would be the case with a nonrecourse loan program.

In Australia, where wool is the principal commodity of commerce, practically the whole clip, which is three times greater than that produced in the United States, is sold at a series of auctions carefully scheduled throughout the whole year. The production-payment plan now before your committee would, in our opinion, represent the antithesis of orderly marketing as practiced in Australia where wool marketing has probably reached the highest degree of perfection.

Under the production-payment program the producer would not know the extent of his production payment until all of the certificates covering sales of several hundred thousand growers' wool clips were properly computed and averaged. This would require many, many months, and would really put the government in business. In case the average sale price of all the wool sold in the United States was less than the support price named by the Secretary of Agriculture on January 1 of a given year, the Government would be dealing with every wool grower in the United States, whereas under a nonrecourse loan program producers of any class or type of wool commanding a price above the support level would receive no benefit payment and, therefore, no transaction with the government.

The production-payment plan would be most difficult to enforce, invite fraud, and payments would not be available to growers for many, many months and, perhaps, years after shearing time for the amount of the production payment due growers could not be computed until all the wood of a given year had been sold. It has been necessary to carry certain grades or types of wool for which no market was available for indefinite periods awaiting a market. Under such conditions the amount of the production payment could not be determined until a demand developed for the unwanted grades. It is very probable that such a situation would frequently exist as it has since 1943 and the very purpose of a support program and the value of it to growers would be largely thwarted.

It is difficult to visualize the Government calculating the amount of production payments to producers using as a basis for computation prices paid to wool growers by wool dealers and speculators which may or may not be full market values, yet the "production-payment" plan as presented by the National Wool Growers Association does just that. A more businesslike method would be to reverse the procedure by making available to wool growers a "nonrecourse" loan at support price levels determined by examination of the wool involved after it has been graded, classified, and placed in merchantable condition by growers or their representatives.

At the present time there is an abnormal spread between the value of fine wool and the value of medium grades. This relation, no doubt, is of a temporary nature. The application of the "production-payment" plan would accentuate the abnormal price relation now existing between grades. It would provide a potent factor that would constantly be applied to growers in an effort to encourage them to dump their clips at shearing time with the expectation that the Government would make up the spread between the price realized from sale at shearing time and the support price level that had been announced by the Secretary of Agriculture on the preceding January 1. For this reason, it would always be a bearish market factor.

The operation of the loan program in 1938 and 1939 was an unqualified success. It was so considered by growers and also by the majority of dealers and manufacturers. We are informed it was operated at a slight gain to the Government. Based on our past experience, it is our considered opinion that a "nonrecourse loan" program is preferable to either a "purchase program" or a "production-payment" plan.

On behalf of our 70,000 producer membership, we respectfully request your careful consideration of our presentation.

Mr. PACE. Our next witness will be Mr. Clifford G. McIntire, assistant general manager, Maine Potato Growers, Inc.

STATEMENT OF CLIFFORD G. McINTIRE, ASSISTANT GENERAL MANAGER, MAINE POTATO GROWERS, INC., PRESQUE ISLE, MAINE

Mr. McINTIRE. My name is Clifford G. McIntire; I am a potato grower in Aroostook County, Maine, and am assistant general manager of the Maine Potato Growers, Inc., at Presque Isle, Maine. I am also a member of the special legislative committee of the national potato council and am speaking today as a representative of the council.

(After discussion off the record:)

Mr. PACE. You may proceed, Mr. McIntire.

Mr. McINTIRE. In previous testimony before this committee, on May 4, 1949, the national potato council recommended, among other things, that the flexible price-support system, allowing the Secretary to set support prices from 60 to 90 percent of parity, be retained; that any price support be contingent upon compliance with acreage goals and also marketing agreements, wherever workable, and that, if practical, a program to make possible the use of compensatory payments or production payments be developed and made available to the Department for use, if necessary, to effect compliance with production programs.

In making those recommendations, the national potato council had in mind that such administrative measures as acreage goals, marketing agreements, and, if practical, production payments would be fitted into and made an integral part of an over-all program which would operate within the framework of a support-price program of from 60 to 90 percent of parity.

The council does not believe that any one of these administrative measures could be taken out and set up alone as a substitute for the 60-percent price-support program now on trial. They were endorsed as possible administrative penalties and rewards to be used as needed and in unison in an effort to obtain better compliance with the production program.

The national potato council believes that all of the administrative controls it has recommended, when enacted by Congress and properly administered by the Department of Agriculture, will result in a long-time farm program for white potatoes that is fair both to consumers and to producers.

As has been pointed out, this program is just now getting started on the 1949 crop. We believe the program is sound and urge the Congress to continue it essentially as it is, at least until it can be given a chance to prove itself.

Secretary Brannan himself advised this subcommittee on Monday of this week (June 6, 1949) that it would not be feasible nor fair to potato producers to attempt to apply a production payment program to potatoes on the 1949 crop.

We are pleased that the Secretary has made this decision. We agree that it would be inadvisable to abandon the 60-percent price-support program that has been worked out for white potatoes in favor of some untried plan at this time.

We believe that the 1949 program, with support at only 60 percent of parity, will demonstrate to the Congress that potato producers themselves are striving for a workable program at lowered cost to the Government.

In addition, the 1949 trial of 60 percent should give potato producers and the Congress some idea of the trend that might be expected so that this same program would warrant further operation in 1950 and possibly in years ahead.

I would like to supplement this statement with the comment, for your information, that under the Marketing Agreements Act the potato industry has voluntarily been working toward the effective use of that act and that approximately 75 percent of the commercial production of potatoes are operating under marketing orders; that approximately 10 percent, in addition, of the commercial production is now in the process of developing marketing orders. So that there is a reasonable possibility that 85 percent of the commercial production of this country will be operating under marketing orders very soon, some of it applicable to the 1949 crop—some of the newer orders.

That, we believe, is a demonstration on the part of the industry that we are very much interested and concerned in the question of the per-capita consumption of potatoes; that the industry is voluntarily regulating its marketing methods to make available to the people the best of the crop; that the industry, through research, is exploring the use of byproducts of potatoes and that in some areas—and I am particularly proud to point to Maine—they tax themselves by virtue of an industry tax within the State, thereby raising funds to promote the potato industry as a whole, and Maine in particular, of course, through the further use of potatoes and to improve the consumption factor.

The potato industry is rather proud of this progress in the marketing agreement work to effectively use the best portion of our crop, and we have offered continuously in our discussion that this type of procedure should be followed and encouraged by the Department as a part of the over-all price support program.

Mr. PACE. As I understand, Mr. McIntire, your recommendation would be that the 1949 potato program proceed as is.

Mr. MCINTIRE. Right.

Mr. PACE. Without any change in the method of support.

Mr. MCINTIRE. Right.

Mr. PACE. But you are recommending that the production payment method be authorized as one of several other methods of handling the support of potatoes?

Mr. MCINTIRE. Right.

Mr. PACE. Along with the goals, marketing agreements, fluctuation of price-support level, and so forth?

Mr. MCINTIRE. Exactly.

Mr. PACE. And you do not now recommend that it be provided in 1950 until you see further what happens on the 1949 crop?

Mr. MCINTIRE. Exactly.

Mr. PACE. Is that about right?

Mr. MCINTIRE. That is about right.

Mr. PACE. One other question. I was intrigued by the statement of yours that industry is taxing itself for research, and so forth. Was that done by voluntary agreement or by State law?

Mr. MCINTIRE. That is done by State law.

Mr. PACE. The general assembly levies a tax on the potato growers to establish a fund to be used in research work?

Mr. MCINTIRE. The growers in Maine—and it is not peculiar to Maine, although Maine led the idea; there are other States, including Idaho and Oregon I believe——

Mr. PACE. What is the tax on the grower; is it on the basis of the poundage of potatoes?

Mr. MCINTIRE. The tax on the growers is on the per-barrel basis of the sold commodity, on the commodity as it is sold on a per-barrel basis, which is our unit, of approximately 3 bushels.

Mr. PACE. Who collects the tax—the buyer?

Mr. MCINTIRE. The buyer collects the tax and remits it to the State tax collector's office.

Mr. PACE. What is the total in Maine, approximately?

Mr. MCINTIRE. In Maine, it has totaled approximately 115 to 120 thousand dollars a year, at least.

Mr. PACE. Are there any questions?

Mr. HOEVEN. I have a question.

Mr. PACE. Mr. Hoeven.

Mr. HOEVEN. How long has this research program been in force and effect?

Mr. MCINTIRE. I believe the first tax in Maine was in 1937, sir.

Mr. HOEVEN. What have you accomplished to date?

Mr. MCINTIRE. We have accomplished a good deal in research. We have also accomplished, we feel, much progress in the way of improving grades, promoting improved pacts, and basically bringing to the attention of the consuming public the fact that Maine is in the market producing potatoes for consumption.

Mr. HOEVEN. Are you trying to find any new uses for potatoes?

Mr. MCINTIRE. Last year approximately $53,000 of our fund was set aside for research work. That research work is spread over a rather broad program, sir, but it includes tests which are associated with improved qualities for processing, warehousing, shipping studies and we have a pilot plant in the county financed to a large degree by tax funds, exploring the use of byproducts.

Mr. HILL. I have a question.

Mr. PACE. Mr. Hill.

Mr. HILL. On page 2 of your recommendations of the National Potato Council, table 2, you make this statement:

First, before I read the statement, let me ask you if you were here in the committee hearings yesterday?

Mr. MCINTIRE. Not all the time, sir.

Mr. HILL. Were you here when I asked the Secretary of Agriculture about the potato acreage quotas that were recommended by the Department?

Mr. MCINTIRE. I do not recall your question, sir.

Mr. HILL. On this table you make this statement, that in 1948 the potato growers of these United States planted 10 percent less acreage than was recommended by the Department of Agriculture. Is that correct?

Mr. MCINTIRE. That is correct, sir.

Mr. HILL. If that table is correct, in 1947 the potato growers of the United States planted 15 percent less acreage than the Department of Agriculture recommended you plant to potatoes. Is that correct?

Mr. MCINTIRE. I believe it is.

Mr. HILL. There is no belief about it. It is either yes or no. Am I correct?

Mr. MCINTIRE. That is according to those tables and I believe that table is an accurate table.

Mr. HILL. I do, too. Let us see what you did in 1946. In 1946 you planted 4.5 percent less acreage than the Department of Agriculture asked the potato growers to put into potatoes. Is that correct?

Mr. MCINTIRE. That is correct, sir.

Mr. HILL. The reason I read that is, then I drop down and read a very interesting paragraph you have, which is the second paragraph below the table. It states—

This means that potato growers as a whole have taken a double cut in their potato acreage in each of the 5 years 1944 to 1948. They have taken one reduction in compliance with the Department's acreage goal program and a second voluntary reduction by underplanting, as a group, the total acreage that was actually allotted them.

Is that true?

Mr. McINTIRE. To the best of my knowledge, yes.

Mr. HILL. Who can blame the potato growers for bringing about this surplus of potatoes when the Department of Agriculture asked them to produce more than they did? They should have had as much knowledge as you had as to how they were going to turn out per acre, should they not?

Mr. McINTIRE. Presumably. I can say as a potato grower that I too could raise the question as to who, because as a potato grower and in my own personal farming operations. I have consistently complied with the acreage allotments.

We do feel, as potato growers, that the press has pointed up the potato problem, picking it out particularly without proper balance to other programs, and we feel that we have had an era of publicity which, as an industry across the country, has not been justified. However, that is a personal opinion and I appreciate that the reasons for it have great implications.

Mr. HILL. I think the people should know that the potato growers of America in 1948 planted 10 percent less acreage in potatoes than the Department of Agriculture asked them to plant. Is that correct?

Mr. McINTIRE. That is correct.

Mr. HILL. And in 1947 they planted 15 percent less acreage than the Department of Agriculture asked them to plant. In 1946, after the war was over, it was 4.5. It is important that the people of this country know who is to blame for this trouble. It is certainly not the potato growers.

Mr. HOEVEN. Will the gentleman yield?

Mr. HILL. I am finished.

Mr. HOEVEN. Does it not simply demonstrate that the farmer at the grass roots knows more about the problems of agriculture than the experts?

Mr. HILL. I am convinced from the testimony this committee has been getting that from what some of these experts know about it, they had better go back to the farm and find out about it. No one has told us they were cutting this acreage below what the Department recommended. We had to discover that ourselves.

Mr. PACE. Mr. Andresen.

Mr. ANDRESEN. I think the potato growers are good businessmen. They take advantage of every situation they can just like every other businessman. So when they cut their acreage, they probably put on more fertilizer and raise more potatoes.

Mr. HILL. And that is good business too.

Mr. ANDRESEN. Certainly. I am not condemning them and I am not condemning the fact that 128,000 of them got $155,000,000 either. It just shows how good businessmen they are.

I wanted to discuss the support program with you, Mr. McIntire. With the compensatory payment program which permits the sale of all potatoes at the supply-and-demand level in the market, with the producers receiving their checks from the Government, the difference between what they got in the market and what they should have received, would that do the business?

Mr. McINTIRE. Standing by itself?

Mr. ANDRESEN. Yes.

Mr. McIntire. In our opinion, no. It could do a part of it, perhaps. In other words, sir, we are taking the position, that if found practical, in the trial runs, that it may be used in other commodities. We are not asking that that be used on the 1949 crop, but asking that it not be used.

Mr. Andresen. What difference would it make if they used it as a trial run or continued the present program? If things go like they did last year, most of you men and the potato growers in Maine and Long Island will be selling your potatoes to the Government.

Mr. McIntire. I would like to say that as far as the potato program is concerned, we are placing a good deal of reliance on the level of support this year. We are placing a good deal of reliance on the cut in acreage across the country this year, particularly in the major producing areas.

Mr. Andresen. That has not been very great so far. Through the Southern States the yields have increased as against last year.

Mr. McIntire. I do not mean to correct you, sir, but I think that North Carolina's yield per acre is running under last year.

Mr. Andresen. I do not have those figures here, but I think you will find North Carolina is about 4 percent in yield over last year. But we will not discuss that because I am getting at this: Do you not want people to get cheap potatoes? The theory of the Brannan plan is that all of the potatoes that are produced will be sold in the open market at the supply-and-demand price. You say that you do not want that kind of a program. Do you want the Government to step in and buy surplus potatoes in addition to getting these compensatory payments?

Mr. McIntire. We have endorsed the idea, sir, that with marketing orders the off-grades and sizes would be removed from the market and put into diversion outlets of one type or another. In Maine we use our starch factories for diversion outlets. By so doing, the orders would give to the consumer the best of the crop.

I am sure you are familiar with the fact that the orders are not operable when the level of price reaches parity, which we feel has a very definite effect of stabilizing the market and would avoid Government purchases of the best of the crop. You are familiar, I am sure, with the fact that purchases this year so far have been confined in large part to the off-grades and sizes.

As to getting cheap potatoes, it is the opinion of the potato industry that the best of the potatoes should be made available to the consumers and that the market should not be loaded with the off-grades and sizes in any good marketing program.

Mr. Andresen. So you suggest that in addition to the payments to producers the Government should step in and buy the culls and take more low-grade potatoes off the market?

Mr. McIntire. Our premise is that with the assistance of the marketing orders the major portion, and in some years virtually all, of the removal will take care of the price factor on the No. 1's by removing the off-grades and sizes, that the level in price will be at approximately the support level, and particularly in the idea of a low support level. I think the potato industry perhaps has led a bit in the matter of time in asking that its program of support be at a low level. I think that in the records of the House Agriculture Committee on the hearings that were held in the rural areas—and I say particularly at Durham, N. H.—that the potato industry went on record that they felt that any support price should be a matter of insurance and that they were not in favor of supports at high levels. That hearing, as I believe you may recall, was at least 2 years ago. We endorsed as far back as May 1948, the idea of a lower level of support and acreage allotments with the very definite theory that by acreage restrictions there would be no call for heavy expenditures in the market place for No. 1's.

Mr. ANDRESEN. This committee adopted the recommendation which you made and we put that in the law. Did you ever have a contract with the Government yourself where compensatory payments were involved on potatoes? Are you a dealer in potatoes as well as a producer?

Mr. McINTIRE. As far as I am concerned individually, I am a producer. I will say for the record that since there has been a support price of potatoes in my own personal operations I have offered to the Government one carload of potatoes that would be classified as surplus. I have sold to the Government two carloads of potatoes that were certified seed shipped to Europe as certified seed for seed uses. I have marketed my crop myself all through these years, but I am going to say also that I have had a seed market which has permitted me to do that. I do not propose to say that that is a typical situation.

Mr. ANDRESEN. I was not trying to get into your personal affairs, but as you know, under the Agricultural Adjustment Act of 1938 authority is given to the Secretary to make producer payments, which he has done in the case of potatoes. In 1943 he had 16 agreements which permitted the dealers or producers in potatoes to sell those potatoes in the market at the market price and receive a check from the Commodity Credit Corporation for the difference between what the farmer got or the dealer got and the support-price level.

Do you know of any agreements like that up in your area?

Mr. McINTIRE. I was not associated with the Maine Potato Growers, Inc., in the same capacity that I am at the present time, in 1943. I was a member and that was as far as my relationship went.

However, I am familiar with the fact that such an agreement did operate. Its details of operation I was not familiar with. I was not close to the organizations or the dealers who participated in it. However, I do know that there were contracts in Maine under that arrangement. It was a problem of pulling out of the area the portion of the crop that had no warm storage facilities and placing those in storage and later reselling those in the market at a time when it was considered that would impair the market the least.

Mr. ANDRESEN. I just bring this up to show that the Secretary of Agriculture has existing authority under law to permit him to make producer payments and to permit the commodity to be sold in the open market at the supply-and-demand level. He has used it on potatoes. He may have used it on other commodities. He has the authority to use it on all other perishable commodities and therefore there is no need for any legislation of this kind to give him that authority.

Mr. MURRAY. I have one short question.

Mr. PACE. All right. We have five other witnesses and we have 40 minutes to hear them.

Mr. MURRAY. I would like to know why it was that in 1943 when we had a 458,000,000-bushel crop of potatoes in the United States and our ex-chairman, Judge Marvin Jones, handled the support program for $21,000,000. In 1948 under the same law with a 445,000,000-bushel potato crop we are faced with a $220,000,000 deficit in the potato program. Do you know the answer to that?

Mr. MCINTIRE. No, I do not, sir.

Mr. PACE. Thank you very much, Mr. McIntire.

The committee, some weeks ago, had a day's hearing on the potato program. I am advised that those hearings have not yet gone to the printer. In connection with the hearing this morning and Mr. McIntire's testimony, I now want to offer for the record, at his request, a letter I received from Mr. Harold E. Bryant, chairman of the potato division of the United Fresh Fruits and Vegetable Association, to be inserted in this record at this point.

(The letter referred to is as follows:)

UNITED FRESH FRUIT & VEGETABLE ASSOCIATION,
Washington 9, D. C., June 3, 1949.

Hon. STEPHEN PACE,
Committee on Agriculture,
House of Representatives, Washington, D. C.

DEAR MR. PACE: I have just learned that your subcommittee is to begin hearings on June 6 on the question of the practicability of production payments as a means of supporting prices on several farm commodities, including potatoes. I regret that I cannot appear before your committee at this time, and shall appreciate it if you will make this letter a part of your record.

Although I am general manager of the Maine Potato Growers, Inc. of Presque Isle, Maine, a cooperative marketing association of 2,000 grower members, I am addressing you today primarily as chairman of the potato division of the United Fresh Fruit and Vegetable Association, a national association of distributors of fresh fruits and vegetables, with headquarters in Washington, D. C.

On May 4 you extended to me the courtesy of appearing before your committee in connection with proposals made by the Secretary of Agriculture concerning methods of supporting prices for farm commodities. The substance of my testimony then was that we favored continuing the present legislation under which potato prices are supported at not less than 60 percent of parity in order to give that legislation a fair trial. The 1949 crop is the first year under the 60 percent support program. We wish to reaffirm that position at this time. We believe it is desirable to have flexibility, within definitely prescribed limits, as provided in the present law in order that there will be definite assurance of price supports for potatoes.

With respect to the use of production payments for potatoes, it is difficult to express an opinion without knowing the specific requirements of the potato price support program. Such requirements as a matter of practice are not usually known until they are announced by the Department of Agriculture. For example, it is important to know what regulations would be imposed upon both production and marketing as a condition to production payments, and also the methods to be used in determining the amount of and the procedures for administering such payments.

Among other things, we are afraid that a production payment program might lead to the development of marketing quotas which we believe would be difficult to enforce and impractical to attempt to use in the support of potatoes.

The Congress and the Secretary of Agriculture have taken an important step in bringing about adjustments from a wartime to a peacetime basis by lowering the support level. That action should be given a full opportunity to demonstrate its effectiveness. In connection with that action, we believe also that full use should be made in the price support program of marketing agreements and orders to regulate the flow of potatoes to market and to divert to other uses such quantities as the market may not absorb at support prices.

Very truly yours,

HAROLD E. BRYANT,
Chairman, Potato Division,
United Fresh Fruit and Vegetable Association.

Mr. PACE. In order that it might become part of the record, I offer for the hearing heretofore held on Irish potatoes, a letter dated May 27, 1949, signed by the representatives of the potato growers of the Nation setting forth their recommendations. That will be inserted at the conclusion of the potato hearing in order that it may become a part of the printed record. It will be submitted to the subcommittee at the appropriate time.

Mr. ANDRESEN. Mr. Chairman, may I ask unanimous consent that immediately following the testimony on hogs before the committee a letter be included from Mr. Norris K. Carnes, the manager of the Central Cooperative Association, Livestock Selling Agency of South St. Paul, Minn.

Mr. PACE. The gentleman means the testimony on hogs yesterday?

Mr. ANDRESEN. Yes.

Mr. PACE. Without objection that will be inserted in yesterday's hearings following the testimony on hogs.

At this time it is the pleasure of the committee to have a brief statement from Mr. Charles W. Holman, secretary of the National Cooperative Milk Producers Federation. Mr. Holman has a prepared statement which will be distributed among the members.

STATEMENT OF CHARLES W. HOLMAN, SECRETARY, NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION

Mr. HOLMAN. Mr. Chairman, I will ask the permission of the committee to file for the record my formal statement and then for just a few minutes I will address the committee informally.

Mr. PACE. Without objection, your complete statement will be filed at the point in the record where you conclude your present testimony.

Mr. HOLMAN. Mr. Chairman and gentlemen of the committee, this is the third appearance on this general problem that I have made before this committee this session. Today I want to discuss only the 1950 situation and the minimum requirements to carry on in 1950, or, to put it another way, to the end of the 1950 season.

Mr. ANDRESEN. Mr. Chairman, may I suggest to Mr. Holman that as long as this is a hearing that involves milk and dairy products with reference to a trial run in making compensatory payments to producers, I think I would like to have you address the committee on that subject.

Mr. HOLMAN. That is my intention, sir.

Mr. ANDRESEN. You were saying something about 1950.

Mr. HOLMAN. The application of the problem to 1950 and also 1949, if the committee please.

In approaching it, we do not want to be in the position of a head-on collision with the Secretary over a contrast of ideologies with reference to handling the problem in dairying but rather what is the best and the cheapest method that the committee could adopt and still preserve as much as possible of the elements of freedom of commerce and freedom of action and freedom of opportunity for all elements of the dairy industry and particularly the dairy farmers whom I directly represent.

Along with the same development of a technique for taking care of the so-called basic crops which began with the first Agricultural Adjustment Act in 1933, there came about a similar development of a different type of technique for the handling of the problems of milk and its products. This took two general forms.

The first was the method of determining minimum prices for producers in fluid milksheds, both under Federal and State orders.

In addition to the 30 great milk markets, which are largely great cities with large markets, as I recall there are 17 States of the Union which have different types of fluid milk control laws. Some of those laws are limited to the minimum prices for dairy farmers and some go right on through to controlling the spreads of the handlers, both wholesale and retail. The cost to the Government of handling those markets is relatively insignificant, being largely administrative costs, since the actual administrative work, the details, auditing the books of the dealers, and so on, is taken care of by the Federal milk administrators who are located in these different points and that cost is borne entirely by the handlers.

You might say adding together the Federal controls and the State controls, probably more than 50 percent of the urban population of this country is affected by the system which has grown into being as a part of this development beginning with the Agricultural Adjustment Act and which flowered into the Agricultural Marketing Agreement Act of 1937.

Similarly, during the thirties it was necessary to find some means of stabilizing the price of the manufactured milk products, such as butter and evaporated milk and cheese. For that operation an entirely different mechanism was used. It was the mechanism of purchasing the products, all that might be offered on the central markets, at certain specified prices based upon a certain percentage that those prices would be of 100 percent of parity. For a number of years in connection with that operation the Government used a privately incorporated corporation whose stock was all owned by dairy cooperatives, most of which were members of our association. This was known as the Dairy Products Marketing Association, with a capital of $1,000. This operation was very efficient and very rapid and a corporation of this kind found that it could do many things which a corporation like the Commodity Credit Corporation has great difficulty in doing. This operation was carried on by a three-way contract; one between the DPMA, the other with the Commodity Credit Corporation, and finally with the Secretary of Agriculture.

If you look over the quantities purchased at different times over that entire period, you will find that very little loss was sustained by the Government in the handling of the stabilization projects.

Mr. Murray. Will the gentleman yield at that point?

Mr. Holman. Yes.

Mr. Murray. There was very little support at that particular time.

Mr. Holman. That is also true, sir, because we were in a period of deep depression at that time.

Mr. Murray. Cheese was averaging 10 to 13 cents a pound.

Mr. Holman. That is correct, and butter went down as low as 17 cents a pound when we put in the stabilization project at 26½.

Mr. Murray. One of the weaknesses of the program was that when butter got to be 30 cents a pound they put it on the market so that they kept it lower than it would have been under the natural turn of affairs. That was still below what it cost to produce it. That was the effect of the program without any support program.

Mr. HOLMAN. That is very true, sir, but we would have been in a terrible position without having it.

Mr. MURRAY. Would you not be in a terrible position today if we did not have a support program?

Mr. HOLMAN. We certainly would.

Mr. MURRAY. Milk in my State has gone down 33⅓ percent, some of it 50 percent. Where would we be if we did not have a part of a support program?

Mr. HOLMAN. We would be in a very bad position. By and large there are certain times of the year, almost every year, when we need a support program.

Now, I will skip very briefly over our experience with subsidies during the war period. As I understand, there are four witnesses to follow me this morning.

We had plenty of experience with subsidies during that period and most of it was rather ghastly, so far as the dairy farmers were concerned. It began at a time when everybody had no objection to 46½-cent butter and arbitrarily the price was rolled down 5 cents and a supplementary addition was made to the price which certain handlers of the product had on the theory that they would pass that on to the producers.

As time went on it became more and more necessary for the Government, if it was going to hold the prices of such products as butter down, to abnormally and unnaturally low levels, to supplement the income or they could not obtain the necessary increases in production for war purposes. As a result of that, the subsidies began to be paid through the county seat organizations and got up as high as 17 cents a pound on butter fat in addition to this 5 cents I have already mentioned.

Then it got as high as from 60 to 90 cents per hundred pounds of fluid milk. During the entire war period, unless I am in error, the Government paid out about $1,200,000,000 through the producers' subsidy system. At the time when decontrol was put into effect we had the abnormal situation of some of these products being depressed to points below what they should be under normal conditions with the public thinking that that was the natural price of the products.

Then when the decontrol went off—and we asked for it to go off—there came the rather shocking economic experience to the consumers of seeing butter jump up 15 to 25 cents a pound and finally it got up to around normal heights before it settled down.

Mr. MURRAY. Will the gentleman yield right there?

Was that not partly accountable to the fact that the price of the byproduct, the dried skim milk, went all to pieces and down to 9 cents a pound?

Mr. HOLMAN. I think the largest reason for it was the fact that the Government's policy had driven butter out of production to a great degree. We had to face the fact that we were producing about 600,000,000 pounds less of butter at that time than we would have under normal conditions. It has taken us right up until this year to make any real gain toward normal production.

Mr. MURRAY. The butter plus the dried skim milk was fixed during the war at $2.67 a hundred, so they both yielded about $2.67 a hundred. Then after the war the price of the powder went down. Naturally that would affect the price of butter, would it not?

Mr. HOLMAN. Yes, sir. As a result of these experiences, Mr. Chairman, our people, I am confident, would not like to return to a program such as was suggested by the Secretary yesterday as an alternative operation for him from the present program that we are using. It is my understanding that the Secretary did not say to do away with our present system, but he simply asked for additional power. We would not like to see that power given the Secretary because we think it would be used and that there would be little or no utilization of the other program, which is working at least to a minimum degree toward help to our people.

We are not anxious to see dairy products go too high. We are not anxious to see the Government buy large quantities of dairy products. We hope that through cooperative operation between our people and the Government the level of purchase prices can be reached which will produce the largest amount of private business in this country and the least amount of Government purchases.

Consequently, we request of this committee as a minimum that the principles, as applied to dairying, of title I of the Hope-Aiken Act, be extended for at least another year and we would like to see added to the definition of parity purchasing power the element of farm wages so that it would apply broadly to all farmers as well as to dairy farmers.

Briefly, that is our position with one additional comment. The question was raised yesterday in the committee concerning the effect of beef and hogs upon each other. I am sorry that the discussion only got as far as the pricing element was concerned.

Actually, there is a close connection between beef and cattle and milk, and, of course, corn is the unit that ties them together. But the real result of this relationship is not always the temporary price movement; it is the effect upon the producer who has the opportunity for turning out alternative products. Depending upon what may be the expected price return, the producer will shift from one product to another and that is very common, particularly in the manufacturing area of this country.

That concludes my brief informal remarks.

Mr. PACE. We appreciate your comment, Mr. Holman. We are always glad to have you and we are glad to have Mr. Reed with you.

(Complete prepared statement of Mr. Holman is as follows:)

STATEMENT OF CHARLES W. HOLMAN, SECRETARY, NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION

My name is Charles W. Holman. I am secretary of the National Cooperative Milk Producers Federation with headquarters at 1731 I Street NW., in this city. Since I have appeared before this committee several times this year, I will not file again a list of our national directors or a list of our present member associations unless the committee so desires.

The National Cooperative Milk Producers Federatlin has 86 member associations some of which are themselves federations of cooperatives. All of the member cooperatives are farmer-owned and farmer-controlled and have approximately 425,000 farm family members residing in 47 States. We estimate that in 1947 these organizations marketed a little over 19 percent of all the milk and separated cream that left the dairy farms of the United States.

It is my understanding that today the committee is interested in ascertaining the view of dairy farmers regarding the feasibility of using the dairy farmer in experimenting with the proposed producer payment program of Secretary of Agriculture Charles F. Brannan.

For the last several years the board of directors of the National Cooperative Milk Producers Federation has been giving serious consideration to the development of a long-time agricultural program. Further, we have given careful consideration to Secretary of Agriculture Brannan's proposal. The board of directors and representatives of member associations of the National Cooperative Milk Producers Federation have gone on record in opposition to the use of producer payments to support the income of dairy farmers under price-support legislation. Rather, the federation favors the continuation of the Hope-Aiken Act (the Agricultural Act of 1948), providing that a few clarifying and beneficial amendments are made to this act, whereby dairying will be given mandatory price support protection equal to that now provided for other major commodities under title II of the act.

This is not the first time that proposals of this nature have been made as to programs for the dairy industry. Under the Secretary's present proposal, it is apparent that in time it would be planned that the dairy farmer be given either a production or marketing quota in order to control and limit the volume of milk production or marketings.

Early in 1934 the Department of Agriculture proposed, under the first Agricultural Adjustment Act, that dairy production on the individual farm be brought under control by a system of farm-production allotments, with cooperating producers to receive benefit payments financed by a processing tax on dairy products. The Department presented this plan to dairy farmers in a number of regional meetings, and dairy farmers rejected the proposal because they considered it unworkable. They believed it unsound to freeze the dairy enterprise and to limit opportunity of developing dairying in areas of the country where sound farm management calls for its expansion. We have no reason to believe that they have changed their attitude regarding quotas or allotments designed to limit marketings. As a matter of fact, it is highly probable that they now would be even more opposed to restriction of the volume of marketings, because many of them have expanded their production at the request of the Government during the war.

We have had considerable experience with subsidies of one kind or another during the war. Starting December 1, 1942, a payment of 3¾ cents per pound of cheese was made, the program continuing until January 31, 1946. Butter prices were rolled back 5 cents per pound on June 1, 1943, in order to reduce living costs, and butter manufacturers were subsidized at the rate of 5 cents per pound throughout the war.

However, even then it was found impossible to get the production volume of milk and milk products that the Government desired—so instead of raising prices to producers to stimulate more production, direct subsidy payments to producers were started in October 1943. These reached very high levels before the war was over. The payment on butterfat finally reached a level of 17 cents per pound, and the payment on milk reached 90 cents per hundredweight. The producer subsidy on butter was thus about 13.6 cents per pound of finished butter, as compared to a 41.5 cent per pound price for 92-score butter at Chicago during the period. Ninety cents per hundredweight of milk represents about 90 cents per case of evaporated milk, roughly 9 cents per pound of cheese, and almost 2 cents per quart of fluid milk. Counting the roll-back in butter prices, plus the subsidy on butterfact, consumers were getting their butter during this subsidy period at about 19 cents less per pound than was actually being paid to producers and manufacturers for producing butter.

When the war was over, it became necessary to discontinue the subsidies. The costs had been very large. The total cost of the subsidy on butter and cheese as such was $276,000,000. During the war and until decontol day, the direct payment program to the dairy farmer cost the Government $1,200,000,000.

When the subsidies were removed, the market situation became chaotic. The butter roll-back subsidy was removed October 31, 1945. Wholesale butter prices immediately jumped 5 cents per pound. The direct payments to producers on butterfat and milk were discontinued June 30, 1946. The price of butterfat immediately increased 18.4 cents per pound, and the wholesale price of 92-score butter at Chicago 18.2 cents per pound. Farm prices of milk sold wholesale jumped 66 cents per hundredweight. Consumers were very disturbed. They did not realize that the low prices they had enjoyed during the war were due to subsidies which they would in time have to pay for in any case by higher taxes. When they had to pay what the commodities were worth on the market without subsidies, they thought the farmers were gouging them. It is my judgment that the subsidy program and its aftermath did the dairy farmer permanent harm by alienating his customers. We do not want that experience again.

Our opposition to using the dairy farmer as a guinea pig in experimenting with the proposed producer-payment program revolves around certain reasons, some relating to principle involved and some to method, as follows:

(1) The federation is opposed in principle to widespread subsidizing of the dairy farmer that would be involved if the Secretary's plan were adopted for dairying. We much prefer a more limited type of program which we think would be much less expensive and would involve much less regimentation of dairy farmers.

(2) Within the fluid-milk sheds of the United States there is a widespread and fairly adequate system of producer price controls. For example, the United States Department of Agriculture under the Agricultural Marketing Agreement Act of 1937, as amended, regulates the prices received by producers for milk in 30 of the major cities of this country. Subsidiary to these regulated major markets are numerous so-called secondary markets whose price structures are materially affected and protected, by the regulation of the central markets.

In addition, 17 States have their own State milk control laws, most of which permit the regulation of prices to producers and in some instances prices to consumers.

(3) Stability in marketing dairy products has been encouraged and improved for many years through the operations of dairy cooperative associations, and the self-help efforts of these organizations would be nullified to a considerable degree by the subsidizing of dairy farmers. These cooperative associations bargain with milk distributors for prices for their members' milk, guarantee these members a market, and in many instances actually operate plants and engage in the processing and distribution of milk and milk products.

(4) The dairy industry is a very complex industry. Milk leaves the farm either in the form of separated cream or whole milk. Separated cream is used largely in the manufacture of butter. Whole milk delivered from farms is used in many different ways—for delivery to consumers in bottles, as fluid cream for table consumption, and for the manufacture of butter, cheese, evaporated milk, dry whole milk, dry skim milk, and other commodities. The price structures for milk entering these various uses are intricately related and it would be a difficult task to adapt a producer payment program to the dairy industry without upsetting these market relationships.

1. The Federation is opposed to such widespread subsidizing of the dairy farmer as appears to be contemplated by Secretary Brannan's proposal. It is neither necessary nor justified. A much less ambitious program would achieve good results, at far less cost and without far-reaching regimentation of the dairy farmer. The goal of Government programs should be to interfere as little as possible with the marketing of dairy products, and with the operations and freedom of choice of the individual dairy farmer. Perhaps in time—if there is very large unemployment and the dairy farmer faces economic ruin, with resultant serious effects on the entire economy of the country—current agricultural programs will have to be modified. We submit, however, that modification of the type proposed by the Secretary is not justified. The legislation now in force, amended as we have suggested in previous testimony before this committee, should be given a fair chance to work before being discarded.

2. The Secretary's program is not needed due to the fact that Government sponsored programs already exist for the protection of dairy farm income. Many fluid milk markets of this country are subject to price regulation by the Federal and State Governments. Under the Agricultural Marketing Agreement Act of 1937, the Secretary has the authority to fix the prices which milk distributors must pay producers in fluid milk markets, and the method of pooling returns to such producers. Thirty of the major milk markets of the country are now so regulated under orders issued by the Secretary. It is our belief, based on many years experience with these orders, that they represent a very practical and beneficial method of maintaining and stabilizing returns to producers in fluid milk markets.

The Federal order program influences many markets in addition to those under direct regulation by orders of the Secretary. Many of these markets are surrounded by numerous secondary markets. The price structures in these secondary markets must necessarily be closely related to the price structures of the major markets. Therefore, stability in the major markets is a beneficial factor in imparting stability to the secondary markets. (See table 1, appendix, for a list of markets operating under Federal orders.)

In addition to regulations issued by the Secretary under the Agricultural Marketing Agreement Act of 1937, 17 States have laws under which the States regulate the price of milk to producers in fluid-milk markets. The widespread incidence of the State regulatory programs are indicated in table 2 of the appendix which lists the States having milk-control laws.

While information is not available to us as to the total volume of milk under Federal and State regulations in this country, we know from general information that it is a significant portion of the total fluid milk markets. For example, the State of Pennsylvania has a very active milk-control board which regulates the marketing of milk in a number of the major markets of that State. The same situation prevails in such States as New Jersey, California, Massachusetts, and Georgia. Some idea of the importance of State regulation of fluid milk markets is indicated by the fact that in 1948, the 17 States having milk-control laws accounted for 33 percent of the milk sold from farms in 1948. While part of this milk was delivered to manufacturing plants, it is obvious that a large portion of the fluid milk marketed in this country is either controlled, or subject to control, by State and Federal authorities. Certainly, we know that in most of the major metropolitan areas of the United States, fluid milk marketing is under such regulation. While the Federal Government does not have any orders in the State of California, for example, the California State Milk Control Board regulates milk marketing in nearly all of the metropolitan areas of that State.

Dairy farmer returns in the areas under regulation are, we believe, being maintained on a fairly adequate basis through the marketing regulation discussed above. It should be emphasized that the stability and maintenance of dairy farm income in these regulated areas is achieved at very little cost to the Government. Under Federal milk orders, milk distributors are required to pay a small assessment to provide for the administration of the order by which they are effected. The only cost to the Federal Treasury in the administration of these orders is the personnel of the Department of Agriculture engaged in the work—undoubtedly a very small amount of money considering the volume of business involved.

While we do not have any information regarding the expenses of administration incurred by State governments in the regulation of fluid-milk markets under their jurisdiction, we think it is reasonable to assume that these costs are very minor.

We have then a very large segment of the dairy industry which is being rather adequately taken care of insofar as maintenance of prices and income to producers is concerned without any costly program of Federal subsidies. It is to be noted that this system of Federal regulation can be extended a great deal more than it has been to date. However, Federal orders are not issued unless requested by the dairy farmers involved and in many instances farmers apparently have not thus far felt the need of Federal regulation.

At this point I will discuss briefly the contrasting relationship between a proposal—such as that of Secretary Brannan's—and the Federal and State fluid-milk regulatory programs. Secretary Brannan's proposal means that the prices of milk and dairy products, particularly dairy products, would be left to seek their own levels. The differences between national average market prices received by farmers, and the income support standard of the Secretary, would be made up to producers by direct payments from the Federal Treasury. The Federal order program, on the other hand, maintains returns to producers by sustaining prices and orderly marketing conditions, as do the State milk regulatory commissions. I cannot understand how these two types of programs can operate together without conflict. They are, I believe, basically in conflict and in time I think the Federal order program would be seriously endangered by the producer payment program.

I have indicated before this committee on several occasions the marked relationship that exists between the prices of milk entering manufactured uses and the prices of milk in fluid-milk markets. At the present time prices of manufacturing milk are supported by the direct purchase of dairy products by the Commodity Credit Corporation. Under Secretary Brannan's proposal the purchase of dairy products as a price-support measure apparently would be discontinued. This would result in lowered market prices for manufactured dairy products. This would in turn have a very strong tendency to reduce the price for milk received by producers in fluid-milk markets. Under most of the Federal orders this reduction would be almost automatic, because fluid-milk prices in such orders are based largely on prices received for manufactured dairy products.

3. Cooperative dairy marketing associations have significant influence in the maintenance of returns to producers. In addition to the Federal and State regulatory programs discussed above, there is a very widespread system of cooperative marketing among dairy farmers in this country. These cooperatives bargain with distributors for prices for their producers. In addition, many of them operate dairy product manufacturing plants in which they process the milk of their members and market the products therefrom throughout the country.

These cooperative associations undoubtedly have been of real significance in the maintenance of returns to dairy farmers. We believe that the subsidizing of dairy farmers would have a bad effect on cooperative marketing associations. While we are well aware of the statements that nothing contained in the proposal would limit producers from securing even higher returns through their own efforts, we submit that it is highly improbable that this is a correct conclusion.

For generations milk distributors have been for low prices since they base their profits upon large volume at low per unit prices. It is also true that in the fluid milk sheds not under regulation, if 5 percent of the volume used in the shed is sold under a cut price policy it will make the price for all other milk. Thus, the tendency would be to beat down prices to producers, inasmuch as their return would be guaranteed by the producer payment program in any case. This would undoubtedly weaken the bargaining position of cooperatives. The result would be to reduce the level of prices below what it would be otherwise, thereby markedly increasing the cost of the program.

4. Present price support techniques should be given a fair trial before they are abandoned in favor of some other method of maintaining farm income. Heretofore, price support operations have been used as a method of maintaining price returns to producers. The dairy products purchases are made directly in the market at specified prices by the Government, and the commodity is disposed of either in relief channels, in school lunches, or for export. While we are aware of the problems of disposition of perishable commodities or semiperishable commodities—such as the manufactured dairy products—we do not think it is realized how small in terms of total production have been the direct purchases by the Government since the inception of the purchase program in 1933.

Table 3 of the appendix gives the official Government statistics concerning purchases since 1933. In table 4 we have expressed these purchases as a percentage of total production of the several commodities for the years involved.

Purchases of butter in 1938 represented the largest volume purchased during any marketing year by the Government. Purchases of butter during that year amounted to 141,979,000 pounds, or 8 percent of total butter production that year. Evaporated milk purchases were heavy in 1940 and accounted for about 3 percent of total evaporated milk production in that year. In 1934, cheese purchases were heaviest, 17,936,000 pounds being purchased that year out of a total production of 475,000,000 pounds. Cheese purchases thus equaled about 4 percent of production.

During 1949 butter is being purchased to support the market at the Department's estimated figure of 90 percent of parity. The purchase program started the week of March 26. Through the week of May 14 a total of 2,538,000 pounds had been purchased. This is about one-half of 1 percent of production during that period. Since the beginning of the year 136,411,000 pounds of nonfat dry milk solids also have been purchased, partly as a price-support program and partly for the procurement of supplies for feeding civilians in the occupied zones of Germany and Japan and to other foreign countries.

From the above figures it is clear that the total costs of the Government's purchase program for dairy products for price support from 1933 to date have been insignificant.

As has been pointed out to this committee, it is quite difficult to estimate the costs of the program proposed by the Secretary as compared to the costs of other types of programs such as the direct market purchase program. First, there is a difference between the income support standard prices that would prevail under the Secretary's proposal and the support level under current legislation providing for 90 percent of the parity price. The Secretary's proposal increases the support level significantly above that prevailing under current legislation. The Secretary's program therefore involves the expenditure of a great deal more money than it now appears would be expended under the current program. Using the differences between price supports under current legislation and those that would be obtained under the Secretary's proposal, we arrive at a figure of slightly over $424,000,000. This is the increase in value under the Secretary's proposal as compared to current price-support levels. If support levels under current legislation were raised to the level proposed by the Secretary, it is difficult if not impossible to estimate the differences in cost of the programs. Even under this condition, however, we believe that the cost of the Secretary's program would be greater than the cost of the direct price-support program now in effect. We base this conclusion on two factors:

1. Under a program of direct subsidies to dairy farmers from the Federal Treasury, the tendency would be to drive prices downward to a greater extent than would be the case if there were no subsidy program involved. To what degree this would be reflected in a reduction in prices is unknown. However, to the extent that such a result took place, the cost of the program would be increased.

2. We have noted further that a significant portion of the milk in the United States is now in effect supported in price by regulatory programs of both the State and Federal Governments. In other words, there is no purchase program for fluid milk as such in existence today. The maintenance of returns to producers is achieved by price regulation. As for manufactured dairy products, if the Secretary's program were effectuated in place of the direct market purchase program, prices would decline in the manufactured dairy products fields and would be associated with declines in prices in fluid milk markets. It would then be necessary either to arbitrarily increase fluid milk prices under regulation to make up part of the difference, or to make a payment to producers to compensate them for the loss of income. This could amount to very significant amounts of money.

In conclusion, we submit that the present two-way mechanism of supporting dairy prices is the least costly to the Government and the most satisfactory to dairy farmers. There may be some minor differences between the Secretary and us as to correct price-support levels and there may be some complaints with regard to details of administering the present program; but these are insignificant when contrasted with the inevitable evils growing out of a personal subsidy program combined with quantity quotas which would freeze the industry of dairy farming, much to the disadvantage of the people of this country.

TABLE 1.—*Milk markets regulated by orders issued pursuant to the Agricultural Marketing Agreement Act of 1937*

Boston, Mass.
Lowell-Lawrence, Mass.
New York City, N. Y.
Chicago, Ill.
Suburban Chicago, Ill.
Cleveland, Ohio
Fall River, Mass.
Cincinnati, Ohio
Dayton-Springfield, Ohio
Tri-State area, Ohio, West Virginia, Pennsylvania
Toledo, Ohio
Columbus, Ohio
Louisville, Ky.
Fort Wayne, Ind.
Duluth-Superior, Wis.
Clinton, Iowa
Quad Cities, Iowa, Ill.
Dubuque, Iowa
Nashville, Tenn.
Omaha, Council Bluffs, Iowa
Sioux City, Iowa
Kansas City, Mo.
Wichita, Kans.
Topeka, Kans.
South Bend, La Porte, Ind.
Philadelphia, Pa.
Paducah, Ky.
St. Louis, Mo.
Minneapolis, St. Paul, Minn.
New Orleans, La.

Source: Dairy Branch, U. S. Department of Agriculture.

TABLE 2.—*List of States having milk control laws regulating the handling of milk in fluid-milk markets*

Massachusetts
New York
Connecticut
Louisiana
New Jersey
Alabama
Pennsylvania
California
Oregon
Virginia
Georgia
Maine
Florida
New Hampshire
Montana
Rhode Island
Vermont

Source: Dairy Branch, U. S. Department of Agriculture.

TABLE 3.—*Purchases of dairy products by the Federal Government 1933–41 and by weeks 1949*

Year	Butter (total purchases)[1]	Cheese [2], direct market purchases [3]	Evaporated milk, direct market purchases [3]	Nonfat dry milk solids, direct market purchases [3]	Total whole milk equivalent all purchases [4]
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*Million pounds*
1933	[5] 43,234	----------	----------	----------	908
1934	[6] 24,624	[7] 17,936	[8] 400	----------	697
1935	7,055	192	47,027	15,840	254
1936	2,951	932	6,160	3,594	85
1937	[9] 3,049	[10] 138	19,636	23,188	109
1938	141,979	3,463	[11] 19,470	31,260	3,059
1939	25,398	0	3,209	5,035	540
1940	10,604	4,354	65,903	[12] 7,317	411
1941	11,454	0	4,350	0	250
1949:[13]					
Jan. 8	----------	----------	----------	640	----------
15	----------	----------	----------	0	----------
22	----------	----------	----------	0	----------
29	----------	----------	----------	0	----------
Feb. 5	----------	----------	----------	0	----------
19	----------	----------	----------	0	----------
26	----------	----------	----------	1,575	----------
Mar. 5	----------	----------	----------	11,061	----------
12	----------	----------	----------	13,170	----------
19	----------	----------	----------	9,184	----------
26	26	----------	----------	7,096	----------
Apr. 2	116	----------	----------	27,659	----------
9	130	----------	----------	14,377	----------
16	430	----------	----------	12,753	----------
23	640	----------	----------	19,366	----------
30	637	----------	----------	3,130	----------
May 7	342	----------	----------	3,439	----------
14	207	----------	----------	12,961	----------
Total	2,528	----------	----------	[14] 136,411	----------

[1] Includes both direct market purchases by Federal Government and Dairy Products Marketing Association. Compiled from records of the SMA and the DPMA.
[2] American cheese unless otherwise specified.
[3] Compiled from reports of the former Commodity Purchase Section of the AAA and the Audit Division SMA.
[4] The conversion factors used in converting each product to a milk equivalent basis were as follows: Butter 21, cheese 10, and evaporated milk 2.2.
[5] Includes 11,051,046 pounds purchased by Land O'Lakes prior to mid-October.
[6] Includes 5,908,020 pounds purchased with FSRC funds early in 1934.
[7] Includes Swiss cheese purchased in August.
[8] Purchased by the FSCC during 1934.
[9] Includes 36,525 pounds purchased by the FSCC under State programs for flood relief.
[10] Purchased by the FSCC with State funds.
[11] Includes 435,000 pounds purchased with State funds by the FSCC in September and October.
[12] Acquired for relief distribution by the SMA through donation from DPMA.
[13] Purchases are by the Department of Agriculture only. Purchases from February 26 through mid-April were under the general supply program for agencies concerned with foreign assistance program. Since mid-April purchases have been strictly for price support. Of course, the entire purchase operation has tended to stabilize prices.
[14] Total cumulative purchases, excludes quantities canceled.

Source: Dairy Situation, May 1949, BAE, USDA.

TABLE 4.—*Percentage that U. S. Government price-support purchases of specified dairy products are of total production, 1933 to 1946, and January–April 1949*

Year	Creamery butter	American cheese	Evaporated milk	Nonfat dry milk solids
1933	2.45	----------	----------	----------
1934	1.45	[1] 3.78	0.02	----------
1935	.43	.04	2.56	8.45
1936	.18	.19	.30	1.61
1937	.19	.03	1.03	9.48
1938	7.95	.62	.93	10.81
1939	1.43	----------	.15	1.88
1940	.58	.72	2.67	2.27
1941	.61	----------	.13	----------
January–April 1949	.47	----------	----------	42.48

[1] Includes both purchases and production of Swiss cheese.

Source: Computed from table 3.

TABLE 5.—*Production of specified dairy products in United States*

	April 1949	April 1948	Percent change from 1948	April 1943–47 average	Percent change from April 1943–47 average
	Pounds	*Pounds*		*Pounds*	
Creamery butter	124, 190, 000	100, 190, 000	+24	122, 556, 000	+1
American cheese	86, 910, 000	73, 160, 000	+19	74, 840, 000	+16
All other cheese	24, 100, 000	22, 700, 000	+6	23, 542, 000	+2
Evaporated milk (case goods)	269, 250, 000	335, 400, 000	−20	321, 923, 000	−16
Dry whole milk	12, 275, 000	15, 070, 000	−19	16, 079, 000	−24
Nonfat dry milk solids (human food)	94, 250, 000	64, 825, 000	+45	66, 857, 000	+41
Milk	10, 226, 000, 000	9, 884, 000, 000	+3	10, 359, 000, 000	−1

PRODUCTION OF SPECIFIED DAIRY PRODUCTS IN UNITED STATES—CUMULATIVE JANUARY-APRIL

	January-April 1949	January-April 1948	Percent change from 1948	January-April 1943-47 average	Percent change from January-April 1943-47 average
	Pounds	*Pounds*		*Pounds*	
Creamery butter	419, 295, 000	347, 549, 000	+21	429, 402, 000	−2
American cheese	279, 170, 000	224, 168, 000	+25	234, 067, 000	+19
All other cheese	86, 870, 000	81, 520, 000	+7	80, 181, 000	+8
Evaporated milk	799, 750, 000	976, 450, 000	−18	1, 007, 981, 000	−11
Dry whole milk	44, 175, 000	52, 780, 000	−16	56, 039, 000	−21
Nonfat dry milk solids (human food)	282, 490, 000	193, 375, 000	+46	200, 604, 000	+41
Milk	36, 731, 000, 000	35, 490, 000, 000	+3	37, 259, 000, 000	−1

STOCKS OF SPECIFIED DAIRY PRODUCTS, UNITED STATES, MAY 1

	May 1, 1949	May 1, 1948	Percent change from 1948	May 1943–47 average	Percent change from May 1943–47 average
	Pounds	*Pounds*		*Pounds*	
Creamery butter	15, 131, 000	4, 449, 000	+240	[1] 28, 422, 000	[1] −47
American cheese	110, 281, 000	91, 907, 000	+20	[1] 97, 494, 000	[1] +13
All other cheese	16, 163, 000	13, 356, 000	+21	[1] 17, 907, 000	[1] −10
Evaporated milk	189, 735, 000	79, 563, 000	+138	135, 616, 000	+40
Dry whole milk	14, 198, 000	14, 779, 000	−4	16, 373, 000	−13
Nonfat dry milk solids (human food)	75, 061, 000	39, 560, 000	+90	52, 728, 000	+42

[1] May 1944–48 average.

TABLE 6.—*Weekly production of butter and cheese in United States*

	Week ending May 26, 1949	Week ending May 27, 1948	Percent change from 1948	Corresponding week 1943–47 average	Percent change from 1943–47 weekly average
	Pounds	*Pounds*		*Pounds*	
Creamery butter	38, 500, 000	32, 100, 000	+20	37, 700, 000	+2
American cheese	27, 400, 000	24, 600, 000	+11	24, 350, 000	+13

See footnotes at end of table, p. 1241.

TABLE 6.—*Weekly production of butter and cheese in the United States*—Con.

COLD STORAGE HOLDINGS OF BUTTER AND CHEESE IN 35 CITIES OF UNITED STATES

	A. M. of May 28, 1949	A. M. of May 29, 1948	Percent change from 1948	1944–48 5-year average	Percent change from 1944–48 average
	Pounds	*Pounds*		*Pounds*	
Butter [1]	35, 939, 489	12, 461, 651	+188	25, 975, 637	+38
Cheese [2]	75, 472, 164	60, 816, 539	+24	66, 851, 130	+13

[1] The storage holdings of butter in 35 cities represents approximately 75 percent of total United States holdings.

[2] The storage holdings of cheese in 35 cities represents approximately 62 percent of total United States holdings.

Sources: Production of creamery butter and cheese from Creamery Butter and Cheese Production Estimates, BAE, USDA. Production and stocks of evaporated milk, dry whole milk, and nonfat dry milk solids from Evaporated, Condensed, and Dry Milk Report, BAE, USDA. Production of milk from Crop Production, BAE, USDA. Stocks of butter and cheese from Cold Storage Report, P. and M. A., USDA. Weekly production estimates from Weekly Creamery Butter Production, BAE, USDA, and Weekly American Cheese Production, BAE, USDA. Stocks in 35 cities from Weekly Dairy Markets Review, P. and M. A., USDA.

Mr. PACE. Last, but by no means least, we will now hear from the representative of one of our great farm organizations, the National Farmers Union, Mr. Russell Smith.

STATEMENT OF RUSSELL SMITH, LEGISLATIVE COUNSEL, NATIONAL FARMERS UNION

Mr. SMITH. My name is Russell Smith. I am the legislative secretary of the National Farmers Union.

Mr. Chairman, our ranks are somewhat thinned this morning. We had expected to have two more witnesses, Mr. Fred Stover, the president of the Iowa Farmers Union to deal with the hog production problem and Mr. Archie Wright, president of the northeastern division of the National Farmers Union located at Ogdensburg, N. Y.

Mr. Stover was unable to come because he had already scheduled a meeting of the Iowa State counselors of the Farmers Union.

Mr. PACE. Mr. Smith, if you would like, and they would prepare statements, we would be glad to have their statements for the record.

Mr. SMITH. Mr. Kenneth W. Hones, president of the Wisconsin Farmers Union, was supposed to be here too, but he was also detained. I would like to file his statement also when I get it.

Mr. PACE. You may file statements on behalf of those three witnesses with the clerk for insertion in the record this morning.

Mr. SMITH. I have a telegram from Mr. Stover. "Our State counselor's meeting today unanimously endorsed farm program proposed by Secretary Brannan. They also specifically urged that the proposal for production payments to producers of hogs and other commodities be authorized immediately so the program can be put into effective operation for the various commodities as the need arises."

I should explain that the State counselors' organization is a group of policy counselors elected by the locals of the Farmers Union in Iowa which meets twice a year to advise the president on policy matters. Mr. Wright was on his way here when he was unfortunately called back by a death in his family and Mr. Parodneck is authorized to speak for him. I do not know whether there will be a separate statement forthcoming or not.

I should like to say briefly first that the committee knows, of course, our position from rather extensive testimony earlier. We remain of the same mind as to the general outlines of the Brannan proposal. We think it is very good. We should like to emphasize again at this time, however, that we believe on two counts that the committee should give serious consideration to the proposal that we have put forward earlier.

The first count is the use of some kind of an interchangeable commodity unit in order to promote voluntary adjustments in crop production. We believe that ultimately we must work out some way of making it equally profitable to the producers of all agricultural commodities so far as governmental assistance is concerned. Once we do that, we will be far down the road toward voluntary adjustment.

The second is on the family farm equation. We remain firm in the belief that Congress should, in the extension of governmental aids, give preference to family farm units. We would like to see it done through the use of this same commodity unit but so long as it is done, we do not care how.

As to the immediate subject of this hearing, the two witnesses present are Mr. Mayer Parodneck, who is president of the Farmer Consumer Milk Cooperative with headquarters in New York, and Mr. Louis Slocum, executive secretary of the eastern division of the Farmers Union with headquarters in Trenton, N. J.

Mr. Parodneck's organization is a unique one. It includes both consumers and farmers and he is therefore in a position to speak for both of them today.

I think it would interest the committee to know that this particular cooperative venture has been worked out so that the consumer on the one hand and the farmer on the other share in the benefits and savings that accrue to members of a cooperative.

I will now turn over to Mr. Parodneck the procedure at this time.

Mr. PACE. Mr. Parodneck, we will be glad to hear from you at this time.

STATEMENT OF MAYER PARODNECK, MANAGER, FARMER CONSUMER COOPERATIVE OF NEW YORK CITY

Mr. PARODNECK. Gentlemen, as Mr. Smith introduced me, I do not need to repeat my name. I am from New York and I am primarily interested in milk.

We find that ever since 1946, as this committee is well aware, we have been confronted with the problem of a declining milk consumption. Gentlemen, we are very much interested in the proposal under consideration because to our way of thinking this is the first proposal we have seen which attempts to tackle the cause, the root of the evil, rather than treating the symptoms and leaving the cause untouched.

In the proposal at hand there is a basis for increasing consumption rather than for attempting to treat with the resulting effect of underconsumption.

I would like to say at this time that our problem in this country, as far as milk is concerned, is certainly not overproduction. The statistics that we have today show the lowest per capita production of milk that we have had in 25 years.

Mr. MURRAY. Will the gentleman yield at that point?

How do you account for that?

Mr. PARODNECK. It indicates that we have not kept up with our consumption.

Mr. MURRAY. Why?

Mr. PARODNECK. It is obviously a matter of purchasing power.

Mr. MURRAY. Didn't your organization appear here before this committee and was in favor of free trade?

Mr. PARODNECK. Oh, no, sir.

Mr. MURRAY. And reciprocal trade duties under which the duties on dairy products have been lowered from time to time and which has weakened the dairy industry of the United States.

Mr. PARODNECK. Mr. Congressman, on the contrary, we have appeared before this and other committees and wanted to continue the programs which made possible the high per capita consumption of milk which was in effect during the war years when our members, the farmers, had a genuine prosperity. It is since the declining consumption of milk has set in that there has been a decline in their income and their cost of doing business has increased. There is no way of correcting the root of this problem unless you find a way of increasing consumption.

This program attempts to approach the problem from that end and that is the basic reason why we are very much interested in seeing it tried.

Mr. MURRAY. Mr. Chairman, will the gentleman yield right there?

If you are interested in getting cheaper milk in New York, why do you not remove your trade barriers and let milk go into the State of New York?

Mr. PARODNECK. New York does not have any trade barriers.

Mr. MURRAY. Did you ever try to ship any in from another State?

Mr. PARODNECK. We bring in cream from all over the country.

Mr. MURRAY. I am not talking about cream but about milk. Have you tried to ship any milk into New York?

Mr. PARODNECK. New York produces twice as much milk as it uses.

Mr. MURRAY. It does? You had better get a little bit better acquainted with your organization because New York surely does not.

Mr. PARODNECK. Fifty percent of our milk or a little less is used as fluid milk.

Mr. MURRAY. Where do you export it to if it is not consumed in New York?

Mr. PARODNECK. It is manufactured for export all over the world. It is made into cheese, condensed milk, powdered milk, and all sorts of byproducts. That is the other 50 percent.

Mr. MURRAY. How many million people do you have in New York?

Mr. PARODNECK. About 14,000,000, I think.

Mr. MURRAY. All right. Fourteen million people and 800 pounds per capita production would make 11 billion pounds of milk and you produce but 7 or 8 billion total.

Mr. PARODNECK. Our dairy farmers are an unhappy lot right now. They are worried and they are very much disturbed. The cause of their disturbance is not hard to find. They have had a cut in income in the last year of 25 to 30 percent. I think they are reacting as normal human beings in the face of that event.

Furthermore, the present market-support program is breaking down. I do not suppose this is news to this committee. The present policy of sustaining market prices by buying is not working. The Government is supporting butter at 59 cents, but I can buy all the butter I want at 57½ cents today.

Mr. MURRAY. Will the gentleman yield there?

What is the committee going to do about it? We cannot help it because they do not follow the law. That was brought out yesterday. They are not following the present law so why get us into another law.

Mr. PARODNECK. I am merely indicating to this committee that you have a program now which is not working. I am not qualified to tell you why.

Mr. MURRAY. If they cannot follow the law now, what reason do you have to think they will follow any law? I agree with you that they are not following the law. The dairy farmers are being bushed out of over $100,000,000 under the present law, but what is the use of telling us that another law is going to be even better for them when they will not follow the law now on the books?

Mr. PACE. He has not told us that yet.

Mr. PARODNECK. I think the present law is not adequate. If it were adequate, it would work.

Mr. MURRAY. The law says 90 percent of parity on milk and its products. If we cannot live up to that law, what is the use of talking about some other law?

Mr. PARODNECK. Why does it not work?

Mr. MURRAY. That is not my responsibility. It is the administration's responsibility to follow the law.

Mr. PARODNECK. Mr. Murray, when you have a law which for some reason is economically unworkable, it is the function of Government to find why it does not work and to substitute one that will work. It is my purpose here this morning to submit that the proposal under consideration will work because it attacks the source of the trouble and that is under consumption, while the present program does not tackle that; it merely supports prices. In the process it is doing a very expensive, ineffective and inefficient job.

Mr. MURRAY. Were you here yesterday?

Mr. PARODNECK. No; I was not.

Mr. MURRAY. I asked the Secretary of Agriculture why he did not follow the law. The present law has a parity price of milk at $3.69 a hundred; 90 percent of that is $3.21 a hundred. If I were wrong, he surely would have a whole score of fellows who would say I was wrong. So what is the use of trying to talk about some other nebulous program when they do not follow the law we have at the present time?

Mr. PARODNECK. Mr. Murray, I am sorry to disagree with you.

Mr. MURRAY. You cannot disagree with me because it says in black and white that that is the case. There is no chance to disagree with me.

Mr. PARODNECK. Things are not always black or white. There are always a lot of shadings in-between and a lot of reasons why things happen. I do not pretend to be qualified to give you the reason for that, but I am sure there is a good reason. I can read the figures and I know that this is not doing what it is supposed to do. Certainly it has given our farmers a cut in income which they cannot afford and a further cut in prospect, with nothing to stop it, during the same period of time that their costs of production are not declining.

In fact, many costs are increasing. Utility rates are rising all over the country. I can think of a lot of other things, but their income has definitely been cut and there is no prospect of its being restored unless we increase consumption.

Mr. MURRAY. Under the milk marketing agreements?

Mr. PARODNECK. The milk marketing agreements cannot eat milk. They can only provide paper figures and paper figures do not represent the amount farmers get in milk checks.

Mr. MURRAY. What do they get for their milk in New York?

Mr. PARODNECK. $3.57 a hundredweight.

Mr. MURRAY. You are getting 72 cents a hundred more than the average in Wisconsin.

Mr. PARODNECK. That may be a fair differential for New York but it is an inadequate price for New York. I am not qualified to say about Wisconsin.

Mr. MURRAY. Possibly your manufactured products are not bringing what the present law says. I would not know. I just know about Wisconsin.

Mr. PARODNECK. There is a glut of milk. Manufactured products are begging. Nobody wants to buy them. I am surprised to have people come to this committee and tell them that we do not want any program which would increase the demand for milk and at the same time say we must have support prices. I think I understand what these people are talking about. They want a market support price because in that process everybody along the line gets a slice of the Government's check. When we create a support price at the market level, the processors, the distributors, the warehousemen, the financiers, and everyone else gets a slice of that if you are supporting it at the market price. But under a support payment plan, that would be a plan limited to assistance to the farmer.

Mr. MURRAY. How much do you think that would cost for a year on 115,000,000,000 pounds of milk?

Mr. PARODNECK. Mr. Murray, I have thought about that and I have a suggestion I would like to make. I am not qualified to answer your question. I figure it this way: The cost of distribution is 50 to 60 percent, as I understand it. If you support milk at the market level, you are supporting a price which is twice as high as the farmer gets out of that milk. Therefore, I think—and I hope I am logical and I would like to be informed if I am not—that this support price on production should represent about half of the cost of marketing support as it is now practiced. I am sure the Government has the figures and the facilities for estimating what that cost would be.

Mr. MURRAY. If it costs a billion dollars, where are you going to get the billion dollars?

Mr. PARODNECK. I do not think that is a difficult question to answer. I can answer it best, perhaps, by asking you a question, Mr. Murray, if I may?

Mr. MURRAY. All right.

Mr. PARODNECK. Every once in a while we hear that there is a crisis in some industry or other. The last one I heard about was the aviation industry. Our airplane operators were going to go out of business. They were all losing money. I think the Government came through with a very nice air-mail subsidy, and they are all pretty happy right now.

Where did that money come from?

Mr. MURRAY. That may be. There are a lot of things we have done in the past.

Mr. PARODNECK. This is not the past.

Mr. MURRAY. I am talking about here on out. Where are you going to get the money, this billion dollars?

Mr. PARODNECK. Mr. Murray, I am a citizen and I recall just a little while ago that the administration came to Congress with a demand for several billions of dollars that were going to be shipped all over the world in support of some policy. I did not hear anybody ask where we would get these \$5,000,000,000. When we are talking about the man I spend my days with, the man who is producing the food you and I eat, we become very touchy about where we are going to get \$1,000,000,000, supposing it was \$1,000,000,000.

Mr. MURRAY. That was the estimate given. I am not saying that it will cost that much, because I do not know whether we are going to put it in operation, but I know you have to have some gadget to raise the money if you put any of these programs into operation.

Mr. PARODNECK. If we do not produce and we do not eat, we will not have one billion or a fraction of a billion, but if we do produce and we eat and we work, that billion or 10 times that billion is not significant in our economy. I think the history of the last 10 years has proven that abundantly.

It is just a question of what we want. That is what determines the interpretation of the figures.

Mr. MURRAY. Of course, you are just confining it to milk. That is only 20 percent of American agriculture. We have to go across the board with it.

Mr. PARODNECK. It happens to be the largest agricultural commodity in our country.

Mr. MURRAY. You would not think so if you sat on this committee for 10 years. You would think that was the last thing they wanted to talk about.

Mr. PARODNECK. That is because, in my opinion, the milk producer, the dirt farmer, has not been well represented.

Mr. MURRAY. Oh, he has been pretty vociferously represented, but the set-up is not right.

Mr. PARODNECK. I think the processors have been very well represented and the distributors.

Mr. ANDRESEN. Will the gentleman yield?

Mr. MURRAY. Certainly.

Mr. ANDRESEN. What is the average price of milk to consumers in New York City?

Mr. PARODNECK. I think the price today is about 20½ cents.

Mr. ANDRESEN. Your farmers are getting about 9 cents a quart for their milk on the basis of \$3.57. That shows that about 12 to 13 cents goes into distribution cost. Out in my country they are getting between 5 cents and 6 cents a quart. I think you will find that Mr. Murray and myself and most of the members of our committee—in fact, all of them—and there are no politics in this—want to look out for the interests of the American farmers. That is what we have been trying to do.

Once in a while political differences occur, but very seldom. I do not think this committee can be charged with being derelict in its duty and not looking after American agriculture. We do run into policies created in other departments of the Government that decidedly interfere with the type of protection American agriculture should have.

Of course, I am in accord with your views that the farmer should have cost of production and a profit for what he produces.

I am disturbed about this cost question, because I think we must be realistic. Farmers in this country have paid a very substantial share of the income tax, not a major part of it, but they have been good taxpayers. They will not be as good in 1949 as they were in 1948 because of the 30 percent or greater drop in the income of the farmers. We have got to recognize the fact that we have to raise the money in some way. We can raise the taxes some; but, when you stop to deal with all of these perishable commodities that make up about 90 to 95 percent of the diet of the American people, it will take a lot of money.

You are going to pay compensatory payments and then produce in abundance and let the prices sink down to the supply-and-demand market level. There might be a wide range between the cost of production that the farmer should have and what he actually gets for his products. When we go into this program, if we do, we have to figure out where the money is coming from, because if we do not find the money there will be no program for American agriculture.

Mr. PARODNECK. Mr. Congressman, I am not qualified to discuss the fiscal problems of the United States Treasury. I am very much concerned about it, and I have a layman's opinion on the subject. I do have opinions. If we are going to discuss the question of how we are going to raise the money and how much we are going to spend, I think I have the answer.

I read the papers the other day and found that the earning reports of certain corporations were at an all-time high. Standard Oil of New Jersey was making a million dollars a day, and they were ashamed to publish it because they had to split up their stock in order to hide the huge profits they have been making. At the same time while these corporations make these reports the farmer has his income reduced 30 percent. Obviously, there is a disparity in tax burden. I think, if this is the proper forum, that that is the place to look for it.

Mr. MURRAY. Who do you think took that war tax off from the corporations?

Mr. PARODNECK. I am sorry, I do not know.

Mr. MURRAY. A lot of people think the Eightieth Congress did it, but they did not do it.

Mr. PARODNECK. All I know is that there is a disparity in tax burden, and certainly the farmer is bearing more than his share and he is not getting his share of the benefits, and that this program is overdue. Gentlemen, as far as milk is concerned, the market is continuing to decline. The farmer cannot take further cuts in income. He has to have restored what has been taken from him. This trial run that I have heard referred to here is overdue. I wish you would not consider this thing as something for next year. This is something which was needed last April, as far as milk is concerned.

We are in a very critical period. The fact that the Department of Agriculture has had to come in unexpectedly to support butter and to support powder was not in the plan at all. It was because emergencies had arisen. It indicates that this plan is long overdue. I urge you very seriously, if this is going to be done at all on a trial basis or any other basis, to please do so now, not next year.

Mr. PACE. Mr. Parodneck, I have one question. It was indirectly referred to by Mr. Andresen. You mentioned the fact that the farmers were getting about 8 cents a quart and you were paying about 20½ cents in New York, which makes a spread of 12½ cents from the dairy farm to the housewife. It has been frequently pointed out to this committee—and I would be glad to have your comments—that we have little assurance, with this payment going direct to the dairyman, that there would be any reduction in the price of milk to the housewife when there is no machinery here in the contemplated plan that would prevent a further spread between the dairyman and the housewife. In other words, where you say the spread is now 12½ cents, what assurance does your housewife have that the spread will not be increased to 14½ cents and she will still pay the same price for the milk.

Mr. PARODNECK. I am glad you asked the question, Mr. Chairman. There is a very good answer for that. It is true that the milk industry is highly monopolized. In almost every market one or two or three leading concerns have the market sewed up. They are the primary distributors. But it is also true in most markets that there is still some competitive element. This spread increases always under some governmental direction. In the New York market I believe that huge spread is the result of pricing formulas which are uneconomic. I do not approve of them. They are pricing formulas under Federal order. They are inspired by a high price and high profit policy. They have reduced consumption. That is why that spread is so great. It has been lower. If you take the figures at other times in the year, you will find that that spread will be no more than 9 cents, or maybe 8 cents. At this time of the year it is very high because of a very large available surplus and a high price for class-1 milk.

Mr. MURRAY. The point there is that the price to the consumer has not come down and the price to the farmer has. That just made that spread; did it not?

Mr. PARODNECK. No; the price to the consumer has come down, but the price to the farmer has come down more. The price to the consumer goes down with relation to the class-1 price only, and that has gone down 2 cents where the price to the farmer has come down with relation to the blend price. Since consumption has declined and surplus has gone up, its decline has been 4 cents.

Mr. MURRAY. Do you want to make Dan Tobin's milk drivers take less money? Is that what you are proposing? There is one of the big costs in between. Are you for lowering the wages of the people who handle milk?

Mr. PARODNECK. I do not think that would do it, Mr. Murray. I am trying to answer the chairman's question, if you will permit me for just a moment. In each one of these markets there is a competitive condition which can be encouraged by the Government. I will speak for New York. My own organization is an antitrust instrument. We are opposed to monopolistic practices, and we are in business to see what we can get margins down to. I know that if the cost of milk is reduced 2 cents we will guarantee that the price to the consumer will drop 2 cents, because there are elements in that market that would have to react that way. I think that is true of most major milk markets that I know of.

Mr. PACE. This problem is immediately sprung on us by the illustration of what has happened to wheat. During the last 12 months the price of wheat has fallen off 20 or 25 percent. Yet, on the whole, you are still paying the same price for a loaf of bread. There has been no reduction in the price of bread following the reduction that the farmer received for his wheat. Consequently, it has been brought to our attention that a comparable thing could happen in milk or any other commodity. You could reduce the farmer's return, paying him part of it out of the Treasury, but the housewife would still pay the same price.

Mr. PARODNECK. Mr. Chairman, that can only happen if the Department of Agriculture decides to maintain class-1 prices at their present level, in other words, maintain consumer prices in effect at the present level.

Mr. PACE. I am quite sure the Department has nothing to do with it.

Mr. PARODNECK. I am assuming that no such thing would happen.

Mr. MURRAY. The Agriculture Department is just a referee. The consumer and the producer have to agree to something, and the Department only takes the role of a referee.

Mr. PARODNECK. Only the producers' cooperatives have to agree. The farmer is not consulted in this.

Mr. MURRAY. Do you want to get some cheaper milk in New York City without all this conversation?

Mr. PARODNECK. We must get it.

Mr. MURRAY. Are you talking for the consumer or the producer today?

Mr. PARODNECK. They are both interested in the same thing.

Mr. MURRAY. No; I do not think your producers are going to be interested in my proposition. I will just talk about your consumers. I will be glad to put enough milk up there to drown the Tammany tiger for you, and I will take the contract right now at 13 cents a quart.

Mr. PARODNECK. No; Mr. Murray, you would not do that.

Mr. MURRAY. Oh, yes; I would. Just give me a chance.

Mr. PARODNECK. I would be glad to. I do not think we can afford to take the time at this moment, but at your leisure I would be glad to go into that proposition, and you would change your mind. You would withdraw the offer.

Mr. MURRAY. I will tell you how to do it right here on the record if you want me to. All you have to do is get some of this good Wisconsin dehydrated whole milk selling at distress prices at the present time, reconstitute it, and you would be unable to tell the difference between that and homogenized milk. If you are interested in cheaper milk and the consumer, that is what they had better be buying.

Mr. PARODNECK. They had better stop buying fluid milk then and buy only milk products.

Mr. MURRAY. You cannot be fish and fowl both. I want to know which one you want to help.

Mr. PARODNECK. I think you can follow both. We do not believe in the border restrictions or the tariff walls. We do not like to vulcanize this country. We believe if there is any prosperity it will be for the New York dairy famer as well as the Wisconsin dairy farmer.

Mr. MURRAY. You write me a letter someday after we ship some milk in from the West and tell me what it is. I want to come up and look at it.

Mr. PARODNECK. We get your powder all the time.

Mr. PACE. Does that conclude your statement?

Mr. PARODNECK. It does.

Mr. PACE. We appreciate very much your coming down here and we are delighted to have your views.

The final witnesses will be Mr. Louis Slocum, secretary of the Eastern Farmers Union. Mr. Slocum, we are delighted to have you and we will be glad to hear from you.

STATEMENT OF LOUIS SLOCUM, SECRETARY, EASTERN FARMERS UNION

Mr. SLOCUM. Mr. Chairman and members of the committee, my name is Louis Slocum. I am executive secretary of the eastern division of the National Farmers Union, comprising the States of New Jersey and Pennsylvania. Our membership consists predominantly of egg producers. I am in daily contact with these egg producers. We have discussed at length Secretary Brannan's proposal and our members are also familiar with the Agricultural Act of 1948. I can report to you that our membership supports wholeheartedly the Brannan proposal with its emphasis on the family-sized farm and with the 1,800-unit limitations. Our egg producers are gravely concerned over the prospects facing them in the immediate future. They are especially concerned over the Agricultural Act of 1948, the full effect of which they will feel beginning in 1950. Under the Aiken law no longer will our egg producers be guaranteed 90 percent of parity but will receive support ranging anywhere from zero to 90 percent of parity. Furthermore, by revision of the parity base alone, our farmers will receive under the Aiken law a cut of 8 cents per dozen in eggs for next year and the following years, even if eggs are supported at 90 percent of parity. Our farmers are most anxious to have the production-payment plan apply to their commodity.

We believe that it is the only sensible course to follow, for in this way the farmer would not be penalized for producing an adequate supply of food while consumers would be able to buy more of our products when they sell for what they would bring on the market. We have taken this question of production payments back to our membership. We have discussed these problems with every local. We have found out that our membership is uniformly in favor of production payments as a means of stabilizing farm income. Our farmers are thinking not only of themselves but of the welfare of all our people when they are asking for production payments. Of course our farmers want to maintain a decent standard of living for themselves and their families. They should. They work hard enough for it. But it goes deeper than that. Our farmers know that when farm income is allowed to hit the toboggan it is not long before our entire economy goes into a tailspin.

Mr. MURRAY. Will the gentleman yield?

Mr. PACE. Does that complete your statement, Mr. Slocum?

Mr. SLOCUM. Yes, sir.

Mr. MURRAY. Do I understand that you say that under the Aiken bill the eggs and these other so-called basic commodities have a support from zero up to 90 percent?

Mr. SLOCUM. That is correct.

Mr. MURRAY. That is the way I understand it, too. I do not think anyone should have that much power, so I did not sign the conference report last year. The reason I did not is because I do not have that much confidence in the Secretary of Agriculture, and evidently, you do not. You do not have much confidence in the present Secretary of Agriculture. If I were going to give wholehearted support to his program, I surely would not leave the inference that I did not have confidence in him, that he would make the 90-percent support.

Mr. SLOCUM. This is not a question of the Secretary of Agriculture. This is a question of the law.

Mr. MURRAY. Oh, no, if the Secretary of Agriculture wants to give you 90 percent the 1st day of next January, he can give you 90, can he not, the same as you are getting today?

Mr. SLOCUM. But on a revised base, sir.

Mr. MURRAY. No; there is no revision to it. That is discretionary on his part, not mandatory.

Mr. PACE. When he says revised, he means the parity formula would kick the parity price of eggs down.

Mr. SLOCUM. That is correct, sir.

Mr. MURRAY. But he still has the power to raise it up if he wants to under the Aiken bill.

Mr. SLOCUM. But he cannot. There still remains that cut of 8 cents a dozen due to the change in parity base.

Mr. MURRAY. Let us keep it straight. He still has that power under the Aiken bill.

Mr. PACE. Let us get that straight, too, Mr. Slocum. I do not think that under the Aiken law next year the Secretary can support eggs at all because the law expressly says he shall not support any commodity that is perishable in nature that is either nonstorable or where the storage is expensive. Certainly we agree that eggs are perishable, do we not? Certainly we agree that they would have to be stored or they would have to be processed.

Mr. SLOCUM. That is right.

Mr. PACE. It is my construction of the testimony of the Secretary Monday morning that he could not support the price of eggs or the price of hogs or the price of cattle under the Aiken law.

Mr. MURRAY. That might be true, Mr. Chairman, but they surely shifted that pretty fast, too. On March 18, 1949, I asked the Solicitor of the Department of Agriculture that question. The gentleman from Georgia himself tried to interpret it for him but did not make it very plain to him. The gentleman from Georgia said, "What you intended to say, I believe, Mr. Hunter, is that the support price would be entirely within the discretion of the Secretary from zero to 90 percent of parity." Mr. Hunter said, "That is right."

Mr. PACE. That is right, provided it is not perishable and its cost is not excessive.

Mr. MURRAY. We were talking about milk at the time and I guess eggs are not any more perishable than dairy products are.

Mr. PACE. I am making my statement on the basis of the statement of the Solicitor of the Department and the Secretary of Agriculture, himself, who happens to be the final authority.

Mr. MURRAY. I am just going on what the Solicitor said. If their Solicitor does not know what the law is, I certainly do not know.

Mr. ANDRESEN. Will the gentleman yield? Does the gentleman think that the Secretary can support perishables under the Commodity Credit Corporation or under the act of 1938?

Mr. PACE. The act of 1938?

Mr. ANDRESEN. Yes, the domestic allotment plan and under the Commodity Credit Act where he has been supporting the price of potatoes and making producer payments.

Mr. PACE. He cannot use Commodity Credit Corporation money to do it.

Mr. ANDRESEN. You look it up and you will see that that is what he has been doing with potatoes.

Mr. PACE. I know, but we have a later act and I will read it for the third day into the record. I will ask the gentlemen to listen very carefully, including Mr. Slocum:

> The Commodity Credit Corporation shall not carry on any operation to support the price of any nonbasic agricultural commodity other than Irish potatoes which is so perishable in nature as not to be reasonably storable without excessive loss or excessive cost.

Mr. CHAIRMAN. That would include eggs because they are reasonably storable and have been as long as you and I can remember.

Mr. ANDRESEN. For a trial run, Mr. Chairman, he can go under the existing law and try this trial run without getting any legislation for it, for the balance of 1949.

Mr. PACE. Not with Commodity Credit Corporation funds.

Mr. ANDRESEN. You are reading from the Aiken bill there, are you not?

Mr. PACE. That is right, that is what we are talking about.

Mr. ANDRESEN. Is that in operation now?

Mr. PACE. That is what we are discussing right now. The gentleman's testimony was referred to the Aiken law and what would happen under the Aiken bill to eggs next year.

Mr. MURRAY. I am glad to have the gentleman from Georgia explain it to us because evidently the members of the committee do not know what is in the Aiken bill.

Mr. PACE. Let me repeat for Mr. Slocum's information, because he does represent quite a few growers, that the Secretary of Agriculture testified before this committee Monday morning that if the Aiken law goes into effect on the first day of January the only commodities he can support would be cotton, corn, wheat, rice, tobacco, peanuts, wool, and Irish potatoes. There were eight of them and he named them. I am gratified to hear that you and those for whom you speak feel it would be unfortunate to permit that act to go into effect.

Mr. SLOCUM. That is correct, sir.

Mr. PACE. Are there any further questions?

Mr. ANDRESEN. What is the committee going to do about it? Here we have been in session for over 5 months. This committee has sat day after day working on this problem and we do not have a bill on it yet.

Mr. PACE. I hope that Friday morning when the committee meets in executive session there will be a bill before it and I hope the gentleman from Minnesota will support it.

Mr. ANDRESEN. I may support it. I thought we had reached an agreement several times as to what we were to have, but we find so many new things coming in, including a trial run and all those things, that I think we should stick to something fundamental if we are going to do it, or forget about it.

Mr. PACE. Is there anything further, Mr. Slocum?

Mr. SLOCUM. No, sir.

Mr. PACE. Let me say we are again indebted to you and Russell Smith, whore presents the National Farmers Union, for bringing you here. I regret that there were not more members of the committee here to hear your testimony but I will seek to see that they are advised of your position.

Mr. SLOCUM. Thank you very much.

Mr. ANDRESEN. Mr. Chairman, we have one of our distinguished colleagues here, Mr. Macy of New York. He has been a very good attendant here for the whole morning. I am sure that he might like to address the committee.

Mr. MACY. That is very kind of you, and if I may be permitted, Mr. Chairman, I have nothing to add. I came to learn and I have learned a good deal this morning. I have appreciated the opportunity and the courtesy you have extended in letting my office know that you were holding these hearings so that I could be on hand.

Mr. PACE. Thank you, sir. That will conclude the hearings for the time being and it will conclude the hearings definitely on the question of an experimental program or a trial run under the production payment plan. We will stand adjourned.

(Whereupon, at 12 noon, the committee adjourned.)

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