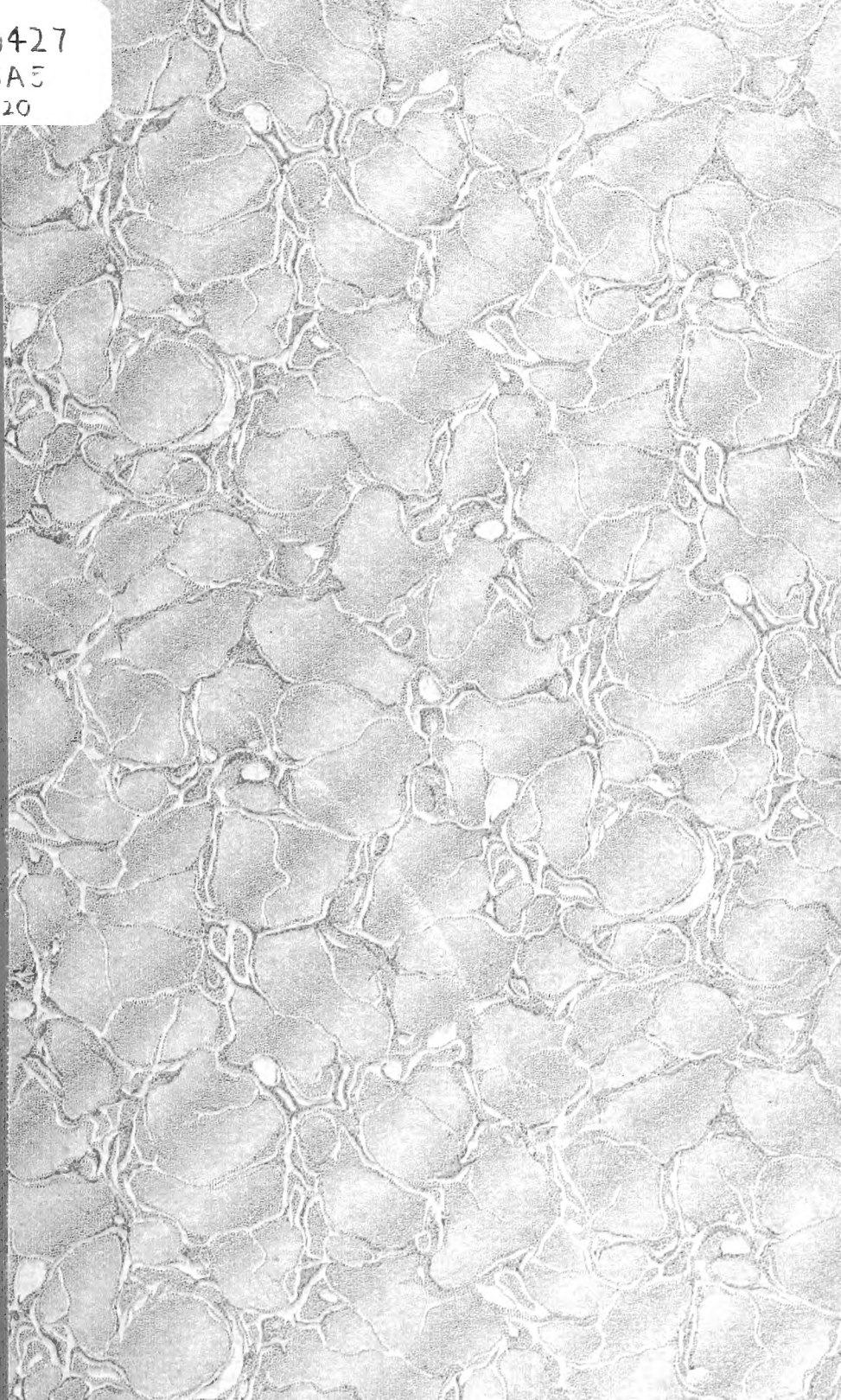
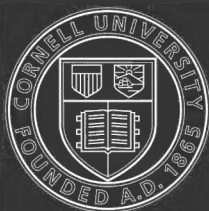


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**GRAZING FEES**  
**QUARANTY PRICE ON WHEAT**

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**HEARINGS**  
BEFORE THE  
**COMMITTEE ON AGRICULTURE**

**HOUSE OF REPRESENTATIVES**

**SIXTY-SIXTH CONGRESS**  
**SECOND SESSION**

\_\_\_\_\_  
**THURSDAY, APRIL 1, 1920**

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*H. N. Lamm*



WASHINGTON  
GOVERNMENT PRINTING OFFICE  
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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JOHN V. LESHER, Pennsylvania.  
JOHN W. RAINEY, Illinois.

L. G. HAUGEN, *Clerk.*

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## GRAZING FEES—GUARANTY PRICE ON WHEAT.

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COMMITTEE ON AGRICULTURE,  
HOUSE OF REPRESENTATIVES,  
*Thursday, April 1, 1920.*

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. Mr. Tomlinson would like to make a statement on the grazing proposition.

### STATEMENT OF MR. T. W. TOMLINSON, SECRETARY AMERICAN NATIONAL LIVE STOCK ASSOCIATION, DENVER, COLO.

Mr. TOMLINSON. Mr. Chairman and gentlemen of the committee, my mission before you this morning is to urge that your committee send a subcommittee from your membership into the West for the purpose of inspecting the grazing conditions on the national forests. When the Agricultural appropriation bill was under consideration by your committee, I believe it was the view of many of your members that the fees now being charged by the Forest Service were disproportionate to the value of the grazing. When I appeared briefly before your committee something over two weeks ago, in answer to a question I referred to the advance in charges which was put into effect in 1918 and 1919 and to the five-year permit which was granted at that time. There was a great deal of discussion between stockmen and Secretary Houston and the officials of the Forest Service at the time this 100 per cent advance was projected, and a good many stockmen felt that the proposed increase was not justified by the grazing conditions on the forest reserves. However, the Secretary of Agriculture and the forest officials offered to the users of the forests the privilege of a five-year permit, which, in effect, provided that they would not be disturbed, so far as the number of head of live stock which they were permitted to graze during that five-year period was concerned, and without any change in the rate. This was intended to stabilize and steady the business of grazing on the national forests. It was clearly understood by the stockmen at that time that there would be no change in the fee until the expiration of the five-year grazing permit, and I believe that is supported by the wording of the permit. As I stated before your committee some three weeks ago, there was no written contract to that effect; it was an implied agreement or understanding which the stockmen construed in the nature of a contract, something not unlike, if I may be permitted to say, the celebrated hog guaranty of 13 to 1, which the committee is familiar with.

There are multiple factors which enter into the value of grazing on these national forests, which I doubt could be correctly and intelligently presented to your committee by stockmen who might come here to testify; and in that aspect I think, before the committee presses the question of this advance, you ought, not only in fairness to the users of these reserves, but also in justice to yourselves, send a representative committee out to thoroughly inspect the conditions of grazing on some of these representative forests throughout the West.

Mr. TINCHER. Do you not think that the reports from Mr. Graves, who has charge of the forests, would be reliable in that respect? He has probably better facilities for understanding the true condition than a congressional committee.

Mr. TOMILSON. I should think that Mr. Graves's recommendations would be fairly correct, but Mr. Graves does not understand the forests as well as the stockmen who use them. I have not heard what Mr. Graves's position has been, at least the record of the hearings does not disclose it accurately, but I have been told on the outside that he was not averse to some increase, that he had been importuned by Congress to try to make the forests self-supporting and finally had assented to your demand. I do not know whether that is a correct statement of his position or not.

I have been told that Mr. Potter opposed the increase, and largely because of the existence of this so-called five-year permit and the understanding with the stockmen about it.

I wish, however, to refer briefly to some disabilities encountered by the stockmen in using these reserves. I hope it is a matter of record, and if it is not it should be, that the users of the forests have in the past 10 years paid for more than half the improvements put on the forests. You understand that the permits provide that in the making of those improvements the title to the same goes to the Government. Therefore, from that viewpoint the users of the forests are paying considerably more than the actual fee assessed. We do not secure as good returns from the bulls on the forests; the losses are extraordinary, as compared with the losses in fenced inclosures; and the expense of getting the stock to the reserves is extremely heavy; the restrictions are many and are expensive to comply with.

You may remember that at the time the 640-acre grazing-homestead bill was enacted that there was a great deal of talk about driveways to and from the forests, and the Interior Department withdrew in a few instances driveways as long as 150 miles. Now, these driveways were for permitting the users of the forests to drive from their permanent location to the reserves. It is not infrequently the case that the users of the reserves are obliged to ship their live stock by train to as near the forest as possible, and then drive them the balance of the way. All this contributes to the expense of using the grazing on the forests and to our mind largely makes up for what appears on the surface as too great difference between the cost of the grass on the forests as compared with the grazing under fenced pastures. Poisonous plants and predatory animals take a heavy toll on our live stock.

However, I do not wish to keep you here with a recital of what we consider the heavy disabilities of grazing on the forests. My purpose



is to urge that a committee be appointed to go out and inspect the forests themselves, and then, if the matter is further pressed, that we be given an opportunity of bringing here representative stockmen from all the forests, in order that they may be heard before the matter is definitely determined.

I feel warranted in saying that if there is no other way of arranging for the expenses of the committee that our association will undertake to pay the expenses, if you are willing to accept the offer. However, I hope that Congress will authorize such a committee to go out and arrange for the payment of their expenses.

There is a broader aspect to this advance in grazing than may seem on the surface. We all know that there has been a general inflation of values of all commodities, and that has permeated the value of grazing. When the forests were turned over to the Agricultural Department in 1905 there was no fee assessed. A charge was made in 1906, rather nominal, I might say, and that was objected to by the stockmen on the false theory that they had probably an actual right to the use of the forests without any payment. Since then there have been three or four advances, even previous to the 100 per cent increase. All of this has been reflected in the cost of grazing on the Indian reservations and on the privately owned lands; and I believe that a further increase in the fees on the forest reserves would be promptly reflected in the cost of grazing on these other lands. Obviously any increase of this kind must be paid by some one, and undoubtedly the consumer will pay a large part. It must be passed along to the man who buys the feeders raised on the forest reserves or by the consumer, if it be fat cattle.

While our Government is spending money and efforts trying to increase the production of live stock, it does seem unwise that an extra burden should be placed upon those using the reserves, unless it is absolutely necessary for the Government.

I have had prepared by the Forest Service the actual figures as to the cost of administration of grazing on the reserves, as compared with the receipts; the cost including the money paid to the States, and all the administrative expenses both here and on the range, and the grazing shows a profit of over \$1,000,000. Of course, according to the balance sheet made up by this committee, there is a deficit on the reserves—there is no deficit, however, but there is a substantial profit on the grazing end. I do not believe that I care to burden the committee with a further discussion of this, and will leave it with you with the urgent request and hope that you may see fit to send a committee out to investigate these conditions.

The CHAIRMAN. Mr. Potter is a cattle man, is he not?

Mr. TOMLINSON. Mr. Potter was in the cattle business before he went with the Forest Service in 1901.

The CHAIRMAN. He is an expert on grazing, and is in charge of the work?

Mr. TOMLINSON. Yes, sir. Mr. Potter and Mr. W. C. Barnes have been in supreme charge of the grazing, subject to the chief.

The CHAIRMAN. I desire to call your attention to the statement of Mr. Potter which appears on page 65 of the hearings on the agricultural bill for 1921. After discussing the question of the fee charged for grazing in the forest as compared with grazing on the

Indian reservations and on private lands, he was asked this question by the chairman:

Upon investigation, do you believe you are charging what it is worth at the present time?

Mr. POTTER. We are not charging the full present market value.

Then he goes on to say:

I consider that we have been handling this in the right way. If, however, the values arising from the present abnormal conditions are to be the basis of charge, of course the present fees would be doubled.

Mr. TOMLINSON. That is no doubt a fair statement from his standpoint; but I wish to emphasize the fact that conditions throughout the intermountain region, so far as grazing is concerned, are wholly abnormal, as they are in most industries. We believe that it would be eminently unfair to attempt to adjust on the reserves the grazing fees on the basis of the present abnormal and inflated charges now being secured on private lands or on State lands, or on the Indian land. Last year, I believe, in Kansas they charged as high as \$18 a head, did they not, Mr. Tincher? You can rent grazing down there now for half that sum. The Flint Hills of Kansas are considered to have the best and strongest grass in the country.

Mr. TINCHER. Here is the thing that appeals to me about it. The committee had some trouble on the floor of the House of Representatives in getting any legislation. Finally, as I remember it, the amendment was passed providing for appraisement by the department and rental upon the appraised value. Personally, I can not see why the stockmen should object to that, and why you prefer a congressional committee to investigate it to a fair appraisement by a fair committee of the Agricultural Department, but here is the proposition that has always bothered me about the forest reserves until you spoke this morning, every stockman that has come down here to testify has objected to it on the basis that the stockmen out there had some fundamental interest in the forests and that they should be treated differently, that they had some priority of rights; that is the way they testified.

Mr. TOMLINSON. I do not make that claim; we have not any greater rights than anybody else, although many stockmen located near Government land on exactly that theory.

Mr. TINCHER. We are confronted with this proposition: The representatives of the department come here and ask for big appropriations to build fences, roads, and so forth, and I am frank to say that your testimony has been a revelation to me as to the expense that the cattlemen have gone to in reference to fences. That is something that we did not consider very much. However, I can not see now the objection to having an appraisement and the leasing based on that appraisement. If the appraisement is unfair then it would be time for the cattlemen to make their objections. I do not think that you would get much results by taking members of this committee out there and going over the forest reserves to decide what the cattlemen should pay for the pastures.

Mr. TOMLINSON. At least, Congressman, they would obtain a better understanding of conditions than they could by the witnesses coming down here and trying to tell them. In answer to the question why we object to a reappraisal, I do not believe the stockmen gen-

erally do object to a reappraisal, but they do object to a reappraisal being made until the end of the so-called five-year grazing permit system.

The CHAIRMAN. I read into the record the other day the Secretary's letter. I do not care to go over that again, but it was not even intimated that the rate would continue for five years.

Mr. TOMLINSON. The Secretary gave the stockmen to understand that the fee would not be disturbed during that period, but there was no written guarantee and no contract.

The CHAIRMAN. He did not give them to understand that in the letter?

Mr. TOMLINSON. Let me put it this way: Every stockman who used the reserves interpreted the understanding that way, whether correctly or not.

Mr. TINCHER. You do not believe that the Government should be bound by an implied understanding with the head of some department, unless it was fair to everyone concerned?

Mr. TOMLINSON. No; I do not.

Mr. TINCHER. Suppose the Department of Justice had a kind of implied understanding with the packers that the consent decree would probably end legislation and that they would be permitted to live under the consent decree instead of there being legislation to regulate the packers, you would not want Congress to be at all embarrassed by that implied understanding?

Mr. TOMLINSON. Not in the slightest. We are quite willing to stand on the merits of our case. I do not want the committee to think by any means that there was not a great deal of discussion and talk by the Secretary of Agriculture and by Mr. Potter at the time that this 100 per cent advance was put in effect. As is frequently the case here in Congress discussion of any matter helps in determining what was meant. The discussion that we had with the Secretary has pretty indelibly fixed in the minds of the stockmen and some of us people that there was an intent on the part of the Secretary and the Forest Service not to disturb the fees during the five-year permit system.

Mr. RAINEY. You think that the Government should carry it out in good faith?

Mr. TOMLINSON. That is the position of the stockmen and the position to which I absolutely prescribe.

Mr. RAINEY. Regardless of whether or not the Government loses a few dollars on the transaction?

Mr. TOMLINSON. Yes, sir.

I have been a user of the grazing on the Rio Grande National Forest, in the sense that I am connected with a company which for two seasons grazed 5,000 sheep on that forest. We decided, after two years' experience, that we had enough of grazing sheep on the forest and thought that it might be better suited for cattle. Therefore we shifted out interests of grazing on that forest by putting about 600 steers on the grass allotted to us, and after one year's experience we are firmly of the opinion that we would rather run our steers on rent-leased pastures than on the forest reserves. Perhaps, in all fairness I should explain that it was necessary for us, to get on this forest reserve from our land holding in San Luis

Valley, to ship our cattle and sheep about 60 miles on a narrow-gauge railroad, unload them this side of Creed, Colo., and then drive them by a most tortuous trail into the forest. We lost so many sheep by storms, predatory animals, and poisonous plants that it was a distinct and decided financial loss to our company. We lost many cattle by drifting over the mountains onto the other side of the range, and we have not yet been able to find those cattle that we lost. Our loss on cattle will be close to 10 per cent up to date, and our sheep loss was almost that heavy. I think you will find many similar instances from other users of the forests in other sections of the country.

I wish, however, to make perfectly plain that those men who have ranches near the forests and can turn their cattle out and they can drift onto the forest reserves are in an ideal position to use them at a minimum of expense, but, of course, everyone who uses the forest is not situated right near them. A majority, in the very nature of things, must live a distance away from the forest.

Mr. RUBEY. Just a word. I think the situation is about this: This committee prepared a proposition to put into the agricultural bill on grazing, but it went out on a point of order, and then it became necessary to so word our regulation as to make it in order. I prepared that amendment myself and it was adopted in the House. That amendment leaves it to the office of the Secretary of Agriculture to do the appraising. It seems to me that if the Secretary of Agriculture should decide to pursue that policy and appraise the grazing lands in the forest reserves, that in making that appraisal he would take into consideration all the difficulties that you have enumerated here this morning. It would only be fair to the stockmen for those things to be taken into consideration, and then, when they have established the value of the grazing, taking into consideration all of those factors which you have enumerated this morning, it seems to me that would be a fair basis upon which to make the charge. It would not make any difference to the stockmen whether that was increased or not, because they would not lose anything; they would simply pass it on, as you said a moment ago, to the consumer, and the result would be that in the end you stockmen would not be hurt, if you pursued that policy.

Mr. TOMLINSON. What I said referred to whether they could pass it on.

Mr. RUBEY. Yes, sir.

Mr. TOMLINSON. Of course, that brings up a big economic question.

Mr. RUBEY. I understand that

Mr. TOMLINSON. As to whether they could pass it on.

Mr. RUBEY. I doubt whether they could pass it on.

Mr. TOMLINSON. So do I.

Mr. RUBEY. I think it is fair to get a reasonable return for the grazing in the national forests, and I do not believe we are getting what we ought to have at the present time; I think we should have a little more.

Mr. TOMLINSON. You bring out a point that I want to comment on briefly. The officials of the Forest Service have frequently told us that they had no disposition to make these advances and that the 100

per cent advance was in deference to the insistence of this committee that they get more money out of the reserves, and that may explain Mr. Graves's present attitude. I do not know. But we have always understood that the Forest Service thought they were getting along pretty well with the grazing charges they had and the advances were always the result of the attitude of this committee, and it was with that view that I thought a subcommittee ought to go out. When the 5-year permit system ends, I have no doubt that the Forester will make his recommendations as to the fees and that the Secretary of Agriculture will submit them to us so that we can have an opportunity to consider their reasonableness. That, however, is our last court of resort; we can not go beyond the Secretary. That is one of the unfortunate things, I think, in the administration of the national forests—there is no court review on it. We are therefore hoping that some members of the committee might go out and familiarize themselves with the conditions.

Mr. RUBEY. I think it would be a good thing if the whole Agricultural Committee spent a month out in the national forests, not only on the grazing proposition, but all other things connected with the national forests. At the same time, just to take a subcommittee and send it out there to spend a week or so, looking around over the grazing proposition, I do not believe that would be of any great advantage.

Mr. TOMLINSON. Not if you spent a week—it would be a six weeks' tour; that is what it would have to be to be of any real value.

Mr. LEE. And they could look at the timber matter at the same time?

Mr. TOMLINSON. Yes, sir.

Mr. RUBEY. The way that Congress has been running the last 8 or 10 years, we have not had any chance to go, because we have had to stay right here on the job.

Mr. TOMLINSON. I am sure it would be very satisfactory to the members of the committee if they could go out there and see the conditions. They would then know whether they should insist on the Forest Service getting a little more money or not. At the present time they have to take the recommendation of the department.

Mr. TINCER. A thing that appealed to me as never before was when the Forestry Department was before the committee asking for an appropriation. It developed that the stockmen were paying 70 cents for stock or 71 cents for stock for the grazing; that is, grazing of live stock, a steer, and I wondered if it was just the right thing for the Government to appropriate money to keep up a pasture, so to speak, on which some people, only a small portion of the meat producers of the United States, could pasture their steers for a figure like that, when other people who were helping to feed the people of the United States would not get any such rates. I wondered if we could protect the cattlemen in Kansas and Texas where they do not have the forest reserves, and how they could compete with a man who, at the expense of the Government, could raise his cattle for 70 cents. You must remember that this committee at the same time that we are discussing the charges for the pasture on the forest reserves are spending everybody's money in appropriations to keep up the forest reserves. We are asked to appropriate a lot of money; that

is what brings on the discussions. There ought to be a fair and reasonable charge to the stockman who uses the forest reserve, for the reason that it is maintained by Government taxes and for the reason that it is not fair for the Government to go into competition with the other stock raisers and take their money to maintain the reserves and charge the fellow who uses the reserve a less rate than it is really worth.

Mr. TOMLINSON. Consider for a moment, Congressman, that there are to-day approximately 175,000 000 to 200,000,000 acres of our range the stockmen can graze on without paying anything.

Mr. TINCHER. Yes; we talked about that. We had that in the bill.

Mr. RUBEY. One word. We were not going to go after you gentlemen who pasture on the forest reserves alone; we felt that the Government also ought to charge for grazing on the public lands as well as on the forest reserves; but, of course, as the committee had no jurisdiction, we could not do anything along that line.

Mr. TOMLINSON. Take Congressman Tinchler's question. The forest reserves down in Arizona and New Mexico do not produce what you might call fat cattle; they turn them off in the shape of yearlings or two-year-old feeders, which are bought by the Kansas stockmen and put on Kansas grass for fattening.

Mr. TINCHER. And some are bought by people in Iowa?

Mr. TOMLINSON. A great many are bought by the Iowa people. The bulk of the cattle comes off the reserves in the shape of feeders—many come off fat, I grant you. We do not want to pay an unreasonably low fee. Our position is that the present charge is amply high under all the conditions on these reserves. However, to-day the situation is abnormal, and it would be unfair for the Forest Service to adjust their grazing fees on the present inflated and abnormal conditions.

I thank you, gentlemen.

The CHAIRMAN. We are grateful to you, Mr. Tomlinson.

(Thereupon the committee proceeded to the consideration of executive business.)

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON AGRICULTURE,  
*Thursday, April 1, 1920.*

The committee met at 2.30 o'clock p. m., Hon. James C. McLaughlin of Michigan, presiding.

Mr. McLAUGHLIN of Michigan. The committee will please come to order.

Mr. MCKINLEY. Mr. Chairman, the gentlemen here are grain dealers; Mr. Clement, from Texas, will make a statement before the committee.

Mr. McLAUGHLIN of Michigan. We shall be glad to hear you, Mr. Clement.

**STATEMENT OF MR. B. E. CLEMENT, WACO, TEX.**

Mr. CLEMENT. Mr. Chairman and gentlemen of the committee, by way of introduction I will state, as chairman of the committee, that this joint committee, representing six States and authorized and

instructed by the several associations of these several States to bring to the attention and urgent consideration of this honorable committee and Congress the facts which and by reason of which the grain dealers of these several States sustained losses in the year 1917 by reason of the fixing of the price of wheat.

I want to say to you that we come as plain business men. We have no attorneys and we will have no lobbyists, but we come here to present to you the cause of these grain dealers who sustained this loss, believing that in presenting the facts to you you will see the justice of making reparation to those who sustained those losses without incurring needless and unnecessary expense to those who sustained them.

As stated before, the six associations are cooperating in presenting this matter and are assisted by the national association.

Mr. YOUNG. Please name the States you represent.

Mr. CLEMENT. Texas, Oklahoma, Kansas, Nebraska, Missouri, and Illinois. There are some claims, too, that will be presented by the Illinois association from Indiana, but Indiana has no official representation.

Our losses were sustained by reason of the fact that the Government fixed the price through a special committee that was appointed in 1917 and, we believe, without authority of law, but we are not questioning it from the legal standpoint, we are not raising that question, but they fixed the price of wheat without the knowledge of the grain dealer in time to protect himself.

Our claims will aggregate, we believe, about \$5,000,000. We have now compiled claims that aggregate something like \$2,000,000. We are prepared to show the committee in logical sequence the facts upon which we acted due to which these losses were sustained.

The first matter that we desire to call to your attention is a statement from President Wilson at the time that he transmitted his message to Congress, asking for food control under date of May 20, 1917.

PRESIDENT OUTLINES POWERS DESIRED FOR FOOD CONTROL—AUTHORITY TO PREVENT UNDUPE INCREASE IN PRICES OF FOOD SOUGHT.

President Wilson outlined the administration's food control program in a statement to-night, and declared the powers asked for the Government are no greater than those other Governments at war have been compelled to take. There is no intention, he said, to restrain or interfere with normal processes of production.

The objects sought to be served by the legislation asked for are \* \* \* the prevention of all unwarranted hoarding of every kind and the control of foodstuffs by persons who are not in any legitimate sense producers, dealers, or traders.

Mr. McLAUGHLIN of Michigan. May I ask what you are reading from?

Mr. CLEMENT. This is a typewritten copy of a publication taken from the Dallas News which was issued by the Associated Press.

Mr. McLAUGHLIN of Michigan. Do you know whether or not the President addressed Congress on that subject or sent a message or issued any official statement?

Mr. CLEMENT. The only way we know this is official is on the assumption that what is put out by the Associated Press is authentic,

and this matter is what controlled the mind of the grain dealer in proceeding with his business.

Mr. McLAUGHLIN of Michigan. I do not wish to intimate that we would not consider that authentic, but I wished to know.

Mr. CLEMENT. I thank you for calling my attention to that. We will be glad to give you that.

Although it is absolutely necessary that unquestionable power shall be placed in my hands in order to insure the success of this administration of the food supplies of the country, I am confident that the exercise of those powers will be necessary only in a few cases where some small and selfish minority proves unwilling to put the nation's interest above personal advantage. \* \* \*

The successful conduct of the projected food administration by such means will be the finest possible demonstration of the willingness, the ability and the efficiency of democracy, and of its justified reliance upon the freedom of individual initiative. \* \* \*

It is of vital interest and importance to every man who produces food and to every man who takes part in its distribution that these policies thus liberally administered should succeed and succeed altogether. It is only in that way that we can prove it to be absolutely unnecessary to resort to the rigorous and drastic measures which have proved to be necessary in some of the European countries.

Again, on the same day, there was another statement emanating from Mr. Hoover that was disseminated by the Associated Press and published in the same paper.

#### HOOVER WILLING TO SERVE WITHOUT PAY.

A statement given out by Mr. Hoover after the White House announcement was made gave his plans for food administration and called on the country to render voluntary assistance in carrying it out.

Mr. Hoover proposed that the Food Administration be divided into four great branches, whose duties he defined in detail. Most of the work would be carried out by men and women of the country on a volunteer basis.

"If this can not be done," said Mr. Hoover's statement, "I shall certainly and willingly surrender the task to some other method of emergency. I hold that democracy can yield to discipline, and that we can solve this food problem for our own people and our Allies in this way and that to have done so will have been a greater service than our immediate objective, for we will have demonstrated the rightness of our faith and our ability to defend ourselves without being Prussianized. \* \* \*

"It has been the experience of all European food control that results can be best accomplished by acting through or by regulation of the ordinary distributing agencies in the community, placing such restrictions which will cause a minimum sacrifice on the part of the legitimate distributors, and will eliminate broad national waste, unnecessary hoarding, and the sheer speculator in foodstuffs. With the good will of the distributing community it is possible to do this without disruption of the essential commerce of the country."

Those two statements, coming from the highest authorities, had the effect of causing the grain dealers to proceed with their business in a natural, normal way. They had no reason to doubt that there was going to be any such circumstance or legislation that would tend or would authorize the fixing of a price. This was in May. As things proceeded a bill was presented in Congress and debated there. There arose from time to time various stories with reference to the fixing of the price of wheat and other commodities that caused us to be very unsettled. Those of us who were handling grain could not afford to handle the new crop of wheat which was soon to begin to move in Texas and those other States without having some definite information as to whether or not the price might be fixed. The secretaries of several associations did get into communication with



Mr. Hoover's office. He was then located in Washington. He had already selected the men who were to act with him in the discharge of the duties under the food bill. When it was passed he was here and had his organization all perfected, so that we took it up with him, through our secretaries, with a view to ascertaining just what their policy was going to be.

Here is a letter which was written to Senator Sheppard, in answer to one forwarded to Mr. Hoover and answered by Mr. Barnes, Mr. Hoover's first man.

Mr. McLAUGHLIN of Michigan. Who was the letter written to?

Mr. CLEMENT. This letter was written to Senator Sheppard in answer to a letter addressed to Mr. Hoover written by Senator Sheppard transmitting a letter received from Mr. Dorsey, secretary of the Texas Association. Here is the reply.

Mr. RUREY. Have you a copy of the letter which was transmitted to Mr. Hoover to which this was an answer?

Mr. CLEMENT. I have it not here, but I am sure our secretary has it.

Mr. DORSEY. Yes; I have it in Mr. Lanham's office.

Mr. RUREY. We ought to have the letter to which this is a reply.

Mr. CLEMENT. When this letter is read you will get it all.

MY DEAR SENATOR SHEPPARD—

Mr. McLAUGHLIN of Michigan. What is the date of that letter?

Mr. CLEMENT. July 3. That is very important. July 3 it was.

Mr. McKINLEY. What year—1917?

Mr. CLEMENT. Yes, sir.

HON. MORRIS SHEPPARD,

*United States Senate, Washington, D. C.*

MY DEAR SENATOR SHEPPARD: I have your letter of July 2 and return you the letter from Mr. Dorsey mentioned therein, and you may say to Mr. Dorsey that no one appreciates more than I do that the present state of doubt and uncertainty is menacing the whole grain trade and preventing a market for the farmers' purchases in grain, but until authority is given me to act I can not act or definitely express a policy even. I think when we do get authority to evolve a plan the plan will be such that Mr. Dorsey will feel that we have taken every care to protect the established channels of trade and all useful agencies. I have been especially careful to get the advice of experienced men and I am relying on the desire for public service and the spirit of self-sacrifice which has been shown by so many of our people just as is expressed in Mr. Dorsey's letter.

Yours truly,

HERBERT HOOVER,  
By JULIUS H. BARNES.

This letter was sent out to the entire trade, calling attention to the attitude of the food control through Mr. Hoover's office. This letter, together with other publications, confirmed us in our view that we were not taking any needless risk in handling the wheat on the market. This was July 3. The wheat began to move in Texas about July 1, and the movement spread on into Kansas, Missouri, Oklahoma, Nebraska, and Illinois. As the movement proceeded, notwithstanding the bill pending in Congress, no framing of which indicated that power was going to be conferred upon anyone to fix the price of wheat—as the movement proceeded we had continuous reports emanating from Mr. Hoover's office to the effect that this country's supply of bread grain was something like

400,000,000 less than would be required during the ensuing year for the consumption of the American people and our allies.

With this information being disseminated through the publications of the country, the market naturally advanced. There was a heavy demand for wheat at that time. The 1916 crop of wheat was just about exhausted. There were less than 6,000,000 bushels of wheat at the principal points of accumulation in the United States at that time. The average annual carry-over in years gone by had been something like 150,000,000 bushels. This comparison will give you an idea of the distressing necessity for the immediate movement of the crop of wheat of 1917.

Now, then, gentlemen, the wheat had to be moved. It had to be moved on the basis of the market. There was nobody authorized to say that the price of wheat was going to be fixed. Those in authority denied that they had the right, that they had the power, or that they had the intention to fix the price of wheat, as I will show you in a minute.

The wheat had to move on the basis of the market, and the market was advancing daily. The market around August 11 was something like \$2.82 in Kansas City. The bill was passed on August 10.

In the meantime, however, on account of the great uncertainty and the continued publication of suggestions that the price might be fixed, or something of that sort, the grain dealers kept endeavoring to get an expression as to whether that would be done. On July 10 here is the statement of Mr. Hoover; it was printed in the Dallas News of July 10, 1917:

It is not the intention of the Food Administration to fix the price of wheat, nor is it expected that it will have any such power.

Mr. YOUNG. The Dallas News is a paper of large circulation throughout that part of the country?

Mr. CLEMENT. It has the largest circulation of any paper in the Southwest. This is an Associated Press report of the words of Mr. Hoover, in answer to continued and pressing inquiries as to whether or not the price of wheat was to be fixed:

If the food bill passes Congress, however, we certainly will not stand for speculative buying of wheat.

Now, I want to call the committee's attention especially to the fact that the wheat had been moving in Texas just about 10 days before this expression was had, and from the date of this expression on July 10 until the bill finally was passed by Congress the market was advancing daily. No grain dealer could expect to buy wheat nor could he buy wheat on any other basis than the market. No one would be assumed to have tried to do such a thing.

We make the point that since we could not buy wheat on any other basis than the market, and since Mr. Hoover had expressly stated that he had neither the power nor the authority nor the intention to fix the price of wheat, it was but natural to suppose that the grain dealer would handle his business in the same way that he had been handling it all the time. It was necessary to transmit the wheat into the channels of trade. Many of the mills were absolutely without stocks, and right at that moment, if the grain dealer had hesitated to perform his natural and normal function as a grain dealer, you

can imagine what would have been the condition of the people of the country.

There was a period of about five weeks during which, if the grain dealer had not functioned, there would have been hunger in this country; because, as I have just stated, there were less than 6,000,000 bushels of wheat at the principal points of accumulation in this country at that time. The milling stocks were practically exhausted. This was one of the reasons, therefore, for the rapid advance in the market; the other was, of course, the fact that Mr. Hoover was circulating the reports and making the statement that we were 400,000,000 bushels short of the necessities of the world at that time.

On August 11 Mr. Hoover made another statement. This is from the Dallas News of August 11, 1917:

HOOVER ANNOUNCES AIMS OF FOOD LAW—SEEKS COOPERATION IN FAIR DISTRIBUTION OF SUPPLY AND ELIMINATION OF WASTE.

WASHINGTON, August 10.

The American Government to-day assumed control of the country's food supply with the signing by President Wilson of the administration food survey and regulatory bills.

Formal announcement of Herbert C. Hoover's appointment as Food Administrator was made at the White House soon after the measure was approved, and to-night Mr. Hoover set forth the aims of the Food Administration in a statement declaring its purpose will be to stabilize and not to disturb conditions.

On August 11 he talked of stabilizing conditions. The first thing that he did the day afterwards was to do anything else but stabilize; it was to announce in the following language, published in the Dallas News of August 13, dated Washington, August 12:

It must be evident to all thinking persons—

Mr. McLAUGHLIN of Michigan. Now, you are quoting him?

Mr. CLEMENT. I am quoting his exact statement, as published in the News as coming from him:

It must be evident to all thinking persons that unless the price of wheat, flour, and bread can be materially reduced we can not expect to maintain the present wage scale of the country, and that we must not, in this social readjustment, lose efficiency at a time when we can afford no such sacrifice.

Gentlemen, that was absolutely the first intimation that the grain trade of this country had that there was any intention to fix the price of wheat. We knew already that under the bill passed by Congress there was no authority conferred for fixing the price of wheat. We acted absolutely on the basis of the supply and demand in a free and open market in the handling of wheat.

Mr. YOUNG. Right there, wait just a moment. That was August 13 that you got this last information?

Mr. CLEMENT. Yes, sir; August 13.

Mr. YOUNG. You are leading up to the matter of the losses that individual dealers sustained through these steps that you mention. Did you have an accumulation of grain on hand at that time?

Mr. CLEMENT. No great accumulation; no, sir. But we had wheat on hand. It is impossible to handle wheat and not have it; that is a physical impossibility. Somebody is going to have wheat. The grain dealer was receiving the wheat from the farmers, and at that

time, unfortunately, he had a little more than he probably would have had under normal conditions, for the reason that the car supply was so bad that it could not be moved. For that reason he probably had more than he normally would have had with good freight transportation facilities.

Mr. TINCHER. Of course that would depend on the locality. Some localities had cars, and some localities, I think, did not have any more grain at that time than they had at that time of that month in any other year.

Mr. CLEMENT. That is true; those conditions varied throughout the country. Some places would have more than others, according to how heavy the receipts had been.

You will understand that the greater part of the crop of wheat moves, in Texas, in the month of July. And that year we had ideal weather throughout all of the wheat-growing section of the country for the movement of wheat in the month of July. It was very fortunate that we did have it, because if we had had a rainy spell at that time we would have had a very serious condition confronting the country.

Now, then, I want to call your attention to just one more statement by Mr. Hoover. It is dated at Washington, D. C., August 16, 1917, and it comes out under a statement entitled "To operators of country elevators and warehouses." Here is one paragraph of it:

It is quite possible that the Food Administration, or some agency of it, may shortly approach you for a voluntary agreement by which you will retain grain in your house upon payment of fair storage and other charges, and forward such grain by direction of the Food Administration, if this seems necessary, in order to insure mills of favorably placed sources of supplies. In return, we could probably assure you against any loss in case of a decline in the price of wheat or rye.

That was on the 16th. The day after the bill was passed by Congress Mr. Hoover was appointed. The next day thereafter, I believe it was, a committee was appointed by the President, charged with the duty of fixing the price of wheat. That committee was composed of some professors from the East and representatives of laboring interests in the East and, I believe, one Western man who was not a wheat grower.

Mr. TINCHER. Who was that?

Mr. CLEMENT. Mr. Funk, of Illinois.

Mr. WILSON. I think it is only fair to him to say that he does raise wheat, but not to any very great extent.

Mr. DORSEY. He raises corn.

Mr. TINCHER. Yes; he is a corn man. I know he raised more wheat than usual during the war period, because I talked with him about it. Now, who were these professors from these eastern colleges?

Mr. CLEMENT. Dr. Garfield, and there was another one.

Mr. DORSEY. There was another one from Williams College.

Mr. CLEMENT. Two professors.

Mr. WILSON. You do not mean to say those men are not good judges of the wheat condition of the country?

Mr. CLEMENT. I would absolutely say, unqualifiedly, they would not be. [Laughter.]

Mr. YOUNG. I believe you also had a gentleman on that committee from Georgia, according to my recollection?

Mr. CLEMENT. Is that so? I did not think there were but three men on the committee.

Mr. DORSEY. Oh, yes; there were 11, I think.

Mr. RUBEY. Was not the president of the Agricultural College of Kansas a member of that committee?

Mr. DORSEY. Yes, sir; he was. He was the one that protected us from having the price fixed at \$1.50.

Mr. TINCHER. You mean Mr. Waters, of Missouri?

Mr. RUBEY. Waters, yes. He was formerly connected with the Missouri College.

Mr. TINCHER. He was the man who offered the resolution for \$3 wheat.

Mr. DORSEY. And he tied them up from the 22d of August to the 3d of September to keep them from fixing it at \$1.65.

Mr. CLEMENT. From the very moment that the announcement was issued that the price of wheat was going to be fixed the price of wheat began to decline, so that on the date that the price of wheat was finally fixed the price of wheat was approximately a fixed price. That is a fact.

Mr. YOUNG. Let us stop right there a moment. When this committee was appointed, clothed with the authority to fix the price of wheat, that resulted in the normal flow of wheat, and the normal market for wheat being disturbed, as I understand it, and people kept out of the market?

Mr. CLEMENT. Absolutely.

Mr. YOUNG. And the grain dealers did not dare buy?

Mr. CLEMENT. We could not afford to. The fact of the matter is that those who had wheat at that juncture could not sell a bushel.

Mr. YOUNG. You dared not buy, and could not sell?

Mr. CLEMENT. We dared not buy, and we could not sell. Between the time they announced they were going to fix the price and the time they actually fixed the price there was no wheat business.

Mr. RUBEY. How long a period was that?

Mr. CLEMENT. That was between August 13 and September 3.

Mr. McLAUGHLIN of Michigan. Are you not getting a little ahead of your story. The law did not authorize the fixing of a price, but authorized the determining of the minimum price; that is, that the price should not go below that?

Mr. CLEMENT. Yes, sir.

Mr. McLAUGHLIN of Michigan. And that is all that this committee did. Later there were some activities of the Grain Corporation, and Mr. Hoover acting with them, that made that minimum price the maximum price?

Mr. CLEMENT. Exactly; I was coming to that point.

Mr. McLAUGHLIN of Michigan. That was what you were more interested in than the matter of determining what the minimum price should be, it seems to me.

Mr. CLEMENT. Exactly; I am coming to that.

When this bill was passed and Mr. Hoover was appointed and the Food Administration began to function, the first thing they did was to create a milling division, through which they made contracts with the mills, under which the mills could not buy any wheat from anybody but the Grain Corporation, and the Grain Corporation would

not pay anything but the fair price that had been fixed by this committee. That resulted, therefore, in absolutely a fixed price. No grain dealer could sell his wheat to a mill for any more than he could get from the corporation. If he did, the mill had to report it immediately, and pay for having done so. They had to remit, I believe, 1 per cent. Where they bought wheat from a grain dealer or farmer they had to pay to the milling division 1 per cent for having done so. By that means they controlled absolutely the price of wheat. There was no other agency through which to sell it, except the Grain Corporation or those with whom they had contracted and who had contracted to pay only the price fixed by this committee. So there was no chance to get any more for the wheat.

Now, the grain dealers have figured their losses on the basis of the actual cost of their wheat and the price they had to take for it when they sold it to the grain corporation or the mills. They are not asking for any loss in interest. They are asking for no commission. They are simply asking to be reimbursed for the actual difference in the value of the wheat between the price they paid for it and the price they got for the wheat when they sold it. The money loss is all they claim.

We make the point that there was no other way for us to do business except on the basis of the market. We make the point that those in authority led us to believe that there would be no fixed price, that there was going to be no attempt to fix a price, that there would be no power to fix a price. And yet they did fix it. Acting in good faith, performing our duties as loyal citizens of this country, we put that wheat into the channels of trade at a time when it was of vital necessity to the country to do so.

The fixing of the price resulted in loss to us. It was done with good intent; we do not question that. We feel that those men who were acting in the capacity of food administrators did what they thought was right and for the common good. We question the wisdom of it, but they did what they thought was right, and in doing so they caused the grain dealer a heavy loss. And the public profited by it. To the extent that they made the loss for the grain dealer, the public profited by it. The farmer profited by it because he got the big price.

Mr. McLAUGHLIN of Michigan. When did he get the big price?

Mr. CLEMENT. He got the price we paid him for the wheat on the advancing market.

It is very clear that the loss was occasioned absolutely by the fixing of the price. It is equally clear that the public benefited by it. Now we come to this committee and we ask you to give us relief, to reimburse our dealers who sustained those losses.

The exigencies of the war made it necessary for the Government to take over a great many factories in this country and operate them. In doing so they reimbursed those people whose factories they took. They paid them rentals. Where they made changes in the factories they paid them damages, and they made good every loss sustained by those whose factories they have taken.

The exigencies of the war made it necessary for the Government to construct cantonments all over this country. In doing so they paid a fair rental for the land used. After the cantonments were abandoned they sent their commissions around and arrived at the dama

done to the property, with a view to settling for the same. In the construction of those cantonments they paid the full market price to the lumber dealers for the lumber that was used. When they employed labor to build those cantonments they paid the men three times what they had been getting in industrial pursuits at that time.

Through the exigencies of the war it was necessary for the Government to make contracts for stupendous quantities of munitions, guns, and war equipment of all kinds. Through the sudden termination of the war upon the signing of the armistice it was practicable and wise to cancel those contracts. The Government did so and immediately, I understand, reimbursed those people with whom they had the contracts for their extraordinary loss arising therefrom.

Through the exigencies of the war the wool was taken from the woolgrowers at less than its market value, and, I understand, there is now pending in Congress a bill to give them relief for the difference between the market value of their wool and the amount that was paid for the wool.

Through the exigencies of the war it was thought necessary to take the railroads of this vast country over. The Government guaranteed a reasonable return on the investments, and in turning the railroads back to their owners they gave further guarantees.

In the institution of the Food Administration the Government gave them almost unlimited power over the grain interests of this country. The grain dealers suffered greatly, in more ways than one. They suffered, however, in common with all the citizens of this country, and they claim no exemption from the sacrifices they made. But the Food Administration, through the fixing of the price of wheat, to the extent that they cut the price under the price that was paid by the dealer for the wheat, confiscated the property of the citizens. It was nothing less than confiscation.

That same Food Administration entered into contracts with the millers of this country, by which the millers did not lose one dollar on the amount of wheat they had on hand at the time the Government fixed the price.

Mr. YOUNG. How did they do that?

Mr. CLEMENT. Through a contract by which they provided that the miller should mill his wheat and sell his flour on the basis of cost plus 25 per cent profit for his flour.

Mr. YOUNG. In other words, if all the wheat that you gentlemen had on hand had been sold to the millers and in the millers' possession there would have been no loss sustained by reason of the fixing of the price on the wheat then in existence?

Mr. CLEMENT. Absolutely not.

Mr. YOUNG. But on that that was caught in your hands and that had not been disposed of you suffered a loss?

Mr. CLEMENT. Yes.

Mr. YOUNG. Whereas, as to that in the millers' hands they gave the millers 60 days in which to grind it on the basis of the price they had paid?

Mr. CLEMENT. Yes, sir.

Mr. TINCHER. Why don't you tell the whole story? Why don't you say they made a contract with the miller by which they let him make 25 cents a barrel on the wheat he had on hand and the wheat

he would purchase, and so enforced that contract that they let him make about \$2 a barrel on the wheat he had on hand and the wheat he purchased? And they went to him with their auditors and found the miller had profited, and let him settle with the Food Administration for anywhere from 1½ to 5 per cent of the amount he had charged over that 25 cents a barrel.

Mr. CLEMENT. I was going to come to that, but you have told it so much better than I could there is nothing left for me to say along that line. That was absolutely true.

But there was one exception with reference to the millers. There were some millers who had more than a 60 day's supply of wheat who were compelled to ship out some of their wheat, and they took the same loss that we did on their wheat, and they are also claiming the loss.

Mr. McLAUGHLIN of Michigan. They claim the same loss?

Mr. CLEMENT. Yes, sir; they are asking for the same thing. They paid the high price too, and they forced them to ship it out.

Mr. RUBEY. They had more than they could get rid of?

Mr. CLEMENT. More than they could grind in the 60 days. The contracts were all the same. There was uniformity in the contract, but there was no uniformity in its enforcement and in the interpretation of the rules under that contract, so that it dealt with some as fish and with others as fowl.

Mr. TINCHER. The only cases that I know of where anybody in Kansas got into trouble over that contract were two specific cases where millers were cited to show cause why their licenses should not be revoked, for two reasons; first, for paying too much for their wheat, and, second, selling flour too cheap. I attended those hearings. [Laughter.]

Mr. WILSON. Don't you think the licenses should have been taken away from such reckless men?

Mr. TINCHER. They did come pretty near doing it.

Mr. CLEMENT. In conclusion we will state that our whole case rests upon the proposition that it was unjust to place a loss of that kind under those conditions on the grain dealers. The second proposition is that we are entitled to recover either from the Treasury of the United States or from the treasury of the Grain Corporation the losses we sustained. I understand they have a \$1,000,000,000 revolving fund and that they have made over \$50,000,000 in the operation of the Grain Corporation, and we know part of that money is ours.

Mr. TINCHER. That \$50,000,000 is in better shape now, since Congress has let them furnish that \$50,000,000 worth of flour to the Armenians.

Mr. WILSON. Would you be willing to wait for your money until we get that money back from them? [Laughter.]

Mr. CLEMENT. No; I do not believe we would. I had hoped they would not use all that profit in putting out that flour on the terms at which they put it out over there.

Mr. WILSON. I understand the flour was not good flour, that it was a very low grade of flour that they could not sell in this country.

Mr. CLEMENT. I do not know about that.



Mr. WILSON. We did not know anything about it either, until after this idea developed that that would be a good way to help the Armenians.

Mr. CLEMENT. I think it is very humane to feed them.

We make the point that we used every diligence to find out what was going to be the attitude of the Grain Corporation and the Food Administration. We absolutely left nothing undone. We discharged our duty to ourselves as business men to find out what sort of hazards we were taking. We could not learn. We could not learn from those charged with the responsibility to advise us. We have since talked to one of the zone agents, and he told us we must have known they were going to fix the price of wheat, notwithstanding Mr. Hoover said on July 10 they would not.

Mr. TINCHER. Who was that? I want to get that in the record.

Mr. CLEMENT. That was Mr. Piazek. When we were in Washington at that time that was one of the very vital factors we discussed and one of the things we were fully agreed upon. And notwithstanding that fact when we pressed them for a statement that would have confirmed that objection, they gave us the opposite information. They did that because they knew they never would have passed the bill through Congress if it had been the intention of those vested with that power to fix the price of wheat. We know that. You all know that was the reason.

We ask that we be reimbursed, on the theory that the Government of the United States in the exercise of its power placed a loss upon us that was in a measure confiscatory. We ask that we be reimbursed because the American people profited to the extent of our loss. We ask to be reimbursed because we know that the farmers received the money that we paid them for the wheat and that they did not suffer by reason of the fixing of the price on this wheat. We ask that we be reimbursed because those who were charged with the authority and the power to give us information failed to do so in time to prevent us from making these losses, and they were the agents of the United States Government.

Mr. McLAUGHLIN of Michigan. You have quoted, have you, all the statements that have come to you that were made by Mr. Hoover previous to August 10, 1917?

Mr. CLEMENT. Yes, sir; and subsequently thereto.

Mr. McLAUGHLIN of Michigan. I think you have not read all the statements that Mr. Hoover made or that were attributed to him.

Mr. CLEMENT. Oh, no; I misunderstood you. There were a great many statements put out that we did not think would be pertinent here. We know there were numbers of statements by him.

Mr. DORSEY. We have a number of letters.

Mr. CLEMENT. We even have numbers of letters that we have not presented here, showing they did take this very same view.

Mr. McLAUGHLIN of Michigan. Did you hear any statements that were not of a reassuring character?

Mr. CLEMENT. Only this—

Mr. McLAUGHLIN of Michigan (interposing). I mean, emanating from Mr. Hoover?

Mr. CLEMENT. Not from Mr. Hoover; no, sir.

Mr. McLAUGHLIN of Michigan. The Congress did, and that is why it fixed the guaranteed price at \$2; because Mr. Hoover was telling us about the joint buying agency, that the allied countries and the United States would have only one purchaser of wheat, and that he, Mr. Hoover, could make wheat \$1.50 if he wished, and even less—

Mr. CLEMENT (interposing). On an open market, did he assume to say?

Mr. McLAUGHLIN of Michigan. He said he could do it if he were given control, and we felt that he was going to be given control. Hence the bill was passed by which it was so arranged that the price should not be below \$2 per bushel. Those statements emanating from Mr. Hoover, or attributed to him, never reached you?

Mr. CLEMENT. No, sir. This price that you guaranteed, however, Mr. Chairman, was for 1918.

Mr. McLAUGHLIN of Michigan. I was speaking of the reasons that lead up to the fixing of the guaranty price, or the putting into the law that the guaranteed price should be \$2.

Mr. CLEMENT. Our understanding of the guaranty price of \$2 was that it was to encourage the farmers to put in a large crop of wheat for 1918 and 1919.

Mr. McLAUGHLIN of Michigan. You were speaking about being misled by statements of Mr. Hoover, and I asked you if you had quoted all the statements that you had heard from him, some of which were not of a reassuring nature; and I was telling you of statements that reached the Congress and influenced the Congress to pass that \$2 guaranty provision—because they were afraid, after hearing what Mr. Hoover had said, that he would reduce the price away down below what the farmers ought to be asked to sell their wheat for.

Mr. CLEMENT. I am frank to say that we did not get that information. And if we had had any information that would indicate that Mr. Hoover thought that he had the power to depress the price of wheat to \$1.50 a bushel we would have known very well that he was powerless to do that, with all the authority you wanted to invest him with, if you did not give him the power to fix the price. He could not have done it in a free and open market. The people of this country knew we had less than 600,000,000 bushels of wheat, and they knew the demands of the world.

Mr. YOUNG. Here is another suggestion that might be pertinent. This was the crop of 1917 on which you gentlemen sustained this loss. The food control law was passed after that particular wheat crop had been made?

Mr. CLEMENT. Oh, yes; long after.

Mr. DORSEY. After it had been harvested.

Mr. CLEMENT. It was being harvested.

Mr. YOUNG. As a matter of fact, Congress in that food control law, where it authorizes the fixing of this minimum price, provided that if this power to fix the price should be exercised it must be exercised seasonably and in advance of seeding time. That is the language of the bill, as I recall it. That would make the power, if exercised, apply to the 1918 and 1919 crops, and it could not relate back to the 1917 crop in which you gentlemen were dealing?

Mr. CLEMENT. Absolutely not.

Mr. YOUNG. I had overlooked the fact that they fixed the price on the 1917 crop.

Mr. CLEMENT. Yes, sir; it was the 1917 crop.

Mr. TINCHER. You read an extract from a document sent out by Mr. Hoover to all the grain dealers. I hope you will let that whole document go into these hearings.

Mr. CLEMENT. We will be very glad to do so.

Mr. WILSON. You also spoke about receiving numerous communications from Mr. Hoover about this time on this subject. Have you those?

Mr. DORSEY. We have those, but not here.

Mr. WILSON. I do not know, but I think it would be a good thing to insert them in the record in the proper place, if you have got them so you can do so.

Mr. CLEMENT. We will furnish you everything we have got.

Mr. WILSON. I do not know what they are, but I suppose they are along the same line and would undoubtedly be of interest to the committee.

Mr. YOUNG. Let us get back a little bit to the marketing question. You gentlemen represent the six States involved in this controversy. Now, take Texas as an illustration of the conditions in the other States. A farmer out near Fort Worth, for instance, produces wheat. His first market is the local buyer in his country town, is it not?

Mr. CLEMENT. Exactly.

Mr. YOUNG. Now, do you gentlemen, as dealers in grain, become that first buyer or do you buy from the local merchants?

Mr. CLEMENT. Well, sometimes we have elevators at different places, and at other times we buy from the merchants. Except in the Panhandle they handle most of the wheat grown in Texas.

Mr. YOUNG. The country merchants?

Mr. CLEMENT. There are a good many little country elevators.

Mr. DORSEY. I will say, Mr. Young, we have 400 members in our association, and more than 90 per cent of them are country buyers, who buy from the farmers.

Mr. YOUNG. You gentlemen simply accumulate it in larger quantities and put it into the commerce of the country?

Mr. CLEMENT. Exactly. The smaller elevators do not get in touch with the general trade like the grain dealer does.

Mr. YOUNG. That system of buying from the farmer applies similarly to the six States involved here, does it?

Mr. CLEMENT. Exactly.

Mr. YOUNG. Now, as I understand it, with reference to this particular crop of 1917 you gentlemen kept in touch with the Federal authorities so far as you could?

Mr. CLEMENT. Absolutely.

Mr. YOUNG. To see what was going on, so that as business men you would know what to do?

Mr. CLEMENT. Exactly.

Mr. YOUNG. Instead of making the market, you simply bought on the market that was made by the combination of circumstances in the entire world?

Mr. CLEMENT. Exactly.

Mr. YOUNG. And you put your money out in good faith in the ordinary channels of doing business in that industry?

Mr. CLEMENT. Exactly. We had nothing whatever to do with the market. As you suggest, we followed the market. The law of supply and demand made the market, and there was an excessive demand, and naturally at that juncture when these reports were emanating from Mr. Hoover and the other authorities here, to the effect that we were 400,000,000 bushels short of the required amount of food the market was in an ascending state.

Now, if you want any evidence in the world that the grain dealers were acting in the best of faith, on evidence and information that they believed to be true, why, look at the course of the market. If there had been one dissenting view to the effect that there was going to be, or that there appeared to be a probability of the fixing of the price of wheat, you never would have seen an advancing market. It would not have been possible. If we had not believed, not only the grain dealers of these States but of all the States—if they had not been convinced that there was not going to be a price fixed on wheat, they would have protected themselves.

Mr. YOUNG. Let me put this question now. This matter will be gone into, so we had better get every suggestion on it. You gentlemen, as grain dealers, knew the world conditions and knew the necessity of the world for wheat, and that there was a short crop of wheat?

Mr. CLEMENT. Indeed we did.

Mr. YOUNG. Now, during that particular season, was there anything in your method of handling grain that varied from prior years? In other words, what I mean is this. Knowing of this world shortage in wheat, were you gentlemen gathering together great volumes of wheat and holding it for the purpose of reaching the ultimate higher prices that would necessarily come unless there was some restriction, or were you simply going on as you would normally?

Mr. CLEMENT. We did absolutely. And I will state this for your information, that our claims are an aggregation of small claims. There are no large claims among them. That proves conclusively that there was no general holding of wheat. The largest claim our Texas delegation has is, I believe, \$28,000.

Mr. DORSEY. There is one of \$39,000, but that gentleman had 15 country elevators.

Mr. CLEMENT. There was no disposition to hold the wheat.

Mr. YOUNG. The point I want to make is this: Was there any disposition on the part of those trading in wheat, whom you gentlemen are representing, to hoard wheat?

Mr. CLEMENT. Absolutely none.

Mr. TINCHER. The only fellow that was hoarding wheat was protected—the big miller.

Mr. CLEMENT. You are absolutely correct about that.

Now, gentlemen, I believe I have presented all of the facts concerning our case that I have to present. I do not believe there is a single point I have not covered.

Mr. TINCHER. How many bushels of wheat did you say there were on hand in the United States at the time this law was passed?

Mr. CLEMENT. There were less than 6,000,000 bushels in the principal points of accumulation. Of course, there was some wheat scattered around over the country.

Mr. TINCHER. I mean in the hands of the producers.

Mr. CLEMENT. Oh, I do not know how much there was in the hands of the producers. Mr. Smiley, of Kansas, is a statistician, and he can tell you more than I can. You are talking about wheat of the 1916 crop?

Mr. TINCHER. Oh, no; I mean the 1917 crop.

Mr. CLEMENT. Oh, that was all in their hands.

Mr. TINCHER. What was the amount of wheat produced?

Mr. SMILEY. There were 663,000,000 bushels produced in the United States in 1917.

Mr. TINCHER. There was a certain portion of that in the hands of the mills that was sold on the basis of this market; that is, before the Government confiscated the wheat for war purposes?

Mr. CLEMENT. Exactly.

Mr. TINCHER. I want to know this: What reason can there be, what reasonable excuse can the Government offer now, having assumed the attitude it did assume with reference to other war transactions that you have so nicely enumerated to this committee, for not reimbursing every man who had property in the form of wheat, that being the raw material that they confiscated for the purpose of winning the war? It would cost less than a quarter of a billion dollars to reimburse all of them, every man whose wheat was confiscated.

Mr. CLEMENT. Our losses will aggregate, we think, \$5,000,000. You mean, including the farmers?

Mr. TINCHER. Yes.

Mr. CLEMENT. We anticipated that you would ask that question, sir—

Mr. TINCHER (interposing). Well, they confiscated his wheat.

Mr. CLEMENT. Well, there was no way to tell whether or not he would have received that price for his wheat if he had waited during the year. I am frank to say to you that I believe he would have received \$5 for his wheat, absolutely. But here is the point: The farmer has been compensated by reason of the guaranties for the subsequent year.

Mr. TINCHER. He has had a price under the guaranty for the ensuing year, as it turned out, of a little less than the cost of production. But here is a cold fact: A farmer has a bushel of wheat. The Government, by placing a certain power in the hands of certain men, reduces the market price of that wheat 60 cents. I do not know how we could spend a quarter of a million dollars with any more merit in the whole proposition. And I can not distinguish between the farmer who has a bushel of wheat, when the Government comes along and says, "You have to take 60 cents off the market price of that wheat," and any one else that has a bushel of wheat. You both came by it honestly. You are both engaged in a necessary occupation for the success of the Government.

Mr. CLEMENT. I will agree with you there, and I think the fixing of the price of wheat at less than the market was indefensible. If they did not think the price ought to go higher, then they ought to have fixed it at the market value. As I have said, I do not believe it

was necessary. I do not think they had authority to do it, and I do not think they ought to have done so.

At the same time, the case of the farmer and the case of the grain dealer are not analogous; there is no question about that. As to the farmers, there have been compensating circumstances in connection with the fixing of the price of wheat, and I believe the farmers have been pretty well satisfied. And I will state this for your information, although you probably already know it: Since the release of the mills from this contract that you made reference to, to pay only the price that the Grain Corporation would pay for the wheat, the market has been an open market for the farmer, and he has gotten whatever it would bring.

Mr. RUBEY. And it has gone up?

Mr. CLEMENT. Yes; the market has advanced.

Mr. TINCHER. There is not any question but that the price of that one product was kept down.

Mr. CLEMENT. Yes, sir; absolutely; but only for that one year of 1917.

Gentlemen, we have not had anybody prepare a bill for us, and we have not attempted to prepare any bill ourselves. We came here for the purpose of presenting these facts to this committee, with the hope, and, I might say, with the expectation that this committee would see the justice of giving us relief and finding a way to do it.

We want to express our grateful appreciation of your kind attention and your courtesy in having arranged this hearing at this hour for us, and we shall be very grateful if some one on the committee will prepare a bill that will give us the relief that we deserve, and that, I believe, you will agree we deserve.

It may be that such a bill should provide for a special commission to determine the correctness of the claims that we will present. We are prepared to furnish the evidence to show that these losses were sustained. We have come here merely to present the facts showing how these losses were sustained, so that if you agree with us that we should have relief you may provide a means by which we can prove these things to the satisfaction of the Government, and then arrange for the protection of them after they have been proved.

Mr. WILSON (presiding). We are very much obliged to you for your intelligent and illuminating statement, and we will be very glad to hear from anyone else you have.

Mr. YOUNG. You might add that we can see from his statement why they have not employed an attorney to present their case. It has been very ably presented.

Mr. WILSON. Whom else have you?

Mr. CLEMENT. I do not believe there is another member of this delegation that expected to present anything in addition to what I have presented. If there is any member of the committee that wants to add anything, I should be very glad to have him do so.

Mr. YOUNG. I understand you gentlemen have already talked the situation over among yourselves, and you are simply the spokesman for the rest?

Mr. CLEMENT. Yes, sir; for the entire committee. I am the spokesman, as chairman of the committee.

Mr. TINCHER. Mr. Clement, I do not like to ask you for anything you have not already stated, but you have had this matter up with Mr. Barnes, have you not?

Mr. CLEMENT. Yes, sir.

Mr. TINCHER. That is all I wanted to ask you. If you want to tell us about it, all right.

Mr. CLEMENT. That does not embarrass me a bit—not one particle. We conceived the idea that if we could come to this committee with an indorsement from the Grain Corporation it would be a good thing and that it would have weight with this committee. So we went up to New York and we called on Mr. Barnes and we laid our case before him. He told us very courteously that we ought to have been advised, that we ought to have known that this legislation was pending in Congress, and that they had it in mind to fix the price of wheat. And when we showed him his letters and the communications from Mr. Hoover and from his own office, why, he intimated that we ought not to have believed what he said.

Mr. McLAUGHLIN of Nebraska. That is probably correct. [Laughter.]

Mr. CLEMENT. That was the only conclusion we could reach.

Mr. McLAUGHLIN of Nebraska. But you gentlemen did not know that at the time you received the communications?

Mr. CLEMENT. No; we felt that they were given to us in good faith. We realize now they were sent to us to mislead us. We did not know that the Grain Corporation and these men that Mr. Hoover had chosen for his assistants had come to Washington and conferred with one another and agreed it was necessary and proper to fix the price of wheat for 1917, and that it was necessary and proper also to conceal the fact that they intended to do it.

Mr. TINCHER. As far as I am concerned, I want to assure you that you are not laboring under any handicap by reason of not having the indorsement of the Grain Corporation.

Mr. CLEMENT. Gentlemen, we concluded that when we called upon a man and laid the facts before him and had his own documents to convince him that he was wrong, if he could not see the justice of our position we did not think his opposition was worth a continental. That is why we felt that way about it. I have very little respect for a man that has not any conception of justice, and we do not think he has.

Mr. WILSON. Is Mr. Barnes the only man that you saw in New York?

Mr. CLEMENT. Yes, sir; he was the only man we saw.

Mr. YOUNG. I take it from your remarks that you gentlemen and the producers are all thoroughly convinced that price-fixing is a failure all along the line?

Mr. CLEMENT. Well, I have a little flow of language that would express it—chiefly descriptive—

Mr. WILSON (interposing). Is it parliamentary?

Mr. CLEMENT. Well, I never swear, but I would say you are damned right. [Laughter.]

Mr. WILSON. There are a number of gentlemen here from Illinois. I wonder if any of them would like to be heard.

Mr. METCALF. I do not think we could add anything. We have all talked this matter over before submitting these facts, and have tried all along the line to be just as brief as possible, and present them to you gentlemen to show you that our position, as we feel, is one of justice and right. But, for one, whenever I have anything to do with buying a crop of grain while we have a Grain Corporation, I am going to get me a Ouija board. [Laughter.]

Mr. TINCHER. Do you want to say anything, Mr. Smiley?

Mr. SMILEY. No; I think the gentlemen representing our committee have covered the matter very fully. We have all discussed the matter prior to going to New York City, since being in New York City, and since arriving here, and Mr. Clement has covered the ground thoroughly.

As to what you stated with reference to the farmers sustaining a loss, I quite agree with you. Although I am not authorized to speak for them, I am in touch with approximately 200 farming organizations in Kansas and southern Nebraska—the jurisdiction of our grain dealers association extending up to the Platte River in Nebraska—and I believe they feel they should be reimbursed to the extent of the value of the wheat at the time Mr. Hoover made this infamous announcement.

Mr. RUBEY. We have two or three gentlemen here from Missouri. I do not know whether they want to be heard or not.

Mr. CULP. We represent the Missouri Grain Dealers Association, composed of about 400 grain dealers and small elevator men in our State. We have thought this thing over very carefully in committee meetings with the several States. Mr. Clement has presented our combined ideas, and we have nothing further to add.

Mr. WILSON (presiding). Does any one else wish to be heard? If not and if there is nothing else to be done, I presume we might adjourn. I will say, gentlemen, that we will take this matter under consideration, and you will hear what is done. I understand that we are to adjourn until 10 o'clock to-morrow morning, to hear Attorney General Palmer in the committee room of the Committee on the Judiciary.

(Thereupon, at 3.35 o'clock p. m., the committee adjourned to meet at 10 a. m. to-morrow, Friday, April 2, 1920.)









