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EMERGENCY PRICE SUPPORT

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Mr. TALMADGE, from the Committee on Agriculture and Forestry, submitted the following

REPORT

[To accompany H.R. 4296]

The Committee on Agriculture and Forestry, to which was referred the bill (H.R. 4296) to adjust target prices, loan and purchase levels on the 1975 crops of upland cotton, corn, wheat, and soybeans, to provide price support for milk at 80 per centum of parity with quarterly adjustments for the period ending March 31, 1976, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill (as amended) do pass.

SHORT EXPLANATION

H.R. 4296 amends the Agricultural Act of 1949 to establish an emergency program for wheat, corn, upland cotton, soybeans, milk, and tobacco.

Under the program, the target prices and loan levels for wheat, feed grains, and upland cotton would be increased above the prices and levels specified in the Agriculture and Consumer Protection Act of 1973; a loan and purchase program would be made available to soybean producers; the 1975 support price for manufacturing milk would be established at 85 percent of the parity price therefor (with quarterly adjustments); and the 1975 support price for tobacco would be established at 70 percent of the parity price therefor.

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SUMMARY OF H.R. 4296, AS AMENDED BY THE COMMITTEE

The bill, as amended by the Committee, consists of amendments to the Agricultural Act of 1949.

I. Under the bill, target prices and loan levels would be adjusted as follows:

A. For 1975, target prices would be increased to—
$3.10 per bushel for wheat from $2.05;
$2.25 per bushel for corn from $1.38 (with other feed grains at comparable levels); and
$ .48 per pound for upland cotton from $.38.

B. For 1975, loan levels would be increased to—
$2.50 per bushel for wheat from $1.37;
$1.87 per bushel for corn from $1.10; and
$ .40 per pound for upland cotton from $.34.

C. For 1976, the target prices applicable in 1975 would be adjusted for changes in costs and yields. And for 1977, the applicable target price used as a base for adjustment would be that established for 1976.

D. Loan levels for cotton, corn, and wheat for the 1976 and 1977 crops shall bear the same relationship to target prices as existed for the 1975 crops.

E. Target prices, loan levels, and payment rates for grain sorghum and barley would be in relation to corn, as at present.

F. For the period 1975 through 1977, non-recourse loans will be available for 18 months for cotton and not less than 20 months for wheat, corn, and soybeans.

II. The bill requires that a loan and purchase program be made available to producers of soybeans for the 1975 through 1977 crops at a level reflecting the average relationship of soybean support levels to corn support levels during the immediately preceding three years. Under this formula, the 1975 loan level for No. 1 grade soybeans would be $3.94 per bushel.

III. The bill requires—effective with the period beginning on the date of enactment and ending March 31, 1976—that the support price of manufacturing milk be established at not less than 85 percent of the parity price therefor. In addition, the bill requires that the Secretary of Agriculture—beginning with the second quarter of 1975—thereafter adjust the support price for milk at the beginning of each quarter to reflect prices paid by farmers for production items, interest, taxes, and wage rates. Such estimated support prices would be announced not later than 30 days prior to the beginning of each quarter.

IV. The rate of interest on commodity loans for the 1975 through 1977 crops made by the Commodity Credit Corporation would be established quarterly on the basis of the lowest interest rate paid by the U.S. Treasury.

V. Loans and purchases for the 1975 through 1977 crops of soybeans shall be made available at levels reflecting the historical average relationship of corn and soybean support levels.

VI. CCC resales with respect to the 1975 through 1977 crops of wheat, corn, grain sorghum, barley, or upland cotton shall not be made at less than 115 percent of the established price and for soybeans at 115 percent of a comparable price level.

VII. Tobacco price supports shall be at 70 percent of parity for the 1975 crop.

Committee Amendment

The Committee amendment strikes all after the enacting clause of H.R. 4296 and inserts in lieu thereof an amendment in the nature of a substitute. The principal differences between H.R. 4296 as passed by the House and the bill as amended by the Committee are as follows:

(1) Established Price for Upland Cotton for 1975

The House bill establishes the price of cotton at 45 cents per pound for the 1975 crop.

The Committee amendment increases the established price to 48 cents per pound for the 1975 crop.

(2) Established Prices for Upland Cotton, Wheat and Corn for 1976 and 1977

The House bill does not deal with established prices or loan levels for 1976 or 1977.

The Committee amendment provides that the established price for the 1976 crops of upland cotton, corn, and wheat, will be based on the 1975 established prices as adjusted to reflect any change during the calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates (excluding feed and feeder livestock). Any increase that would otherwise be made shall be further adjusted to reflect changes in yields.

The established prices for the 1977 crops of upland cotton, corn, and wheat, shall be the established prices for the 1976 crops as adjusted to reflect any change during the calendar year 1976 in the index of prices paid farmers for production items, interest, taxes, and wage rates (excluding feed and feeder livestock). Any increase that would otherwise be made shall be further adjusted to reflect changes in yields.

(3) Loan Levels for Upland Cotton for the 1975 Crop

The House bill establishes the loan level for upland cotton for the 1975 crop at 38 cents per pound.

The Committee amendment increases the loan level for upland cotton for the 1975 crop to 40 cents per pound.

(4) Loan Levels for Upland Cotton, Wheat and Corn for the 1976 and 1977 Crop Years

The House bill does not deal with loan levels for 1976 and 1977.

The Committee amendment extends the 1975 loan levels through the 1977 crop with necessary adjustments to maintain the same percentage relationship between loan levels and established prices for the 1976 and 1977 crops of upland cotton, corn, and wheat as the 1975 loan rates are to the 1975 established prices.

(5) Extension of Nonrecourse Loan Periods

The House bill provides that the nonrecourse loan period for upland cotton (presently 10 months) would be made available for an additional term of eight months at the option of the cooperator.

The Committee amendment retains this provision, and provides that nonrecourse loans for the 1975 through 1977 crops of wheat, corn, and soybeans shall be made available for a term not less than 20 months from the first day of the month in which the loans are made.

(6) Soybean Loan Levels for the 1976 and 1977 Crop Year

The House bill requires that a 1975 loan and purchase program be made available to producers of soybeans at a level reflecting the average relationship of soybean support levels to corn support levels during the immediately preceding three years.

The Committee amendment extends this provision to apply to the 1976 and 1977 crop years.

(7) Resale Level of Commodity Credit Corporation Stocks

The House bill does not deal with this provision.

The Committee amendment provides that the Commodity Credit Corporation shall not sell any of its stocks of wheat, corn, grain sorghum, barley, or upland cotton at less than 115 per centum of the established prices for such crops, nor sell any of its stocks of soybeans at less than a comparable price.

(8) Price Support of Tobacco

The House bill does not deal with this provision.

The Committee amendment provides for the 1975 crop of tobacco a support level of 70 percent of the parity price.

(9) Support Price of Milk

The House bill provides for a support price of milk at 80 percent of the parity price.

The Committee amendment raises the support price of milk to 85 percent of the parity price.

(10) Storage costs

The Committee amendment strikes the House provision that requires the Secretary to establish the same terms and conditions relative to storage costs and interest rates on nonrecourse loans made with respect to upland cotton, wheat, and feedgrains. The same interest rates already apply to all three crops. However, terms of storage costs are different.

(11) Title of the bill

The Committee amendment also amends the title of the bill to read as follows: "An act to adjust target prices, loan and purchase levels on upland cotton, corn, wheat, and soybeans, to provide price support for milk at 85 per centum of parity with quarterly adjustments for the period ending March 31, 1976, and for other purposes."

Need for Legislation

When Congress was developing the Agriculture and Consumer Protection Act of 1973 economic forces were taking shape that would render this Act, specifically the provisions for established prices and loan levels, totally ineffective. The events were as diverse as crop shortfalls in the United States and around the world, the floating of the dollar, detente with the USSR and China, and the forming of OPEC into a dominant economic force.

The cumulative effect of these events has been rapidly escalating production costs for agriculture. The index of prices for production items surged 35 percent in the past 2 years. Within this large index many components have increased far more than the total. Many of the components that have expanded most rapidly are critical to crop production. For example, the price of motor supplies increased 46 percent, fertilizer prices leaped 104 percent, seed prices jumped 76 percent and average interest levels expanded about 47 percent.

In addition, farmland prices have increased by over 40 percent since 1972. This increases crop production costs not only due to the higher land costs but also because of additional interest charges, and higher taxes. This is true even if rates of the latter two are constant, but they have both been on the rise, further compounding costs.

Many crop farmers have been able to cope with rising costs the past 2 years because the prices for their products have been at relatively high levels as a result of low production levels and record demand at home and abroad. However, both demand and supply could easily change over the upcoming year.

The livestock industry, which is the market for a large share of our crops, is experiencing widespread contraction, and therefore a sharp reduction in demand for grain and meal is occurring.

Not only has the domestic economic recession had an adverse impact on demand; the worldwide economic downturn is also being felt. The cancellation of export contracts by several foreign buyers and general weakening of world prices both point to a contracting export market with resulting declines in demand for U.S. farm products.

In the face of this weakening demand, there is the distinct possibility of bumper crops this year. Current planning intentions indicate that farmers plan to plant slightly fewer acres to corn, soybeans, and spring wheat than last year. But with average weather and more normal yields, total production would far exceed last year's flood, drought and frost plagued crops. Virtually overnight, huge crop surpluses relative to demand would develop and precipitous price declines would follow.

The economic rationale for both established prices and loan levels is to lend stability to the markets of the respective commodities. To do this, established prices must approximate total cost of production, and loan levels should approximate variable costs.

There is almost universal agreement that the current loan and target price provisions in the Agriculture and Consumer Protection Act of 1973 are woefully inadequate to provide stability if surpluses should develop.

The Secretary of Agriculture, in testimony before the Committee, said that the Department of Agriculture had estimated current costs of production figures for wheat, corn, and cotton. The figures he cited for wheat costs were applicable to Kansas and were $2.50 per bushel for total costs and $1.54 for variable or cash costs. For corn in Indiana, the total cost level was placed at $1.79 per bushel and variable costs at $1.12 per bushel, and for cotton in the Delta of Mississippi they estimated total costs at 48 cents per pound and variable costs at about 41 cents per pound.

Clearly these costs are far in excess of the current target prices and loan levels—wheat $2.05 and $1.37; corn $1.38 and $1.10; and cotton 38 cents and 34.3 cents respectively. This is true even though the Department choices of production areas were in every case some of the most efficient and lowest cost production areas in the country. Therefore, the disparity between current levels and production cost for other areas would be greater.

These higher production costs were confirmed by literally hundreds of witnesses that testified before this Committee in 2 weeks of hearings in Washington, D.C., as well as numerous field hearings. They were further certified by data submitted, upon request, by many of the State agricultural experiment stations.

Ranges of Projected Production Costs Per Unit for 1975

	*Total cost**	*Variable costs**
Wheat/bu.	$2.56–$4.13	$1.63–$2.80
Corn/bu.	$1.82–$2.42	$1.27–$1.87
Cotton/lb.	$.45–$.52	$.35–$.48
Soybeans/bu.	$3.63–$5.78	$1.84–$3.65

*Compiled from data submitted to the Committee by the State agricultural experiment stations.

Without the stabilizing influence of realistic target prices and loan levels wide swings in production and prices can be expected. Already cotton planting intentions are off by 29 percent from last year. This is clearly the result of the precipitous drop in cotton prices to below cost of production levels.

The acreages that are being withdrawn from cotton could be switched to soybeans or feed grains because these prices, though sharply lower than a few months ago, continued to offer farmers some possibility for profits. But the lag between planting and harvest could see prices go to the loan levels which are the effective price floors.

This would throw the crop sector into an economic crisis parallel to the present situation in livestock. The following year farmers—those still in business—would sharply reduce plantings. In 1976, there could very well be shortages and price surges.

Severe instability in crop prices means not only wide swings in availability of crops, but throws additional uncertainty into livestock production. This sector is already in deep trouble.

The whipsaw changes in prices and persistent upward trend of costs, however, endanger not only agriculture, but the entire economy.

Agricultural instability causes particular hardships for rural America where agriculture is the dominant economic activity. Even though relatively few people are directly employed in agricultural production, thousands of other people are engaged in providing goods and services to farmers.

When agriculture and rural America suffer economic setbacks, the problem is quickly transmitted to all other sectors of the economy. Not only will the supply of food and fiber decline or be irregular, but demand for machinery, clothes, and automoblies will drop. In fact, rural demand for all goods and services will decline. This means fewer jobs in Detroit, Cleveland, Atlanta, and every other production center in the country.

Agriculture is the base of our economy and food is a basic need. We cannot afford losses in production or economic instability in this sector.

The focus of our agricultural programs is on the basic crops. This is appropriate because these crops are the base of all food, whether it is derived from crops or livestock. Stability for these crops results in general stability for agriculture. It also assures adequate food and fiber on a regular and reasonable basis for all Americans.

The cost swings of the past 2 years are as large or larger than most farmers have ever seen. The changes have been so rapid that farmers have been unable to make many production changes that could reduce costs. However, a large share of the shifts and the factors that have caused them are beyond individual control. This does not mean that we cannot respond to these problems, minimize their effect, and, in time, resolve their distortions.

Variability in weather, and yields is not new. The need that all people have for food is basic. The need for foreign currency earnings from agricultural exports is becoming greater with every passing day. The need to have costs covered by revenues if production is to continue is well understood. That reasonable stability is imperative to economic normalcy and growth is very clear. This legislation recognizes these very critical points and provides for a constructive response to the needs of all Americans.

Committee Consideration

I.

Although the Agriculture and Consumer Protection Act of 1973 was signed into law on August 10, 1973, it became apparent that the price and income protection afforded by this legislation was totally inadequate just one year later. To secure the passage of legislation which would not be vetoed, the Senate had been forced to compromise the original target prices established in the Senate bill. Had the target prices of the Senate bill—$2.28 per bushel for wheat, $1.53 per bushel for corn, and 43 cents per pound for cotton—been maintained, the income protection for farmers would have been more nearly adequate, particularly since under the Senate bill the cost of production increase would have applied for the current year's crop. Thus, under the original Senate bill, the target prices would now be $2.64 per bushel for wheat, $1.77 per bushel for corn, and 50 cents per pound for cotton.

However, the legislation that was enacted in 1973 provided target prices of only $2.05 per bushel for wheat, $1.38 per bushel for corn, and 38 cents per pound for cotton for both the 1974 and 1975 crops. These levels are far below the farmer's cost of production. Because under the farm law that was enacted the cost of production increases will not take effect until 1976, farmers were not given an increase in target prices to reflect the huge increase in the cost of production that occurred in 1974.

It became evident late last year that the Congress would have to deal with legislation to provide more adequate price and income protection for farmers. Also, it was clear that the Congress would have to make a decision on whether to establish government-held crop reserves. Therefore, the Chairman of the Committee announced on September 23, 1974, that the Committee on Agriculture and Forestry would re-examine basic farm legislation as its first order of business in 1975. In an attempt to stimulate greater awareness of the issues involved and to receive widespread comment from the Nation, it was announced that Amendment No. 1348 to S. 2005 would be used as a vehicle for hearings. This bill and amendment, introduced by Senator Humphrey, was mailed to farm organizations, consumer groups, and other interested parties all over the country. Approximately a thousand copies of this bill and its explanation were mailed and numerous comments were received.

With the beginning of the 94th Congress, the Committee on Agriculture and Forestry held two weeks of hearings—the first and third weeks of February. One hundred and sixty-four witnesses were heard and numerous additional statements were received for the hearing record.

These hearings included all basic agricultural commodities, the Public Law 480 program, and the Food Stamp Program. In addition to commodities covered by the Agriculture and Consumer Protection Act of 1973, the Committee held hearings on commodities that are included in permanent legislation—rice, peanuts, and tobacco. The Committee heard extensive testimony from the hard-hit livestock sector.

As farm prices continued to fall, it became apparent that farmers desperately needed price and income protection for the 1975 crop. Without some guarantees of minimum prices, thousands of farmers were unable to make intelligent plans for the planting of their 1975 crops. Moreover, many farmers were experiencing great difficulty in obtaining financing to produce certain commodities because of the great uncertainties in agricultural prices. Therefore, the House Committee on Agriculture began to work on emergency one-year legislation that would increase target prices and loan levels for certain commodities.

The House Committee on Agriculture was able to report its emergency legislation on March 11. On March 19 the House began consideration of H.R. 4296 on the floor and it completed action on March 20.

This Committee realized that it would be impossible to secure the passage of a bill to thoroughly revise basic farm law, the Food Stamp Act, and Public Law 480 in time to give farmers any indication of what their planting intentions should be. Therefore, it elected to concur with the House in passing an emergency bill. The Committee felt, however, that farmers should have price protection of more than one year. The Committee did not wish to permit a reversion of the target prices and loan levels to the disastrously low levels that are currently in the law.

II.

There has never been a time of more uncertainty and fear in the agricultural economy. While farmers have seen their costs skyrocket, they have no assurance that they will be able to pass along these increased costs in the prices of the products they market. Many farmers are giving up and going out of production all together.

The Committee felt that it was extremely important to bolster sagging morale in the agricultural sector if we are to have the abundant production that is needed to provide food and fiber for Americans and to meet our humanitarian responsibilities to the hungry people around the globe. It did not feel that we could be assured of such abundant production if we only give farmers price and income protection for the 1975 crop year. Therefore, the Committee agreed to apply the cost of production adjustment to the target price levels that are established for 1975 in the bill. It also amended the House bill to maintain the relationship between the loan level and the target price that is established for 1975 for the 1976 and 1977 crop years as well. The Committee felt that the provision of this kind of price assurance for three years will enable farmers to make sophisticated planting decisions and will stabilize their financial positions.

The Committee was not satisfied with the current index that is used in determining cost of production increases. Therefore, it agreed that, for the purposes of this bill, the index of prices paid by farmers for production items, interest, taxes and wage rates would not include

feed and feeder livestock. It felt that these two items had no relevance to the determination of changes in the cost of producing crops. Moreover, even with this adjustment, the Committee is not satified with the index of prices paid by farmers for production items, interest, taxes and wage rates. The Committee requests that the Secretary of Agriculture submit to the Committee—not later than 60 days after the enactment of this bill—his proposed revisions and recommendations for making the index a more appropriate standard for determining cost of production changes for crops.

The Committee realizes that if we have bumper crops of wheat, feed grains, cotton, and soybeans and if world demand drops precipitiously, we could have substantial overproduction and there would be a need for the government to accumulate large stocks.

Our farmers have traditionally feared government accumulation of large stocks because they have always acted as a price depressant. Therefore, the Committee agreed that for the 1975, 1976, and 1977 crop years, the Commodity Credit Corporation could not sell any of its stocks of wheat, feed grains, and upland cotton at less than 115 percent of the target prices for these crops, plus reasonable carrying charges.

The Committee concurred with the provision of the House bill requiring that a loan program for soybeans be established. Under this provision of the House bill, the Department of Agriculture would have to make available to producers of soybeans a loan at a level reflecting the average relationship of soybean support levels to corn support levels during the immediately preceding three years. Under this provision, the 1975 loan level for No. 1 grade soybeans would be $3.94 per bushel. The Committee amendment would require that the Commodity Credit Corporation's resale price on soybeans maintain a fixed relationship to the resale price for corn under this provision. This resale price for soybeans would be determined by multiplying the soybean loan rate by a percentage obtained by dividing 115 percent of the corn established price by the corn loan rate. Under this formula, the resale price of soybeans for the 1975 crop would be $5.46.

The Committee did not feel that the target price and the loan level established for cotton for the 1975 crop year were adequate to meet costs of production. Therefore, the Committee agreed to raise the target price and loan level for upland cotton to 48 cents and 40 cents respectively. Even with this increase, the target price for cotton for 1975 would be only 64 percent of parity and the loan level would be only 53 percent of parity. This level of support is lower than that provided for any other commodity covered by the Committee bill.

The Committee amendment would increase the support price of manufacturing milk from 80 to 85 percent of parity for the marketing year ending March 31, 1976. The Committee has been extremely concerned about the continued depletion of dairy herds and the bankruptcy of thousands of American dairy farmers. It felt that we should never allow ourselves to be as dependent on foreign countries for our supply of milk as we are currently dependent on foreign nations for our supply of oil. Therefore, it felt that we should provide a level of price support that will enable dairy farmers to stay in business.

The House bill requires quarterly adjustments of the support price for manufacturing milk. The Senate bill retains this provision and makes a minor change to clarify the provision requiring the announcement of these quarterly adjustments. The Senate amendment makes it clear that the Secretary will announce the quarterly adjustment in support prices not later than 30 days prior to the beginning of each quarter.

The House bill had provided for an additional 8 month loan for cotton at the option of the cooperator. The Committee agreed to provide a comparable provision for wheat, feed grains, and soybeans. Under current administrative practice, nonrecourse loans are available to wheat and corn producers for the twelve-month marketing year. The Committee amendment to provide an additional 8 months will mean that, for the 1975, 1976, and 1977 crops, nonrecourse loans will be available for the producers of wheat, corn, and soybeans for a term of not less than 20 months.

The House bill required that the Secretary establish the same terms and conditions for storage costs and interest rates on all nonrecourse loans made for upland cotton, wheat, and feed grains. The same interest rates already apply for all these commodities. However, the Committee did not feel that it should require the same terms and conditions for cotton that apply to feed grains and wheat. Practically all cotton must be stored in commercial warehouses. The major part of the wheat and feed grains are stored on the farm. Thus, the Committee felt that it would be inappropriate to require the same storage practices for all commodities.

The Senate bill also includes a provision which would establish price supports for tobacco for the 1975 crop at 70 percent of parity.

This level would be slightly higher than the estimated levels for this year under existing law. The loan levels in 1975 under existing law would be 96.1 cents per pound for burley and 93.2 cents a pound for Flue-cured.

The same increased production costs experienced for other crops also affect tobacco. Therefore, the Committee felt it necessary to take this action to protect tobacco farmers in their efforts to remain in business.

The importance of the action being proposed by the Committee in this bill, as it relates to cotton, is to assure that adequate supplies of this essential fiber will continue to be available in the future. Prices now being paid to farmers for their cotton are well below the cost of production. 1975 cotton planting intentions are now indicated to be only about 10 million acres, down about 30 percent from last year. World cotton plantings are also indicated downward. These downturns in cotton production plans and prices are directly due to depressed economic conditions here and around the world. When these conditions are turned around—which hopefully will begin sometime during 1975—demand for cotton fiber will respond accordingly. Much of the current demand-slump for cotton goods is a "deferred" type of demand, meaning that there is a demand build-up occurring now, which, when economic conditions improve, will be expressed in the market, along with normal demand for these goods. An example of this will likely be seen in the housing industry where enormous amounts of cotton goods are utilized in the form of carpets, draperies, bedding materials, etc.

Unless care is taken now to (1) hold onto the 6 million bales of cotton that are now projected as being above current needs and (2) avoid further cuts in 1975 planting intentions, supplies of cotton will not be sufficient to meet such improved economic conditions. And should that happen, raw cotton prices would very likely swing sharply upward, with the prices of the consumer goods made from this fiber being pushed up accordingly.

Therefore, the provisions in this bill relating to cotton, in the judgment of the Committee, are as important to the American consumer as they are to the American cotton producer.

The target prices, loan levels, higher CCC resale prices, and extended nonrecourse loan periods provided in this bill are all designed to provide not only sufficient income and price protection for farmers, but also to insure—on behalf of American consumers—that farmers will have sufficient incentive to produce at maximum levels during the 1975 crop year. Current reserve levels of wheat, feed grains, and soybeans are dangerously low, especially from the standpoint of being able to absorb any additional adverse weather conditions or abrupt changes in world market demands that might occur beyond the 1975 crop year. Therefore, any excess stocks of wheat, feed grains, and soybeans that will be forthcoming from 1975 harvests can be held as a cushion against crop failures or changes in world demand in the future. The importance of this (on a limited basis only) is to restore supply and price stability of these commodities as related to our Nation's animal and poultry industries. Animal and poultry producers this past year and one half have been forced to reduce their animal and bird numbers due to excessively high feed and other related costs. Such liquidations, in turn, contribute to shortages of meat, milk, eggs, and pork supplies for consumers, thus causing sharp upswings in wholesale and retail food prices. And as recent events have demonstrated, once these consumer retail prices have been pushed to higher levels, they seldom drop back down when prices paid to farmers for their grains or livestock fall.

The provisions in this bill address these needs; yet, in the judgment of the Committee, the bill minimizes Government costs, the risk of returning to excessive surpluses; and excessive lowering of export values of these commodities in world markets.

Section-by-Section Analysis

The bill being reported by the committee consists of two sections amending the Agricultural Act of 1949.

SECTION 1. ESTABLISHED PRICES; LOAN LEVELS

Section 1 adds a new section 108 to the act.

Subsection (a) of the new section provides that the established price for the 1975 crops of upland cotton, corn, and wheat shall be 48 cents per pound, $2.25 per bushel, and $3.10 per bushel, respectively.

As under existing law, no payment will be made if the average market price received by producers during the first five months of the marketing year—or in the case of upland cotton, during the calendar year in which the crop is planted—remains at or above the target level. If the average market price for the stated period drops below the target level, a payment on the allotment (for cotton, the acreage planted within the allotment) will be made to eligible producers equal to the difference between the target price and the higher of the loan level or the average market price.

Subsection (a) of the new section also provides that the 1975 established prices shall be applicable to 1976 as adjusted to reflect any change during the calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates (excluding feed and feeder livestock). Any increase that would otherwise be made in the established prices to reflect a change in the index of prices paid by farmers shall be adjusted to reflect changes in yields.

Subsection (a) of the new section also provides that the 1976 established prices shall be applicable to 1977 as adjusted to reflect any change during the calendar year 1976 in the index of prices paid by farmers for production items, interest, taxes, and wage rates (excluding feed and feeder livestock). Any increase that would otherwise be made in the established prices to reflect a change in the index of prices paid by farmers shall be adjusted to reflect changes in yields.

Subsection (a) of the new section also provides, as under existing law, that the payment rate for grain sorghums, and, if designated by the Secretary, barley, for the 1975 through 1977 crops shall be such rate as the Secretary determines fair and reasonable in relation to the rate at which payments are made available for corn.

Subsection (b) of the new section requires that the Secretary shall make available to producers loans and purchases on the 1975 crops of upland cotton, corn, and wheat at 40 cents per pound, $1.87 per bushel, and $2.50 per bushel, respectively.

Subsection (b) of the new section also provides that the 1975 loan levels shall be applicable to the 1976 and 1977 crops as adjusted so as to maintain the same percentage relationship to the established prices for the 1976 and 1977 crops of upland cotton, corn, and wheat as the 1975 loan rates are to the 1975 established prices.

Subsection (c) of the new section requires that the rate of interest on commodity loans made by the Commodity Credit Corporation for the 1975 through 1977 crops shall be established quarterly on the basis of the lowest current interest rate on ordinary obligations of the United States.

Subsection (d) of the new section provides that the nonrecourse loan for the 1975 through 1977 crops of upland cotton (presently 10 months) shall be made available for an additional term of eight months, at the option of the cooperator. Nonrecourse loans for the 1975 through 1977 crops of wheat, corn, and soybeans shall be made available for a term not less than 20 months from the first day of the month in which the loans are made.

Subsection (e) of the new section requires that the Secretary make available to producers loans and purchases on the 1975 through 1977 crops of soybeans at such levels as reflect the historical average relationship of soybean support levels to corn support levels during the three years immediately preceding the year for which the support level for soybeans is established.

Subsection (f) of the new section provides that, with respect to the 1975 through 1977 crops, the Commodity Credit Corporation shall not sell any of its stocks of wheat, corn, grain sorghum, barley, or upland cotton at less than 115 per centum of the established prices for such crops, plus reasonable carrying charges. The Corporation is also prohibited from selling any of its stocks of soybeans for such crop years at less than a price determined by multiplying the soybean loan rate by a percentage obtained by dividing 115 per centum of the corn established price by the corn loan rate.

Subsection (g) of the new section provides that for the 1975 crop of any kind of tobacco for which marketing quotas are in effect, or for which marketing quotas are not disapproved by producers, the level of support shall be 70 per centum of the parity price.

SECTION 2. DAIRY PRICE SUPPORT FOR 1975

Section 2 adds a new subsection (d) to section 201 of the Agricultural Act of 1949. The new subsection requires—effective with the period beginning on the date of enactment and ending March 31, 1976—that the support price of manufacturing milk be established at not less than 85 percent of the parity price therefor. The Secretary of Agriculture—beginning with the second quarter of 1975—is to thereafter adjust the support price for milk at the beginning of each quarter to reflect changes in prices paid by farmers for production items, interest, taxes, and wage rates. Such support prices are to be announced not later than 30 days prior to the beginning of each quarter.

Cost Estimate

In accordance with section 252 of the Legislative Reorganization Act of 1970, following are the Committee estimates of the costs which would be incurred in carrying out the provisions of the bill. No formal estimates of costs have been received from the Department of Agriculture.

Such costs as would be incurred under the provisions of this bill would depend upon a variety of factors, including domestic and world production of grains, domestic and world economic conditions an the resulting market prices based on the demands on our agricultural productivity.

WHEAT PROGRAM COSTS

Under the bill, the established price for wheat for 1975 is set at $3.10 per bushel, and the loan level at $2.50.

The payment cost exposure of the Government amounts to $17.5 million for each one cent that the market price is below the target price and the range of possibility lies between these two as follows:

Average Market Price Below Target Price (cents per bushel)	*Estimated Cost Exposure (million dollars)*
.00	No payments
.01	$17. 5
.10	175. 0
.40	700. 0
.60	1, 050. 0

Thus, the maximum payment exposure for wheat is $1,050.0 million. However, current cash market prices are above target prices, and the December Kansas City futures reflected $3.71; therefore no payments are anticipated on the 1975 crop.

CORN AND OTHER FEED GRAINS

Under the bill, the established price for corn for 1975 is set at $2.25 per bushel, and the loan level at $1.87 and other grains in relation.

The cost exposure of the Government amounts to $59 million for each one cent that the market price for corn is below the target price and the range of possibility lies between these two as follows:

Average Market Price Below Target Price (cents per bushel)	*Estimated Cost Exposure (million dollars)*
.00	No payments
.01	$59. 0
.10	590. 0
.20	1, 180. 0
.38	2, 242. 0

Thus, the maximum payment exposure for corn is $2,242.0 million and for all feed grains amounts to $2,774.0 million. However, current cash market prices are above target prices, and the December Chicago futures reflects $2.57; therefore no payments are anticipated on the 1975 crop.

COTTON

Under the bill, the established price for cotton for 1975 is set at 48 cents per pound and the loan level at 40 cents.

The payment cost exposure of the Government amounts to $52.5 million for each one cent that the market price is below the target price, and the range of possibilities lie between these two as follows:

Average Market Price Below Target Price (cents per bushel)	*Estimated Cost Exposure (million dollars)*
.00	No payments
.01	$52.5
.05	272.5
.08	420.0

Thus, the maximum payment exposure for cotton is $420 million. Inasmuch as current market prices are in the 40-cent range, the cost could reach the maximum of $420.0 million. However, the December futures reflects a price of about 44 cents. If this prevails, the cost could be substantially less.

SOYBEANS

With a loan value established at $3.94—a level substantially below current market prices—no costs are anticipated under this bill.

TOBACCO

Price supports are established at 70 percent of parity for Burley and Flue-cured tobacco. Based on February 1975 parity prices, this would result in a loan level of $1.06 for Burley and $1.02 for Flue-cured for the 1975 crop only.

The market price for the 1974 crop averaged $1.14 for Burley and $1.05 for Flue-cured. This was substantially above the 1974 loan level. Market prices for the 1975 crop should also be substantially above loan levels.

While some loans may be made, it is not anticipated that any losses will occur. For fiscal year 1974, there were no losses on CCC Commodity Inventory Operations on Tobacco.

DAIRY PRODUCTS

Dairy price supports were established at 85 percent of parity for the period ending March 31, 1976.

At the present time, price supports for dairy products are at $7.24 per hundredweight. Based on February parity prices, 85 percent of parity amounts to $7.84 per hundredweight.

Cost estimates provided by the Department of Agriculture indicate an additional cost of approximately $160 million.

Changes in Existing Law

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

AGRICULTURAL ACT OF 1949

AN ACT To stabilize prices of agricultural commodities

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 "Agricultural Act of 1949."

TITLE I—BASIC AGRICULTURAL COMMODITIES

* * * * * * *

(Note. For effect on the provisions of this section, see sec. 108 below).

PRICE SUPPORT FOR 1961 AND SUBSEQUENT YEARS (COTTON)

Sec. 103. (a) Notwithstanding the provisions of section 101 of this Act, price support to cooperators for each crop of upland cotton, beginning with the 1961 crop, for which producers have not disapproved marketing quotas shall be at such level not more than 90 per centum of the parity price therefore nor less than the minimum level prescribed below as the Secretary determines appropriate after consideration of the factors specified in section 401(b) of this Act. For the 1961 crop the minimum level shall be 70 per centum of the parity price therefor, and for each subsequent crop the minimum level shall be 65 per centum of the parity price therefor: *Provided,* That the price support for the 1964 crop shall be a national average support price which reflects 30 cents per pound for Middling one-inch cotton. Price support in the case of noncooperators and in case marketing quotas are disapproved shall be as provided in section 101(d) (2) and (5).

(b) [See (c) below.]

(c) [Subsections (b) and (c) were added by the Act of April 11, 1964, P.L. 88–297, 78 Stat. 174, but were applicable only to the 1964 and 1965 crops of cotton.]

(d) [Subsection (d) was added by the Food and Agriculture Act of 1965, P.L. 89–321, 79 Stat. 1194, Nov. 3, 1965. It was effective with respect to the 1966 through 1969 crops of cotton and was extended to the 1970 crop by P.L. 90–559, 82 Stat. 996, Oct. 11, 1968.]

(e)(1) The Secretary shall upon presentation of warehouse receipts reflecting accrued storage charges of not more than 60 days

make available for the 1971 through 1977 crops of upland cotton to cooperators nonrecourse loans for a term of ten months from the first day of the month in which the loan is made at such level as will reflect for Middling one-inch upland cotton (micronaire 3.5 through 4.9) at average location in the United States 90 per centum of the average price of American cotton in world markets for such cotton for the three-year period ending July 31 in the year in which the loan level is announced, except that if the loan rate so calculated is higher than the then current level of average world prices for American cotton of such quality, the Secretary is authorized to adjust the current calculated loan rate for cotton to 90 per centum of the then current average world price. The average world price for such cotton for such preceding three-year period shall be determined by the Secretary annually pursuant to a published regulation which shall specify the procedures and the factors to be used by the Secretary in making the world price determination. The loan level for any crop of upland cotton shall be determined and announced not later than November 1 of the calendar year preceding the marketing year for which such loan is to be effective. Notwithstanding the foregoing, if the carryover of upland cotton as of the beginning of the marketing year for any of the 1972 through 1977 crops exceeds 7.2 million bales, producers on any farm harvesting cotton of such crop from an acreage in excess of the base acreage allotment for such farm shall be entitled to loans and purchases only on an amount of the cotton of such crop produced on such farm determined by multiplying the yield used in computing payments for such farm by the base acreage allotment for such farm.

(2) Payments shall be made for each crop of cotton to the producers on each farm at a rate equal to the amount by which the higher of—

(1) the average market price received by farmers for upland cotton during the calendar year which includes the first five months of the marketing year for such crops, as determined by the Secretary, or

(2) the loan level determined under paragraph (1) for such crop

is less than the established price of 38 cents per pound in the case of the 1974 and 1975 crops, 38 cents per pound adjusted to reflect any change during the calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates in the case of the 1976 crop, and the established price for the 1976 crop adjusted to reflect any change during the calendar year 1976 in such index in the case of 1977 crop: *Provided,* That any increase that would otherwise be made in the established price to reflect a change in the index of prices paid by farmers shall be adjusted to reflect any change in (i) the national average yield per acre of cotton for the three calendar years preceding the year for which the determination is made, over (ii) the national average yield per acre of cotton for the three calendar years preceding the year previous to the one for which the determination is made. If the Secretary determines that the producers on a farm are prevented from planting any portion of the allotment to cotton because of drought, flood, or other natural disaster, or condition beyond the control of the producer, the rate of payment for such portion shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. If the Secretary determines that, because of such a disaster or condition, the total quantity of cotton which the producers are able to harvest on any farm is less than 66⅔ percent of the farm base acreage allotment times the average yield established for the farm, the rate of payment for the deficiency in production below 100 percent shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. The payment rate with respect to any producer who (i) is on a small farm (that it, a farm on which the base acreage allotment is ten acres or less, or on which the yield used in making payments times the farm base acreage allotment is five thousand pounds or less, and for which the base acreage allotment has not been reduced under section 350(f), (ii) resides on such farm, and (iii) derives his principal income from cotton produced on such farm, shall be increased by 30 per centum; but, notwithstanding paragraph (3), such increase shall be made only with respect to his share of cotton actually harvested on such farm within the quantity specified in paragraph (3).

(3) Such payments shall be made available for a farm on the quantity of upland cotton determined by multiplying the acreage planted within the farm base acreage allotment for the farm for the crop by the average yield established for the farm: *Provided*, That payments shall be made on any farm planting not less than 90 per centum of the farm base acreage allotment on the basis of the entire amount of such allotment. For purposes of this paragraph, an acreage on the farm which the Secretary determines was not planted to cotton because of drought, flood, other natural disaster, or a condition beyond the control of the producer shall be considered to be an acreage planted to cotton. The average yield for the farm for any year shall be determined on the basis of the actual yields per harvested acre for the three preceding years, except that the 1970 farm projected yield shall be substituted in lieu of the actual yields for the years 1968 and 1969: *Provided*, That the actual yields shall be adjusted by the Secretary for abnormal yields in any year caused by drought, flood, or other natural disaster: *Provided further*, That the average yield established for the farm for any year shall not be less than the yield used in making payments for the preceding year if the total cotton production on the farm in such preceding year is not less than the yield used in making payments for the farm for such preceding year times the farm base acreage allotment for such preceding year (for the 1970 crop, the farm domestic allotment).

(4)(A) The Secretary shall provide for a set-aside of cropland if he determines that the total supply of agricultural commodities will, in the absence of such a set-aside, likely be excessive taking into account the neeed for an adquate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency. If a set-aside of cropland is in effect under this paragraph (4), then as a condition of eligibility for loans and payments on upland cotton the producers on a farm must set aside and devote to approved conservation uses an acreage of cropland equal to (i) such percentage of the farm base acreage allotment for the farm as may be specified by the Secretary (not to exceed 28 per centum of the farm base acreage allotment), plus, if required by the Secretary, (ii) the acreage of cropland on the farm devoted in preceding years to soil conserving uses, as determined by the Secretary. The Secretary is authorized for the 1974 through 1977 crops to limit the acreage planted to upland cotton on the farm in excess of the farm base acreage allotment to a percentage of the farm base acreage allotment. The Secretary shall permit producers to plant and graze on set-aside acreage sweet sorghum, and the Secretary may permit, subject to such terms and conditions as he may prescribe, all or any of the set-aside acreage to be devoted to hay and grazing or the production of guar, seasame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye, or other commodity, if he determines that such production is needed to provide an adequate supply, is not likely to increase the cost of the price-support program, and will not adversely affect farm income.

(B) To assist in adjusting the acreage of commodities to desirable goals, the Secretary may make land diversion payments, in addition to the payments authorized in subsection (e)(2), to producers on a farm who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in addition to that required to be so devoted under subsection (e)(4)(A). The land diversion payments for a farm shall be at such rate or rates as the Secretary determines to be fair and reasonable taking into consideration the diversion undertaken by the producers and the productivity of the acreage diverted. The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to adversely affect the economy of the county or local community.

(5) The upland cotton program formulated under this section shall require the producer to take such measures as the Secretary may deem appropriate to protect the set-aside acreage and the additional diverted acreage from erosion, insects, weeds, and rodents. Such acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may in the case programs for the 1974 through 1977 crops, pay an appropriate share of the cost of practices designed to carry out the purposes of the foregoing sentences. The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm as the Secretary may prescribe by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(6) If the operator of the farm desires to participate in the program formulated under this section, he shall file his agreement to do so no later than such date as the Secretary may prescribe. Loans and purchases on upland cotton and payments under this section shall be made available to the producers on such farm only if producers set aside and devote to approved soil conserving uses an acreage on the farm equal to the number of acres which the operator agrees to set aside and devote to approved soil conserving uses, and the agreement shall so

provide. The Secretary may, by mutual agreement with the producer, terminate or modify any such agreement entered into pursuant to this subsection (e)(6) if he determines such action necessary because of an emergency created by drought or other disaster, or in order to alleviate a shortage in the supply of agricultural commodities.

(7) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing on a fair and equitable basis, in payments under this section.

(8) In any case in which the failure of a producer to comply fully with the terms and conditions of the program formulated under this section precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make such loans, purchases, and payments in such amounts as he determines to be equitable in relation to the seriousness of the default.

(9) The Secretary is authorized to issue such regulations as he determines necessary to carry out the provisions of this Title.

(10) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(11) The provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act, as amended (relating to assignment of payments), shall apply to payments under this subsection.

* * * * * * *

(NOTE.—For effect on the provisions of this section, see Sec. 108 below.)

FEED GRAIN PROGRAM

SEC. 105. Notwithstanding any other provision of law—

(a)(1) The Secretary shall make available to producers loans and purchases on each crop of corn at such level, not less than $1.10 per bushel nor in excess of 90 per centum of the parity price therefor, as the Secretary determines will encourage the exportation of feed grains and not result in excessive total stocks of feed grains in the United States.

(2) The Secretary shall make available to producers loans and purchases on each crop of barley, oats, and rye, respectively, at such level as the Secretary determines is fair and reasonable in relation to the level that loans and purchases are made available for corn, taking into consideration the feeding value of such commodity in relation to corn and other factors specified in section 401(b), and on each crop of grain sorghums at such level as the Secretary determines is fair and reasonable in relation to the level that loans and purchases are made available for corn, taking into consideration the feeding value and average transportation costs to market of grain sorghums in relation to corn.

(b)(1) In addition, the Secretary shall make available to producers payments for each crop of corn, grain sorghums, and, if designated by the Secretary, barley, computed by multiplying (1) the payment rate, times (2) the allotment for the farm for such crops, times (3) the yield established for the farm for the preceding crop with such adjustments as the Secretary determines necessary to provide a fair and equitable yield. The payment rate for corn shall be the amount by which the higher of—

(1) the national weighted averaged market price received by farmers during the first five months of the marketing year for such crop, as determined by the Secretary, or

(2) the loan level determined under subsection (a) for such crop

is less than the established price of $1.38 per bushel in the case of the 1974 and 1975 crops, $1.38 per bushel adjusted to reflect any change during the calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates in the case of the 1976 crop, and the established price for the 1976 crop adjusted to reflect any change during the calendar year 1976 in such index in the case of the 1977 crop: *Provided*, That any increase that would otherwise be made in the established price to reflect a change in the index of prices paid by farmers shall be adjusted to reflect any change in (i) the national average yield per acre of feed grains for the three calendar years preceding the year for which the determination is made, over (ii) the national average yield per acre of feed grains for the three calendar years preceding the year previous to the one for which the determination is made. The payment rate for grain sorghums and, if designated by the Secretary, barley, shall be such rate as the Secretary determines fair and reasonable in relation to the rate at which payments are made available for corn. If the Secretary determines that the producers on a farm are prevented from planting any portion of the farm acreage allotment to feed grains or other nonconserving crops, because of drought, flood, or other natural disaster or condition beyond the control of the producer, the rate of payment on such portion shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. If the Secretary determines that, because of such a disaster or condition, the total quantity of feed grains (or of wheat, or cotton planted in lieu of the allotted crop) which the producers are able to harvest on any farm is less than 66⅔ percent of the farm acreage allotment times the yield of feed grains (or of wheat, or cotton planted in lieu of the allotted crop) established for the farm, the rate of payment for the deficiency in production below 100 percent shall be the larger of (A) the foregoing rate, or (B) one-third of the established price.

(2) The Secretary shall, prior to January 1, of each calendar year, determine and proclaim for the crop produced in such calendar year a national acreage allotment for feed grains, which shall be the number of acres he determines on the basis of the estimated national average yield of the feed grains included in the program for the crop for which the determination is being made will produce the quantity (less imports) of such feed grains that he estimates will be utilized domestically and for export during the marketing year for such crop. If the Secretary determines that carryover stocks of any of the feed grains are excessive or an increase in stocks is neeeded to assure a desirable carryover, he may adjust the feed grain allotment by the amount he determines will accomplish the desired decrease or increase in carryover stocks. State, county, and farm feed grain allotments shall be established on the basis of the feed grain allotments established for the preceding crop (for 1974 on the basis of the feed grain bases established for 1973), adjusted to the extent deemed necessary to establish a fair and equitable apportionment base for

each State, county, and farm. Not to exceed 1 per centum of the State feed grain allotment may be reserved for apportionment to new feed grain farms on the basis of the following factors: suitability of the land for production of feed grains, the extent to which the farm operator is dependent on income from farming for his livelihood, the production of feed grains on other farm owned, operated, or controlled by the farm operator, and such other factors as the Secretary determines should be considered for the purpose of establishing fair and equitable feed grain allotments.

(3) If for any crop the total acreage on a farm planted to feed grains included in the program formulated under this subsection is less than the feed grain allotment for the farm, the feed grain allotment for the farm for the succeeding crops shall be reduced by the percentage by which the planted acreage is less than the feed grain allotment for the farm, but such reduction shall not exceed 20 per centum of the feed grain allotment. If no acreage has been planted to such feed grains for three consecutive crop years on any farm which has a feed grain allotment, such farm shall lose its feed grain allotment: *Provided*, That no farm feed grain allotment shall be reduced or lost through failure to plant, if the producer elects not to receive payment for such portion of the farm feed grain allotment not planted, to which he would otherwise be entitled under the provisions of this Act. Any such acres eliminated from any farm shall be assigned to a national pool for the adjustment of feed grain allotments as provided for in subsection (e)(2). Producers on any farm who have planted to such feed grains not less than 90 per centum of the feed grain allotment shall be considered to have planted an acreage equal to 100 per centum of such allotment. An acreage on the farm which the Secretary determines was not planted to such feed grains because of drought, flood, or other natural disaster or condition beyond the control of the producer shall be considered to be an acreage of feed grains planted for harvest. For the purpose of this paragraph, the Secretary may permit producers of feed grains to have acreage devoted to soybeans, wheat, guar, castor beans, cotton, triticale, oats, rye, or such other crops as the Secretary may deem appropriate, considered as devoted to the production of such feed grains to such extent and subject to such terms and conditions as the Secretary determines will not impair the effective operation of the program.

(c)(1) The Secretary shall provide for a set-aside of cropland if he determines that the total supply of feed grains or other commodities will, in the absence of such a set-aside, likely to excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices of feed grains and to meet a national emergency. If a set-aside of cropland is in effect under this subsection (c), then as a condition of eligibility for loans, purchases, and payments on corn, grain sorghums, and, if designated by the Secretary, barley, respectively, the producers on a farm must set aside and devote to approved conservation uses an acreage of cropland equal to (i) such percentage of the feed grain allotment for the farm as may be specified by the Secretary, plus, if required by the Secretary (ii) the acreage of cropland on the farm devoted in preceding years to soil conserving uses, as determined by the Secretary. The Secretary

is authorized for the 1974 through 1977 crops to limit the acreage planted to feed grains on the farm to a percentage of the farm acreage allotment. If for any crop, the producer so requests for purposes of having acreage devoted to the production of wheat considered as devoted to the production of feed grains, pursuant to the provisions of section 328 of the Food and Agriculture Act of 1962, the term "feed grains" shall include oats and rye, and barley, if not designated by the Secretary as provided above. Such section 328 shall be effective in 1971 through 1977 to the same extent as it would be if a diversion program were in effect for feed grains during each of such years. The Secretary shall effect permit producers to plant and graze on set-aside acreage sweet sorghum, and the Secretary may permit, subject to such terms and conditions as he may prescribe, all or any of the set-aside acreage to be devoted to hay and grazing or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye, or other commodity, if he determines that such production is needed to provide an adequate supply, is not likely to increase the cost of the price-support program, and will not adversely affect farm income.

(2) To assist in adjusting the acreage of commodities to desirable goals, the Secretary may make land diversion payments, in addition to the payments authorized in subsection (b), to producers on a farm who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in addition to that required to be so devoted under subsection (c)(1). The land diversion payments for a farm shall be at such rate or rates as the Secretary determines to be fair and reasonable taking into consideration the diversion undertaken by the producers and the productivity of the acreage diverted. The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to adversely affect the economy of the county or local community.

(3) The feed grain program formulated under this section shall require the producer to take such measures as the Secretary may deem appropriate to protect the set-aside acreage and the additional diverted acreage from erosion, insects, weeds, and rodents. Such acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may, in the case of programs for the 1974 through 1977 crops, pay an appropriate share of the cost of practices designed to carry out the purposes of the foregoing sentences. The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm as the Secretary may prescribe by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(4) If the operator of the farm desires to participate in the program formulated under this section, he shall file his agreement to do so no later than such date as the Secretary may prescribe. Loans and purchases on feed grains included in the set-aside program and payments under this section shall be made available to producers on such farm

only if the producers set aside and devote to approved soil conserving uses an acreage on the farm equal to the number of acres which the operator agrees to set aside and devote to approved soil conserving uses, and the agreement shall so provide. The Secretary may, by mutual agreement with the producer, terminate or modify any such agreement entered into pursuant to this subsection (c)(4) if he determines such action necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage in the supply of agricultural commodities.

(d) The Secretary shall provide for the sharing of payments under this section among producers on the farm on a fair and equitable basis.

(e)(1) [Repealed]

(2) The Secretary may make such adjustments in acreage under this section as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, and topography, and in addition, in the case of conserving use acreage to such other factors as he deems necessary in order to establish a fair and equitable conserving use acreage for the farm. The Secretary shall, upon the request of a majority of the State committee established pursuant to section 8(b) of the Soil conservation and Domestic Allotment Act, as amended, adjust the feed grain allotments for farms within any State or county in order to establish fair and equitable feed grain allotments for farms within such State or county: *Provided*, That except for acreage provided for in subsection (b)(3), adjustments made pursuant to this sentence shall not increase the total State feed grain acreage. The Secretary is authorized to draw upon the acreage pool provided for in subsection (b)(3) in making such adjustments. Notwithstanding any other provision of this subsection, the feed grain base for the farm shall be adjusted downward to the extent required by subsection (b)(3).

(3) [Repealed]

(f) In any case in which the failure of a producer to comply fully with the terms and conditions of the program formulated under this section precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make such loans, purchases, and payments in such amounts as he determines to be equitable in relation to the seriousness of the default.

(g) [Repealed]

(h) The Secretary is authorized to issue such regulations as he determines necessary to carry out the provisions of this section.

(i) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(NOTE. For effect on the provisions of this section, see Sec. 108(g) below.)

PRICE SUPPORT FOR 1960 AND SUBSEQUENT YEARS (TOBACCO)

SEC. 106. Nothwithstanding any of the provisions of section 101 of this Act: (a) For the 1960 crop of any kind of tobacco for which marketing quotas are in effect, or for which marketing quotas are not disapproved by producers, the support level in cents per pound shall be the level at which the 1959 crop of such kind of tobacco was supported, or if marketing quotas were disapproved for the 1959 crop of such kind of tobacco, the level at which the 1959 crop of such kind of tobacco would have been supported if marketing quotas had been in effect. (b) For the 1961 crop and each subsequent crop of any kind of tobacco for which marketing quotas are in effect, or for which marketing quotas are not disapproved by producers, the support level in cents per pound shall be determined by adjusting the support level for the 1959 crop of such kind of tobacco, or if marketing quotas were disapproved for the 1959 crop of such kind of tobacco, the level at which the 1959 crop of such kind of tobacco would have been supported if marketing quotas had been in effect, by multiplying such support level for the 1959 crop by the ratio of (i) the average of the index of prices paid by farmers, including wage rates, interest, and taxes, as defined in section 301(a)(1)(C) of the Agricultural Adjustment Act of 1938, as amended, for the three calendar years immediately preceding the calendar year in which the marketing year begins for the crop for which the support level is being determined to (ii) the average index of such prices paid by farmers, including wage rates, interest, and taxes for the calendar year 1959. (c) If acreage poundage or poundage farm marketing quotas are in effect under section 317 or 319 of the Agricultural Adjustment Act of 1938, as amended, (1) price support shall not be made available on tobacco marketed in excess of 110 per centum of the marketing quota (after adjustments) for the farm on which such tobacco was produced, and (2) for the purpose of price-support eligibility, tobacco carried over from one marketing year to another shall, when marketed, be considered tobacco of the then current crop.

(NOTE. For effect on the provisions of this section, see Sec. 108 below.)

WHEAT PROGRAM

SEC. 107. Notwithstanding any other provision of law—

(a) Loans and purchases on each crop of wheat shall be made available at such level as the Secretary determines appropriate, taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains: *Provided*, That in no event shall such level be in excess of the parity price for wheat or less than $1.37 per bushel.

(b) If a set-side program is in effect for any crop of wheat under section 379b(c) of the Agricultural Adjustment Act of 1938, as amended, payments, loans and purchases shall be made available on such crop only to producers who comply with the provisions of such program.

(c) Payments shall be made for each crop of wheat to the producers on each farm in an amount determined by multiplying (i) the amount by which the higher of—

(1) the national weighted average market price received by farmers during the first five months of the marketing year for such crop, as determined by the Secretary, or

(2) the loan level determined under subsection (a) for such crop

is less than the established price of $2.05 per bushel in the case of the 1974 and 1975 crops, $2.05 per bushel adjusted to reflect any change during the calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates in the case of the 1976 crop, and the established price for the 1976 crop adjusted to reflect any change during the calendar year 1976 in such index in the case of the 1977 crop, times in each case (ii) the allotment for the farm for such crop, times (iii) the projected yield established for the farm with such adjustments as the Secretary determines necessary to provide a fair and equitable yield: *Provided*, That any increase that would otherwise be made in the established price to reflect a change in the index of prices paid by farmers shall be adjusted to reflect any change in (i) the national average yield per acre of wheat for the three calendar years preceding the year for which the determination is made, over (ii) the national average yield per acre of wheat for the three calendar years preceding the year previous to the one for which the determination is made. If the Secretary determines that the producers are prevented from planting any portion of the farm acreage allotment to wheat or other nonconserving crop, because of drought, flood, or other natural disaster or condition beyond the control of the producer, the rate of payment on such portion shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. If the Secretary determines that, because of such a disaster or condition, the total quantity of wheat (or of cotton, corn, grain, sorghums, or barely planted in lieu of wheat) which the producers are able to harvest on any farm is less than 66⅔ percent of the farm acreage allotment times the projected yield of wheat (or of cotton, corn, grain, sorghums, or barley planted in lieu of wheat) for the farm, the rate of payment for the deficiency in production below 100 percent shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. The Secretary shall provide for the sharing of payments made under this subsection for any farm among the producers on the farm on a fair and equitable basis.

Sec. 108. Notwithstanding any other provision of law—

(a)(1) The established price for the 1975 crops of upland cotton, corn, and wheat shall be 48 cents per pound, $2.25 per bushel, and $3.10 per bushel, respectively.

(2) For the 1976 crops of upland cotton, corn, and wheat, the established prices prescribed in paragraph (1) of this subsection shall be applicable as adjusted to reflect any change during the calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates (excluding feed and feeder livestock): Provided, That any increase that would otherwise be made in the established prices to reflect a change in the index of prices paid by farmers shall be adjusted to reflect any change in (i) the national average yield per acre for each of the respective crops of wheat, corn, and upland cotton, for the three calendar years preceding the year for which the determination is made, over (ii) the national average yield per acre for each of the respective crops of wheat, corn, and upland cotton for the three calendar years preceding the year previous to the one for which the determination is made.

(3) For the 1977 crops of upland cotton, corn, and wheat, the established prices computed pursuant to the provisions of paragraph (2) of this subsection shall be applicable as adjusted to reflect any change during the calendar year 1976 in the index of prices paid by farmers for production items, interest, taxes, and wage rates (excluding feed and feeder livestock): Provided, That any increase that would otherwise be made in the established prices to reflect a change in the index of prices paid by farmers shall be adjusted to reflect any change in (i) the national average yield per acre for each of the respective crops of wheat, corn, and upland cotton, for the three calendar years preceding the year for which the determination is made, over (ii) the national average yield per acre for each of the respective crops of wheat, corn, and upland cotton for the three calendar years preceding the year previous to the one for which the determination is made.

(4) The payment rate for grain sorghums, and, if designated by the Secretary, barley, for the 1975 through 1977 crops shall be such rate as the Secretary determines fair and reasonable in relation to the rate at which payments are made available for corn.

(b)(1) The Secretary shall make available to producers loans and purchases on the 1975 crops of upland cotton, corn, and wheat at 40 cents per pound, $1.87 per bushel, and $2.50 per bushel, respectively.

(2) For the 1976 and 1977 crops of upland cotton, corn, and wheat, the loan levels prescribed in paragraph (1) of this subsection shall be applicable as adjusted so as to maintain the same percentage relationship to the established prices for the 1976 and 1977 crops of upland cotton, corn, and wheat as the 1975 loan rates are to the 1975 established prices.

(c) The rate of interest on commodity loans made by the Commodity Credit Corporation to all eligible producers for the 1975 through 1977 crops shall be established quarterly on the basis of the lowest current interest rate on ordinary obligations of the United States.

(d) The nonrecourse loans for the 1975 through 1977 crops of upland cotton as set forth in section 103(e)(1) of this Act shall be made available for an additional term of eight months, at the option of the cooperator. Nonrecourse loans for the 1975 through 1977 crops of wheat, corn, and soybeans shall be made available for a term not less than twenty months from the first day of the month in which the loans are made.

(e) The Secretary shall make available to producers loans and purchases on the 1975 through 1977 crops of soybeans at such levels as reflect the historical average relationship of soybean support levels to corn support levels during the three years immediately preceding the year for which the support level for soybeans is established.

(f) With respect to the 1975 through 1977 crops, the Commodity Credit Corporation shall not sell any of its stocks of wheat, corn, grain sorghum, barley, or upland cotton at less than 115 per centum of the established prices for such crops, plus reasonable carrying charges, and the Corporation shall not sell any of its stocks of soybeans at less than a price determined by multiplying the soybean loan rate by a percentage obtained by dividing 115 per centum of the corn established price by the corn loan rate.

(g) For the 1975 crop of any kind of tobacco for which marketing quotas are in effect, or for which marketing quotas are not disapproved by producers, the level of support shall be 70 per centum of the parity price.

TITLE II—DESIGNATED NONBASIC AGRICULTURAL COMMODITIES

SEC. 201. The Secretary is authorized and directed to make available (without regard to the provisions of title III) price support to producers for tung nuts, honey, and milk as follows:

(a) [Repealed]

(b) The price of honey shall be supported through loans, purchases, or other operations at a level not in excess of 90 per centum nor less than 60 per centum of the parity price thereof; and the price of tung nuts for each crop of tung nuts through the 1976 crop shall be supported through loans, purchases, or other operations at a level not in excess of 90 per centum nor less than 60 per centum of the parity price therefor: *Provided*, That in any crop year through the 1976 crop year in which the Secretary determines that the domestic production of tung oil will be less than the anticipated domestic demand for such oil, the price of tung nuts shall be supported at not less than 65 per centum of the parity price therefor.

(c) The price of milk shall be supported at such level not in excess of 90 per centum nor less than 75 per centum of the parity price therefor as the Secretary determines necessary in order to assure an adequate supply of pure and wholesome milk to meet current needs, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. Notwithstanding the foregoing, effective for the period beginning with the date of enactment of the Agriculture and Consumer Protection Act of 1973 and ending on March 31, 1975, the price of milk shall be supported at not less than 80 per centum of the parity price therefor. Such price support shall be provided through purchases of milk and the products of milk.

(d) Notwithstanding the foregoing provisions of this section, effective for the period beginning with the date of enactment of this subsection and ending on March 31, 1976, the support price of milk shall be established at no less than 85 per centum of the parity price therefor, on the date of enactment, and the support price shall be adjusted thereafter by the Secretary at the beginning of each quarter, beginning with the second quarter of the calendar year 1975, to reflect any estimated change during the immediately preceding quarter in the index of prices paid by farmers for production items, interest, taxes, and wage rates. Such support prices shall be announced by the Secretary not ater than 30 days prior to the beginning of each quarter.

* * * * * * *

TITLE III—OTHER NONBASIC AGRICULTURAL COMMODITIES

SEC. 301. The Secretary is authorized to make available through loans, purchases, or other operations price support to producers for any nonbasic commodity not designated in title II at a level not in excess of 90 per centum of the parity price for the commodity.

SEC. 302. Without restricting price support to those commodities for which a marketing quota or marketing agreement or order program is in effect, price support shall, insofar as feasible, be made available to producers of any storable nonbasic agricultural commodity for which such a program is in effect and who are complying with such program. The level of such support shall not be in excess of 90 per centum of the parity price of such commodity nor less than the level provided in the following table:

If the supply percentage as of the beginning of the marketing year is:

	The level of support shall be not less than the following percentage of the parity price:
Not more than 102	90
More than 102 but not more than 104	89
More than 104 but not more than 106	88
More than 106 but not more than 108	87
More than 108 but not more than 110	86
More than 110 but not more than 112	85
More than 112 but not more than 114	84
More than 114 but not more than 116	83
More than 116 but not more than 118	82
More than 118 but notmore than 120	81
More than 120 but not more than 122	80
More than 122 but not more than 124	79
More than 124 but not more than 126	78
More than 126 but not more than 128	77
More than 128 but not more than 130	76
More than 130	75

Provided, That the level of price support may be less than the minimum level provided in the foregoing table if the Secretary, after examination of the availability of funds for mandatory price support programs and consideration of the other factors specified in section 401 (b), determines that such lower level is desirable and proper.

SEC. 303. In determining the level of price support for any nonbasic agricultural commodity under this title, particular consideration shall be given to the levels at which the prices of competing agricultural commodities are being supported.

* * * * * * *

(NOTE. For effect on the provisions of this section, see Sec. 108(f) above.)

RESTRICTIONS ON SALES BY CCC

SEC. 407. The Commodity Credit Corporation may sell any farm commodity owned or controlled by it at any price not prohibited by this section. In determining sales policies for basic agricultural commodities or storable nonbasic commodities, the Corporation should give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop. The Corporation shall not sell any basic agricultural commodity or storable nonbasic commodity at less than 5 per centum above the current support price for such commodity, plus reasonable carrying charges: *Provided*, That effective with the beginning of the marketing year for the 1961 crop, the Corporation shall not sell any upland or extra long staple cotton for unrestricted use at less than 15 per centum above the current support price for cotton plus reasonable carrying charges, except that the Corporation may, in an orderly manner and so as not to affect market prices unduly, sell for unrestricted use at the market price at the time of sale a number of bales of cotton equal to the number of bales by which the national marketing quota for such marketing year is reduced below the estimated domestic consumption and exports for such marketing year pursuant to the provisions of section 342 of the Agricultural Adjustment Act of 1938, as amended: *Provided further*, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges: *Provided*, That the Corporation shall not sell any of its stocks of wheat, corn, grain sorghum, barley, oats, and rye, respectively, at less than 115 per centum of the current national average loan rate for the commodity, adjusted for such current market differentials reflecting grade, quality, location, and other value factors as the Secretary determines appropriate, plus reasonable carrying charges. The foregoing restrictions shall not apply to (A) sales for new or byproduct uses; (B) sales of peanuts and oilseeds for the extraction of oil; (C) sales for seed or feed if such sales will not substantially impair any price-support program; (D) sales of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage; (E) sales for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity; (F) sales for export; (G) sales of wool; and (H) sales for other than primary uses. Notwithstanding the foregoing, the Corporation, on such terms and conditions as the Secretary may deem in the public interest, shall make available any farm commodity or product thereof owned or controlled by it for use in relieving distress (1) in any area in the United States including the Virgin Islands declared by the President to be an acute distress area because of unemployment or other economic cause if the President finds that such use will not displace or interfere with normal marketing of agricultural commodities and (2) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress, as amended (42 U.S.C. 1855) and shall make feed owned or controlled by it available at any price not less than 75 per centum of the current basic county loan rate (or a comparable price if there is no current basic county loan rate) for assistance in the preservation and maintenance of foundation herds of cattle (including producing dairy cattle), sheep, and goats, and their offspring, in any area of the United States including the Virgin Islands where, because of flood, drought, fire, hurricane, earthquake, storm, disease, insect infestation, or other catastrophe in such areas, the Secretary determines that an emergency exists which warrants such assistance, such feed to be

made available only to persons who do not have, and are unable to obtain through normal channels of trade without undue financial hardship, sufficient feed for such livestock: *Provided*, That the Secretary may provide for the furnishing of feed, or mixed feed in accordance with regulations prescribed by him, to such persons by feed dealers under an arrangement whereby the feed grains (or other feed being sold by the Corporation) in the feed so furnished would be replaced with feed owned or controlled by the Corporation and sold to such persons at a price determined as provided above. Except on a reimbursable basis, the Corporation shall not bear any costs in connection with making such commodity available beyond the cost of the commodities to the Corporation in store and the handling and transportation costs in making delivery of the commodity to designated agencies at one or more central locations in each State or other area. Nor shall the foregoing restrictions apply to sales of commodities the disposition of which is desirable in the interest of the effective and efficient conduct of the Corporation's operations because of the small quantities involved, or because of age, location or questionable continued storability, but such sales shall be offset by such purchases of commodities as the Corporation determines are necessary to prevent such sales from substantially impairing any price-support program, or unduly affecting market prices, but in no event shall the purchase price exceed the Corporation's minimum sales price for such commodities for unrestricted use. For the purpose of this section, sales for export shall not only include sales made on condition that the identical commodities sold be exported, but shall also include sales made on condition that commodities of the same kind and of comparable value or quantity be exported, either in raw or processed form. Notwithstanding the foregoing, whenever prior to December 31, 1963, the Secretary determines it necessary in order to assure the Nation an adequate supply of milk free of contamination by radioactive fallout, he may make feed owned or controlled by the Commodity Credit Corporation available to producers of milk in any area or areas of the United States at such prices and on such terms and condtions as he deems appropriate in the public interest. Notwithstanding any other provision of the law, (1) the Commodity Credit Corporation shall sell upland cotton for unrestricted use at the same prices as it sells cotton for export, in no event, however, at less than 110 per centum of the loan rate for Middling one-inch upland cotton (micronaire 3.5 through 4.9) adjusted for such current market differentials reflecting grade, quality, location, and other value factors as the Secretary determines appropriate plus reasonble carrying charges and (2) the Commodity Credit Corporation shall sell or make available for unrestricted use at current market prices in each marketing year a quantity of upland cotton equal to the amount by which the production of upland cotton is less than the estimated requirements for domestic use and for export for such marketing year. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of part (2) of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly. Notwithstanding any other provision of this section, effective August 1, 1968, the Commodity Credit Corporation shall make available during each marketing year for sale for unrestricted use at market prices at the time of sale, a quantity of American grown extra long staple cotton equal to the amount by which the production of such cotton in the calendar year in which such marketing year begins is less than the estimated requirements of American grown extra long staple cotton for domestic use and for export for such marketing year: *Provided*, That no sales shall be made at less than 115 per centum of the loan rate for extra long staple cotton under section 101(f) of this Act beginning with the marketing year for the first crop for which the national marketing quota for extra long staple cotton is not established under paragraph (3) of section 347(b) of the Agricultural Adjustment Act of 1938, as amended. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly.

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EMERGENCY PRICE SUPPORT FOR 1975 CROPS

MARCH 11, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. FOLEY, from the Committee on Agriculture, submitted the following

REPORT

together with

ADDITIONAL, SEPARATE, AND DISSENTING VIEWS

[To accompany H.R. 4296]

The Committee on Agriculture, to whom was referred the bill (H.R. 4296) to adjust target prices, loan and purchase levels on the 1975 crops of upland cotton, corn, wheat, and soybeans, to provide price support for milk at 85 per centum of parity with quarterly adjustments for the period ending March 31, 1976, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 2, line 15, after the word "cooperator" strike the period and insert ", except that for the 1975 crops of upland cotton, feed grains and wheat, the Secretary shall establish, insofar as is practicable, the same terms and conditions relative to storage costs and interest rates on all nonrecourse loans extended on such crops.".

Page 3, line 11, after the word "rates." insert the following new sentence: "Such support prices shall be announced by the Secretary within 30 days prior to the beginning of each quarter."

PURPOSE

The purpose of this bill is to establish an emergency price support program for the 1975 crop or commodity year for upland cotton, wheat, feed grains, soybeans and milk.

In addition, the bill provides that upland cotton loans may be extended at the option of the producer for an additional eight months beyond the current 10-month period. It also requires the Secretary to adjust interest rates on CCC commodity loans quarterly to reflect the cost of money to the U.S. Government, and it requires the Secretary to establish by regulation the same terms and conditions concerning interest and storage costs for upland cotton loans as are in effect for grain.

The target prices on the crops as provided in the bill, with levels in existing law shown in parenthesis, follow: cotton, 48 cents a pound (38 cents); corn, $2.25 a bushel ($1.38) and other feed grains at comparable levels; wheat, $3.10 a bushel ($2.05). The 1975 provisions regarding loan levels, with levels in existing law shown in parenthesis, follow: cotton, 40 cents per pound (34 cents); corn and feed grains, $1.87 a bushel ($1.10); and wheat, $2.50 a bushel ($1.37). The loan level on soybeans would reflect the average relationship to corn support levels prevailing during the immediately preceding three years and currently would approximate $3.94 a bushel.

The milk provisions would remain in effect until April 1, 1976, and provide that support prices shall be adjusted every three months and announced by the Secretary of Agriculture within 30 days prior to the beginning of each quarter.

NEED

The 93rd Congress enacted major farm legislation designed to assure the production of adequate supplies at reasonable prices to consumers by insuring producers against losses if their expanded production results in prices below the target prices.

In Secretary of Agriculture Earl Butz' words, the purpose of the Agriculture and Consumer Protection Act of 1973 was to insure "maximum production with protection." Farmers no longer have that protection.

Because of the tremendous increase in the cost of production of agricultural commodities, the legislation enacted in 1973 no longer affords the protection to the producer that is necessary to insure maximum production. According to Department of Agriculture figures, farm production expenses, at $74.8 billion for 1974 were up $10 billion from 1973. Prices paid for production items, interest, taxes, and wage rates jumped 15 percent last year. A huge cost increase occurred for fertilizer as prices averaged some 70 percent above 1973. Fuel prices also zoomed upward, resulting in much higher outlays by farmers. Seed prices, reflecting tight supplies, were up one-third. This increase in production expenses offset a gain in gross income and resulted in a drop of $5 billion in realized net farm income from 1973.

Certain increases in production expenses are worth noting. In 1973 farmers expended $13.1 billion for the purchase of feed. In 1974 this outlay increased to $15.3 billion. Fertilizer and lime showed an increase of $2.7 billion for a total expense of $5.7 billion in 1974. Repairs and operation expenses amounted to $6.9 billion in 1974, or an increase of $1.5 billion from costs in 1973. In a similar manner, the cost of hired labor rose from $5.2 billion in 1973 to $5.8 billion in 1974. Seed increased to $2.6 billion in 1974, or a rise of $1 billion over the outlay for that purpose in 1973. The farming community paid an estimated $3.3 billion in 1974 for interest on nonreal estate possessions as compared with a $2.7 billion expenditure in 1973. Finally, outlays for interest on mortgage debts amounted to $2.7 billion in 1974 as compared to an expenditure of $2.4 billion in 1973.

The Department has indicated that the cost of production will continue to increase in 1975. This, coupled with the uncertain domestic and world economic situation, has put our agricultural producers in a difficult situation that may lead to a reduction in production.

Agriculture, which is our nation's largest industry, is heavily dependent on credit operations and financing for its very existence. At the end of 1974, the agriculture community had an estimated total outstanding debt of $94.9 billion. Of this, $47.4 billion was secured by farm real estate, $46.7 billion represented a debt incurred for expenses connected with production, and $.8 billion represented nonrecourse Commodity Credit Corporation loans. In order to avoid jeopardy to agricultural credit, it is essential to the economy that Congress act to assist producers in obtaining credit to continue production, thus insuring a continued flow of money in our economy. Farm producers are having difficulty in obtaining production loans; the Committee feels that this legislation increasing the loan rate on wheat, feed grains, and cotton and mandating a loan on soybeans is necessary to insure maximum production as well as to protect the agricultural economy from acceleration of the recessionary spiral it has entered.

Earlier the House approved by a vote of 367 to 55 legislation reported from the Banking, Currency, and Housing Committee that directs the Federal Reserve to conduct monetary policy in the first half of 1975 so as to lower long-term interest rates, and thus do its part in promptly and steadily reducing unemployment. The Committee on Agriculture feels H.R. 4296 similarly is designed to ease credit problems facing agricultural producers.

A strong agriculture is essential in maintaining our balance of trade and our economic position in the world. In 1974 alone, agriculture export sales resulted in a flow of an estimated $21.25 billion into this country from foreign sources. An additional $.5 billion was obtained through concessional sales of our agricultural commodities to needy countries abroad.

The greater assurances to agricultural producers of price protection will enhance prospects of continued strong export capabilities. This effects not only commercial sales abroad, but food donation capabilities as well.

The present world food situation is serious and it is impossible to predict the success or failure of crops in the next year or two. The problems that exist now and are the center of so much concern can be expected to persist until there is an improvement in production. Among the many problems, the following are the most critical:

(a) Grain stocks are very low and cannot be rebuilt until production increases. Any further deterioration in grain production next year would further worsen the situation.

(b) High grain and food prices and reduced food aid have worsened the conditions of the world's already malnourished because those with higher incomes are better able to command the available supplies.

(c) Fertilizer supplies for at least the next few years probably will continue to be limited and prices high until production capacity is increased.

(d) Chronic food deficit areas, such as India and Bangladesh, and areas affected by exceptional food shortages, such as central

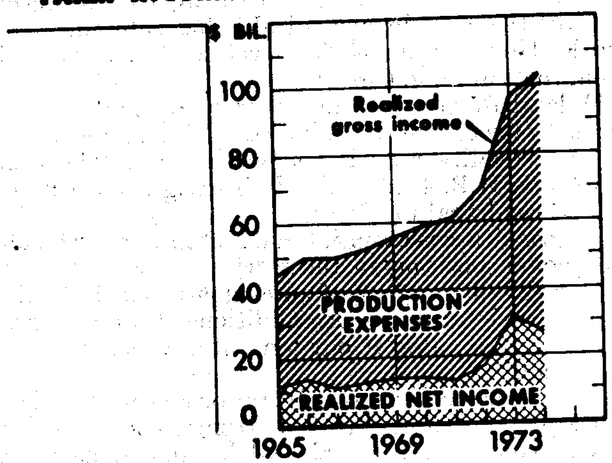
Africa, are experiencing more serious difficulties because of high prices for food, fertilizer, and petroleum.

H.R. 4296 is a significant, although modest, response to these problems. Though the Committee recognizes that there are no easy solutions to the problem of world hunger, the Members feel that it is imperative that they act to insure continued growth of agriculture production in this nation so that supplies will be available both to meet domestic needs, at reasonable prices and for export sales abroad.

From a sociological viewpoint, the Committee feels that legislation to increase the protection afforded the producer by the Agriculture and Consumer Protection Act of 1973 is desirable to insure that disposable personal income of the farm population as a whole is comparable to that of the nonfarm population.

The following chart is indicative of the effect of the increased cost of production on realized net income to domestic farm population:

FARM INCOME COMPONENTS



Farmers realized gross income edged over the $100 billion mark for the first time in 1974. Cash receipts from farm marketings climbed $6.5 billion to a record $95 billion, but the $10 billion surge in production expenses more than offset the gain in income and resulted in the drop in net farm income.

Total personal income of farm people declined last year. Income from farm sources was off almost one-fifth, while nonfarm earnings were up one-tenth.

Farm income prospects for the first half of 1975 have weakened. Prices for major crops have not shown anticipated strength in recent months. Even taking into account uncertainties concerning 1975 crop output, realized net farm income in 1975 is likely to show a sizable downturn from 1974.

Committee Consideration

Prior to the introduction of H.R. 4296, the Livestock and Grains and the Cotton Subcommittees held three days of joint hearings (February 18, 19, and 20, 1975) on target prices and loan rates for wheat, feed grains and cotton. On February 24, the Subcommittee held a joint open business meeting.

The Livestock and Grains Subcommittee met in open business meetings on February 25 and 26, and recommended draft language to the full Committee by a division vote (13 yeas—0 nays). The Cotton Subcommittee met in open business meetings on February 25 and 26, and recommended draft language on cotton by a voice vote to the full Committee.

The Dairy and Poultry Subcommittee met in an open business meeting on February 27, and recommended draft language on milk price supports by a unanimous voice vote to the full Committee. Hearings had not been held during the 94th Congress on the subject of dairy price supports; however, extensive hearings were held late in the 93rd Congress (September 24–25; November 26, 1974) and the record was made available to the Subcommittee.

On March 4, 1975, the full Committee met in an open business meeting and approved language to be introduced as a "clean" bill. On March 6, 1975, in an open business meeting, the full Committee ordered H.R. 4296, as amended, reported by a roll call vote of 32 yeas to 8 nays, in the presence of a quorum.

In the development of the loan rate formula for soybeans the Committee seeks to establish a historical relationship between the corn loan and the soybean loan.

The loan level, using the methodology of H.R. 4296, would be $3.94 per bushel for the 1975 crop. It is calculated as follows: The bill provides that "the Secretary shall make available to producers loans and purchases on the 1975 crop of soybeans at such levels as reflect the historical average relationship of soybean support levels to corn support levels during the immediate preceding 3 years." Discounting the previous 2 years the loan level calculated would have been $3.81. For 1974 alone, however, the average loan levels, corn and soybeans for the three years 1972–74 was:

Crop year	Corn (No. 2 grade)	Soybeans (No. grade)
1972	1.05	2.25
1973	1.05	2.25
1974	1.10	2.25
Average	1.067	2.25

The loan ratio, soybeans to corn, therefore, is:

$$\text{Loan Ratio} = \frac{2.25}{1.067} = 2.109$$

The soybean loan rate, 1975 crop, is, therefore, as follows:

Corn loan (No. 2 grade) (H.R. 4296)	$1.87
Times loan ratio (1972–74 average)	2.109
Soybean loan (No. 1 grade) (rounded from 3.9438)	3.94

The intent of H.R. 4296 is that the 1975-crop soybeans loan level should be calculated from data for the previous three years (a) for No. 1 grade soybeans and No. 2 grade corn, (b) on a national basis, and (c) with no regard to Sections 302 and 303 of the Agricultural Act of 1949, as amended.

In regard to quarterly adjustments for CCC commodity loans on various commodities, the Committee concurs with the following interpretation submitted by the U.S. Department of Agriculture:

> The present policy on Commodity Credit Corporation interest rates on price support loans and certain price support purchase transactions provides that:
>
> "Each March and October the Executive Vice President will adjust the interest rate on outstanding and subsequent loans to a level sufficient to recover the Corporation's cost of borrowing from the U.S. Treasury, and will publicly announce such adjusted rate."
>
> If H.R. 4296 becomes law it will be necessary to amend the policy to provide for quarterly adjustment of the interest rate, as follows:
>
> "On the first day of each January, April, July, and October the Executive Vice President will adjust the interest rate on outstanding and subsequent loans. The adjusted rate will be the lowest rate of interest, on ordinary obligations of the United States, in effect on the second Monday of the month preceding the date of adjustment. The Executive Vice President will publicly announce the adjusted rate not later than the third Monday of the month preceding the date of adjustment."
>
> The lowest rate of interest on ordinary obligations of the United States will be determined by the Controller of Commodity Credit Corporation who will advise the Executive Vice President of his determination. The Executive Vice President will publish a notice, in the Federal Register, of the rate of interest to be charged producers on commodity loans and in addition will issue a press release announcing the rate.
>
> This procedure will differ from the current procedure as follows:
>
> "The rate of interest will be adjusted quarterly instead of twice annually and will be based on the lowest rate paid by the U.S. Treasury instead of the rate the Treasury charges CCC on borrowed funds."

Committee Amendments

The Committee adopted two amendments.

The first is designed to bring uniformity in the applicable CCC loan provisions regarding interest and storage charges for upland cotton, wheat and feed grains.

To the maximum extent practicable, the Committee intends that these programs be operated on the same terms and conditions in regard to these charges and that grain and cotton producers be treated no differently.

The second Committee amendment authorizes the Secretary to announce dairy price supports within 30 days of each quarter.

Current and Five Subsequent Fiscal Year Cost Estimate

Pursuant to Clause 7 of Rule XIII of the Rules of the House of Representatives, the Committee estimates the cost to be incurred by the Federal Government during the current and the five subsequent fiscal years as a result of the enactment of this legislation would be as follows:

This bill, being applicable only to the 1975 crops of wheat, feed grains, upland cotton and soybeans and the 1975–76 marketing year for milk would require expenditures in part of the current fiscal year (fiscal year 1975) and in the next fiscal year (fiscal year 1976). The basic provisions of the Agriculture and Consumer Protection Act of 1973 would, unless amended, be in effect for the 1976 and 1977 crops.

The Committee, therefore, estimates the upper limits of the cost of the bill to be $882 million, subject to the following variable.

In the case of cotton: In the judgment of the Chairman of the Cotton Subcommittee exposure of the Federal Treasury due to enactment of the cotton provisions of the bill can reasonably be expected to range between zero and $225 million. No payments will be made if the average price of cotton received by farmers in 1975 equals or exceeds 48 cents per pound. USDA calculations show that the average price received by farmers during the calendar year 1974 was 48.9 cents per pound.

Based on the January USDA report of planting intentions, cotton producers are expected to plant 9,500,000 acres of cotton in 1975. However, areas having lower costs of production have indicated they will plant in excess of allotments, while areas experiencing higher costs indicate producers there will reduce plantings substantially. Inasmuch as payments are limited to acreage planted within the farm allotment, a breakdown by states based on the size of final effective state allotments and state planting intentions in January indicates that the maximum acreage upon which payments would be made in 1975 would be 8.739 million acres. For example, producers in Mississippi with an effective state allotment of less than 1 million acres, have indicated they will plant 1.2 million acres to cotton. The 213,000 acres in excess of the allotment is not eligible for payments. Similar situations exist in Arizona, California, Louisiana, Missouri and Tennessee. The reverse of this situation exists in the Southeastern states of North Carolina, South Carolina, Georgia and Alabama, where in many areas of these states cost of production in 1974 exceeded 55 cents per pound. USDA has made preliminary estimates that the national average cost of production in 1975 will approach 50 cents a pound (including a separate forecast of 48.8 cents for the Delta Region). It would be assumed that the extremes of area costs might range from 45 to 55 cents. On this basis it seems clear that a loan level of 40 cents, representing about 80 percent of average production cost, would not serve as an incentive to grow additional cotton in 1975.

Cost will also be reduced on a per acre basis by computation of a lower yield for payment purposes. This yield, which averaged about 525 pounds under the 1974 program, will necessarily be reduced in 1975. Basically, the yield is a 3-year average of actual production on each farm, adjusted for conditions beyond the control of the farm operator. Actual production per harvested acre in 1974 was only 443 pounds per acre. The 3-year average for 1972–73–74 will fall to approximately 490 pounds. While yields for payment purposes have not been computed for 1975, it is reasonable to assume that the 525 pound yield for 1974 will be reduced to approximately 515 pounds in 1975, and could be somewhat lower. USDA production statistics show that the average grade and staple of cotton harvested during crop years 1973 and 1974 was relatively close to SLM 1$\frac{1}{16}$ inch. Loan rates for this quality of cotton are expected to be about 2.5 cents above the base loan rate for middling 1 inch, and normally the market price for a particular quality of cotton is at least 1 cent above the loan rate for such quality. Thus, a price of 43 cents or more for average grade and staple from the 1975 crop would be expected, if the loan rate of 40 cents specified in the bill is in effect. Current quotations for future transactions on the New York Cotton Exchange quote December 1975 prices for SLM 1$\frac{1}{16}$ inch at about 45 cents, further justifying the above calculations and estimates. Based on these assumptions a 5-cent payment rate would result in a maximum Federal outlay of approximately $225 million (0.5×515×8, 739,000 acres). Cost of the program can be expected to increase or decrease by approximately 45 million dollars per 1 cent variation in the payment rate without considering reductions in Federal costs as a result of payment limitations.

The following cost estimate was submitted to the Committee by the Department of Agriculture in a letter to the Chairman, that—

> the Department estimates the cost associated with H.R. 4296 for 1975 to be $882 million, including additional disaster payments. No cost estimate can be provided for succeeding years because the bill, as written, applies to 1975 only. The Department would like to point out, however, that if the prices provided for in this bill are escalated in 1976 and 1977 as provided for in the Agricultural Act of 1973, the cost could exceed $5.0 billion by 1977.

Inflationary Impact Statement

Pursuant to clause 2(1)(4), Rule XI of the Rules of the House of Representatives, the Committee estimates that enactment of H.R. 4296 may have minor inflationary impact on consumer prices and costs of cotton and dairy products; nonetheless, the Committee is convinced that this is more than offset by other beneficial effects of the legislation on the national economy and, in fact, is essential to offset recessionary forces attacking rural America.

There is no indication that provisions of H.R. 4296 relative to wheat, feed grains and soybeans will have any inflationary effect whatsoever. The Department has indicated that they do not anticipate any additional deficiency payments or loan costs for these programs in 1975. Further, present market prices are in excess of the target prices established by H.R. 4296, therefore, indicating that these provisions will have no effect on the cost to the consumer.

There is some indication, however, that the cotton provisions and the milk provisions may have some effect both in exposure to the Treasury and in cost to the consumer. Certain other factors, however,

must be considered in both instances. For instance, with respect to cotton, domestic textile mills are now processing cotton that was purchased from the 1973 and 1974 crops at substantially higher prices than current prices. Even if the 40 cent loan rate results in a gradual lifting of market prices over the next six months, cotton from the 1975 crop is likely to be cheaper than current mill inventories. Thus, as mills exhaust these stocks and begin processing lower-priced 1975 crop cotton, consumers could be expected to benefit from price adjustments throughout the entire textile industry. Indeed, the wholesale prices of many textile products have already begun to decline.

A loan at 40 cents may, under some circumstances, be considered anti-inflationary. The loan can be used to secure temporary production financing under depressed conditions such as we have today, when many producers may otherwise be forced away from cotton because of inadequate credit. For this reason, it is possible that if the 1975 loan remains at 34.27 cents, too little cotton might be produced and result in prices far higher than would come from a 40¢ loan. Another "boom and bust" cycle would be ruinous for cotton growers and their markets, and would ignite new inflation for consumers.

The Committee recognizes that there will be some increase in the cost of dairy products to the consumer if this bill is enacted. The Administration provided an estimate of increases of 8 cents per gallon for milk, 10¢ per pound for cheese, and 20¢ per pound for butter. However, the USDA estimates regarding consumer price increases are misleading because they are based on an increase in support levels from $7.24 to $8.19 per hundredweight which will not occur until the end of 1975. In actuality, H.R. 4296 provides for immediate adjustment of support levels to 85 percent of parity with quarterly adjustments. Should this legislation be enacted by April 1 the support level would then be increased to $7.90. The formula for parity adjustment includes allowances for increase in the general index of all prices. Thus projected inflation over the course of the coming year is responsible in large measure for the expected price increases.

Finally, testimony before the Committee in the 93rd Congress indicated that the domestic dairy industry is in an economic decline. This is borne out by figures obtained from the Department which estimates that the cost of production of milk increased 17 percent in 1974. This factor coupled with a 20.8 percent decline in the price farmers receive for their product force approximately 20,000 domestic dairy farmers to move to other ventures. (In 1973, there were 489,490 dairy farms in operation. By the end of 1974, there were only 470,140.)

As domestic industry declines, there is a distinct danger to the American consumer in increased dependence on foreign imports to meet domestic needs—as witnessed in the case of petroleum. The Committee feels that H.R. 4296 is necessary to protect the domestic industry and the American consumer by insuring some degree of independence in this country in the production of dairy products.

Finally, implications inherent in testimony before the Committee indicated that enactment of this legislation will have a beneficial impact on the economy of the United States in two ways.

By increasing the loan rates for the commodities included in the bill, the Committee has assured availability of credit to farm producers, thus increasing the flow of money into the economy. In a like manner, by increasing the target price for the commodities treated in this legislation, the Committee has taken steps to encourage continued production of agricultural commodities for domestic use and export markets.

Testimony before the Committee revealed that sliding market prices for agriculture commodities are jeopardizing production. In fact, a number of producers are threatening to actually cut production. Any such action would have a disastrous effect on the American economy, which is in the throes of a deep recession that may slide into a depression unless corrective actions are taken by this Congress.

The Joint Economic Committee has projected a third straight year of recession in 1976, with joblessness over 10 percent if the economy fails to receive the necessary stimulus. At a time when the Gross National Product feel at an annual rate of 9.1 percent in the fourth quarter of 1974 and the country faces a depression, the Committee felt that it was imperative that it act to insure continued production of agriculture commodities in the United States.

Should production be allowed to decline in this country and the world economic situation improve, which will lead to additional demand for agriculture commodities, there is the possibility of another domestic increase in food prices. Enactment of this legislation would assure the American consumer that production would be increased to such a point that increased world demand would not affect domestic market prices.

Further, the Committee recognizes the value of agriculture commodities in the World market in maintaining our balance of trade. In 1974, farm exports amounted to $21.3 billion. Enactment of this legislation would enable production to meet continued world demand and assure the United States of maintaining its share of the world market.

Budget Act Compliance (Section 308 and Section 403)

The provisions of clause (3)(B) and clause (1)(3)(C) of Rule X of the House of Representatives, and Section 308(a) and Section 403 of the Congressional Budget Act of 1974 (relating to estimates of new budget authority on new or increased tax expenditures and estimate in comparisons prepared by the Director of the Congressional Budget Office), are not applicable.

Oversight Statement

No specific oversight activities, other than the hearings accompanying the Committee's consideration of H.R. 4296, were made by the Committee, within the definition of clause 2(b)(1) of Rule X of the House.

No summary of oversight findings and recommendations made by the Committee on Government Operations under clause 2(b)(2) of Rule X of the Rules of the House of Representatives was available to the Committee with reference to the subject matter specifically addressed by H.R. 4296.

Administration Position

The Department of Agriculture opposes the enactment of H.R. 4296 for the reasons set forth in the following report:

Department of Agriculture,
Office of the Secretary,
Washington, D.C.

Hon. Thomas S. Foley,
Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.

Dear Mr. Chairman: The purpose of this letter is to convey the Department's views on H.R. 4296, a bill to adjust target prices, loan and purchase levels of the 1975 crops of upland cotton, corn, wheat and soybeans, to provide price support for milk at 85 per centum of parity with quarterly adjustments for the period ending March 31, 1976, and for other purposes.

The Department opposes enactment of this bill.

If the bill became effective the established price for the 1975 crops of upland cotton, corn and wheat would be set at 48 cents per pound, $2.25 per bushel and $3.10 per bushel respectively. Furthermore, the Secretary would be required to make available to producers loans and purchases on the 1975 crops at 40 cents per pound for cotton, $1.87 per bushel for corn and $2.50 per bushel for wheat. Given the levels of support provided for in H.R. 4296, we do not anticipate any additional deficiency payments or loan costs for the feed grain and wheat programs for 1975. For cotton, however, the Department estimates that H.R. 4296 would increase the cost of the 1975 cotton program by $554 million, excluding possible disaster payments.

If the bill became effective next April 1, the beginning of the 1975–76 milk marketing year, it would require a support price estimated at $7.90 per hundredweight, an increase of 66 cents per hundredweight over the present support. Furthermore, it would require additional increases every three months thereafter until, by the end of the year, the support would be an estimated $8.19, or 95 cents above the $7.24 support already announced for next year. This is equivalent to increases of over 8 cents per gallon of milk, 10 cents per pound of cheese, and 20 cents per pound of butter. Such a large increase in the support price is not necessary to assure an adequate supply of milk and dairy products. In fact, we believe this high level of support would not only be costly to consumers and lower consumption, it would result in large purchases of dairy products under the support program and very large and expensive government inventories. This would be disastrous to producers and the dairy industry. The purchase cost to CCC under this proposal would be an estimated $162 million higher than the $250 million projected under the present level of support.

The Department estimates the cost associated with H.R. 4296 for 1975 to be $882 million, including additional disaster payments. No cost estimate can be provided for succeeding years because the bill, as written applies to 1975 only. The Department would like to point out, however, that if the prices provided for in this bill are escalated in

1976 and 1977 as provided for in the Agricultural Act of 1973, the cost could exceed $5.0 billion by 1977.

Farm exports have increased in value from $8 billion in 1972 to $21.3 billion in 1974, and we are estimating exports valued at more than $22 billion in fiscal year 1975. The high guaranteed prices established by H.R. 4296 would allow foreign competition to undercut our prices and force the U.S. into the position of a residual supplier. We certainly do not want to return to the 1960's type farm programs where export subsidies were necessary to make certain U.S. crops competitive in world markets.

H.R. 4296 would deny farmers the incentive to produce commodities needed in the marketplace, causing them instead, to produce for Government payments. It could force cropland out of production and drain the Federal treasury of billions of dollars in program payments. for these reasons, enactment of H.R. 4296 would be a painful step backward for both farmers and consumers, and this Department is very vigorously opposed to its passage.

The Office of Management and Budget advises that enactment of this piece of legislation would not be in accord with the objectives of the Administration's program.

Sincerely,

EARL L. BUTZ, *Secretary.*

CHANGES IN EXISTING LAW

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

AGRICULTURAL ACT OF 1949

AN ACT

To stabilize prices of agricultural commodities.

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 "Agricultural Act of 1949."

TITLE I—BASIC AGRICULTURAL COMMODITIES

* * * * * * *

PRICE SUPPORT FOR 1961 AND SUBSEQUENT YEARS (COTTON)

SEC. 103. (a) Notwithstanding the provisions of section 101 of this Act, price support to cooperators for each crop of upland cotton, beginning with the 1961 crop, for which producers have not disapproved marketing quotas shall be at such level not more than 90 per centum of the parity price therefor nor less than the minimum level prescribed below as the Secretary determines appropriate after consideration of the factors specified in section 401(b) of this Act. For the 1961 crop the minimum level shall be 70 per centum of the parity price therefor, and for each subsequent crop the minimum level shall be 65 per centum of the parity price therefor: *Provided*, That the price support for the 1964 crop shall be a national average support price which reflects 30 cents per pound for Middling one-inch cotton. Price support in the case of noncooperators and in case marketing quotas are disapproved shall be as provided in section 101(d)(3) and (5).

(b) [See (c) below.]

(c) [Subsections (b) and (c) were added by the Act of April 11, 1964, P.L. 88–297, 78 Stat. 174, but were applicable only to the 1964 and 1965 crops of cotton.]

(d) [Subsection (d) was added by the Food and Agriculture Act of 1965, P.L. 89–321, 79 Stat. 1194, Nov. 3, 1965. It was effective with respect to the 1966 through 1969 crops of cotton and was extended to the 1970 crop by P.L. 90–559, 82 Stat. 996, Oct. 11, 1968]

(e) (1) The Secretary shall upon presentation of warehouse receipts reflecting accrued storage charges of not more than 60 days make available for the 1971 through 1977 crops of upland cotton to cooperators nonrecourse loans for a term of ten months from the first day of the month in which the loan is made at such level as will reflect for Middling one-inch upland cotton (micronaire 3.5 through 4.9) at average location in the United States 90 per centum of the average price of American cotton in world markets for such cotton for the three-year period ending July 31 in the year in which the loan level is announced, except that if the loan rate so calculated is higher than the then current level of average world prices for American cotton of such quality, the Secretary is authorized to adjust the current calculated loan rate for cotton to 90 per centum of the then current average world price. The average world price for such cotton for such preceding three-year period shall be determined by the Secretary annually pursuant to a published regulation which shall specify the procedures and the factors to be used by the Secretary in making the world price determination. The loan level for any crop of upland cotton shall be determined and announced not later than November 1 of the calendar year preceding the marketing year for which such loan is to be effective. Notwithstanding the foregoing, if the carryover of upland cotton as of the beginning of the marketing year for any of the 1972 through 1977 crops exceeds 7.2 million bales, producers on any farm harvesting cotton of such crop from an acreage in excess of the base acreage allotment for such farm shall be entitled to loans and purchases only on an amount of the cotton of such crop produced on such farm determined by multiplying the yield used in computing payments for such farm by the base acreage allotment for such farm.

(2) Payments shall be made for each crop of cotton to the producers on each farm at a rate equal to the amount by which the higher of—

(1) the average market price received by farmers for upland cotton during the calendar year which includes the first five months of the marketing year for such crops, as determined by the Secretary, or

(2) the loan level determined under paragraph (1) for such crop

is less than the established price of 38 cents per pound in the case of the 1974 and 1975 crops, 38 cents per pound adjusted to reflect any change during the calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates in the case of the 1976 crop, and the established price for the 1976 crop adjusted to reflect any change during the calendar year 1976 in such index in the case of 1977 crop: *Provided*, That any increase that would otherwise be made in the established price to reflect a change in the index of prices paid by farmers shall be adjusted to reflect any change in (i) the national average yield per acre of cotton for the three calendar years preceding the year for which the determination is made, over (ii) the national average yield per acre of cotton for the three calendar years preceding the year previous to the one for which the determination is made. If the Secretary determines that the producers on a farm are prevented from planting any portion of the allotment to cotton because of drought, flood, or other natural disaster, or condition beyond the control of the producer, the rate of payment for such portion shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. If the Secretary determines that, because of such a disaster or condition, the total quantity of cotton which the producers are able to harvest on any farm is less than 66⅔ percent of the farm base acreage allotment times the average yield established for the farm, the rate of payment for the deficiency in production below 100 percent shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. The payment rate with respect to any producer who (i) is on a small farm (that is, a farm on which the base acreage allotment is ten acres or less, or on which the yield used in making payments times the farm base acreage allotment is five thousand pounds or less, and for which the base acreage allotment has not been reduced under section 350(f), (ii) resides on such farm, and (iii) derives his principal income from cotton produced on such farm, shall be increased by 30 per centum; but, notwithstanding paragraph (3), such increase shall be made only with respect to his share of cotton actually harvested on such farm within the quantity specified in paragraph (3).

(3) Such payments shall be made available for a farm on the quantity of upland cotton determined by multiplying the acreage planted within the farm base acreage allotment for the farm for the crop by the average yield established for the farm: *Provided*, That payments shall be made on any farm planting not less than 90 per centum of the farm base acreage allotment on the basis of the entire amount of such allotment. For purposes of this paragraph, an acreage on the farm which the Secretary determines was not planted to cotton because of drought, flood, other natural disaster, or a condition beyond the control of the producer shall be considered to be an acreage planted to cotton. The average yield for the farm for any year shall be determined on the basis of the actual yields per harvested acre for the three preceding years, except that the 1970 farm projected yield shall be substituted in lieu of the actual yields for the years 1968 and 1969: *Provided*, That the actual yields shall be adjusted by the Secretary for abnormal yields in any year caused by drought, flood, or other natural disaster: *Provided further*, That the average yield established for the farm for any year shall not be less than the yield used in making payments for the preceding year if the total cotton production on the farm

in such preceding year is not less than the yield used in making payments for the farm for such preceding year times the farm base acreage allotment for such preceding year (for the 1970 crop, the farm domestic allotment).

(4)(A) The Secretary shall provide for a set-aside of cropland if he determines that the total supply of agricultural commodities will, in the absence of such a set-aside, likely be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency. If a set-aside of cropland is in effect under this paragraph (4), then as a condition of eligibility for loans and payments on upland cotton the producers on a farm must set aside and devote to approved conservation uses an acreage of cropland equal to (i) such percentage of the farm base acreage allotment for the farm as may be specified by the Secretary (not to exceed 28 per centum of the farm base acreage allotment), plus, if required by the Secretary, (ii) the acreage of cropland on the farm devoted in preceding years to soil conserving uses, as determined by the Secretary. The Secretary is authorized for the 1974 through 1977 crops to limit the acreage planted to upland cotton on the farm in excess of the farm base acreage allotment to a percentage of the farm base acreage allotment. The Secretary shall permit producers to plant and graze on set-aside acreage sweet sorghum, and the Secretary may permit, subject to such terms and conditions as he may prescribe, all or any of the set-aside acreage to be devoted to hay and grazing or the production of guar, seasame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye, or other commodity, if he determines that such production is needed to provide an adequate supply, is not likely to increase the cost of the price-support program, and will not adversely affect farm income.

(B) To assist in adjusting the acreage of commodities to desirable goals, the Secretary may make land diversion payments, in addition to the payments authorized in subsection (e)(2), to producers on a farm who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in addition to that required to be so devoted under subsection (e)(4)(A). The land diversion payments for a farm shall be at such rate or rates as the Secretary determines to be fair and reasonable taking into consideration the diversion undertaken by the producers and the productivity of the acreage diverted. The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to adversely affect the economy of the county or local community.

(5) The upland cotton program formulated under this section shall require the producer to take such measures as the Secretary may deem appropriate to protect the set-aside acreage and the additional diverted acreage from erosion, insects, weeds, and rodents. Such acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may in the case of programs for the 1974 through 1977 crops, pay an appropriate share of the cost of practices designed to carry out the purposes of the foregoing sentences. The

Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm as the Secretary may prescribe by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(6) If the operator of the farm desires to participate in the program formulated under this section, he shall file his agreement to do so no later than such date as the Secretary may prescribe. Loans and purchases on upland cotton and payments under this section shall be made available to the producers on such farm only if producers set aside and devote to approved soil conserving uses an acreage on the farm equal to the number of acres which the operator agrees to set aside and devote to approved soil conserving uses, and the agreement shall so provide. The Secretary may, by mutual agreement with the producer, terminate or modify any such agreement entered into pursuant to this subsection (e) (6) if he determines such action necessary because of an emergency created by drought or other disaster, or in order to alleviate a shortage in the supply of agricultural commodities.

(7) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing on a fair and equitable basis, in payments under this section.

(8) In any case in which the failure of a producer to comply fully with the terms and conditions of the program formulated under this section precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make such loans, purchases, and payments in such amounts as he determines to be equitable in relation to the seriousness of the default.

(9) The Secretary is authorized to issue such regulations as he determines necessary to carry out the provisions of this Title.

(10) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(11) The provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act, as amended (relating to assignment of payments), shall apply to payments under this subsection.

* * * * * * *

FEED GRAIN PROGRAM

SEC. 105. Notwithstanding any other provision of law—

(a) (1) The Secretary shall make available to producers loans and purchases on each crop of corn at such level, not less than $1.10 per bushel nor in excess of 90 per centum of the parity price therefor, as the Secretary determines will encourage the exportation of feed grains and not result in excessive total stocks of feed grains in the United States.

(2) The Secretary shall make available to producers loans and purchases on each crop of barley, oats, and rye, respectively, at such level as the Secretary determines is fair and reasonable in relation to the level that loans and purchases are made available for corn, taking into consideration the feeding value of such commodity in relation to corn and other factors specified in section 401(b), and on each crop of

grain sorghums at such level as the Secretary determines is fair and reasonable in relation to the level that loans and purchases are made available for corn, taking into consideration the feeding value and average transportation costs to market of grain sorghums in relation to corn.

(b) (1) In addition, the Secretary shall make available to producers payments for each crop of corn, grain sorghums, and, if designated by the Secretary, barley, computed by multiplying (1) the payment rate, times (2) the allotment for the farm for such crops, times (3) the yield established for the farm for the preceding crop with such adjustments as the Secretary determines necessary to provide a fair and equitable yield. The payment rate for corn shall be the amount by which the higher of—

(1) the national weighted average market price received by farmers during the first five months of the marketing year for such crop, as determined by the Secretary, or

(2) the loan level determined under subsection (a) for such crop

is less than the established price of $1.38 per bushel in the case of the 1974 and 1975 crops, $1.38 per bushel adjusted to reflect any change during the calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates in the case of the 1976 crop, and the established price for the 1976 crop adjusted to reflect any change during the calendar year 1976 in such index in the case of the 1977 crop: *Provided*, That any increase that would otherwise be made in the established price to reflect a change in the index of prices paid by farmers shall be adjusted to reflect any change in (i) the national average yield per acre of feed grains for the three calendar years preceding the year for which the determination is made, over (ii) the national average yield per acre of feed grains for the three calendar years preceding the year previous to the one for which the determination is made. The payment rate for grain sorghums and, if designated by the Secretary, barley, shall be such rate as the Secretary determines fair and reasonable in relation to the rate at which payments are made available for corn. If the Secretary determines that the producers on a farm are prevented from planting any portion of the farm acreage allotment to feed grains or other nonconserving crop, because of drought, flood, or other natural disaster or condition beyond the control of the producer, the rate of payment on such portion shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. If the Secretary determines that, because of such a disaster or condition, the total quantity of feed grains (or of wheat, or cotton planted in lieu of the allotted crop) which the producers are able to harvest on any farm is less than 66⅔ percent of the farm acreage allotment times the yield of feed grains (or of wheat, or cotton planted in lieu of the allotted crop) established for the farm, the rate of payment for the deficiency in production below 100 percent shall be the larger of (A) the foregoing rate, or (B) one-third of the established price.

(2) The Secretary shall, prior to January 1 of each calendar year, determine and proclaim for the crop produced in such calendar year a national acreage allotment for feed grains, which shall be the number of acres he determines on the basis of the estimated national average yield of the feed grains included in the program for the crop

for which the determination is being made will produce the quantity (less imports) of such feed grains that he estimates will be utilized domestically and for export during the marketing year for such crop. If the Secretary determines that carryover stocks of any of the feed grains are excessive or an increase in stocks is needed to assure a desirable carryover, he may adjust the feed grain allotment by the amount he determines will accomplish the desired decrease or increase in carryover stocks. State, county, and farm feed grain allotments shall be established on the basis of the feed grain allotments established for the preceding crop (for 1974 on the basis of the feed grain bases established for 1973), adjusted to the extent deemed necessary to establish a fair and equitable apportionment base for each State, county, and farm. Not to exceed 1 per centum of the State feed grain allotment may be reserved for apportionment to new feed grain farms on the basis of the following factors: suitability of the land for production of feed grains, the extent to which the farm operator is dependent on income from farming for his livelihood, the production of feed grains on other farms owned, operated, or controlled by the farm operator, and such other factors as the Secretary determines should be considered for the purpose of establishing fair and equitable feed grain allotments.

(3) If for any crop the total acreage on a farm planted to feed grains included in the program formulated under this subsection is less than the feed grain allotment for the farm, the feed grain allotment for the farm for the succeeding crops shall be reduced by the percentage by which the planted acreage is less than the feed grain allotment for the farm, but such reduction shall not exceed 20 per centum of the feed grain allotment. If no acreage has been planted to such feed grains for three consecutive crop years on any farm which has a feed grain allotment, such farm shall lose its feed grain allotment: *Provided*, That no farm feed grain allotment shall be reduced or lost through failure to plant, if the producer elects not to receive payment for such portion of the farm feed grain allotment not planted, to which he would otherwise be entitled under the provisions of this Act. Any such acres eliminated from any farm shall be assigned to a national pool for the adjustment of feed grain allotments as provided for in subsection (e)(2). Producers on any farm who have planted to such feed grains not less than 90 per centum of the feed grain allotment shall be considered to have planted an acreage equal to 100 per centum of such allotment. An acreage on the farm which the Secretary determines was not planted to such feed grains because of drought, flood, or other natural disaster or condition beyond the control of the producer shall be considered to be an acreage of feed grains planted for harvest. For the purpose of this paragraph, the Secretary may permit producers of feed grains to have acreage devoted to soybeans, wheat, guar, castor beans, cotton, triticale, oats, rye, or such other crops as the Secretary may deem appropriate, considered as devoted to the production of such feed grains to such extent and subject to such terms and conditions as the Secretary determines will not impair the effective operation of the program.

(c)(1) The Secretary shall provide for a set-aside of cropland if he determines that the total supply of feed grains or other commodities will, in the absence of such a set-aside, likely be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices of feed grains and to meet a national emergency. If a set-aside of cropland is in effect under this subsection (c), then as a condition of eligibility for loans, purchases, and payments on corn, grain sorghums, and, if designated by the Secretary, barley, respectively, the producers on a farm must set aside and devote to approved conservation uses an acreage of cropland equal to (i) such percentage of the feed grain allotment for the farm as may be specified by the Secretary, plus, if required by the Secretary (ii) the acreage of cropland on the farm devoted in preceding years to soil conserving uses, as determined by the Secretary. The Secretary is authorized for the 1974 through 1977 crops to limit the acreage planted to feed grains on the farm to a percentage of the farm acreage allotment. If for any crop, the producer so requests for purposes of having acreage devoted to the production of wheat considered as devoted to the production of feed grains, pursuant to the provisions of section 328 of the Food and Agriculture Act of 1962, the term "feed grains" shall include oats and rye, and barley, if not designated by the Secretary as provided above. Such section 328 shall be effective in 1971 through 1977 to the same extent as it would be if a diversion program were in effect for feed grains during each of such years. The Secretary shall effect permit producers to plant and graze on set-aside acreage sweet sorghum, and the Secretary may permit, subject to such terms and conditions as he may prescribe, all or any of the set-aside acreage to be devoted to hay and grazing or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye, or other commodity, if he determines that such production is needed to provide an adequate supply, is not likely to increase the cost of the price-support program, and will not adversely affect farm income.

(2) To assist in adjusting the acreage of commodities to desirable goals, the Secretary may make land diversion payments, in addition to the payments authorized in subsection (b), to producers on a farm who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in addition to that required to be so devoted under subsection (c)(1). The land diversion payments for a farm shall be at such rate or rates as the Secretary determines to be fair and reasonable taking into consideration the diversion undertaken by the producers and the productivity of the acreage diverted. The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to adversely affect the economy of the county or local community.

(3) The feed grain program formulated under this section shall require the producer to take such measures as the Secretary may deem appropriate to protect the set-aside acreage and the additional diverted acreage from erosion, insects, weeds, and rodents. Such acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may, in the case of programs for the 1974 through 1977 crops, pay an appropriate share of the cost of practices designed to carry out the purposes of the foregoing sentences. The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropri-

ate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm as the Secretary may prescribe by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(4) If the operator of the farm desires to participate in the program formulated under this section, he shall file his agreement to do so no later than such date as the Secretary may prescribe. Loans and purchases on feed grains included in the set-aside program and payments under this section shall be made available to producers on such farm only if the producers set aside and devote to approved soil conserving uses an acreage on the farm equal to the number of acres which the operator agrees to set aside and devote to approved soil conserving uses, and the agreement shall so provide. The Secretary may, by mutual agreement with the producer, terminate or modify any such agreement entered into pursuant to this subsection (c) (4) if he determines such action necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage in the supply of agricultural commodities.

(d) The Secretary shall provide for the sharing of payments under this section among producers on the farm on a fair and equitable basis.

(e) (1) [Repealed]

(2) The Secretary may make such adjustments in acreage under this section as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, and topography, and in addition, in the case of conserving use acreage to such other factors as he deems necessary in order to establish a fair and equitable conserving use acreage for the farm. The Secretary shall, upon the request of a majority of the State committee established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended, adjust the feed grain allotments for farms within any State or county in order to establish fair and equitable feed grain allotments for farms within such State or county: *Provided*, That except for acreage provided for in subsection (b) (3), adjustments made pursuant to this sentence shall not increase the total State feed grain acreage. The Secretary is authorized to draw upon the acreage pool provided for in subsection (b) (3) in making such adjustments. Notwithstanding any other provision of this subsection, the feed grain base for the farm shall be adjusted downward to the extent required by subsection (b) (3).

(3) [Repealed]

(f) In any case in which the failure of a producer to comply fully with the terms and conditions of the program formulated under this section precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make such loans, purchases, and payments in such amounts as he determines to be equitable in relation to the seriousness of the default.

(g) [Repealed]

(h) The Secretary is authorized to issue such regulations as he determines necessary to carry out the provisions of this section.

(i) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

* * * * * * *

WHEAT PROGRAM

SEC. 108. Notwithstanding any other provision of law—

(a) Loans and purchases on each crop of wheat shall be made available at such level as the Secretary determines appropriate, taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains: *Provided*, That in no event shall such level be in excess of the parity price for wheat or less than $1.37 per bushel.

(b) If a set-aside program is in effect for any crop of wheat under section 379b(c) of the Agricultural Adjustment Act of 1938, as amended, payments, loans and purchases shall be made available on such crop only to producers who comply with the provisions of such program.

(c) Payments shall be made for each crop of wheat to the producers on each farm in an amount determined by multiplying (i) the amount by which the higher of—

(1) the national weighted average market price received by farmers during the first five months of the marketing year for such crop, as determined by the Secretary, or

(2) the loan level determined under subsection (a) for such crop

is less than the established price of $2.05 per bushel in the case of the 1974 and 1975 crops, $2.05 per bushel adjusted to reflect any change during the calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates in the case of the 1976 crop, and the established price for the 1976 crop adjusted to reflect any change during the calendar year 1976 in such index in the case of the 1977 crop, times in each case (ii) the allotment for the farm for such crop, times (iii) the projected yield established for the farm with such adjustments as the Secretary determines necessary to provide a fair and equitable yield: *Provided*, That any increase that would otherwise be made in the established price to reflect a change in the index of prices paid by farmers shall be adjusted to reflect any change in (i) the national average yield per acre of wheat for the three calendar years preceding the year for which the determination is made, over (ii) the national average yield per acre of wheat for the three calendar years preceding the year previous to the one for which the determination is made. If the Secretary determines that the producers are prevented from planting any portion of the farm acreage allotment to wheat or other nonconserving crop, because of drought, flood, or other natural disaster or condition beyond the control of the producer, the rate of payment on such portion shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. If the Secretary determines that, because of such a disaster or condition, the total quantity of wheat (or of cotton, corn, grain, sorghums, or barley planted in lieu of wheat) which the producers are able to harvest on any farm is less than 66⅔ percent of the farm acreage allotment times the projected yield of wheat (or of cotton, corn, grain, sorghums, or barley planted in lieu of wheat) for the farm, the rate of payment for the deficiency in production below 100 percent shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. The Secretary shall provide for the sharing of payments made under this subsection for any farm among the producers on the farm on a fair and equitable basis.

*   *   *   *   *   *   *

SEC. 108. (a) Notwithstanding sections 103, 105, and 107 of this Act, the established price for the 1975 crops of upland cotton, corn, and wheat shall be 48 cents per pound, $2.25 per bushel, and $3.10 per bushel, respectively, and the Secretary shall make available to producers loans and purchases on the 1975 crops of upland cotton, corn, and wheat at 40 cents per pound, $1.87 per bushel, and $2.50 per bushel, respectively: Provided, That the rate of interest on commodity loans made by the Commodity Credit Corporation to all eligible producers shall be established quarterly on the basis of the lowest current interest rate on ordinary obligations of the United States: Provided further, That the nonrecourse loan for 1975 crop upland cotton as set forth in section 103(e)(1) of the Agricultural Act of 1949, as amended, shall be made available for an additional term of eight months at the option of the cooperator.

"(b) Notwithstanding the provisions of section 301 of this Act, the Secretary shall make available to producers loans and purchases on the 1975 crop of soybeans at such levels as reflect the historical average relationship of soybean support levels to corn support levels during the immediately, preceding three years, except that for the 1975 crops of upland cotton, feed grains and wheat, the Secretary shall establish, insofar as is practicable, the same terms and conditions relative to storage costs and interest rates on all nonrecourse loans extended on such crops.

*   *   *   *   *   *   *

TITLE II—DESIGNATED NONBASIC AGRICULTURAL COMMODITIES

SEC. 201. The Secretary is authorized and directed to make available (without regard to the provisions of title III) price support to producers for tung nuts, honey, and milk as follows:

(a) **[Repealed]**

(b) The price of honey shall be supported through loans, purchases, or other operations at a level not in excess of 90 per centum nor less than 60 per centum of the parity price thereof; and the price of tung nuts for each crop of tung nuts through the 1976 crop shall be supported through loans, purchases, or other operations at a level not in excess of 90 per centum nor less than 60 per centum of the parity price therefor: *Provided*, That in any crop year through the 1976 crop year in which the Secretary determines that the domestic production of tung oil will be less than the anticipated domestic demand for such oil, the price of tung nuts shall be supported at not less than 65 per centum of the parity price therefor.

(c) The price of milk shall be supported at such level not in excess of 90 per centum nor less than 75 per centum of the parity price therefor as the Secretary determines necessary in order to assure an adequate supply of pure and wholesome milk to meet current needs, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. Notwithstanding the foregoing, effective for the period beginning with the date of enactment of the Agriculture and Consumer Protection Act of 1973 and ending on March 31, 1975, the price of milk shall be supported at not less than 80 per centum of the parity price therefor. Such price support shall be provided through purchases of milk and the products of milk.

(d) Notwithstanding the foregoing provisions of this section, effective for the period beginning with the date of enactment of this subsection and ending on March 31, 1976, the support price of milk shall be established at no less than 85 per centum of the partiy price therefor, on the date of enactment, and the support price shall be adjusted thereafter by the Secretary at the beginning of each quarter, beginning with the second quarter of the calendar year 1975, to reflect any change during the immediately preceding quarter in the index of prices paid by farmers for production items, interest, taxes, and wage rates. Such support prices shall be announced by the Secretary within 30 days prior to the beginning of each quarter.

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TITLE III—OTHER NONBASIC AGRICULTURAL COMMODITIES

SEC. 301. The Secretary is authorized to make available through loans, purchases, or other operations price support to producers for any nonbasic commodity not designated in title II at a level not in excess of 90 per centum of the parity price for the commodity.

SEC. 302. Without restricting price support to those commodities for which a marketing quota or marketing agreement or order program is in effect, price support shall, insofar as feasible, be made available to producers of any storable nonbasic agricultural commodity for which such a program is in effect and who are complying with such program. The level of such support shall not be in excess of 90 per centum of the parity price of such commodity nor less than the level provided in the following table:

If the supply percentage as of the beginning of the marketing year is:

	The level of support shall be not less than the following percentage of the parity price:
Not more than 102	90
More than 102 but not more than 104	89
More than 104 but not more than 106	88
More than 106 but not more than 108	87
More than 108 but not more than 110	86
More than 110 but not more than 112	85
More than 112 but not more than 114	84
More than 114 but not more than 116	83
More than 116 but not more than 118	82
More than 118 but not more than 120	81
More than 120 but not more than 122	80
More than 122 but not more than 124	79
More than 124 but not more than 126	78
More than 126 but not more than 128	77
More than 128 but not more than 130	76
More than 130	75

Provided, That the level of price support may be less than the minimum level provided in the foregoing table if the Secretary, after examination of the availability of funds for mandatory price support programs and consideration of the other factors specified in section 401 (b), determines that such lower level is desirable and proper.

SEC. 303. In determining the level of price support for any nonbasic agricultural commodity under this title, particular consideration shall be given to the levels at which the prices of competing agricultural commodities are being supported.

ADDITIONAL VIEWS OF HON. ED JONES AND HON. RICHARD NOLAN

The importance of the dairy provisions of this bill cannot be overemphasized. The provisions that dairy price supports be maintained at 85 percent of parity, and adjusted quarterly, are imperative if an adequate supply of dairy products is to be maintained.

Without these provisions, we will be faced with one of two alternatives: Either short supply or reliance upon imports. Our recent experience with the petroleum industry should have taught us the unfortunate consequences of either of these alternatives.

A continued loss in the number of dairy farmers at present trends will result in certain short supplies of dairy products. Already there is a record low in the dairy cow population of the United States. Our future supplies of dairy products cannot continue to be jeopardized. Short supplies that may result from the failure of this measure to pass can only lead to higher prices and a terrible burden on the consumers.

Additional losses of dairy herds on our farms will take at least three years to replenish. Once out of the dairy industry, the farmer traditionally does not return.

We have learned much regarding international trade during the past 18 months from the oil cartels. Do we want to add another necessary commodity to our list of products that we depend on from foreign sources—further damaging our balance of trade?

It is imperative that we, as consumers, maintain a healthy dairy industry in order for a healthy consumer market to exist.

ED JONES.
RICHARD NOLAN.

48-755—75——4

ADDITIONAL VIEWS OF HON. JOHN MELCHER

What is a fair price for food?

Consumers are paying higher food bills and they say they are much too high.

In commodity after commodity, farmer-producers are getting less—so much less many are being forced out of business.

Put in simple terms, fair prices for food are prices which give producers an adequate return to continue in farming or ranching, and give processors and handlers an equitable amount without gouging consumers.

It is a hard balance to reach and much of the difficulty is the inherent and persisting lack of understanding among all of the parties to the food cycle: producers, processors, handlers and consumers. Consumers feel that, because farmers and ranchers handle large sums of money, they are making good profits. Producers are frustrated and angry because they, as consumers themselves, wonder why retail food costs are so high and both of these groups are inclined to look dubiously at the processors and handlers and declare with real conviction that "they are ripping us off."

What are the facts?

The facts are that the middlemen have increased their "take" out of the food dollar, feeding the fires of inflation at the worst possible time. The farmers' and ranchers' share of the retail food dollar has dropped from 50 cents and above to less than 40 cents in January this year. The middlemen have increased their take from 50 percent to more than 60 percent. The Price Spreads report for January shows that although the farm value of a pound of beef is down 21 percent the retail price has dropped only 7 percent and the "take" between farmer and consumer has increased 21 percent—more than one-fifth.

Because it is important in relation to this bill, I call attention to the fact that in the last year the farm value of wheat in a loaf of white bread has dropped 24.6 percent—virtually one-fourth—but the retail price has gone up 16.9 percent, or about one-sixth. These are January figures from the Department of Agriculture.

The Agriculture Committee in this bill is taking emergency action to peg floor prices and returns to producers on several basic commodities because there are fears that there will be further sharp drops in farm prices as a result of high production and declining foreign sales. Grain farmers, in particular, who have been asked to produce large quantities of grain in 1975, see a slackening of world demand in face of huge crops which could result in another plunge in prices far below cost of production which would ruin them.

If that happens, who suffers? It won't be just producers. Succeeding crops will be cut back, farm prices will escalate again and there will be a new round of high prices which afford the middlemen an opportunity to widen their margins some more and blame it on the higher farm prices.

My principal objection to this bill, and I do not approve it in its present form, is the long range effect it will have on the ability of farmers to produce abundant quantities of grains so that consumers may have stable and adequate supplies of food at their prices. The bill does not assure the solvency of producers and therefore is a disservice in the long run to consumers. Grain supplies have to be available to produce poultry, eggs, milk and other dairy products, and for livestock. Without adequate grain supplies the above food supplies dwindle and food prices eventually climb.

The real clincher in establishing the market for grain when there are surpluses is the loan rate. If the market drops below the loan, farmers leave the grain in storage under loan. That does make the market, and farmers know it.

The target prices are the level to which Government payments supplement the market price, as determined by calculating the average paid in the markets during the first five months of each marketing year. The farmers do not, however, get payments up to target price level on all of their crops in those years when they heed pleas for all-out production, as winter wheat growers have already done by increasing acreage, and spring wheat and feed grain growers are asked to do by planting fence-to-fence in the next two or three months. Target payments, if made, are only on the average production from the minimum acreage allotments which are being assigned to each farm for the purpose of determining payment liability. At least 25 percent of production has no target price protection.

The bill, considering both target and loan price levels, does not leave the basic supports of grain at high enough levels to assure producers they can stay in business.

In the case of wheat in my State of Montana, where we produce fine milling varieties, we will have a $2.50 per bushel national average loan rate and a $3.10 target, adjusted down to offset the cost of transportation—freight—to such regional market centers as Portland, the Twin Cities, etc. When the freight adjustment is made, Kansas farmers will actually get loans a little over $2 per bushel and Montana producers about $1.90 per bushel.

Montana State University estimates the cost of production of wheat in one of our State's best wheat-producing counties at $3.15 per bushel this year, or $1.25 more than the net the producers will get from the loan rate and 65 cents per bushel more than they will get even on the portion assured target price payments. Relying on the government supports under this bill, they stand to lose an average of about 80 cents to 85 cents per bushel on their production.

If they are still around to produce wheat at all in 1976, they are going to cut their losses by reducing acreage—not just in Montana, but everywhere. The Midwest and Southern farmers who have planted wheat this year will certainly drop out. Then the consumers will suffer. Wheat prices will go up. Starting from their already inflated retail price levels for bread (retail food prices never come down as fast or as far as farm prices) there will be another escalation in food costs.

The low loan levels compared to the target or established price levels not only adversely affect the producers, they increase the government's exposure to losses, or payments. There is about a 20 percent spread between loans and targets in this bill—38 cents per bushel in the case of corn and 60 cents per bushel in the case of wheat—which represents the potential Government liability for payments. That spread certainly should not be more than 15 percent and 10 percent would be better.

Both the loans and the targets for grains in this bill and particularly for wheat should be higher in the best interest of producers, consumers and the Nation.

JOHN MELCHER.

ADDITIONAL VIEWS OF HON. BOB BERGLAND

Why, you may ask, is your Committee on Agriculture reporting a bill to raise farm income guarantees at a time like this?

Some of the important facts are:

1. About 60 percent of our wheat, 40 percent of our soybeans and 20 percent of our feed grains were exported last year in a volatile world market subject to sharp price fluctuations.

2. Last year farm product exports earned $22 billion, an all-time high and were the major factor in our near-balanced trade position.

3. This year farmers have been asked by our Government to produce every pound, bushel and bale possible in order to meet our own consumer needs and to continue to meet commercial foreign demands placed upon us. There are no production controls on any of the commodities covered by the bill.

4. The markets for grains have broken sharply since last November because of the chaotic conditions in the commodity markets of the world over which American farmers have no control.

5. A major portion of farm production costs are petroleum-based, i.e., fuel, fertilizers, pesticides and have tripled in cost during the past two years.

Current law provides price protection at levels far below current production costs and if grain markets continue to tumble, wholesale farm and agribusiness bankruptcies will follow.

The Committee bill is a compromise between those of us who would prefer much higher levels of protection and those who prefer no change. The grain guarantee levels recommended are about midway between present market prices and the protection afforded by present law. In no way will the grain sections increase food costs. To the contrary, ample food supplies can only be assured if there is some minimal protection against financial ruin and the resulting economic backlash.

In my state of Minnesota last year 3,200 farmers abandoned the production of milk because of the fierce cost-price squeeze. Nationally about 20,000 dairy farmers quit the business. I am convinced thousands more would have quit but for the fact that the proceeds of a sale would not have paid off the mortgage on the livestock.

The Committee bill would raise the price of manufactured milk products to levels comparable to prices received in February 1974 or to about $8.14 per hundred pounds of milk. I know from experience that unless dairy incomes are improved, the exodus of dairy farmers will continue; and if we are to depend on the dairy giants for our milk supplies—consumers beware.

The bill provides price protection for the 1975 crop only for the same reason your Committee moved quickly a few weeks ago to set aside the food stamp cost increases scheduled to go in place on March 1.

These actions will buy time during which the Committee can undertake a complete and comprehensive review of our food and fibre production and consumption policies, which in my judgment are in need of overhaul.

BOB BERGLAND.

DISSENTING VIEWS OF HON. FREDERICK W. RICHMOND

I voted against reporting H.R. 4296 to the House floor with its present language. The reasons I am opposed to this bill are different from those of the Administration and are different from those of some of my colleagues on the Committee who also opposed this measure.

The Administration is totally opposed to any government "interference" with the farm economy. The Secretary of Agriculture does not want to admit that it is the responsibility of the Federal Government to assist farmers when they are in need of economic assistance; I do. The Secretary of Agriculture does not care about helping farmers caught in difficult economic circumstances; I do. However, I am concerned not only with the impact of certain provisions of this bill and their effect on consumers in our cities, but with the effects of the support levels on the long-term economic situation for certain commodities.

I do not subscribe to Secretary Butz's contention that the government should not interfere with farmers; that we should let them suffer each drought, each flood, each blight. Farmers need our help more than ever and so it is incumbent on us to give them that help at such a level that they will still retain their independence as producers, while alleviating their fears of bankruptcy, or loss of their livelihood. At the same time, we must protect food supplies so there is an adequate amount here at home, plus something left over for us to offer to countries needing additional food themselves. We must assure the American consumer of a steady supply of food commodities at reasonable prices, and the only way to do that is to reach a level of support for our farmers that protects them while not adding to consumer prices.

I understand the farmer's plight when faced with rising costs and lessening return on his products. However, I cannot neglect the needs of consumers living in large, urban areas, who would be forced to pay higher prices because of some provisions of the bill. The bill recommends milk price support at 85 percent of parity, a figure which the President has vetoed once already. According to the Department of Agriculture, this would raise the cost of milk to the consumer 8 cents per gallon, raise the price of cheese by 10 cents per pound, and raise the price of butter a staggering 20 cents per pound. These price increases are intolerable to urban consumers. It affects the pocketbook of every middle-class family in the country. It will mean less food on the tables of the lower middle-class and the poor who are already struggling to get food to eat while prices rise higher and food stamps benefits do not.

Therefore, I will offer an amendment on the House floor to lower the support price for milk to 80 percent of parity while retaining the quarterly adjustment feature that assures the milk producer of more timely adjustments in the level of support to him without increasing prices to the consumer. This will discourage retail price increases in dairy products, while offering a reasonable level of support to dairy producers. I understand that dairymen are hard pressed, but with the continuing decline in feed costs, it can be anticipated that this will ease the economic squeeze that the dairyman finds himself in now. I feel that the 80 percent figure offers adequate protection to the dairyman. This is a one-year bill, and after this period, if conditions warrant, the Committee wil certainly reconsider whether or not to raise these support levels.

Furthermore, I believe consumers just aren't going to accept these increased retail prices without an argument. A drop in demand such as may be precipitated by raising these support levels may very well cause the dairy farmer more grief than help. If consumer demand falls, the dairyman's financial position will suffer, and he will be right back where he doesn't want to be, struggling just to make ends meet.

I believe the cotton loan of 40 cents and the target price of 48 cents are unjustified for several reasons:

(1) The market price of cotton is now below the loan level. Therefore, it is clear that if the loan remains at this artificially high level cotton farmers will be producing cotton America doesn't want and the government will be buying it at an unreasonable price.

(2) There is no overseas market for cotton. Fifty other countries produce the crop and worldwide demand is falling.

(3) The alternative crop for most cotton farmers is feed grains. To encourage farmers to grow cotton when nobody wants it, when they could be producing food that would help lower consumer prices is a bad food policy for America.

(4) There are now 6 million bales of cotton in storage in this country. This bill will result in an additional 4 million bale surplus. That's more cotton than we use in a year and there is no justification for keeping more than a year's supply of cotton in storage.

(5) If at the end of the loan period the government is forced to take possession of this loaned cotton, it will cost the taxpayer $10 million a month until it is sold.

Therefore, I will introduce an amendment on the floor that will lower the target price of cotton to 45 cents per pound and the loan price to 38 cents per pound. This together with the amendment I introduced in the Committee and which was accepted by the Committee to treat all crops alike when it comes to storage costs and interest rates will dampen cotton farmers' enthusiasm for growing cotton without causing undue hardship.

In closing I say to those who wish to build a coalition of farmers and consumers that the way to achieve this is not by raising prices to consumers, and thereby alienating them to the legitimate needs of farmers, but to address ourselves to the questions of concentration in the food industry by giant corporations, and the exploitation of small farm producers and consumers by large, multinational middlemen. H.R. 4296 does not address this basic problem.

Fred Richmond.

DISSENTING VIEWS OF HON. NORMAN E. D'AMOURS

On Thursday, March 6, the Agriculture Committee passed a one-year emergency bill by a vote of 32–8.

Among other increases, the bill provides for new target prices for wheat and corn of $3.10 a bushel, and $2.25 a bushel. These are increases from $2.05 a bushel and $1.38 a bushel, respectively. It also provides new loan rates of $2.50 a bushel of wheat and $1.87 a bushel of corn.

Such an increase was necessary, the Committee felt, because of the recent downward turn in grain prices following drastic fluctuations in market prices and rising operational costs.

Not unexpectedly, and with sound justification, the grain farmers of America want to protect themselves from future drastic price oscillation. Experience shows that this is a genuine risk and I have no quarrel with the increased target prices and loan rates since they remain well below present market prices for wheat and corn.

The situation for the cotton producer and the milk producer however, is not the same as it is for the grain farmer.

Unlike the grain situation, increased parity payments to milk producers to 85 percent, will according to testimony, result in direct cost increases to the consumer. The USDA estimates unit increases to the consumer of 8 cents per gallon of milk, 10 cents a pound of cheese, and 20 cents a pound of butter. These figures only reflect the price increase for the farmer and NOT the inevitable increases of the omnipresent middleman. The National Consumer Congress estimates a total cost to the consumer of $1.15 billion. $953 million is through across-the-counter price increases, and $162 million is the USDA's estimated support payment increase. In the past two years the taxpayer has paid $542 million into dairy support ($209 million in 1973–74, $332 million in 1974–75). The additional $162 million results in a cost of $494 million for 1975–76. The tax subsidy will have more than doubled in two years.

As a member of the Agriculture Committee, I heard no compelling evidence of the needs of dairy farmers such as to justify adding further to consumer costs in these recissionary times. Particularly, at a time when the dairy farmer's feed costs are decreasing.

The bill retains a quarterly review of parity figures, and I strongly support the continued retention of this provision. It is particularly important in view of the rapid changes in our agriculture economy. This provision allows us greater flexibility in ascertaining the movement of the market and how the dairy producer is affected by it. If we set a figure now on which we must rely until April 1976 we will have set a rigid standard whose legitimacy is in doubt at its creation. Present economic signs indicate it is too high a figure. The result will be further inequity to the consumer, the one party whose voice was not heard during the hearings.

The bill provides a 27 percent increase in target price from 38 cents to 48 cents a pound of upland cotton, and increases the loan rate per pound from 34 cents to 38 cents. This is in face of a decreased world and domestic demand for cotton.

The USDA estimates it costs the American taxpayer $50 million a year per penny that the market price falls below the target price. The present market price is 36 cents a pound plus 5 cents for the value of the cottonseed derivative for a total price of 41 cents. Right now that reflects a tax subsidized payment of $350 million.

With a 50 percent increase in carryover of excess cotton this year amounting to 1.9 million bales, the United States will have over 5.6 million bales of excess cotton in storage by August 1, 1975, according to the USDA. The 5.6 million bales in reserve stocks are presently sufficient to fill this country's needs for more than 11 months. The world supply is now 30 million bales and can supply the world's needs for 6 months. Coupled with a 4-month decrease in world demand it makes little sense to provide such a costly incentive to produce more of a commodity when the economic signs indicate it is neither wanted nor needed.

Based on an "intentions" survey conducted by the USDA in January 1975, cotton producers in this country have reduced acreage previously allocated to the production of cotton from 13.9 million acres to 9.5 million acres, a reduction of nearly one-third.

The cotton producers realize the portent of such an excess supply. The market price for cotton will fall and the farmer will be hurt by the glut. Their only remedy after that will be to rely on the U.S. taxpayer again.

The cotton producer has been provided an incentive by the loan rate for soybeans included in this bill to reallocate his acreage to the growth of soybeans. Other crop growth is possible depending on the area of the country. The American farmer should be further induced to grow food crops rather than commodities which are nonfood, and not in need. He must not be induced to price himself out of the world market; a real likelihood if the 48 cents target price is passed.

NORMAN E. D'AMOURS.

SEPARATE VIEWS OF HON. WILLIAM C. WAMPLER

American farmers are to be commended for the abundance as well as the efficiency of their production. Our farmers in 1974 not only supplied consumers with adequate supplies of food and fiber, but they have—through hard dollar sales of agricultural exports of approximately $22 billion—neary provided us with a balance of payments to offset the nearly $24 billion in imports of crude oil needed to meet our energy crisis. The high productivity of our nation's farmers has permitted this country to be competitive in world markets such that our commodities were readily saleable despite sizeable donations of food products to foreign countries in 1974.

The United States farmers, however, are faced with a cost-price squeeze (a persistent problem in farming), which has been aggravated over the last two years by double-digit inflation combined with a world-wide recession that has caused sharp reductions in recent months in the prices that farmers are receiving for their products. Farmers are entitled to and must be given some relief in these circumstances.

H.R. 4296, which accompanies this report, has been generally referred to as emergency legislation. I am concerned that Congress not over-react to what has been characterized in hearing testimony and the press as an emergency. While the situation is such that it warrants quick action, the action must be accompanied, in my opinion, by sound economic and political judgment that results in legislation and not the undesirable consequences of a possible Presidential veto, a political issue for some, and no near-term answer or solution to the problems of either the farmers, the consumers, or the taxpayers.

I am not convinced that the amendments in this bill, anymore than the Agriculture and Consumer Protection Act of 1973, should be characterized as a minimum farm income guarantee through the expedient of adjustment to target prices, loan and purchase levels on certain commodities and the provision of increased price supports for milk. Such thinking and such a rationale for this or similar farm legislation will surely hasten or insure a federally "controlled" farm economy.

The 1973 Act, and the amendments contained in the bill accompanying this report, provided for an escalator for target prices and loan levels based on changes in "the index of prices paid by farmers for production items, interest, taxes, and wage rates," and also provided that any increase was to be adjusted to reflect changes in yields per acre. It was never intended, in my opinion, nor does the legislative history of the 1973 enactment so reflect, that farmers should be guaranteed an income that would permit them to recover the costs of their production. Farmers, by and large, are an independent group of individuals who much prefer free markets to subsidization, farm controls and a federal government seemingly out of control over its budget.

Nonetheless, farmers are entitled to some relief in an economy dominated and controlled by the Federal government in other areas such that floors are placed on wages; that large government deficits result in increased prices for manufactured products that farmers purchase; and export monitoring and substantial imports on certain farm products (such as cheese and beef) operate as a whipsaw on differing segments of the farm economy trying to make a profit on their operations. The relief to which the farmers are entitled to help them meet the financial risks, some of which have arisen because of governmental action either directly or indirectly, involved in the production of their products is largely judgemental and must, I believe, be disassociated from guaranteed income, recovery of the costs of production, etc., or the farmer and the Federal government will once more march down the road to subsidies, set asides, and a loss of our world markets. Farmers are, in my opinion, more favorably disposed to reasonable loan levels that will permit them to control their own productoin to a large extent.

The figures for target prices, loan levels and support prices for milk as contained in H.R. 4296, as amended, are the judgment of the majority of this Committee as to what the farmer should receive. It does not agree with the judgment of others on the Committee who claim to represent primarily consumer, as opposed to farm, interests. The Agriculture Department opposes the prices arrived upon by the majority of the Committee as noted in correspondence inserted in the main part of this Report. This opens speculation that even though the majority of the Congress were to agree with the prices agreed upon by the majority of the Committee, the President, who speaks for the Executive arm of the government, may through a balancing of the interests of farmers, consumers and taxpayers reach different judgment, equally valid in the eyes of many, as to exactly what price should appear in the bill. Thus, unless the votes are there to override such a position by the President, if, as and when it may come, we will have passed an issue bill and the farmers for whom the relief is sought will not have averted its undesirable consequences—no bill or a bill enacted too late in the growing season to be of optimum assistance. On my part, I believe and want a bill drafted and designed to insure enactment at an early date.

Perhaps this bill will not encounter any difficulty on the Floor; however, in the event that the bill does encounter trouble and its passage is in doubt, I reserve the option to offer a substitute which I believe would achieve a legislatively attainable goal—enactment in time to help the farmers and a bill that is acceptable to consumers.

William C. Wampler.

DISSENTING VIEWS OF HON. PAUL FINDLEY AND HON. STEVEN SYMMS

This bill is based on the wrong philosophy, the wrong economics, and the wrong politics.

It should, therefore, be rejected.

TARGET PRICE SYSTEM UNSOUND

The so-called "target price" system of price supports was started by the Agriculture and Consumer Protection Act of 1973, an omnibus farm bill, signed by President Nixon at the height (or depth) of Watergate.

It was based on the philosophy that certain farmers, i.e., those who grow corn, grain sorghum, barley, wheat and upland cotton should, as a matter of law, receive cash payments from the Government for the difference between the price at which they sell those commodities in the market and a price that the Government says they "ought to get," i.e., the target price.

A "target price" for a farm commodity is nothing more than an amount of money, expressed in good old American dollars, at which the taxpayers will begin paying certain farmers if market prices slide below that figure.

The higher the target, the greater the taxpayers' risk or "exposure" to paying cash subsidies.

The price tags on the target prices are easy to figure. Every penny increases or decreases the pay-out to farmers and has been calculated by the U.S. Department of Agriculture as follows:

	Million
Feed grain	$69.4
Wheat	16.8
Cotton	49.9

To use a current example, if target prices on upland cotton were set at 48 cents, as proposed in the Committee bill, instead of 45 cents as proposed in full Committee in an amendment offered by Mr. Krebs which failed on a 23–15 record vote, the extra taxpayer cost will be $150 million ($49.9 million per penny × 3 cents).

These original target prices were arbitrarily set by the Senate at figures which in the spring of 1973 were 70 percent of parity. The House, bowing to Administration pressure, cut those figures 10 percent and when all was said and done, the House figures prevailed. That, in brief, is how the present $1.38 corn, $2.05 wheat, and 38-cent cotton target prices came to be.

Farm subsidies are, of course, nothing new. Our Government has been experimenting with them for many years. The present target pricing system and this bill are then only different subsidy systems, but we submit they are unsound per se.

Just as the 1973 Act arbitrarily sets the level at which American taxpayers will be forced to pay cash to grain and cotton farmers, so does this bill.

H.R. 4296 sets those levels at different levels of parity for corn (77 percent), wheat (70 percent), and cotton (64 percent).

H.R. 4296 raises them to a level where taxpayers can reasonably expect to pay $882 million more this year than they would under the basic 1973 law.

The mischief of this system, however, does not end there.

In administering this bill, if enacted, the Administration would immediately be faced with escalating expenditures. To hold down those expenditures at a time when the national deficit is in dizzy and dangerous conditions, the temptation will be very strong to implement the so-called "set aside" provisions of the 1973 Act and pay grain and cotton farmers not to grow these crops because it would be cheaper for the Government to do so.

The other temptation, to which the bill has already succumbed, is to raise the CCC loan levels, thereby reducing the "exposure" to target price payments. If set too high, that in turn artificially raises the market price and the Government is back in the cotton and grain storage business.

LEGISLATING HIGHER MILK PRICES

Finally, the dairy provisions of this bill, which were adopted without any hearings or without thorough consideration, also are designed to escalate both taxpayers' costs and consumer prices on dairy products. The 85 percent of parity level (which will be increased quarterly) is as arbitrary as the target price levels in H.R. 4996.

The main thing different about this provision is that taxpayer costs and consumer prices will be increased every three months rather than "every so often" as was the case before.

Let us not forget either that dairy products are the only livestock commodity supported by CCC and the present $7.24 per cwt level of support is the highest in terms of parity for any agricultural product that our Government supports.

If corn, wheat, and cotton were supported similarly at 85 percent of parity, the levels would be $2.52 for corn, $3.78 for wheat and 64.3 cents for cotton.

At these levels, USDA estimates program costs for a five-year program at $3.727 billion for corn; $4.741 billion for wheat and $15.204 billion for cotton. Clearly, these levels are unconscionable. Why then should milk be supported at 85 percent of parity?

This level is a one-two punch on Americans.

CORN AND WHEAT

High corn and wheat loan levels could be more costly than is immediately obvious in the event of large Government takeovers of the crops. The variable cost of storage and handling is about 16.5 cents per bushel. The cost of borrowing money at about eight percent at an average acquisition cost of $2.00–$2.25 for wheat and corn would be about 18 cents per bushel. This would total 34.5 cents per bushel or $12–$15 per ton for storage and interest alone. If 40 million

tons are taken over during the next five years at these loan levels, the total cost for just the interest and storage would be about $600 million. If direct purchases were made, the cost would be much higher.

SOYBEANS

Establishing a loan program for soybeans is a mistake. Such a program would distort production patterns, making them less responsive to changing market requirements.

Soybeans have become the American wonder crop, leading all others in exports while enjoying a minimum of government interference.

A soybean loan program would change all this. Stockpiles would ultimately result, having disastrous consequences on the soybean market. If world prices should fall, our traditional customers would turn to other sources (such as Brazil) and our position as reliable suppliers would be threatened. This would almost certainly force us into an export subsidy situation.

Enactment of a soybean loan program would be the beginning of serious trouble for soybeans. The loan program must be defeated if the soybean farmers and our export markets are to prosper.

Thus, in terms of developing a national food and agricultural policy, this bill represents no logical or cohesive thinking; only "how much can we get out of the taxpayer and the consumer."

WRONG ECONOMICS

The economics of this bill are bad, both for the consumer and taxpayer, who must pay for this legislation; and the farmer, who must adjust to its deleterious effects.

Under the bill, the big end of the money and the main effect on the marketing system is concentrated on cotton.

The target levels proposed for grains seem more unlikely to be triggered in 1975 because of current strong market prices. In 1976 and later years, grain will, of course, get into the same pickle under this kind of legislation, but for 1975 most of the money (some $652 million) is on cotton, which serves as a standing example of how not to operate a sound farm program.

With a loan price of 40 cents for upland cotton, many growers (particularly in the low cost production areas) can be expected to produce cotton for the loan rather than for a market demand. On the average, direct costs of cotton production are estimated by USDA to be about 33.4 cents per pound so farmers will be guaranteed a profit on the 40 cent loan price set by the bill.

Continued and possibly increased high levels of production due to a high loan price can only create disaster in the cotton market.

The cotton market currently faces an extremely high domestic stock carryover, projected record highs in world stocks, and a diminished demand for cotton.

The market is signaling a need to reduce production and when farmers must sell in the market place they respond to these signals. Without higher loan levels, the expected planted acreage for upland cotton in the United States is 9.5 million acres in 1975. This is down 4.4 million acres from 1974.

Cotton's share of the U.S. fiber market has decreased dramatically since 1961 when cotton was 62.2 percent of mill consumption. In 1974 cotton was only 29.3 percent of mill consumption. With a high administered price for cotton, its position relative to other fibers can only worsen leading to an even lower level of domestic consumption.

Current USDA figures estimate that domestic disappearance of the 1974 upland cotton crop will be 6.0 million bales—this is down a dramatic 1.4 million bales from the 1973 crop. But even this dramatic drop in domestic consumption may be too conservative an estimate. This past January domestic mill consumption was down 35 percent from the previous January figure ($712,000 bales consumed in January 1974 versus 462,000 bales in January 1975). If the 35 percent decrease in January continues for the remainder of the season, then domestic mill consumption will total only 5.1 million bales for the 1974 crop. A decrease in domestic consumption from 7.4 million bales in crop year 1973 to 5.1 million bales in crop year 1974 is a 31 percent decrease.

With 5.1 million bales going into domestic consumption under the assumed decrease rate then this leaves 6.5 million bales in stock at the end of the season which is even greater than the already high USDA of 5.6 million bales.

	Upland cotton			
	Current estimates			Estimate based on lower domestic consumption [1]
	1972 crop	1973 crop	1974 crop	1974 crop
Total supply (millions of 480 lb net weight bales)	16.8	17.1	15.4	15.4
Domestic disappearance	7.7	7.4	6.0	[1] 5.1
Exports	5.3	6.1	3.8	3.8
Total use	13.0	13.5	9.8	[1] 8.9
Ending stocks July 31	4.0	3.8	5.6	[1] 6.5

[1] Revised figures based upon the assumption of a 35-percent decrease in domestic mill consumption for January through July.

Source: USDA, March 1975.

Exports of the 1974 upland cotton crop are expected to be down dramatically from the level reached in 1973. Exports are expected to be only 3.8 million bales from the 1974 crop as compared to 6.1 million bales exported from the 1973 crop. This is simply continuing evidence of our worsening position in the world market.

On the international level, world stocks are expected to increase to record high levels. Preliminary estimates put 1973 crop stocks at 24.4 million bales. Forecasts for the 1975 crop reach 29.7 million bales.

COTTON: WORLD STOCKS, PRODUCTION, CONSUMPTION, AND EXPORTS BY AREAS, SEASONS BEGINNING AUG. 1

[In millions of bales of 480 lb. net]

Item and area	1968–69	1969–70	1970–71	1971–72	1972–73	1973–74 preliminary	1974–75 forecast	1975–76 forecast
Beginning stocks:								
United States	6.5	6.5	5.8	4.3	3.3	4.1	3.9	5.7
Foreign non-Communist:								
Exporting countries	5.7	7.3	7.4	6.3	7.3	7.9	8.9	10.7
Importing countries	6.6	6.0	5.7	5.5	6.1	7.2	6.5	5.9
Communist countries	4.4	4.0	3.0	4.3	5.2	5.2	6.2	7.4
World total [1]	23.2	23.8	21.9	20.4	21.9	24.4	25.5	29.7

[1] Excludes cotton afloat, in transit, and in free ports.

Source: USDA, March 1975.

When the "target price" is increased by 10 cents and the loan by 6 cents, it is obvious that a lot more cotton will be grown than is needed, and the public will buy it and pay to store it for many years to come.

Wouldn't it be much better to let that land, which otherwise will go into cotton under this bill, be devoted to other crops * * * particularly food crops in these times of inflation and hunger?

MILK * * * SOUR ECONOMICS FOR TAXPAYER AND CONSUMER

According to the U.S. Department of Agriculture, which appears to be the only reasonable source of information available, since the Committee developed no record of its own and the milk lobby cannot be relied upon to be objective in this matter, there would be four major effects on the American dairy picture.

The first involves costs to the taxpayers.—The purchase costs to CCC under this bill would be $162 million higher (65%) than the $250 million projected under the present level of support for the 1975–76 marketing year, and if extended through March 31, 1977, as proposed by the Dairy and Poultry Subcommittee, $221 million higher (76%) than the $290 million projected for the 1976–77 marketing year. Increased storage costs would naturally result from larger inventories of dairy products.

The second involves costs to consumers.—By the end of the 1975–76 marketing year, the support price under the new bill would be 95 cents above the $7.24 support price already announced. This is equivalent to farm level increases of 5½ cents per half-gallon of milk, 9½ cents per pound of cheese, and 10½ cents per pound of butter. These increases at the farm level would probably result in increased retail prices for most dairy products as follows:

Over 4 cents per half gallon of milk.
10 cents a pound for cheese.
20 cents per pound for butter.

The third effect would revolve around the quarterly increases that are made mandatory by the bill. Quarterly adjustments in the parity price would tend to be market disruptive because manufacturers, processors, and dealers would tend to hold dairy products off the market in anticipation of receiving higher prices at the beginning of the next quarter.

The fourth effect would be to reduce commercial use by an estimated 1 billion pounds.

In summary, this bill if enacted would:

(1) Stimulate an excessive supply of milk resulting in larger CCC purchases and higher Government costs (65 percent higher for 1975–76 and 76 percent higher for 1976–77).

(2) Result in higher retail prices of dairy products to consumers.

(3) Would be inconsistent with the national effort to combat inflation and reduce the budget deficit.

(4) Cause market disruptions because of the quarterly adjustment provision.

WRONG POLITICS

The winds of reform, which bring a call for open and thorough consideration of every major legislative proposal, are quiet at the Committee on Agriculture, where over half of the membership is new and hasn't heard one minute of testimony on dairy problems.

The political predicate for this bill seems to be that suburban, urban and other Members of the House who don't have significant constituencies of grain, cotton, or milk producers should vote for this bill, because it brings an answer to America's current economic troubles, while laying the basis for rural Members to support a variety of other non-farm measures that will come before the House in the 94th Congress. The fact is that Members of the House will support those measures they believe in and oppose those they don't, regardless of the fate of this parochial bill.

We submit this bill is not an answer; it's only a hasty and ill conceived response to the "politics of promising more."

It should be summarily rejected and sent back to the Committee for a careful and thorough examination.

PAUL FINDLEY.
STEVE SYMMS.

SEPARATE VIEWS OF HON. JAMES P. JOHNSON

ISSUES OR ANSWERS

There are two choices for the House in considering this bill. The first is to find an answer. The second is to create an issue.

I seek answers—not issues.

The bill developed by the Committee does not hold high promise of becoming law.

I seek a law—not a bill.

In order to get an answer to the severe problems now facing farmers and to enact a law in 1975 that will help them, I intend to support amendments on the floor, which will bring this bill into the range of reality.

1973 ACT BACKGROUND

In the Agriculture and Consumer Protection Act of 1973, specified target prices were $2.05/bushel for wheat, $1.38/bushel for corn, and $0.38/pound for cotton. No increases were authorized for 1974 and 1975, but beginning in 1976, target prices are to be adjusted to reflect increased costs to producers. There is no question about the increased costs to farmers for the ingredients required to produce crops. The question reduces itself to where does the target price cease to become a guarantee against disaster and where does it become an operating and capital subsidy.

The present bill proposes target prices of $3.10/bushel for wheat, $2.25/bushel for corn, and $0.48/pound for cotton. What is the basis for these figures? In "trying to get as much as we can for farmers" (a phrase used repeatedly by Members of the Committee), the Committee has settled for these figures as being politically attainable. That may be. But in so doing, I feel the bounds of reasonable guarantees to producers are being exceeded and replaced with political expedience which gives no credence to budgetary or long range agriculture problems.

If the 1973 target prices were adjusted upward to reflect present day costs of production, they would be for 1975, $2.51/bushel for wheat, $1.68/bushel for corn, and $0.44/pound for cotton.

COST OF PRODUCTION

To reach a fair figure for target prices, we must consider what it costs to produce these crops. It is at this point that political judgment must become a factor, because these figures vary with every producer and with every set of figures. For example, figures gathered by the Library of Congress from Iowa State University, the University of Illinois, Texas A & M, Auburn and Kansas State University show the cost of production in 1975 for corn to be $1.81/bushel in

Iowa and $2.10/bushel in Illinois, adjoining States. The 1975 costs for cotton production are estimated to be $0.404/pound in Texas and $0.455/pound in Alabama. Cost of wheat production is estimated to be $3.09/bushel in Texas and $2.50/bushel in Kansas. Congressman Litton's staff compiled figures for the cost of production from various universities, which varied from $2.66 to $3.37/bushel for wheat and $1.85 to $2.10/bushel for corn.

The Department of Agriculture estimated cost of production figures are as follows: corn (Indiana) cost/bushel (108 bushel yield) $1.79; wheat (Kansas) cost/bushel (33.3 bushel yield) $2.50; cotton (Delta) cost/pound (600 pound yield) .488 (lint and seed).

Obviously these figures must be carefully analyzed. In my opinion, the Committee has made no real analysis, but it has opted for "getting as much as we can."

The National Corn Growers Association's computation of cost of production is as follows:

"EXHIBIT A"

NATIONAL CORN GROWERS ASSN'S, COMPUTATION OF COST OF PRODUCTION OF CORN AS OF JAN. 1, 1975, ON AN AVERAGE 500 ACRE CORN BELT FARM HAVING AN AVERAGE YIELD OF 125 BU. PER ACRE (CORN FOLLOWING A PREVIOUS CROP OF SOYBEANS)

	Machine cost per acre	Labor hours per acre
1. Growing costs:		
Spreading potash and phosphate fall 1974	$3.75	0.10
Chisel plowing (fall 1974)	4.40	.20
Field cultivating (spring 1975)	2.45	.07
Applying nitrogen (anhydrous)	2.20	.12
Levelling with crustbuster	1.70	.05
Planting with 8 row planter	3.30	.14
Rotary hoeing	1.15	.06
Cultivating once with 8 row cultivator	1.25	.10
Herbicide spraying	1.00	.05
Wagons flatbed trailers pickup use shop and other equipment	2.10	.02
Total	20.30	.92
2. Cost of labor to grow the crop: 2 men at $9.52 per hour each equals $19.04 labor cost per hour; 0.91 hours times $19.04 per hour equals $17.33	17.33	
3. Seed fertilizer and chemicals (No machine or labor cost included as is covered in No. 2 above):		
Seed corn	10.86	
Fertilizer 120 lb. nitrogen at 19½ cents; 60 lb. phosphate at 24 cents; 60 lb. potash at 8 cents; lime [1]	46.53	
Herbicides bladex plus other herbicide, 4 lb. at $3.50	13.20	
Insecticide Furdan 10 lb. per acre at 40 cents per lb	4.00	
Total	74.59	
4. Harvesting and storage (machine labor equipment and material costs are combined):		
Combining (corn grown in 30 in. rows)	14.20	
Hauling 125 bushels per acre at 5 cents per bu	6.25	
Drying 125 bushels per acre from 24 to 14 percent at 12 cents per bushel	15.00	
Storage of 125 bushels at 1½ cents per bushel per month for 7 mo	13.12	
Total	48.57	
5. Real estate taxes	10.60	
6. Farm operating overhead: Liability workmen's compensation casualty and hail insurance; legal and accounting expenses; tax reporting; phone and other office expenses; dues and subscriptions; travel costs in investigating new machinery purchases, obtaining repairs and for other farm business; farm short courses; hauling supplies from distributors to point of use	6.00	
7. Land capitalization cost $1,350 per acre at 8½ percent per year	114.75	
8. Total cost per acre	292.14	

9. Cost of production per bushel on 125 bu. per acre yield: $2.34.

[1] Nitrogen, $23.40; phosphate, $14.40; Potash, $4.80; Lime, $3.93. Lime—3 tons per acre at $7.87 per ton, lasting 6 yr.

Please examine the figures carefully. Note labor cost is fixed at $9.52/hour. Does anyone know a farmer who pays these wages? Note

the elements of farm operating overhead. Should the U.S. Government guarantee all these costs, which are so dependent upon individual operators' methods of doing business? The land capitalization cost is perhaps most critical. If this figure is included, then the U.S. taxpayer is guaranteeing the purchase of a farm in less than nine years! Remove this land capitalization cost from the National Corn Grower's Association's figures and the cost of production is $1.42/bushel for corn—not $2.34.

The USDA figures of $1.79/bushel for corn, $2.50/bushel for wheat, and $0.488/pound for cotton used the following assumptions to develop cost estimates:

All labor charged at prevailing wage rates for hired labor.

Market value of cottonseed was included in total cost; if value of cottonseed is taken out, cost of lint would be about 42 cents.

Crop yields used were projected "normal" yields for 1975.

Per acre costs for items other than land were estimated to be up about 14 percent for corn and cotton and up 33 percent for winter wheat on fallow. The larger increase for wheat is partly due to the difference in planting time; the sharp increase in fertilizer prices shows up in 1975 winter wheat costs whereas much of that price increase had been in the 1974 costs for corn and cotton.

Land charges included estimates for land values and interest charges. These were:

Corn.—Land valued at $920 per acre, interest at 8 percent.

Wheat.—Land valued at $400 (for 2 acres using a fallow rotation), interest at 8 percent.

Cotton.—Land charge based on a composite of cash rent, share rent and interest on investment in land using the proportions in which these rental arrangements and land ownership occurred, interest on owned land at 7 percent.

These figures also contain a factor for land capitalization. Land owners receive a capital subsidy each year even under these figures! If wheat costs $2.51/bushel to produce using the USDA estimates, then a target price of $3.10/bushel guarantees out-of-pocket costs, land purchase at $200/acre, plus a profit of $0.59/bushel! Similarly, if corn costs $1.79/bushel to produce, which includes an 8 percent capital return per acre of corn land valued at $920/acre, the U.S. taxpayer is guaranteeing out-of-pocket costs, land purchase plus $0.46/bushel of corn at the target price of $2.25.

Under this bill, corn farmers get a higher guaranteed percentage of parity than wheat farmers, and wheat farmers get a higher percentage of parity than cotton farmers, reflecting no doubt the geographical distribution of the membership of the Committee. This is equity to farmers?

How can we avoid providing similar guarantees for all farmers? What about farmers who grow tobacco, rice, peanuts, fruit, vegetables, etc.? Can we do no less than guarantee them their out-of-pocket costs, their land purchase prices, plus 20–25 percent as we are doing here for wheat and corn? And why stop there. Deserving small businessmen across the country (and large businesses too) could legitimately ask the same guarantees!

I believe that this formula of operating cost subsidy plus capital cost subsidy plus additional profit is highly unreasonable and parochial. I yield to no one in my desire to see the farmer prosper, but the guaranteed target prices of this bill simply cannot be justified.

In addition, I am concerned about the lack of thorough consideration of the dairy and soybean sections of this bill and what appears to be the excessive costs of the cotton program.

The remedy, it seems to me, is to change this bill on the floor so that needed help will be provided to farmers without undue cost to the public.

JAMES P. JOHNSON.

DISSENTING VIEWS OF HON. PETER A. PEYSER AND HON. MARGARET M. HECKLER

Although H.R. 4296 has been proclaimed by many members of the Agriculture Committee to be an emergency bill to assist the farmers, we do not, in fact, believe that this bill will serve the farmers' interests. This bill will have a drastic impact on consumers and taxpayers and will ultimately have an adverse effect on our farming sector.

H.R. 4296 was initiated as an emergency bill to assist wheat, feed grain and cotton farmers. In its final form it wound up including dairy and soybeans in addition to the other commodities.

The most alarming aspect of this bill is the enormous potential cost associated with it. By increasing the cotton target price from 38 cents per pound to 48 cents per pound and the loan level from the present 34 cents to 40 cents per pound, the USDA estimates that the CCC will be required to purchase $554 million of cotton under the loan program. In setting the loan level above the current market level of 39 cents per pound, farmers will no longer be producing for the market; but will in fact be planting for government consumption. We will, thus, be encouraging farmers to produce cotton—a non-essential, non-food item which in certain sections of the country can no longer be produced economically, at the expense of food crops which can be grown on this land.

Additionally, this bill would extend the loan period for cotton producers from the current 10 months to 18 months, at the grower's option. This will help neither the farmer nor consumer. By keeping the crop under loan in a warehouse the interest and storage costs to the farmer increase each month; thus the minimum acceptable selling price must increase accordingly. We have been advised that the cost added to the cotton for each month it is under loan is ½ cent per pound. The 18 month loan provision would, therefore, increase the raw cotton price by 9 cents per pound. Since it is agreed that the loan level, in fact, sets the minimum price, when the 9 cents per pound is added to the 40 cent loan, the minimum market price is established at 49 cents per pound which is considerably above the 39 cents which cotton is presently selling for. In January, U.S. cotton consumption was 35 percent below that of a year ago. If this bill passes demand for cotton will decline even further. Neither consumers nor farmers will therefore be assisted by this action.

So, too, for the dairy provisions of this bill. An increase in the price support to 85 percent of parity will have drastic effects on the retail price of dairy products. It is estimated that the price of milk will be increased 8 cents per gallon, cheese will be increased by 10 cents per pound and the price of butter will be increased by an incredible 20 cents per pound. It is also estimated that consumers will pay almost $1 billion in higher retail costs. In addtion, taxpayers will be paying an addtional $162 million for CCC purchases above the $250 million already proposed as a program cost.

As consumers are forced to pay higher prices, consumption will drop substantially and thus the farmers, too, will be adversely affected by this unpropitious action. We have, in fact, spoken to dairy farmers who have expressed concern over the inevitability of the occurrence of this very phenomenom.

Particularly disturbing about this bill, is the fact that no hearings were held in this session on the dairy provisions. Thus, we are actually voting on this bill in the dark, without the benefit of expert testimony to review.

Because this bill is extremely inflationary and will have a negative impact on the consumer and farm sectors of our economy, we urge that H.R. 4296 be defeated on the floor.

PETER PEYSER.
MARGARET M. HECKLER.

ADDITIONAL VIEWS OF HON. JAMES M. JEFFORDS AND HON. RICHARD NOLAN

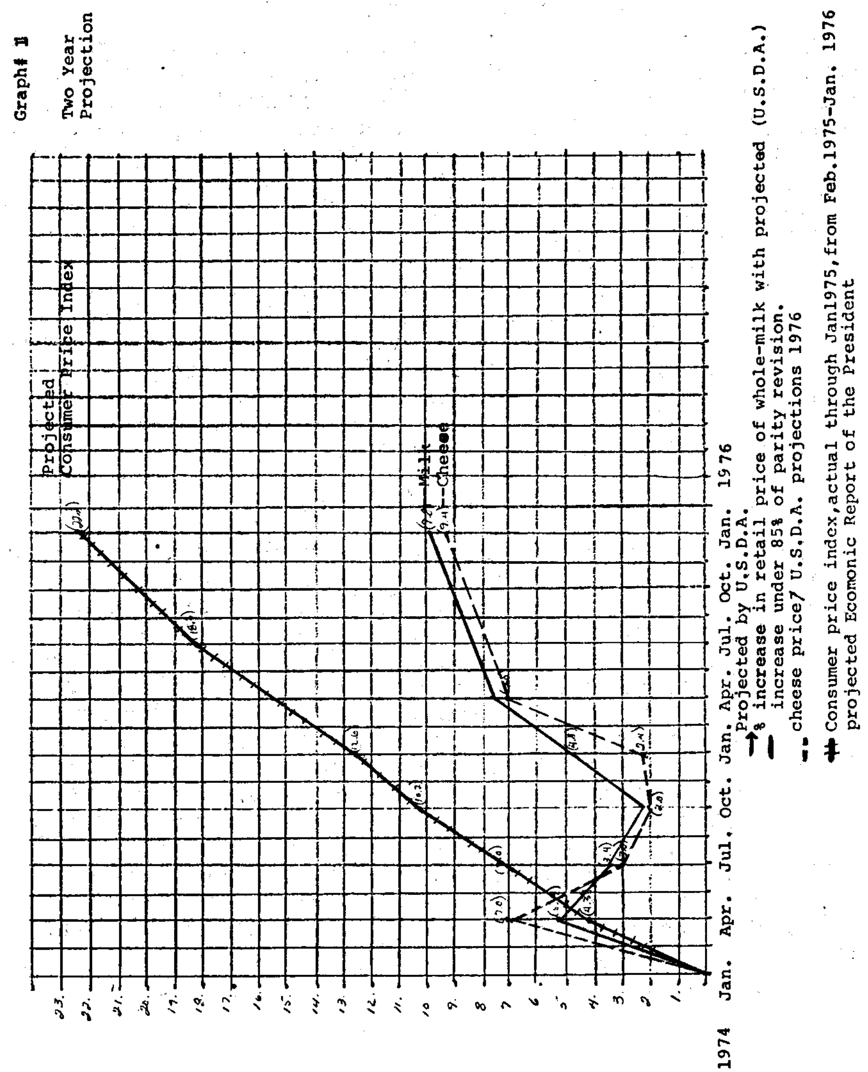
Provisions in this bill calling for a milk price support set at 85 percent of parity and adjusted quarterly are, for all intents and purposes, identical to those in S. 4206 which was passed overwhelmingly by both houses of the 93rd Congress and subsequently pocket-vetoed.

On the same day that the bill was vetoed, the Secretary of Agriculture announced that the support level would be raised to 80 percent of parity as of January 1, 1975. The negligible, if not negative effect, of this action is discussed below under Need for Quarterly Adjustments. The plight of the dairy farmer has not improved significantly if at all. From March to December, 1974 the Minnesota-Wisconsin base price fell from $8.15 to $6.41 per hundredweight (for milk with 3.5 butterfat content). Since the Secretary's announcement, this index has risen slightly to $6.85, but this is still far from enough to allow the farmer to make payments. In the meantime production costs have spiralled. Costs of labor, feed grains, energy and credit rose 17 percent (USDA estimate) from 1973 through 1974.

CONSIDERATION OF COSTS TO CONSUMERS

The USDA estimates that the price of milk will increase 8 cents per gallon, cheese will increase 10 cents per pound and butter will increase 20 cents per pound. This is based on the increases in the support floor from $7.24 to $8.19. It first must be pointed out that these projected price increases are not expected immediately. They represent projected end of the year prices. The parity formula factors in the increases in the General Index of All Prices. Thus projected inflation over the course of the year is responsible for much of the expected increase. For instance, 3.3 cents of the 10 cent cheese increase is pure inflation.

While we recognize that there will be a certain increase in consumer prices we should compare these to general price increases to get a better perspective. The following graph plots the Consumer Price Index of last year and its projected extension through 1975. The other lines represent changes in the retail prices for cheese and milk and for this year include the Department's projected price increases with the move to 85 percent of parity with quarterly adjustments.

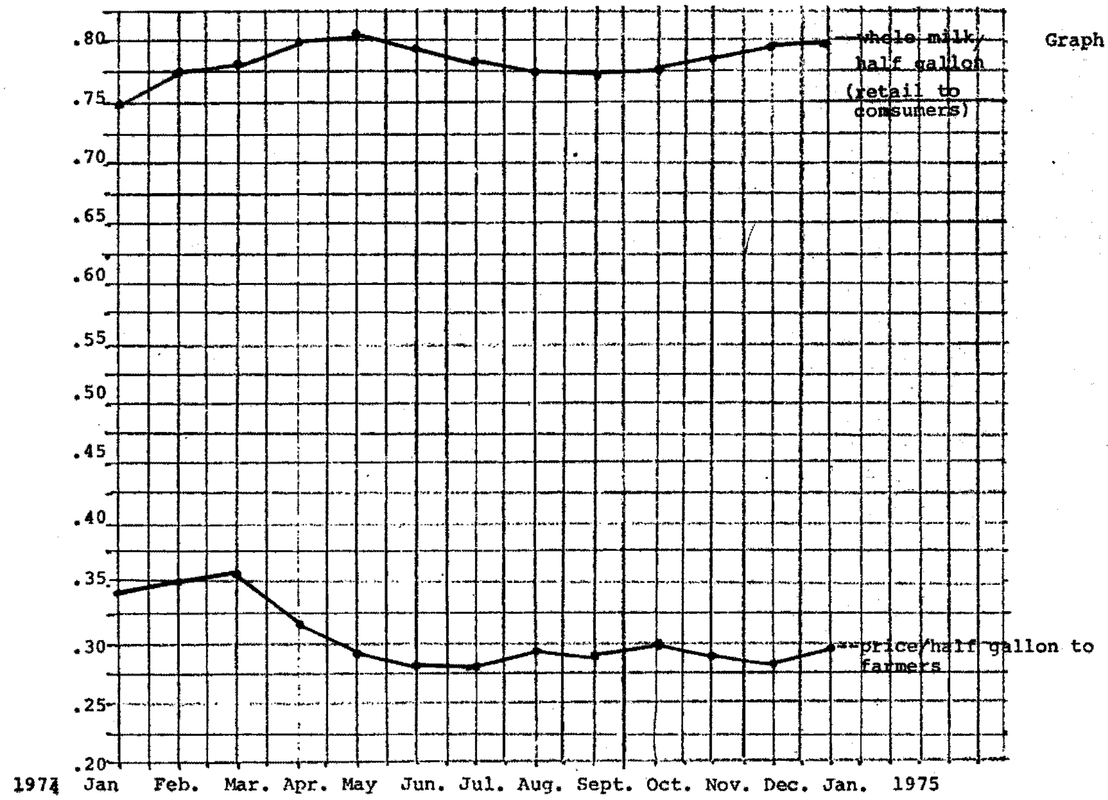


The graph demonstrates that the prices of milk and cheese have lagged far behind the Consumer Price Index. In fact, for much of the two year period represented they actually declined. Moreover, the graph shows that even using the Department's price projections the rate of increase is still substantially below the general rise in all prices.

Several other factors make the validity of the Department's figures suspect. For instance, we must consider that a majority of the federal milk orders use over-order pricing for fluid milk. Many of these prices are already in excess of the anticipated increases in the Class I prices at 85 percent with quarterly adjustments. Thus, in many cases, there would be no increase in the price of milk to consumers. With butter, the availability of a lower priced substitute might act to depress the price for butter negating much of the expected increase. Many other factors confuse the matter.

The following graph shows how the increase in retail prices for milk and cheese bears little resemblance to the actual prices paid to farmers. During 1974 the price of milk to the consumer rose nearly 4 cents per half-gallon, while the price paid to farmers dropped over 5 cents. The same trend is seen in cheese prices.

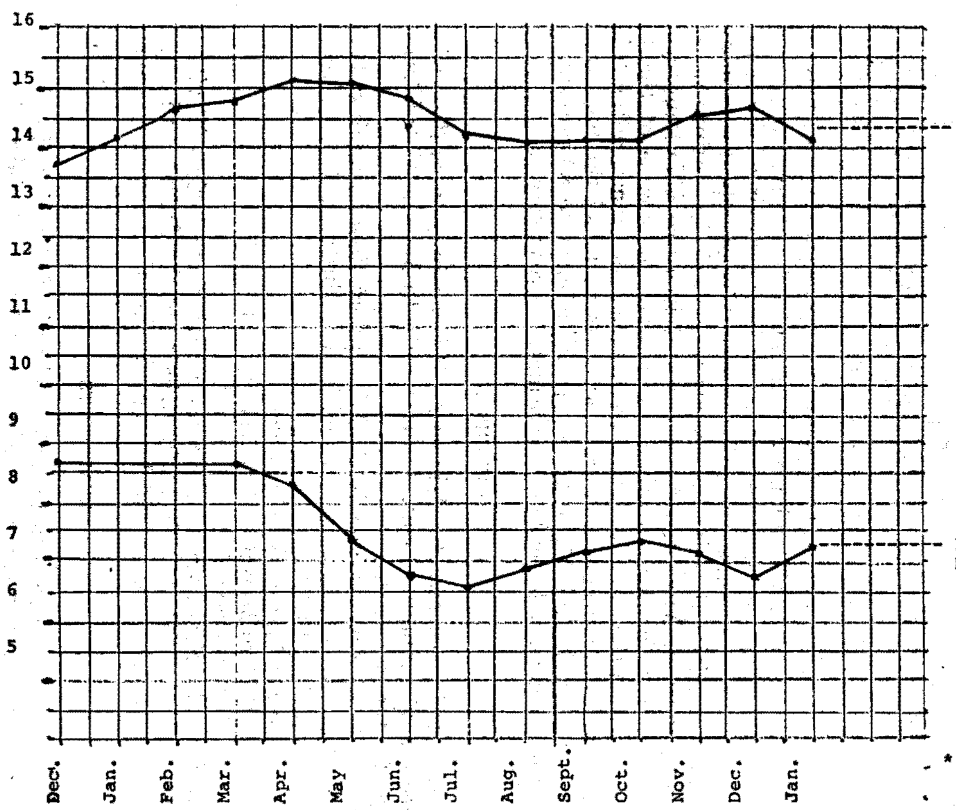
Graph # 2



Retail Farm Price Milk Spread

Based on U.S.D.A. figures

Graph # 3



* 10 lbs. Milk required to make 1 lb. cheese

Retail Cheese and Farmer Manufacturing Milk Price Spread

Based on U.S.D.A. figures

The message here is clear; we should look beyond the farmer to find the true diseconomies which cause the increases in the costs of our food. In the meantime we must assist the farmer.

NEED FOR QUARTERLY ADJUSTMENTS

The need for quarterly adjustments is well demonstrated by examining the actual parity levels on a quarterly basis. The parity level of 80 percent was traditionally set on April 1, 1974. Due to inflation, this figure had slipped to 73 percent late in 1974. As to the future, without quarterly adjustments, using USDA figures, what was 80 percent of parity on January 1, 1975, becomes 77.8 percent of parity as of April 1, 1977, and falls to 75 percent of parity as of January, 1976. Further, because of insufficient make allowances, the present base price is not even close to the target 80 percent floor of the $7.24 (it was $7.01 in February). The Secretary has no plans to adjust the price before April 1976.

When the Secretary made his announcement of the 80 percent price floor as of January 1, his action was applauded by many. Because of its timing the announcement seemed to be in the spirit of the sentiment in Congress to raise the milk price. Whereas the Secretary's action gave additional relief on a short-term basis his failure to re-establish parity on April 1, 1975, will result in a probable long-term detriment to the farmer. In other words, over the course of the 15 months in which the $7.24 level will be in effect, the farmer will attain no appreciable advantage. In fact, it appears that had the Secretary waited until April 1, 1975, to make the adjustment to 80 percent of parity, the farmer would probably have made more money.

COMPARISON

Average Price per cwt. for Minnesota-Wisconsin support floor with the Secretary's announcement. January 1975 to March 1976: $7.24—average for the 15 months.

Computations for average in M–W support floor assuming 1974 floor for first three months of 1975 with the adjustment to 80 percent coming on April 1, 1975.

January to March: $6.57 per cwt.
April 1975 to March 1976: $7.44 per cwt.
$7.26 average for the 15 months.

Requiring the Secretary to recompute parity quarterly will vitiate this injustice. It will also allow the price paid the farmer to include inflationary price increases which occur during the year at quarterly intervals.

REAL COSTS

In America we have seen an extremely vivid deterioration in the dairy industry. Last year alone, Minnesota lost 3,400 dairy farmers and Wisconsin lost 5,000. Conditions mentioned above threaten to drive many thousands more from the dairy business. In fact, were it not for the very low price of beef, there would have been many more farmers selling their herds.

Ironically, it is the young farmers who we need the most who are hit first by the dairy squeeze. Because they have recently entered dairying and are heavily in debt they suffer the most when costs exceed milk prices. When one considers that the average age of farmers is over 55, the wholesale loss of young farmers has dangerous implications for the future of American agriculture.

Another reason why we have not seen many more farmers leaving the dairy business is that the job market generally has been incredibly depressed. Certainly the addition of displaced farmers to the already swollen ranks of the unemployed would be counter-productive. In a time when we are considering the creation of public service jobs by expending billions of dollars, we can make a relatively small investment and maintain proven productive jobs by passing this legislation.

FARM PRICES AND INFLATION

The Department estimates that by the end of this year the milk price will have risen to $8.19 per hundredweight. That projected figure for January, 1976 is actually $0.09 below the price farmers were getting in January, 1974. In that two year period, inflation will undoubtedly surpass 20 percent. As stated above, the farmer's costs on critical items rose 17 percent from 1973 through 1974. Can this bill be excessive when it does not even bring the dairy farmer's income back to his January 1974 level, to say nothing of compensating him for his increase in expenses?

JAMES M. JEFFORDS.
RICHARD NOLAN.

ADDITIONAL VIEWS OF HON. RICHARD KELLY

I oppose H.R. 4296. There are strong arguments that it reverses the present trend toward a diminishing Federal presence in the farming business; that it interferes with the natural effect of supply and demand on agricultural and, in turn, consumer prices; that it weakens our competitiveness in foreign markets; and that it represents an increased expenditure of taxpayers' money at a time when the Federal budget is already under a severe deficit strain. It is the product of Committee deliberations that I believe could have been approached with greater foresight and attention to the overall picture of the effect of this legislation not only on the farmer, but on all segments and aspects of the nation's economy. This is particularly applicable to the section of the bill that deals with dairy price supports and quarterly adjustments.

I do not think that these arguments, or arguments to the contrary, were sufficiently resolved in Committee to enable any Member of this Congress to make a decision on his vote with any certainty. It seems logical that more information, from more witnesses with an expertise in consumer affairs, trade, economics, as well as agriculture, should have been gathered. We cannot commit ourselves to a multi-million dollar bill without answers to the questions that have been raised about this legislation, questions that have not been answered to my satisfaction.

The dairy section of the bill would raise the support level for milk to 85 percent of parity and provide for quarterly adjustments of the support level. We would be naive to assume that this adjustment would be made any other way but up.

It is estimated that the purchase costs to the Commodity Credit Corporation (and to the taxpayer) under this legislation would be $162 million higher than the $250 million projected under the present level of support for the 1975–1976 marketing year. Increased storage costs would naturally result from larger inventories of dairy products in Government warehouses. In addition, it is estimated that by the end of the 1975–1976 marketing year, the support price under the new bill would be 95 cents above the $7.24 support price already announced. This is equivalent to farm level increases of 5½ cents per half-gallon of milk, 9½ cents per pound of cheese, and 10½ cents per pound of butter. The cost to the consumer in the grocery store is estimated to be an increase of over 4 cents per half-gallon of milk, 10 cents a pound for cheese and 20 cents per pound for butter.

All of this estimated increased cost gets the average American coming and going—as a taxpayer for the support prices, and as a consumer for the increased price of these commodities at the store—and this section was incorporated into H.R. 4296 without one minute of hearings.

I am aware that hearings were held last fall on the dairy situation and that a bill to raise the support level was passed—and vetoed—at the end of the last Congress.

No hearing, however, was held on the dairy provisions of this legislation. No hearing has ever been held on the impact of quarterly adjustments of the support price. When hearings were held on the general dairy situation last year, testimony was almost entirely from witnesses supporting the changes encompassed in the proposed legislation. Among those who should have testified but did not were representatives of the consumer, economists, and foreign trade experts. The Congress has a duty to make every effort to ensure that all sides of an issue are presented, to ensure that all the effects of a bill have been considered. Congress should not only provide the general public with an opportunity to testify on issues, but it should actively seek the testimony of witnesses essential to the subject. I cannot recommend to my colleagues that they support legislation so costly and with such an impact on consumer prices and our international trade posture unless the provisos I have outlined have reasonably been met.

RICHARD KELLY.

Union Calendar No. 27

94TH CONGRESS 1st Session } HOUSE OF REPRESENTATIVES { REPT. 94-54 Part 2

EMERGENCY PRICE SUPPORT FOR 1975 CROPS (SUPPLEMENTAL)

MARCH 14, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. FOLEY, from the Committee on Agriculture, submitted the following

SUPPLEMENTAL REPORT

[To accompany H.R. 4296]

CHANGES IN EXISTING LAW

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

AGRICULTURAL ACT OF 1949

AN ACT

To stabilize prices of agricultural commodities.

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 "Agricultural Act of 1949."

TITLE I—BASIC AGRICULTURAL COMMODITIES

* * * * * * *

PRICE SUPPORT FOR 1961 AND SUBSEQUENT YEARS (COTTON)

SEC. 103. (a) Notwithstanding the provisions of section 101 of this Act, price support to cooperators for each crop of upland cotton, beginning with the 1961 crop, for which producers have not disapproved marketing quotas shall be at such level not more than 90 per centum of the parity price therefor nor less than the minimum level prescribed below as the Secretary determines appropriate after consideration of the factors specified in section 401(b) of this Act. For the 1961 crop the minimum level shall be 70 per centum of the parity price therefor, and for each subsequent crop the minimum level shall be 65 per centum of the parity price therefor: *Provided*, That the price support for the 1964 crop shall be a national average support price which reflects 30 cents per pound for Middling one-inch cotton. Price support in the case of noncooperators and in case marketing quotas are disapproved shall be as provided in section 101(d) (2) and (5).

(b) [See (c) below.]

(c) [Subsections (b) and (c) were added by the Act of April 11, 1964, P.L. 88–297, 78 Stat. 174, but were applicable only to the 1964 and 1965 crops of cotton.]

(d) [Subsection (d) was added by the Food and Agriculture Act of 1965, P.L. 89–321, 79 Stat. 1194, Nov. 3, 1965. It was effective with respect to the 1966 through 1969 crops of cotton and was extended to the 1970 crop by P.L. 90–559, 82 Stat. 996, Oct. 11, 1968]

(e)(1) The Secretary shall upon presentation of warehouse receipts reflecting accrued storage charges of not more than 60 days make available for the 1971 through 1977 crops of upland cotton to cooperators nonrecourse loans for a term of ten months from the first day of the month in which the loan is made at such level as will reflect for Middling one-inch upland cotton (micronaire 3.5 through 4.9) at average location in the United States 90 per centum of the average price of American cotton in world markets for such cotton for the three-year period ending July 31 in the year in which the loan level is announced, except that if the loan rate so calculated is higher than the then current level of average world prices for American cotton of such quality, the Secretary is authorized to adjust the current calculated loan rate for cotton to 90 per centum of the then current average world price. The average world price for such cotton for such preceding three-year period shall be determined by the Secretary annually pursuant to a published regulation which shall specify the procedures and the factors to be used by the Secretary in making the world price determination. The loan level for any crop of upland cotton shall be determined and announced not later than November 1 of the calendar year preceding the marketing year for which such loan is to be effective. Notwithstanding the foregoing, if the carryover of upland cotton as of the beginning of the marketing year for any of the 1972 through 1977 crops exceeds 7.2 million bales, producers on any farm harvesting cotton of such crop from an acreage in excess of the base acreage allotment for such farm shall be entitled to loans and purchases only on an amount of the cotton of such crop produced on such farm determined by multiplying the yield used in computing payments for such farm by the base acreage allotment for such farm.

(2) Payments shall be made for each crop of cotton to the producers on each farm at a rate equal to the amount by which the higher of—

(1) the average market price received by farmers for upland cotton during the calendar year which includes the first five months of the marketing year for such crops, as determined by the Secretary, or

(2) the loan level determined under paragraph (1) for such crop

is less than the established price of 38 cents per pound in the case of the 1974 and 1975 crops, 38 cents per pound adjusted to reflect any change during the calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates in the case of the 1976 crop, and the established price for the 1976 crop adjusted to reflect any change during the calendar year 1976 in such index in the case of 1977 crop: *Provided*, That any increase that would otherwise be made in the established price to reflect a change in the index of prices paid by farmers shall be adjusted to reflect any change in (i) the national average yield per acre of cotton for the three calendar years preceding the year for which the determination is made, over (ii) the national average yield per acre of cotton for the three calendar years preceding the year previous to the one for which the determination is made. If the Secretary determines that the producers on a farm are prevented from planting any portion of the allotment to cotton because of drought, flood, or other natural disaster, or condition beyond the control of the producer, the rate of payment for such portion shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. If the Secretary determines that, because of such a disaster or condition, the total quantity of cotton which the producers are able to harvest on any farm is less than 66⅔ percent of the farm base acreage allotment times the average yield established for the farm, the rate of payment for the deficiency in production below 100 percent shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. The payment rate with respect to any producer who (i) is on a small farm (that is, a farm on which the base acreage allotment is ten acres or less, or on which the yield used in making payments times the farm base acreage allotment is five thousand pounds or less, and for which the base acreage allotment has not been reduced under section 350(f), (ii) resides on such farm, and (iii) derives his principal income from cotton produced on such farm, shall be increased by 30 per centum; but, notwithstanding paragraph (3), such increase shall be made only with respect to his share of cotton actually harvested on such farm within the quantity specified in paragraph (3).

(3) Such payments shall be made available for a farm on the quantity of upland cotton determined by multiplying the acreage planted within the farm base acreage allotment for the farm for the crop by the average yield established for the farm: *Provided*, That payments shall be made on any farm planting not less than 90 per centum of the farm base acreage allotment on the basis of the entire amount of such allotment. For purposes of this paragraph, an acreage on the farm which the Secretary determines was not planted to cotton

because of drought, flood, other natural disaster, or a condition beyond the control of the producer shall be considered to be an acreage planted to cotton. The average yield for the farm for any year shall be determined on the basis of the actual yields per harvested arce for the three preceding years, except that the 1970 farm projected yield shall be substituted in lieu of the actual yields for the years 1968 and 1969: *Provided*, That the actual yields shall be adjusted by the Secretary for abnormal yields in any year caused by drought, flood, or other natural distaster: *Provided further*, That the average yield established for the farm for any year shall not be less than the yield used in making payments for the preceding year if the total cotton production on the farm in such preceding year is not less than the yield used in making payments for the farm for such preceding year times the farm base acreage allotment for such preceding year (for the 1970 crop, the farm domestic allotment).

(4) (A) The Secretary shall provide for a set-aside of cropland if he determines that the total supply of agricultural commodities will, in the absence of such a set-aside, likely be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet a national emergency. If a set-aside of cropland is in effect under this paragraph (4), then as a condition of eligibility for loans and payments on upland cotton the producers on a farm must set aside and devote to approved conservation uses an acreage of cropland equal to (i) such percentage of the farm base acreage allotment for the farm as may be specified by the Secretary (not to exceed 28 per centum of the farm base acreage allotment), plus, if required by the Secretary, (ii) the acreage of cropland on the farm devoted in preceding years to soil conserving uses, as determined by the Secretary. The Secretary is authorized for the 1974 through 1977 crops to limit the acreage planted to upland cotton on the farm in excess of the farm base acreage allotment to a percentage of the farm base acreage allotment. The Secretary shall permit producers to plant and graze on set-aside acreage sweet sorghum, and the Secretary may permit, subject to such terms and conditions as he may prescribe, all or any of the set-aside acreage to be devoted to hay and grazing or the production of guar, seasame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye, or other commodity, if he determines that such production is needed to provide an adequate supply, is not likely to increase the cost of the price-support program, and will not adversely affect farm income.

(B) To assist in adjusting the acreage of commodities to desirable goals, the Secretary may make land diversion payments, in addition to the payments authorized in subsection (e) (2), to producers on a farm who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in addition to that required to be so devoted under subsection (e) (4) (A). The land diversion payments for a farm shall be at such rate or rates as the Secretary determines to be fair and reasonable taking into consideration the diversion undertaken by the producers and the productivity of the acreage diverted. The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to adversely affect the economy of the county or local community.

(5) The upland cotton program formulated under this section shall require the producer to take such measures as the Secretary may deem appropriate to protect the set-aside acreage and the additional diverted acreage from erosion, insects, weeds, and rodents. Such acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may in the case programs for the 1974 through 1977 crops, pay an appropriate share of the cost of practices designed to carry out the purposes of the foregoing sentences. The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm as the Secretary may prescribe by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(6) If the operator of the farm desires to participate in the program formulated under this section, he shall file his agreement to do so no later than such date as the Secretary may prescribe. Loans and purchases on upland cotton and payments under this section shall be made available to the producers on such farm only if producers set aside and devote to approved soil conserving uses an acreage on the farm equal to the number of acres which the operator agrees to set aside and devote to approved soil conserving uses, and the agreement shall so provide. The Secretary may, by mutual agreement with the producer, terminate or modify any such agreement entered into pursuant to this subsection (e) (6) if he determines such action necessary because of an emergency created by drought or other disaster, or in order to alleviate a shortage in the supply of agricultural commodities.

(7) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing on a fair and equitable basis, in payments under this section.

(8) In any case in which the failure of a producer to comply fully with the terms and conditions of the program formulated under this section precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make such loans, purchases, and payments in such amounts as he determines to be equitable in relation to the seriousness of the default.

(9) The Secretary is authorized to issue such regulations as he determines necessary to carry out the provisions of this Title.

(10) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(11) The provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act, as amended (relating to assignment of payments), shall apply to payments under this subsection.

* * * * * * *

FEED GRAIN PROGRAM

SEC. 105. Notwithstanding any other provision of law—

(a)(1) The Secretary shall make available to producers loans and purchases on each crop of corn at such level, not less than $1.10 per bushel nor in excess of 90 per centum of the parity price therefor, as the Secretary determines will encourage the exportation of feed grains and not result in excessive total stocks of feed grains in the United States.

(2) The Secretary shall make available to producers loans and purchases on each crop of barley, oats, and rye, respectively, at such level as the Secretary determines is fair and reasonable in relation to the level that loans and purchases are made available for corn, taking into consideration the feeding value of such commodity in relation to corn and other factors specified in section 401(b), and on each crop of grain sorghums at such level as the Secretary determines is fair and reasonable in relation to the level that loans and purchases are made available for corn, taking into consideration the feeding value and average transportation costs to market of grain sorghums in relation to corn.

(b)(1) In addition, the Secretary shall make available to producers payments for each crop of corn, grain sorghums, and, if designated by the Secretary, barley, computed by multiplying (1) the payment rate, times (2) the allotment for the farm for such crops, times (3) the yield established for the farm for the preceding crop with such adjustments as the Secretary determines necessary to provide a fair and equitable yield. The payment rate for corn shall be the amount by which the higher of—

(1) the national weighted averaged market price received by farmers during the first five months of the marketing year for such crop, as determined by the Secretary, or

(2) the loan level determined under subsection (a) for such crop

is less than the established price of $1.38 per bushel in the case of the 1974 and 1975 crops, $1.38 per bushel adjusted to reflect any change during the calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates in the case of the 1976 crop, and the estiblished price for the 1976 crop adjusted to reflect any change during the calendar year 1976 in such index in the case of the 1977 crop: *Provided*, That any increase that would otherwise be made in the established price to reflect a change in the index of prices paid by farmers shall be adjusted to reflect any change in (i) the national average yield per acre of feed grains for the three calendar years preceding the year for which the determination is made, over (ii) the national average yield per acre of feed grains for the three calendar years preceding the year previous to the one for which the determination is made. The payment rate for grain sorghums and, if designated by the Secretary, barley, shall be such rate as the Secretary determines fair and reasonable in relation to the rate at which payments are made available for corn. If the Secretary determines that the producers on a farm are prevented from planting any portion of the farm acreage allotment to feed grains or other nonconserving crop, because of drought, flood, or other natural disaster or condition beyond the control of the producer, the rate of payment on such portion shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. If the Secretary determines that, because of such a disaster or condition, the total quantity of feed grains (or of wheat, or cotton planted in lieu of the allotted crop) which the producers are able to harvest on any farm is less than 66⅔ percent of the farm acreage allotment times the yield of feed grains (or of wheat, or cotton planted in lieu of the allotted crop) established for the farm, the rate of payment for the deficiency in production below 100 percent shall be the larger of (A) the foregoing rate, or (B) one-third of the established price.

(2) The Secretary shall, prior to January 1, of each calendar year. determine and proclaim for the crop produced in such calendar year a national acreage allotment for feed grains, which shall be the number of acres he determines on the basis of the estimated national average yield of the feed grains included in the program for the crop for which the determination is being made will produce the quantity (less imports) of such feed grains that he estimates will be utilized domestically and for export during the marketing year for such crop. If the Secretary determines that carryover stocks of any of the feed grains are excessive or an increase in stocks is needed to assure a desirable carryover, he may adjust the feed grain allotment by the amount he determines will accomplish the desired decrease or increase in carryover stocks. State, county, and farm feed grain allotments shall be established on the basis of the feed grain allotments established for the preceding crop (for 1974 on the basis of the feed grain bases established for 1973), adjusted to the extent deemed necessary to establish a fair and equitable apportionment base for each State, county, and farm. Not to exceed 1 per centum of the State feed grain allotment may be reserved for apportionment to new feed grain farms on the basis of the following factors: suitability of the land for production of feed grains, the extent to which the farm operator is dependent on income from farming for his livelihood, the production of feed grains on other farms owned, operated, or controlled by the farm operator, and such other factors as the Secretary determines should be considered for the purpose of establishing fair and equitable feed grain allotments.

(3) If for any crop the total acreage on a farm planted to feed grains included in the program formulated under this subsection is less than the feed grain allotment for the farm, the feed grain allotment for the farm for the succeeding crops shall be reduced by the percentage by which the planted acreage is less than the feed grain allotment for the farm, but such reduction shall not exceed 20 per centum of the feed grain allotment. If no acreage has been planted to such feed grains for three consecutive crop years on any farm which has a feed grain allotment, such farm shall lose its feed grain allotment: *Provided*, That no farm feed grain allotment shall be reduced or lost through failure to plant, if the producer elects not to receive payment for such portion of the farm feed grain allotment not planted, to which he would otherwise be entitled under the provisions of this Act. Any such

acres eliminated from any farm shall be assigned to a national pool for the adjustment of feed grain allotments as provided for in subsection (e)(2). Producers on any farm who have planted to such feed grains not less than 90 per centum of the feed grain allotment shall be considered to have planted an acreage equal to 100 per centum of such allotment. An acreage on the farm which the Secretary determines was not planted to such feed grains because of drought, flood, or other natural disaster or condition beyond the control of the producer shall be considered to be an acreage of feed grains planted for harvest. For the purpose of this paragraph, the Secretary may permit producers of feed grains to have acreage devoted to soybeans, wheat, guar, castor beans, cotton, triticale, oats, rye, or such other crops as the Secretary may deem appropriate, considered as devoted to the production of such feed grains to such extent and subject to such terms and conditions as the Secretary determines will not impair the effective operation of the program.

(c)(1) The Secretary shall provide for a set-aside of cropland if he determines that the total supply of feed grains or other commodities will, in the absence of such a set-aside, likely be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices of feed grains and to meet a national emergency. If a set-aside of cropland is in effect under this subsection (c), then as a condition of eligibility for loans, purchases, and payments on corn, grain sorghums, and, if designated by the Secretary, barley, respectively, the producers on a farm must set aside and devote to approved conservation uses an acreage of cropland equal to (i) such percentage of the feed grain allotment for the farm as may be specified by the Secretary, plus, if required by the Secretary (ii) the acreage of cropland on the farm devoted in preceding years to soil conserving uses, as determined by the Secretary. The Secretary is authorized for the 1974 through 1977 crops to limit the acreage planted to feed grains on the farm to a percentage of the farm acreage allotment. If for any crop, the producer so requests for purposes of having acreage devoted to the production of wheat considered as devoted to the production of feed grains, pursuant to the provisions of section 328 of the Food and Agriculture Act of 1962, the term "feed grains" shall include oats and rye, and barley, if not designated by the Secretary as provided above. Such section 328 shall be effective in 1971 through 1977 to the same extent as it would be if a diversion program were in effect for feed grains during each of such years. The Secretary shall effect permit producers to plant and graze on set-aside acreage sweet sorghum, and the Secretary may permit, subject to such terms and conditions as he may prescribe, all or any of the set-aside acreage to be devoted to hay and grazing or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye, or other commodity, if he determines that such production is needed to provide an adequate supply, is not likely to increase the cost of the price-support program, and will not adversely affect farm income.

(2) To assist in adjusting the acreage of commodities to desirable goals, the Secretary may make land diversion payments, in addition to the payments authorized in subsection (b), to producers on a farm

who, to the extent prescribed by the Secretary, devote to approved conservation uses an acreage of cropland on the farm in addition to that required to be so devoted under subsection (c)(1). The land diversion payments for a farm shall be at such rate or rates as the Secretary determines to be fair and reasonable taking into consideration the diversion undertaken by the producers and the productivity of the acreage diverted. The Secretary shall limit the total acreage to be diverted under agreements in any county or local community so as not to adversely affect the economy of the county or local community.

(3) The feed grain program formulated under this section shall require the producer to take such measures as the Secretary may deem appropriate to protect the set-aside acreage and the additional diverted acreage from erosion, insects, weeds, and rodents. Such acreage may be devoted to wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may, in the case of programs for the 1974 through 1977 crops, pay an appropriate share of the cost of practices designed to carry out the purposes of the foregoing sentences. The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm as the Secretary may prescribe by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

(4) If the operator of the farm desires to participate in the program formulated under this section, he shall file his agreement to do so no later than such date as the Secretary may prescribe. Loans and purchases on feed grains included in the set-aside program and payments under this section shall be made available to producers on such farm only if the producers set aside and devote to approved soil conserving uses an acreage on the farm equal to the number of acres which the operator agrees to set aside and devote to approved soil conserving uses, and the agreement shall so provide. The Secretary may, by mutual agreement with the producer, terminate or modify any such agreement entered into pursuant to this subsection (c)(4) if he determines such action necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage in the supply of agricultural commodities.

(d) The Secretary shall provide for the sharing of payments under this section among producers on the farm on a fair and equitable basis.

(e)(1) **[Repealed]**

(2) The Secretary may make such adjustments in acreage under this section as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, and topography, and in addition, in the case of conserving use acreage to such other factors as he deems necessary in order to establish a fair and equitable conserving use acreage for the farm. The Secretary shall, upon the request of a majority of the State committee established pursuant to section 8(b) of the Soil Conservation and

Domestic Allotment Act, as amended, adjust the feed grain allotments for farms within any State or county in order to establish fair and equitable feed grain allotments for farms within such State or county: *Provided*, That except for acreage provided for in subsection (b) (3), adjustments made pursuant to this sentence shall not increase the total State feed grain acreage. The Secretary is authorized to draw upon the acreage pool provided for in subsection (b) (3) in making such adjustments. Notwithstanding any other provision of this subsection, the feed grain base for the farm shall be adjusted downward to the extent required by subsection (b) (3).

(3) [Repealed]

(f) In any case in which the failure of a producer to comply fully with the terms and conditions of the program formulated under this section precludes the making of loans, purchases, and payments, the Secretary may, nevertheless, make such loans, purchases, and payments in such amounts as he determines to be equitable in relation to the seriousness of the default.

(g) [Repealed]

(h) The Secretary is authorized to issue such regulations as he determines necessary to carry out the provisions of this section.

(i) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

* * * * * * *

WHEAT PROGRAM

SEC. 107. Notwithstanding any other provision of law—

(a) Loans and purchases on each crop of wheat shall be made available at such level as the Secretary determines appropriate, taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains: *Provided*, That in no event shall such level be in excess of the parity price for wheat or less than $1.37 per bushel.

(b) If a set-aside program is in effect for any crop of wheat under section 379b(c) of the Agricultural Adjustment Act of 1938, as amended, payments, loans and purchases shall be made available on such crop only to producers who comply with the provisions of such program.

(c) Payments shall be made for each crop of wheat to the producers on each farm in an amount determined by multiplying (i) the amount by which the higher of—

(1) the national weighted average market price received by farmers during the first five months of the marketing year for such crop, as determined by the Secretary, or

(2) the loan level determined under subsection (a) for such crop

is less than the established price of $2.05 per bushel in the case of the 1974 and 1975 crops, $2.05 per bushel adjusted to reflect any change during the calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates in the

case of the 1976 crop, and the established price for the 1976 crop adjusted to reflect any change during the calendar year 1976 in such index in the case of the 1977 crop, times in each case (ii) the allotment for the farm for such crop, times (iii) the projected yield established for the farm with such adjustments as the Secretary determines necessary to provide a fair and equitable yield: *Provided*, That any increase that would otherwise be made in the established price to reflect a change in the index of prices paid by farmers shall be adjusted to reflect any change in (i) the national average yield per acre of wheat for the three calendar years preceding the year for which the determination is made, over (ii) the national average yield per acre of wheat for the three calendar years preceding the year previous to the one for which the determination is made. If the Secretary determines that the producers are prevented from planting any portion of the farm acreage allotment to wheat or other nonconserving crop, because of drought, flood, or other natural disaster or condition beyond the control of the producer, the rate of payment on such portion shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. If the Secretary determines that, because of such a disaster or condition, the total quantity of wheat (or of cotton, corn, grain, sorghums, or barley planted in lieu of wheat) which the producers are able to harvest on any farm is less than 66⅔ percent of the farm acreage allotment times the projected yield of wheat (or of cotton, corn, grain, sorghums, or barley planted in lieu of wheat) for the farm, the rate of payment for the deficiency in production below 100 percent shall be the larger of (A) the foregoing rate, or (B) one-third of the established price. The Secretary shall provide for the sharing of payments made under this subsection for any farm among the producers on the farm on a fair and equitable basis.

* * * * * * *

"SEC. 108. (a) Notwithstanding sections 103, 105, and 107 of this Act, the established price for the 1975 crops of upland cotton, corn, and wheat shall be 48 cents per pound, $2.25 per bushel, and $3.10 per bushel, respectively, and the Secretary shall make available to producers loans and purchases on the 1975 crops of upland cotton, corn, and wheat at 40 cents per pound, $1.87 per bushel, and $2.50 per bushel, respectively: Provided, That the rate of interest on commodity loans made by the Commodity Credit Corporation to all eligible producers shall be established quarterly on the basis of the lowest current interest rate on ordinary obligations of the United States: Provided further, That the nonrecourse loan for 1975 crop upland cotton as set forth in section 103(e)(1) of the Agricultural Act of 1949, as amended, shall be made available for an additional term of eight months at the option of the cooperator, except that for the 1975 crops of upland cotton, feed grains, and wheat, the Secretary shall establish, insofar as is practicable, the same terms and conditions relative to storage costs and interest rates on all nonrecourse loans extended on such crops.

"(b) Notwithstanding the provisions of section 301 of this Act, the Secretary shall make available to producers loans and purchases on the 1975 crop of soybeans at such levels as reflect the historical average

relationship of soybean support levels to corn support levels during the immediately preceding three years.", except that for the 1975 crops of upland cotton, feed grains and wheat, the Secretary shall establish, insofar as is practicable, the same terms and conditions relative to storage costs and interest rates on all nonrecourse loans extended on such crops.

* * * * * * *

TITLE II—DESIGNATED NONBASIC AGRICULTURAL COMMODITIES

SEC. 201. The Secretary is authorized and directed to make available (without regard to the provisions of title III) price support to producers for tung nuts, honey, and milk as follows:

(a) [Repealed]

(b) The price of honey shall be supported through loans, purchases, or other operations at a level not in excess of 90 per centum nor less than 60 per centum of the parity price thereof; and the price of tung nuts for each crop of tung nuts through the 1976 crop shall be supported through loans, purchases, or other operations at a level not in excess of 90 per centum nor less than 60 per centum of the parity price therefor: *Provided*, That in any crop year through the 1976 crop year in which the Secretary determines that the domestic production of tung oil will be less than the anticipated domestic demand for such oil, the price of tung nuts shall be supported at not less than 65 per centum of the parity price therefor.

(c) The price of milk shall be supported at such level not in excess of 90 per centum nor less than 75 per centum of the parity price therefor as the Secretary determines necessary in order to assure an adequate supply of pure and wholesome milk to meet current needs, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. Notwithstanding the foregoing, effective for the period beginning with the date of enactment of the Agriculture and Consumer Protection Act of 1973 and ending on March 31, 1985, the price of milk shall be supported at not less than 80 per centum of the parity price therefor. Such price support shall be provided through purchases of milk and the products of milk.

(d) Notwithstanding the foregoing provisions of this section, effective for the period beginning with the date of enactment of this subsection and ending on March 31, 1976, the support price of milk shall be established at no less than 85 per centum of the parity price therefor, on the date of enactment, and the support price shall be adjusted thereafter by the Secretary at the beginning of each quarter, beginning with the second quarter of the calendar year 1975, to reflect any change during the immediately preceding quarter in the index of prices paid by farmers for production items, interest, taxes, and wage rates. Such support prices shall be announced by the Secretary within 30 days prior to the beginning of each quarter.

* * * * * * *

TITLE III—OTHER NONBASIC AGRICULTURAL COMMODITIES

SEC. 301. The Secretary is authorized to make available through loans, purchases, or other operations price support to producers for any nonbasic commodity not designated in title II at a level not in excess of 90 per centum of the parity price for the commodity.

SEC. 302. Without restricting price support to those commodities for which a marketing quota or marketing agreement or order program is in effect, price support shall, insofar as feasible, be made available to producers of any storable nonbasic agricultural commodity for which such a program is in effect and who are complying with such program. The level of such support shall not be in excess of 90 per centum of the parity price of such commodity nor less than the level provided in the following table:

If the supply percentage as of the beginning of the marketing year is:	*The level of support shall be not less than the following percentage of the parity price:*
Not more than 102	90
More than 102 but not more than 104	89
More than 104 but not more than 106	88
More than 106 but not more than 108	87
More than 108 but not more than 110	86
More than 110 but not more than 112	85
More than 112 but not more than 114	84
More than 114 but not more than 116	83
More than 116 but not more than 118	82
More than 118 but not more than 120	81
More than 120 but not more than 122	80
More than 122 but not more than 124	79
More than 124 but not more than 126	78
More than 126 but not more than 128	77
More than 128 but not more than 130	76
More than 130	75

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94TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 94–152

EMERGENCY FARM PRICE SUPPORT

APRIL 16, 1975.—Ordered to be printed

Mr. FOLEY, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.R. 4296]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 4296) to adjust target prices, loan and purchase levels on the 1975 crops of upland cotton, corn, wheat, and soybeans, to provide price support for milk at 80 per centum of parity with quarterly adjustments for the period ending March 31, 1976, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate to the text of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

That title I of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following new section 108:

"SEC. 108. Notwithstanding any other provision of this Act—

"(a) The established price for the 1975 crops of upland cotton, corn, and wheat shall be 45 cents per pound, $2.25 per bushel, and $3.10 per bushel, respectively.

"(b) The Secretary shall make available to producers loans and purchases on the 1975 crops of upland cotton, corn, and wheat at 38 cents per pound, $1.87 per bushel, and $2.50 per bushel, respectively.

"(c) The rate of interest on commodity loans made by the Commodity Credit Corporation to all eligible producers for the 1975 crops shall be established quarterly on the basis of the lowest current interest rate on ordinary obligations of the United States.

"(d) The nonrecourse loan for the 1975 crop of upland cotton as set forth in section 103(e)(1) of this Act shall be made available for an

additional term of eight months, at the option of the cooperator. Nonrecourse loans for the 1975 crops of wheat and corn shall be made available for a term not less than eighteen months from the first day of the month in which the loans are made.

"(e) The Secretary shall make available to producers loans and purchases on the 1975 crop of soybeans at such level as reflects the historical average relationship of soybean support levels to corn support levels during the immediately preceding three years.".

Sec. 2. Section 201 of the Agricultural Act of 1949, as amended, is further amended by adding the following new subsection:

"(d) Notwithstanding the foregoing provisions of this section, effective for the period beginning with the date of enactment of this subsection and ending on March 31, 1976, the support price of milk shall be established at no less than 80 per centum of the parity price therefor, on the date of enactment, and the support price shall be adjusted thereafter by the Secretary at the beginning of each quarter, beginning with the second quarter of the calendar year 1975, to reflect any estimated change during the immediately preceding quarter in the index of prices paid by farmers for production items, interest, taxes, and wage rates. Such support prices shall be announced by the Secretary not more than thirty, nor less than twenty, days prior to the beginning of each quarter.".

And the Senate agree to the same.

That the Senate recede from its amendment to the title of the bill.

And the House agree to the same.

Thomas S. Foley,
W. R. Poage,
Ed Jones,
Bob Bergland,
David R. Bowen,
W. C. Wampler,
Keith G. Sebelius,
Managers on the Part of the House.

Herman E. Talmadge,
James O. Eastland,
George McGovern,
James B. Allen,
Hubert H. Humphrey,
Robert Dole,
Milton R. Young,
Henry Bellmon,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 4296) to adjust target prices, loan and purchase levels on the 1975 crops of upland cotton, corn, wheat, and soybeans, to provide price support for milk at 80 per centum of parity with quarterly adjustments for the period ending March 31, 1976, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report. The differences between the House bill and the Senate amendment and the substitute agreed to in conference are noted in the following outline, except for conforming, clarifying, and technical changes:

(1) *Target prices of upland cotton and wheat for 1975.*

The *House* bill provides that the target prices for the 1975 crops of upland cotton and wheat shall be 45 cents per pound and $3.10 per bushel, respectively.

The *Senate* amendment increases the 1975 target prices to 48 cents for cotton and $3.41 for wheat.

The *Conference* substitute adopts the *House* provision.

In December 1971, the Secretary of Agriculture utilized the authority contained in the Commodity Credit Corporation Charter Act to purchase agricultural commodities in the marketplace.

The *Conferees* note that, if necessary, this authority again could be invoked with respect to the 1975 crops.

Thus, such purchases could be made to stabilize prices of agricultural commodities either *at* or *above* the "established price" levels provided in the bill so as to meet domestic requirements. If such action was taken, producer deficiency payments under the Agriculture and Consumer Protection Act of 1973 could be avoided.

(2) *Target prices of upland cotton, corn, and wheat for the 1976 and 1977 crops.*

The *Senate* amendment provides that the target prices for the 1976 crops of upland cotton, corn, and wheat shall be the 1975 target prices, as adjusted to reflect any change during the calendar year 1975 in the index of prices paid by farmers for production items, interest, taxes, and wage rates (excluding feed and feeder livestock). Any increase that would otherwise be made shall be further adjusted to reflect changes in yields.

The *Senate* amendment also provides that the target prices for the 1977 crops of upland cotton, corn, and wheat shall be the target prices for the 1976 crops, as adjusted to reflect any change during the calendar year 1976 in the index of prices paid farmers for production items, interest, taxes, and wage rates (excluding feed and feeder livestock). Any increase that would otherwise be made shall be further adjusted to reflect changes in yields.

The *House* bill contains no comparable provision.
The *Conference* substitute deletes the *Senate* provision.

(3) *Payment rates for the 1975 through 1977 crops of barley and grain sorghums.*

The *Senate* amendment provides that the payment rate for grain sorghums, and, if designated by the Secretary, barley, for the 1975 through 1977 crops shall be such rate as the Secretary determines fair and reasonable in relation to the rate at which payments are made available for corn.

The *House* bill contains no comparable provision. However, this provision is implicit in the *House* bill and explicit in existing law.

The *Conference* substitute deletes the *Senate* provision.

(4) *Loans and purchases on the 1975 crops of upland cotton and wheat.*

The *House* bill provides that the loan levels for the 1975 crops of upland cotton and wheat shall be 38 cents per pound and $2.50 per bushel, respectively.

The *Senate* amendment increases the 1975 loan levels to 40 cents per pound for cotton and $2.89 per bushel for wheat.

The loan levels established by the Secretary for cotton, feed grains, and wheat could not be less than the levels specified.

The *Conference* substitute adopts the *House* provision.

(5) *Loans and purchases on the 1976 and 1977 crops of upland cotton, corn, and wheat.*

The *Senate* amendment provides that the 1975 loan levels shall be applicable to the 1976 and 1977 crops, as adjusted so as to maintain the same percentage relationship to the target prices for the 1976 and 1977 crops of upland cotton, corn, and wheat as the 1975 loan rates are to the 1975 target prices.

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

(6) *Interest rates on CCC commodity loans.*

The *House* bill provides that the rate of interest on commodity loans made by the Commodity Credit Corporation for the 1975 crops shall be established quarterly on the basis of the lowest current interest rate on ordinary obligations of the United States.

The *Senate* amendment extends this provision to apply to the 1976 and 1977 crops.

The *Conference* substitute adopts the *House* provision and deletes the *Senate* amendment.

(7) *Extension of nonrecourse loan periods.*

The *House* bill provides that the nonrecourse loan period for the 1975 crop of upland cotton (presently 10 months) would be made available for an additional term of eight months, at the option of the cooperator.

The *Senate* amendment extends this provision to the 1976 and 1977 crops of cotton, and provides that nonrecourse loans for the 1975 through 1977 crops of wheat, corn, and soybeans shall be made available for a term not less than 20 months from the first day of the month in which the loans are made.

The *Conference* substitute adopts the *House* provision with an amendment providing that nonrecourse loans for the 1975 crops of wheat and corn shall be made available for a term not less than 18 months from the first day of the month in which the loans are made.

Thus, under the *Conference* substitute, the loan periods for wheat and corn—which are now 12 months—could be extended for an additional term of six months, at the option of the producer. The *Conferees* anticipate, of course, that similar loans would be made available to producers of grain sorghums and barley.

(8) *Storage costs and interest rates.*

The *Senate* amendment strikes the *House* provision that requires the Secretary to establish the same terms and conditions relative to storage costs and interest rates on nonrecourse loans made with respect to upland cotton, wheat, and feed grains. The same interest rates already apply to all three crops. However, terms of storage costs are different.

The *Conference* substitute deletes the *House* provision.

However, the *Conferees* believe that a study should be made by the Department of Agriculture with respect to the terms and conditions relative to storage costs for all commodities for which loans are made. The Secretary of Agriculture is, therefore, requested to make such a study and submit his findings and recommendations to the Congress as soon as practicable.

(9) *Soybean price support.*

The *House* bill requires that a 1975 loan and purchase program be made available to producers of soybeans at a level reflecting the average relationship of soybean support levels to corn support levels during the immediately preceding three crop years.

The *Senate* amendment extends this provision to apply to the 1976 and 1977 crop years.

The *Conference* substitute adopts the *House* provision and deletes the *Senate* amendment.

(10) *Resale level of CCC stocks of wheat, corn, grain sorghums, barley, and upland cotton.*

The *Senate* amendment provides that—with respect to the 1975 through 1977 crops—the Commodity Credit Corporation shall not sell any of its stocks of wheat, corn, grain sorghums, barley, or upland cotton at less than 115 percent of the target prices for such crops, nor sell any of its stocks of soybeans at less than a comparable price.

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

(11) *1975 support price for tobacco.*

The *Senate* amendment provides that the 1975 support price for tobacco shall be established at 70 percent of the parity price therefor.

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

(12) *1975–1976 dairy support price.*

The *House* bill requires—effective with the period beginning on the date of enactment and ending March 31, 1976—that the support price of manufacturing milk be established at not less than 80 percent of the parity price therefor. Beginning with the second quarter of 1975, the established support price would be adjusted at the beginning of each quarter to reflect any change during the immediately preceding quarter in prices paid by farmers for production items, interest, taxes, and wage rates. Such support prices would—under the *House* bill—be announced "within" 30 days prior to the beginning of each quarter.

The *Senate* amendment increases the support price to 85 percent of parity and provides that quarterly adjustments reflecting any "estimated" change in the costs of production are to be announced "not later than" 30 days prior to the beginning of each quarter.

The *Conference* substitute adopts the level of support of the *House* bill—80 percent of parity. The *Conference* substitute adopts the Senate language with respect to the "estimated" change. It also provides that the date of announcing the support prices would be not more than 30 and not less than 20 days prior to the beginning of each quarter.

The *Conferees* take note of the fact that on March 28, 1975, the Department of Agriculture announced an increase in its support purchase price for cheese and butter in order to achieve the goal of providing farmers the announced support price for manufacturing milk of $7.24 per hundredweight.

The *Conferees* commend the Department on this action and urge the Department to continue to review the level of product purchase prices on an on-going basis in order that such prices will reflect current processing costs, and thereby assure that the required level of dairy price support to farmers will be met.

(13) *Meat import moratorium.*

The *Senate* amendment provides that for a period of 90 days following the date of enactment, no meat may be imported into the United States. "Meat" means fresh, chilled, or frozen cattle meat and fresh, chilled, or frozen meat of goats and sheep (except lambs).

The *House* bill contains no comparable provision.

The *Conference* substitute deletes the *Senate* provision.

THOMAS S. FOLEY,
W. R. POAGE,
ED JONES,
BOB BERGLAND,
DAVID R. BOWEN,
W. C. WAMPLER,
KEITH G. SEBELIUS,
Managers on the Part of the House.

HERMAN E. TALMADGE,
JAMES O. EASTLAND,
GEORGE MCGOVERN,
JAMES B. ALLEN,
HUBERT H. HUMPHREY,
ROBERT DOLE,
MILTON R. YOUNG,
HENRY BELLMON,
Managers on the Part of the Senate.

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H. R. 4296

Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Tuesday, the fourteenth day of January, one thousand nine hundred and seventy-five

An Act

To adjust target prices, loan and purchase levels on the 1975 crops of upland cotton, corn, wheat, and soybeans, to provide price support for milk at 80 per centum of parity with quarterly adjustments for the period ending March 31, 1976, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title I of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following new section 108:

"SEC. 108. Notwithstanding any other provision of this Act—

"(a) The established price for the 1975 crops of upland cotton, corn, and wheat shall be 45 cents per pound, $2.25 per bushel, and $3.10 per bushel, respectively.

"(b) The Secretary shall make available to producers loans and purchases on the 1975 crops of upland cotton, corn, and wheat at 38 cents per pound, $1.87 per bushel, and $2.50 per bushel, respectively.

"(c) The rate of interest on commodity loans made by the Commodity Credit Corporation to all eligible producers for the 1975 crops shall be established quarterly on the basis of the lowest current interest rate on ordinary obligations of the United States.

"(d) The nonrecourse loan for the 1975 crop of upland cotton as set forth in section 103(e)(1) of this Act shall be made available for an additional term of eight months, at the option of the cooperator. Nonrecourse loans for the 1975 crops of wheat and corn shall be made available for a term not less than eighteen months from the first day of the month in which the loans are made.

"(e) The Secretary shall make available to producers loans and purchases on the 1975 crop of soybeans at such level as reflects the historical average relationship of soybean support levels to corn support levels during the immediately preceding three years.".

SEC. 2. Section 201 of the Agricultural Act of 1949, as amended, is further amended by adding the following new subsection:

"(d) Notwithstanding the foregoing provisions of this section, effective for the period beginning with the date of enactment of this subsection and ending on March 31, 1976, the support price of milk shall be established at no less than 80 per centum of the parity price therefor, on the date of enactment, and the support price shall be adjusted thereafter by the Secretary at the beginning of each quarter, beginning with the second quarter of the calendar year 1975, to reflect any estimated change during the immediately preceding quarter in the index of prices paid by farmers for production items, interest, taxes, and wage rates. Such support prices shall be announced by the Secretary not more than thirty, nor less than twenty, days prior to the beginning of each quarter.".

Speaker of the House of Representatives.

Vice President of the United States and President of the Senate.

H. R. 4296

Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Tuesday, the fourteenth day of January, one thousand nine hundred and seventy-five

An Act

To adjust target prices, loan and purchase levels on the 1975 crops of upland cotton, corn, wheat, and soybeans, to provide price support for milk at 80 per centum of parity with quarterly adjustments for the period ending March 31, 1976, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title I of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following new section 108:

"SEC. 108. Notwithstanding any other provision of this Act—

"(a) The established price for the 1975 crops of upland cotton, corn, and wheat shall be 45 cents per pound, $2.25 per bushel, and $3.10 per bushel, respectively.

"(b) The Secretary shall make available to producers loans and purchases on the 1975 crops of upland cotton, corn, and wheat at 38 cents per pound, $1.87 per bushel, and $2.50 per bushel, respectively.

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Speaker of the House of Representatives.

Vice President of the United States and
President of the Senate.

May 1, 1975

Received from the White House a sealed envelope said to contain a message from the President wherein he vetoes H.R. 4296, An Act to adjust target prices, loan and purchase levels on the 1975 crops of upland cotton, corn, wheat, and soybeans, to provide price support for milk at 80 per centum of parity with quarterly adjustments for the period ending March 31, 1976, and for other purposes.

Diane Pickett for
Clerk of the House of Representatives

5:32 pm
Time received

TO THE HOUSE OF REPRESENTATIVES:

I am returning without my approval H.R. 4296, referred to as the Emergency Agricultural Act of 1975. Although the aim of this bill is laudable, its results would be costly not only to consumers and taxpayers but to American farmers in the long run. It would damage our international market position which is so essential to American agriculture's long-term interests.

Approval of this bill, therefore, would <u>not</u> be in the public interest.

In the conduct of the Government's fiscal affairs, a line must be drawn against excesses. I drew that line in my address to the Nation on March 29. I promised all Americans that, except where national security interests, energy requirements, or urgent humanitarian needs were involved, I would act to hold our fiscal year 1976 deficit to no more than $60 billion.

New spending programs which the Congress is considering could easily raise the Federal deficit to an intolerable level of $100 billion. This <u>must</u> not happen.

H.R. 4296 is an example of increased non-essential spending. In fiscal year 1976, it could add an estimated $1.8 billion to the Federal deficit. If used as a point of departure for longer-term legislation -- as was strongly indicated during its consideration -- it could lead to an escalation of farm program subsidies in succeeding years.

Approval of this bill would undermine the successful market-oriented farm policy adopted by this Administration and the Congress. It is a step backward toward previously discredited policies.

Prospects for farmers, it is true, are not as bright this year as in the recent past. Farm production costs have been pushed upward by the same inflationary pressures that affect other industries. Demand for certain farm products has simultaneously slackened because of the recession. Prices paid by farmers are currently 11 percent above year-ago levels. In contrast, the index of prices received by farmers is now 7 percent below levels of a year ago. Fortunately, the latest index, released Wednesday, shows that the 5-month decline in prices received by farmers has been reversed and was 4 percent above a month earlier.

The Administration recognizes that some farmers have experienced financial difficulties due to this cost-price squeeze. It has taken a number of positive steps to assist farmers. The 1976 wheat acreage allotment was recently increased by 8 million acres to 61.6 million acres. This action provides wheat producers with additional target price and disaster protection.

We have also increased the 1975 crop cotton price support loan rate by 9 cents a pound. And we recently announced an increase in the price support level for milk, which, combined with easing feed prices, should be helpful to dairy producers.

Within the past several days, we have completed negotiations with the European Community to remove the export subsidies on industrial cheese coming here -- a step that ensures that surplus dairy products will not be sold in the U.S. market at cut-rate prices. At the same time, we have worked out arrangements which enable the Europeans to continue selling us high-quality table cheese. This solution has enabled us to keep on mutually agreeable trading terms with our best customers for American farm exports.

The Administration has also taken action to protect our cattle producers against a potential flood of beef imports from abroad. The Department of State is completing agreements with 12 countries limiting their 1975 exports of beef to this country. These voluntary export restraint agreements are intended to keep imports subject to the Meat Import Law to less than 1,182 million pounds.

If unforeseen price deterioration requires action on my part, I will direct the Secretary of Agriculture to make adjustments in price support loan rates for wheat, corn, soybeans, and other feed grains. But it is our expectation that market prices for grains will remain well above loan rates and target prices in the coming year.

Most farmers have already made their plans and bought their seed. Many are well into their planting season. These plans have obviously been completed without any dependence on the provisions of H.R. 4296.

In the long haul, this bill would lead to constraints on production and result in loss of jobs in food-related industries. It would induce farmers to grow more cotton -- already in surplus -- and less soybeans needed for food. The bill would jeopardize the competitive position of our cotton in world markets.

American farmers have responded magnificently during the past several years to produce food and fiber for this Nation and the world. This has made agriculture our leading source of foreign exchange. This year, despite very trying circumstances, most farmers are again seeking full production. They have my support for a vigorous export policy for their products. I recognize that agricultural exports have been restrained twice in the past two years. We have now eliminated all restrictions on exports and we are determined to do everything possible to avoid imposing them again. Our farm products must have unfettered access to world markets.

This Administration is determined to act in support of the American farmer and his best interests. It will not act to distort his market. We must hold the budget line if we are all to enjoy the benefits of a prosperous, stable, non-inflationary economy.

For all these reasons, I cannot approve this act.

Gerald R. Ford

THE WHITE HOUSE,

May 1, 1975.

FOR IMMEDIATE RELEASE MAY 1, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

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GERALD R. FORD

THE WHITE HOUSE,

May 1, 1975.

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FOR IMMEDIATE RELEASE MAY 1, 1975

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE
OF
EARL L. BUTZ
SECRETARY OF THE
DEPARTMENT OF AGRICULTURE

THE BRIEFING ROOM

2:00 P.M. EDT

MR. NESSEN: There is no surprise that the President has decided to veto the farm bill. The veto message has not gone to Congress yet. It will go in the near future.

As is customary for Congressional courtesy, we will not pass out copies of the veto message until it has reached the Hill.

In the meanwhile, though, in order that you will understand the reasons why the President has decided to veto it and to answer your questions about the veto and about the bill, we have Agriculture Secretary Butz.

Q Ron, just one question. Has he actually signed the veto message?

MR. NESSEN: I am not sure whether he has physically signed it or not, Ralph. It will go to Congress in the near future.

Q When you say the "near future," you surely are talking about today?

MR. NESSEN: I assume so.

Q Is there a deadline on this?

MR. NESSEN: There is not a deadline. May 5 is the deadline.

Q When will we get the message?

MR. NESSEN: As soon as it reaches the Hill.

Q Today?

MR. NESSEN: I assume so.

Q You are not going to withhold any of this until then, are you?

MR. NESSEN: There is no embargo on the briefing.

MORE

Q Ron, this is the problem in writing the story. We cannot say yet that he has actually --

MR. NESSEN: He has decided to veto the bill, and the actual veto document will go to the Hill, as I say, soon, or shortly.

Q How come you are doing it this way, Ron? This is very unusual.

MR. NESSEN: It is very usual, Sarah, for Congressional courtesy not to pass out a document to Congress until Congress has it in its hands.

Q What is so unusual about it is that you are not seeing that Congress has it in its hands. That is the most unusual thing I have heard and you are giving a briefing and everything. What is the reason for it, Ron?

Q Is it true the message was fouled up over here, Ron, and was sent back to Agriculture to be reworked?

MR. NESSEN: No.

Q If Secretary Butz can't tell you what to put in that message -- he has obviously already done it.

SECRETARY BUTZ: Thank you very much, Ron. (Laughter)

Sarah, whether this part is embargoed or not, I have discovered I am never embargoed in this town. There is no embargo on what takes place now.

As Ron said, the President has decided to veto the bill. The President has obviously had a very, very busy morning, and we have delayed a bit here. This had been scheduled, and we are going ahead with this anyway.

I have just a few comments on why the bill is being vetoed. This was started as an emergency bill in the House of Representatives to give farmers some assurances, they said, of price guarantees to insure full plantings this year.

The planting season is on. As a matter of fact, we are in it in many parts of the country, and there is evidence that farmers are planting fully, regardless of legislation.

Why is the President vetoing it? First, the cost. This is a dominant reason. We estimate this bill would cost approximately $1.8 billion in the first year. That is at variance with the estimate the Agricultural Committees and the Conference Committee put out when they estimated a cost of $210 million the first year.

MORE

Their estimate was based on outlays for payments under the target price which would go mostly to cotton. They did not include any cost estimate for cash outlays for loans that would be escalated because of the higher loan rates mandated in the bill.

These become a cash outlay in the year in which they are made and would, therefore, be a charge against the budget. We estimate that that would run approximately $1.8 billion.

The President is coming down hard, as you know, on any program that results in increased expenditures beyond those for energy or beyond those that were in the tax bill that he approved.

You recall, when he approved the tax bill, he drew the line at a $60 billion deficit and said, this is it. This is the first major test that has come from Congress since he gave that message on signing the tax bill on holding the line on the budget.

He feels very strongly, and I concur in that feeling, that if he were to approve this, it would greatly rupture his credibility on that matter of holding the line on expenditures and on deficits. He clearly intends this to be a signal for other bills coming down the road, that they will get the same treatment

Secondly, if he were to sign this bill, I think it would reverse the new direction of agricultural policy. I feel very strongly -- and the President likewise feels very strongly -- that this bill would move us back in the direction again of heavy Government participation in agriculture, in farm programs, in commodity ownership and commodity management.

With the attendant increase in costs, our people estimate that if this bill were to become law, that the cost escalation year after next might go as high as $4 billion or $5 billion and even beyond that in the third year after this, depending, of course, on estimates of commodity prices. They are very difficult to estimate at the present.

Q Mr. Secretary, the second year that it was in, it would cost up to $4 billion to $5 billion?

SECRETARY BUTZ: Yes, sir. We estimate $1.8 billion the first year. Understand that includes loan outlays, too, some of which would be repaid.

Q What is the duration of this bill? How long would this bill --

MORE

SECRETARY BUTZ: This bill was passed as a one-year bill, but if anybody is so naive as to think that an escalation of price supports and loan rates and target prices, the magnitude in this bill would be allowed to expire in election year, I don't think anybody is so naive in this room as to assume that. Therefore, I think you have to say that if this escalation did become law this year, it simply would be the base for further attempts at escalation beyond that in subsequent years.

When I became Secretary 3-1/2 years ago, we were spending about $4 billion a year in payments to farmers one way or another. This has been reduced this year to something under half a billion dollars, with the exception of the so-called disaster payments that were made to farmers who lost their crops last summer.

When you add that in, we are running around $800 million this year total, or something like that.

Q Was that 1969, the $4 billion, Mr. Secretary?

SECRETARY BUTZ: No. In 1971, we were spending approximately $4 billion a year.

Q Is this calendar or fiscal, sir?

SECRETARY BUTZ: Fiscal. In fiscal year 1972, we were spending approximately just under $4 billion -- $3.9 billion -- in payments to farmers. Our storage costs at that time were running over $1 million a day for stuff we had. We reduced that storage cost to virtually zero.

At that time, our agriculture exports ran about $8 billion a year. This year, our agricultural exports will top $22 billion. I know a part of that is increased price per unit, but a substantial part is increased physical volume, too.

Q Sir, you said you reduced it from $4 billion, fiscal 1972, to one-half?

SECRETARY BUTZ: Approximately one-half billion dollars in payments to farmers. This is exclusive of the so-called disaster payments we make under the Farm Bill of 1973. We don't know quite what they run yet, perhaps $300 million to $400 million.

Q Just so we are not talking about apples and oranges, the $3.9 billion also excludes that disaster --

SECRETARY BUTZ: That is correct, sir. The $3.9 billion and the one-half are comparable figures. There has been some deterioration in farm prices in recent months. This was, I think, the basis for a good deal of the pressure that came in the Congress for the so-called emergency bill.

I think farmers are justly concerned about the future. Their costs have escalated. There has been some decline in prices. Yet, we are inclined, I think, to look at what has happened to prices from the high that they reached some months ago.

I want to show you a few charts that take them in context here.

First, let us look at corn prices because corn and wheat figured very prominently. This is what we tend to hear about right here -- the decline in prices that has occurred in the last four or five months in corn prices. Yet, you come back to the beginning of 1972 -- and that just happens to coincide with the time Earl Butz became Secretary and this is purely coincidental, you understand -- one of the first things I did, if you remember, from this very platform when President Nixon presented me here as the nominee for the Secretary of Agriculture, I turned toward him and I said, "The price of corn is too low," which was sure enough to be highly quotable.

One of the first things we did was to have a purchase program in corn. We did not have to buy much but prices did start up a little bit here. They continued up here, and they continued up to that high point that occurred last summer, in 1974, following the very short crop year we had in 1974.

There has been some deterioration since with a leveling off in the last month or two here. The point I want to make is even though it has come down, it is still very substantially above anything we had before.

I will say a word about cost in a moment, but the point I want to make is even with this price deterioration, it is still at a relatively high level when you take it in total perspective.

Let's take a look at wheat and we get roughly the same picture. The price of wheat was running back here about $1.30 a bushel at the farm level -- something like that. It went up. Here was the Russian purchase in here. It went up here. Last year, it dropped off some at harvest time, and it came up again, again largely reflecting our very short crop of feed grains because it was a sympathetic movement in prices.

MORE

It has dropped off some since, but again, in historical perspective, at a much higher level than anything we had except for a couple of abnormal periods here.

Take a look at the price of soybeans, and you get somewhat the same thing. Soybeans jumped very high in 1973. This was because of a worldwide shortage of protein. Fishmeal off the Peruvian Cost failed and for various other reasons at this point, we had a soybean embargo and the like. They dropped down. They have come around here. They came up again last fall and they are down at a point here now which in historical perspective is still above anything we ever had prior to two years ago.

The picture on cotton is not quite so good. The price of cotton dropped down some here and then improved very markedly. This period was very high last year and has dropped. It has recovered some in the last couple of months.

The price of cotton is, in most cases, below the cost of production, again reflecting the failure of textile markets around the world. We are in a bad situation.

You hear a lot about the farm cost-price squeeze. This is serious. Farmers had their record high net farm income year in 1973. It was $32 billion. It was nearly double -- not quite double -- the previous high of $17.5 billion. In 1974, this dropped some as costs began to catch up with income. It dropped to $26 billion in 1974. It will drop still further in 1975, chiefly, again, because the costs have caught up with it.

But here, the red line is prices received by farmers. The blue line is prices paid by farmers, two widely quoted indexes put out by the Department of Agriculture. You will note that based on 1967 as 100, which we have used for some time, and they were in rough adjustment starting in 1972.

In 1973 and 1974, prices received escalated up very high. Prices paid kept going on up. This is part of the problem. Those two lines have now crossed.

Prices received have come down for five months in a row, until the current month. The May 15 index was published just last night, was released last night. It showed an increase of 4 percent in prices received by farmers in the last month. This stops -- and I hope permanently stops now -- this down erosion we have had for five consecutive months.

MORE

Prices paid keep going up. This has slowed down some compared with a year ago. Prices received are 7 percent below one year ago. Prices paid are 11 percent above a year ago. That is the cost-price squeeze that you hear so much about.

I present those charts simply to show you if we take the prices of our basic commodities that are in this farm bill up here, I am talking about wheat and feed grains and soybeans. Cotton was in there, too. With the exception of cotton, the prices are substantially above anything that had prevailed prior to the last year or two.

I am fully aware that costs are catching up, and they stay up. The cost of a combine is up to $30,000 now. The cost of a good tractor is up to $20,000 now, and so on.

On the other hand, we discussed this with the President. I think one of the things that irritates our farmers a great deal was the two-time experience in interference with export markets for our farm products. We are asking our farmers to produce fully, and they are responding that way.

Two years ago, we cut across export contracts on soybeans which in retrospect, I think, was a very unfortunate thing we did. Last year, when the USSR came in with this massive purchase for corn and wheat, and we had a relatively short corn supply, again we interfered with that and we instituted a system of prior approval for export shipments of over 50,000 tons in any one shipment. This was a very irritating thing to our farm people, and justly so, I think.

This has all been removed now. They have access to markets any place in the world, now. with the exception of Trading With the Enemies Act. There are certain forbidden places. The President feels, as I do, that we should make every effort not to have that kind of interference again.

I think if we can assure our farmers that they are going to have access to these export markets, we do our very best to keep promoting export markets, and maintain our farm commodity prices at a level where they are, or hopefully a little more -- and I would like to see a little more because our farm income is being squeezed this year -- I think that the thing that spurred this activity back of the new farm bill will have been diminished a great deal.

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Just one more comment. I fear very deeply myself that if we were in this non-election year, to accept the target prices and the loan rates established in the new farm bill, it would be a base for further escalation next year, which will be an election year, would move us in the direction of getting heavy Government participation in the commodity business again.

We would begin to accumulate commodities in the hands of the Government. We would become a residual supplier in the world's markets, as we were for many years, because we owned the commodities, substantial quantities of them.

The release price had been announced at the loan level, plus 15 percent, plus carrying charges. Our competitors around the world just undersold us. They emptied their warehouses and bins, and then we took what was left in the market place. If we got back in that stance again, we would very shortly get to the point that public pressure, political pressure, would force us back into a system of quotas and allotments, and we would be back on the same threadbare tracks we traveled for 40 years, except for short, wartime periods. These are the main reasons why the President is vetoing this bill.

Q Mr. Secretary, we understand that the President's veto message does not, as you had indicated you thought it would earlier, announce increases in the loan rates, but that it does say that if conditions deteriorate, he will take action. Can you enlarge on that, please?

SECRETARY BUTZ: Yes. The Secretary has a great deal of discretionary authority to set loan rates except for cotton. In the case of cotton, this is fixed by law at 90 percent of the average international price the last three years. We have, in fact, raised cotton loan rates 9 cents this year based on that law.

But for wheat and feed grains and oil seeds, the Secretary has wide discretionary authority. The President feels -- and I concur in this -- that it would be inconsistent to veto the bill for the primary reason of increased cost and at the very same time, to indicate action that would, in itself, increase budget outlays.

Our best estimate was, if we had right now announced an increase in the loan rates of corn and wheat up to, let us say, $1.50 and $2.00 -- just to pick a figure out of the air -- it would have entailed an added budget outlay of somewhere around $90 million.

On the other hand, the President feels, and I feel very strongly, that we should continue to watch this thing and keep our options open. If these charts I have just shown you turn down again, be prepared to make adjustments in the loan rates.

As I indicated last Friday before Senator Humphrey's committee on the Joint Economic Report, I do not propose to sit here as Secretary of Agriculture and see our farmers liquidated. That would not be in anybody's interest, including the interest of consumers.

We have to have a healthy agriculture. I think we are on the track toward a healthy agriculture.

Q Why are you delaying doing that? Aren't a lot of people going broke? Haven't a lot of these people gotten credit this year on the strength that maybe they would be able to get this bill through? How did they get the credit to plant crops that they have gotten up to now?

SECRETARY BUTZ: Sarah, the current market price of commodities is substantially above the current target prices on the current loan rates and substantially above the target prices on the loan rates on the bill passed by Congress. This is also true of the price of the 1975 crops in the futures market.

Our goal, of course, is, I think, a sound one, and that is to keep those prices at a healthy level so they can get their price and get their income in the marketplace and not be dependent on Government.

How did they get their credit? If they have a basis for credit, you can get it from the regular institutional sources you always get it from, from the cooperative credit organizations. In the case of farmers who cannot do it, we have stepped up our amount of farm home administration credit for operating loans this year, too.

Q How much is that going to cost you? That is going to cost you more, right?

SECRETARY BUTZ: It goes out at 5 percent. It does involve some interest subsidy, that is correct.

Q What about the cotton industry now? A lot of people have gotten off of cotton and didn't plant cotton this year, and diverted to soybeans. Is that going to make us have a great shortage of cotton and textiles?

MORE

SECRETARY BUTZ: I don't think so, Sarah, because we have a surplus of cotton now. Our carry-out of cotton is quite high this year, both in this country and around the world because the off-take for textile manufacturing has been done.

So, we go into the year with a pretty substantial carry-in of cotton. Our cotton farmers indicated on March 1, for planting intentions, that they were going to cut back their acreage by 29 percent this year. Most of that would go into soybeans and some into grain sorghum.

Our soybean acreage was indicated to be up 6 percent this year. I think those are very desirable shifts. We don't need the cotton. We do need the soybeans, and I think this shift reflects itself in the market already with cotton prices having strengthened by some 5 cents a pound in the last three or four weeks.

Q Mr. Secretary, this chart here indicates the prices that farmers are paying for their stuff is going up and the prices they are getting are going down. This is the percentage of 1967 when they were getting a lot more than they were spending. Is it to the point now where the farmers who are starting out in agriculture now are going to start out in a loss situation or are they still able to make some money?

SECRETARY BUTZ: That depends on the individual situation, obviously. It takes so much capital now, as it did right back here, too -- it took a lot of capital back there to get started -- that unless you have a fairly substantial capital base or your wife's father has a farm, or something -- of course you have to take your wife with it, too, you understand to get that -- it is very difficult to get started these days. This is simply one of the facts of life.

I am talking about the family farm. It is now a heavy capital utilizer. Yet, there are young people starting every day. There are young couples in trouble right now. Those young couples that started in the beef business, for example, 18 months ago, that paid $400 for a cow-calf unit that now find it worth $150 and went in debt on that basis, are in difficulty.

You are in a situation with a long cyclical swing here, a 10 or 12 year swing.

Q Mr. Secretary, why are the dairy farmers in such trouble?

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SECRETARY BUTZ: Primarily because of high feed costs that have occurred in recent years, especially at the end of the line like New England where you have to ship in so much of your feed and you are at the end of the transportation line where the transportation system has broken down, too.

There is light coming back in the dairy industry here. There has been some improvement in price. We adjusted our price supports upwards last December and again six weeks ago to bring our parity base up to date as required by law.

Feed costs are coming down some. We have just finished negotiating, I think, a very satisfactory arrangement with the European Community that avoids the imposition of countervailing duties on our part and they have withdrawn their restitution subsidies on their part all except some table cheeses, exotic cheeses, that we will pay any price for in this country, and are really not competitive.

I think that there are better days ahead for the dairy industry, too. Yet, milk production has continued to increase inspite of what you have heard about it.

Q Mr. Secretary, would you take each item, wheat, corn, cotton, soybeans, milk, exports, and tell us what you are going to do to improve the situation in each one of those?

SECRETARY BUTZ: On exports?

Q Each one of those, plus exports.

SECRETARY BUTZ: Let's take corn as a case in point. Corn is by far and away our biggest cereal crop. We had a very short crop last year of about 4.7 billion bushels because of the bad year in the cornbelt. This year, given average weather, we should hit a crop of around 6 billion bushels. That is going to be quite a lot of corn. That will be the largest crop we have ever had. We feed most of it.

Now, we will export, hopefully, over one billion bushels this next year. We are in the export business for keeps in feed grains. We are going to push hard on exports. Our market development teams are working constantly on that. Our Foreign Agricultural Service works constantly on it.

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We have built up livestock populations in some parts of the world that are absolutely dependent on a flow of feed grains from the United States, corn or grain sorghum as the case may be.

I think we won't have any trouble with corn. We have a little heavier carry-out a year from this than we have this fall. We are going to have too small a carry-out of corn this fall. We are going to have a carry-out of corn this fall that will be equivalent to approximately six weeks domestic consumption of corn. That is not enough because if we should happen to have another dry summer this summer, we would be in trouble.

We need a bigger carry-out of corn. By the same token, we need a bigger carry-out of wheat. Let's take wheat as a case in point. We are going to come out of this wheat market near June 20th with a carry-out of old crop wheat somewhere around 300 million bushels. I am reasonably confortable with that but it is not big. It is on the low side of safe. It is on the low side of normal. We can build up our carry-out to be on the safe side, not only for us, but for the world, to make us a credible supplier in the world's markets.

We simply have to export about two-thirds of our wheat. We will have a crop this year of 2 billion or 2.1 billion bushels. We will use domestically approximately 700 million bushels of wheat in a year for human consumption, for seed and for feed. That means we simply must export two-thirds of our wheat crop or we get a cutback in wheat. We must export 25 percent of our feed grains or we cut back. We must export 45 to 50 percent of our soybeans or we cut back.

What does this mean? It means we have now built the American farm export market up to a $22 billion market. As I said, it is our number one source of foreign exchange. It is in our interest, it is in the interest of all America to keep this export market healthy and we have to do it to keep agriculture on a full production program, otherwise we have to get back into a program of quotas, of allotments, as we did for 40 years.

Q Mr. Secretary, do your soundings on the Hill indicate that without some assurance in the form of immediate action to raise loan rates, you will be able to sustain the veto in the House?

SECRETARY BUTZ: I think so, because there was no assurance of that kind in the initial vote on the bill in the House or in the vote on the Conference report in the House, and on the initial vote in the House we had, as I recall, 22 votes above that necessary to sustain the veto.

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On the Conference Report, we picked up four votes and those for the bill lost 11 votes and that increased some. I see no reason why that margin wouldn't hold. I hope we can increase that margin.

I think what happened yesterday, what we reported in the Price Index strengthens our position, that this 5-month decline has stopped. While one swallow does not make a spring, I know at least it has turned around here. We increased 4 percent last month in prices received.

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Q Mr. Secretary, is really the issue the loan rates? Is that the most significant part of this veto?

SECRETARY BUTZ: No.

Q Or are you looking at the target price --

SECRETARY BUTZ: No, sir, I think the target price is the most significant part of it. The Congress passed the Act of 1973 two years ago with a new concept, this concept of target prices. It was not our proposal. It was a great deal of tugging and hauling, as you know, at that time, a great deal of bargaining and trading, but it came out to have a system of target prices.

The question came, was what level? And we were arguing for a lower level of target prices to make sure we did not get the Government heavily involved in the commodity business again.

The Congress wanted a higher level. We compromised at this figure here. They had an escalation clause written into that legislation saying target prices would escalate upward based on increases in the cost of production.

That is this blue line I have right here. They would escalate upwards. The Congress initially wanted that to apply the first year. We finally compromised and said that would apply the second year -- the third year of the four-year bill.

Last year was the first year under this bill; 1975 will be the second year. This escalator clause automatically becomes available in the third year, next year, and will substantially escalate target prices upward.

I think we have to be very careful that we don't get target prices to the point that they become incentive prices and you begin to produce for the Government or to get loan rates to that level.

Frankly, I am worried right now about the cotton situation. The loan level on cotton right now is at or above the world price of cotton and we could very easily get ourselves into a situation where we once again begin to accumulate cotton excesses as we did a few years ago and virtually price ourselves out of the international cotton market. We simply have to export 40 percent of our cotton in a normal year, or we are in trouble. We do not use it domestically. That means we have to cut back our whole cotton industry by 40 percent if that happens.

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Q Mr. Secretary, you did not show a curve up here for the dairy prices. Are you comfortable with the ability of the New England dairy industries to be viable at current prices?

SECRETARY BUTZ: No, I am not. New England is in a difficult situation, partly, as I said, because they are at the head of the feed line. You have a heavy transportation cost to get your concentrates in there. They are good roughage producers, fairly economical roughage producers, but their concentrates have to come in either by rail or truck. This adds to the cost.

They have been in a surplus milk situation up there for some years, which has tended to reduce their blend price some. I think there is a vulnerable spot in the dairy industry. It perhaps is the New England area where they have to depend -- other things being equal -- on a little better market.

This means they can't overproduce and put so much of their product under manufacturing, which tends to lower their blend price. One of the things that bothers me about the whole dairy industry is we have been for some years on a declining per capita consumption of milk in this country.

Our per capita consumption of total dairy products, including milk, continues on downward. The only reason we have been able to maintain a fairly constant level of dairy production is by virtue of the increase in population.

We had a production this last year in dairy products of around 116 billion pounds, I believe it was. I recall when I was here as Assistant Secretary in 1953, we were then producing 122 billion pounds. In 20 years our production has only held constant.

We have been able to do that only because of an increase in population; our per capita consumption goes downward. I am confident that if we begin to price our product too high, we will accelerate that downward trend and simply hasten the death knell of the dairy industry.

Q Mr. Secretary, how do you think the farmers in this country are going to react to this veto?

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SECRETARY BUTZ: Divided. I think they will act divided. The American Farm Bureau Federation is vigorously opposing this bill. They have from the start. They are working to sustain a veto.

Oddly enough, The Farmers Union is opposed to it, but for a different reason. Their reason being the target prices are not high enough. It is rather unusual to get those two organizations on the same side of anything. But we have got a bill here where the Nation's largest farm organization representing 2.6 million family members is opposed to it, where George Meany, the head of the AFL-CIO, has strongly endorsed it and I have said from a number of platforms around the country when George Meany endorses a farm bill, I want to read the fine print. I want to see what kind of trade was made, and this obviously is a trade being made on the Hill up here.

Q Specifically, in what way is a trade being made?

SECRETARY BUTZ: It is being made as evidenced by the comments made by one of the Senators in the Senate Agriculture Committee when I was up testifying on this bill. The discussion went to food stamps.

I said, "I think food stamps properly belong in the Department of Health, Education and Welfare." He said, "Well, there is much logic for that, but on the other hand, we use it here as trading stock to get our legislation through."

In what way do you do this? Labor voted pretty solidly for this, even though its districts were almost entirely urban, where they should be opposed to anything that would raise food prices, and the longer run impact of this bill would be to raise food prices.

You cannot interpret it otherwise, but they voted very solidly for it and later down the pipe will come legislation that somebody may attempt to remove food stamps from strikers.

At the present time, we give strikers who are eligible food stamps. There will be an attempt to increase eligibility for food stamps. There will be an attempt to increase public service jobs. There will be all kinds of things coming along.

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While I don't know what kind of deal was made I think I could pretty well speculate what it was.

Q Mr. Secretary, you say we don't need cotton. We do need soybeans. Would you advise cotton farmers to get out of cotton?

SECRETARY BUTZ: Cotton farmers themselves this year indicated that they intended to plant 29 percent fewer acres than last year. They are responding to market signals, as they should.

I did not say we did not need cotton. I simply said we did not need as much as we had last year, and we do need more soybeans than we had last year.

Q Mr. Butz, what about imports on meat?

SECRETARY BUTZ: I think the imports on meat are under complete control. We have the meat, the Beef Import Control Act of 1966, that established a triggerpoint on imports at 1.181 million pounds that could come in now. That changes some from year to year, but that is the current figure.

In the last six or eight months, imports with no restrictions had been below that level, primarily because of the American beef market was not an attractive market by the time you added transportation charges from far away Australia.

But cattle numbers are building up in Australia, at some point they will go to slaughter and come on the world market. In the last six weeks or two months, the State Department, under the very able leadership of Jules Katz, has been negotiating voluntary restraints on shipments of beef to this country from those principal nations that ship to us.

This either has been concluded or is just about to be concluded in a very satisfactory way. This was at the direction of the President. I think in this case the President has taken action to make sure these do not interfere with our domestic marketings.

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Q Sir, they have been doing it for months. That is what the cattlemen have all been in here talking to you all about, the interference on beef and dairy, cattle --

SECRETARY BUTZ: You are quite right, but the actual shipments in the last six or eight months have been below the trigger point defined in the law.

Q That still does not mean -- as the cattlemen pointed out in at least four conferences down here at the White House -- that does not mean but what they are very seriously hurt by these imports.

SECRETARY BUTZ: We import approximately 7 or 8 percent of the total beef we use. It is manufacturing beef. On the other hand, Sarah, let's remember trade is a two-way street. We export half of our cattle hides. We export nearly half of the glands, tongues and that kind of thing. We have a very substantial export trade in animal products, too.

Q That still does not answer the question about the competition, how it is hurting the dairy and beef cattlemen here.

SECRETARY BUTZ: The same way about cheese imports. Two years ago, twice we raised, by Presidential Proclamantion, the amount of cheese that could come to this country, 100 million pounds in each case.

Q I know you did.

SECRETARY BUTZ: And dried skimmed milk. We raised that. We raised that at the time and we simply were not producing enough dried skim milk to meet our needs. Our cottage cheese manufacturers, our ice cream manufacturers and our bakers were shifting to something else.

I think it made sense to bring that in to maintain the market for dried skim. In the case of our second special cheese import, I think it came too late. I think by the time we finally got it in place, it did interfere with our domestic market in cheese. I don't think the first one did.

Q I would like to ask you a political question. Throughout this briefing here today, you have talked about 1976 politics. From what I read and hear, there are some who feel that you would be a political liability to Mr. Ford in a campaign. I am wondering if you have any intentions to voluntarily step aside and let the President appoint his own Agricultural Secretary?

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SECRETARY BUTZ: All I know is what I read in the papers, and I read in the papers two or three weeks ago that I had every honest intention to do so, until the President asked me to stay on. I read that in the paper. One of you wrote it. I don't know which one it was.

Q Has he asked you to stay on?

SECRETARY BUTZ: Yes.

Q Mr. Secretary, you said the long-run impact of this bill would be to increase food prices.

SECRETARY BUTZ: Yes, sir.

Q What is your estimate as to how much food prices would have been increased in, let's say, the next year or by the end of this year?

SECRETARY BUTZ: The immediate effect of this bill would have been, I think, to raise dairy prices modestly because it would have required some increase and a quarterly updating of the pricing level on dairy products which would very quickly translate itself into retail price changes in milk and butter and cheese.

I think the impact of this bill on other food prices would have been longer removed in the future, because we don't eat corn directly. We translate it into livestock. It takes a year to get that process done. The amount of wheat that goes into a loaf of bread is miniscule. It was only a year ago we were having flap in this country on a dollar a loaf of bread.

At the present price of wheat, you get about six cents of wheat right now in a 40 cent, one pound loaf of white bread in this town. But the long-run effect of this would have had to have been to put food prices up because it would get agriculture back in again ultimately to the position of quotas and allotments.

THE PRESS: Thank you, Mr. Secretary.

END (AT 2:40 P.M. EDT)

April 23, 1975

Dear Mr. Director:

The following bill was received at the White House on April 23rd:

H.R. 4296

Please let the President have reports and recommendations as to the approval of this bill as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.