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## THE FARMER'S NOT IN THE DEEL, HE'S IN TROUBLE

by  
Reagan Brown  
Special Assistant to Governor Briscoe

file  
Please  
SAVE

For a great number of years Americans have enjoyed a bountiful supply of food at a small percentage of their disposable income. We have been the best fed nation in the world at least cost in hours of labor. Indications are that the days of cheap and plentiful food in America may be threatened.

Cost of production has sky-rocketed at the farm. The farmer in many instances receives more for his products today than ever before and yet goes broke at the same time. Inflation in the price of what he has to buy kills all advantage he has gained by technology and good management.

The farmer and rancher finds himself a hero on one hand, and a villain on the other. To many he is a hero, because capacity for food production has become the ace in the deck for U. S. international relations, but he is a villain to the many consumers who believe he is getting rich. In a land whose great capacity to produce food through the years has staggered the imagination we find these startling realities:

- (1) At the same time America is called upon, to feed the world, it is estimated that 20,000,000 Americans are eating below the minimum nutritional level.
- (2) Again we hear "feed the world". And who would deny that conditions today in many areas are desperate. The world has 500 million more people than it had in the 60's and every morning when the sun comes up there are 200 thousand new babies demanding breakfast. No matter how great the desire, America can no longer feed the world - and the quicker we decide that our own people must come first, the easier it's going to be to live with our conscience. American capacity to produce is limited by economics. If we export, and of course we want to, if it is possible, then trades must be hard nosed and made by those who are interested in the American people. Why would anyone permit foreign nations to buy our products at lower costs,



financed at lower interest rates, than Americans would have to pay.

(3) Affluence in many parts of the world along with population increases, has increased the demand for food more rapidly than ever before. World demand for cereals was increasing at about 4 million tons per year in 1900, by 1950 it had grown to 12 million tons and by 1970 was expanding by 30 million tons per year. Competition for available food grains is expected to increase.

(4) The world's climate is changing. In May of this year numerous scientists from around the world met to coordinate their knowledge of what is happening, and to predict the effects of climatic change.

"The scientists have documented the fact that the earth is already experiencing a significant shift in climate, which is expected to span a minimum of twenty years. According to their findings, the world's average temperature is becoming cooler, as evidenced by the increased ice and snow areas around the poles and the strong, persistent, jet-stream winds generated by the change in temperatures.

"Scientists have recorded a 3/10 of one degree centigrade decrease in the world's average temperature since the 1940's. That doesn't seem like much, but that slight cooling has already trimmed a week to ten days from the growing season in the temperate zones where most food is grown.

"The outcome of this cooling, in the climatologist's view, will be a magnification of current conditions. Cold areas will become colder and warm ones, warmer. Wet areas will become wetter and dry ones, drier. In terms of food, there will be a dislocation of the food production and food consumption areas.

"The major consequence of this new pattern of world climate will be an increasing frequency of severe weather conditions."

(5) Disease and pests destroy more than \$5 billion worth of crops and animals each year and new bugs and insidious diseases are being discovered. The threat of crop and livestock annihilation is ever present.

(6) A hodge podge of organizations many times working at cross purposes have enriched one segment of agriculture while ruining another.



(7) Government policy many times has been detrimental.

(8) Texas dairymen and cattlemen are going broke in wholesale numbers due to increased production costs. Many farmers and ranchers are disillusioned and feel that their best interests are not being considered. Many are clamoring for new organizations to represent them. State legislatures and Congress are being called upon to do something. The impatience becomes belligerent as many cattle and dairy farmers face total bankruptcy.

Can you blame a dairyman for liquidating herds when he is averaging 43¢ per hour. This testimony pertaining to hourly income as given recently to a State Legislative Committee along with the statistics given in the following chart.

#### Average Prices Paid by Dairy Farmers

\*Estimated by Nacogdoches County Dairymen (Texas)

|                    | Jan. 1973    | Aug. 1974 | Increase |
|--------------------|--------------|-----------|----------|
| Dairy Mineral      | \$10.20-100# | 15.00     | 47%      |
| Sevin Dust         | 9.90-10#     | 10.50     | 6%       |
| Am. Nitrate        | 80.00-ton    | 175.00    | 119%     |
| Fertilizer         | 74.00-ton    | 145.00    | 96%      |
| Baling Twine       | 10.00-bundle | 35.00     | 250%     |
| Barb Wire          | 10.50-spool  | 39.50     | 276%     |
| Hay Haul           | .05-bale     | .25       | 400%     |
| Calf Feed          | 9.60-100#    | 10.50     | 9.4%     |
| Plastic Inflatons  | .95-ea.      | 1.45      | 52.6%    |
| Plastic Shells     | 2.15-ea.     | 2.75      | 28%      |
| Fly Bomb           | 5.00-ea.     | 5.65      | 13%      |
| Tank Cleaner       | 7.90-25#     | 11.35     | 43.7%    |
| Pipe Line Cleaner  | 11.80-50#    | 17.80     | 50.8%    |
| Karo Towels        | 6.60-case    | 7.50      | 13.6%    |
| Filters            | 5.70-100#    | 6.90      | 21.5%    |
| Powdered Cholorine | 2.35-5 lb.   | 3.25      | 38.3%    |
| Teat Dip           | 42.25-drum   | 59.00     | 39.6%    |

(9) A great deal of misinformation, distrust, and lack of authentic statistics exist concerning imports. Knowing we have to buy if we want to sell, the farmer who is going broke because he blames imports has little patience with temporary schemes arranged by diplomats who are far removed from his problems.





Well the list could go on. We only skim the surface here. But Americans had better wake up. Already milk is predicted to go to \$3.00 - \$4.00 per gallon in a few months. Shortages of canned fruits, sugar, and other grocery items are beginning to show up. Percentage of disposable income for food can well double or even triple in a few years.

The proud industry of agriculture is sick and it's high time that the patient gets into a "first class hospital" and we get going again. What can we do? Do we have the will and the know-how to make the changes. One thing is perfectly clear. The decision won't be made in governmental circles alone but around every table in our land.

(1) Do we send scarce fertilizer produced from a dwindling natural gas and fuel oil supply to lesser developed countries when our own farmers need it.

(2) Will we "honor the salesman" or will we continue to sell at lower interest to foreign governments than to our own folks. What's happened to "Yankee Ingenuity"? That's a good question.

(3) Will we develop a long-range Agricultural Policy, easy to understand, fully supported? Who in America today can adequately describe our long-range objective? Where is the "Moses" to lead us?

(4) Can we even consider shipping massive quantities of protein abroad when twenty million Americans are undernourished; especially the aged on fixed incomes.

(5) Will we support agricultural programs to develop new crops and livestock and to develop a corp of agricultural specialists who understand selling and marketing at the world counter and who can use America's ace in the deck in "food politics"?

(6) Will we support a massive world effort to control population or will we produce millions of babies and then let them starve?

(7) Will we be willing to understand that agriculture is the hope of America. That the farmer and rancher is the anchor, and that he is in trouble and is the economic hub around which all else revolves.



(8) The average age of today's farmer and rancher is about 55-60 years. Will we create an incentive for young people to enter the field of agriculture? If not who will farm the farms and who will raise the livestock?

One thing is clear, how we feel about the points mentioned and the issues raised will determine America's destiny. The world doesn't need our bathtubs, air conditioners, automobiles and other materials we have so often bragged about. What we have that they need most is our food. For a long time we have shared and given and loaned. American Agriculture has been benevolent. We have done our part in feeding the world. We will continue to do our share. We can not do it at the expense of our own.

It's high noon for our farmers and ranchers. They are an endangered species. It's important for Americans to know this and understand it. If agriculture is in trouble, how about you? Let me remind you that you are as close to agriculture as your next meal. More important what are we going to do about it? America's Agriculture is so vitally important not only to Americans but to the rest of the world. These problems demand a united front in charting the future course for this great industry.

In Texas we intend to do everything we can possibly do to see that all organizations work together to see that agriculture gets top priority in the legislative halls. The Texas Department of Agriculture, the Farm Bureau, the Farmers Union, Texas and Southwestern Cattle Raisers, Texas Cattle Feeder Association, the breed associations, universities, chambers of commerce, and others for years have championed the cause of agriculture. New organizations like the Independent Cattlemen's Association are bringing new emphasis to the need for attention to the social and economic problems of agriculture. The men and women in these organizations are honorable Texans, dedicated to the pursuit of a prosperous and secure agriculture.

Governor Dolph Briscoe has asked me as his Special Assistant to coordinate efforts of his office in bringing top priority to



efforts to insure that agriculture survives as a free and important segment of our society; that farmers and ranchers enjoy a fair return on their land, labor, and capital; and that our people, the consumer, continue to enjoy the bountiful clean nutritious food they have enjoyed through the years. We are devising many plans to accomplish this. We ask all to work as a united team in meeting the challenge.



[12/74]

It is unfortunate that a few remarks I made at a news breakfast with 20 reporters last Wednesday morning were taken out of context in one account of that meeting and escalated in the news with an interpretation clearly not intended.

The one-hour discussion with the press group centered around the serious problem of the world population--food ratio now and in the years ahead.

I pointed out that the world population may well reach 6.5 to 7.0 billion people by the end of this century. I expressed my judgment that agriculture will be able to increase output enough so that the world will be able to feed that many people--even though it does mean doubling food production here and abroad in 25 years' time. However, at some point in time a continued growth of population at the present rate will result in widespread famine and starvation-related deaths.

In the discussion, I pointed out that any population, of people or anything else, that increases at an annual rate of 3 percent will in 100 years be 17 times larger than the starting number. Population has been increasing at about that rate in some countries. Everybody agrees that this is a problem which we cannot escape, for even now it is generally held that around 400 million people, mostly in areas of high population density, are already malnourished.

There was never any intention in any of the discussion or in any remark to impugn the motives or the integrity of any religious group, ethnic group, or religious leader.

I regret that some such interpretations have been made, and I sincerely apologize for any part I played in it.

USDA 3458-74

Don Brock:

I don't think that this letter is the best tone for the President to use, in his own best interests.

First of all, it suggests that Secretary Butz was making a vicious attack on the Pope and his position and that it was "abhorrent."

The letter also suggests that the President doesn't have a sense of humor, or doesn't understand what really happened.

There were 20 reporters at the breakfast who know that it was told as an aside. It's an old, old joke. Joe Paterno, the football coach at Penn State was telling it at banquets some time ago (and he's a Catholic).

Butz told the joke as an off-the-record remark. If Butz were vicious about the joke, or was attacking the Pope, he wouldn't have asked for it to be off-the-record. The one reporter who wrote about it did not include the vital point that Secretary Butz was saying that "An Italian woman was heard to say, etc.

Anyway, that reporter, as you know, has since written to Secretary Butz apologizing for not understanding that it was off-the-record.

I think that this letter is an over-reaction on the part of the President.

Some of the reporters who were at the breakfast have come to the defense of Secretary Butz and are already saying "where has our sense of humor gone."





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*file  
Agriculture*

December 3, 1974

Mr. Norman Ross  
Director of Domestic Affairs  
White House  
Washington, D. C.

Dear Mr. Ross:

With reference to our discussions of a barter system with various countries and the serious crisis that our nation faces today in order that we may present a complete package with reference to same, it is necessary that we have the following information:

- a. What countries do we have embargoes against?
- b. When did these embargoes go into effect?
- c. When do they go out of existence?
- d. What are the terms and conditions of them?
- e. When were they written?
- f. Is there a copy of these agreements available?

We would like to know what the obstacles we will have, if any, before we get to the table.

Is it possible for your office to supply this information, if not please advise who we may contact to obtain same?

Thank you for your co-operation in this matter and we will be in contact with you as soon as a completed project is ready for presentation.

Very respectfully yours,

AFRO-AMERICAN DISTRIBUTORS, LTD.

*Frank Mabry Jr.*  
Frank Mabry, Jr.  
President

FMJR/kdm



*12/5*





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December 2, 1974

Mr. Norman Ross  
Director - Domestic Affairs  
White House  
Pennsylvania Avenue  
Washington, D. C.

Dear Mr. Ross:

Pursuant to our offices telephone conversation with your secretary and with you with reference to the following:

- a. Our firm representation of the soft drink industry and the major food chains to purchase sugar at lower costs.
- b. Our contacts with the Panamanian Government and the Colombian Government officials and businessmen and their interest in a trade of wheat for sugar.

We appreciate all assistance that your office has extended with the various contacts in other agencies to enable us to arrange a meeting as rapidly as possible between the government officials, the sugar representatives, the sugar buyers, the wheat representatives and the various governmental agencies offices that will participate in this particular meeting with the goal in mind to hopefully assist in the alleviation of this serious economic crisis which has effected so many.

While speaking with Senator Humphrey's office, we were informed as to the severity of the effect on the Minnesota Farmers who were receiving as little as 5-8 cents per pound for beef. After contacting the head of the Minnesota Farmer's unions, we were in the hopes of working on a possible solution to this problem also.

Many thanks for your assistance and we will await your written reply and your comments.

Very respectfully yours,

AFRO-SERVICES, LTD.

K. A. Diana  
Administrative Assistant

KAD/cm



12/5

THE WHITE HOUSE  
WASHINGTON

December 5, 1974

MEMORANDUM FOR: MR. KENNETH R. COLE, JR.  
FROM: WARREN RUSTAND *WR*  
SUBJECT: Approved Presidential Activity

Please take the necessary steps to implement the following and confirm with Mrs. Nell Yates, ext. 2699. The appropriate briefing paper should be submitted to Dr. David Hoopes.

Meeting: With William Kuhfuss, President, American Farm Bureau  
and possibly Roger Flemming

Date: Friday, Dec. 13, 1974 Time: 12:50 p.m. Duration: 10 minutes

Location: The Oval Office

Press Coverage: Press Photo

Purpose: Farm Bureau wants audience with the President prior  
to its major conference in January.

cc: Mr. Hartmann  
Mr. Marsh  
Mr. Cheney  
Mr. Baroody  
Mr. Jones  
Dr. Hoopes  
Mr. Nessen  
Mr. O'Donnell  
✓ Mr. Ross  
Mrs. Yates



December 12, 1974

MEETING WITH WILLIAM KUHFUSS

Friday, December 13, 1974  
12:50 p.m. (10 minutes)  
The Oval Office

From: Ken Cole

I. PURPOSE

To provide an opportunity to personally thank the Farm Bureau for their continued support of your economic policies and to request their support, prior to their major conference in January, in your efforts to fight inflation.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: The Farm Bureau is by far the largest general farm organization in the country. The Bureau has been very helpful in getting out in front actively supporting Administration positions, including favoring cuts in the Department of Agriculture budget, supporting the Trade Bill, and your views on fiscal responsibility. As a Congressman for some 25 years, you met with members of your local Farm Bureau each fall to discuss the problems and challenges of the coming year. As Vice President, you addressed their national convention last January. Secretary Simon has been requested to address their national convention in January of next year.



B. Participants:

William Kuhfuss, President  
American Farm Bureau Federation

Roger Fleming, Secretary-Treasurer  
American Farm Bureau Federation

Staff: Ken Cole

C. Press Plan: Photo opportunity

III. TALKING POINTS

1. Our Nation's fight against inflation is a top priority item. What recommendations do you have from the agricultural sector which would help us whip inflation?
2. What is your reaction to the recent World Food Conference? Do you favor a costly system of Government-held reserves as a way to solve our world food problems?
3. Thank you for your continued support. I do, however, stress the need for full and efficient production in agriculture, and the importance of adequate food and fiber in maintaining world peace.

N/ROSS/pt 12-12-74  
cc:WH files ~~w/finance/pt~~  
briefing file





On to

DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

file  
SAVE

December 17, 1974

Mr. Norman E. Ross, Jr.  
Assistant Director  
Domestic Council  
Washington, D.C. 20500

Dear Mr. Ross:

You asked about USDA's budget rescissions and deferrals. Here is a copy of a letter which we sent to our Appropriations Subcommittees and also a list of each USDA item included in the President's message of November 26. If you need any further information, please let me know.

Sincerely,

DONALD E. BROCK  
Executive Assistant  
to the Secretary

Enclosures

12/18



DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

November 26, 1974

Honorable Jamie L. Whitten  
Chairman, Subcommittee on Agriculture-  
Environmental and Consumer Protection  
Committee on Appropriations  
House of Representatives

Dear Mr. Chairman:

Later today the President will send to the Congress a proposed list of actions which, if approved, will hold Federal spending in 1975 to \$300 billion. A revised estimate of USDA outlays, including action taken in the pending appropriations bill and the proposed items submitted by the President, is attached. There is also attached a brief explanation of each USDA item included in the President's proposal.

The actions proposed represent very difficult decisions. They involve increasing the purchase price of food stamps, stricter enforcement of both the Food Stamp and Child Nutrition programs, restricting the level of Export Credit Sales, reducing the amounts from the pending appropriations bill for Rural Development Grants and the Extension Service's Nutrition and Family Education program, and suspending the Agricultural Conservation, Water Bank, Forestry Incentives, and Rural Community Fire Protection programs. As difficult as these decisions are, however, we believe that the need to reduce the inflationary pressures caused by excessive Federal spending makes such action necessary. We know that you will give them your thoughtful consideration.

Similar letters are being sent to Congressman Andrews and to Senators McGee and Fong.

Sincerely,

J. Phil Campbell  
Under Secretary

Attachments





ACTIONS PROPOSED TO REDUCE USDA SPENDING - FISCAL YEAR 1975

| <u>Action on Pending Appropriations Bills</u> | <u>Program Level Reduction</u> | <u>Outlay Effect FY 1975</u> |
|-----------------------------------------------|--------------------------------|------------------------------|
|                                               | <u>(in millions)</u>           |                              |
| Agriculture conservation program .....        | -\$147.3                       | -\$35.0                      |

Reducing the program to \$42,750,000 for 1975 would discontinue the program, but sufficient funds would be left to cover long-term contracts entered into under the 1974 program. This is a reduction from the \$190 million approved by the House and Senate.

|                          |       |      |
|--------------------------|-------|------|
| Water bank program ..... | -10.0 | -1.9 |
|--------------------------|-------|------|

This program would be discontinued by this action and by a rescission (proposed on Page 2) of carryover funds. The House and Senate approved \$10 million for this program.

|                                   |       |      |
|-----------------------------------|-------|------|
| Forestry incentives program ..... | -25.0 | -6.2 |
|-----------------------------------|-------|------|

This new program would be discontinued. The House and Senate approved this program.

|                                                                                  |      |      |
|----------------------------------------------------------------------------------|------|------|
| Extension Service: Payments for the nutrition and family education program ..... | -3.2 | -3.2 |
|----------------------------------------------------------------------------------|------|------|

This program would be held to the level proposed in the 1975 budget rather than the \$50,560,000 level passed by the House and Senate.

|                                |      |     |
|--------------------------------|------|-----|
| Rural development grants ..... | -3.8 | -.8 |
|--------------------------------|------|-----|

This program would be held to the level proposed in the 1975 budget rather than the \$13,750,000 level passed by the House and Senate.

|                                             |      |      |
|---------------------------------------------|------|------|
| Rural community fire protection grants..... | -3.5 | -3.0 |
|---------------------------------------------|------|------|

Initiation of this new program would be postponed indefinitely. The House and Senate recommended \$3,500,000 for these grants.

Executive Actions Under Current Law

|                               |       |       |
|-------------------------------|-------|-------|
| Child nutrition program ..... | -10.0 | -10.0 |
|-------------------------------|-------|-------|

Federal enforcement of State program administration in the 300 largest school systems will be intensified. Careless administration and poor records have resulted in excessive claims for reimbursement of meals served. There will be minimal increase in Federal employment and administrative costs (\$3 million) in FY 1975.



|                                                                    | Program<br>Level<br><u>Reduction</u> | Outlay<br>Effect<br><u>FY 1975</u> |
|--------------------------------------------------------------------|--------------------------------------|------------------------------------|
| Commodity Credit Corporation, special export<br>credit sales ..... | (in millions)-<br>-\$250.0           | -\$250.0                           |

The effect of this action will be to hold the level of special export credit sales of farm products to \$450 million. Commitments to extend credit have reached \$432 million so far this fiscal year. With crops short and demand high, a credit inducement to increase exports of farm products is unnecessary.

|                          |        |        |
|--------------------------|--------|--------|
| Food stamp program ..... | -325.0 | -325.0 |
|--------------------------|--------|--------|

The purchase price of food stamps will be raised to 30 percent of monthly household income, the maximum permitted by law, effective March 1, 1975. This action will result in an increase in what an eligible household has to pay for food stamps and a comparable decrease in benefits. Those entitled to free food stamps will not be affected by this action.

#### Proposed Rescissions

|                                        |       |      |
|----------------------------------------|-------|------|
| Water bank act program .....<br>(1974) | -11.2 | -2.0 |
|----------------------------------------|-------|------|

The Department will request rescission of this carry-over balance in connection with termination of the program in fiscal year 1975.

|                                          |      |      |
|------------------------------------------|------|------|
| Cooperation in forest fire control ..... | -4.9 | -3.7 |
|------------------------------------------|------|------|

The Department proposes to hold grants to States for cooperative fire control to the 1974 level.

|                                           |       |      |
|-------------------------------------------|-------|------|
| Reforestation and Stand improvement ..... | -10.0 | -9.0 |
|-------------------------------------------|-------|------|

The Department will ask Congress to rescind \$10 million of the \$15 million increase provided by the Congress for this work.

#### Proposed Deferrals

|                                                        |      |      |
|--------------------------------------------------------|------|------|
| Forest Service construction and land acquisition ..... | -6.9 | -2.1 |
|--------------------------------------------------------|------|------|

The Department will ask Congress to defer increases provided by the Congress for Forest Service construction items until next fiscal year.

**CURRENT ESTIMATES OF USDA OUTLAYS FISCAL YEAR 1975, INCLUDING CONGRESSIONAL ACTION  
AND EXPECTED RESCISSIONS AND DEFERRALS  
(In thousands of dollars)**

|                                                                      | 1975<br>Budget   | Adjustments<br>and<br>Supplementals | Revised<br>Total  | Congressional<br>Action | Current<br>Estimate | Rescissions<br>and<br>Deferrals | Revised<br>Estimate |
|----------------------------------------------------------------------|------------------|-------------------------------------|-------------------|-------------------------|---------------------|---------------------------------|---------------------|
| <b>Agricultural Research Service:</b>                                |                  |                                     |                   |                         |                     |                                 |                     |
| Research .....                                                       | \$226,202        | --                                  | 226,202           | -\$3,452                | 222,750             |                                 | 222,750             |
| Foreign Currency .....                                               | 9,800            | --                                  | 9,800             | -1,000                  | 8,800               |                                 | 8,800               |
| Cooperative State Research Service .....                             | 96,180           | --                                  | 96,180            | +2,987                  | 99,167              |                                 | 99,167              |
| Extension Service .....                                              | 206,850          | --                                  | 206,850           | +6,974                  | 213,824             | -3,200                          | 210,624             |
| National Agricultural Library .....                                  | 4,907            | --                                  | 4,907             | -66                     | 4,841               |                                 | 4,841               |
| <b>Soil Conservation Service:</b>                                    |                  |                                     |                   |                         |                     |                                 |                     |
| Conservation Operations .....                                        | 192,202          | --                                  | 192,202           | -710                    | 191,492             |                                 | 191,492             |
| River Basin Surveys .....                                            | 14,297           | --                                  | 14,297            | -45                     | 14,252              |                                 | 14,252              |
| Watershed Planning .....                                             | 11,309           | --                                  | 11,309            | -40                     | 11,269              |                                 | 11,269              |
| Watershed and Flood Prevention<br>Construction .....                 | 136,342          | +24,000                             | 160,342           | -185                    | 160,157             |                                 | 160,157             |
| Great Plains .....                                                   | 18,600           | --                                  | 18,600            | +700                    | 19,300              |                                 | 19,300              |
| Resource Conservation and Development .....                          | 24,000           | --                                  | 24,000            | -40                     | 23,960              |                                 | 23,960              |
| Total, Soil Conservation Service .....                               | 396,750          | +24,000                             | 420,750           | -320                    | 420,430             |                                 | 420,430             |
| <b>Forest Service:</b>                                               |                  |                                     |                   |                         |                     |                                 |                     |
| Forest Protection and Utilization .....                              | 387,462          | +3,000                              | 390,462           | +22,326                 | 412,788             | -12,700                         | 400,088             |
| Fighting Forest Fires Supplemental .....                             | --               | +84,000                             | 84,000            | --                      | 84,000              |                                 | 84,000              |
| Roads and Trails .....                                               | 116,000          | --                                  | 116,000           | -136                    | 115,864             |                                 | 115,864             |
| Construction and Land Acquisition .....                              | 33,919           | +49,000                             | 82,919            | +2,296                  | 85,215              | -2,100                          | 83,115              |
| All Other .....                                                      | 238,717          | +1,939                              | 240,656           | --                      | 240,656             |                                 | 240,656             |
| Receipts .....                                                       | -540,272         | -53,030                             | -593,302          | --                      | -593,302            |                                 | -593,302            |
| Total, Forest Service .....                                          | 235,826          | +84,909                             | 320,735           | +24,486                 | 345,221             | -14,800                         | 330,421             |
| <b>Total, Conservation, Research<br/>and Education .....</b>         | <b>1,176,515</b> | <b>+108,909</b>                     | <b>1,285,424</b>  | <b>+29,609</b>          | <b>1,315,033</b>    | <b>-18,000</b>                  | <b>1,297,033</b>    |
| Foreign Agricultural Service .....                                   | 33,375           | -73                                 | 33,302            | -139                    | 33,163              |                                 | 33,163              |
| Federal Crop Insurance Corporation .....                             | 16,057           | -207                                | 15,850            | -175                    | 15,675              |                                 | 15,675              |
| <b>Agricultural Stabilization and<br/>Conservation Service:</b>      |                  |                                     |                   |                         |                     |                                 |                     |
| Salaries and Expenses .....                                          | 169,617          | --                                  | 169,617           | -15,485                 | 154,132             |                                 | 154,132             |
| Sugar Act Program .....                                              | 91,500           | --                                  | 91,500            | -4,500                  | 87,000              |                                 | 87,000              |
| Agricultural Conservation Program .....                              | 100,300          | +196,000                            | 296,300           | +21,700                 | 318,000             | -35,000                         | 283,000             |
| Water Bank .....                                                     | 3,800            | --                                  | 3,800             | --                      | 3,800               | +/-1,900                        | +/-1,900            |
| Cropland Adjustment Program .....                                    | 48,601           | --                                  | 48,601            | -4,800                  | 43,801              |                                 | 43,801              |
| Emergency Conservation Measures .....                                | 10,000           | --                                  | 10,000            | --                      | 10,000              |                                 | 10,000              |
| Forestry Incentives .....                                            | 6,200            | --                                  | 6,200             | --                      | 6,200               | -6,200                          | --                  |
| Other .....                                                          | 2,957            | --                                  | 2,957             | --                      | 2,957               |                                 | 2,957               |
| Total, Agricultural Stabilization<br>and Conservation Service .....  | 432,975          | +196,000                            | 628,975           | -3,085                  | 625,890             | -43,100                         | 582,790             |
| Commodity Credit Corporation .....                                   | 734,736          | +158,793                            | 893,529           | -13,420                 | 880,109             | -250,000                        | 630,109             |
| P. L. 480 .....                                                      | 741,690          | --                                  | 741,690           | --                      | 741,690             |                                 | 741,690             |
| <b>Total, International Affairs and<br/>Commodity Programs .....</b> | <b>1,958,833</b> | <b>+354,513</b>                     | <b>2,313,346</b>  | <b>-16,819</b>          | <b>2,296,527</b>    | <b>-293,100</b>                 | <b>2,003,427</b>    |
| Agricultural Marketing Service .....                                 | 41,273           | --                                  | 41,273            | +1,211                  | 42,484              |                                 | 42,484              |
| Section 32 .....                                                     | 354,978          | +181,649                            | 536,627           | --                      | 536,627             |                                 | 536,627             |
| <b>Food and Nutrition Service:</b>                                   |                  |                                     |                   |                         |                     |                                 |                     |
| Child Nutrition .....                                                | 1,269,190        | -11,938                             | 1,257,252         | +11,000                 | 1,268,252           | -10,000                         | 1,258,252           |
| Special Milk .....                                                   | 120,000          | +9,600                              | 129,600           | --                      | 129,600             |                                 | 129,600             |
| Food Stamp .....                                                     | 3,926,500        | +71,264                             | 3,997,764         | -215                    | 3,997,549           | -325,000                        | 3,672,549           |
| Total, Food and Nutrition Service .....                              | 5,315,690        | +68,926                             | 5,384,616         | +10,785                 | 5,395,401           | -335,000                        | 5,060,401           |
| <b>Animal and Plant Health Inspection<br/>Service .....</b>          | <b>329,523</b>   | <b>+15,671</b>                      | <b>345,194</b>    | <b>+829</b>             | <b>346,023</b>      |                                 | <b>346,023</b>      |
| Commodity Exchange Authority .....                                   | 4,210            | +2,412                              | 6,622             | -171                    | 6,451               |                                 | 6,451               |
| Packers and Stockyards Administration .....                          | 4,505            | --                                  | 4,505             | +113                    | 4,618               |                                 | 4,618               |
| <b>Total, Marketing and Consumer<br/>Services .....</b>              | <b>6,050,179</b> | <b>+268,656</b>                     | <b>6,318,837</b>  | <b>+12,767</b>          | <b>6,331,604</b>    | <b>-335,000</b>                 | <b>5,996,604</b>    |
| Rural Development Service .....                                      | 1,246            | --                                  | 1,246             | -331                    | 915                 |                                 | 915                 |
| Rural Electrification Administration .....                           | 19,062           | +1,000                              | 20,062            | -80                     | 19,982              |                                 | 19,982              |
| <b>Farmers Home Administration:</b>                                  |                  |                                     |                   |                         |                     |                                 |                     |
| Insured Loans .....                                                  | -294,428         | -1,137,182                          | -1,431,610        | --                      | -1,431,610          |                                 | -1,431,610          |
| Water and Sewer Grants .....                                         | 37,692           | +5,967                              | 43,659            | +4,500                  | 48,159              |                                 | 48,159              |
| Rural Development Grants .....                                       | 6,000            | --                                  | 6,000             | +750                    | 6,750               | -750                            | 6,000               |
| Farm Labor Grants .....                                              | 1,705            | --                                  | 1,705             | +3,500                  | 5,205               |                                 | 5,205               |
| Mutual and Self-Help Housing .....                                   | 5,469            | --                                  | 5,469             | +2,000                  | 7,469               |                                 | 7,469               |
| All Other .....                                                      | 126,966          | --                                  | 126,966           | +1,790                  | 128,756             | -3,000                          | 125,756             |
| Total, Farmers Home Administration .....                             | -116,596         | -1,131,215                          | -1,247,811        | +12,540                 | -1,235,271          | -3,750                          | -1,239,021          |
| <b>Total, Rural Development .....</b>                                | <b>-96,288</b>   | <b>-1,130,215</b>                   | <b>-1,226,503</b> | <b>+12,129</b>          | <b>-1,214,374</b>   | <b>-3,750</b>                   | <b>-1,218,124</b>   |

|                                                           | 1975<br>Budget | Adjustments<br>and<br>Supplementals | Revised<br>Total | Congressional<br>Action | Current<br>Estimate | Rescissions<br>and<br>Deferrals | Revised<br>Estimate |
|-----------------------------------------------------------|----------------|-------------------------------------|------------------|-------------------------|---------------------|---------------------------------|---------------------|
| Economic Research Service .....                           | 21,828         | - -                                 | 21,828           | -182                    | 21,646              |                                 | 21,646              |
| Statistical Reporting Service .....                       | 26,852         | - -                                 | 26,852           | -373                    | 26,479              |                                 | 26,479              |
| Farmer Cooperative Service .....                          | 2,350          | - -                                 | 2,350            | -10                     | 2,340               |                                 | 2,340               |
| Total, Agricultural Economics .....                       | 51,030         | - -                                 | 51,030           | -565                    | 50,465              |                                 | 50,465              |
| Office of the Secretary .....                             | 17,775         | - -                                 | 17,775           | -1,453                  | 16,322              |                                 | 16,322              |
| Office of the General Counsel .....                       | 7,533          | - -                                 | 7,533            | -50                     | 7,483               |                                 | 7,483               |
| Office of the Inspector General .....                     | 21,521         | - -                                 | 21,521           | -1,050                  | 20,471              |                                 | 20,471              |
| Total, Departmental Administration:                       | 46,829         | - -                                 | 46,829           | -2,553                  | 44,276              |                                 | 44,276              |
| Proprietary Receipts (other than Forest<br>Service) ..... | -2,814         | - -                                 | -2,814           | - -                     | -2,814              |                                 | -2,814              |
| Net trust fund outlays .....                              | -536           | - -                                 | -536             | - -                     | -536                |                                 | -536                |
| TOTAL, U.S. Department of Agriculture ...                 | 9,183,748      | -398,135                            | 8,785,613        | +34,568                 | 8,820,181           | -649,850                        | 8,170,331           |

a/ Excludes effect of voter bank funds carried over from fiscal year 1974, \$2.0 million.

Office of Management and Finance  
November 26, 1974





DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

November 26, 1974

Honorable Jamie L. Whitten  
Chairman, Subcommittee on Agriculture-  
Environmental and Consumer Protection  
Committee on Appropriations  
House of Representatives

Dear Mr. Chairman:

Later today the President will send to the Congress a proposed list of actions which, if approved, will hold Federal spending in 1975 to \$300 billion. A revised estimate of USDA outlays, including action taken in the pending appropriations bill and the proposed items submitted by the President, is attached. There is also attached a brief explanation of each USDA item included in the President's proposal.

The actions proposed represent very difficult decisions. They involve increasing the purchase price of food stamps, stricter enforcement of both the Food Stamp and Child Nutrition programs, restricting the level of Export Credit Sales, reducing the amounts from the pending appropriations bill for Rural Development Grants and the Extension Service's Nutrition and Family Education program, and suspending the Agricultural Conservation, Water Bank, Forestry Incentives, and Rural Community Fire Protection programs. As difficult as these decisions are, however, we believe that the need to reduce the inflationary pressures caused by excessive Federal spending makes such action necessary. We know that you will give them your thoughtful consideration.

Similar letters are being sent to Congressman Andrews and to Senators McGee and Fong.

Sincerely,

J. Phil Campbell  
Under Secretary

Attachments





# ACTIONS PROPOSED TO REDUCE USDA SPENDING - FISCAL YEAR 1975

|                                               | Program<br>Level<br>Reduction | Outlay<br>Effect<br>FY 1975<br>(in millions) |
|-----------------------------------------------|-------------------------------|----------------------------------------------|
| <u>Action on Pending Appropriations Bills</u> |                               |                                              |
| Agriculture conservation program .....        | -\$147.3                      | -\$35.0                                      |

Reducing the program to \$42,750,000 for 1975 would discontinue the program, but sufficient funds would be left to cover long-term contracts entered into under the 1974 program. This is a reduction from the \$190 million approved by the House and Senate.

|                          |       |      |
|--------------------------|-------|------|
| Water bank program ..... | -10.0 | -1.9 |
|--------------------------|-------|------|

This program would be discontinued by this action and by a rescission (proposed on Page 2) of carryover funds. The House and Senate approved \$10 million for this program.

|                                   |       |      |
|-----------------------------------|-------|------|
| Forestry incentives program ..... | -25.0 | -6.2 |
|-----------------------------------|-------|------|

This new program would be discontinued. The House and Senate approved this program.

|                                                                                  |      |      |
|----------------------------------------------------------------------------------|------|------|
| Extension Service: Payments for the nutrition and family education program ..... | -3.2 | -3.2 |
|----------------------------------------------------------------------------------|------|------|

This program would be held to the level proposed in the 1975 budget rather than the \$50,560,000 level passed by the House and Senate.

|                                |      |     |
|--------------------------------|------|-----|
| Rural development grants ..... | -3.8 | -.8 |
|--------------------------------|------|-----|

This program would be held to the level proposed in the 1975 budget rather than the \$13,750,000 level passed by the House and Senate.

|                                             |      |      |
|---------------------------------------------|------|------|
| Rural community fire protection grants..... | -3.5 | -3.0 |
|---------------------------------------------|------|------|

Initiation of this new program would be postponed indefinitely. The House and Senate recommended \$3,500,000 for these grants.

## Executive Actions Under Current Law

|                               |       |       |
|-------------------------------|-------|-------|
| Child nutrition program ..... | -10.0 | -10.0 |
|-------------------------------|-------|-------|

Federal enforcement of State program administration in the 300 largest school systems will be intensified. Careless administration and poor records have resulted in excessive claims for reimbursement of meals served. There will be minimal increase in Federal employment and administrative costs (\$3 million) in FY 1975.





|                                                                 | Program<br>Level<br><u>Reduction</u> | Outlay<br>Effect<br><u>FY 1975</u> |
|-----------------------------------------------------------------|--------------------------------------|------------------------------------|
| Commodity Credit Corporation, special export credit sales ..... | (in millions)-<br>-\$250.0           | -\$250.0                           |

The effect of this action will be to hold the level of special export credit sales of farm products to \$450 million. Commitments to extend credit have reached \$432 million so far this fiscal year. With crops short and demand high, a credit inducement to increase exports of farm products is unnecessary.

|                          |        |        |
|--------------------------|--------|--------|
| Food stamp program ..... | -325.0 | -325.0 |
|--------------------------|--------|--------|

The purchase price of food stamps will be raised to 30 percent of monthly household income, the maximum permitted by law, effective March 1, 1975. This action will result in an increase in what an eligible household has to pay for food stamps and a comparable decrease in benefits. Those entitled to free food stamps will not be affected by this action.

#### Proposed Rescissions

|                                        |       |      |
|----------------------------------------|-------|------|
| Water bank act program .....<br>(1974) | -11.2 | -2.0 |
|----------------------------------------|-------|------|

The Department will request rescission of this carry-over balance in connection with termination of the program in fiscal year 1975.

|                                          |      |      |
|------------------------------------------|------|------|
| Cooperation in forest fire control ..... | -4.9 | -3.7 |
|------------------------------------------|------|------|

The Department proposes to hold grants to States for cooperative fire control to the 1974 level.

|                                           |       |      |
|-------------------------------------------|-------|------|
| Reforestation and Stand improvement ..... | -10.0 | -9.0 |
|-------------------------------------------|-------|------|

The Department will ask Congress to rescind \$10 million of the \$15 million increase provided by the Congress for this work.

#### Proposed Deferrals

|                                                        |      |      |
|--------------------------------------------------------|------|------|
| Forest Service construction and land acquisition ..... | -6.9 | -2.1 |
|--------------------------------------------------------|------|------|

The Department will ask Congress to defer increases provided by the Congress for Forest Service construction items until next fiscal year.



**CURRENT ESTIMATES OF USDA OUTLAYS FISCAL YEAR 1975, INCLUDING CONGRESSIONAL ACTION  
AND EXPECTED RESCISSEMENTS AND DEFERRALS**  
(In thousands of dollars)

|                                                                     | 1975<br>Budget | Adjustments<br>and<br>Supplementals | Revised<br>Total | Congressional<br>Action | Current<br>Estimate | Rescissions<br>and<br>Deferrals | Revised<br>Estimate |
|---------------------------------------------------------------------|----------------|-------------------------------------|------------------|-------------------------|---------------------|---------------------------------|---------------------|
| <b>Agricultural Research Service:</b>                               |                |                                     |                  |                         |                     |                                 |                     |
| Research .....                                                      | \$226,202:     | --                                  | 226,202          | -\$3,452                | 222,750             |                                 | 222,750             |
| Foreign Currency .....                                              | 9,800:         | --                                  | 9,800            | -1,000                  | 8,800               |                                 | 8,800               |
| Cooperative State Research Service .....                            | 96,180:        | --                                  | 96,180           | +2,987                  | 99,167              |                                 | 99,167              |
| Extension Service .....                                             | 206,850:       | --                                  | 206,850          | +6,974                  | 213,824             | -3,200                          | 210,624             |
| National Agricultural Library .....                                 | 4,907:         | --                                  | 4,907            | -66                     | 4,841               |                                 | 4,841               |
| <b>Soil Conservation Service:</b>                                   |                |                                     |                  |                         |                     |                                 |                     |
| Conservation Operations .....                                       | 192,202:       | --                                  | 192,202          | -710                    | 191,492             |                                 | 191,492             |
| River Basin Surveys .....                                           | 14,297:        | --                                  | 14,297           | -45                     | 14,252              |                                 | 14,252              |
| Watershed Planning .....                                            | 11,309:        | --                                  | 11,309           | -40                     | 11,269              |                                 | 11,269              |
| Watershed and Flood Prevention<br>Construction .....                | 136,342:       | +24,000                             | 160,342          | -185                    | 160,157             |                                 | 160,157             |
| Great Plains .....                                                  | 18,600:        | --                                  | 18,600           | +700                    | 19,300              |                                 | 19,300              |
| Resource Conservation and Development ..                            | 24,000:        | --                                  | 24,000           | -40                     | 23,960              |                                 | 23,960              |
| Total, Soil Conservation Service ....                               | 396,750:       | +24,000                             | 420,750          | -320                    | 420,430             |                                 | 420,430             |
| <b>Forest Service:</b>                                              |                |                                     |                  |                         |                     |                                 |                     |
| Forest Protection and Utilization .....                             | 387,462:       | +3,000                              | 390,462          | +22,326                 | 412,788             | -12,700                         | 400,088             |
| Fighting Forest Fires Supplemental .....                            | --             | +84,000                             | 84,000           | --                      | 84,000              |                                 | 84,000              |
| Roads and Trails .....                                              | 116,000:       | --                                  | 116,000          | -136                    | 115,864             |                                 | 115,864             |
| Construction and Land Acquisition .....                             | 33,919:        | +49,000                             | 82,919           | +2,296                  | 85,215              | -2,100                          | 83,115              |
| All Other .....                                                     | 238,717:       | +1,939                              | 240,656          | --                      | 240,656             |                                 | 240,656             |
| Receipts .....                                                      | -540,272:      | -53,030                             | -593,302         | --                      | -593,302            |                                 | -593,302            |
| Total, Forest Service .....                                         | 235,826:       | +84,909                             | 320,735          | +24,486                 | 345,221             | -14,800                         | 330,421             |
| Total, Conservation, Research<br>and Education .....                | 1,176,515:     | +108,909                            | 1,285,424        | +29,609                 | 1,315,033           | -18,000                         | 1,297,033           |
| Foreign Agricultural Service .....                                  | 33,375:        | -73                                 | 33,302           | -139                    | 33,163              |                                 | 33,163              |
| Federal Crop Insurance Corporation .....                            | 16,057:        | -207                                | 15,850           | -175                    | 15,675              |                                 | 15,675              |
| <b>Agricultural Stabilization and<br/>Conservation Service:</b>     |                |                                     |                  |                         |                     |                                 |                     |
| Salaries and Expenses .....                                         | 169,617:       | --                                  | 169,617          | -15,485                 | 154,132             |                                 | 154,132             |
| Sugar Act Program .....                                             | 91,500:        | --                                  | 91,500           | -4,500                  | 87,000              |                                 | 87,000              |
| Agricultural Conservation Program .....                             | 100,300:       | +196,000                            | 296,300          | +21,700                 | 318,000             | -35,000                         | 283,000             |
| Water Bank .....                                                    | 3,800:         | --                                  | 3,800            | --                      | 3,800               | a/-1,900                        | a/1,900             |
| Cropland Adjustment Program .....                                   | 48,601:        | --                                  | 48,601           | -4,800                  | 43,801              |                                 | 43,801              |
| Emergency Conservation Measures .....                               | 10,000:        | --                                  | 10,000           | --                      | 10,000              |                                 | 10,000              |
| Forestry Incentives .....                                           | 6,200:         | --                                  | 6,200            | --                      | 6,200               | -6,200                          | --                  |
| Other .....                                                         | 2,957:         | --                                  | 2,957            | --                      | 2,957               |                                 | 2,957               |
| Total, Agricultural Stabilization<br>and Conservation Service ..... | 432,975:       | +196,000                            | 628,975          | -3,085                  | 625,890             | -43,100                         | 582,790             |
| Commodity Credit Corporation .....                                  | 734,736:       | +158,793                            | 893,529          | -13,420                 | 880,109             | -250,000                        | 630,109             |
| P. L. 480 .....                                                     | 741,690:       | --                                  | 741,690          | --                      | 741,690             |                                 | 741,690             |
| Total, International Affairs and<br>Commodity Programs .....        | 1,958,833:     | +354,513                            | 2,313,346        | -16,819                 | 2,296,527           | -293,100                        | 2,003,427           |
| Agricultural Marketing Service .....                                | 41,273:        | --                                  | 41,273           | +1,211                  | 42,484              |                                 | 42,484              |
| Section 32 .....                                                    | 354,978:       | +181,649                            | 536,627          | --                      | 536,627             |                                 | 536,627             |
| <b>Food and Nutrition Service:</b>                                  |                |                                     |                  |                         |                     |                                 |                     |
| Child Nutrition .....                                               | 1,269,190:     | -11,938                             | 1,257,252        | +11,000                 | 1,268,252           | -10,000                         | 1,258,252           |
| Special Milk .....                                                  | 120,000:       | +9,600                              | 129,600          | --                      | 129,600             |                                 | 129,600             |
| Food Stamp .....                                                    | 3,926,500:     | +71,264                             | 3,997,764        | -215                    | 3,997,549           | -325,000                        | 3,672,549           |
| Total, Food and Nutrition Service ....                              | 5,315,690:     | +68,926                             | 5,384,616        | +10,785                 | 5,395,401           | -335,000                        | 5,060,401           |
| <b>Animal and Plant Health Inspection<br/>Service .....</b>         | 329,523:       | +15,671                             | 345,194          | +829                    | 346,023             |                                 | 346,023             |
| Commodity Exchange Authority .....                                  | 4,210:         | +2,412                              | 6,622            | -171                    | 6,451               |                                 | 6,451               |
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| Total, Marketing and Consumer<br>Services .....                     | 6,050,179:     | +268,656                            | 6,318,837        | +12,767                 | 6,331,604           | -335,000                        | 5,996,604           |
| Rural Development Service .....                                     | 1,246:         | --                                  | 1,246            | -331                    | 915                 |                                 | 915                 |
| Rural Electrification Administration ....                           | 19,062:        | +1,000                              | 20,062           | -80                     | 19,982              |                                 | 19,982              |
| <b>Farmers Home Administration:</b>                                 |                |                                     |                  |                         |                     |                                 |                     |
| Insured Loans .....                                                 | -294,428:      | -1,137,182                          | -1,431,610       | --                      | -1,431,610          |                                 | -1,431,610          |
| Water and Sewer Grants .....                                        | 37,692:        | +5,967                              | 43,659           | +4,500                  | 48,159              |                                 | 48,159              |
| Rural Development Grants .....                                      | 6,000:         | --                                  | 6,000            | +750                    | 6,750               | -750                            | 6,000               |
| Farm Labor Grants .....                                             | 1,705:         | --                                  | 1,705            | +3,500                  | 5,205               |                                 | 5,205               |
| Mutual and Self-Help Housing .....                                  | 5,469:         | --                                  | 5,469            | +2,000                  | 7,469               |                                 | 7,469               |
| All Other .....                                                     | 126,966:       | --                                  | 126,966          | +1,790                  | 128,756             | -3,000                          | 125,756             |
| Total, Farmers Home Administration ...                              | -116,596:      | -1,131,215                          | -1,247,811       | +12,540                 | -1,235,271          | -3,750                          | -1,239,021          |
| Total, Rural Development .....                                      | -96,288:       | -1,130,215                          | -1,226,503       | +12,129                 | -1,214,374          | -3,750                          | -1,218,124          |

|                                                           | 1975<br>Budget   | Adjustments<br>and<br>Supplementals | Revised<br>Total | Congressional<br>Action | Current<br>Estimate | Rescissions<br>and<br>Deferrals | Revised<br>Estimate |
|-----------------------------------------------------------|------------------|-------------------------------------|------------------|-------------------------|---------------------|---------------------------------|---------------------|
| Economic Research Service .....                           | 21,828           | - -                                 | 21,828           | -182                    | 21,646              |                                 | 21,646              |
| Statistical Reporting Service .....                       | 26,852           | - -                                 | 26,852           | -373                    | 26,479              |                                 | 26,479              |
| Farmer Cooperative Service .....                          | 2,350            | - -                                 | 2,350            | -10                     | 2,340               |                                 | 2,340               |
| Total, Agricultural Economics ....                        | 51,030           | - -                                 | 51,030           | -565                    | 50,465              |                                 | 50,465              |
| Office of the Secretary .....                             | 17,775           | - -                                 | 17,775           | -1,453                  | 16,322              |                                 | 16,322              |
| Office of the General Counsel .....                       | 7,533            | - -                                 | 7,533            | -50                     | 7,483               |                                 | 7,483               |
| Office of the Inspector General .....                     | 21,521           | - -                                 | 21,521           | -1,050                  | 20,471              |                                 | 20,471              |
| Total, Departmental Administration:                       | 46,829           | - -                                 | 46,829           | -2,553                  | 44,276              |                                 | 44,276              |
| Proprietary Receipts (other than Forest<br>Service) ..... | -2,814           | - -                                 | -2,814           | - -                     | -2,814              |                                 | -2,814              |
| Net trust fund outlays .....                              | -536             | - -                                 | -536             | - -                     | -536                |                                 | -536                |
| <b>TOTAL, U.S. Department of Agriculture ...</b>          | <b>9,183,748</b> | <b>-398,135</b>                     | <b>8,785,613</b> | <b>+34,568</b>          | <b>8,820,181</b>    | <b>-649,850</b>                 | <b>8,170,331</b>    |

a/ Excludes effect of water bank funds carried over from fiscal year 1974, \$2.0 million.

Office of Management and Finance  
November 26, 1974



*File*

OFFICE OF MANAGEMENT AND BUDGET  
ROUTE SLIP

TO Mr. Ross  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- Take necessary action ☐
- Approval or signature ☐
- Comment ☐
- Prepare reply ☐
- Discuss with me ☐
- For your information ☐
- See remarks below ☐

FROM EFA - RButler

DATE 1/31/75

REMARKS

Here is a draft of a Presidential issue paper on target prices. Please review it and give your suggestions for changes or additions to Dick Butler, OMB, 395-3446, by COB Tuesday, February 4

## Target Prices

Issue: Should the Administration use the threat of a Presidential veto to thwart Congressional efforts now underway to increase target prices and loan levels for wheat, feed grains and cotton?

### Background

Target prices and loan levels for wheat, feed grains and cotton were fixed in the Agriculture and Consumer Protection Act of 1973 at levels which were regarded at the time as quite generous. Under that Act, whenever prices received by farmers average below the established target over specified time periods, the deficiency is made up by a direct payment from the Treasury. The quantity of a particular commodity eligible for payment is the amount a farmer can normally be expected to produce on his acreage allotment (pay base).

Since the Act was passed in August of 1973 both market prices and production costs for these crops have risen sharply. This has reduced the probability of significant outlays for deficiency payments, and has, in effect, given us the kind of program we hoped to get in 1973: price supports at low, disaster-protecting levels coupled with freedom to respond to the demands of the market.



Farmers argue that the Administration has called for all-out production, but they need higher price guarantees to achieve it. During the last session of Congress there was a flurry of activity to raise both target prices and loan levels. The Administration opposed these efforts and no measures providing such increases were passed by either the House or the Senate. This year a much more determined effort will be made; Senator Talmadge has already scheduled hearings on a bill which we have not yet seen, but which will include higher target prices.

The Congressmen who strongly favor increasing the targets reflect grower apprehensiveness that the dreamworld prices they have been getting for their crops can't last, and that when the bust comes, they'll be stuck with record high production costs, and shrinking asset values. Thus, the push for higher targets is an attempt to lock up (at public expense) as much of the inflated prices for farm products as possible and to ratify the outsized jumps in farm real estate values of the past three years.

#### Impact of increases in target prices on the budget

Based on the acreage allotments and program yields per acre in effect for 1975 crops of the affected commodities, each





10 cent addition to target prices would raise budget exposure (the amount by which potential outlays are raised beyond existing obligations) by the following amounts:

|             |               |
|-------------|---------------|
| Wheat       | \$175 million |
| Feed grains | \$730 million |
| Cotton      | \$525 million |

The extent to which Congress will attempt to raise targets is not clear yet, but rumors have the increases ranging as follows:

| <u>Item</u> | <u>Unit</u> | <u>Current Target Dollars</u> | <u>Range of new Target Dollars</u> |
|-------------|-------------|-------------------------------|------------------------------------|
| Wheat       | Bushel      | 2.05                          | 3.00 - 3.50                        |
| Corn        | Bushel      | 1.38                          | 2.00 - 2.50                        |
| Cotton      | Pound       | .38                           | .50 - .55                          |

At the low end of the range, budget exposure would increase by \$6.8 billion, and at the high end by \$11.6 billion.

The prices shown in the table are well above increases in production costs as reflected in USDA's index of prices paid for production goods and services. If that escalator were applied to existing targets budget exposure would increase by \$3.5 billion.

Given the built-in pressures to increase Federal spending, raising the target prices would simply add another



uncontrollable item to future spending, at least through fiscal year 1978 when the Act expires.

#### Impact on producers

Higher targets and loan levels would provide additional income protection to producers. This additional certainty would be a stimulus to production, especially during those periods when we won't want the added output. Today's prices have encouraged farmers to press the limits of their current productive capacity, so additional stimulus would contribute little, if anything, to improving production this year, when it is needed. (We may not want to stimulate production next year.)

The major beneficiaries of higher targets would be the current owners of large tracts of agricultural land. About 450,000 farms - the top 15 percent of all farmers - account for two-thirds of the value of farm products sold. The bulk of any deficiency payments would go to them. This flow of benefits would, of course, be capitalized into the value of agricultural land. And the flow is potentially of great consequence. ERS data indicate that growing of wheat and feed grains can be profitable even at current target levels. This is not true of cotton, however, although producer's variable costs would be covered in all but the highest cost areas.



Impact on agricultural programs and policy

Right now, the Federal government is "out from under" the burden of expensive commodity price support programs. Big hikes in targets could easily draw the government back into the business of managing the agricultural economy.

We still believe that the productive capacity of U.S. agriculture and that of the rest of the world is such as to make a high price structure for these farm products unsustainable. There is already evidence of this in the sharp fall-off in cotton prices, and in the downward drift in wheat and corn prices despite the extraordinarily low inventories of these products. If target prices are raised substantially, the inevitable decline in market prices will generate pressures for Federal intervention to prevent prices from falling below target levels. This pressure would likely come from producers whose entire crop would thereby be protected and who would fear adverse public reaction to large Government payments. If target prices were protected it would no doubt require Government purchases of the "target" commodities; the reimposition of import quotas (otherwise we'd be supporting world prices); and controls on acreage. Export subsidies would also be needed, especially if government acquired substantial stocks. Finally, the cost structure for livestock producers would be held at higher levels, which would lower livestock production and raise food prices.



If target prices were not protected, the Government would be back in the business of giving billions of dollars to farmers.

Getting the Government "out from under" this outlay burden would be very expensive, for by then the program would be supporting land values at a far higher level than it is now.

#### Recommendation

Congressional efforts to increase target prices run directly counter to Administration policy. There is no economic justification for supporting the specified crops at any particular level or even at all. And there is no moral obligation to do it, either. Higher payments, if it should come to that, would go primarily to a group that is, by the standards of those paying the bill, already wealthy.

We believe the Administration should take a very hard line on this: threatening veto at the outset and offering no grounds for compromise.



January 31, 1975

Dr. Bostic said concerning loan assistance money for Georgia that in Mr. Mathias district five counties - (Decatur, Grady, Mitchell, Seminole, Worth) there was Tornado damage last week. The FHA county ~~xx~~ people are preparing the disaster report that would be considered by the Secretary of Agriculture but that the General damage was to buildings and since there wasn't any crop~~y~~ the~~x~~ agricultural damage was very minimal. That is why Congressman Mathias was concerned about the SBA granting disaster assistance but that would take a Presidential order.

EE.

*Remind me. Ross of this in a couple of weeks 2/4/75.*

*65-75- Ross said that - the has been  
taken care of -*



THE WHITE HOUSE  
WASHINGTON

✓ 1/31/75.

1-31-75

TO: Norm Ross

FROM: ANDRE BUCKLES

FYI \_\_\_\_\_

COMMENT \_\_\_\_\_

What has happened?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_





January 24, 1975

MEMORANDUM FOR

VERN LOEN

SBA is sending some disaster loan assistance money into Georgia.

We're checking with Agriculture; I'll let you know.

TOD R. HULLIN

Township - 5 Counties

Doolin  
Grady  
Mitchell  
Semper  
Worth

AAA County are paying  
thick stack report and  
would be considered  
for the SBA.

So, damage to  
building but  
it would be  
minimal - then  
wouldn't be any crop -

that why news SBA -  
interested in SBA



THE WHITE HOUSE  
WASHINGTON

Date January 24

For Norm Ross

From Tod Hullin

SBA is sending disaster loan assistance  
into Georgia.

Could you check with Agriculture and  
let me know?

Many thanks.

*has been told -  
F&A - would be made o*



January 20, 1975

Dear Mr. Mathis:

Thank you for your telegram of today's date to the President urging prompt consideration of the request from the Governor of Georgia to declare certain counties as disaster areas and eligible for Small Business Administration and Farmers Home Administration emergency assistance.

I was pleased to check into the status of the Governor's request and I have been advised that it is under active review and that a decision will be forthcoming as soon as possible.

With kind regards,

Sincerely,

Vernon C. Loen  
Deputy Assistant  
to the President



The Honorable Dawson Mathis  
House of Representatives  
Washington, D.C. 20515

*Rec:* w/incoming to Tod Hullin for appropriate handling

The White House  
Washington

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PMS HON GERALD FORD PRESIDENT

WHITE HOUSE DC

URGE IMMEDIATE ACTION ON GRANTING REQUEST BY GOVERNOR OF GEORGIA  
TO DECLARE CERTAIN COUNTIES IN GEORGIA AS DISASTER AREAS AND  
QUALIFIED FOR EMERGENCY FUNDING UNDER SBA. ALSO AGRICULTURAL  
DAMAGE IS WIDE SPREAD. URGE ASSISTANCE THROUGH FARMERS HOME  
ADMINISTRATION.

DAWSON MATHIS MEMBER OF CONGRESS.

*Jan 18*

NNNN





File

TESTIMONY  
of

The Following Officers of National Corn Growers Association of Boone, Iowa:  
John Curry, Victoria, Illinois, President; Russell Arndt, LaCrosse, Indiana, Vice President;  
Walter W. Goeppinger, Boone, Iowa, Chairman of The Board

Before  
The Senate Committee On Agriculture and Forestry, February 4, 1975, Washington, D.C.

Concerning The Need To Raise Corn Target and Corn Loan Levels & To  
Establish A Farmer Held Corn Reserve Of One Billion Bushels

We are grateful to you for the opportunity to appear before you today to give you our viewpoints on two very pressing areas of today's corn agriculture: (1) The need to give better price protection to corn farmers for the 1975 crop, and (2) The great importance of establishment of a corn grain reserve to protect our livestock, poultry and dairy producers, as well as corn processor customers of corn and the U.S. and overseas consumers who eat or use the products that corn is converted into.

The past 12 months have burdened the nation's farmers with many unusual problems. The corn farmer, faced with a spring that brought excessive rains, followed by drought and then early frosts, now views 1975 with many doubts and reservations, especially in view of falling corn prices.

The theme in Washington is, "Mr. Farmer -- Produce To Prevent Food Shortages in 1975". But so far, nothing is being done to assure corn farmers of a price that will give him cost of production plus a decent profit if he does give the nation "all out" production this year and his plantings are blessed with good weather.

Operating costs are vaulting upward and a large 1975 crop is more probable than a short one. Checking corn crops back for the past 101 years, we find that a short crop such as we had in 1974 has never been followed by another short crop. Allowing for some reduction in average yields per acre in 1975 due to poor seed corn, shortage of fertilizer, herbicides and insecticides, we compute at this time a yield of 6.1 billion bushels on approximately 68 million acres to be planted for corn as grain. This is based on average weather expectancy and an average yield of 90 bushels per acre. If the weather should turn out extra good as occurred in 1972, then we could go up to 6.4 billion on a 94 bushel per acre average. In 1972 we averaged 97.1 bushels per acre using relatively poor seed from the 1971 corn blighted seed corn crop, so 94 bushels could easily occur.

Against a 6 billion-plus crop we estimate 1975 consumption as follows: U.S. livestock and poultry -- 3.5 billion bu. (down 650 million from 1974): U.S. Food & Industrial Use -- 450 million bu. (Up 20 million from 1974): Exports -- 915 million bu. (down 270 million from 1974). Thus, we are looking at a total consumption of approximately 4,865,000,000 bushels as against a crop that very probably will be more than 6 billion. Thus you can see that production may be from 1,235,000,000 bushels to 1,535,000,000 bushels more than anticipated consumption.

We believe that a differential of that size between consumption and production will mean price pressures sufficient to put corn prices down well below cost of production level. The results of our latest cost of production study which we enclose herewith shows how absurd it is for the nation to expect its corn farmers to produce for a market whose only real price floor is the \$1.10 corn loan, now only 39% of parity. Costs of production vary by geographical area and from farm to farm. The cost study we submit in "Exhibit A" was made from specific records of an actual and typical 500 acre corn farm in Central Iowa. It shows that current costs thereon average \$2.40 per bushel.

Therefore, in order to protect the economy of the nation's largest crop, we recommend that the "target" price for corn be raised to 90% of parity and the national corn loan level to 75% by law, effective with the 1975 crop.

(Over)



February 4, 1975

Page 2

TESTIMONY

U.S. corn farmers recognize that it is in the best interests for the nation to rebuild its grain stocks to safe levels, but they cannot be expected to be penalized for doing so. They also recognize that the Administration is using the exportable portion of our crop as a club on prices by eliminating export opportunities when they choose by monitoring or threat of export licensing or requests to foreign governments to cancel orders. This should be halted at once.

In past months we have suggested to the Congress a five year corn loan "with recourse" available at 90% of parity on the first one billion bushels of corn eligible for loan. Ninety percent of parity today is \$2.50 per bushel. This would give the nation a comfortable corn reserve and farmers a reasonable price assurance. On all corn requesting loan above the one billion figure, one year non-recourse loans at 75% of parity should be made available. Seventy-five percent of parity today is \$2.09. We submit herewith in "Exhibit B" a separate explanation on how the reserve and loan program we propose would operate.

If adequate price protection along the lines suggested above is not activated by Congress promptly, this association's board has resolved to ask farmers to cut 1975 corn acreage by 20% and put the land to less intensive crops such as oats or barley, or take other steps to reduce their total crop by 20% below maximum potential. This would eliminate the possibility of rebuilding the nation's reserve supplies but prevent corn farmers from suffering drastic economic damage. It is this association's responsibility to protect corn farmers from drastic financial injury and bankruptcy ahead of performing unjustified all-out production.

We solicit your passage of legislation no later than March 31 that will bring both food protection to consumers and price protection to farmers. We stand ready to assist and to furnish any information that you may desire in this matter.



"EXHIBIT B"

NATIONAL CORN GROWERS ASSOCIATION'S STRATEGIC GRAIN RESERVE PROPOSAL FOR 1975  
THAT KEEPS THE GRAIN AND THE POWER TO SELL IT COMPLETELY IN THE PRODUCERS HANDS

1. Our proposal eliminates the main point of criticism and difference of opinion between many farmers and farm organizations, namely government control of sale of any of the grain in the reserve.
2. First, the U.S. Government would determine how large a corn reserve would be desirable. We suggest a figure of one billion bushels. That would amount of about 10 weeks present average consumption of our crop which this year will be a little less than 5 billion bushels.
3. Ever since 1933 when the first corn loans were made, they have all been "Non-Recourse" loans. Under this type of loan the borrower is not held responsible when the loan comes due for repayment of the principal and interest should the corn's market value be less than total of amount due in dollars. When the loan is due, all he need do to pay the loan off is deliver to the Commodity Credit Corporation the number of bushels of corn of the grade specified as security for the loan, regardless of what the corn will bring on the market at time of delivery of the corn to the CCC.
4. A corn loan made "With Recourse" would require the borrower to pay the loan off in cash when due, including principal and interest. The corn would merely represent the security behind the loan during the loan period. This would eliminate the government from ever coming into possession of the corn under a loan "with recourse".
5. Our proposal would set up a structure which would use both types of loans.
6. We suggest that a "Recourse Corn Loan" be made available to all corn producers on a first come first served basis on the first billion bushels that were offered for loan. The loan would be made at 90% of parity. With current parity \$2.79 per bushel, this would put the loan at \$2.50 per bushel. The CCC would make the loan at 3% interest and the loan would not be due until the end of five years. During that time, the farmer would have the right to pay off the loan at any time in cash and sell the corn on the open market or do with it whatever he wished. Only the market price level would tell the farmer when to sell, not the government or the Secretary. The farmer would get the low interest 3% loan but would have to furnish the storage for the corn, either on his farm or elsewhere. He could rotate the corn under the loan in order to maintain quality if he so desired.
7. At the same time the "Recourse Loan" at 90% of Parity is made available, the regular corn loan will continue as a "Non-Recourse" corn loan available to farmers but at a level of 75% of parity, not \$1.10 as it has been and is now. 75% of present parity is \$2.09 and with the loan at this figure, it would protect the "Recourse Loan" borrower with a floor under the corn market not too far away from his \$2.50 loan. No resale program would be offered to the "Non-Recourse" borrowers. In addition, should the CCC take possession of any of this \$2.09 loan corn in satisfaction of the loan in case the corn market hung close to that figure for a full year and the price wasn't attractive enough to make the farmer sell and pay off the loan, the CCC would not be able under the present law to sell any of the takeover corn for less than 115% of what they took the corn in at. On the basis of a \$2.09 loan takeover this would limit CCC resales to a minimum of \$2.40 per bushel.

Since the Secretary is authorized under the current law to limit the acreage planted to feed grains on the farm to a percentage of the farm's acreage allotment, he can utilize the law to keep production well in balance with consumption and thus prevent a large takeover of corn by the CCC of the "Non-Recourse Loan" corn at the \$2.09 level. This would make the Strategic Reserve Corn the largest segment of grain available to the market in case of need.

8. By having five years before the corn under loan in the Strategic Reserve must be paid off, the man who borrows at the \$2.50 level has an opportunity to cash in on a substantially higher market than \$2.50 during a period of shortage which is quite likely to take place some time over a five year period. The man with the \$2.09 loan can only speculate one year at a time or pay off the
- (Over)

Strategic Grain Reserve Proposal

loan at the end of the first year and "buy his corn back" if he wants to continue to hold the corn. To stimulate use of the higher loan in order to get corn put in the reserve, the interest rate on the "Recourse Loan" would be only 3% versus around 9% on the "Non-Recourse" loan, but the producer would have to pay all storage costs for the period he holds the grain, which could be up to 5 years.

9. Corn Sealing History: During the last 11 years the least that has been sealed is 216 million bushels of 1965 corn. The most was 952 million bushels of 1971 corn which was a large crop after the short crop of the corn blight year of 1970. Next highest was 467 million bushels of 1967 corn which followed the drought year crop of 1966. Average for the 11 years has been about 389 million bushels of corn put under seal per year.

dk

**"EXHIBIT A"**

**NAT'L. CORN GROWERS ASSN'S. COMPUTATION OF COST OF PRODUCTION OF CORN AS OF 1-1-75**  
**ON AN AVERAGE 500 ACRE CORN BELT FARM HAVING AN AVERAGE YIELD OF 125 BU. PER ACRE**  
**(CORN FOLLOWING A PREVIOUS CROP OF CORN)**

|                                                                | <u>Machine Cost</u><br><u>Per Acre</u> | <u>Labor Hours</u><br><u>Per Acre</u>                                                                                                            |
|----------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1. <u>GROWING COSTS:</u></b>                                |                                        |                                                                                                                                                  |
| Spreading Potash & Phosphate Fall 1974                         | \$ 0.75                                | \$ 0.10                                                                                                                                          |
| Chopping Stalks                                                | 2.25                                   | 0.10                                                                                                                                             |
| Discing (Fall 1974)                                            | 2.05                                   | 0.07                                                                                                                                             |
| Plowing (Fall 1974)                                            | 5.60                                   | 0.25                                                                                                                                             |
| Field Cultivating (Spring 1975)                                | 2.45                                   | 0.07                                                                                                                                             |
| Applying Nitrogen (Anhydrous)                                  | 2.27                                   | 0.12                                                                                                                                             |
| Levelling with Crustbuster                                     | 1.78                                   | 0.05                                                                                                                                             |
| Planting                                                       | 3.60                                   | 0.14                                                                                                                                             |
| Rotary Hoeing                                                  | 1.22                                   | 0.06                                                                                                                                             |
| Cultivating Once with 8 Row Cultivator                         | 1.40                                   | 0.10                                                                                                                                             |
| Herbicide Spraying                                             | 1.07                                   | 0.05                                                                                                                                             |
| Wagons, Flatbed Trailers, Pickup Use, Shop & Other Equip.      | 2.10                                   | 0.02                                                                                                                                             |
|                                                                | <u>\$ 26.54</u>                        | <u>1.13 Hrs.</u>                                                                                                                                 |
| <b>2. <u>COST OF LABOR TO GROW THE CROP:</u></b>               |                                        |                                                                                                                                                  |
| 2 Men @ \$9.52 per hour each equals \$19.04 Labor Cost Per Hr. |                                        |                                                                                                                                                  |
| 1.13 Hours X \$19.04 Per Hour equals \$21.51                   | \$ 21.51                               |                                                                                                                                                  |
| <b>3. <u>SEED, FERTILIZER &amp; CHEMICALS:</u></b>             |                                        |                                                                                                                                                  |
| (No machine or labor cost included as is covered in #2 above)  |                                        |                                                                                                                                                  |
| Seed Corn -                                                    | \$ 10.86                               |                                                                                                                                                  |
| Fertilizer - 150 lbs. Nitrogen @19½¢; 60 lbs. Phosphate @24¢;  |                                        |                                                                                                                                                  |
| 60 lbs. Potash @8¢; Lime (See Explanation)                     | 52.38                                  |                                                                                                                                                  |
| Herbicide - Bladex plus other herbicide, 4# @\$3.30            | 13.20                                  |                                                                                                                                                  |
| Insecticide - Furdan 10 lbs. per @ 40¢ lb.                     | 4.00                                   |                                                                                                                                                  |
|                                                                | <u>\$ 80.44</u>                        |                                                                                                                                                  |
|                                                                |                                        | Nitrogen \$29.25<br>Phosphate 14.40<br>Potash 4.80<br>Lime 3.93<br><u>\$52.38</u><br>Lime - 3 tons per Ac.<br>@\$7.87 per Ton<br>Lasting 6 years |
| <b>4. <u>HARVESTING AND STORAGE:</u></b>                       |                                        |                                                                                                                                                  |
| (Machine, labor, equipment & material costs are combined)      |                                        |                                                                                                                                                  |
| Combining - (Corn grown in 30 inch rows)                       | \$ 14.20                               |                                                                                                                                                  |
| Hauling - 125 bushels per acre @5¢ per bu.                     | 6.25                                   |                                                                                                                                                  |
| Drying - 125 bushels per acre from 24% to 14% @ 12¢ per bu.    | 15.00                                  |                                                                                                                                                  |
| Storage of 125 bushels at 1½¢ per bu. per mo. for 7 months     | 13.12                                  |                                                                                                                                                  |
|                                                                | <u>\$ 48.57</u>                        |                                                                                                                                                  |
| <b>5. <u>REAL ESTATE TAXES:</u></b>                            | \$ 10.60                               |                                                                                                                                                  |
| <b>6. <u>FARM OPERATING OVERHEAD:</u></b>                      | 6.00                                   |                                                                                                                                                  |
| Liability, Workmen's Compensation, Casualty and Hail Ins.;     |                                        |                                                                                                                                                  |
| Legal & Accounting Expenses; Tax Reporting; Phone & Other      |                                        |                                                                                                                                                  |
| Office Expenses; Dues & 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.                             |                                        |                                                                                                                                                  |
| <b>7. <u>LAND CAPITALIZATION COST:</u></b>                     |                                        |                                                                                                                                                  |
| \$1350 Per Acre at 8½% Per Year                                | <u>\$ 114.75</u>                       |                                                                                                                                                  |
| <b>8. <u>TOTAL COST PER ACRE:</u></b>                          | <u>\$ 308.41 PER ACRE</u>              |                                                                                                                                                  |
| <b>9. <u>COST OF PRODUCTION PER BUSHEL</u></b>                 |                                        |                                                                                                                                                  |
| <u>On 125 Bu. Per Acre Yield:</u>                              | <u>\$ 2.47 PER BUSHEL</u>              |                                                                                                                                                  |

"EXHIBIT A"

NAT'L. CORN GROWERS ASSN'S. COMPUTATION OF COST OF PRODUCTION OF CORN AS OF 1-1-75  
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<br>Per Acre  | Labor Hours<br>Per Acre                                                                                                                         |
|------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1. GROWING COSTS:</b>                                                                                   |                           |                                                                                                                                                 |
| Spreading Potash & Phosphate Fall 1974                                                                     | \$ 0.75                   | 0.10                                                                                                                                            |
| Chisel Plowing (Fall 1974)                                                                                 | 4.40                      | 0.20                                                                                                                                            |
| Field Cultivating (Spring 1975)                                                                            | 2.45                      | 0.07                                                                                                                                            |
| Applying Nitrogen (Anhydrous)                                                                              | 2.20                      | 0.12                                                                                                                                            |
| Levelling with Crustbuster                                                                                 | 1.70                      | 0.05                                                                                                                                            |
| Planting with 8 Row Planter                                                                                | 3.30                      | 0.14                                                                                                                                            |
| Rotary Hoeing                                                                                              | 1.15                      | 0.06                                                                                                                                            |
| Cultivating Once with 8 Row Cultivator                                                                     | 1.25                      | 0.10                                                                                                                                            |
| Herbicide Spraying                                                                                         | 1.00                      | 0.05                                                                                                                                            |
| Wagons, Flatbed Trailers, Pickup Use, Shop & Other Equip.                                                  | 2.10                      | 0.02                                                                                                                                            |
|                                                                                                            | <u>\$ 20.30</u>           | <u>0.91 Hours</u>                                                                                                                               |
| <b>2. COST OF LABOR TO GROW THE CROP:</b>                                                                  |                           |                                                                                                                                                 |
| 2 Men @ \$9.52 per hour each equals \$19.04 Labor Cost Per Hr.                                             |                           |                                                                                                                                                 |
| 0.91 Hours X \$19.04 per hour equals \$17.33                                                               | \$ 17.33                  |                                                                                                                                                 |
| <b>3. SEED, FERTILIZER &amp; CHEMICALS:</b>                                                                |                           |                                                                                                                                                 |
| (No machine or labor cost included as is covered in #2 above)                                              |                           |                                                                                                                                                 |
| Seed Corn -                                                                                                | \$ 10.86                  |                                                                                                                                                 |
| Fertilizer - 120 lbs. Nitrogen @19½¢; 60 lbs Phosphate @24¢;<br>60 lbs. Potash @8¢; Lime (See Explanation) | 46.53                     |                                                                                                                                                 |
| Herbicides - Bladex plus other herbicide, 4# @ \$3.30                                                      | 13.20                     |                                                                                                                                                 |
| Insecticide - Furdan 10 lbs. per acre @40¢ lb.                                                             | 4.00                      |                                                                                                                                                 |
|                                                                                                            | <u>\$ 74.59</u>           |                                                                                                                                                 |
|                                                                                                            |                           | Nitrogen \$23.40<br>Phosphate 14.40<br>Potash 4.80<br>Lime 3.93<br><u>\$46.53</u><br>Lime - 3 tons per Ac<br>@\$7.87 per Ton<br>Lasting 6 years |
| <b>4. HARVESTING AND STORAGE:</b>                                                                          |                           |                                                                                                                                                 |
| (Machine, labor, equipment & Material costs are combined)                                                  |                           |                                                                                                                                                 |
| Combining - (Corn grown in 30 inch rows)                                                                   | \$ 14.20                  |                                                                                                                                                 |
| Hauling - 125 bushels per acre @ 5¢ per bu.                                                                | 6.25                      |                                                                                                                                                 |
| Drying - 125 bushels per acre from 24% to 14% @12¢ per bu.                                                 | 15.00                     |                                                                                                                                                 |
| Storage of 125 bushels at 1½¢ per bu. per mo. for 7 months                                                 | 13.12                     |                                                                                                                                                 |
|                                                                                                            | <u>\$ 48.57</u>           |                                                                                                                                                 |
| <b>5. REAL ESTATE TAXES:</b>                                                                               | \$ 10.60                  |                                                                                                                                                 |
| <b>6. FARM OPERATING OVERHEAD:</b>                                                                         | 6.00                      |                                                                                                                                                 |
| Liability, Workmen's Compensation, Casualty & Hail Ins.;                                                   |                           |                                                                                                                                                 |
| Legal & Accounting Expenses; Tax Reporting; Phone & Other                                                  |                           |                                                                                                                                                 |
| Office Expenses; Dues & 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.                                                                         |                           |                                                                                                                                                 |
| <b>7. LAND CAPITALIZATION COST:</b>                                                                        |                           |                                                                                                                                                 |
| \$1350 Per Acre at 8½% Per Year                                                                            | <u>\$ 114.75</u>          |                                                                                                                                                 |
| <b>8. TOTAL COST PER ACRE:</b>                                                                             | <u>\$ 292.14 PER ACRE</u> |                                                                                                                                                 |
| <b>9. COST OF PRODUCTION PER BUSHEL ON 125 BU. PER AC. YIELD:</b>                                          | <u>\$ 2.34 PER BUSHEL</u> |                                                                                                                                                 |



THE WHITE HOUSE

WASHINGTON

February 19, 1975

MEMORANDUM FOR      TOD HULLIN  
FROM                    ANDRE BUCKLES  
SUBJECT                Legislative Activity - February 19, 1975

Agriculture

- H. R. 2127, Emergency Loans for Natural Disasters. Assistant Secretary Will Erwin gave a statement on February 18, 1975, attacking the bill (3% disaster money). As anticipated there were efforts to add a "forgiveness" feature to H. R. 2127. Both H. R. 2127 and the forgiveness amendments met with opposition led by Rep. Poage. The Department expects H. R. 2127 to be defeated.
- On February 17, 1975, Sen. McGovern held hearings in South Dakota on rural credit problems. McGovern is Chairman of the Senate Rural Credit Subcommittee.
- Thursday, February 20, 1975, Undersecretary Campbell will testify before the Senate Agriculture Subcommittee on Credit and Rural Electrification regarding problems in rural credit.
- Thursday, February 20, 1975, Senate Appropriations Agriculture Subcommittee will review the two departmental recessions:
  - a) \$3.5 billion - Fire protection loans
  - b) \$3.75 billion - Rural industrial loans

Housing

- H. R. 29 Emergency Middle Income Housing Act of 1975. Undersecretary Mitchell testified against H. R. 29 as well as H. R. 34. Thrift institutions embrace both measures. Nevertheless, the Department expects that neither measure will be reported out of Committee.



- Confirmation Hearings:

- a) February 24, 1975 - Hills
- b) February 27, 1975 - Stolz  
Cody  
Hills

- Section 701 deferrals: The House Appropriations Housing Subcommittee recommended supporting the deferral in the subcommittee report.





F.L.

Statement of the Honorable Earl L. Butz  
Secretary of Agriculture  
for Hearings on the  
Agriculture and Consumer Protection Act of 1973  
before the  
Senate Agriculture and Forestry Committee  
February 20, 1975

Mr. Chairman and Members of the Committee:

We are meeting at a critical time in American farm policy and American history.

We are here to test our confidence in the American system of free enterprise and competitive markets that has brought to this Nation the greatest affluence and strength the world has ever known.

We are here to judge whether an incentive system will continue to give us the greatest output of food in the history of the world.

We are here to determine whether the collective judgment of millions of Americans expressed through the market is a better guide to what is best for them than a few men deciding in a political climate what is best for millions of Americans.

We are here to decide whether private ownership and private management of our agricultural land is a superior system to that of governmental determination of who shall plant, how much, and what the reward of price shall be.

We are in a new era in which we must look ahead. The challenge of tomorrow is whether we will be able to produce enough food to feed a rapidly rising population here and abroad. The problem even today is whether we can achieve enough production to export food, not only to serve the needs of hungry foreign mouths, but to maintain a balance of payments so that we can purchase the imported energy and minerals that are essential to our economic way of life and to our Nation. The desperate demand now is

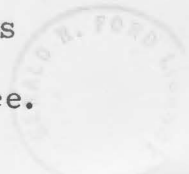


that we have food to use for humanitarian reasons to stem famine abroad, and to use for the even more humanitarian and urgent reason of stemming domestic unrest, nationalism, and military conflagration abroad.

A contented United States cannot live unscathed in a world of hunger and famine. Nor can the United States live unharmed in a world of seething unrest, unstable governments, and foreign wars. Our nation cannot muster the strength it needs for the days ahead if its agriculture is fettered.

Those who might think that American agricultural policy cannot be all that important to conditions in the world don't understand what has been going on. They don't understand that millions of people in the world cling to life through the productive capacity of our farmers. This productive capacity enables this Nation to be generous with its foreign food aid. They don't understand that we used food from our farms to help build and rebuild many of the world's economies which can now stand on their own two feet. They don't understand that food comes first in life--and that the amount of our resources it takes to get our food determines directly and positively how much there will be left to buy the rest of what makes this life important and affluent. They don't understand that the positive balance of trade in U. S. farm products is critical in protecting the value of the dollar and is vital to paying for critical energy and mineral supplies.

Food production--agriculture--remains the largest, and perhaps the most important, sector of this Nation's economy. Therefore, we appreciate the opportunity to discuss the status of agriculture and to provide this Department's view on those items being considered by this Committee.



We are now operating under the Agriculture and Consumer Protection Act of 1973, one of the most successful pieces of agricultural legislation produced under our two-party system of government. It is doing the job it was created to do and is doing it well.

It completed the change from the long-standing negative policies of curtailment and controls for wheat, feed grain and cotton producers. It gave farmers freedom of choice to meet expanding domestic and world-wide demand for American farm commodities.

With the Farm Acts of 1970 and 1973, U. S. farmers are better able to respond to the changing agricultural situation. Farmers are making their production decisions based on market demands rather than producing for government price support programs. Farm commodity prices have increased because of market conditions, not because of government edict. Recently farm prices have dropped somewhat from record levels, and there is now a demand from some that the government again step in and attempt, artificially, to stabilize prices at higher levels.

Because of their new decision-making freedom, farmers are now able to shift production more quickly and flexibly to meet domestic and overseas demand. Farm exports now make a major contribution to the U. S. balance of trade, in contrast to a moderate level of exports in the past. The U. S. has moved from broad government production controls to minimal or no controls, and from heavy government stocks to virtually no government-owned agricultural commodities. As a result, government storage costs of \$1 million a day have been reduced to near zero (with the exception of dairy), and direct payments to farmers have dropped from a peak of \$3.9 billion a year to \$524 million in calendar



1974--a decline of 87%. And \$215 million of last year's outlays was for disaster payments.

Last year, about 35 million acres of land previously withheld from production were planted to crops. In 1975, as in 1974, no acres are being held out of production because of governmental restrictions.

A record wheat crop of 1.8 billion bushels was produced in 1974. With normal weather, we could probably have produced one-third of a billion bushels more. We could have produced nearly a quarter of a billion bushels more soybeans--behind only 1973's record 1.57 billion bushels--and 1.5 billion bushels more corn. Fortunately, or unfortunately, as the case may be, weather cannot be legislated; but we can reasonably expect that crop production will be up this year and should reach record levels if weather is normal.

In 1974 farmers earned an estimated \$27 billion in realized net farm income, second only to a record \$32.2 billion in 1973. Although income may be down some this year, it will still be well above the level of the previous 24 years, which never exceeded \$17 billion, with the single exception of \$17.5 billion in 1972.

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 1975. Food exports under Public Law 480 came to around a billion dollars in fiscal 1974 and will be about \$600 million higher in fiscal 1975. Exports under the donation program aimed at emergency foreign relief will probably be about 60 percent higher than last year.

Freed to make their own planting decisions, farmers by the hundreds of thousands have turned away from allotment patterns that had restrained them in the past. They have moved swiftly into production

patterns which maximize efficiency.

The Corn Belt is becoming more heavily concentrated in its highest profit crops--corn and soybeans.

Northern Plains producers have gone more heavily into wheat instead of barley and oats.

Texas producers are planting more sorghum for their livestock industry and for export demand.

Cotton production has begun a near revolutionary shift toward the most efficient production areas--the Mississippi Delta, California and the High Plains and Rolling Plains of Texas. There is no denying that the present outlook for cotton is far from ideal. But it is equally undeniable that the weak demand for cotton in foreign and domestic markets is a function of the worldwide economic slowdown. The choice to the consumer between food and cotton is clear-cut. One must have food to survive. But the use of cotton is optional, at least in the short run.

This is where the variability of farm production, made possible by the Agriculture and Consumer Protection Act of 1973, comes into play. In many traditional cotton-growing areas, that means more soybeans and less cotton. If demand for a commodity is weak, relative to other commodities, farmers should have every opportunity to shift to more profitable alternatives if they choose to do so. And their choice of alternative crops should be determined by prices in the marketplace, not by directive from Washington.

Our present food policy can be summed up in a single word:  
Abundance. Or: Full Production. Or: Freedom from government





restraints for farmers. Or: Encouragement by the Government for full production of farm goods.

Ours is a positive food policy--a food policy in the interest of a healthier and better-fed America; a policy in the interest of prosperous agriculture and a prosperous rural America.

It is a food policy that minimizes costs to the taxpayer.

It is a food policy consistent with the precepts of incentive and freedom for individuals.

It is a policy based on the wise and efficient utilization of the marvelous agricultural resources with which the Lord endowed America, to the end that all the peoples of the world can live better.

Ours is a food policy consistent with the basic humanitarian instincts of Americans.

Contrast that with the history of the past. Past farm policies cost this Nation billions of dollars to acquire, store, and dispose of commodities under government price support operations. In addition, consumers paid billions of dollars in higher prices as a result of less than full and efficient allocation of resources by not encouraging, and in many cases not even allowing, crop production to shift to the most efficient production areas. However one measures the cost--in tax dollars or losses in export earnings --billions of dollars were spent without bringing farm family incomes up to the level of non-farmers, without appreciably increasing the world's food security, and without truly protecting the farmer. These policies were an albatross for farmers and a source of great irritation to consumers.



The reasons for this failure are clear enough. Support and loan levels were incentive levels for farmers. Farmers produced for government warehouses and for a government check--a check too little to live on; just big enough for some politicians to brag that they were doing "something"; and collectively large enough to incur the wrath of taxpayers. Meantime, surpluses held a lid on farm prices, demoralized farmers, depressed markets at home, destroyed outlets abroad, and ran up tax costs and consumer complaints.

Now that farm prices have receded from record levels, and farm production costs have mounted, there is a legitimate concern about farm earnings and food supplies. I am concerned. Farmers are concerned. And you are concerned. And once again we hear the voices of those calling for government intervention.

Farmers and consumers alike should resist with all their might any attempt to slide back into the outmoded, thoroughly discredited farm policies of the past. Farmers and consumers alike need to understand that these former policies were responsible for the disastrous failures of the past; that unless we exercise good judgment in resisting a revival of such policies, we will create an even more disastrous economic failure in the future.

These policies of the past interfered with the function of price. The function of price is to stimulate or discourage production, and to ration supplies among competing uses.

We all agree that this is a fundamental principle of any market economy. It cannot be avoided regardless of details of individual economic systems; even in the centrally planned economies, the function



of price cannot be totally ignored.

The question is: Will these decisions on price be made by the sum total of millions of decisions reflected in the market--with farmers free to respond to the changes--or will these decisions be made politically by a few people and enforced by an army of bureaucrats?

The same basic principles apply to reserves of farm commodities. We must have reserves. We all agree to that. The question is: Will these reserves be carried by farmers and the trade with the levels set through their combined decisions in response to changing conditions--as is happening now--or will the reserves be held by the Government at great tax expense and at the expense of depriving farmers of their hard-won management initiatives? Or at the cost of the rigidity that disrupts both domestic markets and foreign trade?

Everyone agrees that with rising costs, farmers need some assurances against low prices. In some circumstances, they need time and help to adjust. We all agree on that. The question is: Will we give farmers the protection and help to make these adjustments--or will we raise loan rates and target prices to levels at which they once again become incentive prices for farmers and a great burden on taxpayers?

We all believe in reasonable earnings for farmers--since without the expectation of reasonable profit, producers would not make the investment in agriculture necessary to take care of our own future needs and those of others around the world.

We also believe in reasonable food prices for consumers. The question is: Will price relationships be allowed to work themselves out through the intelligent guidance of millions of decisions made by buyers and sellers daily--or will the Government decide politically



what farmers' earnings will be and what price level consumers must pay?

If the Government makes the decisions, experience shows that we will have a cheap food policy that in the long run will serve neither farmers nor consumers. Why? For the simple reason that politicians and bureaucrats can't say "no" as readily as can the market. Neither can they react as quickly as the market to say "yes." Nor can a few politicians and an army of bureaucrats be as intelligent, or understanding, or as fair as the combined judgment of millions of private citizens rendering their daily decisions in their own best interests.

This Administration is adamantly opposed to disruptive modifications in present agricultural policy which would rescind the decision-making freedom restored to farmers by the Agricultural Act of 1970 and strengthened by the Agriculture and Consumer Protection Act of 1973.

Specifically, this Administration:

- opposes amendments to the present target price and loan levels of the Agriculture and Consumer Protection Act of 1973, which would artificially stimulate production and again lead to government ownership of feed grains, cotton, and wheat and a return to potentially excessive direct payments.
- opposes export licensing, which would deny U. S. farmers free access to world markets, thereby adversely affecting farm income and our balance of payments. Licensing would discourage production, thus increasing food costs for American consumers while burdening taxpayers with the administrative costs of implementation, and it could deny needed commodities to many countries of the world.

- favors establishment of a U. S. grain reserve, as part of a world network of nationally held reserves, endorsed by the World Food Conference; but believes strongly that such a reserve should be held by the private sector and not be government-owned.
- favors moving rice, peanuts and extra long staple cotton into market-oriented programs in phase with current feed grain, wheat and cotton programs. We cannot defend programs which restrict production and produce an effective monopoly for allotment holders, enforced by Government and financed by the taxpayer.

The central issue here is the proposed increase in target prices and loan levels. Part of the push for higher target prices has been rationalized on grounds that farmers need higher targets to provide an additional incentive for production. But what kind of incentive are we talking about? The incentive to produce certain crops for government payments, or the incentive to produce crops that are in demand at the marketplace?

Within the past week, growers of corn, wheat, and soybeans could have contracted to sell their 1975 crops at representative elevators at harvest this year for about \$2.65, \$3.58, and \$5.74 per bushel, respectively. This is more than any target price or loan that can be enacted by the Congress. Farmers could have locked in that price this past week and assured themselves of a good return from the marketplace.

Farmers are rightfully concerned about rising cost. The reason for rising costs is inflation. This Congress is the right place to come for action and fiscal policies that will curb the inflationary spiral in costs of what farmers buy.





Farmers have indicated that while they will reduce cotton plantings to 9.5 million acres in 1975, they will plant over 77 million acres of corn, about 74 million acres of wheat, over 57 million acres of soybeans and over 19 million acres of grain sorghums. This clearly indicates market prices are an effective incentive to produce needed crops. And there is certainly no indication that farmers expect to leave land idle in the coming year. We can see in these planting intentions ample proof that farmers have responded favorably to the marketing initiatives guaranteed them by the Agriculture and Consumer Protection Act of 1973. If there is sufficient incentive in the marketplace to induce full production, why add still more incentives?

Proponents of higher loan rates contend that raising the level of these rates would have a positive effect on production. However, this runs the risk of eventually encouraging production for the Commodity Credit Corporation rather than for actual domestic and export needs. And it can interfere with acreage adjustments among crops in response to market demand.

To continue to provide farmers the opportunity to use all of their production resources at peak efficiency, we must continue to expand our export trade. High loan rates could hold U. S. prices above world levels and make U. S. products noncompetitive in world markets-- unless we once again resort to a system of export subsidies, contrary to the U. S. goal of freer world trade. High U. S. loan levels also provide a price umbrella for the world, encouraging foreign production which competes with U. S. farmers.



Domestic consumers use only one-third the wheat, two-fifths of the rice, half the soybeans, two-thirds of the tobacco, two-thirds of the cotton, and three-fourths of the feed grains produced by American farmers.

Yet we hear, almost daily, some voice in or out of government, who unthinkingly, I hope, would try to push us in a direction away from commercial exports, eventually collapsing our agricultural production with tragic impact on our total economic well-being.

If farmers in America were limited to producing only for the needs of this country it would have a serious negative impact on the entire economy, since there would be setbacks in many businesses and industries which provide services or supplies to agriculture.

On top of this, we would face a serious international monetary situation. This Nation could lose more than \$20 billion in positive impact on the balance of payments if farm exports were sharply curtailed.

America's agricultural productivity is built on profit.

In today's agriculture, there is no better way to encourage production than through the profit incentive. To have profit the farmer must be permitted to sell whatever he produces wherever he can sell it. If sales abroad are not permitted when there is a need for American farm products, not only will the shorted international market drive commodity prices higher, but such a policy will create intolerable economic conditions at home.

You already have before you proposals for the establishment of reserves for grains and other agricultural products. These proposals



stem from two major concerns: (1) the humanitarian desire to be able to meet food needs in times of unexpected production shortfall; and (2) the further desire to reduce fluctuations in farm and food price levels. I share those objectives; they are laudatory. But I do not concur in the means proposed to achieve them.

If the primary reason for having a reserve is one of providing food security, then it would also seem that those who have the greatest food security risk should hold the major portion of such a reserve. That means the importing nations of the world. The United States for many years has held most of the world's food reserves, at no cost to the importing nations.

We are prepared to commit our fair share toward worldwide food security, but we expect the other major importing and exporting nations to do their share, too. In fact, we took the lead in discussion on this issue at the World Food Conference in Rome last November, and again in follow-up discussions in London a few days ago. I hope that we will be able to work out an international understanding. But, Mr. Chairman, there is absolutely no chance of doing so if the United States takes unilateral action to establish a reserve. Once we are committed by Congressional action to a food reserve of any consequence, our importer and exporter friends will find it convenient not to participate in an international reserve.

Now, what about the domestic consequences of a publicly-held food reserve? Since food security is not a problem for the United States, the basic reason for establishing a reserve would have to be one of reducing or minimizing price fluctuations. That it would do; after all, it did it successfully for many years. What farmer will forget the depressed prices he experienced all the years that we had a "domestic reserve"--called "surplus"

then. We had stability, but that stability cost American farmers dearly. During the past few years we have moved out of that strait-jacket into a market-oriented system, and farmers have enjoyed price levels beyond their most optimistic dreams of the '60's.

If we now return to a government-held reserve, make no mistake about it--we will have stability at low farm price levels.

Isolating the reserve from the market by establishing the resale price at a high level will not solve the problem, either. Several farm organizations have already testified in support of that concept. Nearly every time one of them does so, the price of grain drops another nickel because people in the grain business know it is impossible to isolate a reserve from the market.

The minimum resale price can and will be changed if we have a "food shortage" in the future--or at least what someone defines as a "food shortage"--and farmers ought not deceive themselves by believing otherwise.

If we, as policy leaders, are sincerely interested in the vitality of the agricultural sector, I would suggest that one immediate contribution would be to remove the yoke of government infringement from additional commodities, thus enabling more farmers to capitalize on opportunity and efficiency.

This calls for the repeal of outdated rice legislation, and for devising a program for rice which encourages market expansion in response to the world's needs. Current rice legislation is not in the best interest of the farmer, the industry, the rice consumer or the general public.

We recommend support of legislation such as S. 4121 of the 93rd Congress which is designed to bring rice legislation into line with



the 1973 Farm Act, with these reservations:

- That the target price for the 1975 crop be adjusted to 7 cents per pound.
- That the disaster payment provision be stricken.

The target price would escalate in accordance with provisions in the proposed legislation. The bill also provides for price support through a loan at 60 percent of target price; authorizes acreage allotments to be sold and released within the boundaries of the State; authorizes a rice research program; authorizes a set-aside requirement, if needed; and affords price protection to the current allotment holders on a minimum of 2 million acres.

The proposed loan level provides a method for interim financing and a measure of price protection while encouraging rice production in response to domestic and foreign market demand. At the same time, it is not at such a high level that it would provide an incentive to produce for the Government loan.

The success of the Agriculture and Consumer Protection Act of 1973 with respect to the wheat, feed grain, and upland cotton programs should be extended to rice production. We need to assure the most efficient production possible by encouraging farmers in rice-growing areas who do not qualify for allotments under current legislation to produce rice to meet domestic and export demand for this commodity. Moreover, it is grossly unfair to deny any producer the opportunity to participate in the rice program on the basis of an antiquated law.

Likewise, we stand ready to cooperate with this Committee to revise peanut and ELS cotton legislation to bring these programs into phase with

current programs for wheat, feed grains and upland cotton. This Administration feels strongly that in its review of agricultural policy, the Congress should review agricultural policy for all crops at one time.

The Administration favors an ELS cotton program incorporating the target price concept, which has worked successfully for upland cotton, loan levels which provide protection without subsidy, the removal of government restrictions from planting decisions, and restoration of initiative to the producer.

The support price for milk, under the Agricultural Act of 1949, must be set at a level between 80 and 90 percent of parity through March 31, 1975 (between 75 and 90 percent thereafter). The support for the balance of the 1974-75 marketing year and for the 1975-76 marketing year has already been set at \$7.24 per hundredweight, about 80 percent of today's parity. This level, announced on January 3, is a substantial increase from the previous level of \$6.57. It is above the minimum in the law, and it may not be lowered during the marketing year.

The higher support was necessary because farm milk prices declined contraseasonally in December, at the very time when feed costs were reaching their peak. The new price level will help producers meet those higher costs and give them the assurance they need to continue in business.

This change demonstrates the desirable flexibility now provided in the statute, and we strongly believe that this flexibility, within the limits of 75 and 90 percent of parity, should be maintained. This permits the Secretary of Agriculture to adjust the price upward when needed, but does not require him to establish unrealistically higher support levels without regard to changing economic conditions.





Free of government restrictions on prices and production--including freedom from export controls and government-held reserves, which are just another form of price controls--the American farmer still faces great challenges in meeting the demands of today and tomorrow. One of these challenges is the growing problem of world hunger and population.

As I see it, uncontrolled population growth places a tremendous moral burden on the American people as a whole, and the American farmer in particular. Farmers everywhere produce food. But nowhere in the world is overall production of farm commodities so efficient as in American agriculture. Nowhere in the world is agricultural technology so highly developed as it is here.

We have a moral responsibility to pass on American technological know-how to the people in nations where it is most lacking, and where its lack is most critically felt. Until those nations have dramatically improved their productive output, we must help supply their needs through our exports and, in times of emergency, through donations. We in the United States cannot be our brothers' keeper forever, but we have a moral obligation to see that dire Malthusian predictions are never realized.

Consistent with this responsibility are the changes in our foreign food aid policy. After shipping the lowest level of P. L. 480 exports in 20 years in fiscal 1974--\$850 million in commodity costs and a volume of 3.3 million tons--we are now projecting commodity exports valued at more than \$1.4 billion and more than 5.6 million tons for fiscal 1975. The actual levels will depend upon our ability, along with that of the



participating countries, to implement new country allocations resulting from the increase in the food aid budget. Moreover, at this time we foresee a greater volume of food assistance for next year although at reduced costs, as prices moderate.

These projections indicate the expectation that we are emerging from the tight commodity situation of the past two years that reduced availabilities for P. L. 480 programming.

If our expectations materialize, we need to formulate food aid policies and conduct development programs which will accelerate agricultural and economic growth in recipient countries. Such growth not only will foster peace and stability but will result in larger commercial markets for U. S. farmers.

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