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PRESIDENT
GERALD R. FORD



MARCH 3, 1975



Deaf Smith County Chamber of Commerce

806 364-3333 BOX 192 HEREFORD, TEXAS 79045

PRESIDENT GERALD R. FORD
THE WHITE HOUSE
WASHINGTON, DC 20013

DEAR PRESIDENT FORD,

ON OCTOBER 30, WHEN JIM CONKWRIGHT AND I VISITED WITH YOU IN THE OVAL OFFICE, WE PRESENTED A PAPER INDICATING THE SEVERITY OF THE CONDITION OF THE CATTLEMAN. WE RECOMMENDED:

1. "SOME LEVEL OF A QUOTA SYSTEM UNDER THE MEAT IMPORT ACT OF 1964".
2. "ESTABLISHMENT OF A COST OF PRODUCTION INDEX FOR COMMODITIES".
3. "AN ECONOMIC EDUCATION PROGRAM EMPHASIZING FREE ENTERPRIZE".

THIS IS A FOLLOW UP REPORT TO INFORM YOU OF DEVELOPMENTS.

FARMERS AND LIVESTOCK PRODUCERS ARE GOING OUT OF BUSINESS!

AUCTIONS HAVE MULTIPLIED AND BANKRUPTCIES ARE INCREASING!

AT A TIME WHEN WE OUGHT TO BE INCREASING FOOD PRODUCTION WE ARE SEVERELY CURTAILING OUR PRODUCTION CAPABILITY.

WILL YOU PLEASE TAKE A MOMENT TO REVIEW THE ATTACHED PAPER AND FACT SHEET WHICH CLEARLY ESTABLISHES THE CRITICALITY OF THE SITUATION AND RECOMMENDS SOME RELIEF? THANK YOU SIR.

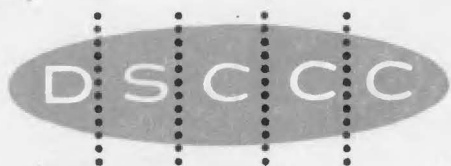
SINCERELY,

W. L. ALBRIGHT
EXECUTIVE VICE PRESIDENT

ENCLOSURES



MARCH 3, 1975



Deaf Smith County Chamber of Commerce

806 364-3333 BOX 192 HEREFORD, TEXAS 79045

THE WORLD DESPARATELY NEEDS INCREASED FOOD PRODUCTION.

YET, AT THIS VERY MOMENT WE ARE IN THE PROCESS OF DRASTICALLY REDUCING OUR FOOD PRODUCTION CAPABILITY.

MANY OF OUR FARMERS, INCLUDING LIVESTOCK, GRAIN, DAIRY, AND POULTRY PRODUCERS, ARE ON THE VERY BRINK OF GOING OUT OF BUSINESS.

SEVERE LOSSES DUE TO HIGH COST OF PRODUCTION AND LOW MARKET PRICES ADD UP TO BANKRUPTCY.

UNLESS IMMEDIATE POSITIVE ACTION IS TAKEN BY GOVERNMENT, THIS COUNTRY WILL FACE AN UNNECESSARY AND UNPRECEDENTED SHORTAGE OF FOOD-THIS YEAR!

RECOMMENDED SOLUTIONS:

1. EASE RESTRICTIONS ON ELIGIBILITY FOR THE EMERGENCY LIVESTOCK LOANS AND INCREASE GOVERNMENT GUARANTEE TO AT LEAST 95%.
2. EMBARGO BEEF IMPORTS AND ANALYZE THE LONG RANGE INFLUENCE OF SUPPORTS ON THE AMERICAN BEEF INDUSTRY.
3. INCREASE GOVERNMENTAL PURCHASES OF BEEF AT ALL LEVELS INCLUDING FOREIGN AID PROGRAM.
4. STABILIZE FARM PRODUCTION AND PROVIDE A REASONABLE MEASURE OF CONTROL THRU AN IMMEDIATE INCREASE OF GRAIN LOAN LEVELS AND TARGET PRICES.

THESE ACTIONS ARE CONSIDERED MINIMUM ESSENTIAL TO MAINTAIN A CONTINUED FLOW OF DOMESTIC AGRICULTURAL PRODUCTION.

FOR THE BOARD OF DIRECTORS

W. L. ALBRIGHT
EXECUTIVE VICE PRESIDENT



ENCLOSURE: FACT SHEET

FACT SHEET

General Statement: The severity of the agricultural situation cannot be over emphasized and the universal effect it will make on our national economy must not be underestimated. We are in trouble now and faced with disaster with in a few short months pending inadequate corrective action.

Reference Solution #1. The Emergency Livestock Loan Act is not doing the job that congress intended. To date, only about \$100 million has been used of the 2.5 billion provided - why? The guarantee of 80% leaves the banks with an unacceptable 20% risk against which most cattle feeders - being broken by the recent market - have no unencumbered assets to pledge. Consequently there are extremely few cattle going into the feed lots, thus this reducing the market for feed grains and reducing the supply of "fed" cattle - a critical shortage of beef will result later this year and of course prices can be expected to rise dramatically.

Reference Solution #2. While some advisors minimize the impact of beef imports such their reasoning is inaccurate and misleading. "Even one additional pint added to an already full bucket of any capacity will spill over." And the equivalent of 3.3 million head of cattle imported in 1974 reflects adversely in several ways. First, those imports displaced 1.4 billion pounds of fresh and frozen beef and veal which should have been produced domestically. Second, had they been raised and fed here at home they would have consumed more than 13 billion pounds of feed grain - a market denied our U.S. grain farmers. And finally, it would have required 100 thousand herd bulls and more than 3.5 million mother cows to produce that quantity of beef - of course these "parent" cattle represent another sizeable "lost" market to the feed grain farmer.



Reference Solution #3. Due to the unparalleled slaughter of grass fed cattle, dairy herds, mother cows, herd bulls and baby beeves a current surplus of beef exists. Relief can be applied to the situation thru accelerated government purchase of beef and distribution thru domestic welfare programs and foreign aid programs. Canning beef and beef products for export could provide much nutritional assistance for nations requiring food stuffs. Labor to process the beef would provide many jobs for our unemployed. Additionally, beef exports can help to offset the balance of payments to OPEC nations.

Reference Solution #4. The present loan rates and target prices for feed grains and wheat are completely unrealistic. Costs of production have increased geometrically since the present target prices and loan levels were established and show no signs of leveling off or going down. The target prices should reflect "cost of production" on all commodities, just as the original bill intended. Loan rates should be at a high enough percent of those target prices to keep producers in business; particularly if 1975 production reaches the level asked for and anticipated by the U.S.D.A. Exports are anticipated to be off 24% in 1975; feeding will be down an estimated 30-50%, reflecting lost markets for the 1975 crops. With a 2 billion bushel wheat production, 1 billion bushel grain sorghum production, and 6 billion bushel corn production, prices will completely collapse without safeguards established by Congress in the form of fair and reasonable target prices and loan rates. If our nation is to continue self sufficient in food production, then producers must be protected with prices which will keep them in the business of producing.



COST OF WHEAT PRODUCTION PER ACRE

Land Preparation	\$ 44.00
Fertilizer	37.50
Seed	6.00
Insecticide	9.75
Water	15.00
Harvest	20.00
	<u>\$132.25</u>

Graze	20.00
2/3 of 40 bushels cost per bushel	5.66*
2/3 of 50 bushels cost per bushel	4.60*
2/3 of 60 bushels cost per bushel	3.68*

* These figures represent the minimum market price per bushel in order to break even.



COST OF CORN PRODUCTION PER ACRE

Land Preparation	\$ 70.75
Fertilizer	37.00
Seed	14.00
Herbicide	4.50
Insecticide	25.75
Water	<u>27.00</u>
	\$179.50

Harvest	<u>40.00</u>
	\$219.50

Insurance	24.00
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Interest	<u>24.00</u>
	\$267.50

2/3 of 9,000 but 10% shrink 54,00 day	4.95*
2/3 of 8,500 but 10% shrink 51,00 day	5.24*
2/3 of 8,000 but 10% shrink 48,00 day	5.57*

* These figures represent the minimum market price per bushel in order to break even.



COST OF MILO PRODUCTION PER ACRE

	1972	1974
Land Preparation	\$41.50	\$ 70.75
Fertilizer	10.50	37.50
Seed	2.00	3.00
Herbicide	3.00	6.75
Insecticide	8.00	13.00
Water	15.00	22.50
Harvest	<u>10.50</u>	<u>28.00</u>
	\$91.00	\$181.00

Insurance 11.00

Interest 19.00
\$211.50

2/3 of 7,000 is 4,999 lbs. 4.53 *

2/3 of 6,000 is 4,000 lbs. 5.25 *

2/3 of 6,500 is 4,332 lbs. 4.88 *

* These figures represent the minimum market price per bushel in order to break even.



March 3, 1975

Dear Sirs,

I am Bruce Coleman of Hereford, Texas. County Commissioner, Rancher and Farmer in the most efficient, productive and aggressive agricultural county in our state. Within 50 miles we have 28 feedlots for the finishing of 3,000,000 calves per year. Our immediate area produces more grain than our feedlots consume. We are surrounded by the nation's newest and largest packing plants.

At 46 I have worked, saved, and built from nothing, cattle and farming interests of several hundred thousand dollars value in September 1973.

Our county and its people have done correspondingly well. Now in February of 1975 I am deeply concerned for my own survival and that of my neighbors and my county.

I am like most of our cattlemen in that I have lost, in a year and a half, most of my net worth - 25 years accumulation. Many have lost all they own.

We have always had cattle production and price cycles. This however, is a disaster, not a cycle. Cattlemen nation wide, with losses equal to assets, are forced to flood the packing plants with cows and calves regardless of size and condition. Cattlemen have not the money or the credit to hold on longer. Without economic relief the desperation marketing of non-fed cattle will continue until most all our cows and calves are gone. Then there will be neither adequate beef nor independant cattlemen left. The meat then available will be corporation controlled and expensive beyond belief. Our cattle feeders have lost from \$50 to \$150 per head on every animal they have sold during the past year. Billions of dollars, and personal resources are gone. At the present rate of non-replacement, most of



our county's feedlots will be closed in another two to four months. Our multi-million dollar packing plants are privately preparing to close. They are designed to slaughter fed beef.

At the present level of grain consumption and export, our grain producers cannot hope for enough demand to pay 1975's high cost of maise and corn production. One year of cheap grain will break most of our farmers.

American agriculture is the only segment of our nation's production efficient enough to meet world competition, and balance trade deficits. We forced cheap domestic oil prices trying to protect the consumer, the consumer is now being consumed by that short sighted decision. If you allow short sighted demands for cheap food to destroy our nation's agriculture, the cost will be greater than we can survive.

1. We need credit for the cattleman - banks do not lend 80% secured money.
2. We need protection from import floods of low quality, uninspected meat.
3. We need a guaranteed grain price above cost of production.
4. We need far sighted planning in our Department of Agriculture to protect the consumer and producer alike. We must cease to destroy the producer by trying to help the consumer.

On behalf of myself and the people of Deaf Smith County, I thank you for your prompt action.

Respectfully,

Bruce Coleman

Bruce Coleman



POLICY MANUAL
THE DEAF SMITH COUNTY CHAMBER OF COMMERCE
DECEMBER 1974

AGRICULTURAL POLICY

This Chamber of Commerce urges the Chamber of Commerce of the United States to review its manner of determining its policy on agricultural matters and further urges that member organizations be consulted prior to formulation and adoption of such policy.

The Deaf Smith County Chamber of Commerce supports legislation which would maintain price levels which will permit the farmer and rancher an opportunity to operate at a profit. To accomplish this goal, a program establishing a cost of production index which would tell consumers and producers alike, what it takes to provide a given commodity, is strongly encouraged. Such an index would serve as a more accurate basis for establishing target prices.

This Chamber strongly endorses and joins the efforts of the Texas Cattle Feeders Association in promoting exports of Beef in a free market and advocates a vigorous program to use beef and beef products to enhance a more favorable balance of payments with emphasis on payment in beef and beef products to the OPEC Nations.

This Chamber endorses an active and comprehensive program to educate the American people in the economic process of free and competitive enterprise, eliminating discriminatory restrictive federal regulation. In view of this policy the Chamber will monitor proposed legislation at both state and federal levels to insure the interests of the great agricultural area of the Texas Panhandle are not ignored or overlooked. 12/19/74 Ag



October 30, 1974

Mr. President, Mr. Secretary, Gentlemen:

I have the pleasure to represent an area in the panhandle of West Texas which supplies 25% of the grain sorghum, 25% of the cotton and produces 20% to 25% of all the grain fed cattle in the United States.

The Texas cattle feeding industry annually produces 4 1/2 million head of cattle, of which 3 million head are fed within a 50 mile radius of Hereford, Texas.

Obviously, this production is of tremendous significance to the nation's economy.

The problem as it applies to livestock producers in West Texas is very simple: production costs are too high to permit a profit. And, as most of us know, this results in people going out of business, bankruptcy.

What are the solutions?

1. We could drop grain prices, but this would not be acceptable to the grain farmer who for the first time in many years is receiving a fair return for his investment.
2. We could ask for a price increase for beef, but this would not be acceptable to consumers and in addition it would not be in line with our program to whip inflation now.



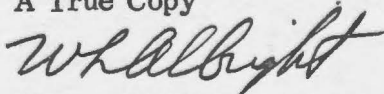
3. We could ask that beef imports be completely curtailed, but that in itself is not the solution. As we all know, we must maintain a healthy trade relationship to enhance our balance of payments. But we should implement some level of a quota system under the Meat Import Act of 1964.

4. We do feel that a better floor is needed in commodity prices. To accomplish this goal, we would encourage that study be given to the establishment of a cost of production index which would tell consumers and producers alike what it takes to provide a given commodity. Further, we feel that such an index could serve as a more accurate basis for establishing target prices.

And finally, Mr. President, we advocate that you as President initiate an active and thorough program to educate the American people in the economic process which made this country what it is today -- free enterprise observing the law of supply and demand.

/signed/
JIM CONKWRIGHT

A True Copy



W.L. ALBRIGHT



SUPPORTING FACT AND COMMENT SHEET

These miscellaneous data and statements are provided to amplify the presentation made by Mr. Jim Conkwright, Hereford, Texas, at a meeting with President Ford, Secretary of Agriculture Butz and several livestock and agricultural representatives.

Imports of foreign beef totaled 7.7% of U.S. consumption for the first 6 months of 1974.

The guaranteed loan program is too restrictive to be of any real help. (Only a limited number of cattle feeders can claim 51% of their efforts devoted to farming or ranching.)

Fertilizer has increased in price 300% since 1973 -- fuel costs have gone up 81%.

As a situation indicator, the First National Bank of Hereford has increased its loans to farmers for the same acreage (not cattle) from 3.5 million in 1973 to 8.5 million in 1974.

Meat production for the week of October 26 was 12% above a year ago.

A 1000 pound steer will dress out to about 630 pounds. The cattle producer is receiving .40¢ per pound for this animal which cost him more than .50¢ per pound to produce. The consumer is paying an average of \$1.40 per pound for beef in the store. A dollar a pound for processing, packaging, transporting and retailing seems much too high.

The inclusion of the food stamp program in the U.S.D.A. figures represents an inaccurate picture of agricultural expenditures and costs adding additional suspicion on the farming community.

Allocation of fuels should be more efficiently handled at state level.

A summary of information from a private reporting source representing annual feedlot capacity of 2,000,000 head shows the following losses per head:

Oct. 73 - \$ 78.87
Nov. 73 - 126.82
Dec. 73 - 131.45
Jan. 74 - 63.39
Feb. 74 - 127.75
Mar. 74 - 176.27

Apr. 74 - \$140.99
May 74 - 142.55
Jun. 74 - 156.99
Jul. 74 - 103.71
Aug. 74 - 43.02
Sep. 74 - 75.40



Present occupancy is 59.6% -- Projected occupancy for January 1, 1975 is 25%.

Feed costs are 30% higher than 1 year ago and 84% higher than 18 months ago.

October 1, 1973 there were 102 customers feeding cattle -- on October 1, 1974 only 22 of these same customers are still in business.

Feed lot employment has dropped 62% since a year ago.

As people are forced out of the agriculture business, a void is created in the productivity of foods and fibers. This further complicates the economic picture as shortages mean higher prices to the consumer.

For further information or comment please contact W. L. Albright, Executive Vice President, Deaf Smith County Chamber of Commerce, P. O. Box 192, Hereford, Texas 79045.





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

File

March 6, 1975

SUBJECT: Vice Presidential Briefing Material

TO: Andre Buckles
The White House

The Senate Committee on Agriculture and Forestry, Subcommittee on Credit, had a mark-up session this morning at 10:00 a.m. on several Senate bills concerning amendments to the Emergency Livestock Credit Act of 1974 and the regular Farmers Home Administration Emergency Loan Program.

The Department was asked to provide experts to answer technical questions. Attending the mark-up session were Senators McGovern (Chairman), Dole, Curtis and Stone. S.555 (introduced by Senator Eastland) was considered briefly by the Subcommittee and was generally accepted as written (copy attached). The Department is currently preparing a report on this bill.

Also considered were S.412, S.579, S.351 and S.812. Among the changes to be made in the Emergency Livestock Credit Act were:

- 1) Change the 80 percent guarantee of loss to 90 percent guarantee of the loan.
- 2) The repayment period of a loan would be changed from the present 3-year maximum plus an additional two years if necessary. The Subcommittee was not clear on what would be the final repayment terms.
- 3) The Federal Financing Bank would purchase the guaranteed portion of these loans.
- 4) An individual borrower would be extended a line of credit, i.e., would be able to get more than one loan of \$250,000. Presently a borrower can receive only one loan of no more than \$250,000.

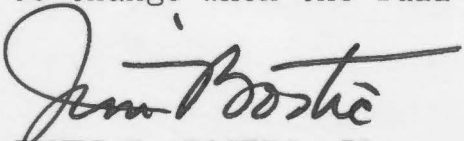


2 - Andre Buckles

- 5) The Act would be extended for an additional year.
- 6) Security requirements would be eased.

It is expected that the Subcommittee will report two bills, S.555 and a new bill dealing with emergency livestock credit, this week and that the bills would be considered in Executive Session by the full Committee next week.

The information that I have given you is, of course, subject to change when the full Committee considers the bills.



JAMES E. BOSTIC, JR.
Deputy Assistant Secretary



94TH CONGRESS
1ST SESSION

S. 555

IN THE SENATE OF THE UNITED STATES

FEBRUARY 5, 1975

Mr. EASTLAND (for himself, Mr. STENNIS, Mr. ALLEN, Mr. DOLE, and Mr. YOUNG) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To amend the Consolidated Farm and Rural Development Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Consolidated Farm and Rural Development Act
4 (the Act) is amended as follows:

5 SEC. 2. Subsection (a) of section 321 of the Act is
6 amended to read: "The Secretary may designate any area
7 in the United States, Puerto Rico, and the Virgin Islands as
8 an emergency area if he finds that a natural disaster has oc-
9 curred in said area which substantially affected farming,
10 ranching, or oyster producing operations."



1 SEC. 3. Subsection (b) of section 321 of the Act is
2 amended as follows: In the first sentence after the words
3 "major disaster" insert "or emergency" and delete every-
4 thing after the first sentence, strike the period, and insert:
5 "and are unable to obtain sufficient credit elsewhere to fi-
6 nance their actual needs at reasonable rates and terms, taking
7 into consideration prevailing private and cooperative rates
8 and terms in the community in or near which the applicant
9 resides for loans for similar purposes and periods of time."

10 SEC. 4. Section 322 of the Act is amended to read:
11 "Loans may be made under this subtitle for any of the pur-
12 poses authorized for loans under subtitle A or B of this title,
13 as well as for crop changes deemed desirable as a result of
14 changes in market demand since the occurrence of the natural
15 disaster: *Provided*, That such loans may include, but are not
16 limited to, the amount of the actual loss sustained as a result
17 of said disaster."

18 SEC. 5. Section 324 of the Act is amended to read:
19 "Loans made or insured under this Act shall be (1) at a
20 rate of interest not in excess of 5 per centum per annum on
21 loans up to the amount of the actual loss caused by the
22 disaster, and (2) for any loans or portions of loans in excess
23 of that amount, the interest rate will be that prevailing in
24 the private market for similar loans, as determined by the
25 Secretary. All such loans shall be repayable at such times



1 as the Secretary may determine, taking into account the pur-
2 poses of the loan and the nature and effect of the disaster,
3 but not later than provided for loans for similar purposes
4 under subtitles A and B of this title, and upon the full per-
5 sonal liability of the borrower and upon the best security
6 available, as the Secretary may prescribe: *Provided*, That
7 the security is adequate to assure repayment of the loan.”.

8 SEC. 6. Section 325 of the Act is amended to read as
9 follows: “The Secretary may delegate authority to any State
10 director of the Farmers Home Administration to make emer-
11 gency loans in any area within a State of the United States,
12 Puerto Rico, or the Virgin Islands on the same terms and
13 conditions set out in section 321 (a) without any formal area
14 designation being made: *Provided*, That the State director
15 finds an emergency has substantially affected twenty-five or
16 less farming, ranching, or oyster producing operations in the
17 area.”.

18 SEC. 7. At the end of subtitle C of the Act, add a new
19 section 329 stating: “An applicant seeking financial assist-
20 ance based on production losses must show that the farming,
21 ranching, or oyster producing operation has sustained at least
22 a 20 per centum loss of normal per acre or per animal
23 production as a result of the natural disaster.”.

24 SEC. 8. At the end of subtitle C of the Act, add a new
25 section 330A stating: “Subsequent emergency loans, to con-



1 time the farming, ranching, or oyster producing operation
2 may be made on an annual basis, for not to exceed five addi-
3 tional years, to farmers, ranchers, or oyster producers, at the
4 prevailing rate of interest in the private market for similar
5 loans as determined by the Secretary, when the financial
6 situation of the said farming, ranching, or oyster producing
7 operation has not improved sufficiently to permit it to obtain
8 such financing from other sources.”.

9 SEC. 9. At the end of subtitle C of the Act, add a new
10 section 330B stating: “In the administration of the emer-
11 gency loan program pursuant to subtitle C of the Act, the
12 Secretary may utilize any funds available, including the
13 Agricultural Credit Insurance Fund, to pay for such admin-
14 istrative expenses not withstanding any limitations imposed
15 for budgetary reasons.”.



94TH CONGRESS
1ST SESSION

S. 555



A BILL

To amend the Consolidated Farm and Rural
Development Act.

By Mr. EASTLAND, Mr. STENNIS, Mr. ALLEN,
Mr. DOLE, and Mr. YOUNG

FEBRUARY 5, 1975

Read twice and referred to the Committee on
Agriculture and Forestry.

94TH CONGRESS
1ST SESSION

S. 412

(H.R.)

IN THE SENATE OF THE UNITED STATES

JANUARY 27, 1975

Mr. ABOUREZK (for himself, Mr. CLARK, Mr. CULVER, Mr. HUMPHREY, Mr. MCGOVERN, Mr. MONDALE, and Mr. NELSON) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To amend subtitle C of the Consolidated Farm and Rural Development Act to reduce the rate of interest on emergency loans made under such subtitle and to authorize additional funds for the current fiscal year to expedite the processing of emergency loans to farmers and ranchers who suffered losses as a result of the recent blizzard in the midwestern part of the United States.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That section 324 of the Consolidated Farm and Rural De-
- 4 velopment Act (7 U.S.C. 1964) is amended to read as
- 5 follows:



1 "SEC. 324. The Secretary shall make loans under this
2 subtitle at (1) a rate of interest not in excess of 3 per centum
3 per annum repayable in twenty years or over such longer
4 periods as loans for similar purposes are made under subtitle
5 I of this Act, and (2) upon the full personal liability of the
6 borrower and upon such security as the Secretary may
7 prescribe."

8 SEC. 2. In order to expedite emergency assistance under
9 subtitle C of the Consolidated Farm and Rural Development
10 Act to farmers and ranchers who suffered serious losses as a
11 result of the severe blizzard which occurred in the midwestern
12 part of the United States in January 1975, there is hereby
13 authorized to be appropriated to the Secretary of Agriculture
14 a sum not to exceed \$1,000,000 to employ additional needed
15 personnel during the remainder of fiscal year 1975.



94TH CONGRESS
1ST SESSION

S. 412



A BILL

To amend subtitle C of the Consolidated Farm and Rural Development Act to reduce the rate of interest on emergency loans made under such subtitle and to authorize additional funds for the current fiscal year to expedite the processing of emergency loans to farmers and ranchers who suffered losses as a result of the recent blizzard in the mid-western part of the United States.

By Mr. ABOUREZK, Mr. CLARK, Mr. CULVER, Mr. HUMPHREY, Mr. MCGOVERN, Mr. MONDALE, and Mr. NELSON

JANUARY 27, 1975

Read twice and referred to the Committee on
Agriculture and Forestry

94TH CONGRESS
1ST SESSION

S. 579

IN THE SENATE OF THE UNITED STATES

FEBRUARY 5, 1975

Mr. BELLMON (for himself, Mr. BARTLETT, and Mr. CURTIS) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To amend the Emergency Livestock Credit Act of 1974.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That the Emergency Livestock Credit Act of 1974
4 (Public Law 93-357) be amended:

5 (1) by placing a period after the word "hereunder"
6 in subsection (b) of section 2 and striking the remainder
7 of the subsection;

8 (2) by striking all of subsection (c) of section 2
9 after the word "Secretary" and inserting the following
10 in lieu thereof: "to guarantee more than 90 per centum
11 of the principal and interest payment due on such loan.";



1 (3) by substituting in section 3 (a) (3) the figure
2 "\$500,000" for the figure "\$250,000"; and

3 (4) by striking section 8 and inserting in lieu there-
4 of the following: "The authority to make new guaran-
5 tees under this Act shall expire on December 31, 1976."

94TH CONGRESS
1ST SESSION

S. 579

A BILL

To amend the Emergency Livestock Credit Act
of 1974.

By Mr. BELMONT, Mr. BARTLETT, and
Mr. CURTIS

FEBRUARY 5, 1975
Read twice and referred to the Committee on
Agriculture and Forestry



94TH CONGRESS
1ST SESSION

S. 351

IN THE SENATE OF THE UNITED STATES

JANUARY 23, 1975

Mr. CURTIS introduced the following bill; which was read twice and referred
to the Committee on Agriculture and Forestry

A BILL

To amend the Emergency Livestock Credit Act of 1974.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 2 of the Emergency Livestock Credit Act of
4 1974 (Public Law 93-357) is amended—

5 (1) by placing a period after the word “hereunder”
6 in subsection (b) and deleting the remainder of the
7 sentence; and

8 (2) by repealing subsection (c) and substituting
9 the following therefor:

10 “(c) No contract guaranteeing any such loan by a

- 1 lender shall require the Secretary to guarantee more than
- 2 80 per centum of the principal and interest payments due
- 3 on such loan.”.

94TH CONGRESS
1ST SESSION

S. 351

A BILL

To amend the Emergency Livestock Credit Act
of 1974.

By Mr. CURTIS

JANUARY 23, 1975

Read twice and referred to the Committee on
Agriculture and Forestry



7
94th CONGRESS

1st SESSION

115
S. 812

(NOTE.—Fill in all blank lines except those provided for the date, number, and reference of bill.)

IN THE SENATE OF THE UNITED STATES

Mr. ABOUREZK, *McGowan, Stone*

introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To authorize the Secretary of Agriculture to make loans for a temporary period to farmers and stockmen who have suffered severe economic loss in connection with their livestock operations.

(Insert title of bill here)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Livestock Producers Emergency Loan Relief Act of 1975".

Sec. 2. (a) The Secretary of Agriculture is authorized and directed to make emergency loans to bona fide farmers and ranchers who are primarily and directly engaged in the breeding, raising, or fattening of livestock. For the purposes of this Act, the term "livestock" shall mean beef cattle, dairy cattle, swine, and sheep.

(b) Loans under this Act may be made to farmers and ranchers described in subsection (a) of this section who cannot obtain such loans from commercial sources on reasonable terms and conditions. Such loans shall be made for the purpose of assisting such farmers and stockmen to maintain their livestock operations.



Sec. 3. (a) Loans under this Act may be made for such periods as may be prescribed by the Secretary, but not less than 20 years, and shall bear interest at a rate not more than 3 per centum per annum. The amount of the loan shall be determined by (1) multiplying the number of cattle owned by the applicant by \$150, and (2) multiplying the number of swine and sheep owned by the applicant by an amount which the Secretary determines bears an appropriate relationship to \$150, taking into consideration the relative value of swine and sheep as compared with cattle and the cost of maintaining swine and sheep as compared with cattle, (3) but in no case shall the amount of the loan exceed \$250,000.

(b) Such loans shall be made without security and shall be made where there is reasonable probability of accomplishing the objectives of the Act and a reasonable probability of the repayment of the loans.

Sec. 4. The Secretary shall take such action as may be necessary to expedite loan assistance under this Act to farmers and ranchers in need of such assistance and who qualify therefor. All loan applications shall be processed and approved or disapproved within 30 days after such applications have been filed.

Sec. 5. The Secretary is authorized to use funds of the Commodity Credit Corporation in carrying out the provisions of this Act.

Sec. 6. No loan may be made under this Act at any time beyond one year after the date of enactment of this Act.

Sec. 7. The Secretary is authorized to issue such rules and regulations as he determines necessary to carry out this Act effectively and expeditiously. The proposed regulation shall be issued as soon as possible, but in no event later than 30 days after the date of enactment of this Act.





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

MAR 13 1975

SUBJECT: Vice Presidential Briefing Material
Emergency Livestock Credit Act

TO: Andre Buckles
The White House

This morning Assistant Secretary William Erwin testified before the Joint Meeting of Livestock and Grain Subcommittee and the Conservation and Credit Subcommittee of the House Committee on Agriculture. Among the members present were Mr. Poage, Chairman of the Livestock and Grain Subcommittee and Mr. Bergland, Chairman of the Conservation and Credit Subcommittee. 17 members of the committees were present.

In general, the subcommittees were receptive to the positions the Administration took pertaining to changes we could support. A copy of Assistant Secretary Erwin's statement is attached.

There was a feeling that with these changes in the Act, many more ranchers and farmers could be helped, but that the real problem is that there are too many cattle out in the country.

The question of what is adequate security to protect the Government's interest was discussed at length and our position was that all loans made or guaranteed by the Farmers Home Administration (FmHA) should have adequate security.

According to the Chairmen, there may be a markup of a bill toward the end of the week. It is my understanding that the Senate Committee on Agriculture will take up amendments to the Emergency Livestock Credit Act early next week.

On Friday afternoon, Assistant Secretary Erwin will appear before the Senate Appropriations Subcommittee to testify on the Emergency Employment Appropriations Act of 1975 which has already passed the House.

JAMES E. BOSTIC, JR.

JAMES E. BOSTIC, JR.
Deputy Assistant Secretary

Attachment



Statement of the Honorable William Erwin
Assistant Secretary of Agriculture
before the
Joint Meeting of the Livestock and Grains Subcommittee
and the Conservation and Credit Subcommittee of the
House Committee on Agriculture

March 13, 1975

Chairmen and Committee Members: I thank you for the opportunity to appear here to discuss a subject that is of concern to all of us, and one that has a direct and important effect on a major section of American agriculture. Some changes in the Emergency Livestock Credit Act of 1974 would have the support of the Administration, based upon the following two premises: (1) that the Emergency Livestock Program will continue as a guaranteed loan program, and (2) that loans will be made at interest rates agreed upon by the borrower and the lender.

We are in accord with the benefits being provided to bona fide ranchers and farmers. In carrying out the intent of the Act, the Department has required that eligible borrowers be engaged in agricultural production with the funds being used for the purpose of raising, breeding, fattening, or marketing livestock. Our regulations reinforce this concept of helping the family farmer -- the livestock producer whose access to credit sources may be limited.

The program has not been used as widely by farmers and ranchers as originally thought by some. We are pleased to report, however, that as of March 7, 1975, 1,811 borrowers have had \$218.1 million guaranteed under this program. The number of loans increased by 200



between February 28 and March 7, so we may be entering a period of accelerated use of this program.

Farmers involved with beef cattle lead the list of borrowers. Statistics do not show whether a borrower is primarily interested in feedlots, cow-calf operations, or one of the many variations in breeding, growing, fattening and marketing beef animals. We know that, as of January 31, 1975, 70 percent of the borrowers and 78 percent of the money involved the beef cattle business. Next in line came dairy operations with ten percent of the loans and six percent of the dollars, followed in descending order by swine and chickens. Combinations of one or more livestock enterprises involved 14 percent of the loans and 12 percent of the dollars.

Since the average loan is about \$123,000 and loans for beef producers running on the average about \$136,000, we do not believe it necessary to authorize a higher loan limit than the current \$250,000 maximum.

A number of specific suggestions have been made in proposed legislation. Here are changes which the Administration can support.

First among these would be an amendment to permit the Federal Financing Bank to participate in the program to the extent of being a holder of the guaranteed portion of such loans. Presently the Bank is excluded by law. We would not favor changing the exclusion to allow the Federal Financing Bank to make loans directly to farmers and ranchers. The Federal Financing Bank's participation should be



limited to purchasing and holding the guaranteed portion of loans made by other lenders. Eliminating the exclusion as a holder could improve the basis for a secondary market for guaranteed loans and increase the funds available to rural banks for loans. We believe that this change could have a beneficial effect on this program. However, we would expect that private lending institutions would be the primary purchasers of the guaranteed portion of the loans. I would like to make it clear that our support of this change with regard to the Federal Financing Bank does not in any way state or imply any commitment or obligation on the part of the Federal Financing Bank to participation in this program.

A change in the guarantee from 80 percent of any loss to up to 90 percent of the principal and interest of the total loan would be acceptable. We understand the intent is to guarantee a lender for up to 90 percent of principal and interest until such time as the loan is paid off. This change would provide a procedure for the secondary market to operate. We would be opposed to a provision referring to 90 percent of payments due, because such a provision could have the effect of providing more than a 90 percent guarantee.

A third change we could support would be to institute a flexible repayment schedule for borrowers, by giving the Secretary authority to determine the length of the repayment period up to seven years, based on a case by case analysis of each borrower's repayment ability and the type of loan security. Such a provision would also provide more latitude in working with the individual private lenders.



As to the fourth suggestion, the concept of a line of credit to a borrower is acceptable in principle. Such action would allow borrowers a great deal more latitude in running their operations. Since the results of the economic squeeze may cause credit problems there is a possibility that a borrower would need to return for an additional guaranteed loan. Thus, we would support amending the Act to provide that the total loans guaranteed under the Act for any applicant cannot exceed \$250,000 at any one time.

Finally, there has been interest in extending the period for which the Emergency Livestock Credit Act is in effect. The Administration can support an extension of the Act until December 31, 1976.

If there are question, I shall be glad to respond.



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Francis Hayes: 767-5541

Lars Knudson, Chrmn.: 427-5494

(Over)

THE PURPOSES SHALL BE

(a) To promote and protect the general interests of all livestock producers and feeders;

(b) To promote and protect the general interests of all persons who raise, buy, sell, and/or deal in hogs, sheep, cattle, and all classes and descriptions of livestock, and all other meat products commonly referred to as "red meat";

(c) To promote, assist and expedite, and obtain fair and equitable Federal legislation and policies designed to reasonably assure that producers and feeders of the meat products heretofore identified may realize a fair return for their labor and investments.

(d) To promote more political lobbying, consumer education and public relations; To research, compile and disseminate material and information related to its immediate and early need, development and progress;

(e) To promote consumer use of "red meat".

EXECUTIVE PROTECTIVE SERVICE

To: Officer-in-charge
Appointments Center
Room 060, OEOB

Please admit the following appointments on April 17, 19 75

for Norm Ross of White House:
(Name of person to be visited) (Agency)

Time: 4:15 p.

ESPY, Nancy

LACKMAN, George

McQUEEN, Horace

MOORE, R. L.

WILBER, George

MEETING LOCATION

Building OEOB

Room No. 218

Requested by Phyllis Tucker

Room No. 218 Telephone 6554

Date of request April 17

Additions and/or changes made by telephone should be limited to three (3) names or less. Please submit new list (original and three copies) for additions and/or changes of more than three (3) names.

(A) Copy of Gustafson Memo

February 13, 1975

Robert Samuelson, Chairman of the Board
Northwest South Dakota Production Credit Association
Faith, South Dakota

Dear Bob:

This memo will be an attempt on my part to give you the thoughts I have on the predicament of the livestock operators being financed by this Association.

Production Credit lending policy is to loan funds to agriculture based on the ability to repay. We use many methods to measure how much should be or can successfully be loaned to individuals. These include the man, production, history, management ability, objectives and goals of the individual, collateral, and some knowledge of the continuity of management.

One of the strongest features of PCA and one that has been stressed by our Board of Directors and staff over many years is **DEPENDABILITY**. Our people have the right to assume we are in business of financing their operations as opposed to becoming just another creditor.

To qualify for credit from PCA, an applicant is expected to have an operation conducted on such a basis that will, under normal circumstances, permit repayment of the operating loan and an acceptable reduction of any capital debt which may exist. An analysis should reflect such probability over an extended period, not just for one season or one year. **HOWEVER**, neither the applicant nor the Association can exercise control over certain factors, including general price level and weather conditions.

The policy outlined above has served agriculture for 40 years. Members and the Association have weathered many a crisis situation including drought, blizzards, and extended periods of low or no profit.

Our livestock people are now in a situation of pending catastrophe to a greater degree than we have ever experienced.

In the fall of 1974 we were faced with the problem of renewing loans and providing operating funds to members with little or no equity in their livestock. The problem is aggravated by the fact that the member cannot project income sufficient to meet the 1975 operating expenses, much less project capital repayment capacity. It is reasonable to expect, when making loans to many operators to find that a few will fail due to various causes. We recognize such facts and do the best we know how to correct the situation in the best interests of the members and the Association.

This was our problem. What do you do when a large number of members are in such a situation? Do we as an organization furnishing about 27 per cent of the financing for agriculture in our area abandon 25 per cent of our members? (The 25 per cent is an estimated figure. We have not completed our inter-office detailed credit examination which we make every February. The figure could be higher or lower and will be furnished to the board when available.) I have the feeling if 25 per cent of our members would walk into our offices as strangers and present us with the financing problems they have, we would not be able to offer them a line of financing on a sound basis.



(A) Continued

What has caused this problem? The biggest single factor is the unbelievable drop in livestock prices. For many, 1973 was the high peak year for prices received for their products. This created a wave of optimism, probably exaggerated by predictions of people in high places, spreading the word there would be, in the foreseeable future, a tremendous shortage of meat. They were encouraged and told they were responsible and had a duty to produce to their limits. Naturally, this caused some of them to expand their operations, make investments in machinery, purchase land, make improvements, etc. It is a sad fact that our most enterprising, ambitious, active ranchers were the hardest hit by this collapse since they were DOING! As a whole, they must not be faulted, since based on the market existing at that time and predictions of the future by supposedly responsible experts, they could project operating profit and the ability to repay.

In review, it is my belief our members and the Association staff made decisions based on then existing conditions and the probability that agriculture had finally taken its rightful place in the economy. It is apparent the lack of control over price levels and weather conditions has contributed the most to the present disastrous position.

If livestock prices do not go up and cost of operation down, resulting in a net profit so members can reduce their capital loans, the situation in the fall of 1975 will be worse than in 1974.

This Association will be faced with the responsibility of deciding whether or not to renew capital loans and advance operating expenses to members tied to a sick industry. We will be working with members who, under the present price structure, are apparently hopelessly in debt.

Following are a few examples:

Value of member's cattle—\$5,000. Member's loan—\$25,000. Net worth last fall—\$60,000. Additional collateral consists of machinery, feed and second mortgage on real estate. Net worth loss past season—\$24,943. Projection—further loss in position.

Value of member's livestock—\$173,777. Member's loan—\$175,000. Net worth—\$180,000. Net worth loss past season—\$101,800. Additional collateral consisting of machinery, feed, and second mortgage on real estate. Further deterioration expected.

Value of member's livestock—\$60,000. Member's loan—\$75,000. Net worth—\$84,000. Net worth loss past season—\$90,000. Additional collateral consisting of machinery, feed and second mortgage on real estate. No loan improvement projected.

Value of member's livestock—\$114,000. Member's loan—\$110,000. Loan has additional collateral of machinery, feed and second mortgage on real estate.

Value of member's livestock—\$12,600. Member's loan—\$38,000. No net worth. Young operator—note indorsed by father.

Value of member's livestock—\$25,500. Member's loan—\$35,500. Net worth loss past season—\$20,000. Net worth last fall—\$65,000. Additional collateral consisting of machinery, feed and second mortgage on real estate.

Value of member's livestock—\$96,950. Member's loan—\$93,000. Additional collateral consisting of machinery, feed and second mortgage on real estate. Net worth loss past season—\$91,000. Net worth now—\$135,000.



(A) Continued

Value of member's livestock—\$69,000. Member's loan—\$131,000. Net worth loss past season—\$76,000. Additional collateral consisting of machinery, feed and first mortgage on real estate. Net worth last fall—\$154,000. Projection—further loss.

Value of member's livestock—\$88,000. Member's loan—\$129,000. Additional collateral consisting of machinery, feed and second mortgage on real estate. Net worth last fall—\$115,000. Further deterioration projected.

Our livestock people are worried sick over their prospects of survival. What happens when they become sick of worrying?

You will remember the young man who last fall abandoned his outfit, resulting in total loss to him and a loss to the Association. He apparently was sick of worrying.

(Signed)

E. C. Gustafson, President
Northwest South Dakota
Production Credit Association
Lemmon, South Dakota

(B) Copy of Horn Analysis

February 13, 1975

TO: Robert Samuelson, Chairman of the Board

FROM: Rod Horn, Vice President

Northwest South Dakota Production Credit Association

This is a survey of 130 members (home office only) all of whom renewed loans between October 1, 1974, and February 1, 1975.

These are all borrowers with a major enterprise of "Livestock". Livestock can be considered to be cattle because sheep numbers have been reduced to an insignificant few because of predator problems.

Of the 130 borrowers, only one has a net worth gain. He is our only "strictly sheep man"; he is single, runs 213 sheep and works for wages.

I have kicked two loans out of the survey--one because he recently married a well-to-do widow with property and investments in California (apartment houses, etc.). The new bride's assets increased this man's net worth enough to overcome the loss caused by ranching. The other one hasn't owned any livestock for several years. He has been taking cattle in on a per-head, per-month basis and is working in town.

Analysis of the lengthy set of figures shows that:

Combined total net worth, January 1, 1974	\$35,052,965
Combined total net worth, January 1, 1975	<u>32,988,012</u>
Financial statement comparison loss	\$ 2,064,953

This is not, however, a true picture of what happened. The fall of 1974 financial statements list appreciated land values over fall of 1973. As a result, we calculated an "adjusted net worth" (we took out the increase in land values) on each individual.

Of the 130 members surveyed, there is a 23.9-per-cent reduction in net worth. The above figures should be revised as follows:

Combined total net worth, January 1, 1974	\$35,052,965
Combined total net worth, January 1, 1975	<u>26,689,328</u>
Adjusted Financial Statement Loss	\$ 8,363,637

Again, the \$8,363,637 loss to 130 members doesn't tell the whole story. Real estate equity made up the bulk of the net worth in the fall of 1974 total.

Therefore, we have made a comparison of current assets to current liabilities in 1973 and in 1974, which shows a more true picture of not only loss of assets between 1973 and 1974 but per cent equity and the loss of it during the critical period. (Current loanable assets include cash, PCA stock, saving prepaid expenses and livestock.) (Current liabilities include short-term debts only.) You will notice that we have omitted feed because we are not able to loan money against the feed and cattle both. We also omitted machinery and vehicles assets and liabilities because they are considered intermediate assets and liabilities. Machinery values during the critical period remained steady--minimum depreciation offset by purchases.



(C) First National Bank Letter by O'Donnell

January 27, 1975

FIRST NATIONAL BANK IN LEMMON
P.O. Box 600
Lemmon, South Dakota 57638
605-374-3831

Honorable Earl Butz
Secretary of Agriculture
Washington, D.C. 20000

Dear Secretary Butz:

The plight of the rancher is of real concern for the banks in the western Dakotas. Although, generally, we are renewing our loans, there is case after case where the cattle security is worth less than the amount of the loan. In practically all of these cases, there is no other liquid security, so the liquidity of the loan is gone and we are relying on machinery mortgages and on second real estate mortgages to protect.

It is certainly going to be difficult for the banks to provide operating money for these ranchers, and with operating costs so high, they really have their backs to the wall.

I hope you will give every consideration to their plight and do something and everything possible to improve the market so the livestock rancher can survive.

Yours very truly,

(Signed)

J. V. O'Donnell
President

Honorable Earl Butz
Secretary of Agriculture
Washington, D.C. 20000

Dear Secretary Butz:

The plight of the rancher is of real concern for the banks in the western Dakotas. Although, generally, we are renewing our loans, there is case after case where the cattle security is worth less than the amount of the loan. In practically all of these cases, there is no other liquid security, so the liquidity of the loan is gone and we are relying on machinery mortgages and on second real estate mortgages to protect.

It is certainly going to be difficult for the banks to provide operating money for these ranchers, and with operating costs so high, they really have their backs to the wall.

I hope you will give every consideration to their plight and do something and everything possible to improve the market so the livestock rancher can survive.



(B) Continued

Highlights of this type of survey to me are the trends that are shown. Mr. Average Member would be as follows:

1973 total net worth	\$269,638.19
1974 adjusted net worth	<u>205,302.52</u>
Loss during period	\$ 64,335.67
1973 current net worth	\$128,406.91
1974 current net worth	<u>61,738.30</u>
Loss in current net worth	\$ 66,668.61

We are all concerned about coming 12-month period—project a repeat loss of the dollar loss amount and it's easy to see that farmers, ranchers and short-term lenders will be out of business.

In summary, I would say that averages are meaningful, but we must consider the age of the borrowers. Older and better-established borrowers are not inclined to be aggressive in their operations and are holding the averages up. The 25- to 45-year-old borrowers who started in agriculture on a higher capital investment basis (the farmers and ranchers of tomorrow) are suffering the brunt of the financial catastrophe and will go under first.

I hope some of this can be of value in your thinking.

(Signed)

Rod Horn, Vice President
Northwest South Dakota
Production Credit Association
Lemmon, South Dakota



CONCURRENT RESOLUTION No. 506

SOUTH DAKOTA STATE LEGISLATURE

A CONCURRENT RESOLUTION, Memorializing the Congress of the United States to enact legislation to relieve emergency circumstances currently affecting the cattle industry.

BE IT RESOLVED By the House of Representatives of the State of South Dakota, the Senate concurring therein:

WHEREAS, South Dakota cattlemen are presently experiencing record financial losses due to declining market prices for cattle, at the same time as they are confronted with greatly increased operating costs; and

WHEREAS, a severe January blizzard coupled with recent drought conditions further compounded these losses; and

WHEREAS, record-high interest rates are impeding cattlemen's efforts to put the industry back on its feet;

NOW, THEREFORE, BE IT RESOLVED, by the House of Representatives of the fiftieth Legislature of the State of South Dakota, the Senate concurring therein, that the Congress enact legislation prohibiting the importation of beef and dairy products during the present crisis; and

BE IT FURTHER RESOLVED, that the Congress enact legislation to encourage the consumption of beef products during the present economic recession both domestically through relief programs and abroad through the purchase and distribution of livestock and red meat as a component of this nation's foreign aid program; and

BE IT FURTHER RESOLVED, that the Congress enact legislation to provide long-term low-interest loans to cattlemen trying to restore the cattle industry; and

BE IT FURTHER RESOLVED, that copies of this resolution be forwarded by the Chief Clerk of the House of Representatives of the State of South Dakota, to each member of the South Dakota Congressional delegation and to the President of the United States.



(D) McKenna Letter

February 28, 1975

Dear Meat Promoters:

The time has come for us to plead our cause in Washington, D.C. We are in an area that has suffered severe drought for the past two years.

Out of our small flock of sheep we have lost over 20 per cent of the lambs to the coyotes.

I think it is sad when you have lived on the same ranch for 28 years, and a husband and wife have worked so hard with hardly a vacation or much for improvements and your mortgage rises year after year.

The cost of production is rising in leaps and bounds, but our income decreases, and we have to absorb the high cost of living by increasing the land and livestock mortgage.

The 1974 wool clip has not been sold. We have borrowed 40 cents per pound on the wool, but the price of wool now is below 40 cents. So, if it were sold now, we would have to refund the difference to the wool house.

In 1973, our total income from calves, lambs and wool was \$20,248. In 1974, the total income from calves, lambs and wool was \$9,842. In 1973 our mortgage on approximately 57 head of cattle and 537 head of sheep was \$33,000 and about the same amount of livestock in 1974. The mortgage has increased to nearly \$50,000.

We realize where we are headed with this type of an operation and that is the soup line in town.

Without the three-point program proposed by the Meat Promoters, I am sure we cannot last more than another year. So I beg you to please consider the emergency credit bill, the livestock purchase bill of Congressman Melcher and the bill by Congressman English to halt imports.

I sincerely hope that Congress will take action immediately on these proposals.

Yours truly,

(Signed)

John McKenna
Carroll McKenna
Zeona, South Dakota



Testimony of
Meat Promoters of South Dakota, North Dakota, Montana, and Wyoming
and

Concerned Cattlemen of South Dakota

Delivered by

Bob Samuelson, Livestock Producer
Faith, South Dakota

Francis Veal, Livestock, Producer
Meadow, South Dakota

Lester Blomberg, Livestock Producer
Faith, South Dakota

AMERICA'S LIVESTOCK INDUSTRY NEEDS EMERGENCY CONGRESSIONAL ACTION

Presented to

U.S. House Agriculture Committee
Subcommittee on Livestock and Grains
Hon. W. R. Poage, Chairman

March 5, 1975



AMERICA'S LIVESTOCK INDUSTRY NEEDS EMERGENCY CONGRESSIONAL ATTENTION

Mr. Chairman, my name is Bob Samuelson. I am a cattle rancher from Faith, South Dakota. I am chairman of the board of the Northwest South Dakota Production Credit Association which has some \$12 million in outstanding loans to farmers and ranchers. I serve as vice president of the Meat Promoters of South Dakota, sponsors of the Beef-In to Washington last December. I speak in behalf of the Meat Promoters of South Dakota, North Dakota, Montana, and Wyoming and for the Concerned Cattlemen of South Dakota.

With me today are Francis Veal of Meadow, South Dakota, and Lester Blomberg of Faith, South Dakota. Francis is president of the Meat Promoters and Lester is our secretary-treasurer. They will give some specific examples of the current economic plight of livestock producers.

Mr. Chairman, the strength of this or any other nation is in direct proportion to its ability to produce food and fiber at prices consumers can afford. Thus, the decisions made by you who serve on the Agriculture Committee are of great importance to every American. Thus, we consider it a great privilege to present our testimony to you, Chairman Poage.

A recent report released by the U.S. Chamber of Commerce contends that the trend toward bigness in agriculture is irreversible, pointing out that, "In nearly every type of firm involved in marketing food, the number of firms are decreasing and the firms are becoming larger in size. These large firms in the processing and marketing field will want to assure themselves of the one thing essential to their continued successful operation: supply of the commodities they are processing and marketing."

Obviously, if the processor is to control the supply of raw products, he must control the supplier, the family farmer and rancher.

I would ask, then, that you consider for just a moment the impact on the whole economy if, as the U.S. Chamber of Commerce report implies, the family farm must give way to the agri-business conglomerate.

The efficiency of the family farm can hardly be questioned. While non-farm industry was increasing its output per man-hour by 60 per cent, farm output per man-hour rose 182 per cent. This efficiency has made it possible for the consumer to fill a food basket for about 20 per cent of spendable income, leaving a large share of the dollar to purchase automobiles, television sets, and a host of other items whose manufacture provide the jobs that keep our whole economy running.

The average rate of return on investment for the family farm has been about five per cent. The average rate of return for other industries has been about double that. With the loss of the family farmer, the consumer can look to increased costs for food, since by elimination of competition, prices would certainly increase. More money spent for food means less to support the rest of the economy, resulting in more unemployment and a weakening of the entire economic structure.

The family farm system is the nation's Number One industry. We employ some 4.4 million people—more than the auto, steel, and transportation industries combined. We spend some \$64 billion annually for goods and services to produce a product. We spend another \$15.5 billion for the same things city people buy. We pay some \$7 billion a year in federal, state, and local taxes. Certainly, our efficient production has had a positive effect on our balance of trade. So, we are an important part of the nation's total economic picture.



Now, the livestock industry faces a crisis situation. This situation has developed for a number of reasons. Excessive meat imports, the price freeze, drought and blizzard have all combined to weaken our livestock economy.

The bankruptcy of the American Beef Packers, followed closely by the shut-down of some of the larger feedlots in the country, has eroded the confidence in the industry to the point of a near panic situation in some areas.

If the present relationship between cost of production and income from the sale of our produce continues through another market season, I seriously doubt that Northwest South Dakota Production Credit Association will be able to provide operating funds for a majority of our livestock operators.

I want to share with you some comments E. C. Gustafson, who is president of this PCA, made in a memo concerning the livestock industry crisis:

"If prices do not go up and cost of operation down, resulting in a net profit so members can reduce their capital loans, the situation in the fall of 1975 will be worse than in 1974.

"This Association will be faced with the responsibility of deciding whether or not to renew capital loans and advance operating expenses to members tied to a sick industry. We will be working with members who, under the present price structure, are apparently hopelessly in debt....

"Our livestock people are worried sick over their prospects of survival. What happens when they become sick of worrying?

"You will remember the young man who last fall abandoned his outfit, resulting in total loss to him and a loss to the Association. He apparently was sick of worrying."

Mr. Chairman, I ask permission to submit Mr. Gustafson's memo for the Record. (A)

To give you more of an idea of what's happened to the producers in our area, Rod Horn, vice president of our PCA, has prepared an analysis of the net worth of 130 of our member-borrowers.

Mr. Horn concludes that the 130 producers had a combined net worth of \$35,052,965 on January 1, 1974, compared with a net worth on January 1, 1975, of \$26,689,328. That's a financial statement loss of \$8.4 million!

Mr. Chairman, I also ask permission to submit a copy of Mr. Horn's analysis for the hearing Record. (B)

At this point, I would like for Francis Veal and Lester Blomberg to add to the evidence I have presented.

(Francis Veal.) Mr. Chairman, I would like to emphasize what Bob has mentioned here. The crisis is real and so serious that some people are considering even drastic measures to express their frustrations and despair.

I have personally received phone calls at 4 a.m. from livestock producers who are desperate. They will be out of business before spring unless they get financial help. And these people tell me they are considering disruptive activities here in Washington if relief is not forthcoming.



Now, I have told these men to hold off. I have told them that Congress is considering legislation to help them and that groups like ours are working for this kind of positive action.

But I am telling you about these crisis situations to show you what could happen when a group of people lose their livelihood, their business, and the ability to feed their families.

I have talked personally with bankers who tell me that even banks are in a bad position because of the loans they have outstanding to livestock producers.

Mr. Chairman, I respectfully ask that a letter from J. V. O'Donnell, president of the First National Bank in Lemmon, South Dakota, be included in the official Record. (C)

Mr. O'Donnell says in his letter that banks are having difficulty providing our producers loan money for operating costs simply because security of livestock producers has vanished because of low market prices and high production costs.

It seems logical to me that if our livestock producers go broke, then we surely will have a round of bank closings like we had during the Depression.

I am saying, then, that the stability of this nation's entire economy is and will be affected by the conditions in agriculture. The opportunity is still available to stabilize our country's economy by helping our basic industry, agriculture. This is why I urge this Committee to take emergency action quickly.

Thank you.

(Lester Blomberg.) Mr. Chairman, I have with me a letter from a ranch family from western South Dakota. John and Carroll McKenna point out in their letter what is happening to their diversified livestock ranch and to their livelihood. It is not a bright picture.

The McKennas say that they have had to borrow 40 cents a pound on their wool crop, but now the price of wool has dropped below 40 cents. Their total income in 1973 was \$20,248, but their income for 1974 dropped by 50 per cent, to \$9,842. Let me stress here that these figures are for their total income BEFORE expenses were paid! Their true net income would be far into the red.

Their mortgage in 1973 on 57 head of cattle and 537 sheep was \$33,000. Today, it is \$50,000, but the value of their livestock has dropped in half.

A similar account would be accurate for thousands of other livestock producers in our country today.

Mr. Chairman, I respectfully ask that the McKenna letter be made part of this hearing's official Record. (D)

I would also appreciate the inclusion in the Record of a Concurrent Resolution from the South Dakota State Legislature concerning the livestock crisis. (E)

It is important, I think, when a Democratic Senate and a Republican House of Representatives passes a resolution unanimously. That is what happened in my home state, in what has to be an historic bipartisan effort by the State Legislature.



The resolution urges Congress to adopt the same program that Bob Samuelson will outline for this Committee.

Thank you.

(Bob Samuelson.) Mr. Chairman, now I would like to present the three-point positive action program we strongly support in the interests of restoring stability to the livestock industry.

1. We support H.R. 48, the bill now before this Committee. However, we do respectfully urge this body to toughen language in the bill so that no imported beef could be purchased. We would also like to see a provision specifically directing the Agriculture Secretary to purchase a significant amount of live cattle, rather than to purchase processed livestock products only. We feel the purchase of live cattle would guarantee that the money spent would directly help the producer rather than the processor.

2. We support an emergency loan program to provide long-term, low-interest loans to livestock producers who are on the verge of bankruptcy.

3. We support a temporary embargo on meat and dairy imports.

Mr. Chairman, there is no question about the crisis in the livestock industry. There is no question that our producers are worrying themselves sick over the future of their families and their way of life.

I hope that this Committee and the Congress will take action before the livestock producers of America are sick of worrying.

Thank you very much.



April 11, 1975

To Whom It May Concern:

We, the undersigned, understand that Mr. Horace McQueen has been designated to represent the area comprising of Cherokee County in a visit to our Nation's Capitol under appointment of the Governor of our State, The Honorable Dolph Briscoe.

We would like to take this means in voicing our opposition to the continued importation of beef, dairy and poultry products into the United States from foreign sources. It is felt this procedure is largely responsible for the current overly depressed economic conditions in these industries. The slaughtering and processing of beef, dairy and poultry products in our country are rightfully subjected to vigorous supervision by Governmental Agencies but imported similar products are not subject to these stringent regulations which produce an unfair marketing situation to the producers and a health hazard to the consumers of our nation. To further aggravate the precarious position of the farmers and ranchers, the continued deportation of feeds and fertilizers without adequate duties has resulted in unrealistic prices the farmers and ranchers must pay for feed, seed and fertilizers (fertilizer has advanced from approximately \$75.00 per ton to approximately \$150.00 per ton and corn seed from \$10.00 per bushel to \$27.50 per bushel in approximately one and one-half years). There is no way at all a producer can justify this expenditure for feed, seed and fertilizers when his end product of cows and calves sell only for 15¢ to 22¢ per pound. Approximately two years ago the same cattle brought at least three times this amount. We hasten to say that we would not expect the unrealistic high prices which prevailed at that time, but it does seem our government has a responsibility to its people to protect them from financial disaster by control of imports and exports so as to assure a fair market for their product and a realistic cost of production. Without some relief within the immediate future, it seems certain that the position of our farmers and ranchers will be beyond recovery.

We would take this means to prevail upon Mr. McQueen, while he is visiting in Washington, to convey to our Representatives in the National Capitol that we need recognition in our Department of Agriculture of the current situation and that action is mandatory. In the event our present Commissioner of Agriculture is unable to stimulate evidence of progress in this direction, it is strongly suggested that his replacement be brought about. The present administration no doubt is aware of the large population of our nation effected in these areas and this, undoubtedly, will prevail on the minds of all those effected when going to the polls to cast their ballot in the next general election.

We, the undersigned, submit this request of Mr. McQueen and trust he will convey it to the officials in Washington for which we will be most appreciative. We are most concerned about the farming and ranching industry for not only the best interest of our local economy but also for our Nation as a whole, in that not only provides jobs for many, many people but also assures that we will continue as the best fed and most healthy nation on the face of the Earth.

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25. Beryl Wright	Rt 2 Ballard Tex	
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27. Elmer G. Coey	RT 5	
28. Cecil Stagg	Troup Texas	842-3645
29. Harold Cook	Jacksonville, Tex	214-589-9192
30. Kenneth R. Cook	Tyler, Texas	214-839-4087
31. Capt. D. Whitehead	Jacksonville Texas	586-9640
32. J. W. Barber	"	586-8174
33. J. W. Ingram	Rush Texas	214 743 2522
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37. J. H. Sower	Rt 2 Ballard Tex.	894, 7574
38. Fred Ellis	R 2 Ballard	
39. Jerry Lingo	Rt 4 Rush, Texas	683 5702
40. Mark V. V.	Rt 4 Rush, Texas	683 4998
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108	Billy Belknap	Box 34, Billard, Tex	874-7106
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113	Nicky Sawler	Star Route, Safford, Ariz	383-2871
114	Betty Whitehead	533 South Main	Jacksonville, Tex 586-1953
115	Robert Whitehead	Route 5	Jacksonville, Tex 586-9881
116	Ruby Sanders	Route 2	Jacksonville, 586-3222
117	Robert Walker	Rt 4 Jacksonville	586-3985
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