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LEGISLATIVE HISTORY

Public Law 130--80th Congress

Chapter 164--1st Session

S. 350

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DIGEST OF PUBLIC LAW 130

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- January 24, 1947 Senator Bushfield introduced S. 350 which was referred to the Senate Committee on Agriculture and Forestry. Print of the bill as introduced.
- February 24, 1947 Hearings: Senate, S. 350.
Resume of hearings.
- February 26, 1947 Resume of hearings.
- February 27, 1947 Resume of hearings.
- March 5, 1947 Resume of hearings.
- March 19, 1947 Senate Committee reported S. 350 with amendments. Senate Report 58. Print of the bill as reported.
- March 24, 1947 S. 350 discussed in the Senate and passed over.
- April 8, 1947 S. 350 discussed in the Senate and passed as reported.
- April 15, 1947 S. 350 referred to the House Committee on Banking and Currency. Print of the bill as referred.
- June 26, 1947 House Committee reported S. 350 without amendment. House Report 719. Print of the bill as reported.
Resume of Senate Hearings. Senate hearings not published.
- June 27, 1947 S. 350 discussed in the House and passed without amendment.
- June 30, 1947 Approved. Public Law 130.

S. 350

IN THE SENATE OF THE UNITED STATES

JANUARY 24 (legislative day, JANUARY 15), 1947

Mr. BUSHFIELD (for himself and Mr. YOUNG) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To continue the Commodity Credit Corporation as an agency of the United States until June 30, 1949.

- 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 first sentence of subsection (a) of section 7 of the
- 4 Act approved January 31, 1935 (49 Stat. 4), as amended,
- 5 is amended by striking out "June 30, 1947" and inserting in
- 6 lieu thereof "June 30, 1949".

A BILL

To continue the Commodity Credit Corporation
as an agency of the United States until June
30, 1949.

By Mr. BUSHFIELD and Mr. YOUNG

JANUARY 24 (legislative day, JANUARY 15), 1947
Read twice and referred to the Committee on
Agriculture and Forestry

TO CONTINUE THE COMMODITY CREDIT CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY

UNITED STATES SENATE

EIGHTIETH CONGRESS

FIRST SESSION

ON

S. 350

A BILL TO CONTINUE THE COMMODITY CREDIT
CORPORATION AS AN AGENCY OF THE
UNITED STATES UNTIL JUNE 30, 1949

FEBRUARY 24, 26, 27, AND MARCH 5, 1947

Printed for the use of the Committee on Agriculture and Forestry



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1947

COMMITTEE ON AGRICULTURE AND FORESTRY

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HARLAN J. BUSHFIELD, South Dakota

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SCOTT W. LUCAS, Illinois

TOM STEWART, Tennessee

CLYDE R. HOEY, North Carolina

CLAUDE PEPPER, Florida

JAMES M. KENDALL, *Clerk*

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TO CONTINUE THE COMMODITY CREDIT CORPORATION

MONDAY, FEBRUARY 24, 1947

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met at 10:30 a. m., pursuant to call, in room 324, Senate Office Building, Senator Arthur Capper (chairman) presiding.

Present: Senators Capper (chairman), Aiken, Young, Kem, Thye, Thomas, Ellender, Stewart, and Hoey.

Present also: Senator Tobey.

The CHAIRMAN. The committee will be in order.

We will begin the hearing on Senate bill 350 to continue the Commodity Credit Corporation as an agency of the United States until June 30, 1949.

(The bill is as follows:)

[S. 350, 80th Cong., 1st sess.]

A BILL To continue the Commodity Credit Corporation as an agency of the United States until June 30, 1949

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of subsection (a) of section 7 of the Act approved January 31, 1935 (49 Stat. 4), as amended, is amended by striking out "June 30, 1947" and inserting in lieu thereof "June 30, 1949".

The CHAIRMAN. We have Mr. N. E. Dodd, the Under Secretary of Agriculture, with us this morning. He has been with the Department for a long time. He knows all about the Commodity Credit Corporation and a good deal about the Department of Agriculture.

Mr. Dodd, you are familiar with this program.

STATEMENT OF NORRIS E. DODD, UNDER SECRETARY OF AGRICULTURE AND VICE CHAIRMAN OF THE BOARD OF DIRECTORS, COMMODITY CREDIT CORPORATION, ACCOMPANIED BY CARL C. FARRINGTON, VICE PRESIDENT, COMMODITY CREDIT CORPORATION

Mr. DODD. Yes, sir.

Senator ELLENDER. Mr. Chairman, as Chairman have you received any opposition to the continuation of the Commodity Credit Corporation?

The CHAIRMAN. I do not believe we have. Do you know of any?

Senator AIKEN. Yes, sir. I believe we have some telegrams this morning from the wool trade, and from some representatives of the grain trade who want to be heard. I presume they want to be heard in opposition, although I do not know as to that. I think there is opposition.

The CHAIRMAN. There is no opposition from the agricultural interests so far as I know.

Mr. DODD, I expect you are familiar with that situation?

Mr. DODD. Yes, sir.

The CHAIRMAN. Will you go ahead and tell us briefly what the Commodity Credit Corporation is, and why it should be continued?

Mr. DODD. Mr. Chairman, we sent over a letter, I believe it was brought over this morning, in which we referred to the legislation that requires us to have a Federal charter before June 30, 1948. As far as we are concerned it does not make any difference. It is whatever arrangement Congress wants to have, because to us the Commodity Credit Corporation is the heart of all our agricultural programs.

Without it there would be no way to get price-support commitments or stabilizing operations. Its price-supporting operations have meant millions of dollars to farmers but have not resulted in much, if any, loss of capital. In fact, the operations as a whole, have resulted in most years, in a gain.

Our balance sheet would show that outside of subsidy operations carried on by Commodity Credit Corporation as it was authorized to do by legislation, the other type of operation has been at a substantial gain most of the time.

The CHAIRMAN. You would say unhesitatingly the Commodity Credit Corporation has been a move in the interests of agriculture?

Mr. DODD. Yes, sir, unqualifiedly I would make such a statement.

Our loan programs need a large amount of borrowing power or capital because when a loan is announced, we have to be prepared to loan on any amount that the farmers would submit as collateral.

Senator AIKEN. Will you explain here, Mr. Secretary, the need for the \$800,000,000 that the Commodity Credit Corporation will require to balance its accounts at the end of the year?

Mr. DODD. I have some charts, Senator Aiken, and I wonder if I could defer that question a little bit?

Senator AIKEN. Yes.

Mr. DODD. I can show it a bit better with the charts.

Senator THOMAS. I would like to have in the record a short statement of the present set-up of the Commodity Credit Corporation.

Mr. DODD. Would you like to have a copy of the bylaws, Senator Thomas?

Senator THOMAS. I want to know just what it consists of. At a hearing we held last year it seemed like the organization did not have much of a head to it. There was nobody specially responsible for its management.

I understand that has been corrected somewhat. I would like to have a statement of who is running the institution, and who is in control, and charge, and who is directing its activities.

Mr. DODD. The operation is carried on by the Secretary of Agriculture or the Under Secretary, acting in his absence as the Chairman of the Board.

We have a board of directors, and a treasurer and secretary.

Senator THOMAS. They are made of up bureau chiefs in your department, are they not?

Mr. DODD. Some of them are. The president of the Commodity Credit Corporation is also the Administrator of the Production and Marketing Administration. He has under him vice presidents of

Commodity Credit Corporation that deal with particular commodities, and work almost entirely on Commodity Credit Corporation programs.

Senator THOMAS. I wish you would state how large an institution this is, whether it is small or what its size is. To do that I would like to know the amount of capital stock in the organization, how much money you have handled, and how much money you are handling now.

Mr. DODD. I think I can show that by the chart and then put what you want in the record.

Senator THOMAS. I am trying to develop that this is, in my judgment, one of the most important and largest Federal institutions. It is even larger than the RFC, as I understand it. Being such a large institution and being such an important institution, it occurs to me that we should give plenty of attention to its Board of Directors and to its Manager.

The CHAIRMAN. You are in full accord with the program?

Senator THOMAS. Yes, sir.

What was the total amount of money handled by this organization during the last year, 1946?

Mr. DODD. I think it is something in excess of \$6,000,000,000. I will show you on the chart.

Senator THOMAS. We have a \$5,000,000,000 institution here, and I have not been satisfied with the attention given to it by the Department. It has been managed by bureau chiefs who have other duties to perform, and at one time it did not seem to have any established head. That is what I want to bring before the committee.

Senator AIKEN. Is that \$5,000,000,000 inclusive of roll-back subsidy payments?

Mr. DODD. That includes everything.

The CHAIRMAN. Mr. Dodd, how long have you been at the head of the Commodity Credit Corporation?

Mr. DODD. I have been Under Secretary since last April. In that position, I act as Chairman when the Secretary of Agriculture is not there. Before that, since 1942, I had been a Director of the Corporation. I have been a member of the Board of Directors, and as Director of Production I took quite an active part, of course, on the Board of Directors of the Corporation.

The CHAIRMAN. We are very much interested in what you have to say in answer to Senator Thomas' inquiry. I think it is timely.

Mr. DODD. I have here a copy of the bylaws of the Corporation, which were amended as of April 10, 1946. I think we have had one amendment since. This is the last amendment. I have January 31, 1947.

The only change between this one and that one is the number in the Board of Directors and who they shall consist of.

Would you like to have me read from this or just put it in the record?

The CHAIRMAN. You ought to tell us in substance, at any rate, what you are showing.

Mr. DODD. I do not think it is necessary to refer to the stockholders' meeting because there is only one stockholder, and that is the Secretary of Agriculture.

The Board of Directors shall consist of the following: The Secretary of Agriculture, who shall serve as Chairman of the Board; the Under Secretary of Agriculture; the Assistant Secretary of Agriculture; the Administrator of the Production and Marketing Administration; the Deputy Administrator of Production and Marketing Administration; the Assistant Administrator of Production and Marketing Administration; and the Director of the Field Service Branch of the Production and Marketing Administration.

No person shall have more than one vote at meetings of the Board of Directors, notwithstanding his occupancy of more than one of the offices, the occupant of which by these bylaws is designated ex officio as member of the Board of Directors.

The CHAIRMAN. How often do you have meetings?

Mr. DODD. Once a week, except on call. There are times when we need special meetings. I think we had two meetings the past week, but generally we were able to operate with one meeting. That is generally Wednesday afternoon, when it is scheduled for a full meeting.

Senator THYE. I would like to make this observation, Mr. Chairman. A vast majority of the members of your Board of Directors are all within the Department of Agriculture, and assistants to the directors of the Department of Agriculture.

Mr. DODD. That is correct.

Senator THYE. Therefore they might as well specifically state the Director of the Department of Agriculture is in charge of this, because they cannot in any manner criticize their own superior very well, as to whether his ideas conflicted with theirs.

So there is just one man the head, period.

Mr. DODD. I might say, Senator, looking at the past operations, when it is proposed that a docket come before the board, a docket for loans or for-price support purposes, it is prepared in the branch; that is, if it happens to be a grain docket, it would be prepared in the Grain Branch.

It then comes to Board for action. After full discussion of all that, I do not know what the record would show, but my guess is that there are more times when there is a majority that votes against the particular docket when it comes up the first time than vote for it.

It goes to the Secretary after the Board approves it.

Senator THYE. That is on the first recommendation; on the very flush of a lot of thoughts that come in. But I mean specifically, if you got down to a major question of policy, that you could not hold with all the Under Secretary says, that you could have a difference of opinion and not get anywhere with it; because after all you just meet your own executive and you could not in any sense walk out of the meeting and say that I will not agree with my superiors, because it would only breed ill will within the Department, to say nothing about a conflict within the executive authorities there.

The CHAIRMAN. Senator, I take it that what you would like to know is whether the producers really have a voice in that program.

Senator THYE. What I am concerned with is primarily the producer, and then again the question of whether you can say that it is managed in a democratic manner by a Board of Directors because, after all, it is only a board of directors in name and on paper; but in reality you have one executive that is the superior over all of the other members of that Board of Directors, because he is the chief whom they serve under.

So, in name, you have it, but in reality you have not got it.

Mr. DODD. There is no question that you are right, if a docket might be approved by the Board of Directors, and not signed by the Secretary. It might not be in line with his policy and with his thinking. He could refuse to sign it. If he did not, it would be, of course, null and void.

Senator YOUNG. Mr. Chairman, I would like to make this observation. This Board is probably operating more efficiently than other Government agencies. I have particular reference to the RFC, whose estimated losses as of July 1, 1948, will be about \$7,800,000,000.

I make this comment because there has been a lot of newspaper comment, particularly editorial comment in the eastern press, as to the expense of carrying on farm programs. Yet the "cost" of these programs is in considerable contrast to the expense of the RFC in helping business and the consumers. The crop price-support program actually has rolled up a \$55,000,000 net profit since 1933. In fairness to the RFC, I think it should be said that a large portion of their accumulated deficit is due to consumer subsidies and also to losses on war industries.

Mr. DODD. I would like to say first, Senator, that many of our programs are required by laws; that is, there are certain things we are required to do. For example, the laws say very specifically that on basic crops we have to give support at 90 percent of parity during the 2-year period following cessation of hostilities.

Senator AIKEN. Mr. Dodd, is it true that the losses incurred by the Commodity Credit Corporation have been due to carrying out the mandate of Congress in regard to consumer subsidies, and is it also true that the loss sustained in supporting farm prices of farm products has been relatively small?

Mr. DODD. As a matter of fact, price-support operations have resulted in a profit, Senator Aiken.

Senator AIKEN. The support of farm prices has resulted in a profit, and this \$800,000,000 loss which you sustained has been occasioned in carrying out the directions of the Congress in giving consumer subsidies, with particular reference to roll-back subsidies.

Mr. DODD. Asking the Commodity Credit Corporation to pay out subsidy money, that is correct.

Senator AIKEN. That charge should not be made against agriculture at all.

Mr. DODD. I do not think it should, personally.

Senator ELLENDER. Mr. Dodd, I understand that the profit on cotton sales alone were one hundred eighty-seven or one hundred eighty-nine million dollars. Is that correct?

Mr. DODD. That is correct. Of course, from that you deduct storage charges and interest charges and all.

I would like to point out, too, that we, during the past 3 years, paid \$22,000,000 of interest to the Federal Treasury, because we act as the corporation.

We pay interest on the entire amount of money that is handled. If Congress had provided for the subsidy program, by a direct appropriation, instead of the Commodity Credit Corporation carrying it out of funds available to it, we would have saved most of that \$22,000,000, and we would not be here asking for—

Senator STEWART. Over what period of time?

Mr. DODD. The last 3 years—1944, 1945, and 1946.

Senator STEWART. \$7,000,000 a year.

Mr. DODD. A little over \$7,000,000 a year interest.

Senator YOUNG. I do not believe the farmers generally wanted a subsidy. All the farmer wanted was a fair price for what he produced, and subsidies were never popular with farmers.

Mr. DODD. Most of these subsidies did not go direct to the farmer. They went in other ways but they had the same effect of bringing the prices up.

I would like to quote a couple of rough figures, and we will get into them when I use the charts, I think, a little more closely.

Up until last year, with the restoration of our borrowing power last year by the Appropriations Committee, we had had an appropriation by Congress of \$94,000,000 plus in 1938; \$119,000,000 plus in 1939; \$43,000,000 that we paid back to the Treasury in 1940; and an appropriation of \$1,000,000 plus in 1941. We paid back to the Treasury \$27,800,000 in 1942.

We received an appropriation of \$256,000,000 plus in 1944 and \$921,000,000 last year, making a total of \$1,322,171,965.

During that time, and up to the present time, the subsidy operation cost us \$2,136,414,395.84.

So you can see that the difference we were talking about, the \$800,000,000, is still part of the subsidy operation, has nothing to do with the usual operations of the Commodity Credit Corporation.

Senator AIKEN. Does that mean the subsidy operations are financed in part from the profits made from sustaining the supports?

Mr. DODD. It has balanced off. But any profit we would have made in regular operations would have been used, of course, to carry subsidy operation. That is correct.

Senator AIKEN. Except for the ceilings being placed as low as they were, the Commodity Credit Corporation would undoubtedly have made a very large profit; would it not?

Mr. DODD. We would have made much larger profits, of course.

Senator AIKEN. You would have made a great deal of money.

Mr. DODD. Practically all the commodities that the Commodity Credit Corporation deals in had a ceiling on them. If we could have sold the inventory at the prices in effect then or now, for example, the profits would have been very large.

I would like to make it clear to the committee, we require a good deal of money or borrowing power at the time that you set up these loans.

Now, not that you use the money. It may be that you will never use any of the money if the loan turns out all right. But before we can go out and say that we will make a wheat loan or a corn loan or a cotton loan, you are required to have—and we do set it aside on the books—as a commitment against that much money.

In 1942, we made loans on four-hundred-and-eight-odd-million bushels of wheat. That requires a substantial sum of money to underwrite those loans, although in actual operation we do not make any loan direct. The country banks are the ones that make the loans. All we do is underwrite the paper.

Senator YOUNG. Is there any loss in purchasing for foreign countries now?

Mr. DODD. No, sir. We never have had a loss in purchasing for foreign countries. We always charged in excess. We charged a commission over and above the cost.

Senator AIKEN. On what authority do you make purchases for foreign countries?

Mr. DODD. Under the general charter authority of the Corporation for the purpose of coordinating procurement of agricultural commodities in this country with our price-support program and bringing about more efficient food procurement.

Senator AIKEN. You realize there is considerable objection to your making these purchases for foreign countries?

Mr. DODD. Not from the foreign countries.

Senator AIKEN. No, I understand that.

Mr. DODD. Most of our purchases now, as you know, are not for foreign countries, but they are for the Army and Navy in occupied zones.

Senator AIKEN. You are not purchasing much for foreign countries?

Mr. DODD. No, sir; not at the present time.

Senator AIKEN. How much are you purchasing for the foreign countries now?

Mr. DODD. I think I can show you that later.

Perhaps I had better go to the charts first, if it is all right with the committee. It might be that the charts will answer some of the questions that some of you had in mind.

Is that all right, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. DODD. This chart shows the volume of our major activities. The yellow are the subsidy programs. The green are the commodities sold—that we have sold from our stocks. The red is the amount of purchase programs. The blue are the loans made.

Of course, this shows the dollars in billions.

In 1934 up until 1942 practically all of our operations were in the loan field strictly. You will notice that the loans rose a little during the peak of our production period in 1943, and have been dropping down ever since. But you will notice where the total volume of activity is—up here pretty close to the \$10,000,000,000 line, if you take the total operations on this particular year 1944. It is dropping now very fast.

The CHAIRMAN. What is the reason for the drop?

Mr. DODD. The war is over and the subsidy programs are over, and your lend-lease purchases as well as any sales to the armed forces, and those things caused the drop. Those activities are practically all wiped out except for the occupied areas now, in Germany and Austria and Japan.

The CHAIRMAN. You are still busy in Government activity.

Mr. DODD. Yes, sir. Here is where your larger activities will be from now on, through here, on the loan program.

Because of the small place that these blue ones take on the chart, it does not look as if it is very large, but it gets into a substantial amount of money when we realize this is in billions of dollars.

Senator THOMAS. Would you read into the record the amount of money you handled each year since 1942?

Mr. DODD. I will have to get that a little bit later. I do not have it on the ones I have here on the chart, except in total.

Senator AIKEN. Will you submit it for the record?

Mr. DODD. Yes, sir.

(The information requested is as follows:)

Comparison of volume of major activities, by fiscal years 1934 to date

[Millions of dollars]

Fiscal year ended June 30—	Activity				
	Loans made	Commodities purchased	Commodities sold	Subsidies paid	Total
1934.....	260				260
1935.....	311				311
1936.....	29				29
1937.....	1				1
1938.....	280				280
1939.....	457				457
1940.....	308	35			343
1941.....	453	65	45		563
1942.....	609	940	1,000	8	2,557
1943.....	841	2,700	2,800	145	6,486
1944.....	531	4,550	4,200	390	9,671
1945.....	534	2,594	3,089	742	6,959
1946.....	185	2,155	3,028	845	6,213

Loans made, by fiscal years, by commodity, 1934-46

[Millions of dollars]

Commodity	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	Total
Corn.....	121.2	11.0	13.9	0.1	22.8	138.7	171.8	62.8	80.9	43.8	6.9	18.4	2.8	695.1
Cotton.....	138.5	295.0	5.7		243.2	205.3	1.3	153.2	153.0	290.8	342.5	218.3	22.3	2,069.1
Wheat.....						49.2	117.3	200.7	361.6	468.2	164.3	249.8	80.3	1,691.4
OTHER														
Naval stores.....		5.0	1.7		4.0	7.7	8.8	6.8	1.6	9.5				45.1
Tobacco.....			7.3	1.0	.9		2.8	13.2	2.7	2.6	.6	.6	6.4	38.1
Raisins.....					1.2	2.7		5.1						9.0
Prunes.....					2.4	.4		5.4						8.2
Peanuts.....					5.3	7.0	.8	1.9				25.6	25.4	66.0
Butter.....						29.0	3.0							32.0
Figs.....						.1								.1
Hops.....						1.4								1.4
Pecans.....						.4								.4
Barley.....								2.4	6.9	8.1	.6	2.8	.8	21.6
Wool and mohair.....						14.9	1.9							16.8
Rye.....							.6	1.6	1.2	3.3	.1	.1		6.9
Dry beans.....											2.5			2.5
Dry peas.....											.2	.2		.4
Flaxseed.....									1.2	3.5	1.6	.2	.4	6.9
Grain sorghums.....									.1			7.8		7.9
Miscellaneous seeds.....												2.3	.4	2.7
Oats.....													1.3	1.3
Potatoes.....											7.0	7.5	44.5	59.0
Soybeans.....									.2	5.6	.5	.2		6.5
Fiber flax.....											.8			.8
Foreign purchase facility.....											3.4			3.4
Linseed oil.....										2.0				2.0
Olive oil.....										.5				.5
Peanut equipment and warehousing.....										3.0				3.0
Others, subtotal.....		5.0	9.0	1.0	13.8	63.6	17.9	36.4	13.9	38.1	17.3	47.3	79.2	342.5
Total.....	259.7	311.0	28.6	1.1	279.8	456.8	308.3	453.1	609.4	840.9	531.0	533.8	184.6	4,798.1

CCC commodity loans outstanding by quarters—March 1941 to date

[Millions of dollars]

Date	Cotton	Wheat	Corn	Tobacco	Other	Total
1941—March	205.2	193.7	187.3	10.8	35.2	632.2
June	108.1	26.6	185.4	14.7	24.6	359.4
September	10.7	235.4	156.0	15.0	21.2	438.3
December	116.6	344.4	134.1	8.7	20.7	624.5
1942—March	107.9	312.7	177.8	8.5	14.7	621.6
June	64.8	100.0	153.6	6.6	11.4	336.4
September	65.4	287.9	103.2	4.3	14.0	474.8
December	202.3	479.3	74.5	2.3	26.7	785.1
1943—March	275.5	394.8	84.3	1.8	24.3	780.7
June	230.0	160.8	67.3	2.1	18.9	479.1
September	218.2	202.6	5.2	2.7	16.5	445.2
December	395.3	186.1	1.2	2.0	10.1	594.7
1944—March	481.3	79.4	6.0	1.0	8.9	576.6
June	399.3	23.6	5.2	1.0	7.0	436.1
September	341.1	160.0	3.4	1.0	4.2	509.7
December	440.7	231.1	1.0	1.0	49.0	722.8
1945—March	354.9	207.0	13.1	1.0	27.3	603.3
June	251.7	26.2	16.7	1.0	13.0	308.6
September	205.3	36.1	8.4	1.0	2.8	253.6
December	199.2	60.2			37.7	297.1
1946—March	93.1	17.3	2.1	5.9	31.7	150.1
June	32.1	3.8		5.5	6.5	47.9
September	5.8	14.6		5.6	3.1	29.1
December	14.2	22.8		29.9	53.0	119.9

Commodity inventories by quarters, beginning December 1938 to date (excluding lend-lease and relief-supply programs)

[Millions of dollars]

Date	Cotton	Wheat	Corn	Tobacco	Wool	Foreign commodities	Other	Total
1938—December			9.3					9.3
1939—March	1.0		10.0					11.0
June		4.0	7.0					11.0
September	380.7	6.4	5.7					392.8
December	379.8	1.6	40.5					421.9
1940—March	379.1		56.7	36.8				472.6
June	368.5	1.2	57.5	34.9			11.0	473.1
September	369.4	1.3	68.2	50.3			14.7	503.9
December	360.0	1.0	108.8	70.3			30.4	570.5
1941—March	354.3	6.7	157.4	70.4			32.3	621.1
June	350.8	133.1	141.5	69.0			31.8	726.2
September	358.0	153.6	121.0	77.5			32.9	743.0
December	328.3	153.4	115.4	76.6			34.6	708.4
1942—March	285.7	135.5	63.9	69.6			6.3	561.0
June	238.7	324.7	46.3	59.4			8.5	677.6
September	212.0	331.9	36.5	97.8		4.0	23.4	705.6
December	205.0	330.6	38.0	142.4		32.5	191.2	939.7
1943—March	209.4	316.2	40.6	118.2		56.0	129.6	870.0
June	199.0	314.5	22.0	91.6	3.4	99.1	166.3	895.9
September	191.4	214.3	10.1	114.2	51.2	64.9	238.6	884.7
December	176.9	184.9	5.9	131.0	78.5	69.0	220.9	867.1
1944—March	171.9	171.5	1.2	118.2	90.6	32.3	171.3	757.0
June	190.5	159.8	5.2	87.1	118.0	36.8	263.7	861.1
September	189.0	177.2	1.1	119.5	162.2	30.6	205.7	885.3
December	224.7	136.1	1.0	174.7	169.7	26.8	160.5	893.5
1945—March	489.1	101.0	11.6	140.7	144.4	32.3	107.7	1,026.8
June	447.5	153.7	19.7	35.1	159.7	30.3	75.7	921.7
September	344.5	219.3	16.5	57.2	216.0	19.0	50.1	922.6
December	281.3	118.4	1.9	107.4	232.3	10.4	66.5	818.2
1946—March	212.9	44.5		65.0	229.5	9.1	45.3	606.3
June	140.9	53.2	14.4	4.8	243.4	6.8	26.6	490.1
September	73.5	75.1	8.2	3.5	263.6	3.2	17.6	444.7
December	52.3	90.4	5.3	3.3	225.3	8.7	22.9	408.2

CONTINUE THE COMMODITY CREDIT CORPORATION

Operating results and subsidy costs, by fiscal years 1934 to date

[Millions of dollars]

Date	Operating results, gain or loss ¹	Subsidy costs	Date	Operating results, gain or loss ¹	Subsidy costs
1934.....	0.7		1941.....	33.7	
1935.....	.9		1942.....	77.8	18.3
1936.....	17.7		1943.....	40.8	145.5
1937.....	6.6		1944.....	9.5	390.1
1938.....	.1		1945.....	93.2	741.6
1939.....	1.0		1946.....	14.7	845.1
1940.....	13.5				

¹ Loss.*Operating results, excluding subsidy costs, cumulative to end of each fiscal year, 1934 to date*

[Millions of dollars]

Date	Gain or loss ¹	Date	Gain or loss ¹
1934.....	0.7	1941.....	68.8
1935.....	1.6	1942.....	9.0
1936.....	16.1	1943.....	49.8
1937.....	22.7	1944.....	59.3
1938.....	22.6	1945.....	33.9
1939.....	21.6	1946.....	19.2
1940.....	35.1		

¹ Loss.*Result of Treasury appraisals, 1938 to date*

[Millions of dollars]

Date ¹	Cumulative operating loss	Total capital impairment	Date ¹	Cumulative operating loss	Total capital impairment
1938.....	23.2	94.3	1943.....	67.3	183.4
1939.....	19.5	213.9	1944.....	363.8	400.7
1940.....	31.7	170.1	1945.....	1,319.5	1,322.2
1941.....	60.2	171.8	1946 ²	2,149.8	2,149.8
1942.....	21.1	144.0			

¹ Prior to 1945, Treasury appraisals were made as of Mar. 31 of each year. Beginning June 30, 1945, appraisals are as of June 30 of each year.² U. S. Treasury Department appraisal report not received.

Gain or loss on programs other than subsidy programs, by major commodity categories, 1933 to Dec. 31, 1946

[Thousands of dollars]

	Gain	Loss	Net
Cotton:			
Owned and pooled sales.....	211,735.3		
Rubber barter.....	11,055.5		
Egyptian.....	5,875.2		
Other: Linters.....	1,592.6		
Export differential.....		39,201.0	
American-Egyptian, sea island.....		516.3	
Puerto Rican.....		130.2	
Burlap jute fabrics.....		41.6	
Total.....	230,258.6	39,889.1	190,369.5
Livestock:			
Livestock procurement.....	66.5		
Wool.....		37,466.7	
Total.....	66.5	37,466.7	-37,400.2
Grain:			
Wheat.....	27,648.8		
Other:			
Oats.....	1,083.0		
Grain sorghums.....	635.5		
Rye.....	211.4		
Feed for Government facilities.....	.5		
Corn.....		30,738.5	
Grain bins.....		9,342.6	
Other:			
Seeds, miscellaneous.....		1,242.5	
Barley.....		318.9	
Beans and peas, dry, edible.....		182.0	
Total.....	29,579.2	41,824.5	-12,245.3
Fruit and vegetable:			
Canned vegetables.....	6.4		
Potatoes.....		44,862.1	
Other:			
Hops.....		954.2	
Raisins.....		109.5	
Pecans.....		3.8	
Total.....	6.4	45,929.6	-45,923.2
Other:			
Foreign commodities.....	33,918.6		
Tobacco.....	9,656.6		
General supply program.....	14,239.8		
Other:			
Naval stores.....	1,562.3		
Ammonium nitrate.....	208.2		
Soybean oil.....	44.7		
Soybean.....	3,175.1		
Hemp and milkweed floss.....		21,110.1	
Other:			
Alaskan spruce logs.....		2,121.2	
Dairy animals (Farm Security Administration).....		655.6	
Peanuts.....		329.6	
Castor beans.....		167.7	
Sorgo.....		66.0	
Women's land army uniforms.....		41.3	
Unallocated.....		183.1	
Flaxseed.....		19.5	
Eggs.....		44.9	
Total.....	62,805.3	24,739.0	38,066.3
Total:			
Cotton.....	190,369.5		
Livestock.....		37,400.2	
Grain.....		12,245.3	
Fruit and vegetable.....		45,923.2	
Other.....	38,066.3		
Total.....	228,435.8	95,568.7	132,867.1

Subsidy costs, by major commodity categories, 1942 to Dec. 31, 1946

	<i>Millions of dollars</i>
Dairy:	
Dairy production.....	1, 217. 0
Cheddar cheese.....	67. 6
Fluid milk.....	38. 2
Total	<u>1, 322. 8</u>
Grain:	
Wheat for feed.....	238. 4
Beans, dry, edible.....	13. 1
Corn.....	11. 6
Other:	
Barley for feed.....
Hay for dairymen.....	2. 5
Millfeed price support.....	. 1
Wheat for alcohol.....	22. 7
Total	<u>288. 4</u>
Fruit and vegetable:	
Vegetables for processing.....	95. 9
Fruits for processing.....	75. 6
Other:	
Apple freight equalization.....	3. 2
Vegetables, frozen.....	6. 1
Pear freight equalization.....	. 1
Total	<u>180. 9</u>
Fats and oils:	
Soybeans.....	98. 3
Peanut butter.....	19. 6
Other:	
Vegetable oils and meals.....	6. 9
Peanuts.....	5. 9
Shortening.....	1. 9
Total	<u>132. 6</u>
Sugar.....	<u>123. 7</u>
Livestock:	
Sheep and lamb production.....	43. 2
Beef production.....	36. 9
Total	<u>80. 1</u>
Other:	
Flaxseed.....	. 5
Phosphate fertilizer.....	. 1
Cocoa.....	. 1
Coffee.....	7. 2
Total	<u>7. 9</u>
Grand total	<u>2, 136. 4</u>

Wheat: Quantity pledged for CCC loans or purchased by CCC by crop years, related to total United States production, and comparison of average market price and loan rate, 1938 to date

[Millions of bushels]

Date	Pledged for loans	Purchased by CCC	Total United States production	Average market price, No. 2 Hard Winter, at Kansas City	Loan rate, No. 2 Hard Winter, at Kansas City
1938	85.7		920.0	68.4	72
1939	167.7		741.2	88.6	77
1940	278.4		813.3	82.3	77
1941	366.3		943.1	114.6	110
1942	408.1	27.1	974.2	128.4	127
1943	130.2	143.0	841.0	156.1	137
1944	180.4	103.9	1,072.2	161.2	150
1945	59.7	221.9	1,123.1	168.6	153
1946	199.1	112.5	1,169.4	201.5	164

¹ Through Dec. 31, 1946.

² Preliminary.

Wheat: Loans made by CCC and portion thereof liquidated by repayments and by acquisitions of collateral, by crop years, 1938 to date

Date	Liquidated		Total loans made	Average market price, No. 2 Hard Winter, at Kansas City	Loan rate, No. 2 Hard Winter, at Kansas City
	Repaid by producer	Acquired by CCC			
	Millions of dollars	Millions of dollars	Millions of dollars	Cents per bushel	Cents per bushel
1938	40.2	9.0	49.2	68.4	72
1939	111.9	5.5	117.4	88.6	77
1940	68.8	131.8	200.6	82.3	77
1941	91.9	269.7	361.6	114.6	110
1942	253.1	215.1	468.2	128.4	127
1943	163.9	.4	164.3	156.1	137
1944	148.4	101.4	249.8	161.2	150
1945	79.9	.4	80.3	168.6	153

Wheat: CCC inventory, average market price and loan rate, by quarters, 1939 to date

Date	Inventory (at end of quarter)	Average market price, No. 2 hard winter, at Kansas City, Mo.	Loan rate, No. 2 hard winter, at Kansas City, Mo.
	Millions of bu.	Cents per bu.	Cents per bu.
1939—June	6.0	72	72
September	8.4	72	77
December	.2	89	77
1940—March		101	77
June	1.6	92	77
September	1.5	72	77
December	.7	83	77
1941—March	9.5	83	77
June	169.2	92	77
September	173.9	106	110
December	166.9	115	110
1942—March	141.7	123	110
June	319.7	113	110
September	309.2	113	127
December	308.5	125	127
1943—March	245.4	138	127
June	259.8	138	127
September	161.9	142	137
December	115.7	157	137

Wheat: CCC inventory, average market price and loan rate, by quarters, 1939 to date—
Continued

Date	Inventory (at end of quarter)	Average market price, No. 2 hard winter, at Kansas City, Mo.	Loan rate, No. 2 hard winter, at Kansas City, Mo.
	<i>Millions of bu.</i>	<i>Cents per bu.</i>	<i>Cents per bu.</i>
1944—March.....	120.8	164	137
June.....	99.1	161	137
September.....	121.9	152	150
December.....	103.4	161	150
1945—March.....	77.8	165	150
June.....	103.7	167	150
September.....	141.1	160	153
December.....	77.5	169	153
1946—March.....	30.6	170	153
June.....	29.0	179	153
September.....	36.8	196	164
December.....	42.7	207	164

Corn; quantity pledged for CCC loans or purchased by CCC by crop years related to total United States production and comparison of average market price and loan rate, 1933 to date

Date	Corn pledged	Corn pur- chased	Total United States pro- duction	Average market price No. 3 yellow at Chicago	Average loan value
	<i>Billions of bushels</i>	<i>Billions of bushels</i>	<i>Billions of bushels</i>	<i>Cents per bushel</i>	<i>Cents per bushel</i>
1933.....	0.268		2.4	49.7	45.0
1934.....	.020		1.5	85.8	55.0
1935.....	.031		2.3	73.6	45.0
1936.....	.0002		1.5	121.0	55.0
1937.....	.061		2.6	57.2	50.0
1938.....	.230		2.5	48.4	57.0
1939.....	.302		2.6	54.3	57.0
1940.....	.103		2.5	66.9	61.0
1941.....	.111		2.7	79.3	73.0
1942.....	.056	0.004	3.1	90.8	77.3
1943.....	.008	.005	3.0	114.3	84.2
1944.....	.021	.041	3.2	115.2	89.3
1945.....	.003	.029	3.0	194.0	92.4

Corn: Loans made by CCC and portion thereof liquidated by repayment and by acquisitions of collateral, by crop years 1933 to date

Date	Liquidated		Total loans made	Average market price No. 3 yellow at Chicago	Average loan value
	Repaid by producer	Acquired by CCC			
	<i>Millions of dollars</i>	<i>Millions of dollars</i>	<i>Millions of dollars</i>	<i>Cents per bushel</i>	<i>Cents per bushel</i>
1933.....	121.3		121.3	49.7	45.0
1934.....	11.0		11.0	85.8	55.0
1935.....	13.9		13.9	73.6	45.0
1936.....	.1		.1	121.0	55.0
1937.....	6.8	24.0	30.9	57.2	50.0
1938.....	55.2	75.7	130.9	48.4	57.0
1939.....	106.7	65.1	171.8	54.3	57.0
1940.....	55.3	7.5	62.8	66.9	61.0
1941.....	59.4	21.5	80.9	79.3	73.0
1942.....	43.6		43.6	90.8	77.3
1943.....	6.6		6.6	114.3	84.2
1944.....	18.4		18.4	115.2	89.3
1945.....	2.8		2.8	194.0	92.4

Corn: CCC inventory, average market price and loan rate, by quarters, 1938 to date

Quarters—date	Inventory	Average market price No. 3 yellow at Chicago	Average loan value
		Millions of bushels	Cents per bushel
1938—December	21.0	47.0	57.0
1939—March	14.6	49.0	57.0
June	7.8	50.0	57.0
September	7.1	49.0	57.0
December	77.2	51.0	57.0
1940—March	91.2	58.0	57.0
June	92.4	66.0	57.0
September	107.3	65.0	57.0
December	176.0	63.0	61.0
1941—March	229.6	64.0	61.0
June	201.9	72.0	61.0
September	165.4	74.0	61.0
December	151.5	72.0	73.0
1942—March	89.1	82.0	73.0
June	62.3	84.0	73.0
September	48.2	85.0	73.0
December	50.4	82.0	77.3
1943—March	52.0	98.0	77.3
June	28.6	105.0	77.3
September	13.0	106.5	77.3
December	7.5	109.0	84.2
1944—March	1.6	115.0	84.2
June	10.1	115.5	84.2
September	2.0	115.5	84.2
December	1.2	113.0	89.3
1945—March	11.0	115.0	89.3
June	25.7	117.0	89.3
September	19.8	118.0	89.3
December	1.4	118.0	92.4
1946—March	.2	118.0	92.4
June	10.3	140.0	92.4
September	5.6	200.0	92.4
December	3.5	152.0	-----

Cotton: Bales pledged for CCC loans or purchased by CCC, by crop years, related to production, price and loan rate, 1933 to date

Date	Millions of bales			Average price Middling 1 ⁵ / ₁₆ -inch	Loan rate, Middling 1 ⁵ / ₁₆ -inch
	Cotton pledged for CCC loans	Cotton purchased by CCC	Total production		
1933	1.9	-----	12.7	11.0	10.0
1934	4.6	-----	9.5	12.68	12.0
1935	.1	-----	10.4	11.88	10.0
1936	-----	-----	12.1	13.25	-----
1937	5.6	-----	18.3	9.09	9.00
1938	4.5	-----	11.6	9.00	8.60
1939	.03	-----	11.5	10.09	8.95
1940	3.2	-----	12.3	11.00	9.15
1941	2.2	-----	10.5	18.31	14.22
1942	3.1	-----	12.4	20.14	17.22
1943	3.6	-----	11.1	20.65	19.26
1944	2.1	2.6	11.8	21.86	21.08
1945	.2	.4	8.8	25.96	21.09
1946	-----	-----	8.3	-----	24.38

Cotton: Loans made by CCC, and portion thereof liquidated by repayments and by acquisition of collateral, by crop years, 1933 to date

Date	Loans liquidated		Loans outstanding	Total loans made	Average price Middling 15/16-inch	Loan rate Middling 15/16-inch
	By repayments	By acquisition				
	Millions of dollars	Millions of dollars	Millions of dollars	Millions of dollars	Cents per pound	Cents per pound
1933-----	99.5			1 99.5	11.0	10.0
1934-----	172.8	109.8		1 282.6	12.68	12.0
1935-----	5.8			5.8	11.88	10.0
1936-----	(²)	(²)	(²)	(²)	13.25	
1937-----	13.6	229.7		243.3	9.09	9.00
1938-----	203.9	1.4		205.3	9.00	8.60
1939-----	1.3			1.3	10.09	8.95
1940-----	152.9	.2		153.1	11.00	9.15
1941-----	127.2	25.8	0.001	153.0	18.31	14.22
1942-----	183.0	107.7	.127	290.8	20.14	17.22
1943-----	277.0	64.5	.869	342.4	20.65	19.26
1944-----	205.1	11.9	1.269	218.3	21.86	21.08
1945-----	21.9	.2	.152	22.3	25.96	21.09
1946-----						24.38

¹ Does not include second-lien advances of \$51,415,815 on a 1933-34 cotton producers pool.

² No loan.

Cotton: CCC inventories and acquisitions and average market price and loan rates by quarters, 1939 to date

Date	Inventory at end of quarter	Average price during quarter, middling 15/16 inch	Loan rate, middling 15/16 inch	Acquisition during quarter
	Million of bales	Cents per pound	Cents per pound	Million of bales
1939--August-----	6.92	9.20	8.95	
September-----	6.89	9.32	8.95	
December-----	6.87	9.67	8.95	
1940--March-----	6.65	10.73	9.15	
June-----	6.64	10.40	9.15	
September-----	6.51	9.92	9.15	
December-----	6.18	9.63	9.15	
1941--March-----	6.11	10.27	14.22	
June-----	6.13	12.44	14.22	
September-----	6.13	16.27	14.22	
December-----	5.58	16.71	14.22	
1942--March-----	4.82	19.26	17.22	
June-----	3.99	19.73	17.22	
September-----	3.51	18.90	17.22	
December-----	3.38	19.28	17.22	
1943--March-----	3.76	20.77	19.26	
June-----	3.17	21.14	19.26	
September-----	2.86	20.53	19.26	
December-----	2.92	19.90	19.26	
1944--March-----	2.49	20.68	21.08	
June-----	2.75	21.19	21.08	
September-----	2.65	21.48	21.08	
December-----	2.92	21.51	21.08	
1945--March-----	5.39	21.67	21.09	2.33
June-----	5.04	22.46	21.09	.61
September-----	4.10	22.49	21.09	.05
December-----	3.22	23.86	21.09	.14
1946--March-----	2.40	25.78	24.38	.90
June-----	1.36	28.10	24.38	.21
September-----	.71	35.26	24.38	.11
December-----	.47	33.11	24.38	.03

Wool: CCC inventory and acquisitions by quarters, 1943 to date

[Millions of pounds]

Date	Inventory		Total	Acquisitions
	Grease	Scoured		
1943—June.....	7.9	.1	8.0	10.7
September.....	110.8	4.6	115.4	135.5
December.....	161.8	7.8	169.6	78.9
1944—March.....	162.9	15.4	178.3	41.7
June.....	216.1	14.6	230.7	89.8
September.....	300.1	20.7	320.8	173.9
December.....	304.1	20.0	324.1	76.2
1945—March.....	264.0	18.6	282.6	46.7
June.....	298.8	20.1	318.9	85.3
September.....	403.9	25.8	429.7	151.1
December.....	435.2	25.8	461.0	63.1
1946—March.....	417.2	30.5	447.7	40.1
June.....	443.3	34.6	477.9	47.8
September.....	490.8	32.3	523.1	131.9
December.....	414.6	29.6	444.2	99.1

Wool: CCC purchases and sales, and comparison of specified prices per pound by quarters, 1943 to date

Quarters date	Purchases	Sales	Parity price (at farm grease-basis)	Weighted average price paid by CCC for wool purchased
	Millions of pounds	Millions of pounds	Cents per pound	Cents per pound
1943—June.....	10.7	2.7	29.8	-----
September.....	135.5	28.1	30.0	-----
December.....	78.9	24.7	30.6	¹ 41.1
1944—March.....	41.7	33.0	30.9	40.4
June.....	89.8	37.4	31.1	43.4
September.....	173.9	83.8	31.1	42.7
December.....	76.2	72.9	31.1	41.0
1945—March.....	46.7	88.2	31.7	42.4
June.....	85.3	46.0	31.7	42.4
September.....	151.1	42.6	31.8	42.0
December.....	63.1	30.1	32.2	41.6
1946—March.....	40.1	54.0	32.9	41.2
June.....	47.8	37.6	34.4	42.5
September.....	131.9	81.5	36.6	42.9
December.....	99.1	146.9	39.0	41.8

¹ Average, June–December 1943.

Wool: CCC acquisitions related to total domestic consumption and total United States production by calendar years, 1943 to date (grease basis)

[Millions of pounds]

Date	United States consumption			Total United States produc- tion	CCC ac- quisi- tions
	Domestic	Foreign (exclud- ing car- pet wool)	Total		
1943.....	430.5	630.9	1,061.4	449.6	260.5
1944.....	318.6	690.4	1,009.0	418.1	366.6
1945.....	251.7	761.1	¹ 1,012.8	¹ 387.0	364.2
1946.....	240.0	820.0	¹ 1,060.0	¹ 358.0	326.1

¹ Preliminary.

Mr. DODD. In 1934 we made \$260,000,000 of loans.

In 1935, \$311,000,000.

In 1936, \$29,000,000.

In 1937, \$1,000,000 of loans.

That was the year following the Supreme Court decision in which there was practically no activity.

In 1938, \$280,000,000 of loans.

In 1939, \$457,000,000 of loans.

In 1940, \$306,000,000 of loans.

In 1941, \$452,000,000 of loans, and \$65,000,000 of purchases.

In 1942, \$626,000,000 of loans, and \$940,000,000 of purchases, and \$1,000,000,000 sold.

In 1943, \$806,000,000 of loans, \$2,700,000,000 purchased, and \$2,800,000,000 sold.

The CHAIRMAN. What brought about that great increase?

Mr. DODD. That was wartime. We were purchasing for the Army and the Navy and for lend-lease. That was what this large amount of purchases is. You notice the purchases came in in 1941. Up until that time we had had practically no purchase operation except for price support. This red you can see how it increased as the war moved forward.

Senator AIKEN. Those purchases and sales were made under the War Powers Act by reason of Executive order?

Mr. DODD. They were made under the general charter authority of the Corporation under an approval given by the President of the United States.

Senator AIKEN. Not from the original Commodity Credit Corporation law?

Mr. DODD. They were made under the charter authority which the corporation has had since its inception.

In 1944, we had \$508,000,000 of loans. It got smaller there. And \$4,550,000,000 of purchases, and \$4,200,000,000 of sales.

That was the first year we got very large in the subsidies; we paid \$387,000,000 of subsidies. You will notice where the subsidy began to really get to a pretty good size by that time.

In 1945, \$529,000,000 of loans, \$2,594,000,000 of purchases, \$3,089,000,000 of sales, but \$743,000,000 of subsidies.

You can see here how the subsidies increased.

In 1946, it was down to \$170,000,000 of loans, \$2,100,000,000 of purchases, which included the emergency program last spring for moving grain.

Senator ELLENDER. Did you deal with any UNRRA goods?

Mr. DODD. We bought for UNRRA. We bought all food supplies for UNRRA that were bought in this country, not those that were bought in foreign countries.

We also had \$845,000,000 of subsidies in 1946. You can see that these went from a very small amount and got larger each year and last year was the peak year.

Senator ELLENDER. What was that amount?

Mr. DODD. The subsidy last year, \$845,000,000.

Senator HOEY. And the sales?

Mr. DODD. The sales last year were \$3,028,000,000.

Senator STEWART. What were the subsidies for, chiefly?

Mr. DODD. The dairy subsidy, beef subsidy, sheep and lamb subsidy.

Senator ELLENDER. And flaxseed floss?

Mr. DODD. No.

Senator STEWART. Most of it on meat?

Mr. DODD. No. We did not pay the meat subsidy. That was RFC.

Senator STEWART. The sheep and lamb?

Mr. DODD. Sheep and lamb, yes. The largest one was the milk and dairy subsidies.

Senator KEM. What sort of feeder subsidy was there besides the meat subsidies?

Mr. DODD. None, except freight, and moving some high-priced cattle into an area where we did subsidize some freight. A very small amount.

There was a feeder subsidy on beef for feeding that during that time enabled the feeders to make their cattle good or better, and based on 800 pounds, I believe was the minimum weight, and it had to grade good or better to be eligible for the subsidy.

Senator STEWART. What was the dairy subsidy last year?

Mr. DODD. The amount was \$519,390,647.

Senator THOMAS. Mr. Chairman, while he is looking up the item, I wish to observe that according to this chart, in 1942 the Commodity Credit Corporation handled two and a quarter billion dollars of Federal money in one way or another. In 1943, six and a half billion dollars; in 1944, nine and a quarter billion dollars; in 1945, seven billion dollars; and in 1946, six billion dollars, making a total of over thirty billion dollars handled by this organization in those 5 years.

That is the reason I suggested awhile ago that I would like to have a little detailed information with respect to the set-up that provides the management of this gigantic Federal financial organization.

The CHAIRMAN. Can you furnish the Senator that information?

Mr. DODD. Yes, sir.

(It is as follows:)

Management of the Corporation is supplied by a board of nine directors, of which the Secretary of Agriculture is Chairman.

The Under Secretary and the Assistant Secretary, respectively, in the order named, serve as Acting Chairman in the absence of the Secretary. The present principal officers of the Corporation are: J. B. Gilmer, president; R. S. Trigg, vice president; C. C. Farrington, vice president; E. A. Meyer, vice president; Col. R. L. Harrison, vice president; Frank K. Woolley, secretary; H. F. Shambarger, treasurer.

Senator KEM. Mr. Dodd, referring to those subsidies, take this beef feeder subsidy, for instance, is that specifically directed by law?

Mr. DODD. In the act of April 12, 1945, we were authorized to use not more than so much money to pay the subsidies for the purpose of holding price ceilings.

Senator KEM. Are those subsidies specifically set out in the statute?

Mr. DODD. I do not believe they are. In the act they were set out in categories, but not specifically. I think we were allowed so much for several different categories.

Senator KEM. By category you mean beef, sheep, or dairy?

Mr. DODD. Crop or noncrop operations and dairy payments.

The CHAIRMAN. There is no question about the authority being there?

Mr. DODD. No, the authority was there. We were limited—I believe that was in 1944, the first limit that was put on subsidies. I believe it was in for 1946 fiscal year, in which there was a limit put on the amount of subsidies that would be paid out of Commodity Credit Corporation funds, by categories.

This shows the amount of loans made from 1934 to date on the different commodities. You will notice the blue is cotton, the orange is corn, the lighter colored one is wheat, tobacco is the pink, potatoes are the green, and all the others, which include some 25 or 30 minor commodities in the yellow.

You will notice that most years cotton has been a substantial part of the loan operations, and one, 1937, was because of the large lag at that time, the Supreme Court decision.

Senator ELLENDER. You mean 1937.

Mr. DODD. Yes, sir. After the Supreme Court decision in 1936.

You will notice how these amounts varied. You will notice in 1940 we had a tremendous business in corn loans and practically nothing in cotton. That is because the price of cotton, the amount of crop and all, was satisfactory, and not much in there.

The very next year, 1941, when you had a very large business in cotton and a small one in corn, we had an enormous program in wheat. Up in your country, Senator Young, there was no place to move wheat. Everything was plugged, the warehouses were plugged, and the big volume went under loan.

The inventory built up. In 1942 it got larger, and in 1943 still larger.

The CHAIRMAN. What is the total amount of that largest wheat payment?

Mr. DODD. This represents loans, Senator. I would have to look up the docket to get the exact figures. Something approximating a half-billion dollars.

We made loans on four-hundred-and-eight-and-some million bushels of wheat that particular year. It would depend on the parity price and the requirements of the law as to how much would be necessary.

I think you have a good illustration this year with the prospective wheat crop in excess of a billion bushels. Your price is very high. Today it is \$1.90. If we were required to make loans on 400 or 500 million bushels today, with \$1.90 parity price, it would be as large as this entire column.

Senator AIKEN. This chart represents the farm support program?

Mr. DODD. That is right.

You will notice how tobacco has been moving in.

Senator AIKEN. Why were the loans made on tobacco this year? I thought the price was very high?

Mr. DODD. It was.

Senator AIKEN. Was there a drop?

Mr. DODD. Yes, sir.

Senator AIKEN. Were those loans made in the latter part of 1946?

Mr. DODD. Yes, sir.

Senator ELLENDER. That is only one kind of tobacco, is it not?

Mr. DODD. No, sir. We are making loans at the present time on two or three kinds. The boys had to come back to the docket the other day because the amount they had set up for loans on tobacco was not large enough to cover it.

In 1947, when it is put on this chart, you will see that tobacco takes as much money perhaps as all of this amount here, in 1946.

Senator AIKEN. Have you any estimate as to the cost of the 1947 program?

Mr. DODD. Yes. We do not think it will cost anything.

Senator AIKEN. You think it will not be as much as 1946?

Mr. DODD. It did not cost us anything in 1946. We will have to have a lot of money to operate with, but it actually made money.

Senator AIKEN. Will the volume of business in 1947 be much more?

Mr. DODD. Yes, sir. It will be much more.

Senator AIKEN. Because of the tobacco loans?

Mr. DODD. Yes, sir.

This green is the potatoes that we got under the 1946 loan. You may have a large green in 1947. It is sure that you will have a larger one of wheat, and tobacco will be two or three times as wide as that, and if we get an increased cotton crop my guess is it will be very high.

Senator AIKEN. Do you have a chart showing the amount of commodities on loan and owned by the Corporation?

Mr. DODD. Yes, sir. We have one. I will come to that.

I have in millions of dollars the figures, if anybody wants those. Our total since the beginning of this type of program has been approximately \$5,000,000,000, required to operate those loan programs.

Senator ELLENDER. Mr. Chairman, I suggest Mr. Dodd identify his figures with each chart, so that we can have the figures that he is now failing to give us.

Mr. DODD. I would be glad to leave these with the committee, if you would prefer it. If you would like this I can give it to you.

Senator AIKEN. I think it would be well to have the figures left with the clerk of the committee for the record.

Mr. DODD. These are the amount of the commodities on which we had loans outstanding at the beginning of each quarter of the year. You notice these years are broken into quarters.

You will notice the black is cotton, the orange color is wheat, the blue is corn, the pink is tobacco, and the green is all others.

You will notice that from 1941, by quarters, we built up to a peak here in the early part of 1944 in cotton. We got rid of some and it went up.

Now, you will notice the cotton that is under loan is at a very low level. You will notice that since the third quarter it has built up again.

The CHAIRMAN. How do you account for that?

Mr. DODD. The loans are paid off, Mr. Chairman, and as the loans are paid off our responsibility is lessened. These are the amounts of active loans for each of these commodities at the end of each quarter, for the years from 1941 through 1946.

You will notice between 1942 and 1943 we had loans outstanding on nearly \$800,000,000 worth of commodities. They have been liquidated until, in the third quarter of 1946 we had less than \$50,000,000 of loans actually outstanding.

Now, you will notice how they have gone up. The green, your potatoes, you can see that has gone up. But tobacco is also increasing, as you got into the fourth quarter of 1946, you can see you are getting a substantial tobacco program, a very large program.

The CHAIRMAN. The whole program is getting healthy?

Mr. DODD. Very much so.

These are inventories from the beginning of 1938, when we began acquiring collateral, up to date. This excludes lend-lease and relief-supply programs. This is the inventory under the regular Commodity Credit Corporation operation.

Senator ELLENDER. An inventory of what? Of what the Commodity Credit Corporation owns?

Mr. DODD. These are the commodities that were turned over to Commodity Credit Corporation in satisfaction of loans or things of that type.

The wheat, in the early part of the war years, you will notice our stocks of wheat got very large, and then came down until there were practically none in 1944. Then the stock of wheat acquired in the early part of 1945 because of that emergency program, caused it to go up. Then it went down.

Senator ELLENDER. At the moment, how much do you have on hand?

Mr. DODD. Practically nothing. I would say thirty or forty million.

Senator ELLENDER. I notice you have very little cotton left.

Mr. DODD. That is right.

Senator ELLENDER. Most of that as I understand was shipped abroad; was it not?

Mr. DODD. This—the balance of this cotton may be already promised for shipment abroad, but it is still in our stocks and will show in stocks.

Senator ELLENDER. I am speaking of, say, the first quarter of 1946 or the last quarter of 1945. Did you not start about that time, shipping cotton?

Mr. DODD. We started along here about the third quarter of 1945. After this point here, the second quarter of 1945, you can see how rapidly that has come down.

Senator ELLENDER. You got rid of all of your low-grade crops?

Mr. DODD. Yes, sir; we got rid of all of them.

You will notice the fourth quarter of 1946 we do not have the figures on here because they are not complete. This is really September 30, and this black mark will still be low. That will be true also of this wheat, which will be lower.

The green is wool. You will notice from a very small beginning in 1943 it got to a fairly large stock at the end of 1944, and now wool is at the largest part of our inventory.

Senator ELLENDER. Are the wool people against the extension of this Commodity Credit Corporation? The chart would indicate they are the most interested.

Senator AIKEN. There was a telegram this morning. Was that from the wool trade?

The Wool Trade Association sent it out, and not the wool producers.

Senator YOUNG. I think you will find the same thing in the wheat trade. You will find the grain exchanges against this entire program.

Senator ELLENDER. Surely. They want to handle it and let the bank make the money.

Mr. DODD. This is a very interesting chart, and I think this answers the questions some of you had about the subsidies.

These are operating results from the beginning of the program in 1933 through to date.

The black is the gain, above the line, and the pink is the loss, below the line. The red is the subsidy, below the line, represented by the subsidies.

You will notice we ran along a little above or below the line here, until 1941. Then, because of the large inventories that we had on hand which went into war channels, we had a substantial profit but a small subsidy. This is a very large profit in these years—1942 and 1943.

When your subsidies got into the operations, it got larger each year until last year—pay-off time, June 30, 1946.

Senator ELLENDER. I notice in the fourth quarter of 1944 considerable loss there. How do you account for that?

Mr. DODD. This is the bookkeeping arrangement when we changed our method of keeping our inventory accounts. It was a repricing.

Senator ELLENDER. Will you explain how that affected your profit-and-loss account?

Mr. DODD. In total it pulled down, at that time, our inventory, because we repriced it. Since that time, to the extent we had it underpriced, the inventory would have more value, and when you balance the books it would show more profit, or it would show loss, depending on how the market was.

Senator ELLENDER. You must have marked down pretty low, then, to show that big loss in the fourth quarter of 1944.

Mr. DODD. This is not the fourth quarter of 1944. It is really 1945, for the full year.

Senator ASKEN. Is that because ceiling prices were put on and forced you to sell some previously acquired commodities at a loss?

Mr. DODD. That is right. I think I can give you a good illustration—wheat for feed, and other feed programs that affected your country and many others. We had a substantial stock of wheat that we acquired at a fairly low price—some of it at higher prices; but in your subsidy program, or in the subsidy directive, we were directed to sell grain at lower than market prices.

That loss should have been charged over directly to subsidy.

Senator ELLENDER. Would you be able to tell us which of the commodities caused this loss?

Mr. DODD. All of them. That is simply a pricing rearrangement in all of them.

Senator ELLENDER. That included everything you had on hand?

Mr. DODD. Yes; that is right; everything we had on hand—everything in our inventory.

Senator ELLENDER. You say that was only a bookkeeping loss?

Mr. DODD. That is right.

Senator ELLENDER. Would you call it an actual loss, too?

Mr. DODD. No. It is not an actual loss until you balance your books the next year. If the market prices of all commodities tended to go down it would be a loss, but it would be shown over a whole year rather than just taking it at the end of the year.

Senator ELLENDER. How do you carry it over? I notice that the amount of loss for 1945 was considerably greater than the amount of gain that you have for 1946.

Mr. DODD. That is right. But this loss might be the result of all 4 years.

Senator ELLENDER. What I am driving at—what I am trying to find out is the extent to which the Commodity Credit Corporation has been actually making the profits, excluding its losses in subsidies.

Mr. DODD. I think I can show you that.

Senator ELLENDER. That chart does not show it.

Mr. DODD. I have one here that I think will show it to you, Senator. If not, we will refer back to this one, if it does not answer your question.

Senator ELLENDER. All right.

Mr. DODD. This chart is the cumulative operating results, excluding subsidy costs, to the end of each fiscal year from 1934 to date. There again, because of this pricing arrangement, you do not know until after you completely clean up your inventories whether you actually made money or not. So at the end of each year, when we invoice our stocks and put a price on them to the extent that we put the price too low, it would show a loss, or if we put it too high, it could show a profit, but it would be a fictitious one.

Senator ELLENDER. That is because of the fact you still have the goods on hand and cannot tell what your losses are until you actually dispose of them?

Mr. DODD. That is right.

Now, we are down to very low stocks or starting up. Now is a pretty good time, and I think I have the figures to show that the Corporation is in pretty good shape financially.

This is just a cumulative chart.

Senator ELLENDER. In spite of the losses on your subsidy program?

Mr. DODD. No. If the amount required to handle the subsidy programs is returned to us, we would be in very good shape.

Senator KEM. Is there any logical reason why these subsidy costs should be included in the accounts of the Commodity Credit Corporation?

Mr. DODD. I did not think so. I never did think so.

Senator ELLENDER. RFC did not want them.

Mr. DODD. Some of us suggested that subsidies be handled by direct appropriations.

Senator KEM. In your judgment that would be the sound way to do it?

Mr. DODD. That is correct. Of course, at that time something needed to be done very promptly, and nobody could estimate what the total cost would be. So Commodity Credit Corporation was just authorized to pay it and bring in the bill.

Senator ELLENDER. Mr. Dodd, do you not think that because of your set-up the program has cost the Government much less than it otherwise would have, had you reestablished another agency?

Mr. DODD. I think it was best to handle it through the Department of Agriculture because you were dealing directly with farmers or food processors.

Senator KEM. But not necessarily through the Commodity Credit Corporation?

Mr. DODD. Not necessarily through the Commodity Credit Corporation. It could have been handled through the Department. It was the same whether they appropriated the money and gave it to us who handle it, or used the Commodity Credit Corporation.

Senator KEM. What the Senator from Louisiana has in mind is, perhaps, using your organization for the purpose of disbursing these subsidies to cut down the overhead.

Senator ELLENDER. That is right.

Mr. DODD. No question about that.

Senator KEM. I think that is correct.

Mr. DODD. No question about that.

This is our total capital impairment cumulative from 1937, after the Supreme Court decision. This yellow is the appraised loss by the Treasury. The green is our appraisal of the losses.

Senator ELLENDER. What do you mean by that?

Mr. DODD. The Treasury looked over our assets and they put their estimate of what the collateral was worth. The yellow is their appraisal and the green is ours.

You will notice as we get along here to the later days of the program—1945-46—that there is not much difference in what the Treasury figures our assets are worth and what we do. But there was some difference, as long as we moved along the early part of the year.

This is total capital impairment—and keep in mind we price our commodities at the end of each fiscal year and turn them in.

Senator ELLENDER. That has nothing to do with your subsidy program?

Mr. DODD. No, not a thing.

The yellow, I want to make clear, is the Treasury's appraisal of our operating losses. This is what they think our cumulative loss in Commodity Credit Corporation has been to date—this little yellow line here—in 1945.

Senator AIKEN. They figured no loss at all through 1946?

Mr. DODD. The green has the subsidy in it.

Senator ELLENDER. I understand that. But the top part does not make a distinction.

Mr. DODD. This is complete. This includes capital impairment.

Senator ELLENDER. That includes subsidies and everything else?

Mr. DODD. Yes, sir.

Senator THOMAS. Mr. Dodd, it is not quite clear in my mind yet. You have there 2 colors, green and yellow. Now take 1938, the first year indicated: The Department's estimate of loss was about one-fourth of the total loss, and the Treasury admitted that you were correct but they insisted that the loss was two-thirds or three-fourths more than you certificated. Is that correct?

Mr. DODD. That is on the inventory. That is on their appraisal of our stocks.

Senator THOMAS. Then you had a larger loss from their viewpoint than from your records?

Mr. DODD. Yes.

Senator THOMAS. Take 1946.

Mr. DODD. We have not received it for 1946 yet.

Senator THOMAS. What is that, 1945?

Mr. DODD. Yes, sir.

Senator THOMAS. The next one is 1946?

Mr. DODD. Yes. But there is no yellow on top of this. We have not received the Treasury Department appraisal report.

Senator THOMAS. Let us take 1945. You estimate a total loss for 1945.

Mr. DODD. This is cumulative up to date.

Senator THOMAS. All the time the Treasury shows that your loss is a little greater than your estimate. Is that correct?

Mr. FARRINGTON. The green figure is the actual cumulative loss on operations and takes into account any possible losses on the inventories on hand. The Treasury figure takes into account possible losses on inventory, which were valued in accordance—

Senator THOMAS. Take 1945. The Department admits you had a loss.

Mr. DODD. The cumulative loss up to here in 1945, the Treasury says that because of the way we priced our stocks we may have to take a loss on our inventory.

Senator THOMAS. A little larger than your estimate?

Mr. DODD. Yes, sir; a little larger than our estimate.

If we sell our inventory at our own figures or above, you would wipe this out. If we do not, the yellow would be correct.

Senator THOMAS. You might get two ideas from that chart: That the green is your loss, and that the yellow is your loss. In 1945 the total loss to date—the Treasury concurs that you had a loss to date of the amount shown in green and they put a little yellow on there stating that your loss is greater than you show.

Mr. DODD. We might suffer a loss on inventory. They accept our inventory, and accept our pricing, and say you may have it priced a little high, or prices may drop out, or you may get a fire.

So you take a loss on your inventory. If we do not take a loss on inventory, if we are able to turn the inventory at the prices we have listed, there will be no loss.

Senator AIKEN. I would not think this chart would have any value, Mr. Dodd, as long as you included the subsidy, and the Treasury is going on the profit and loss on your commodity.

Mr. DODD. They are both in there.

Senator ELLENDER. As I understand you are trying to show from that chart your entire losses, but you are going to have a separate chart to show the separate losses.

Mr. DODD. Yes, sir. This is the total cumulative capital impairment up to date.

Senator THYE. In other words, it will cost the United States Treasury over \$2,000,000,000, as indicated on the left?

Mr. DODD. Yes, sir.

The CHAIRMAN. That is what you have lost to the United States Treasury in the program?

Mr. DODD. That is right.

Senator THYE. During the life of the program since 1938?

Mr. DODD. That is right. Of course, your losses are practically all in the subsidy operations.

Senator ELLENDER. Mr. Dodd, can you not let us have at this time the chart showing your profits from your Commodity Credit Corporation operations in contrast to the entire losses?

Mr. DODD. I think this will do pretty well what you have in mind, Senator.

Senator ELLENDER. I do not know. There is more confusion than ever, now. You have too many colors on that.

Mr. DODD. This is your cotton program, for instance. This above the line, of course, is profit, and that below the line is loss.

You will notice the amount of the profit. This is from 1933 through December 31, 1946.

These columns are the programs by commodity. Here is the total of the operating loss or gain since the beginning of the operation, at the end of the chart.

Senator ELLENDER. That does not include subsidies?

Mr. DODD. This does not include subsidies. This is just the major commodity categories other than subsidy.

Senator ELLENDER. Have you got the figures for showing what the actual losses were on the cotton, grain, and so forth?

Mr. DODD. Yes, sir.

Senator ELLENDER. Will you give us that?

Mr. DODD. This does it right here.

Senator ELLENDER. But it is hard to determine it. I thought you had it in your hands.

Mr. DODD. I do. Cotton owned and pooled sales, this first column, had a gain of \$211,735,000. The cotton bartered for rubber resulted in a gain of \$11,055,500; the Commodity Credit Corporation as you know are the ones who before we got into the war, bartered some cotton for crude rubber.

Nobody else would do it, and we did. That is practically the only stock pile of rubber you had in this country when war was declared.

This is Egyptian cotton, and the next is all others, the total being \$230,258,600.

Senator ELLENDER. That was profit?

Mr. DODD. That was the total profit.

Against that we have an export differential that we paid here, a loss on American Egyptian, that we had to produce during the war and could not get it imported, we had to obtain burlap and jute for cotton bagging; and the total of these losses was \$39,889,000.

Senator AIKEN. That was the loss you took in 1942, for instance, to permit American cotton to go into the Canadian market in competition?

Mr. DODD. No. That is another program. It is in our section 32, the one that handled the export programs.

Senator AIKEN. This export differential, why was that?

Mr. DODD. We were buying some and selling some for different operations inside the United States, in which you take a loss.

It leaves a net gain on cotton, exclusive of the interest and the operating expenses, the administrative expenses and those of \$190,000,000, practically. I think it nets down to about \$135,000,000 after all costs are off.

Senator ELLENDER. You mean of net money that the Government made on this cotton program?

Mr. DODD. That is right.

Senator ELLENDER. \$130,000,000.

Mr. DODD. That is right. I will go into that in more detail later, Senator.

Senator ELLENDER. Of that \$190,000,000, as I understand, there was quite a large interest charge which was paid over to the Treasury.

Mr. DODD. That is right.

Senator ELLENDER. So that the Treasury loaned the money at the price probably equal to what that money cost it.

Mr. DODD. This might be a good time since you are talking about cotton, to get into that.

Senator ELLENDER. Not particularly that I am anxious to talk about cotton. I just wanted to take each program as we went along, then at the end to show exactly what your profits and losses were, exclusive of your subsidy program.

Mr. DODD. I have the thing here somewhere, on cotton figures.

Senator ELLENDER. I think you have given enough on that as far as I am concerned, unless somebody else wants it.

Senator HOEY. Those are the general figures.

Senator ELLENDER. Yes.

Mr. DODD. There are two or three things I would like to get into the record.

During the period from 1933 to December 31, 1946, the Commodity Credit Corporation made loans on 31,348,000 bales of cotton, having a loan value of over \$2,000,000,000. The number of bales of cotton pledged for loans amounted to 19 percent of the total cotton produced in the United States during this period. That is a substantial amount of cotton, 31,348,000 bales.

Of that amount, 21,694,000 bales, or 69 percent of our total loans, was redeemed for cash. In other words, they paid off their notes. 9,540,000 bales, or 31 percent, was acquired by the Corporation or pooled for the account of producers.

Senator ELLENDER. Mr. Dodd, on your interest charge, how much more did you have to pay the Treasury than the Treasury had to pay for its interest rates?

Mr. DODD. We cannot answer that.

Senator ELLENDER. The Treasury made a profit on you, did it?

Mr. DODD. We do not know. We just paid the 1 percent.

Senator ELLENDER. They get it for a little less than that.

Senator KEM. Not on the average.

Senator ELLENDER. On short loans.

Mr. DODD. I want to go to cotton because that same story applies to practically all the other basic commodities. It is a difference in the volume.

Senator ELLENDER. How about livestock, which is next?

Mr. DODD. This is practically all wool. Of course, at this time it is below the line.

Senator ELLENDER. You still have the wool on hand?

Mr. DODD. We do. Because of the law we have we cannot sell wool for less than parity so we continue to pile it up.

Senator YOUNG. We continue to import, do we not?

Mr. DODD. Yes, sir. The chart will show that.

Senator ELLENDER. What does the inventory loss show there? It is an inventory loss, is it not? That is, on the way you pay and what the current price is.

Mr. DODD. That is the loss on the sales. It is \$37,000,000.

Senator ELLENDER. I notice you have grain there.

Mr. DODD. Yes.

Senator ELLENDER. That shows a loss also, does it not?

Mr. DODD. All of your loaning operations show a profit, with exception of corn. Corn shows a little loss.

But your grain that was subsidized for feed takes off your loss. Also in this loss here is your loss on capitalizing grain bins.

Senator ELLENDER. Give us your total gains, if any.

Mr. DODD. Our total profits to date, that is column—

Senator ELLENDER. On all those commodities.

Mr. DODD. This is on everything, all of our operations.

Our total profit is \$228,345,800.

Our total losses, these across here, are \$95,568,700.

Our net, \$132,867,100.

Senator ELLENDER. Does that take into account the storage and the interest charges, and everything else, or must you deduct from that amount those charges?

Mr. DODD. You would have to deduct administrative and interest expenses, but many of your storage charges are in here because of the facts you pay the storage charges when you move the grain or cotton.

Senator ELLENDER. What is included in your administrative expenses? What does that consist of?

Mr. DODD. That would be personnel and storage that you pay on stocks for storage before you move the commodity.

Senator ELLENDER. Have you any idea what that would amount to?

Mr. DODD. I believe I have that.

Senator KEM. Does this include the interest charges that you pay? Is this deducted?

Mr. DODD. Yes. That includes it.

Senator ELLENDER. What would be the approximate amount of net profit that you could show in your operations from creation of the Commodity Credit Corporation until up to now, exclusive of the subsidy losses?

Mr. DODD. We do not have each operation of Commodity Credit Corporation separate.

Senator ELLENDER. I am not asking for each. I am asking for the total.

Mr. DODD. Your subsidy programs are in there, handled by the same personnel, your foreign procurement is in there, handled by the same personnel. It is very hard to say that this program costs "X" cents and this one costs "Y."

Senator ELLENDER. But you have no doubt though, that there is a net profit if you exclude your subsidy program?

Mr. DODD. There is no question about that. We also have at the present time—we have recommended that we turn into our profit account—an amount that we set up as a reserve on these farm-procurement programs in excess of \$100,000,000. It is Commodity Credit Corporation money. We set it up on each one of these operations and we charged for the operation 1 or 2 percent to cover contingencies and to guarantee that we don't incur a loss.

Now that these are all liquidated, we would like to turn it into our profit-and-loss account and get rid of it.

Senator ELLENDER. To what extent has the Commodity Credit Corporation capital been impaired?

Mr. DODD. It is now impaired by the amount of this \$830,000,000 that is still due on the subsidy bill.

Senator ELLENDER. Your capital was what?

Mr. DODD. \$100,000,000.

But we have borrowing authorization for \$4,750,000,000.

Senator AIKEN. You have there, Mr. Dodd, the contribution of \$25,000,000 to the war effort in the hemp and milkweed program.

Mr. DODD. That is right.

Senator AIKEN. That was purely on account of the war effort?

Mr. DODD. I think you will recall, Senator Aiken, that we asked a year ago for about a billion dollars of war funds to be transferred to the Commodity Credit Corporation because we thought these operations in hemp and other commodities and other programs were actually a war program that should be paid for out of your war appropriations and not because of Commodity Credit Corporation operations.

Senator AIKEN. I do not think Congress places any prices on milkweed floss.

Mr. DODD. No, but we had to have milkweed floss or you would not have any life preservers.

Senator ELLENDER. I wish you would clarify something for me.

Previous charts showed a loss in your subsidy program of about \$2,000,000,000.

Mr. DODD. It is a little more than that.

Our total loss on subsidy operations to date, to December 31, is \$2,136,414,000.

Senator ELLENDER. If your losses had been that great, and your capital was \$100,000,000 from the beginning, why is it that the impairment is only \$800,000,000?

Mr. DODD. There has been appropriated, or notes canceled, to the amount of \$1,322,171,965.

Senator ELLENDER. How was that accomplished?

Mr. DODD. By direct appropriation or by cancellation of notes.

Senator ELLENDER. In other words, the Congress has already taken care of that amount?

Mr. DODD. That is correct. You recall those figures I read a while ago?

Senator ELLENDER. Yes.

Mr. DODD. Two of the years in which the Commodity Credit Corporation under the old law was required on March 31 to turn over to the Treasury any profit we had. We did in two different years turn over a substantial profit, one of \$27,000,000 and one of \$43,000,000.

Senator ELLENDER. So that in order to wipe out your entire indebtedness, let us put it that way, it would require \$800,000,000?

Mr. DODD. That is right.

Senator ELLENDER. Your original capital stock of \$100,000,000 would still remain as is?

Mr. DODD. That is right. And your borrowing power would be \$4,750,000,000.

Senator ELLENDER. Is that sufficient, or are you asking for more, or less?

Mr. DODD. If you can tell me what market prices will do when you get into this postwar period of buying crops then I can answer that better.

Senator ELLENDER. You are not asking for any change at this moment?

Mr. DODD. No, sir. I think we can handle it.

Senator KEM. Do you have in mind, Mr. Dodd, whether that item is in the President's budget?

Mr. DODD. Yes.

Senator KEM. At what amount?

Mr. DODD. \$830,000,000.

That is just to restore the capital.

Senator AIKEN. That is not new.

Mr. DODD. That is not a new appropriation.

Senator KEM. It has to be dug up by the taxpayers, though.

Mr. DODD. No, I think it is already on the debt side of the book. It is already taken into account as an expenditure before. This is only a cancellation of the notes.

Senator YOUNG. Before you go back to that chart, Mr. Dodd, you figured that there was a net loss on consumer subsidies of \$2,136,000,000. Is that aside from RFC?

Mr. DODD. That is right. These are the losses by Commodity Credit Corporation.

Senator YOUNG. I imagine then, the total subsidy to the consumers would amount to \$5,000,000,000 or more.

Mr. DODD. I would not know that.

Senator YOUNG. A part of the loss of \$7,800,000,000 as of July 1, next, is part of that consumer subsidy?

Mr. DODD. That is right.

This is the subsidy cost, Senator Young, which shows you the total Commodity Credit Corporation subsidy cost. These are the fluid milk, cheddar cheese, dairy production. You can see the dairy production itself is well over \$1,000,000,000.

Senator KEM. You have not taken your loss on the wool yet?

Mr. DODD. Net yet.

Senator KEM. That is the reason that does not appear there in larger amount?

Mr. DODD. That is on the other chart. The wool showed on the other chart. It is not a subsidy program on wool. We do not put it in the subsidy class because you do not set up subsidies for that.

You can see what the dairy was, Senator Aiken. Your total dairy subsidy was \$1,322,000,000.

Senator AIKEN. I realize the dairy price is not protected by the Steagall amendment.

Senator KEM. Mr. Chairman, this is very important and very interesting to us all. It does not seem to me that we ought to ask Mr. Dodd to hurry through it, and we had better take an adjournment due to the fact that the Senate is convening now, and come back some other time.

The CHAIRMAN. Some of the Senators cannot be here tomorrow. We thought maybe we would have the next session on Wednesday. How is that?

Senator KEM. Fine.

The CHAIRMAN. We will adjourn then until Wednesday at 10 o'clock.

Senator ELLENDER. I do not want to object, Mr. Chairman, but I have a committee meeting at that time. I am sorry I will not be able to be here.

The CHAIRMAN. We will adjourn until Wednesday at 10 o'clock.

(Thereupon, at 11:55 a. m., an adjournment was taken, to reconvene Wednesday, February 26, 1947, at 10 a. m.)

TO CONTINUE THE COMMODITY CREDIT CORPORATION

WEDNESDAY, FEBRUARY 26, 1947

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment, in room 324, Senate Office Building, Senator Arthur Capper (chairman) presiding.

Present: Senators Capper (chairman), Aiken, Kcm, Thye, Thomas, Lucas, and Hoey.

The CHAIRMAN. The committee will be in order.

Before we start off I would like to insert the report on Senate bill 350, which is the measure before the committee this morning. This comes from the Department of Agriculture and is signed by Mr. Dodd, Acting Secretary. I would like to make it part of the official record at this time, and I believe the members of the committee would be interested. It says:

FEBRUARY 24, 1947.

HON. ARTHUR CAPPER,
*Chairman, Committee on Agriculture and Forestry,
United States Senate*

DEAR SENATOR: Your letter of January 25 requesting a report on S. 350, which provides for the continuation of Commodity Credit Corporation as an agency of the United States until June 30, 1949, has been received.

The life of the Corporation as an agency of the Government expires under present legislation on June 30, 1947. This Department is strongly in favor of continuation of the Corporation as an agency of the Government.

In this connection it should be noted that the Government Corporation Control Act provides that all wholly owned Government corporations operating under State charters shall obtain Federal charters by not later than June 30, 1948. In accordance with the request of both the Senate and House Appropriations Committees it is planned to submit shortly a proposed Federal charter for Commodity Credit Corporation to the Congress for consideration.

Although the passage of the above bill would provide the desired continued authority for Commodity Credit Corporation, it would be our preference that consideration first be given to a Federal charter for the Corporation to enable long-range planning as to methods for carrying out some of the agricultural programs now conducted through the Corporation.

The Bureau of the Budget has informally advised us that it has no objection to the submission of this report.

Sincerely,

N. E. DODD, *Acting Secretary.*

Senator THOMAS. Mr. Chairman, does that report recommend that we consider the charter first and approve the charter, if possible, then, after the charter is approved enact legislation to continue the life of the Commodity Credit Corporation?

I would like to ask that question of Mr. Dodd, if he would care to answer it.

STATEMENT OF NORRIS E. DODD, UNDER SECRETARY OF AGRICULTURE AND VICE CHAIRMAN OF THE BOARD OF DIRECTORS, COMMODITY CREDIT CORPORATION

Mr. DODD. No, we did not recommend either way. It is up to you, we think, because of the Corporation Control Act that was passed in 1945; it requires all Government corporations to have a Federal charter before June 30, 1948.

We think it might be desirable to consider a Federal charter rather than a simple extension. It is up to you people, whatever you prefer to do.

Senator THOMAS. What is wrong with passing this bill if the Congress thinks it is wise, and then having a longer life, prepare your application to Federal charter, try to get it, and organize then under the law as extended?

Mr. DODD. That would give you more time, Senator, to consider the Federal charter. A simple extension would then enable you to continue while you are considering the Federal charter, which might be somewhat of an advantage.

Senator THOMAS. I think the Congress can consider a bill of only four or five lines and get it passed much more quickly than it could by considering maybe the text of a Federal charter, which might be somewhat complicated.

If we can get this bill through, then the Congress and the Department can work out the Federal charter with more time.

The CHAIRMAN. There will not be much trouble about getting this through.

Senator THOMAS. I would not think so.

The CHAIRMAN. Mr. Dodd has a further statement to say, I believe.

Mr. DODD. If you want me to proceed further I would be glad to do it. That is up to you, Mr. Chairman.

The CHAIRMAN. If you have something further to state, we would be glad to have it. You made a part of your statement the other day.

Mr. DODD. I still have some charts I have not explained.

The CHAIRMAN. Will it take up much time?

Mr. DODD. About as much time as it took the other day, sir.

Senator AIKEN. We would like to know all there is to know, if that is possible. We have representatives of the Grange and Farm Bureau here, who want 15 minutes apiece.

Mr. DODD. I have a short statement, Mr. Chairman, that I would like to submit for the record.

Senator KEM. Mr. Chairman, before you take up Mr. Dodd's testimony further I have a telegram here I would like to bring to the attention of the committee. It is from Mr. Frank Theis, of Kansas City, a prominent grain man in Kansas City. He says:

Would greatly appreciate your assistance urging Senate Agricultural Committee postponing hearings Commodity extension legislation from this week until week of March 10 as requested Chairman Woodworth, of our National Grange Trade Council, which will give us reasonable time to secure witnesses and prepare statements of our position on this important legislation.

He says, "postpone the hearings." I take it he means that the hearings be continued until he has an opportunity to appear on the week of March 10. Would there be any objection to that being done?

The CHAIRMAN. I do not think there would be any objection.

Senator AIKEN. You have the planting season coming on. The farmers want to know where they are going to stand.

Senator THYE. Mr. Chairman, I am in receipt of a telegram very much similar to that which Senator Kem just read to you and it is signed by F. Peavey Heffelfinger, president of the Grain and Feed Dealers National Association and they ask if we might continue this hearing until at least the week of March 10, in order that they could prepare themselves to appear before the committee.

The CHAIRMAN. How does that appeal to the committee? What do you think about it, Senator Thomas?

Senator THOMAS. It is all right if they have any reason for asking for the continuation. I do not know if they are opposed to the bill or for the bill, or whether they want amendments. I would like to know what the point is that they have in mind.

Senator KEM. I cannot advise the Senator from Oklahoma on that. I think, however, that what they mean to do is to propose some amendments.

The CHAIRMAN. They are not fighting the bill?

Senator KEM. I do not think so. I have not any information that they are.

The CHAIRMAN. As near as I can learn, most everybody is for this program.

Senator THOMAS. There is one point that they are in opposition to, and that is to the continued policy of the Commodity Credit Corporation going out into the market and buying commodities and reselling them. They have no objection as far as I know to buying commodities and turning those over to Federal agencies to be sent abroad, but they do object to this organization being in competition with them in handling and trading in our own domestic commodities.

That is my understanding. I may be in error.

Senator THYE. You are correct on that, Senator, so far as those who have contacted and discussed this question with me.

Senator AIKEN. I would like to ask Mr. Dodd what the effect of delay would be on the Commodity Credit Corporation program. I think that is important.

Mr. DODD. I think you could answer that about as well as I, Mr. Senator. The planting season is pretty close at hand. We have to get out an announcement of support programs. As long as legislation is not completed that extends the life of Commodity Credit Corporation, we have to put a note on it and say these programs are dependent upon the continuance of the Commodity Credit Corporation. We can do that all right.

Senator AIKEN. I would like to hear from the representatives of the farm organizations here, what they think about it. They represent a lot of people.

STATEMENT OF EDWARD A. O'NEAL, PRESIDENT, AMERICAN FARM BUREAU FEDERATION, MUNSEY BUILDING, WASHINGTON, D. C.

Mr. O'NEAL. I would say it would be a very serious mistake to do it. I can see the point Senator Thomas is bringing out here, when it ought to take them that long. They have been complaining about that for a long time, as you know. They complained to you.

I think the whole basic foundation of the agriculture program is so important I certainly would not delay it that long. I think it is vital to us all to know just what you are going to do, as Mr. Dodd says. You have to make the announcement, and the sun will not wait, and the ground will not wait, and the farmers have to go to work.

Senator AIKEN. I think you are right, Mr. O'Neal. We heard the same complaints over a year ago.

Senator THOMAS. Is the Grange represented here?

(No response.)

Senator THOMAS. Is the Farmers Union represented here?

(No response.)

Senator AIKEN. I understand Mr. Woodworth is in town today and might appear before the committee.

The CHAIRMAN. Do you think he might get here today?

Mr. DODD. He probably could not get here today. But probably by tomorrow afternoon he might be able to.

Senator THOMAS. I think every citizen and every company has a right to be heard before congressional committees upon pending legislation. At the same time I think they should be reasonable in appearing with the evidence they desire to present.

I suggest we ascertain the nature of the evidence they desire to put on, and then let the chairman decide the matter. It is always up to the chairman to call the committee when he sees fit. We can go ahead today and hold a hearing and accomplish as much as we can, and let the chairman call another meeting when the witnesses are ready to appear. But I think they should be here as soon as possible.

Senator AIKEN. They have the amendments to propose and do not have the amendments in shape. They might at least appear before the committee and give the substance of what they intend to propose. It is possible that the committee will say we are not going to entertain that now. We are working against time.

Or it is possible that we would say go ahead and in the next 2 or 3 days have them prepare the amendments.

The CHAIRMAN. How about calling a committee together just as soon as we can get their statements? If they come tomorrow we can call the committee again, otherwise wait a day or two.

Senator AIKEN. I would say we might get them before us to tell us the substance of their testimony, and if they have objections to the bill as written, to tell us what their objections are, even though they do not have any proposed amendments written out in detail.

The CHAIRMAN. Suppose we leave it that way.

Senator THOMAS. I suggest we go ahead this morning and make all the progress we can, and then you handle the matter as you see proper.

The CHAIRMAN. Mr. Dodd?

Mr. DODD. I have a statement which reviews the creation, purpose, financial structure, management and operation of the Commodity Credit Corporation and the laws that direct and limit its operations. I would like to submit that for the record, Mr. Chairman. I believe it will be helpful to all the members of the committee if they have access to this information.

The CHAIRMAN. It will go in the record.

(The matter referred to is as follows:)

COMMODITY CREDIT CORPORATION

CREATION AND PURPOSES

Commodity Credit Corporation was created under the laws of the State of Delaware pursuant to Executive Order No. 6340, dated October 16, 1933, issued by virtue of the authority vested in the President by section 2 (a) of the National Industrial Recovery Act of June 16, 1933 (48 Stat. 195). The act of January 31, 1935 (49 Stat. 1), directed that the Corporation should "continue until April 1, 1937 or such earlier date as may be fixed by the President by Executive order, to be an agency of the United States." The Corporation has been continued as an agency of the United States until June 30, 1947, by successive amendments to the act of January 31, 1935 (50 Stat. 5, 53 Stat. 510, 55 Stat. 498, 57 Stat. 566, 57 Stat. 643, 58 Stat. 105, 59 Stat. 50; 15 U. S. C. 1940 ed. Sup. V, 713). By section 401 of the President's Reorganization Plan No. 1 (5 U. S. C., 1940 ed., 133t, note) and section 501 of the President's Reorganization Plan No. 3 of 1946, the Corporation was made a part of the United States Department of Agriculture, and the Secretary of Agriculture was given the responsibility of general direction, supervision, and administration of its operations.

The charter of the Commodity Credit Corporation authorizes the Corporation, among other things, to engage in buying, selling, lending, and other activities with respect to agricultural commodities, products thereof, and related facilities. These charter powers have enabled the Corporation to engage in extensive operations for the purpose of stabilizing, supporting, and protecting farm income and prices, and assisting in the maintenance of balanced and adequate supplies, and facilitating the orderly distribution, of agricultural commodities, products thereof, foods, feeds, and fibers. During the war emergency the operations of the Commodity Credit Corporation have played a vital role in increasing production, stabilizing prices, assuring adequate supplies, and facilitating the efficient distribution of agricultural commodities, products thereof, foods, feeds, and fibers.

• CONGRESSIONAL MANDATES AND LIMITATIONS

Many of the Corporation's operations have been carried out in response to specific congressional mandates. The Congress has also placed certain specific limitations upon the operations of the Corporation.

Although prior to 1938 the Congress did not, by legislation, deal with the scope and character of the Corporation's price support operations, Congress has since enacted legislation which has largely shaped such operations. The Agricultural Adjustment Act of 1938, as amended (7 U. S. C., 1940 ed., 1302; 7 U. S. C., 1940 ed., Sup. V, 1359), directed the Corporation to make nonrecourse loans to producers on wheat, cotton, corn, and peanuts in the absence of producer disapproval of marketing quotas, at rates varying from 50 percent to 75 percent of the parity price of the commodity, and authorized the Corporation to make nonrecourse loans available to producers on other agricultural commodities, including dairy products, at rates recommended by the Secretary of Agriculture and approved by the President. The act of May 26, 1941, as amended (7 U. S. C., 1940 ed., Sup. V, 1330, 1340), directed the Corporation, in the absence of producer disapproval of marketing quotas, to make loans, with certain exceptions, upon the 1941 through 1946 crops of wheat, cotton, corn, rice, tobacco, and peanuts at the rate of 85 percent of parity. This act, however, was superseded by section 8 of the Stabilization Act of 1942, as amended (50 U. S. C. App., 1940 ed., Sup. V, 968), which requires, with certain exceptions, that loans be made to producers upon any crop (unless a marketing quota for the crop has been disapproved by producers) of the basic commodities—cotton, corn, wheat, rice, tobacco, and peanuts—harvested after December 31, 1941, and before the expiration of the 2-year period beginning with the 1st day of January immediately following the date upon which the President, by proclamation, or the Congress, by concurrent resolution, declares that hostilities in the present war have terminated. The rate of the loan is required to be 90 percent of parity in the case of all the basic commodities other than cotton and 92½ percent of parity in the case of cotton. As a result of the President's proclamation of the cessation of hostilities in World War II (December 31, 1946; 12 F. R. 1), the Corporation's obligation to make the loans directed by section 8 of the Stabilization Act of 1942, as amended, will end with the 1948 crops, and loans on the commodities involved would thereafter be governed by the Agricultural Adjustment Act of 1938, as amended. The act of July 28, 1945 (7 U. S. C., 1940 ed., Sup. V, 1312, note) directs the Commodity Credit Corporation, beginning with the 1945 crop, to make loans available upon

fire-cured, dark air-cured, and Virginia sun-cured tobacco, if producers have not disapproved marketing quotas, at a loan rate equal to 75 percent of the loan rate for burley tobacco in the case of fire-cured tobacco, and at a loan rate equal to 66 $\frac{2}{3}$ percent of the loan rate for burley tobacco in the case of dark air-cured and Virginia sun-cured tobacco.

Section 4 (a) of the act of July 1, 1941, as amended, the so-called Steagall amendment (15 U. S. C., 1940 ed., Sup. V, 713a-8 (a)), requires the Corporation during the period ending December 31, 1948, to provide, through loans, purchases, or other operations, price support at not less than 90 percent of the parity or comparable price for producers of the nonbasic agricultural commodities for which the Secretary of Agriculture, by formal public announcement, has requested an expanded production to meet the needs of the war emergency. The "Steagall commodities" are hogs, eggs, chickens, and turkeys, milk and butterfat, dry peas of certain varieties, dry edible beans of certain varieties, soybeans for oil, peanuts for oil, flaxseed for oil, American Egyptian cotton, potatoes, and sweetpotatoes.

Section 4 (b) of the act of July 1, 1941 (15 U. S. C., 1940 ed., Sup. V, 713a-8 (b)), declares it to be the policy of Congress that the lending and purchase operations of the Department shall be carried out so as to bring the price and income of the producers of commodities other than the basic and Steagall commodities to a fair parity relationship with the basic commodities and the "Steagall commodities" to the extent that funds for such operations are available, after taking into account the operations with respect to basic commodities and "Steagall commodities" and the ability of producers to bring supplies into line with demand.

The limitations placed upon the operations of the Corporation by the Congress consist principally of a limitation of the period during which it is authorized to function as an agency of the United States, and of limitations upon the disposition of agricultural commodities and upon the payment of subsidies for the purpose of maintaining price ceilings. By limiting the period during which the Corporation has been authorized to function as an agency of the United States, Congress has made it necessary for the Corporation to obtain congressional action at least every 2 years, authorizing the Corporation to continue as such agency. The act of July 12, 1945 (15 U. S. C., 1940 ed., Sup. V, 713), continued the Corporation as an agency of the United States until June 30, 1947.

The act of April 12, 1945, also prohibits, with certain exceptions, the disposition by the Commodity Credit Corporation of farm commodities at less than the parity or comparable price for a period of 2 years after the war (7 U. S. C., 1940 ed., Sup. V, 1381, note). However, it permits the disposal of farm commodities below the parity or comparable price if they have substantially deteriorated in quality or if there is danger of loss or waste through spoilage; permits the sale of farm commodities for feed at less than parity, except that wheat cannot be sold for feed at less than the parity price for corn; permits the sale of farm commodities below parity or the comparable price if they are sold for seed or are sold for new or byproduct uses or, in the case of peanuts, for the extraction of oil; and permits sales of farm commodities for export at less than parity.

The Surplus Property Act of 1944 (50 U. S. C. App., 1940 ed., Sup. V, 1630), also contains a significant exception to the restriction applicable to the disposition of farm commodities. That act authorizes the Corporation to dispose of or cause to be disposed of for cash or its equivalent in goods or for adequately secured credit, for export only, and at competitive world prices, any farm commodity or product thereof without regard to restrictions with respect to the disposal of commodities imposed upon it by any other law. No food or food product may, under the act, be exported if there is a domestic shortage or need of any such food or food product.

Section 2 (e) of the Emergency Price Control Act of 1942, as amended (50 U. S. C. App., 1940 ed., Sup. V, 902 (e)), prohibited the Corporation on and after June 30, 1945, from engaging in subsidy operations for the purpose of maintaining price ceilings. This prohibition, however, was relaxed by section 3 of the act of April 12, 1945, as amended (15 U. S. C., 1940 ed., Sup. V, 713, note; 60 Stat. 57), and by section 6 of the act of July 25, 1946 (60 Stat. 664), which authorized the Corporation to engage in subsidy operations within specified limitations.

The Congress has also taken action to make certain that Commodity Credit Corporation would not suffer losses in connection with its operations undertaken to supply other Government agencies with their food requirements. Thus section 4 of the act of July 16, 1943 (15 U. S. C., 1940 ed., Sup. V, 713a-9), requires that the Corporation be fully reimbursed for services performed, losses sustained, operating costs incurred, or commodities purchased or delivered to

or on behalf of any Government agency, from the appropriate funds of such agency.

The Corporation is, of course, subject to the Government Corporation Control Act (31 U. S. C., 1940 ed., Supp. V, 841), which requires submission by the Corporation to the Congress, for its approval, of an annual budget program, and provides for a commercial type audit of the Corporation's financial transactions by the General Accounting Office. It may be noted that the audit provisions of the Government Corporation Control Act were adopted by the Congress from a prior act which provided for a commercial type audit of the Commodity Credit Corporation (15 U. S. C., 1940 ed., Supp. V, 713). This latter act had been developed jointly by the Commodity Credit Corporation and the Comptroller General and recommended to the Congress.

FINANCIAL STRUCTURE

The Commodity Credit Corporation was originally capitalized for \$3,000,000, subscribed by the Secretary of Agriculture and the Governor of the Farm Credit Administration. The funds for such subscription were derived from the appropriation authorized by section 220 of the National Industrial Recovery Act (48 Stat. 210) and made by the Fourth Deficiency Act, fiscal year 1933 (48 Stat. 274). In accordance with the act of April 10, 1936 (15 U. S. C., 1940 ed., Supp. V, 713a), the Corporation's capitalization was increased to \$100,000,000, the additional \$97,000,000 of the Corporation's stock being acquired by the Reconstruction Finance Corporation. By section 3 of the act of March 8, 1938 (15 U. S. C., 1940 ed., 713a-3), the Secretary of Agriculture, the Governor of the Farm Credit Administration, and the Reconstruction Finance Corporation were directed to transfer the ownership of the stock of the Corporation to the United States. That section also provided that all rights of the United States arising out of the ownership of such stock should be exercised by the President of the United States or by such officers or agencies as he might designate. Executive Order 8219, issued August 7, 1939 (4 F. R. 3565), transferred to the Secretary of Agriculture the authority to exercise on behalf of the United States all rights arising out of the ownership of the stock of the Commodity Credit Corporation. The act of March 8, 1938, as amended (15 U. S. C., 1940 ed., Supp. V, 713a-1), provides for an annual appraisal of the Corporation's assets by the Secretary of the Treasury. The Secretary of the Treasury is directed to restore the amount of any capital impairment disclosed by the appraisal from appropriations made for that purpose (15 U. S. C., 1940 ed., Supp. V, 713a-1), and the Corporation is directed to pay into the Treasury the amount of any net worth in excess of \$100,000,000 (15 U. S. C., 1940 ed., Supp. V, 713a-2).

The act of February 18, 1946 (60 Stat. 6), provided that the \$500,000,000 made available by the Defense Aid Appropriation Act, 1946 (59 Stat. 429), as a reserve for expenditure for postwar price support of Agriculture should be paid to the Commodity Credit Corporation. Payment has been made by the Treasury and the \$500,000,000 is now carried by the Corporation as a reserve for expenditure by the Corporation, as and when necessary, for the postwar price support of Agriculture.

The act of March 8, 1938 (52 Stat. 108), authorized the Corporation, with the approval of the Secretary of the Treasury, to issue and have outstanding bonds, notes, debentures, and similar obligations in an aggregate amount not to exceed \$500,000,000, fully guaranteed as to principal and interest by the United States Government. The borrowing power of the Corporation was increased by successive amendments to the act of March 8, 1938 (53 Stat. 510, 54 Stat. 782, 55 Stat. 498, 57 Stat. 566, 59 Stat. 50; 15 U. S. C., 1940 ed., Sup. V, 713a-4), and now, by virtue of the act of April 12, 1945 (59 Stat. 50), the Corporation is authorized to borrow \$4,750,000,000 on the credit of the United States.

MANAGEMENT

The Secretary of Agriculture, who, pursuant to Executive Order No. 8219, issued August 7, 1939 (4 F. R. 3565), represents the United States as the sole owner of the capital stock of the Commodity Credit Corporation, prescribes the bylaws of the Corporation, and elects the members of the Board of Directors and other officials of the Corporation. The Corporation is managed by an active Board of Directors, of which the Secretary of Agriculture is Chairman. The operations of the Corporation are carried out through the facilities and personnel of the Production and Marketing Administration of the Department of Agriculture. The members of the Board of Directors, other than the Secretary of

Agriculture, are the Under Secretary of Agriculture and the Assistant Secretary of Agriculture and seven policy-making officials of the Production and Marketing Administration. The officers of the Corporation are also officials occupying responsible positions in that Administration.

OPERATIONS

The current operations of the Corporation group themselves into the following major types of programs: (a) A price-support program; (b) a supply program; (c) a foreign purchase program; (d) a commodity export program; (e) a subsidy program and (f) a loan program for agricultural conservation purposes.

(a) *Price-support program.*—Under its price-support program the Commodity Credit Corporation, through loans, purchases, and other operations, supports the prices of various agricultural commodities. The purpose of the program is to place a floor under the price of agricultural commodities by assuring farmers a minimum price. This program has been a vital factor in obtaining the expanded production of agricultural commodities needed to meet the requirements of the war emergency. By stabilizing prices during the postwar period the program will aid farmers in reconverting from a war to a peacetime production. The Corporation carries out its price support program by authority of its charter powers to buy, sell, lend, and engage in other activities with respect to agricultural commodities and their products. To a large extent the Congress has by specific legislation directed that these charter powers be used to support the price of certain agricultural commodities. This legislation has been discussed in some detail in that part of this statement entitled "Congressional Mandates and Limitations."

The price-support program may be generally divided into three categories:

(1) Mandatory loans made available upon the basic commodities—corn, cotton, peanuts, rice, tobacco, and wheat—in accordance with section 8 of the Stabilization Act of 1942, as amended (50 U. S. C. App., 1940 ed., Sup. V, 968), and the act of July 28, 1945 (7 U. S. C., 1940 ed., Sup. V, 1312, note).

(2) Mandatory price support through loans, purchases, or other operations pursuant to section 4 (a) of the act of July 1, 1941, as amended, the so-called Steagall amendment (15 U. S. C., 1940 ed., Sup. V, 713a-8 (a)), with respect to the following "Steagall commodities": Hogs, eggs, chickens, and turkeys, milk and butterfat, dry peas of certain varieties, dry edible beans of certain varieties, soybeans for oil, peanuts for oil, flaxseed for oil, American-Egyptian cotton, potatoes, and sweetpotatoes.

(3) Price-support operations with respect to agricultural commodities other than those required to be carried out by section 8 of the Stabilization Act of 1942, as amended, the act of July 28, 1945, and section 4 (a) of the act of July 1, 1941, as amended, such as operations with respect to wool, naval stores, sugar beets, sugarcane, fruits, and vegetables for processing, and many other agricultural commodities (15 U. S. C., 1940 ed., Sup. V, 713a-8 (b)).

In carrying out its price-support program the Corporation utilizes normal trade facilities to the fullest practicable extent. Thus, where loans are made to farmers the Corporation makes use of local banks, cooperatives, and other private lending agencies by entering into contracts with such lending agencies under which the Corporation agrees to take over loans made in accordance with the Corporation's program. In addition, the Corporation enters into contracts with processors and dealers under which they buy through normal trade channels agricultural commodities at support prices for the account of the Corporation or for their own account. In the latter event the Corporation generally agrees with the processors and dealers, upon specified terms and conditions, to take over their inventories of such agricultural commodities or products processed therefrom, or otherwise gives them protection against loss arising out of the purchase of commodities at the support prices.

(b) *Supply program.*—Under its supply program the Corporation procures foods, agricultural commodities and products thereof, and related materials for the purpose of supplying the requirements of United States Government agencies, foreign governments, American Red Cross, UNRRA, and other similar organizations. The centralization of such procurement operations in the Corporation not only has made possible increased efficiency through pooled operations but also has enabled such operations to be conducted in a manner that provides maximum benefit to American agriculture by coordinating procurement operations with the price-support program. The Corporation's procurement operations are conducted in accordance with procedures and policies calculated to protect the Corporation from loss. In this connection, the Congress, by section 4 of the

act of July 16, 1943 (15 U. S. C., 1940 ed., Supp. V, 713a-9), specifically required that the Corporation be fully reimbursed for services performed, losses sustained, and operating costs incurred on commodities purchased or delivered to or on behalf of any other Government agency. The Corporation also procures or aids in the procurement of supplies and facilities needed by farmers in connection with the production, handling, and marketing of agricultural commodities and their products, such as feed, seeds, grain bins, cotton bagging, fertilizers, and insecticides. It also procures or aids in the procurement of foods and agricultural commodities and products thereof in order to facilitate distribution or to meet anticipated requirements during periods of short supply.

(c) *Foreign purchase program.*—Under its foreign purchase program the Corporation purchases abroad such foods, agricultural commodities and products thereof, and related facilities as are needed to meet emergent requirements. These purchases have consisted largely of commodities in short supply, notably fats and oils, sugar, cocoa beans, pepper, protein meals, tea, and rice. Most of the purchases implement the allocation of agricultural commodities in short world supply made by the International Emergency Food Council. The President of the United States, on April 28, 1942, approved "the use by the Commodity Credit Corporation of any of its funds for the purpose of carrying out projects involving the acquisition, handling, and disposition of agricultural commodities produced in foreign countries friendly to the United States." On May 16, 1942, the Board of Economic Warfare, which had general jurisdiction over foreign economic matters, designated the Corporation, with certain exceptions, as the sole and exclusive agency for the purchase of agricultural commodities in foreign countries. The foreign purchase program of the Corporation, with the exception of purchases of sugar in Cuba and purchases of commodities in Canada, was transferred to the Foreign Economic Administration by Executive Order No. 9385 (8 F. R. 13783), dated October 6, 1943. The program was ordered returned to the Department of Agriculture by Executive Order No. 9630 (10 F. R. 12245), dated September 27, 1945.

(d) *Commodity export program.*—Under its commodity export program the Corporation exports or causes to be exported agricultural commodities and products. The purpose of the program is to obtain foreign markets for agricultural commodities and products thereof produced in the United States and to aid in the disposal of surplus agricultural commodities.

Disposals of agricultural commodities and products thereof for export are made at competitive world prices, which are below domestic market prices, pursuant to section 21 (c) of the Surplus Property Act of 1944 (50 U. S. C. App., 1940 ed., Sup. V, 1630 (c)). That section authorizes the Corporation to dispose or cause to be disposed of for cash or its equivalent in goods or for adequately secured credit, for export only, and at competitive world prices any farm commodity or product thereof without regard to restrictions with respect to the disposal of commodities imposed upon the Corporation by any law. No food or food product, however, may be disposed of, if such food or food product is in short supply or its disposition would create a short supply. Disposals under this authority result in a loss to the Corporation. Prior to the enactment of section 21 (c) the Corporation's ability to engage in export operations was substantially limited by the statutory prohibition against sales of farm commodities below the parity of comparable price.

(e) *Subsidy program.*—Under its subsidy program the Corporation makes payments or purchases for resale at a loss for the purpose of maintaining price ceilings established by the Office of Price Administration. Currently the Commodity Credit Corporation is carrying out subsidy operations only with respect to sugar. These operations are being carried out within the limitations prescribed by Congress in section 3 of the act of April 12, 1945, as amended (15 U. S. C., 1940 ed., Sup. V, 713, note; 60 Stat. 57), and in section 6 of the act of July 25, 1946 (60 Stat. 664).

(f) *Loan program for agricultural conservation purposes.*—Section 391 (c) of the Agricultural Adjustment Act of 1938, as amended (7 U. S. C., 1940 ed., 1391), requires the Corporation to loan to the Secretary of Agriculture during each fiscal year such sums, not to exceed \$50,000,000, as the Secretary estimates will be required during such fiscal year to make Federal crop insurance premium advances, to make advances pursuant to the applicable provisions of sections 8 and 12 of the Soil Conservation and Domestic Allotment Act, as amended, in connection with programs applicable to the crops harvested in the calendar year in which such fiscal year ends, and to pay the administrative expenses of county agricultural conservation associations for the calendar year in which such fiscal year ends. The

sum so loaned during any fiscal year is required to be transferred to the annual appropriation available for carrying out sections 7 to 17 of such act. Repayment of any such loan is directed to be made during the succeeding fiscal year from funds appropriated to carry out sections 7 to 17 of such act, with interest at a rate determined by the Secretary, but not less than the cost of money to the Corporation.

Mr. DODD. The other day I still had several charts that give a picture of the operation. Would you like to have me continued with those?

The CHAIRMAN. Do you think that would be information that would be helpful to the committee?

Mr. DODD. I think so. The committee would have to be the judge after they see one or two more charts.

The CHAIRMAN. You did pretty well the other day. You made a good statement.

Mr. DODD. Then I will continue with one or two charts, and whenever you have enough, I will stop.

At the close of the hearing the other day there were some statements that had to do with the total amount of loss or gain of Commodity Credit Corporation during its existence.

From 1933 through December 31, 1946, our total losses, excluding the provision for anticipated losses—we carry a small anticipated loss reserve—was \$2,081,000,000. Our total subsidy payments that more made during wartime were \$2,136,000,000. That leaves a profit from operations, other than subsidy programs, excluding provisions for the anticipated losses—the anticipated reserve loss I mentioned—of \$55,000,000.

This profit reflects the following: Profit on all programs other than subsidy programs, \$133,000,000; less excess overhead expenses over income, \$78,000,000; which still leaves a net of \$55,000,000.

I would like to explain this \$78,000,000. I told you the other day we had spent \$22,000,000 for interest in the last 3 years. We have carried on Commodity Credit Corporation charts and rolls all of the administrative expenses for these subsidy payments. You can see that that is a sizable amount. So that, if we had been reimbursed for our administrative expenses and interest on the subsidy programs, this figure of \$55,000,000 would have been a good deal larger.

I thought it might help to get the matter clear in the minds of the committee by having a chart of that kind.

I will take up two or three of the commodities individually. The total line is the total production. The top here is the total production of the commodity in that particular year.

The green is the amount of wheat purchased by Commodity Credit Corporation, either in wartime or since wartime for these emergency programs. The red is the amount pledged for loans on wheat. The black line is the market price and the dotted line is the loan value.

You will notice in 1938 we made loans on a very small amount of wheat, compared to the total production. That is probably true in each year, although we got up fairly close to half of it in 1 or 2 years.

You will notice as the price went up and the loan values are higher, the amount on which we made loans gets exceedingly less in each year. I do not know the reason for that, except perhaps the demand was so good it was not necessary to make the loans. But it is significant.

While prices were low we loaned on a very large amount of wheat. As prices went up, it goes on down.

This is loans made by Commodity Credit Corporation and the portion liquidated by repayments and by acquisition of collateral by crop years 1938 to date, on wheat.

The yellow is liquidated by acquisition, and the green liquidated by repayments by producers.

You will notice in these years there was quite a large amount of liquidation by turning the collateral over to Commodity Credit Corporation—that was 1938, 1940, and 1942.

It has been our custom to pool the wheat turned in to Commodity Credit Corporation by the producers in satisfaction of their notes. Most times we have been able to return to the producers something in excess of the amount that the wheat was turned over to the Commodity Credit Corporation for.

Of course, in the past year or 18 months there has been no turning over of collateral to Commodity Credit Corporation.

Senator THOMAS. How do you account for so much wheat being turned over in 1944?

Mr. DODD. Probably wheat in out-of-the-way spots where the market price was not as high as they could get to turn it in to Commodity Credit Corporation. We have some spots in the United States where there is considerable wheat produced but sometimes there is not a cash market there immediately for it.

Senator THOMAS. Does that represent a wheat that you paid a premium on in 1944 in order to get it in?

Mr. DODD. No; that was 1945 and 1946. There was no premium on wheat in 1944.

This is the inventory, average market price and loan rate by quarters, 1939 to date, on wheat. You will notice the years are broken into quarters. The dotted line is the market price and the solid lines are loan rates.

You will notice also, at the beginning of some of these years the market price was lower or higher than the loan rate. Here in 1943 the first quarter, and part of the second quarter, the loan rate was higher than the market. Then the market came up above and it has been above ever since except for a period here in the last quarter of 1944 when they just about got together. Since that time the market has been above.

The straight or solid line is the loan rate each time. The same was true back in 1941. We had one quarter in which the loan rate was higher than the market price. In 1939 it was also true. It was true during the harvesting period in 1940.

Senator THOMAS. That chart shows that any time the loan rate is above the market rate, the market rate goes up to meet the loan rate.

Mr. DODD. It does after a delay. It happened in a few years, particularly in the Southwest, where the market comes early.

In the beginning of the year the loan rate will be above the markets, but after a short time the market goes up to the loan level or above.

Senator THOMAS. That shows the value to the farmer of the loan support program.

Mr. DODD. The top of these columns represent our inventories at the end of each quarter. You notice we built up a large inventory during this period. When the production was high and there was not much difference between the loan rate and the market rate, you will notice that they were pretty close together at all times, and built up a pretty good inventory.

Then during the war years when the demand for wheat was so great, it fell down until today we have a very low inventory.

The CHAIRMAN. I assume that the loan program, without question, has been of benefit to the producers of the country.

Mr. DODD. Not only to the producers but to the processors and handlers as well, because it has tended to stabilize markets. I think that the corn processors and most of the wheat processors would agree with me.

This is the same picture in corn. You will notice that the dotted line is our loan rate, the black line is the market price, and the red is the amount that we put on the loans. The small amount of green is the procurement in the last few years for foreign governments, or foreign demand.

We will not take any more time on this chart unless there are some questions on it.

This chart shows the portion liquidated by returning to Commodity Credit Corporation and the amount liquidated by the farmers paying off their loans.

This chart on corn shows the inventory at the different quarters. It is practically the same story as the wheat, only more so. You notice when we got into 1942—since that time the inventory has gone rapidly down.

The CHAIRMAN. What does that indicate?

Mr. DODD. That the market would absorb the total supply if priced higher than the loan rate.

Senator AIKEN. How much of last year's corn crop is in the hands of the producers now?

Mr. DODD. A pretty big carry-over at the present time. On January 1 we had the largest supply of corn and feed grains per animal unit of record in this country.

Senator AIKEN. But the price has remained high in spite of the fact there has been an oversupply.

Mr. DODD. It has remained fairly stationary. I would not say there was an oversupply.

Senator AIKEN. Oversupplied compared to last year.

Mr. DODD. Very much so compared to last year or the year before, and the amount of feed grains per animal unit.

Senator AIKEN. But no supply great enough to threaten the price level.

Mr. DODD. That is right. They had a loan if necessary to move under.

This chart is a chart on cotton. This is the total production of cotton. The blue is the amount pledged for Commodity Credit Corporation loans and the yellow the amount purchased by Commodity Credit Corporation. The black, straight line, is the average price of $1\frac{5}{8}$ Middling, and the dotted line the loan rate.

You notice in 1936 there was no loan, following the Supreme Court decision. Since that time the percentage of the crop we take has been a very small amount. This year was probably a little bit larger. This is one of the largest cotton crops we had, perhaps the largest, and the percentage might be a little higher.

This chart is the same chart showing the amount required by Commodity Credit Corporation because of returning collateral to the Corporation, and the amount of repayment by farmers on cotton.

The green is that liquidated by repayment and the yellow is what we acquired in cotton in satisfaction of the loan. This year, 1937, we acquired a substantial amount of cotton, also some in 1943. Since that time we have been able to return some of this cotton which has been pooled, and a good deal has gone to export, and there has been a substantial return over and above the amount loaned.

Senator THYE. When you return it, in which manner and with whom do you deal as a Federal agency in the disposal of that cotton?

Mr. DODD. Sometimes it is sold to domestic users through their brokers or direct. Sometimes it is exported.

Senator THYE. In other words, that domestic user would come in and place an order with you, and you would sell direct and they would pay you and the money would revert to your bank?

Mr. DODD. Only after we acquired the collateral.

Senator THYE. That is true. But there would be no one in the cotton brokerage that would have an opportunity to deal with you.

Mr. DODD. Oh, yes.

Senator THYE. They could bid on it the same as a domestic bidder.

Mr. DODD. Most of it is bid on, or asked for in bids on certain lots. Anybody can bid on it.

Senator THYE. Then the question is, What is the complaint that would be brought to you by the trade in that particular commodity? That you had stepped in and became the agency which has acquired the cotton and then you, as that same agency, were dealing directly with the processor or the exporter or the foreign country that has placed an order with you.

You are, in a sense, in a retail market as well as in the brokerage and the wholesale market. I have heard that charge made against the bank, and that is the reason I raise the question.

Mr. DODD. I think that charge has been made in grain. I never heard of it being made in cotton.

Senator THYE. I have heard it.

Mr. DODD. In cotton we had an export program in effect for quite a long time, in which any broker, any dealer, is at liberty to get export orders, and all he has to do is file with us his evidence of export, and he is eligible for his export payment.

Senator AIKEN. How much foreign grain business, Mr. Secretary, are you doing now?

Mr. DODD. The only foreign grain business we are doing now is for the occupied areas.

Senator AIKEN. That is for the armed services?

Mr. DODD. Yes, sir. Also a very little bit for foreign governments that have not been in position to buy on their own.

Senator HOEY. A moment ago you said, "This year we acquired so much." You were pointing to the map for 1937, I believe.

Mr. DODD. Yes, sir.

Senator HOEY. The record should show "1937," and not "this year."

Mr. DODD. I am glad you brought that up. I was pointing to 1937, Senator.

Senator HOEY. The record should show 1937.

Mr. DODD. Yes, sir. You will notice in 1937 we acquired this small amount that was repaid by producers, paid on the loan. That is, of course, because the market price would not take it. The loan

rate, you will notice, came together here. The loan rate was as good a market as they could find. Perhaps the loan rate is the only reason that the market stayed at that level.

So that they turned the cotton to the Commodity Credit Corporation in liquidation of their loan.

Senator HOEY. Very little has been acquired since 1936.

Mr. DODD. Except for 1942. There was a sizable amount then.

Senator AIKEN. That shows that when the market price drops to the loan rate, it stops falling.

Mr. DODD. That is right.

I think the wheat shows it the clearest: That there are times in the market in wheat, generally at the beginning of harvest, when the market price is lower than the loan rate. But it does not take very long to get the two adjusted.

I think this one illustrates it clearly. The straight line is the loan rate, and the dotted line the market price. You will see here at the beginning of the market years that the loan rate is higher than the market price. I think, Senator Thomas, you have seen it several times when the market price was 25 cents below the loan rate.

There is not much wheat sold. It goes into loan, and soon the market price gets above the established loan rate. It has done it in quite a few years at the beginning of harvest.

That was very true when the first wheat loan was set up in 1938 to 1939, that the market price was considerably below the loan rate. But it soon pulled up there.

In 1944 you will notice at the beginning of the third quarter, which is the beginning of the harvest, really, the market price got right down to the loan rate.

This chart shows the same thing for cotton. You will notice here in all of this period, which was half of the year the loan rate was higher than the market rate. That was because if you will notice, the market price was lying right at the loan level, and then because of the change in the parity formula we were required to raise the loan rate and it took the market some time to come up there.

Senator AIKEN. Are those quarters for calendar years?

Mr. DODD. Yes, sir.

You will notice every time that the loan level has been moved it took the market some little time to get up to those various levels.

Senator THOMAS. What is the present parity price of cotton?

Mr. DODD. I believe about 26 or 27.

On wool, the red is our purchases, and the blue is our sales. This is also by quarters, each year.

The black line is the weighted average price paid by Commodity Credit Corporation. The dotted line is the parity price at the farm on grease basis. Here they are practically together, at the present time.

This is the average June-December price for 1943, and then we took off from there.

You will notice that in wool our acquisitions are higher than our sales. Very few quarters but what we bought more wool than we sold.

At the present time we are liquidating some wool. This one, 1946, is an exception. We had one in the first quarter of 1946 and one in the first quarter of 1945. With those two exceptions, we bought more wool in every quarter than we have been able to sell.

Senator THYE. I think Senator Aiken asked a question.

Senator AIKEN. I think we asked that simultaneously.

How much wool have you on hand?

Mr. DODD. I have a chart to show that.

Senator THYE. In the sales of wool that you are making right now, are you recovering that which you have in the wool as an agency?

Mr. DODD. You have a section in the law that we cannot sell wool or any of these commodities domestically at less than parity.

Senator THYE. That is true. But nevertheless you have some wool on hand that is more than 2 years old, have you not?

Mr. DODD. Yes, but it also says it has to be cost plus carrying charges.

Senator THYE. In other words, of the wool that you have on hand, have you found that in the reappraisal of that wool that you had appraised it or acquired it at a level at which you are unable to recover that which you actually have in the wool.

Mr. DODD. Yes, sir, no question about it.

Senator THYE. You are taking a loss on that wool?

Mr. DODD. No, sir, but we are building up inventory.

Senator THYE. That is very true. But you can build it up so high that eventually you are going to have to answer.

Mr. DODD. That is right.

Senator THYE. Where has the domestic market received its supply of wool inasmuch as you have accumulated this vast amount of wool in storage?

Mr. DODD. I think that this chart will show that, Senator.

The yellow is the foreign wool, excluding carpet wool in the low grades. The green is the domestic. The top of the columns indicate United States consumption. The solid black line is United States production, and the broken line is Commodity Credit Corporation acquisitions.

You will notice from the time we hit over here, in 1943, where we just about hit United States consumption—

Senator THYE. You mean you just about used United States production. You said, "United States consumption." Am I wrong?

Mr. DODD. No, I am wrong. We just about used United States production at this point. That is where the large Army-Navy contracts for clothing and blankets were in, where the law required they use domestic wool.

Since that time, I think you can see the effect of our requirement program and the requirement that we cannot sell below parity or cost

Senator THYE. You have imported wool while your own inventory was exceedingly high?

Mr. DODD. That is right.

Senator THYE. What is the ultimate, so far as you can see it? You are right in an inflated era of time now from the standpoint of prices.

Mr. DODD. I think we have to be given authorization to sell wool below cost or below parity to take our loss.

Senator THYE. That is the reason I asked these questions, Mr. Dodd. Right here we have been faced with a scarcity and we have had an exceptionally high woolen cloths market.

Mr. DODD. There has been no scarcity of wool. We have had close to a billion pounds of wool.

Senator THYE. But we have not had all the merchandise we wanted, time after time.

Mr. DODD. That was not because of a shortage of raw materials.

Senator THYE. It was not?

Mr. DODD. No.

Senator THYE. But the mere fact of the matter, if I understand your chart, that even though we had this high production and our inventory exceedingly high, and you were confronted with the fact that eventually you might have to take a write-off, in spite of all of that, we stood by this Nation and watched the wool coming in from foreign countries.

Mr. DODD. That is right.

Senator THYE. I am wondering about the wisdom of it.

Mr. DODD. We have announced, Senator, as you know, that we will not go forward with the wool-buying program after April 15 unless Congress tells us to do so.

Senator LUCAS. You have been operating under congressional mandate as far as this wool is concerned?

Mr. DODD. That is true. Of course, the mandate that we cannot sell below certain prices is what has caused the trouble.

Senator THYE. Mr. Dodd, did this situation exist 8 months ago?

Mr. DODD. Yes, sir. This situation existed since 1943.

Senator THYE. Has it ever been brought to the attention of Congress as to a specific necessity here of doing something that would safeguard yourself against what is going to happen when you have another shearing, and this vast inventory that you have? You are just going to have to do something. I wondered if you brought it to the attention of Congress, as of a year ago, in order that they might examine the question at that time?

Mr. DODD. Yes, sir, we have, Senator. Early this past season the Secretary of Agriculture notified this committee and the one in the House, that we would not continue the wool purchase program without specific directions to do so.

Senator THOMAS. Last year the Senate appointed a special committee, with Senator O'Mahoney, of Wyoming, as chairman. This committee is authorized to make a thorough examination of the wool situation.

The committee held hearings and brought in a bill proposing a plan for support of wool prices. The Senate passed the bill but it never got through the Congress. It was pretty well considered during the last Congress, and I am sure the matter is pretty well understood by the Senators who were here last winter.

The CHAIRMAN. It is still pending?

Senator THOMAS. The bill died when the Congress died last year. I think it has been revived but I have not followed through.

The CHAIRMAN. Why would that be thrown out?

Senator THOMAS. There was opposition to it. The wool interests in Boston think that they are the center of the wool trade of the world. They thought we tried to remove that from Boston down to Washington, and they fought the bill. I think I am substantially correct.

Mr. DODD. I think Senator Thye has a good point. We are using up here in excess of a billion pounds of wool a year.

Senator THYE. The only reason I bring the question up, Mr. Dodd, it is a situation just exactly like this that can create public opinion that can destroy the bank.

Mr. DODD. That is right.

Senator THYE. That is the reason I think we will have to examine the question right now. If we are in error because of our past practices, those practices must be corrected because it just does not seem common sense to me to find an inventory of almost 2 years of wool and then you are importing wool and the United States Treasury is going to be the agency eventually that is going to assist you in coming out of the situation that you have found yourself in, because either Congress could not agree or otherwise the public opinion would not support Congress in an action that would be necessary.

Senator LUCAS. How much wool do you have on hand at the present time?

Mr. DODD. Over 400-some-odd-million pounds.

Senator AIKEN. A little over a year's supply.

Mr. DODD. Yes, sir.

Senator KEM. I notice that the total United States production has been gradually falling off.

Mr. DODD. Yes, sir.

Senator KEM. What is the reason?

Mr. DODD. Largely because of the sheep numbers. Labor has been the biggest handicap to maintaining the western flocks. It takes experienced herders.

Senator THYE. I think the situation has been general in this respect. There has been a constant fear of just exactly this to date, and there has been a tendency to move back, away, because they did not know what the future was going to be in that particular commodity or industry.

Mr. DODD. The sheep growers in this country were up against a terrible handicap all through the war years when their trained herders and caretakers were drafted into the Army. They just could not obtain trained labor. They had to reduce the amount of sheep. We tried every way. We had a sheep subsidy program for feeding lambs to try to encourage maximum production.

But without the labor necessary, the technical people, you could not ask them to continue. There is no question about it, we are on a downhill road. But even with that, we are using more each year of imported wools and less of ours.

Senator AIKEN. What percent of parity are you supporting the price on wool?

Mr. DODD. By about parity.

Senator AIKEN. Just about parity?

Mr. DODD. About parity.

One reason for this program was an attempt to hold these sheep numbers up, domestic sheep. That was one of the reasons, of course, for the program.

Senator AIKEN. Then we ought to get rid of that wool right now while the market will absorb it without difficulty.

Mr. DODD. You must remember also, back in this period—prior to 1943—the submarines were sinking the ships from South Africa, Australia, and Argentina, and every place else, and we had to build up a stock pile in this country for war purposes.

So this is partly a holdover from that time and not altogether the fault of operations since the war.

There is nobody in the Commodity Credit Corporation that wants to stay in the wool business. I can assure you of that. There is not a

person over there, including the people who handle it, that would not like to get out of the wool business.

Senator THYE. Yes. Note in 1946 your own production, and then realizing that you are putting the second shearing into storage, and that you are still increasing your imports, you just ask yourself are you being outdone in the export and import markets by the foreigner. That is the question you have to ask yourself, and then you think about the money that you have advanced to an area or to a country which is shipping you the wool right back on to your own market.

It just does not make common sense when you start adding it up. I am wondering what we are going to do to correct it.

Senator LUCAS. What do you suggest?

Senator THYE. What do I suggest?

Senator LUCAS. Yes. I think it is a serious problem.

Senator THYE. I would like very much a recommendation from the agency that has been laboring with it and which Congress did not support when the bill was introduced a year ago.

Mr. DODD. We made a recommendation a year ago.

Senator LUCAS. What was the recommendation?

Mr. DODD. The Commodity bill which the Senate passed last year and which the House did not get to. I think two of the bills are now in the House.

Senator KEM. You have the same economic problem in a number of these crops, have you not? Cotton, for instance.

Mr. DODD. Yes, sir. Up to now we have been fairly lucky because we could move them into export. We had essentially this same type of cotton, except that with the subsidy or in the deficit areas we were able to move it.

Senator KEM. What do you say about the point that Senator Thye has touched on, that we are encouraging these foreign producers, we are holding an umbrella over their heads?

Mr. DODD. There is no question. They can come under your price. You do have some import restrictions in this country by which you could hold down the amount of imports or you could give the Commodity Credit Corporation authority to sell at lower prices.

Senator KEM. Is that sound economics to use our own funds, the funds of the American taxpayer, to subsidize the Australian wool grower and the Brazilian cotton producer, and the Egyptian cotton producer?

Mr. DODD. I do not think so. I do not think we have, the cotton producer.

Senator LUCAS. You would subsidize your own producer too, with this program?

Mr. DODD. Yes, sir.

Senator LUCAS. In other words, if you take this off you would see what these wool fellows would say.

Mr. DODD. If you took off the restrictions and sold below parity, or cost of requirement, plus our charges, we could keep out most of the foreign wool. We would just sell our wool cheap enough to beat it.

Senator LUCAS. All you have to do is repeal this law and let the law of supply and demand take over.

Mr. DODD. I am talking about the one section.

Senator LUCAS. Yes, and you would stop the wool from coming in here. But also you would drive the price of wool down in this country.

Mr. DODD. Very low. I think you could, after our supply was once cleaned up, handle it very easily. It is just a question of how to clean up this stock pile which we now have. Keep it in mind it is partly a war stock pile.

Senator KEM. Have you any suggestion of how we can assist the American producer without assisting the foreign producer at the same time?

Mr. DODD. Yes, I believe some of those bills are now introduced in the House. I think the O'Mahoney bill would have done that.

Senator LUCAS. What do you recommend that we do to clean up this situation you are talking about here, as far as wool is concerned?

Mr. DODD. We have not made any direct recommendation, Senator Lucas, except to approve or disapprove the bills that have been introduced. We would like to bring it to your attention and show you that it needs correction.

Senator LUCAS. I appreciate that, but you gentlemen down there are dealing with this proposition day by day. You ought to have some very definite opinions as to what could or could not be done for the best interests of the wool growers as well as the taxpayers.

Mr. DODD. I think the O'Mahoney bill, the Granger bill, several of those bills have methods in them by which this could be straightened up very fast.

Senator KEM. Could you just briefly sketch what that is?

Mr. DODD. Well, it puts wool in the support class with the other Steagall commodities for a short period. One of the bills, I think, carries it to 1950. It does put a limitation upon imports until this part is cleaned up.

Senator KEM. A total absolute bar on imports?

Mr. DODD. No; but a quota arrangement in which you would take so much domestic and so much foreign for a period of time until you got the stock pile cleaned out.

Senator KEM. That is the device you rely on to overcome this effect on the foreign production.

Mr. DODD. That is right.

Senator KEM. That is the quota, an import quota.

Mr. DODD. Yes; and that would have the same effect on our own.

Senator KEM. Are you suggesting that for other commodities such as cotton?

Mr. DODD. I do not think it is necessary on cotton. We now have an import quota on wheat and have had it since 1941, on wheat.

This chart shows our acquisitions by quarters. This dotted line shows the quarters in which we acquired wool. Here was the high point; the third quarter of 1945 was another high point; and the third quarter of 1946 was another high point. The first and second quarters were very low.

You will notice that while this goes up and down from year to year, the general trend is up. We keep adding to the inventory.

Senator LUCAS. How much money is involved in this stock pile of wool?

Mr. DODD. \$225,000,000 as of December 31.

Senator LUCAS. Unless you start eliminating a part of the stock pile in some way it is going to increase, if I understand these charts correctly.

Mr. DODD. That is correct.

Senator LUCAS. I think it should be made pretty clear again, it should be reemphasized that this stock pile was started back in 1941 or 1942, at the time the submarines were sinking everything in sight and it looked as if we were going to have to depend upon our own wool resources for everything we needed in the war.

Senator HOBY. We also had to accumulate it.

Senator LUCAS. That is right.

Mr. DODD. That is one reason, Senator Lucas, that the Secretary sent up that notice, that after April 15 we would not continue the wool buying program unless we had authorization from you folks to do it. He did not think we could take the responsibility for continuing to pile up wool without any way to get our money out.

Senator LUCAS. That is a sound approach.

Mr. DODD. It is going to come when the shearing season starts when much of the country, the wool growers, feel they are entitled to support. I think they are, too.

Senator LUCAS. How long have the wool growers of this country been paid the parity price or better?

Mr. DODD. Just since the war.

Most of the time it has not been better. It has been just about parity level.

I mentioned several times how hard it is for us to try to anticipate or forecast the amount of money that is required, or the amount of credit that is necessary for the Commodity Credit Corporation for day to day operation. The other day, in looking through the records, we noticed that just the difference of one egg in the consumption by the people of this country can throw a loss or a profit on us as much as \$5,000,000. Just one egg.

I have a little chart here I would like to use to illustrate that.

This is our per capita consumption of eggs. In 1939 we ate in this country 311 eggs apiece. Our production that year was 3.2 million dozen. Our price per dozen was 17.4 cents.

The next year, 1945—and I think you will all know why because of the meat shortage and all—your per capita consumption went up to 391 eggs.

Senator LUCAS. Is that the next year?

Mr. DODD. This is 1939 and this is 1945. Our production went up to 4.6 million dozen.

In 1946, you will notice we backed up here 375 eggs per capita, and we produced 4.5 million dozen. The price was 37½ cents per dozen.

For this year our production is 4.6 to 4.8. Our nutritionists tell us because meat supplies are more plentiful we are apt to have a drop in consumption. If we do it means that we have to support a good many more eggs.

If it drops down just one egg per capita, it is going to cost us \$5,000,000 to carry an egg-support program.

If it drops down to what you ate per capita in 1939, down to 310 eggs, it will cost us \$200,000,000.

I just want to show you how hard it is for us to gage, first the production, and then the per capita consumption, when you have a law that requires you to support the commodity to the farmers.

Senator THOMAS. What suggestion have you to get the people to eat more eggs?

Mr. DODD. Just tell them to eat more eggs. I want to use the same thing for wheat.

In 1942 we put 408,000,000 bushels under loan. This green line is the excess funds required. When you set up a docket you require a little more than you actually put on there. The loan rate is \$1.27 at Kansas City.

At the present loan rates, if you had it for 1947, if we put the same amount of wheat under, the price would be \$1.64. This was last year's support price at Kansas City. You see here it would take 450,000,000.

In 1948, if we had the same volume of loans, at the same price, still this \$1.64, it would require a little above \$800,000,000. Then when you carry over, that is where the wool gets in, where we had to do in both the cereals and the fibers, as you carry over it requires more and more money. So you can see if we maintain present production without an outlet for wheat, it would require a tremendous amount of money to carry just one program by itself, without any relation to the others.

The amount of funds that would be required to carry those programs under the most unfavorable conditions get very large.

Senator THOMAS. That means the home people must consume more wheat, or we must find additional outlets, or go back to control. Is that right?

Mr. DODD. That is right. I do not think there is any other choice.

Here is the same thing with corn. In 1939 we loaned on 302,000,000 bushels of corn at the loan rate of 57 cents. If we had loaned the 1939 volume at present loan rates, \$1.15, it would take more than twice as much money. If we had loaned on the same as the anticipated loans for this year here is about where you might have to get into, with 3,000,000,000 bushels of corn crops, unless you could find an outlet.

The 1937 loan rate on cotton was \$45 a bale. Today's loan rate on cotton, \$121.90 a bale. When you get more than twice you have to have some excess of funds over and above, and if you get into a carry-over position such as we had before, here is about what it would take, something like \$2,000,000,000 to handle the cotton crop.

Senator THOMAS. \$2,000,000,000?

Mr. DODD. es, Ysir.

Senator LUCAS. You are now figuring 1949 and 1950?

Mr. DODD. Yes, sir; if we ran into a carry-over position as we did in the years before the war. If you did that after the war, without foreign outlets.

As Senator Thomas said, you have to either maintain this outlet or insert some controls, or you will just have some stock piles here that are very high.

Senator LUCAS. That seems to me to pose a very serious question to the Congress of the United States as far as 1947 is concerned.

Senator KEM. You spoke of controls. What is your opinion of acreage reduction as a device for controlling production?

Mr. DODD. The way it will work, I would prefer a bushel quota, such as Canada and these other Nations tried; it is easier to administer. We can do that if we get into that position to require it. I would prefer to find foreign outlets, new uses.

Senator THYE. You say you would prefer it?

Mr. DODD. Yes, sir.

Senator THYE. How can you justify that viewpoint when you have a \$273,000,000,000 national indebtedness that has to be taken care of by an expanded economy rather than a curtailed economy?

That is the reason why it is hard for me to understand how you can justify a curtailment either in business or in acreage.

If you curtailed 10 percent of your acreage, and the man is operating 100 acres, that would be 10 acres, and the crop off that 10 acres would be denied, first, local transportation, or even the help in its harvest. Railroads would be next affected because they would not have the right of transportation. The processor or miller would be next affected if it was a cereal crop because he would be denied the right of that process, and then again the transporting of the finished commodity and the merchant marine in the exportation of that crop, and the last and final step would be the denial of the food to a hungry person that we know would exist elsewhere in the world.

On that curtailed market, I am afraid we would lose our position as a great productive nation and there would be an expansion in some remote area of the world where the help situation was not a factor. That is very possible with the modern airplane, because it is not inconvenient to operate in South America, at the same time not inconvenient to operate in Australia, New Zealand or Africa, because you can fly to or from.

I can see that expansion, somewhere else, at the expense of America in that world market.

That is why I say it is hard for me to sense how you could justify that attitude of curtailment.

Mr. DODD. Senator, I am sure you misunderstood me. I said I would prefer to develop world markets, world outlets and new uses, rather than go to controls. But you have to have one or the other, if we continue to produce with this plant that we have set up now, at this enormous rate at which we are now producing.

I agree with you 100 percent, we want to keep the mills and the railroads running. But the only way you can do it is to maintain foreign outlets, even to the extent of selling it for some lower price if necessary, to keep, because it does keep everybody busy at home. It does bring in some income.

If we cannot find a foreign outlet, if we do not do the things that I think are going to be required to keep those foreign outlets, then I do not think you can go in any direction except to control because you will not have enough money to handle it.

Senator THYE. May I impose upon you and this committee just one more question, and that is the work toward the outlet?

What specific plans are there insofar as a program that would assure you that you would have an outlet so that your surplus would not cause you to spend and expend billions in holding that commodity?

Mr. DODD. The Food and Agriculture Organization have been working for some 3 months to try to find means to better the diets of the people, to make food available to them, to all the people, at least to the extent of a minimum diet.

Secondly, to obtain production by assuring the producers of a price that would be fair, a price that would be fair as near as could be worked out to both producers and consumers alike.

In Copenhagen last year there was a session at which Senator Thomas and Congressman Hope and others were in attendance, at which we were told to get together and work out a plan to do just that. That committee just finished its deliberations and I think they are well on the road to approaching a plan that will do that.

Senator AIKEN. I would like to say to Senator Thye, while I do approve of raising the diets of the people of the world because I believe the potential use of production by the people of the world is the greatest undeveloped wealth of the world at the present time, I would like to call attention to the fact that according to the latest figures which I received, there is approximately 40,000,000 people in this country of ours who are at present unable to purchase an adequate minimum diet.

They are old-age pensioners, veterans' families, veterans' widows. I think there are about 9,000,000 families. Perhaps you will remember.

Mr. DODD. That is about it.

Senator AIKEN. If only the people of our country were able to purchase an adequate minimum diet they, themselves, would go far toward eliminating any threat of surplus which we have, and when you get up to where we are talking about spending billions of dollars to support prices, and restrict production, it seems to me that then we might take part of those billions of dollars, perhaps one of those billions of dollars in seeing to it that the people in our own country have enough to eat to sustain their health properly.

Of course, I am for raising the standard of living of the people of the world because I believe that is an undeveloped wealth which is far greater than all the wealth of the Indies or all the wealth of the world put together, the undeveloped purchasing power of 2,000,000,000 people. It is going to be a job to raise it.

Mr. DODD. What we have to find export outlets for is very small compared to our production.

Our total production, that is. But since wartime the farmers of this country have increased their total production approximately 40 percent over what they did in the 5-year period, 1935 to 1939. In this country, we are using some 10 to 15 percent more food than we used during that time. So you have about 25 percent of our total production that you have to find a new outlet for.

At the present time, of course, we are finding outlets because these nations are desperately short. But I think we have to maintain those contacts or we are going to be in trouble one of these days.

Senator KEM. I do not know if I made myself clear when I asked you about curtailment of acreage as a means of limiting production. You have had an opportunity to observe the use of that device over several years.

Mr. DODD. That is right.

Senator KEM. Directing your attention only to the domestic production, do you consider that our experience has shown that that is a successful device for that purpose, or otherwise?

Mr. DODD. I think you could say yes. There is no question that you did reduce production of that particular commodity. But because you had the land there it did go into the other uses.

Senator KEM. Did you gain anything?

Mr. DODD. Yes. I think you have before you right at the present time some crops that we need in this country and will need for a long,

long time that we are not getting enough production out of. We have other crops that we are getting on the surplus side.

Senator KEM. You are talking in terms of managing our economy rather than reducing our production?

Mr. DODD. That is right. I think a good case is soybeans this year. In soybeans we need a million or two million acres more than we ever raised. We are going to be desperately short of fats and oils in this country as far as people can see now. It just looks as though it is sure we are going to get a few more acres of corn than we need, but not enough soybeans. It is all grown in the same area in your part of the country as you know.

If there were some way to adjust that acreage, to take out a million acres of corn and put in a million acres of soybeans, that would do it.

Senator Young is not here this morning, but flax is a good illustration. We are at the mercy of one or two countries for that supply, unless we go about producing it in this country.

We came out with a support price of \$6 a bushel guaranteed price of flax, so that we would get the maximum flax production in this country. We did it before, raised enough flax in this country under a high support price to meet our national needs.

It looks like we have plenty of wheat. If we could get a million acres or a million and a half taken out of wheat and put it into flax, maybe we would have to do it by the price method. Maybe we would have to make flax attractive and wheat unattractive so they would make the adjustment.

Senator KEM. Have you noticed any reduction produced on the wheat acreage?

Mr. DODD. Of course, through your colleges, extension service, and the folks in conservation, the farmers have learned a good deal.

Senator KEM. To what extent has that offset the reduced acreage?

Mr. DODD. Not a great deal. You have to take the other things into account. You have to take into account the use of lime and phosphate, and your mechanization.

Senator AIKEN. I think the best example of that is the effect of DDT on the potato crop this year. Nobody anticipated its effectiveness. The growers as a rule, the Congress, and nobody, you might say, anticipated the effectiveness of DDT as an agent in controlling the potato pests and increasing the yield in my part of the country, they say, from 150 to 200 bushels to the acre.

Mr. DODD. Nationally, it increased it 50 bushels per acre, DDT plus good weather.

Senator KEM. In a way we are working at the cross purposes when we reduce the acreage and stimulate the production by better methods.

Mr. DODD. I hope we never have to go back to any method of reducing acreage. That is, over-all.

Senator LUCAS. I followed the Senator from Minnesota awhile ago in his philosophy from the time a 10-acre field production left the field until it got across the seas. But I would like to ask him, that in the event we cannot develop this foreign trade that you are talking about, in view of the fact that under the soil conservation program our lands today are able to produce almost twice as much as we have before, what is the answer if we cannot develop the foreign market? What are you going to do with the surpluses in this country? That is what I want to know.

I saw the surpluses back in 1931 and 1932, and 1933. I saw my farmers plow more and more every day, put in more acres and more acres every year, and the more they plowed and the more they produced the less they got for what they raised.

That brought about the AAA program in this country. I would like to see all the acres producing, if we get a good price, and provided the surpluses do not ruin us as they did.

Senator AIKEN. They work so hard and get so much more produce and get the price so low that they are now accused of getting a 150-percent increase in price over a few years period.

Senator LUCAS. If you could develop the foreign market, or ways and means in this country to utilize this food, that would be fine. That would be one thing. But I am not going to stand by and not support necessary food allotments or acreage programs, which in the past were successful as I saw it in bringing the farmer around to where he got a decent price for his product.

Mr. DODD. I think the farmers have demonstrated very clearly since McNary-Haugen days, when I came to Washington at the insistence of Senator McNary, when he was trying to work out the McNary-Haugen bill.

Senator LUCAS. You have been here all that time?

Mr. DODD. Yes, sir.

The CHAIRMAN. I think we all agree that you know your stuff.

Mr. DODD. I am not so sure about that, Senator, but the farmers at that time, when they could see these surpluses piling up, said we are perfectly willing to sell what we can abroad at a lower price if necessary to get it going. I think the farmers in this country pretty generally feel that way.

Leave it to them. They have been saying for 15 or 20 years they will take a lower price for export if necessary.

The Senator mentioned the 10 acres. I happen to be a wheat farmer and that is how I earn my living. I would rather have 100 acres of wheat and get a dollar for it than 200 acres and get 50 cents. That was the position I was in from the 1926 to 1933 period. I had to raise a lot of wheat and take the price to meet my overhead.

Senator THYE. I do not disagree with you in any sense. If we denied this world a pound of cotton or a bushel of any grain, we would deny that clamoring consumers' market that commodity, and another section of the world would grow it. Then if you and I built ourselves up here with trade barriers so that that other section of the world could not in any manner go over and get into us, all we would do here is to just develop that spiral to a zero.

That is why I say we need to examine ourselves today and to determine, first, what is our research program because that is your new frontier of tomorrow.

Mr. DODD. That is right.

Senator THYE. You have not virgin acreage, so to speak, but you have a vast frontier in the research field. Are you going forward as the Department of Agriculture, and as a congressional body, with that type of a program in mind? Are you going forward with an eye toward a foreign market that you are going to maintain, regardless?

You are going to have to do it, because you are going to have a surplus.

Senator LUCAS. What do you have in the budget for that very thing?

Mr. DODD. You mean for the research?

Senator LUCAS. That budget that we are discussing on the floor now. What is in the budget for that very thing?

Mr. DODD. \$19,000,000 for the Research and Marketing Act of 1946.

There is also in the budget a sum to restore the borrowing power of Commodity Credit Corporation.

I hope I have gotten it across to the members of the committee that we think the Commodity Credit Corporation is the agency to handle the buffer stocks needed from one period or year to another. We do not know in this country when we are going to have a drought or catastrophe of some kind.

I think you need some buffer stocks held under an arrangement that will not crucify the farmer and the producer. I think our story on the wheat and the one on the cotton, where you took the big cotton crop, you were able to hold it off the market for a time, when the time came, you could feed it in, whether it was export or domestic.

If we had not had to build up a supply of wheat we would never have been able to help the war effort. We used 500,000,000 bushels of wheat for feeding for livestock. You could not have done it without something like this Commodity Credit Corporation operation that you now have.

Senator LUCAS. You have had six unusual years, too.

Mr. DODD. Yes, sir. My own experience, the first corn loan we put out in Iowa, we loaned 45 cents a bushel on corn. You had a drought in 1935. But the same corn in the following year was worth \$1.20. Was that not a good deal for everybody? It was a good deal for the farmers and the Government and everybody else.

The corn was there where they needed it to feed and did hold over that drought period.

I do not mean to find an outlet for the last bushel each year. I do not think it can be done. The world looks upon us as one of the greatest food-producing nations in the world and they look upon us to carry a certain amount of buffer stocks held over in times of catastrophe and drought and floods.

Senator THOMAS. I would like to ask one question before Mr. Dodd leaves the stand.

At the Copenhagen conference a committee was set up of, I think, 16 members selected from the interested nations of the world, the farm nations, to work out some programs suggested by the director, Sir John Orr.

I understand that committee has been working from that time until this. Have they reported to date?

Mr. DODD. They have brought in a report.

Senator THOMAS. What is the next step?

Mr. DODD. The next step is to submit it to governments for their approval. It pretty largely recommends going forward with the program, geared to commodity agreements. They are calling the first meeting on wheat in London for the 18th of March, which would say, in effect, that all nations will carry buffer stocks sufficient to supply world trade for a year in which you might have catastrophe of some kind.

Senator THOMAS. Is the American delegation enthusiastic for that program?

Mr. DODD. Very enthusiastic.

Senator THOMAS. You approve of it?

Mr. DODD. Yes, sir. We have held meetings in my office with farm organizations and Members of Congress. We will hold another one I think Tuesday. I believe you have been asked there, and I know Senator Capper has been asked, and others, to go over the tentative agreement. The tentative agreement would say in effect that we are willing in this country to carry some stocks of wheat that the world can draw on whenever they need it. It provides between a maximum and a minimum price.

It says also we will carry a small stock that we would give to any country in the world if they happen to have a national calamity such as an earthquake, flood, or something as we have had in history.

Third, we will build up a stock pile that we will make available to a country that has an expanding economy at some reduced rates for a short time so that they may be, in a period of 5 or 10 years, regular customers for a regular amount.

Take for example, a country that was normally importing 50,000,000 bushels of wheat. They have people that are hungry and would like to have more bushels but they do not have the foreign exchange. They are expanding and getting the industry back in shape and they need more. There is an industry there, and we could say we can sell 50,000,000 bushels of wheat at a reduced price till you get on your feet, with the assumption that you will buy 100,000,000 bushels from us when you are through.

It is like giving a concession to a new trade until they get started. It does give people an access to food, and at the present time we are equipped to produce in larger quantities than we were able to move in peacetime.

I was in Oregon a while back. The chamber of commerce showed me what a great business they were doing out on the west coast. Here were the figures for Tacoma, Seattle. The flour mills on the west coast as you folks know were built originally on an export-flour basis. There is no justification for them except for export flour.

There was almost always more wheat grown there, twice as much as used, so you had to have export. The railroad swere running 100-car trains and the Union Pacific and Northern Pacific men were telling me what a great flow of business they had.

I said "Are you going to continue to keep all the flour mills on the west coast running at full capacity and the railroads running to full capacity, the dock workers to full capacity and the farmers at full capacity, or are you going to shut the valve off as you did a few years ago? We would like to keep it going."

I do not think anybody can keep it going except the people on the west coast and the people on the east coast and the people here that are going to actually get out and fight for those export commodities.

If we are going to keep those men working and the mills running we have to find an outlet for that commodity.

Senator LUCAS. Where did that export go previous to the war?

Mr. DODD. Since 1922 there was not any.

Senator LUCAS. Why are the big mills there then?

Mr. DODD. The period before the First World War, and up until 1924 or 1926, that export went all over the world. China was a big buyer of American flour. The Philippines, when we first took the Philippines over, were great users of American products.

Senator LUCAS. Are they coming back?

Mr. DODD. Yes, to a certain extent.

Senator LUCAS. Quicker almost than any other nation?

Mr. DODD. Yes.

Senator LUCAS. In the Orient?

Mr. DODD. Yes, there is no question about it.

India is a good example. India came out of the war as a creditor nation. They have an excess of dollar exchange. There is no question those people are going to go forward. They are going to build an expanding economy. Four hundred million people. There alone is a market for all the stuff we could raise in this country over and above what we need here, if we are smart enough to develop it.

Senator THYE. What steps are being taken that you are working with those people? I know that they have had their representatives over here and they are begging for tractors and for other types of implements that would permit them to expand their agricultural enterprise in that country.

But what steps are we taking as a nation?

Mr. DODD. We are at the present time, of course, one of the tough things about it is that you cannot let the nation that you want have all the food you want. You have to divide it up. If you could just pick out the ones that you wanted to have as customers, it would be pretty easy.

Senator THYE. Are you taking any specific steps to get into India and to establish a relationship that would permit you to expand as conditions would permit it?

Mr. DODD. Yes, sir. At this FAO conference that Senator Thomas referred to, the Indians had their delegates and we had ours. They came back here and we spent a good deal of time with them.

Now we have people going to India. That program is being worked out. We hope to find trade connections in India that will continue to expand with the years as we go ahead.

Senator KEM. You say that practically every country in the world is a customer for food?

Mr. DODD. Today.

Senator KEM. How many are cash customers and how many on the cuff?

Mr. DODD. All that we have anything to do with are all cash customers.

Senator KEM. Cash as far as Commodity Credit Corporation?

Mr. DODD. That is right.

Senator KEM. A lot of them have been getting money from the United States Treasury?

Mr. DODD. Yes, sir. But as far as Commodity Credit Corporation is concerned our business is all cash on the barrelhead before we do it.

Senator KEM. Do you anticipate a period in which we will have a large demand for food from customers who expect to pay for it?

Mr. DODD. If they could arrange the exchange.

Senator KEM. That is a point. Have you given that any study?

Mr. DODD. Yes. Most of these countries have industries operating. They have to sell something before they can buy. They are getting to a pretty low level on their exchange.

I think Belgium and England are a good example. They are at this time tightening their belt and doing without food to get industry going. If they had the money they would buy more food.

Senator LUCAS. That is the big problem as I see it, in the future, with respect to England's exchange, and France, and all these countries.

Mr. DODD. They cannot manufacture and export.

Senator LUCAS. That is right. Eventually exchange is going to be depreciated. If that happens it is going to happen to Canada. If it happens to Canada it is going to affect this country.

Mr. DODD. We would be better off keeping everybody going.

Senator LUCAS. With all these high prices I think we are in for, not too serious, but not as happy a picture as I would like to see.

Mr. DODD. It is pretty hard for a country as poor as England, or Holland, or Denmark, at the present time to pay these prices for food. It takes a large percentage of their foreign exchange.

Senator LUCAS. Is it true, as I read in a recent magazine or newspaper, that Australian people have practically sat down on the job and are not doing anything at all in the way of producing anything, just quit working?

Mr. DODD. I would not know about that. I do know they had a terrible drought for 2 years and had practically no wheat crop or barley crop. This year is better but they will have very little above their own requirements this year.

It may be just a few million bushels. They will have less than half the normal crop. That is entirely weather.

The CHAIRMAN. Mr. Dodd, you made a very fine statement.

Senator THYE. Mr. Chairman, I was going to say that Mr. Dodd made a fine job as far as my personal reaction is concerned. I am grateful to him for the reaction that I have gotten.

The other subject that I wanted to bring up to you for consideration right now is that Mr. E. B. Patterson furnishes me with this information, that Mr. R. C. Woodworth could testify tomorrow, that is February 27, and he would also like to file with this committee later an additional supplementary report.

The CHAIRMAN. What time do you want him to come in here?

Senator THYE. It is not my pleasure, Mr. Chairman. It is entirely yours.

Senator AIKEN. We have not heard the representatives of the Grange or the Farm Bureau, who have been here for a couple of days.

Mr. DODD. Mr. Chairman, I want to thank the members of the committee.

The CHAIRMAN. Thank you. You have been very helpful, indeed.

We will adjourn until 10 o'clock tomorrow morning, at which time we will hear six scheduled witnesses.

(Thereupon, at 11:50 a. m., an adjournment was taken, to reconvene the following day, Thursday, February 27, 1947, at 10 a. m.)

TO CONTINUE THE COMMODITY CREDIT CORPORATION

THURSDAY, FEBRUARY 27, 1947

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment, in room 324, Senate Office Building, Senator Arthur Capper (chairman) presiding.

Present: Senators Capper (chairman), Kem, Thye, Thomas of Oklahoma, Lucas, and Stewart.

The CHAIRMAN. The committee will be in order.

We will resume the hearings on Senate bill 350, the extension of the Commodity Credit Corporation, particularly to hear the representatives of the farm organizations.

Mr. Sanders, of the National Grange, will be the first witness.

Mr. Sanders, will you proceed to make your statement and give us your attitude on this pending legislation?

STATEMENT OF J. T. SANDERS, OF THE NATIONAL GRANGE, WASHINGTON, D. C.

Mr. SANDERS. Yes, sir.

I represent the National Grange, the Legislative Council of the National Grange. I have a very brief statement here which I shall read, and then will answer any questions that I can which may be asked.

The National Grange believes that the life of the Commodity Credit Corporation should be extended as a matter of necessity and because some of its functions can be fitted into a sound, long-time farm program. The Steagall amendment which provides price supports at 90 percent of parity, and I might add 92½ percent for cotton, makes it necessary to have some means of implementing these supports. No other existing national agency, in the opinion of the Grange, can substitute adequately for the Commodity Credit Corporation in implementing these price supports.

In supporting a renewal of the authority of the Commodity Credit Corporation, the Grange is not lending its support to loans on export surpluses at price levels that prevent these surpluses from being sold abroad.

Senator LUCAS. Is that being done?

Mr. SANDERS. I do not know whether it is being done now, Senator, or not.

Senator LUCAS. It has been done?

Mr. SANDERS. I should say that in the case of cotton, yes; quite frequently.

We have never supported the use of Commodity Credit Corporation loans that result in preventing exportation to such an extent that surpluses pile up to unmanageable amounts.

The Grange also supports an extension of the life of the Commodity Credit Corporation since its use will assist the Nation to meet its moral obligation to prevent starvation during the coming year in countries where UNRRA supplies will shortly cease and in countries now occupied by our armed forces. No better agency for purchase of these relief supplies can be set up than the machinery of the Commodity Credit Corporation. In the event Congress sees fit to appropriate relief funds, it will be needed for this purpose immediately after such relief expenditures are authorized.

A third reason that the Grange believes that the life of the Commodity Credit Corporation should be extended is that, although its operations in many aspects have not contributed materially toward a permanent solution of the farm problem, it has developed some useful long-time functions. We believe that some of its functions may be fitted into long-time sound provisions for marketing short-time surpluses of some farm products.

The Commodity Credit Corporation should, therefore, be retained until it can be modified to fit into a permanent national farm program, which will at the same time serve both the farmers and the general consuming public.

It appears to the National Grange, therefore, that the extension now contemplated should extend to the end of the calendar year 1948,—and I add parenthetically we would not be averse to extending it to the length of time which the bill carries, which I understand is the mid term of 1948—when support price pledges under the Steagall amendment will expire. In the meantime it will be imperative that measures be worked out that will reduce the usual peacetime disparity between the well-being of farmers and nonfarm people, and that will stabilize the income of farmers on a relatively higher level than has normally heretofore been the case.

Senator LUCAS. You said stabilize the income of farmers on a relatively higher level than heretofore had been the case. You mean in peacetime, I take it?

Mr. SANDERS. Yes.

Senator LUCAS. I want to ask one other question, Mr. Chairman.

You state "we have never supported the use of Commodity Credit Corporation loans that result in preventing exportation to such an extent that surpluses pile up to unmanageable amounts."

Do I understand you to say that the Commodity Credit Corporation has made loans on the cotton that was exported on the same basis that they would make loans on cotton consumed in this country?

Mr. SANDERS. As I understand it, and I am not sure of the details, the Commodity Credit Corporation has loaned money on the entire cotton crop at times at price levels that were above prices that cotton could be exported at and sold in foreign channels, and therefore the supplies of cotton have piled up to an extent that is undesirable because of these high loan values.

Senator LUCAS. What is your solution of that? Here is a farmer who wants a loan, and part of his crop eventually becomes surplus, which we are compelled to export at a lower price. He obtains the original loan from the Commodity Credit Corporation, and yet a part

of that crop eventually becomes surplus in the hands of the Commodity Credit Corporation, which they have to dispose of.

How are we going to handle it?

Mr. SANDERS. If you lend money on the entire crop I see no way of doing it other than to set the percentage, or the value which will be covered by the loan, sufficiently low to enable cotton to be sold at export, which, of course, would do very little good from the standpoint of lending them money, unless a farmer wants to hold his cotton, thinking that it would be a higher value.

Senator LUCAS. But you say under the law that you can loan up to 92½ percent at least, of parity.

Mr. SANDERS. Of parity, yes.

Senator LUCAS. As I understand it—and if I am wrong, I want somebody in the Agriculture Department who is listening to correct me, or Senator Thomas or Senator Capper—as I understand it, the loan is originally made to the farmer himself.

Mr. SANDERS. Yes.

Senator LUCAS. He produces a cotton crop and gets a loan of 92½ cents on that cotton crop. Part of that crop eventually becomes surplus in the hands of the Commodity Credit Corporation. Is that right, Senator Thomas?

Senator THOMAS. In the event the farmer does not redeem the cotton and turns it over.

Senator LUCAS. That is what I am assuming. So we get a lot of cotton on our hands that is ultimately shipped. Of course, there is no doubt but what the farmer received the full loan price for both what might be consumed in this country and what might be shipped abroad.

I am wondering how we might handle that situation.

Mr. SANDERS. The Grange advocates a two-price system to handle a situation of that kind. We have advocated—I think this is true, although I will have to confess I am somewhat new with the Grange—I think we have advocated fairly consistently for the last 10 or 15 years a two-price system, with the domestic price supported at a level that is above the export price, if that is required to give farmers parity.

Under those circumstances, if you hew to Commodity Credit Corporation to support the domestic levels you could not lend on an export proportion of the crop. That would require a complicated machinery to segregate the two component parts of the crop.

Senator LUCAS. You would have to make an estimate each year of the amount that is to be exported?

Mr. SANDERS. Yes, sir.

Senator LUCAS. Then loan only on the amount that you thought would be consumed in this country?

Mr. SANDERS. Also have the machinery that would keep the cotton segregated in its movement through the channels so that finally the export cotton did move out at export price without a loan value on it.

Senator LUCAS. Is that the only crop which is handled that way?

Mr. SANDERS. There is—as an export?

Senator LUCAS. Yes.

Mr. SANDERS. No. Wheat certainly is practically entirely subject to an export surplus. Two or three years, I believe, we have had a small deficit.

Senator LUCAS. The same rule would apply there as far as loans are concerned.

Mr. SANDERS. Yes, sir. We would support a dual price structure on wheat.

Senator LUCAS. On all commodities, I presume where there is an export surplus?

Mr. SANDERS. Yes, sir.

Senator LUCAS. I think it is a good thought.

Mr. SANDERS. The Grange believes that such a policy, without restriction of individual commodities, or individual farm operations, is the most desirable farm program that can be set up.

Senator LUCAS. Certainly if we should get to the point here in 2 or 3 years where we have piled up a surplus of cotton as we had at one time, or a surplus of wheat which we can produce in this country, the Treasury of the United States cannot continue to pay this kind of money, in my judgment, to farmers.

Mr. SANDERS. When a loan is made on the entire crop, or such portions as farmers will submit for the loan, which is nearly always practically everything they produce, at a value that is considerably above export values, it is inevitable that that commodity, that portion of the commodity which we cannot consume at home, will pile up on our hands and that someone, the Treasury, will ultimately have to pay the bill.

The CHAIRMAN. Mr. Sanders, you say you are a new representative of the Grange. What has been your previous experience?

Mr. SANDERS. After the previous war, I came to the Department of Agriculture and was in the Division of Land Economics for 4 years. I then went to Oklahoma Agricultural College at Stillwater, Okla., as head of the agricultural economics department, where I was head for about 13 years. I then joined the Resettlement Staff of the Department of Agriculture for about 4 or 5 years, was in the War Production Board in the Farm Machinery Branch during the war, was transferred to War Food in the same capacity, in the Farm Machinery Branch, and for the past 2 years I have been with UNRRA in the Division of Agricultural Rehabilitation.

Senator LUCAS. With that background you ought to have the answer to all these problems.

Mr. SANDERS. No, sir. Not I.

The CHAIRMAN. We are certainly glad to have you here.

Mr. SANDERS. You know there is something such as getting more and more confused as you go further and further into a complex situation.

Senator LUCAS. I believe you have something there.

Mr. SANDERS. I certainly would not pose to have all the answers to this question, Senator.

Senator LUCAS. I was trying to do you a favor.

The CHAIRMAN. We would be glad to have you come oftener.

Mr. SANDERS. Thank you very much, sir.

The CHAIRMAN. Mr. O'Neal is next.

Senator LUCAS. I know Mr. O'Neal very well, and nothing would please me more than listening to him. I enjoy cross-examining Mr. O'Neal, but I will have to forego that pleasure. I am sorry.

STATEMENT OF EDWARD A. O'NEAL, OF THE AMERICAN FARM BUREAU FEDERATION, MUNSEY BUILDING, WASHINGTON, D. C.

Mr. O'NEAL. He has done that before, Senator.

I would like to read my statement, if I may, which will save some time.

For more than a decade the American Farm Bureau Federation has pressed for enactment of certain basic agricultural laws which now stand as a cornerstone in this postwar period. Numbered among these basic laws are the Soil Conservation and Domestic Allotment Act of 1936; section 22 of the Agricultural Adjustment Act of 1933, which empowers the President to impose import quotas or fees when necessary to safeguard certain agricultural production; section 32 of the act of August 24, 1935, as amended, which earmarks 30 percent of annual tariff revenues for use in expanding domestic and export outlets of agricultural surpluses; the Sugar Act of 1937; the Agricultural Marketing Agreement Act of 1937; the Agricultural Adjustment Act of 1938, providing a national program for basic agricultural commodities to control surpluses and assure parity prices through a system of marketing quotas, mandatory commodity loans, and parity prices; the act of May 26, 1941, providing mandatory commodity loans on basic commodities; the Steagall amendment, providing price supports for nonbasic commodities; the act of April 29, 1943, providing for assistance in obtaining adequate agricultural labor; and the act of April 12, 1945, extending the life of the Commodity Credit Corporation until June 30, 1947, and increasing its borrowing authority to a total of \$4,750,000,000 to support farm prices through loans and purchase operations.

Fortunately, Congress has already enacted these laws designed to safeguard farm prices and farm income; to aid farmers in restoring their soil fertility; to assist farmers in adjusting their production and controlling their surpluses; to help provide adequate credit resources adapted to agricultural needs; to help expand domestic and foreign outlets for farm surpluses; and to assure consumers of adequate supplies without penalizing farmers.

Thus, a framework has been provided to protect and assist agriculture in the difficult readjustment period which lies ahead, just as it aided agriculture to expand and convert its production to wartime needs.

Last December the American Farm Bureau Federation held its twenty-eighth annual convention in the city of San Francisco. The voting delegates at this convention, representing over 1,100,000 farm families, recognized that, to a large extent, the future pattern of production and distribution of agricultural commodities may be set during the Eightieth Congress. It is extremely important to them and to the economy of the United States that the gains which have accrued to farmers as a result of basic agricultural legislation enacted in the past be preserved and strengthened where need be.

There is a paragraph, among others, in our resolution on the farm program which reads as follows:

We insist that the life of the Commodity Credit Corporation be extended. Sufficient funds must be made available to carry out the loan, support, and other

programs authorized by law. We are opposed to the use of Commodity Credit Corporation or other public funds for consumer subsidies in lieu of fair prices in the market place.

Carrying out the mandate of this annual meeting resolution, the board of directors of the American Farm Bureau Federation has gone on record for the establishment of a permanent Commodity Credit Corporation, with a loan authorization sufficient to meet the obligations accruing from laws establishing price supports, loans, surplus disposal, and other Government commitments made to farmers.

The charter powers of the Corporation have enabled it to engage in extensive operations for the purposes of increasing production, stabilizing prices, assuring adequate supplies, and facilitating the efficient distribution of agricultural commodities, foods, feeds, and fibers.

The Corporation's price-support operation has resulted largely from legislation making it mandatory for the Corporation to provide price support for certain agricultural commodities through loans, purchases, and other operations. For example, the Stabilization Act of 1942, as amended, requires, with certain exceptions, that loans be made to producers upon any crop of the basic commodities—cotton, corn, wheat, rice, tobacco, and peanuts—harvested after December 31, 1941, and before the expiration of the 2-year period beginning with the 1st day of January immediately following the date upon which the President, by proclamation, declares that hostilities in the present war have terminated.

The rate of the loan is required to be 90 percent of parity in the case of all the basic commodities other than cotton, and 92½ percent in the case of cotton. The Stabilization Act of 1942 superseded the loan provisions of previous legislation, which required loans to be made at the rate of 85 percent of parity for the basic commodities.

The so-called Steagall amendment requires the Corporation, during the same period for which loans are required to be made upon the basic commodities, to provide through loan, purchases, or other operations, price support at not less than 90 percent of the parity or comparable price for producers of the nonbasic agricultural commodities for which the Secretary of Agriculture, by formal public announcement, has requested an expanded production to meet the needs of the war emergency. The Steagall commodities are: Hogs, eggs, chickens, and turkeys, milk and butterfat, dry peas of certain varieties, soybeans for oil, peanuts for oil, flaxseed for oil, American Egyptian cotton, potatoes, and sweetpotatoes.

In addition to these two categories—basic and Steagall commodities—there is a third group of commodities for which congressional enactment has declared that it be the policy of Congress, that the lending and purchase operations of the Department shall be carried out so as to bring the price and income of producers of such commodities to a fair parity relationship with the basic commodities and the Steagall commodities to the extent that the funds for such operations are available after taking into account the operations with respect to basic and Steagall commodities and the ability of producers to bring supplies in line with demand.

I have taken your time to review rather fully these commitments—both legal and moral—so that you might have full understanding of the extent to which all segments of agriculture are affected. Measured

by commodities, the acreages farmed, the individuals producing, and the dollar income from agricultural production during the next 2 years, it is not difficult to observe the scope of the solemn obligation accruing to nearly every American farmer as a result of these laws.

The American Farm Bureau Federation believes, however, that there is an obligation on the part of the farmer to cooperate with the Government in helping to make these programs sound and workable and without unnecessary cost to the taxpayer and the Federal Treasury. Our resolution on the farm program also says:

We recognize, however, that in some cases the support-price program will necessarily need to be contingent upon compliance with production quotas, or other mechanism, to prevent excessive production to the end that unnecessary costs be avoided.

The purpose of the price-support program is to place a floor under the price of agricultural commodities by assuring farmers a minimum price. This program has been vital in obtaining the expanded production of agricultural commodities needed to meet the requirements of the war emergency. The continuation of the Commodity Credit Corporation is equally vital to enable stabilization of prices during the postwar period to aid farmers in reconverting from a wartime to a peacetime production.

Whenever surpluses approach unmanageable proportions, it is imperative that farmers have necessary machinery to control and adjust these supplies to total demands of markets so as to prevent wrecking of farm prices, destruction of farm purchasing power, and the resulting unbalanced national economy. For this reason the American Farm Bureau Federation believes in the principles and objectives of soil conservation, acreage adjustments and marketing quotas when needed, commodity loans, and surplus disposal, as provided by basic agricultural legislation.

Under the commodity-export program of the Commodity Credit Corporation, the Corporation exports or causes to be exported, agricultural commodities and products. The purpose of the program is to obtain foreign markets for agricultural commodities and products thereof produced in the United States and to aid in the disposal of surplus agricultural commodities.

While this authority of the Commodity Credit Corporation has not been largely used during recent years, it is, we feel, desirable that such authority not be curtailed because of unforeseeable contingencies which may arise in the future.

At this point, I wish to point out, for Members of Congress and the public the importance of understanding the difference between losses charged to the Commodity Credit Corporation which arise as an incidental result of price-supporting operations under the Bankhead Act and the Steagall Act, and consumer subsidies, which are outright gifts out of the Public Treasury to the consumer, and are made for the purpose of avoiding increased prices in the market place to the consumer.

The losses of the Commodity Credit Corporation resulting from true price-support operations are incidental losses incurred because of unforeseen surpluses of agricultural commodities which temporarily depress market prices below support prices. When such contingencies arise, the Commodity Credit Corporation steps into the market and purchases a part of the surpluses and removes them

from the market channels in order to make good on the price-supporting guaranties which Congress has assured farmers.

I have with me today the Report of Financial Conditions and Operations of the Commodity Credit Corporation as of November 30, 1946. It shows on schedule "1" that the cumulative loss on subsidy programs from October 17, 1933, through November 30, 1946, cost the Government \$2,145,646,930.67.

These charges against our Federal Treasury were not for the benefit of the farmer producer but for the benefit of the consumer, and were accumulated largely during recent years, when consumers generally were financially able to pay a price in the market place which would afford a fair return to farmer producers.

It seems to me to be grossly unfair to saddle the Department of Agriculture, the Commodity Credit Corporation, and farmers with a loss operation which is being conducted almost totally for the benefit of consumers. This has been a use of corporate authority and Federal funds never intended by Congress, as I see it, when the Corporation was established.

I have long advocated that steps be taken to remedy this situation. The Commodity Credit Corporation should be maintained as an agency of the farmers. If loss operations are to be continued for the benefit of consumers, the charges for such programs should not appear in the balance sheets of the Commodity Credit Corporation.

When Congress is called upon to appropriate large sums of money to continue the operations of the Corporation, there is little said in reports and discussions by way of explanation as to what the funds are needed for. The inference is always the same "just more money to meet the needs of the farm program."

As against this \$2,000,000,000 subsidy loss shown on schedule "1" of the Commodity Credit Corporation report, another figure is shown. This is a profit figure of \$131,911,541.96. This is a profit over the same period of time, October 17, 1933, through November 30, 1946, on the loan programs conducted for the benefit of farmers by the Corporation as a result of the mandate of certain of the basic agricultural laws to which I have already referred.

It is true the war period made possible to some extent the liquidation of certain Commodity Credit Corporation stock which resulted in a profit to the Corporation. Regardless, with high national income and with what we have learned on the basis of past experience on production controls, marketing quotas and other programs, there is reason to believe that in the future the farmer's production can be geared more nearly to actual consumption and export requirements.

Even had the loan program of the Corporation shown a loss during the years, I am strongly of the conviction that the stability which resulted in agriculture, and our national economy as a whole, would more than have warranted the loan and support operations conducted for the benefit of farmers. I am gratified, nevertheless, that these operations show a substantial profit over the years.

In conclusion, I would like to say that it is easily within the memory of each member of this committee when cotton was 5 cents, corn 20 cents, tobacco 10 cents, wheat 35 cents, and prices of other commodities correspondingly depressed. You can easily recall the loss of farms, homes, and the suffering which accompanied those disastrous days.

In my judgment, and in the judgment of many farmers, the Commodity Credit Corporation has been the outstanding vehicle by which greater stability has been brought to agriculture. We must not lose sight of the fact that in 1932, before the Commodity Credit Corporation was established, agricultural prices were at 55 percent of parity. The corn loans, the wheat loans, and the cotton loans—along with those on other commodities—were one of the major factors in bringing about some degree of recovery to agriculture during the 1930's. It might be well to review the fact that of the 6,000,000 farmers in the United States, about 1.6 million are producers of cotton; 1.4 million, producers of wheat; and over 4.5 million produce some corn.

Farmers are looking to some agency such as the Commodity Credit Corporation to play a leading role in any postwar agricultural program. Producers of these great basic crops, which include the majority of our farmers in the country, know the value of the loan and stabilization programs conducted by the Commodity Credit Corporation. Dairymen and other farmers may in the future also look to the Commodity Credit Corporation for assistance.

Naturally, farmers are worried concerning agricultural prices in the postwar period. They know that parity prices have been received in only 11 out of the last 37 years, and that most of these have been during war periods.

Farmers also know that agricultural production has been expanded by merely one-third during the war period. They are rightly worried about the ability of the domestic market to consume all that farmers can produce.

During the fiscal year ending June 30, 1946, about one-eighth of our food supply was exported through private channels, lend-lease, or for relief feeding by the military. During this period nearly 44 percent of our wheat, 37 percent of our rice, and 19 percent of our corn and corn products were shipped out of the country. Millions of bales of cotton have been shipped abroad. In the light of these facts, it is apparent that the Commodity Credit Corporation will be called upon to play a very important role in maintaining a prosperous agriculture, which is so vital to the economic well-being of our Nation.

The gains which have been made for the welfare of agriculture during the past decade must not be lost, and numbered among these gains is the Commodity Credit Corporation.

I strongly urge, in the interest of all agriculture, that at the proper time the corporate charter of the Corporation be renewed, and that now the amount of funds authorized to be expended be sufficient to carry out the several programs of the Corporation; and its capital, which has been impaired as a result of consumer subsidy operations, be restored. The need for this is not limited to the period of the next 2 years. It goes far beyond; and to discharge faithfully the obligations which our position of world leadership imposes, we must first of all put our own house in order.

The Corporation is basic to a sound agriculture, and is a step in carrying out the policy which has again and again been declared by Congress—that the price and income of farmers should be maintained on a basis of parity with industrial wages and industrial prices.

I thank you.

The CHAIRMAN. That is a good statement.

Senator THOMAS. Mr. Chairman, I would like to ask a few questions if I may.

The CHAIRMAN. Certainly.

Senator THOMAS. I believe you stated in your prepared statement that your organization represents 1,000,000 farm families.

Mr. O'NEAL. Yes, sir.

Senator THOMAS. In how many States are they located?

Mr. O'NEAL. Forty-five.

Senator THOMAS. That number must represent, then, a rather accurate cross section of the agricultural population of the United States.

Mr. O'NEAL. I think so, Senator. In some areas the membership of the organization, the heavy membership, is in the heavy agricultural producing areas of the United States as a whole. That is the whole Mississippi Valley, starting with the Canadian line and going through the Corn Belt and Wheat Belt and Cotton Belt, and the other areas.

In the extreme west, California, or in New York and New England, too. Of course, that is where most of the farmers are, in that area.

Senator THOMAS. My State of Oklahoma is primarily a farm State. While we have many other things there, some are temporary, like lead and zinc, and oil and gas probably will go out in time. That will leave the land as the real basis for the support of the people of my State.

In my State the Farmers Union is a strong organization, but the Grange and the Farm Bureau are substantial organizations and they cover that State fairly well. So, I take it that even in my State your organization would be representative.

Is there any doubt in your mind that your organization favors a permanent price support program?

Mr. O'NEAL. There is some question. We have always been for it, Senator, but this question has been asked several times. We asked for the continuation, of course, of the 90 and 92 percent during the war period. But we do think that the question ought to be studied very, very carefully.

It has so many intricacies that were shown so masterfully by Mr. Dodd, yesterday, so many major factors, at what level you should have the support.

Senator THOMAS. That is a detail for the time being. My question was whether or not your organization is in favor of a permanent supporting price program for farm products.

Mr. O'NEAL. I think so. I do not think there is any question about that. But what level.

Senator THOMAS. That is a detail.

Is there any other way to support farm prices save through a certain percent of parity prices, in your opinion?

Mr. O'NEAL. That is the soundest way. I think the American farmer today is challenging any group in America. As I have told Phil Murray, and told Bill Green, and told General Motors and everybody else, we have to have a parity of income through all groups in the United States, and the farmer is the fellow who has put the golden sign up there how to do it.

I was very much amused the other day to see how some of the old workers in Indiana adopted a parity wage. A lot of people do not

understand parity. You two gentlemen worked it out back there. It needs some adjustment, we all realize. But that is a fair exchange value.

The CHAIRMAN. Is it not a fact that agriculture is more effectively organized today than it has ever been?

Mr. O'NEAL. Yes, sir. Yes, indeed, in my lifetime and yours.

Senator THOMAS. If we prepared to preserve and make permanent the Government support-price system, and do that on a parity basis, then do you not agree that it is all-important that that parity formula should be fair and just and equitable to all people concerned?

Mr. O'NEAL. Assuredly. We had a comparable price. I think the Secretary has, under the law, established comparable prices. You have the problem right now: prices of dairy commodities, prices from others, facing us.

I think that they should do that. I think that can be done. I think we have adjustments. You know the mechanism and different changes in the situation.

My organization is a fundamental believer in the sound basic philosophy of parity formula.

Senator THOMAS. Based upon those two positive statements let me take up a third.

If we agreed to support the prices and then if we agreed to support them on a certain percent of parity, not going into the parity formula at this time and not going to the percent of parity, we must have some agency that is equipped with funds at all times to make these support prices positive.

Mr. O'NEAL. Yes, sir.

Senator THOMAS. Which means to make loans.

Mr. O'NEAL. Yes, sir.

Senator THOMAS. We have agreed for the present that the Commodity Credit Corporation is serving that purpose fairly well.

Mr. O'NEAL. Yes, sir.

Senator THOMAS. Now, my main question.

If this program is to be made permanent, why not make the Commodity Credit Corporation a permanent governmental agency, in place of extending it for a few months or a few years?

Mr. O'NEAL. We agree to that.

Senator THOMAS. I so understood your statement.

Mr. O'NEAL. Yes, sir.

Senator THOMAS. I have here before me a chart showing the reorganization of the Agricultural Department. It was testified here a day or two ago that the Commodity Credit Corporation in the past 5 years have handled over \$30,000,000,000 in money. That is an average of more than \$6,000,000,000 a year.

So far as I know, next to the International Fund and the bank, that is the largest financial organization in the world.

I would like you to look at that chart and tell me where the Commodity Credit Corporation is mentioned. I cannot find it, myself.

Mr. O'NEAL. I would say this, Senator, the farm organizations and a group met with the Department of Agriculture. We discussed this whole reorganization set-up. We had a very fine reception and fine discussion.

Clifford Hope was there, and John Flanagan, Dirksen, Cannon, but none of you Senators were there, although they said you were

invited. We all emphasized with the Secretary that that ought to be a measured activity of the Department of Agriculture. As Mr. Dodd said, he is chairman of it, but he ought to be right at the top in the administration.

I am trying to find the note that I wrote him. It is a very vital thing.

Senator THOMAS. Is that of sufficient importance to the Department of Agriculture to set it out in bold figures? I cannot find it. It must be somewhere in that chart, but I cannot find it.

Mr. O'NEAL. We gave him a chart of our recommendations and had right at the top the Commodity Credit Corporation. I think he calls it the Commodity Exchange.

Senator THOMAS. That is the authority that is supposed to supervise the exchange.

Mr. O'NEAL. It is way over here, a system of administration for Commodity Credit Corporation operations. I am like you.

Senator THOMAS. It is marked "Assistant Administrator for Commodity Credit Corporation Operations."

That puts it down about fifth or sixth place in importance, if that is what it is.

Mr. O'NEAL. Yes.

Senator THOMAS. I am not satisfied with that indefinite designation. It occurs to me that this ought to be made permanent and should be made prominent.

Mr. O'NEAL. Surely. Just like the BAE, like the experiment stations, Extension Services, agencies of AAA, and things of that sort, they ought to be up at the top, it should be very clear, so that you could put your finger on them.

The CHAIRMAN. Do you want this printed in the record?

Mr. O'NEAL. Yes, sir. I would like to do it. Here is a recommendation that I presented to the Secretary. I would like to read it here, right along that line:

After the meeting in your office with you, your staff, representatives of Congress, farm organizations, and a group of State PMA directors, where there was full discussion of the reorganization of certain agencies of the Department of Agriculture, our special committee representing the American Farm Bureau Federation made a report to our Board of Directors in session in Washington. Our board, after careful consideration, adopted unanimously the following resolution:

"(1) We wish to express our appreciation to the Secretary of Agriculture for counseling with us on this matter.

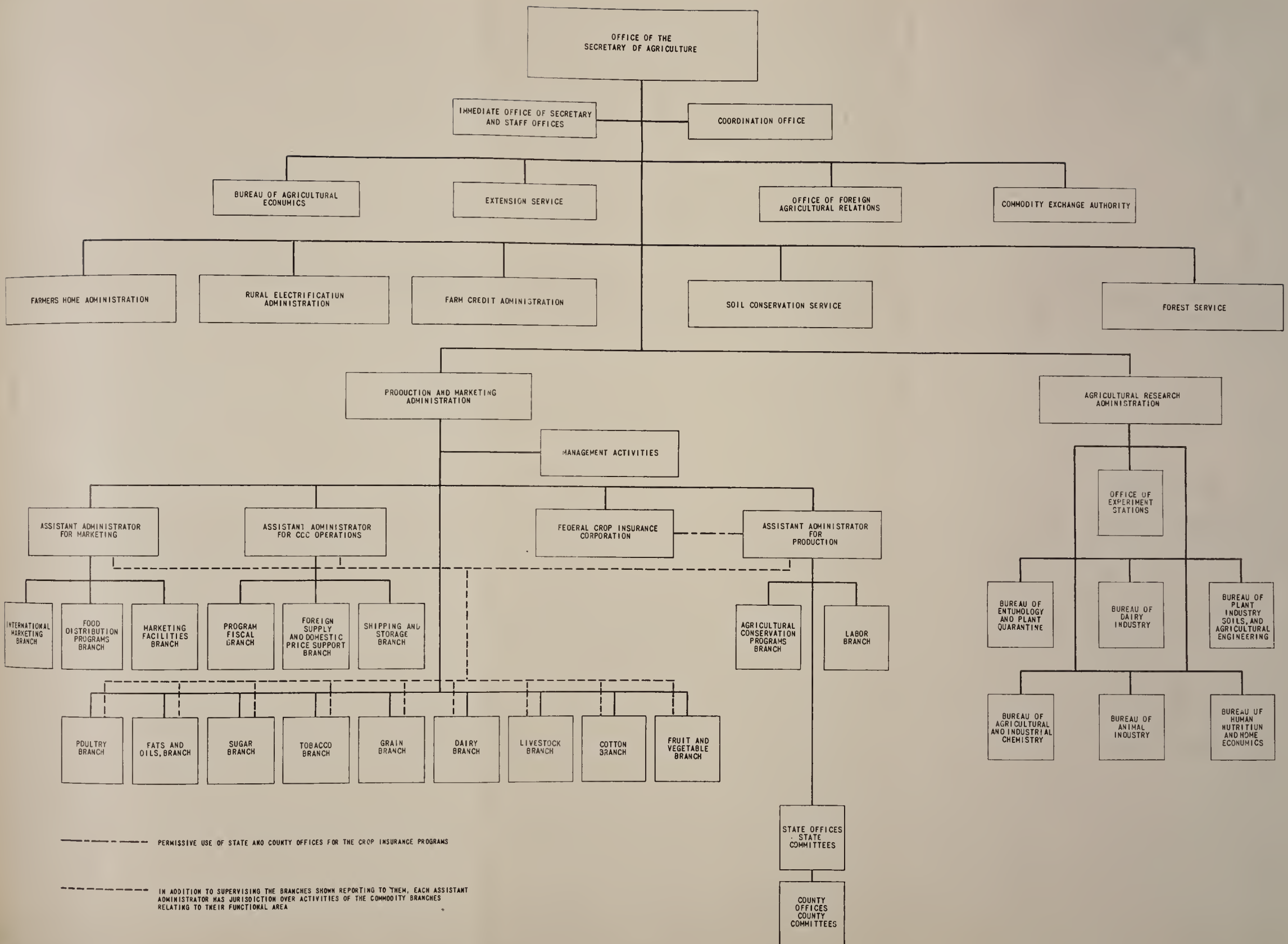
"(2) We also wish to express our wholehearted support to the Secretary in the effort to make real economies in the Department of Agriculture which will provide for more efficient administration.

"(3) We restate our support of a unified administration of the Soil Conservation and Domestic Allotment Act of 1936, as amended, and the AAA of 1938, as amended, and we are pleased with the Secretary's assurance that this will be carried out in his reorganization.

"(4) We believe the Commodity Credit Corporation should be maintained as a separate unit with the responsibilities for financing the agricultural-stabilization programs.

"(5) We are gratified that most of the research agencies of the Department are to be placed under the direction of a single administrator and that the research work of the BAE is to be correlated with research under the Agricultural Research Administration. However, we feel that further study should be given to the advisability of making the BAE a part of the Agricultural Research Administration."

We are ready to continuously confer with and assist the Secretary in preparing policies and programs to bring about more efficient administration.



----- PERMISSIVE USE OF STATE AND COUNTY OFFICES FOR THE CROP INSURANCE PROGRAMS

----- IN ADDITION TO SUPERVISING THE BRANCHES SHOWN REPORTING TO THEM, EACH ASSISTANT ADMINISTRATOR HAS JURISDICTION OVER ACTIVITIES OF THE COMMODITY BRANCHES RELATING TO THEIR FUNCTIONAL AREA

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We feel that it is so important, this agency is so important that it should be very strongly set up. This chart is the Secretary's chart, you know.

Senator THOMAS. Yes, I so understood it. I sent down for a copy of the chart and it was sent to me. In glancing through it, not too thoroughly, I failed to find what I conceived to be the designation of this all-important activity.

If that is the place where it comes, it is down in about the fifth in importance. I think it should be made very important.

Mr. O'NEAL. It should be right on the top line.

Senator THOMAS. I suggest, Mr. Chairman, that this chart be printed just after Mr. O'Neal's letter, where he recommended something along this line, printed in the record.

The CHAIRMAN. There is no objection to that. It will be done.

(The chart referred to above faces p. 74.)

Senator KEM. Has the Senator from Oklahoma finished his line of inquiry?

Senator THOMAS. Yes.

Senator KEM. Mr. O'Neal, do you consider the limitation of production as the essential and integral part of the support prices?

Mr. O'NEAL. I would say, representing the producer, the biggest surplus crop cotton, that it worked.

I remember Senator Bankhead always argued on that.

Senator KEM. I did not ask if it worked successfully. Do you consider it an essential part of the plan?

Mr. O'NEAL. Yes, I do, as I tried to bring out in the statement. I do think, more important that that, is to develop a program that we can export our commodities on a fair basis.

Senator KEM. You do consider it an essential part of the plan?

Mr. O'NEAL. Yes; an essential part.

Senator KEM. You have had wide experience and wide opportunities for observation. Do you consider limitation of acreage as a successful device for controlling production?

Mr. O'NEAL. It has in some instances. No question about that. The greatest result in a way has been its lightening of the burden on the farmer, because he could improve what he took out.

I can remember when cotton was a nickel, and to get a dime we had to raise two bales instead of one.

Senator KEM. Are you recommending limitation of production to us as a successful and proper and efficient device for controlling production for the future?

Mr. O'NEAL. It is part of it. I think it is part of it. My home was in Alabama, as a cotton farmer. But I lived in the Midwest for 20 years. It is perfectly astounding to see how the most efficient producers of any commodities anywhere on earth, the corn farmers and the wheat farmers in the west, how they believe in it. They really do, ultimately believe in it.

They do want the foreign outlet; they want to get rid of it; they want full production. At the same time they just say if it is needed we will do this.

Senator KEM. I am not so much interested in your view as to whether the notion is popularly held, but whether in your judgment it is sound.

Mr. O'NEAL. Yes; I think it is. I think it is all right.

Senator KEM. Do you consider that our interest, and if I may say so, beneficence in this matter, should extend to foreign producers, for instance, the Australian wool grower and the Brazilian and Egyptian cotton grower?

Mr. O'NEAL. I think that our position has always been this, to protect the American producer.

Senator KEM. You are interested only in the American producer. You are not interested in a world wide program of betterment at the expense of the American Treasury.

Mr. O'NEAL. No. I think this: The record shows this, and I want to make myself clear, that never in the history of civilization has a nation practiced Christian philosophy as we have in America.

Now then, we say all right, as indicated by the fact that all the farm organizations have joined with farmers in other parts of the nations of the world to set up an international organization of farmers. I could not go; Mr. Graz went, and Mr. Kline, the vice president of the Farm Bureau. They met with these boys, the farmers from Australia and India and everywhere else; they want stabilized prices.

Senator KEM. You would not favor doing it at the expense of the American Treasury, would you?

Mr. O'NEAL. I think charity begins at home.

Senator KEM. Assuming that limitation of acreage in America results in extension of acreage in foreign countries, take cotton, for instance, that when the American producer limits his acreage the Brazilian producer seizes upon the opportunities to extend his.

Would you say that it is sound for us to continue on a program which results in holding the umbrella over the foreign producer at the expense of our own taxpayers?

Mr. O'NEAL. No, sir. Just to illustrate your point, I just sent a brief yesterday on international trade agreements. There is a great desire of these producing nations that we do get together as producers. In other words, we try to stabilize the minimum and maximum prices. We do differ with the State Department, as you gentlemen know we have at times in the past.

We say we are going to have quotas. I think frankly, as shown by the chart on wool, it should be import quotas on wool. The State Department does not agree with that, as I understand it.

Senator KEM. Your view is if we continue as a permanent part of our economy a program for the support of prices of American agricultural products, that we should attempt in some manner to restrict the benefit of that support to the American producers?

Mr. O'NEAL. Of course, primarily that is what it is intended for. We have section 32 in there, and we have taken out of the tariff money say for cotton, 25 percent of section 32 money for export subsidy. We are using an export subsidy.

Senator KEM. You are a cotton producer.

Mr. O'NEAL. Yes.

Senator KEM. Are you taking the long-range viewpoint, are you satisfied with the working of this program with reference to that commodity?

Mr. O'NEAL. It certainly worked awfully well.

Senator KEM. To date. I asked you from the long range viewpoint.

Mr. O'NEAL. In the long range, there have to be a lot of adjustments made, of course; you have to realize that.

Senator KEM. That is what I want to get at. What sort of a device would you have in mind for making this adjustment with reference to the retaining of the benefit for the American producer?

Mr. O'NEAL. This whole program, as I read at great length here, these various laws, are a piece of machinery that—

Senator KEM. I did not detect anything in there that was designed to prevent the umbrella being held over the foreign producer as a result of our own operations here. I did not see where you directed your attention to that problem.

Mr. O'NEAL. It is. That holds the umbrella over him. There is no question about that.

Senator KEM. Have you directed your attention to that particular phase of the problem?

Mr. O'NEAL. That is part of it. A lot of people go without socks, but you are supposed to put drawers on, put a coat on, socks and shoes.

It is all part of a big garment of the farmers. It is part of all of it. We know perfectly well that we have to export cotton. I saw them shoveling wheat, to burn wheat, in the State of Kansas. I saw it. Wheat was cheap.

We know we have to have a balanced economy as far as we can in this country on a high standard. We know perfectly well we have to export.

In exporting we want to, by international trade agreements to try to get together with the people and trade on a stabilized basis.

Senator KEM. From a long-range standpoint are you disturbed by the reports of the great extension in production of cotton in Brazil and Egypt and in other parts of the world?

Mr. O'NEAL. As I said, and I will say again, if we have these agreements.

To illustrate your point, I testified on section 22. The Congress, my distinguished associates here, passed a bill. I recall distinctly, and I think Senator Thomas was there, when we had a quote on Indian cotton. If you read the law, that section, the President put that quota on, and so many bales of cotton were brought in specifically for the purpose of making blankets.

It seemed that the cotton we produced did not make good blankets. We made the charges that under that law that it had been violated and there should be a quota put on Indian cotton. As I understand it has been done by order of the President.

Senator KEM. Have you any device or instrument to suggest to us the purpose of confining the benefit of the support price program to the American producers?

Mr. O'NEAL. It primarily does that now. The support price does that now.

Senator KEM. Not if we can judge from the reports of the great extension of production of cotton, for instance, in foreign countries. Are we not in effect holding the umbrella over those producers, and the Australian wool grower, and other producers all over the world?

Mr. O'NEAL. We can change that with the wool. I have a program here that I will read to you.

Senator KEM. What device have you in mind for that?

Mr. O'NEAL. Quotas.

Senator KEM. Importing quotas?

Mr. O'NEAL. Yes. Let us use up the wool.

Senator KEM. That is the only thing you have in mind?

Mr. O'NEAL. You have the support price in wool.

Senator KEM. But the only thing you have in mind for attacking this particular feature is the import quota?

Mr. O'NEAL. Import quota on wool, and export. Out of section 32 money, I have forgotten what the total amount is but that is tariff money, but you could export and subsidize export. That is what we have been doing, and that is what we believe in in our operations.

Senator KEM. Mr. O'Neal, you are in touch with members of your association throughout the United States. Is it your thought that they are entirely satisfied with the present workings of this plan and are recommending to us that it be adopted as is without important or substantial changes?

Mr. O'NEAL. It is fundamentally all right. It took us 20 years to get this. It took us a long time. It has faults. We pointed out things. But as a foundation for American agriculture we think it is very fine.

Senator KEM. The last election in the States in which your association has its greatest strength would indicate that the people of this country were not entirely satisfied with the way things were. Do you consider that any of that dissatisfaction was directed toward the agricultural program, agricultural conditions, or do you think it was based entirely on other factors and considerations?

Mr. O'NEAL. Other factors. I do not think there was much complaint of the agricultural program.

Senator KEM. It is significant that the States in which your organization has its largest membership were those in which the revolt apparently was the greatest and the most severe.

Mr. O'NEAL. That has always been. That is where Lincoln came from. That is where the heart of the Republican Party of the United States is. And I say, as a dyed-in-the-wool Democrat, I have never failed to get along with the Republicans.

Why? Because the chairman of the committee, the gentleman sitting on my left, before these committees of Congress, they are above party. They have always fought for principle. They are above party.

Senator KEM. We are dealing with a difficult and economic principle here which is above party. I did not mean to inject that into it.

What I meant to ask you was whether you thought the present plan meets with the hearty approval of your people.

Mr. O'NEAL. Yes; with some changes. They are terribly worried, and I am glad you brought that up. They do not want to see the slashing; they do not want to see agriculture slashed on these programs. It takes money to do it. I want to say frankly to you, whether you come from the deep South, the far West, or the East, I do not know of any farmer that does not really want the Commodity Credit Corporation.

I do not know of any of them. I do not know where they are. I have not seen any. It is a sound basis.

Senator KEM. But does he want it on the present basis or does he want some substantial changes made in the present plan?

Mr. O'NEAL. No. He likes it all right. But he wants it, as Senator Thomas said, as a major operation in the Department of Agriculture, guided right, to safeguard the program.

I might ask you, I know your city and State well: How about the RFC? Does the business want RFC?

Senator KEM. That is another day.

Mr. O'NEAL. I knew that would be your answer. I remember well, Senator, when we started this thing, at a great meeting in Illinois. I wish Senator Lucas was here.

We had Mr. Rainey, Speaker of the House, in his district and the Republican district right above him. Eight thousand farmers in the great city of Peoria down there, at Caterpillar Tractor warehouse. And what old Henry T. Rainey said at that time: He said, "I have been to the White House and I have seen J. P. Morgan and I have seen all the big financiers come in, and I am delighted, and we farmers had better go down there too, to get a little loan, to get a little stabilization."

Senator THOMAS. Mr. O'Neal, in peacetime the Commodity Credit Corporation is authorized to make loans at a certain percentage of parity. Then in the event the loans are not paid the procedure provides that the Commodity Credit Corporation shall take over the commodity and possess it.

Then, having acquired the title it is necessary for the Commodity Credit Corporation to dispose of that commodity to the best advantage of the Commodity Credit Corporation, which means to the public.

During wartime, because of conditions that were important, we gave the Commodity Credit Corporation the authority to grant subsidies. Then we gave them the authority to buy commodities for Federal agencies like the War Department, and UNRRA, and other relief organizations.

Now, we are back in peacetime again. Do you believe the Commodity Credit Corporation should be authorized to continue as a buying and selling agency of the commodities on which they do not have loans, or of commodities that they have under their possession?

Mr. O'NEAL. I think that has worried farmers a lot, and commission men. I think that the Government should stay out of it as far as possible. But here is the bad part of the situation:

The English Government does it, the Russian Government does it. Every government everywhere else is doing the other thing.

Senator THOMAS. The Russian Government is purely a communistic government and the English Government is a socialistic government.

Mr. O'NEAL. Sure. I agree with you, that administrators of the Commodity Credit Corporation, a number of them, have been very fine. I have never heard many complaints about their cotton handling. I have about their wheat, as you know, some on that.

I believe we should have it as far as possible under the free enterprise system. But there are conditions under which you have to meet a situation.

For instance, with this international trade organization, if they have a wheat agreement, or if they have a program of FAO. I believe the United States should participate, but as you know, you have sat in so many of the conferences, we ourselves should say, "No over-all Government agency shall dictate to us, of all the governments." I know you agree with that philosophy.

I think the Commodity Credit Corporation should be very careful about stepping in there where private enterprise is good, where the commission men can handle it.

They work very well with some commodities, and in other commodities there has been some complaints. Of course, during the war period you know how strenuous it was. I am not familiar with that. I suppose they had to do it.

Senator THOMAS. In wartime we have to concentrate authority in the hands of a few, otherwise we could not do anything. But now we are entering a peacetime period and we want to make it permanent. I would not like to see any Government agency step out and replace private enterprise, and I am not going to support it if I know it.

Mr. O'NEAL. Properly administered, I do not see why any person should object, if it has been handled on a right basis.

I am certainly obliged to you, gentlemen.

The CHAIRMAN. We are very much obliged to you, Mr. O'Neal.

Senator KEM. I would like to say, Mr. O'Neal, that I would be glad to discuss the future of the RFC with you sometime. I think your ideas and mine would not be far different.

Mr. O'NEAL. That is fine. I just want the record to show that I could prove it. It might take a little while, that in America, agriculture is a barometer.

Senator KEM. You do not need to prove that to me.

Mr. O'NEAL. Otherwise, unless we do stabilize and get right, it will not make a bit of difference.

Senator THOMAS. Mr. O'Neal, do you not agree that there is a distinct trend and tendency for this Government to be more and more socialistic, which means more and more communistic?

Mr. O'NEAL. If you come to the committee when I go to the Labor Committee, you will hear a farmer's point of view as far as I am concerned. The crowd I represent, I think that is one thing we have to safeguard and watch out for. There is no question about it.

Senator THOMAS. There is a distinct trend in this country today to nationalize the production and distribution of electrical energy. Now, if that is carried forward very shortly the Federal Government will own and operate all of our electric facilities. That trend is very definite.

The Congress has not as yet passed judgment on that proposition. Now, if we have a Federal agency that is going in to buy and sell farm commodities, that is another trend toward, I might say, displacing private enterprise in the handling of our commodities, and putting it all in the hands of the Government.

We must, in my opinion, maintain as system, a basis for taxation, because we must have a large amount of taxes for a good many years to come to get us out of our present predicament, and if we do not preserve the basis of taxation we are going to have to add the price to the things that the Government deals in and set it up as a part of that price, to the Treasury, to pay the interest and pay the expenses of that Government.

There is a trend that I think should be met and dealt with.

Mr. O'NEAL. Yes, sir. I agree with you, Senator. There are a lot of things to do. We certainly have a responsibility to the world. We have to ourselves and to the world, because the world is looking to us, and I think we are going to have the brains to do it, to do these things.

Sometimes I get in an argument with some of the labor fellows, you know, about that, about the hourly wage and the price of farm com-

modities being too high. I had my economists work out a table, showing that if the farmer got the ordinary wages, if he had the average hourly wage of an industrial worker, \$1.14 an hour, his 16 hours of extra time at \$1.70 an hour, and 4 hours of other time; in other words, a 60-hour week, it would amount to \$82.

In 1946, if we had a parity wage for the farmer, the gross receipts of American agriculture would have doubled. If we were paid the wage that a man would work for in industry it would have doubled.

Farmers are not asking for that higher wage at all. But they are asking for parity, a fair exchange value.

Senator THOMAS. Do you agree that the national income is approximately seven times the total income of all the farmers, or reverse it, that the farmers had one-seventh of the national income? Is that according to your statistics?

Mr. O'NEAL. I think it is. I think probably it is up a little bit. It was about an eighth, something like that. I have not got the most recent figures on that.

Senator THOMAS. The next question is whether or not the national income is based upon the prosperity of the farmer, or the prosperity of the farmer is based upon the prosperity of all the other people. Farmers, of course, contend that all other industries and activities are based upon the degree of prosperity of the farmer because he is the most numerous class of our citizens.

Mr. O'NEAL. That is right. He furnishes the raw material for the inside and outside and all around. There is no question about that.

Senator THOMAS. I think those statements, generalities, you may call them, are pretty well established by statistics.

Mr. O'NEAL. Surely.

Senator KEM. Mr. O'Neal, summing up your testimony, as I understand it, on behalf of your organization you are merely asking the Eightieth Congress to carry on the agricultural policies of the Seventy-ninth and previous Congresses, without substantial change. Is that correct?

Mr. O'NEAL. That is right. The fundamental principles involved there.

Senator KEM. Without substantial change?

Mr. O'NEAL. Without any very great changes.

Senator KEM. Are there any changes that you want to bring to our attention?

Mr. O'NEAL. We are all discussing the Commodity Credit Corporation, the operations of the AAA, of the Soil Conservation, things like that.

Senator KEM. Those are changes more of detail.

Mr. O'NEAL. More of administration. Our position is that these agencies, a number of these big agencies, should be combined. We feel that.

Senator KEM. Those are matters of administration, but not of principle.

Mr. O'NEAL. The Senator asked me to put our recommendations down in the form of a law. Of course a lot of people are criticizing that we as a farm organization are saying this, that or anything about any agency. We help to establish all the agencies.

Senator KEM. You are not recommending that we attack the problem of the foreign umbrella? The effect of our support policies

on foreign production. You are not making any recommendation with respect to that problem?

Mr. O'NEIL. Except in international trade.

Senator KEM. By "except international trade" you mean participation in these conferences?

Mr. O'NEAL. No. I mean participation in trade agreements with other nations. I think that is the fundamental part of our program.

Senator KEM. You mean reciprocal trade agreements?

Mr. O'NEAL. Reciprocal trade agreements, and this ITO meeting. For instance, as an illustration, they are working on the wheat agreement. I have had a representative in the meetings, and I said, "What is your quota on wheat for export of wheat from America?" I think it was 80,000,000 bushels. I said, "Wait a minute. We have more wheat than we need to save our souls if we give it away. We cannot do it. We have to have a bigger quota than that."

I believe in a good trade.

Senator KEM. There are no legislative changes with respect to that that you are recommending, are there?

Mr. O'NEAL. As I understand it, there has been no compromise between the State Department and leaders in Congress, that no immediate change be made in the trade agreement.

Senator KEM. I failed to make myself clear. Are there any legislative changes that you are recommending with reference to that situation?

Mr. O'NEAL. I do not think so, right now.

Senator KEM. So, summing it all up, you are asking us to continue the present policies without substantial change.

Mr. O'NEAL. Yes, sir.

Senator KEM. Thank you.

The CHAIRMAN. Thank you, Mr. O'Neal. You made a very interesting statement.

Mr. O'NEAL. I am very much obliged to you. Thank you, Mr. Chairman.

The CHAIRMAN. Now we would like to hear from Mr. Keltie, of the Boston Wool Trade Association.

STATEMENT OF RALPH J. KELTIE, DIRECTOR, BOSTON WOOL TRADE ASSOCIATION, BOSTON, MASS.

Mr. KELTIE. I wish to thank you and the committee for this hearing.

The CHAIRMAN. Is this the first time you have been before this committee?

Mr. KELTIE. Yes, sir. Last year we did have some wool legislation. I do not think it was before this committee.

I am here not to object to the extension of the Commodity Credit Corporation, but to suggest that in its renewal you arrange that its almost unlimited powers be, to some degree restricted. This state-chartered corporation is probably an essential instrument at present for the execution of your program of support for agricultural commodities. But in this extension of the Commodity Credit Corporation you are considering the redelegation in peacetimes, of more power to one corporation than to any regular executive department. The Congress is traditionally concerned about placing limitations on the powers of every administrative agency.

I am qualified to speak only of the powers of the Commodity Credit Corporation over wool. I have spent my whole lifetime in wool and am located in Boston rather than elsewhere only because two-thirds of all of the wool of the country is used up in that direction.

The CHAIRMAN. You mean used or marketed?

Mr. KELTIE. Consumed. The mills are up there.

You have to be near the mills to sell the wool. Through the broad powers given several years ago, powers under which any price can be paid for anything, the Commodity Credit Corporation continues to attempt to operate a wool business, which is a very complicated type of operation. We can all overlook, I think, any errors made in wartime, but when they continue into peacetime it is time to reconsider.

The CHAIRMAN. Will you tell in detail what trouble it is, and what they are doing?

Mr. KELTIE. Yes, sir. My next paragraph will have that statement.

The Commodity Credit Corporation rendered good service to the wool growers in buying all their production at 130 percent of parity during the war, but it has done them a disservice in failing to merchandise their wools since.

Right now the Commodity Credit Corporation continues paying the same war peak prices while there exists in the Commodity Credit Corporation warehouses scattered all over the country an accumulation of wool amounting to more than the production of an entire year—despite the biggest peacetime textile boom in history, which is now going on. We are now using more wool than we have ever used in our lives.

Some of this unsold wool is from the 1943 clip, more from the clips of 1944, 1945, 1946, with a new clip soon to be shorn. You have heard, or will hear, that this is the fault of a legal restriction that was written against selling below parity; but such restriction was not practically effective in wool except in the past 4 months, since last October.

The open market, the competitive price, was such between October 1945 and October 1946 that the parity barrier to selling was not operative.

In other words, the parity was down around 30 to 32 cents then, which was below the open market price. Since then the prices have gone up. Parity has gone up much more. Parity has gone up about 20 percent in the last year.

For more than a year after the war the Commodity Credit Corporation had everything in its favor and still failed to merchandise the growers' wools, with the result that wool which is a very small item compared with the other products supported by the Commodity Credit Corporation, has accumulated in the Government stock pile. Wool runs to about \$150,000,000. I imagine some of the other commodities run to \$1,000,000,000 a year.

This wool, however, being a small item, today comprises almost 50 percent of the total Commodity Credit Corporation inventory. In this regard I respectfully ask that this hearing be kept open until you have the report of the Comptroller General of his findings on these Commodity Credit Corporation matters. They must be very pertinent to this bill and should be worth waiting for. I have no idea what they might contain.

I believe any deep study by a student of the present wool situation is going to come out with a recommendation that the powers of the Commodity Credit Corporation be limited somewhat.

Senator KEM. Do you know when this report of the Comptroller General will be available?

Mr. KELTIE. I do not know, sir.

The CHAIRMAN. Your complaint is that the dealers up there are getting the worst of it. You are not complaining as to the producers.

Mr. KELTIE. No. What affects one affects the other. Because of this unsold wool it affects the dealers.

We normally make our living out of domestic wool, and it is not in commercial channels.

The CHAIRMAN. I do not believe we have had any complaint here from the producers.

Mr. KELTIE. I do not know. I think you may. Producers do not like to have their wool, or any of their commodities, stagnant in warehouses.

Senator THOMAS. You are familiar with the terms of the O'Mahoney bill that was considered last year, are you not?

Mr. KELTIE. Yes, sir.

Senator THOMAS. Was not that bill the result of a protest of the producers? Is that the way you would construe the terms of that bill, that the conditions were not satisfactory, they needed legislation, and the O'Mahoney bill was prepared in order to help and better the condition of the wool producers? Did you not construe that bill to be along that line?

Mr. KELTIE. Senator, I took it to mean that they were satisfied with that, with what they had, but they wanted it to be legally nailed down so that they would have it for 5 or 10 years ahead.

I have prepared a small amendment which I will give you, which provides that the Commodity Credit Corporation shall dispose of domestic wool stocks through regular merchandising channels at prices which will permit such wool to be sold in competition with imported wool.

The amendment is as follows:

After the enacting clause, strike all and insert the following:

"SEC. 2. (a) That the first sentence of subsection (a) of section 7 of the Act approved January 31, 1935 (49 Stat. 4), as amended, is amended by striking out 'June 30, 1947' and inserting in lieu thereof 'June 30, 1949': *Provided, however,* That the Commodity Credit Corporation shall not make loans on domestic wool during the period beginning April, 1 1947, and expiring on December 31, 1948, at a rate greater than 90 per centum of the parity price for wool, as presently computed as of the year in which the wool is produced: *And provided further,* That the Commodity Credit Corporation shall not purchase domestic wool during the period beginning April 1, 1947, and expiring December 31, 1948, at a price greater than 80 per centum of the parity price for wool as presently computed as of the year in which the wool is produced.

(b) The provisions of the Byrd-Butler Act approved December 6, 1945 (59 Stat. 597) shall not be applicable to the Commodity Credit Corporation prior to June 30, 1949".

The CHAIRMAN. Have you had competition from imported wool?

Mr. KELTIE. Roughly speaking, imported wool was cheaper. At the beginning of the war imported wool, you could say, roughly was 95 cents. Domestic wool was the same, about 95 cents.

The Government wanted to make an incentive for the wool growers to increase the clip for war purposes, so they upped their price to about \$1.20, clean.

Now, the foreign wool stayed where it was, and that "upping" price put domestic prices out of line with foreign wool and foreign wool was most heavily consumed during the war.

The CHAIRMAN. You are submitting this amendment?

Mr. KELTIE. Yes, sir.

The CHAIRMAN. What effect would that have as far as the producers are concerned?

Mr. KELTIE. It would be of great benefit to the producers because the wool would be sold, he would not lose anything, he already has his money in his pocket. The Government bought all this wool; they do not loan on it. The Government bought it outright, and the producer has his money in his pocket.

He has, you might say, \$1.20 in his pocket.

Uncle Sam will lose perhaps 15 percent. He may have to sell this wool at \$1.05, but it has to be sold sooner or later.

Is that clear?

The CHAIRMAN. I do not go along with you on all that. You are putting up a good case for the dealers, but I do not see where the producers will come in on this.

Mr. KELTIE. A fundamental error of the Commodity Credit Corporation has been in its method of support of prices to wool producers. It has insisted that it cannot, even though it may want to, support the producer of wool except by paying prices higher than market that put the wool merchants out of business, and taking over for itself the intricate functions of distribution that merchants have performed for generations.

The merchants are not opposed to reasonable support to producers; they sincerely want the producers to prosper. For over 100 years the growers and the wool merchants have worked together. But the merchants know that there are many ways by which the Commodity Credit Corporation can support the producers through cooperation with the merchants rather than elimination of the merchant.

There is a point about foreign wool that needs clarification. Foreign wool pays a duty of 34 cents a pound, clean, which in normal times—and normal is the period 1921 and 1940, the period between the two wars, a 20-year period—which in normal years amounts to a 50-percent protection for the producers. It is a 50-percent duty, in substance, even though it is 34 cents, that means that these prices, rather technical, are about 15 cents, and the average price during that 20-year period that the producers received was 27 cents.

Please let us not say, therefore, that domestic wool is completely at the mercy of foreign wool.

Also, please let us not say that there is a British foreign wool monopoly because there just is not such an animal in a practical sense.

I can enlarge on that, if you desire. But it is a rather complicated explanation.

The CHAIRMAN. Have you had much complaint from producers along that line?

Mr. KELTIE. Indeed; naturally there was a British monopoly which conspired to stop or keep their wool out of the market.

The merchants of wool have not done badly for the wool producers in the past. The records of the Department of Agriculture show that during the 20 years of peace, 1921 to 1940, the period between the wars when private enterprise merchants handled the business of wool distribution, during this long 20-year period the producers of wool

received 96 percent of parity. That is the agricultural report of prices received by wool producers averaged for the 20 years.

They received 96 percent of parity, while the producers of all the other agricultural commodities of the country, including wheat, corn, cotton, dairy products and everything else, averaged together, received only 80 percent of parity in that same 20-year period.

These wool merchants have not only served their producers better, according to the price records, but there is another point of equal importance: When these competitive wool merchants had the job to do, they kept foreign wool out of our market until it was really needed. Domestic producers then had the first call on our home market.

This is in happy contrast with conditions of today under the Commodity Credit Corporation control, where 3 out of every 4 pounds of wool being consumed are foreign wool.

The period between the wars, when we merchants operated, it was 1 out of 4 pounds of foreign wool used, and 3 out of 4 were domestic.

The CHAIRMAN. How do you account for that?

Mr. KELTIE. As a merchant I took everything on the realistic basis of, you might say, tariffs, prices, and everything else. As merchants we went out and we persuaded the farmers to sell the wool at a price by which we could undersell foreign producers after the foreign producer had paid his 34 cents duty. In that period it was not bad for the producer. As I say, there was 96 percent of parity received by the producer, in contrast to 80 percent of the other producers.

I submit that if peacetime records mean anything they mean that the Commodity Credit Corporation should now be instructed to turn the handling of wool back to the traditional and successful hands of free enterprise.

If private enterprise falls down during some future depression let the Government stand behind the producers with a price floor, but in the meantime let us give the merchants a chance to serve the industry as they have in the past.

Toward this end I have a second amendment to submit. It is that the Commodity Credit Corporation be limited in its broad power over wool, to 90 percent of parity when making its non-recourse loans, and, if it decides to start a broad program of purchasing, to limit purchases to 80 percent of parity.

The thought there is that loans as a generality keep the business in the hands of free enterprise. But when the government steps in with a broad purchase program it just monopolizes all the supplies, and as we have seen, the government is not a skilled merchant and does not sell the merchandise. It stores it in warehouses.

The CHAIRMAN. Is it not a fact that the production of wool has been very heavy for about as long as we ever had, and the price was very good? Is not the wool industry from the standpoint of producers in pretty good condition?

Mr. KELTIE. Mr. Chairman, I agree with you that I think the wool industry, from the standpoint of the producers, is in a pretty good condition. But as to your second remark there, about production, production in wool declined. Production of wool is only about 75 or 80 percent of what it was in 1941.

The CHAIRMAN. That is what you were referring to?

Mr. KELTIE. The total pounds produced, that is, 1946 versus 1941.

It is a very curious thing because wool is the most contrary commodity to study. Wool does not respond to price.

I will submit some charts to you, sir, when I leave. But you will see, just those controversies, when prices go up, production goes down. When prices go up, production does not respond, and vice versa. They just go contrary.

The CHAIRMAN. That is no different from any other agriculture commodity.

Senator KEM. What do you mean, Mr. Keltie, that there is a lag there? That it is slow in responding?

Mr. KELTIE. No, Senator; it is just funny.

Senator KEM. That would be funny.

Do you mean if producers find they are getting more money for wool and it becomes very profitable to produce it that they will not produce?

Mr. KELTIE. Yes. Believe it or not. But if you will consider that wool is a byproduct, it is a sheep operation, it is not a wool operation that a producer runs.

The CHAIRMAN. It has to start with sheep.

Mr. KELTIE. He makes the money on the lambs if he does not on the wool, or vice versa.

He produces, for every 100 pounds, about 88 pounds meat and 12 pounds wool. His problem as regards that is dictated more by his meat than his wool. Two-thirds of his income comes from meat.

Senator KEM. The price of meat is not tied in to the price of wool.

Mr. KELTIE. No.

Senator KEM. Then if the price of meat and the price of wool both go up, then he will increase his production.

Mr. KELTIE. I would think so.

Senator KEM: Then what you mean to say is that in times past, when wool had gone up, meat had gone down.

Mr. KELTIE. I do not know.

STATEMENT OF MALCOLM GREEN, NATIONAL WOOL TRADE ASSOCIATION, BOSTON, MASS.

Mr. GREEN. May I answer that a little bit?

You have a condition today, where the sheep numbers are decreasing, prices are high, and a great many men on the range are selling the lambs because lambs are bringing a very high price today.

Now, as long as they sell lambs you are not going to increase flocks. You have a price situation there that is not an incentive to increase in flocks because the grower is taking advantage of a very high lamb and meat market.

Mr. KELTIE. In the years 1926 to 1931 prices declined about 50 percent. In that same period of years production increased 50 percent.

The CHAIRMAN. What period?

Mr. KELTIE. 1926 to 1931.

The CHAIRMAN. Do you have something later than that?

Mr. KELTIE. Yes. In the following period, up to the war, 1930 to 1941, prices rose 100 percent. Production stayed practically unchanged.

During the war prices were stabilized, but production has declined about 20 percent. It just does not seem to go together.

The CHAIRMAN. Just how do you propose to better this situation? We are interested particularly in the farmer. We do not have anything against you people, but we would like to know of a program that will bring better results for the farmer.

Mr. KELTIE. Yes.

The CHAIRMAN. I cannot see much in your argument here that would be helpful to the farmers.

Mr. KELTIE. May I try to put it this way: We believe that under free enterprise, with free competitive merchants, doing the merchandising, buying the farmers' wool, the farmer will get more money and will not have all the headaches of loans and purchases and paper work, and Government operation of the business.

The CHAIRMAN. I do not understand that. The farmers promoted that program.

Mr. KELTIE. They have something very good right now, sir, and they want to hold on to it.

They have been getting for 4 years 130 percent of parity. Right now they are getting about 105 percent of parity.

I will say that no merchant, no free enterprise, can serve the farmer as well as that. But I presume that is not going to be continued.

The question is, instead of 130, or 105 percent support for the farmer, shall it be 90 percent, or 80 percent?

With that in view I have drawn up another amendment.

I cannot believe that this 90 percent is going to be displeasing to the wool producers after they have thought this problem out realistically.

The CHAIRMAN. You say 90 percent. What is that 90 percent?

Mr. KELTIE. Ninety percent is the basis on which I suggest that an amendment be made to the Commodity Credit Corporation bill.

The CHAIRMAN. Ninety percent of what?

Mr. KELTIE. Ninety percent of parity.

The Government just cannot afford to keep on supporting wool prices at over 100 percent as it has been doing for the past 4 years. I think we will all agree that it is better for the country as a whole that the support level be less than 100 percent of parity.

The CHAIRMAN. There would not be much for the producer on that program.

Mr. KELTIE. No. If I were a producer I would like more than 100 percent, if someone would give it to me. But at the same time, free enterprise cannot operate under such conditions.

The CHAIRMAN. It looks to me as if free enterprise were working pretty well right now as far as the producer was concerned.

Mr. KELTIE. Yes, sir; the free-enterprise producer will be all right. But the free-enterprise merchant, and going right into the free-enterprise manufacturer, as wool goes down the line, when its source is blocked and not free enterprise is when it is held by the Government.

In summary, my first point is that there is no immediate need at this time for the unrestricted delegation of congressional power to any agency such as this bill proposes. Therefore, some restriction is in order.

Secondly, an acute and urgent situation exists in wool. Therefore, I ask you to consider carefully and favorably the amendments which I have to submit.

If the committee should adopt the amendments, I believe that they will return the wool business to free enterprise and at the same time protect the grower.

With a nonrecourse loan of 90 percent of parity available to the grower, and with a market for wool such as we have in this country, the merchant, with his technical skill and marketing experience, can give a price to the grower better than 90 percent of parity.

In closing I would repeat what I said earlier with respect to the service which the merchant has rendered to the grower: In the period between 1921 and 1940, between the two great World Wars, the wool producers received from the wool merchant 96 percent of parity for his wool, whereas the producers of all other commodities of the country averaged approximately only 80 percent of parity.

If there are any questions I would be glad to answer them.

Senator THOMAS. I would like to have you make a statement with respect to the amount of wool we consume in this country, and the amount of wool we produce in this country, in order to get the percentage of wool produced used by domestic mills.

Mr. KELTIE. Would I speak, Senator, of normal times?

Senator THOMAS. Yes. I do not think extraordinary times like wartimes ought to be used as a base. I think we should take over a number of years.

Mr. KELTIE. The average consumption for the 20-year period, 1921 to 1940, was 557,000,000 pounds.

The average production of domestic wool, what our domestic producers turned out, was 412,000,000 pounds.

Senator THOMAS. That shows we consumed more wool during the last few years than we produced.

Mr. KELTIE. We normally consume a third more than we produce.

Senator THOMAS. With that condition, should it be difficult to organize this wool industry on a basis that would secure the producer a fair price? It seems to me that it should not be, when we do not have enough to supply our own needs.

Mr. KELTIE. It should not be difficult. We have our 34-cent tariff. We think, quickly, that that has been the instrument for that purpose.

Senator THOMAS. Do you advocate raising the tariff?

Mr. GREEN. It would solve all the problems, Senator.

Mr. KELTIE. I think every student of this whole situation, which is very difficult and muddled, has come out with the answer that a higher tariff would solve all the problems.

Senator THOMAS. Have you been before the Department that is negotiating our trade agreements on this issue?

Mr. KELTIE. Yes, sir; I have.

Senator THOMAS. What attitude did that Department assume?

Mr. KELTIE. They merely took our testimony and we went away with the impression that the tariff would certainly not be increased. But we felt it probably would not be lowered, also.

Senator THOMAS. And that is the status today, as you understand it?

Mr. KELTIE. Yes, Senator.

Senator THOMAS. To retain the present tariff schedule; do you think that is not satisfactory?

Mr. KELTIE. The difficulty from our point of view for answering the question is that it is satisfactory to us. We are in between the

manufacturer and the grower. We serve them both. The manufacturer wants to sell his cloth competitively and so the public can use it. The grower wants to produce at a profit.

We do not know where the line should be drawn.

Senator THOMAS. To what extent do American mills export their commodities?

Mr. KELTIE. Hardly at all, sir. It does not exist. They cannot compete with the costs elsewhere.

Senator THOMAS. Does that mean that foreign mills are finding America an attractive market for their products? Are the imports of woolen cloth heavy?

Mr. KELTIE. They have never been as much as one-third of our consumption.

Senator THOMAS. It does not seem to me there should be much of a problem with the wool matter, with those conditions confronting us.

Mr. KELTIE. I agree. And I believe that with the cooperation of the merchants and the growers something can and should be worked out without putting the merchants out of business, without having the Government nationalize to perpetuate this Government handling of wool.

The CHAIRMAN. Can the agreement help in any way to increase the price that the producer would receive? I do not see how he would benefit by your suggestion.

Senator THOMAS. If the tariff were to be raised then the producer would be benefited; but as to that, it would be at the expense of the consumers of the country, as I look at it.

Mr. GREEN. The expense would not be very great, though, Senator.

Senator THOMAS. How many people are engaged in the merchandising of wool?

Mr. GREEN. Dealers and employees and all?

Senator THOMAS. Yes.

Mr. GREEN. Without taking in mills, you mean? Just the commission men and dealers?

Senator THOMAS. I think that is the point at issue now.

Mr. GREEN. Probably 5,000 to 7,000.

The CHAIRMAN. How long has this condition existed? How long have you been up against that?

Mr. GREEN. You mean the producers feeling that way?

The CHAIRMAN. How long have you felt that you were not getting a fair deal?

Mr. KELTIE. I might say that we merchants have no complaint. The Government took over our functions in 1943, at the height of the war. We did our best to cooperate. Fine. We thought they would return the business back to us at the end of the war. So you might say that the period of our complaint, so to speak, dates from the end of the war to now.

We are wondering when, if ever, we will get our business back again.

Senator THOMAS. Does your industry—I will call it such—feel that the Government is nationalizing the wool industry?

Mr. KELTIE. Yes, sir; the raw wool distribution industry.

Mr. GREEN. Definitely.

Senator THOMAS. If the Government should buy all the wool and sell the wool, that would be a nationalization of the wool industry.

Mr. GREEN. That is exactly what they are doing today, Senator. That is exactly what they are doing today.

Senator THOMAS. I understand you are here to protest against the continuation of that system.

Mr. GREEN. Yes, sir.

Mr. KELTIE. Mr. Green represents the National Wool Merchants Association, and I represent the Boston Association.

Mr. GREEN. Senator Capper, could I go back to a question that you asked a few minutes ago?

The CHAIRMAN. Go ahead.

Mr. GREEN. About why there is only 1 pound of domestic wool being used today and 3 pounds of foreign wool.

The reason is that since 1943 and the Government has purchased all this wool, they put an artificial selling price on it that would not sell the wool in competition with foreign wools, and it has been only very recently that they have got that where it was competitive.

During the war let them hold the wool. Nobody complained about that. But since August 1945, when the Japanese fell, the Commodity Credit Corporation did nothing about repricing their wool competitively until November. During this period we are consuming a billion pounds of wool a year, and none of it is domestic wool.

In November they put through a reduction in price that was not competitive. It was a reduction, but it was still not competitive. They sold no wool.

In the following February they put through another reduction to try to get it closer to competition. They sold a little wool.

Throughout this time they never at any time consulted with the Boston or the national wool trades for getting any technical help on pricing their wool.

In July of 1946 they called us in. They got the word that the Commodity Credit Corporation—the people in the Commodity Credit Corporation said they have to get rid of wool.

They called us in, crying to get some help on prices. The dealers and the cooperatives sat down with them and we arranged a price schedule.

From August until October of last year they sold considerable wool because it was priced properly, as a merchant would price it. In October of 1946, parity and the cost of living started to interfere with them, and since that time they have not been able to sell wool because parity has gone up and you have a law that says they cannot sell at less than parity.

But they have had over a year of boom consumption, and they could have gotten rid of every pound of wool they owned if they had sold it competitively.

We say the inefficiency of any Government organization in merchandising—they just do not know how to do it. We are talking about wool, which is a very complex thing.

Senator THOMAS. Did I understand you to say that the mills were now consuming 1,000,000,000 pounds of wool per year?

Mr. GREEN. Yes, sir.

Senator THOMAS. Did I understand further that you say that this wool was all imported wool?

Mr. GREEN. Today 85 percent of it, Senator Thomas, is foreign wool.

Senator THOMAS. If this trend or practice is continued for another year, that will mean that we will increase our stocks in our warehouses comparably?

Mr. GREEN. If you renew the authority in this Commodity Credit Corporation program as pertaining to wool, and they do not price wool competitively and are held up by parity and cannot sell wool, the Government will own another wool clip that is nothing but in warehouses.

Senator THOMAS. Mr. Chairman, I suggest before the hearings conclude that we have the representatives of the Commodity Credit Corporation that are handling wool come before us and testify and give us their facts and their recommendations.

Senator KEM. Mr. Chairman, is there some organization of the wool growers, the producers, that could appear here and give us their views?

Senator THOMAS. Yes; Mr. Wilson is here.

The CHAIRMAN. We will have them, too.

Mr. GREEN. Senator Thomas, I thought it was very unusual when Mr. Dodd threw up his hands the other day and said we would like to get rid of wool, as he did say. Everybody in his Department would like to get rid of wool. Why? Because they are not capable of merchandising wool.

Senator THOMAS. There seems to be an issue that we should look into.

Sometime before we conclude the hearings, we should have the Federal agencies come before us and explain their wool situation from their viewpoint, and get their recommendations, if they have any.

The CHAIRMAN. We ought to have the producers, too.

Senator THOMAS. I would like to hear from the producers, also. Mr. Wilson is here representing the wool growers, and perhaps others.

Mr. GREEN. I have a few questions here that I would like to submit to your committee that you might ask the Commodity Credit Corporation to supply you with the answers, as I think it would be very helpful in coming to your conclusions if you had the answers.

If I may pass this to the clerk to put into the record.

The CHAIRMAN. We would be glad to have it.

(The questions are as follows:)

1. What is total number of pounds purchased by CCC since April 1943?
2. What is total cost of this wool?
3. How many pounds sold to date?
4. On wools sold to date, how much money received?
5. On wools sold to date, how much money has been lost?
6. On wools of 1943 and 1944 clips which have been reappraised and sold, what is total amount of money lost on account of improper original appraisal?
7. How much is it costing CCC per month in carrying charges for wools still on hand?

The CHAIRMAN. Are you through?

Mr. KELTIE. I personally am through. I do not know about Mr. Green.

Mr. GREEN. Our big complaint is not in supporting the grower. It is in getting the Government out of business. They do not belong in merchandising being they do not know how to do it, and that is our gripe. We are for supporting the grower. Do not get us wrong on that. We have never been against that.

But to get on some proper basis where we can all live, the grower and ourselves and everybody else.

Mr. KELTIE. I have 14 pages of statistics here, which Senator Thomas asked about.

Senator THOMAS. I suggest that that be accepted and filed and made a part of the hearings.

The CHAIRMAN. It will be filed.

(The matter referred to is as follows:)

THE WOOL PROBLEM

THE DOMESTIC WOOL PROBLEM

Government war-born methods of purchase, storage, and resale of raw wool since 1943 have created the serious wool problems outlined below:

(a) Domestic wool has not flowed normally into consumption as in prewar times of competitive free enterprise but has been largely displaced by foreign wool. Thus one problem is: "How to get domestic wool into normal consumption?"

(b) Neither the Government nor the people want the Government to continue in the wool business. The second problem therefore is: "How can the domestic wool business be returned to the hands of the competitive free enterprise merchants?"

(c) The price level to producers of wool established by the Government, and maintained during the past 4 years, has been higher than the cost-of-comparable-foreign-wool-plus-the-34-cent tariff; but from a political viewpoint it cannot be lowered quickly. Hence the third problem: "How can the price support which the Government gave to the producers during the war, be adjusted downward to be in line with foreign wool plus tariff, or to provide a 'reasonable' degree of Government price support to the producer?"

(d) From a viewpoint of national security, the country is not raising enough wool to be self-sufficient for purposes of war; hence a fourth question: "How can the production of wool be increased to a point, say 500,000,000 pounds, or 40 percent increase, for wartime security purposes? Or, alternatively, can an equivalent strategic stock pile be maintained?"

The answers to these problems would be relatively easy if the considerations involved were entirely economic, but such is probably not the case; political considerations seem certain to enter into the solution.

This pamphlet is a presentation of many of the fundamental factors involved.

The period of most of these studies is 1921-40, a 20-year period of peace between the two wars, and used as the best available basis for future conditions.

WOOL GROWERS' DEMANDS

Question: Specifically, what are the officials of the growers demanding of the Congress as a solution to the wool problems?

Answer: (a) Establishment of a new parity at a level about 25 percent higher than existing parity and to be called thereafter a "comparable price." (O'Mahoney, Granger, Barrett.)

(b) Purchase (or nonrecourse loan) by the Government at not less than the peak wartime 1946 prices, of all wool to be produced during the years 1947-48-49. (O'Mahoney.)

(c) Purchase (or nonrecourse loan) of the 1950 production at not less than 94 percent of the peak wartime prices, and dropping possibly 6 percent each year thereafter until prices have dropped to 75 percent of comparable price, after which time the Government shall support wool prices to growers at 50 to 75 percent of the new "comparable price." (O'Mahoney.)

(d) Delegation to the Secretary of Agriculture of broad powers to control the marketing of wool by including wool in the Agricultural Marketing Act, for the purpose of securing such marketing conditions as will give the producers the full "comparable price" for wool. (O'Mahoney.)

(e) Authority for the Government to sell its holding of wool at prices below parity and competitively with the world market. (O'Mahoney, but agreeable to all parties.)

(f) An increase in the tariff.

(g) A strict quota control on foreign wool and wool products in addition to the existing tariff (Barrett), based on maintenance of prices at 90 percent of comparable.

(h) Purchase (or nonrecourse loan) for 2 years at 90 percent of "comparable price." (Granger.)

(i) A strategic stock pile of both foreign and domestic wool. (Barrett.)

(j) Direct support payments to growers, whenever United States of America average prices fall below the (Steagall) support level, as of January of the year of production. (Barrett.)

(k) Compulsory disclosure by mills and dealers of any wool information requested by Secretary of Agriculture (\$500—1 year). (Barrett.)

EFFECTS OF PROPOSED WOOL-GROWER LEGISLATION

Question: What effect would the proposed grower legislation have on the wool producers, the Public Treasury, and the existing wool-distribution industry?

Answer: It would of course benefit the wool producers financially by having the Government pay at least full war-peak prices for the next 3 years for all their production, and close to these prices for an additional 2 years. Meanwhile, through quotas and marketing controls, the manufacturing end of the industry would be denied free access to foreign wools and to the skilled services of private domestic wool merchants and be forced to buy direct from the Government (or agents) on its own terms. The skilled domestic and foreign wool merchants as a class would be "liquidated" except for those few of them who would care to become commission agents for the Government. The cost to the Public Treasury might not be much if the Government power were so complete as to enable it to fix selling prices as a supreme monopoly; but if the Government control were any thing less than absolute, then chaos would reign in an industry that was part controlled and part free, and losses to the Treasury would become staggering.

GOVERNMENT SUPPORT AT 90 PERCENT OF PARITY

Question. If Government supported domestic prices in normal times at 90 percent of parity, how often would the Government have to take title to the United States production?

Answer. Probably twice every decade—barring any repetition of the 1931–33 depression. If taking title by purchase or nonrecourse loan were temporary and were easily dropped upon recovery of the market, this might not be fatal to free enterprise; but once in possession, the Government seems to take years to liquidate its holdings or return them to free enterprise so that any degree of support that results in the Government taking title can be regarded as very injurious to a competitive enterprise economy.

	Wool price (per pound)	Wool parity price (per pound)	Percentage, actual price to parity price		Wool price (per pound)	Wool parity price (per pound)	Percentage, actual price to parity price
	<i>Cents</i>	<i>Cents</i>			<i>Cents</i>	<i>Cents</i>	
1921 ¹	17.3	30.2	57.3	1932 ¹	8.6	22.7	37.9
1922.....	27.1	30.0	90.4	1933.....	20.6	22.0	93.7
1923.....	39.4	30.6	128.9	1934.....	21.9	23.6	92.8
1924.....	36.6	30.6	119.8	1935 ¹	19.3	23.8	81.1
1925.....	39.5	30.9	127.9	1936.....	26.9	23.4	115.1
1926.....	34.0	30.7	110.9	1937.....	32.0	24.5	130.8
1927.....	30.3	30.4	99.7	1938 ¹	19.1	23.2	82.4
1928.....	36.2	30.7	117.9	1939.....	22.3	22.9	97.3
1929.....	30.2	30.6	98.7	1940.....	28.3	23.1	122.5
1930 ¹	19.5	29.3	66.6				
1931 ¹	13.6	26.0	52.3	Average per year	26.1	27.0	96.2

¹ Government takes title.

GOVERNMENT SUPPORT AT 90 PERCENT OF COMPARABLE

Question: If Government supported prices at 90 percent of comparable price, how often would the Government have to take title to United States production?

Answer: Probably three or four times every decade. This would put private merchants out of the business, particularly in view of the difficulty inherent in the liquidation of every Government possession.

	Wool price (per pound)	Comparable price	Percentage, actual to comparable		Wool price (per pound)	Comparable price	Percentage, actual to comparable
	<i>Cents</i>	<i>Cents</i>			<i>Cents</i>	<i>Cents</i>	
1921 ¹ -----	17.3	37.6	46.0	1932 ¹ -----	8.6	28.3	30.2
1922 ¹ -----	27.1	37.4	72.5	1933 ¹ -----	20.6	27.4	75.2
1923-----	39.4	38.1	103.5	1934 ¹ -----	21.9	29.4	74.6
1924-----	36.6	38.1	96.2	1935 ¹ -----	19.3	29.6	65.2
1925-----	39.5	38.5	102.5	1936-----	26.9	29.2	92.2
1926 ¹ -----	34.0	38.3	88.8	1937-----	32.0	30.6	104.5
1927 ¹ -----	30.3	37.8	80.2	1938 ¹ -----	19.1	29.0	65.8
1928-----	36.2	38.3	94.5	1939 ¹ -----	22.3	28.5	78.3
1929 ¹ -----	30.2	38.1	79.3	1940-----	28.3	28.7	98.6
1930 ¹ -----	19.5	36.5	53.5				
1931 ¹ -----	13.6	32.4	42.0	Average per year	26.1	33.6	77.8

¹ Government takes title.

DISCUSSION OF PARITY FOR WOOL

Question: If, during 1921-40, wool producers sold all their wool and at fair prices (relative parity), when competitive free enterprise producers and merchants operated the wool business, why do wool producers now demand Government support for their production?

Answer: Wool producers have had 4 years of war and postwar Government payments averaging 130 percent of parity. Why should they not continue to desire this 130 percent of parity rather than the 96 percent of parity which they received under the competitive free-enterprise economy of 1921-40?

Question: Is it not somewhat of a question as to whether parity prices represent "fair" prices? Agricultural producers now contend that parity prices are not "fair" prices because they do not reflect the great increase in the cost of labor.

Answer: Up to now, Congress has decided that parity prices are "fair" prices. Until Congress changes its mind, we must accept parity prices as "fair" prices. The Secretary of Agriculture feels that parity prices should be adjusted to reflect the lowered costs of improvements in mechanization and chemistry of farming (where they are demonstrable) since 1909-14 when they were originally based. Meanwhile, we must accept parity prices as being "fair" prices whether or not we agree with the principal of Government support of any business. Congress long ago established this principle of limited support for farming and has not changed.

Question: What has Congress decided about supporting parity or "fair" prices?

Answer: Before the recent war, Congress, in the Agricultural Adjustment Act, ruled that the Public Treasury should support agricultural prices; and specified rates of 52 to 75 percent of parity in the cases of wheat, cotton, and corn. During the war Congress ruled that scarce commodities could receive support at even 150 percent or more of parity and that after the war such commodities should get support of at least 90 percent of parity for two transitional years (Stegall amendment). Wool was therefore supported at about 130 percent of parity for the purposes of encouraging production, but the wool producers responded by decreasing production rather than by increasing it for the war needs. As matters stand in February 1947, Congress has left implied power with the Secretary of Agriculture, through the AAA Act and the broad charter of the CCC, to support any agricultural commodity at any price level regardless of parity, but the Secretary very properly has not used these broad powers in the absence of more specific directives from the Congress for which he asked, for each commodity on its own merits. This is now pending.

PRICE HISTORY IN TERMS OF PARITY

Question: Did producers of domestic wool receive fair prices, in terms of parity, during the period when the competitive free-enterprise merchants operated the business?

Answer: Yes, in terms of parity for wool, and also in terms of parity for basic commodities. As shown below, producers received 96 percent of parity for wool, in contrast to 77 percent received by producers of the basic commodities. (Basic: Cotton, corn, wheat, tobacco, rice, peanuts.)

	Parity index	Prices received, basic commodities (in terms of parity)	Prices received, wool (in terms of parity)	Relationship, wool versus basic commodities
		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1921	165.0	68.1	57.3	84.1
1922	164.0	77.8	90.4	116.2
1923	167.0	91.6	128.9	140.5
1924	167.0	94.6	119.8	126.5
1925	169.0	95.4	127.9	134.2
1926	168.0	81.4	110.9	136.3
1927	166.0	79.9	99.7	125.0
1928	168.0	81.2	117.9	145.2
1929	167.0	78.6	98.7	125.6
1930	160.0	67.6	66.6	98.6
1931	142.0	52.4	52.3	99.8
1932	124.0	42.3	37.9	89.7
1933	120.0	57.8	93.7	162.2
1934	129.0	78.3	92.8	118.6
1935	130.0	84.8	81.1	95.7
1936	128.0	86.6	115.1	133.1
1937	134.0	93.4	130.8	140.0
1938	177.0	71.4	82.4	115.4
1939	125.0	68.9	97.3	141.2
1940	126.0	73.3	122.5	167.2
Average per year	147.3	77.1	96.2	124.8

NOTE.—During this period, the average prices obtained by producers of all agricultural commodities were about 80 percent of parity, in contrast to 77 percent for the 6 basic commodities and 96 percent for wool as shown above.

DOMESTIC WOOL VERSUS FOREIGN WOOL

Question: Did domestic wool receive priority in consumption when the competitive free enterprise merchants (prewar) operated the wool business?

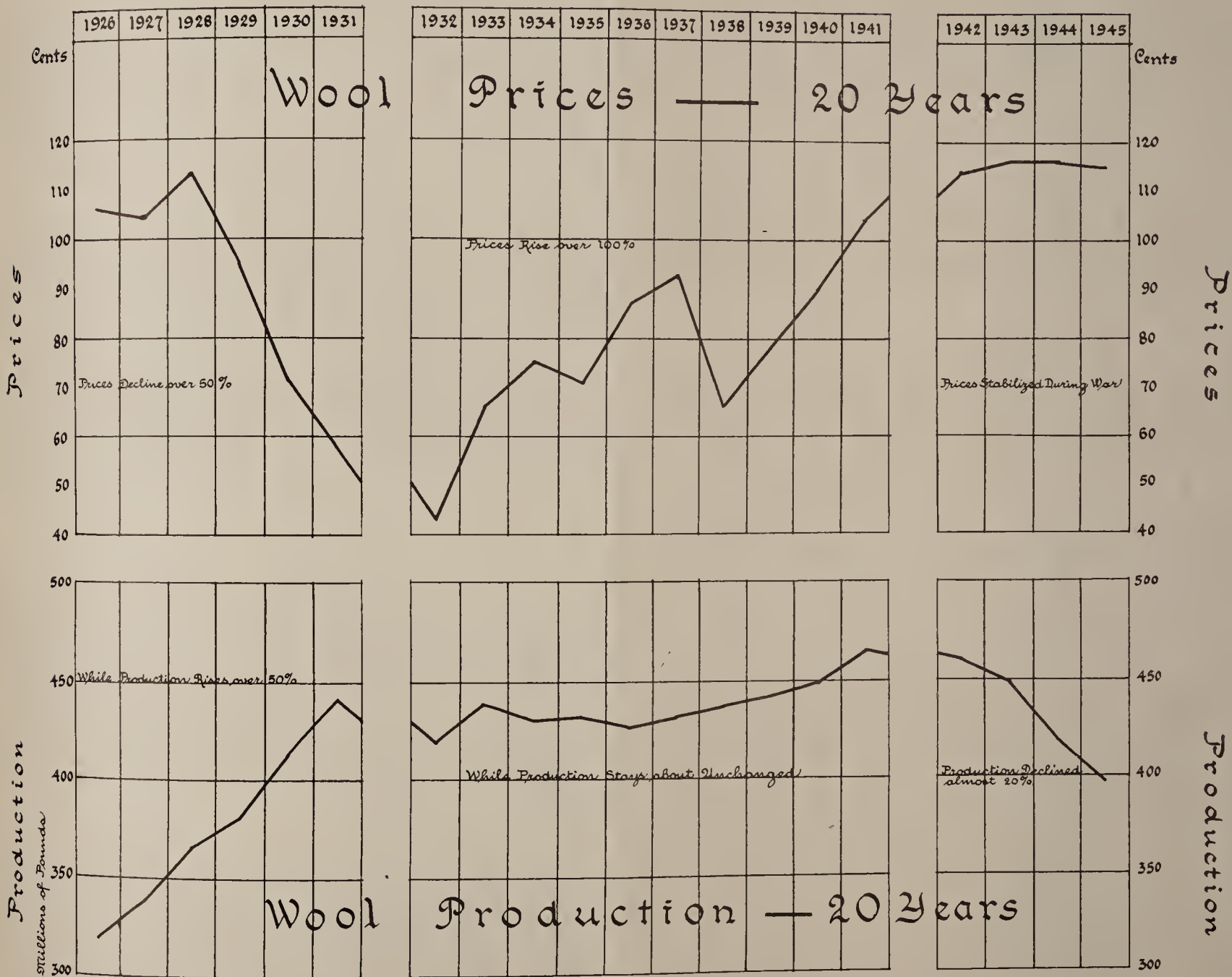
Answer: Yes; observe figures below which show that the amount of foreign wool imported was only the minimum quantity needed each year by our mills. Over the period practically all the domestic wool produced was currently consumed.

	United States consumption, greasy basis (1,000 pounds)	Domestic production, greasy basis (1,000 pounds)	Foreign imports, greasy basis (1,000 pounds)	Consumption from stocks on hand or unaccounted for, greasy basis (1,000 pounds)
1921	597,400 (100 percent)	318,536 (53 percent)	217,233 (31 percent)	61,631 (16 percent).
1922	640,400 (100 percent)	296,617 (46 percent)	189,486 (30 percent)	154,297 (24 percent).
1923	603,100 (100 percent)	299,230 (50 percent)	243,270 (40 percent)	60,600 (10 percent).
1924	518,000 (100 percent)	309,380 (60 percent)	105,191 (20 percent)	103,429 (20 percent).
1925	525,200 (100 percent)	329,253 (63 percent)	180,405 (34 percent)	15,542 (3 percent).
1926	524,100 (100 percent)	349,861 (67 percent)	172,220 (33 percent)	2,019 (4 percent).
1927	551,100 (100 percent)	370,817 (67 percent)	112,042 (20 percent)	68,241 (13 percent).
1928	511,900 (100 percent)	399,157 (78 percent)	89,463 (17 percent)	23,280 (5 percent).
1929	554,700 (100 percent)	416,358 (75 percent)	102,228 (18 percent)	36,114 (7 percent).
1930	447,900 (100 percent)	453,129 (101 percent)	71,175 (16 percent)	
1931	545,200 (100 percent)	483,655 (89 percent)	43,566 (8 percent)	17,979 (3 percent).
1932	439,800 (100 percent)	460,236 (105 percent)	16,485 (4 percent)	
1933	572,200 (100 percent)	478,598 (84 percent)	51,554 (9 percent)	42,048 (7 percent).
1934	383,454 (100 percent)	467,926 (122 percent)	18,489 (5 percent)	
1935	719,621 (100 percent)	471,768 (66 percent)	35,890 (5 percent)	211,963 (29 percent).
1936	622,516 (100 percent)	468,071 (75 percent)	118,550 (19 percent)	35,895 (6 percent).
1937	522,768 (100 percent)	473,632 (91 percent)	171,263 (33 percent)	
1938	508,586 (100 percent)	470,049 (92 percent)	25,407 (5 percent)	13,130 (3 percent).
1939	676,535 (100 percent)	475,436 (70 percent)	113,574 (17 percent)	87,525 (13 percent).
1940	688,869 (100 percent)	482,663 (70 percent)	233,256 (34 percent)	
Total	11,153,349 (100 percent)	8,274,372 (74 percent)	2,310,747 (21 percent)	568,230 (5 percent).
Average per year.	557,667 (100 percent)	413,718 (74 percent)	115,537 (21 percent)	28,412 (5 percent).

Note that normally not only was the entire domestic production sold and consumed, but that foreign wool was not imported except in insufficient quantities to make up the deficit. Under free enterprise, private merchants did not turn to foreign wools until after the domestic clips were disposed of.

Wool Production Tends to go Contrarily to Prices

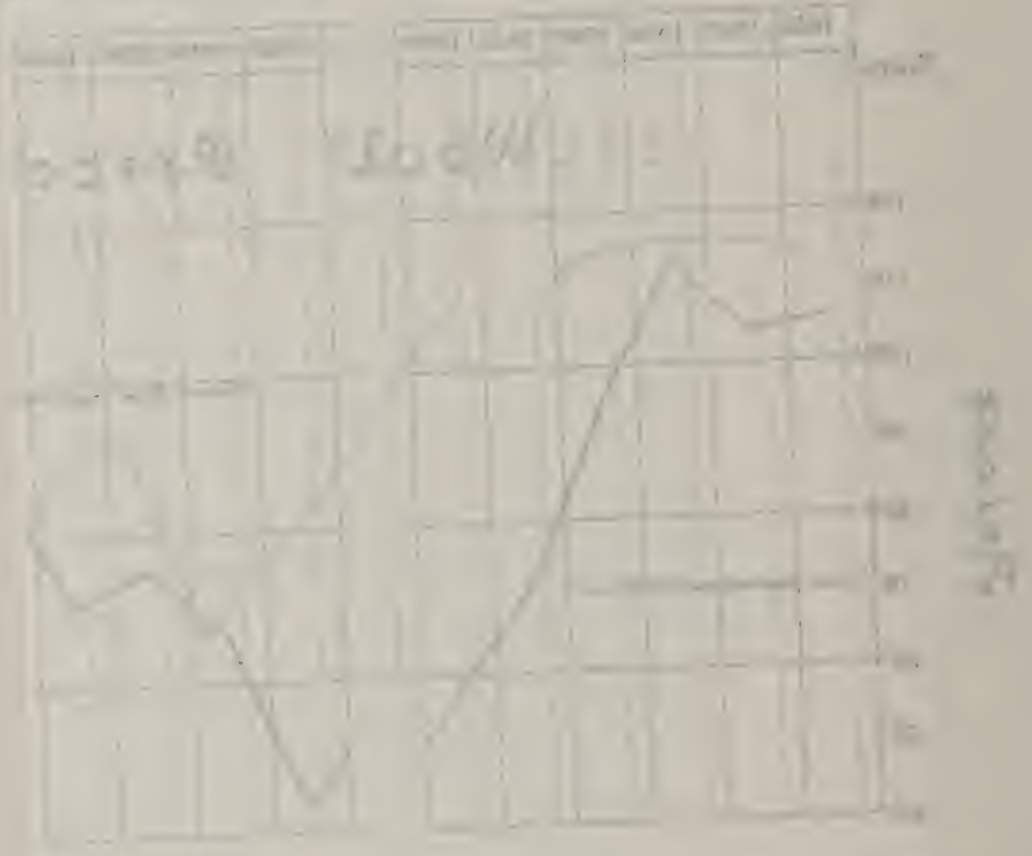
Statistical History 1926-1945



Sources:— Production, U.S. Dept. of Agriculture

Prices:— National Ass'n of Wool Manufacturers

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Prewar figures versus 1946

	1921-40	1946
Domestic stocks on hand Jan. 1, 1935-40 ¹	281, 284	586, 260
Domestic production.....	413, 718	404, 611
United States consumption.....	557, 667	1, 130, 000
Foreign imports.....	115, 537	956, 200
Foreign stocks on hand Jan. 1, 1935-40 ¹	40, 716	349, 740

¹ Figures not segregated prior to 1935.

Note that in 1946 more than a year's production of domestic was on hand despite year of record breaking consumption.

COST OF WOOL PRODUCTION

Question. What is the cost of raising wool?

Answer. Nobody knows. Wool grows on sheep, and there is no scientific way of separating its cost from that of the whole sheep operation. The sheep producers curiously are not basing their demand for Government financial assistance on their main product, meat (which is 80 percent by weight and 66 percent by value), but are basing their whole case upon their byproduct, wool.

There have been studies made of so-called sample producers to learn the cost of production of wool and these have been widely advertised by the officials of the wool-growing associations as "proving" that wool is "facing disaster," but none of these studies is more than guesswork. They charge to wool the percentage of cost that wool brings as income, thus confusing costs with prices received; they assume a 5-percent return on investment as an item of cost; they use an income figure of 45 percent instead of 35 percent. They are definitely not representative of true costs throughout the United States of America.

It is definitely known, of course, that costs of sheep operation in the United States are much higher than costs in competitive foreign countries. For this reason, a tariff on foreign wool was reinstated in 1921 and imposes a duty of 34 cents on all competitive wool entering the country, for the proper protection of our United States standards of wages.

CAN WOOL PRODUCTION BE INCREASED?

Question. Will higher prices cause wool production to increase?

Answer. Believe it or not, no; even though this appears contrary to all theory. The record that wool production tends to go contrarily to wool prices. There have been two major price movements in wool during the past 20 years. A downward price movement (from 1926 to 1932 from 34 cents to 9 cents greasy) during which production rose (from 269,000,000 pounds to 351,000,000 pounds); and an upward movement (from 1932 to 1944 from 9 cents to 42 cents greasy) during which production stayed only relatively steady, standing at 347,000,000 pounds in 1944. Production actually declined despite high Government prices during the war. Of course wool production is integral with sheep production and as such is subjected primarily to the economic influence of the livestock and other markets. Higher production of wool cannot be assured by increasing wool prices.

See chart below. This chart shows total wool both shorn and pulled, with prices on a scoured basis.

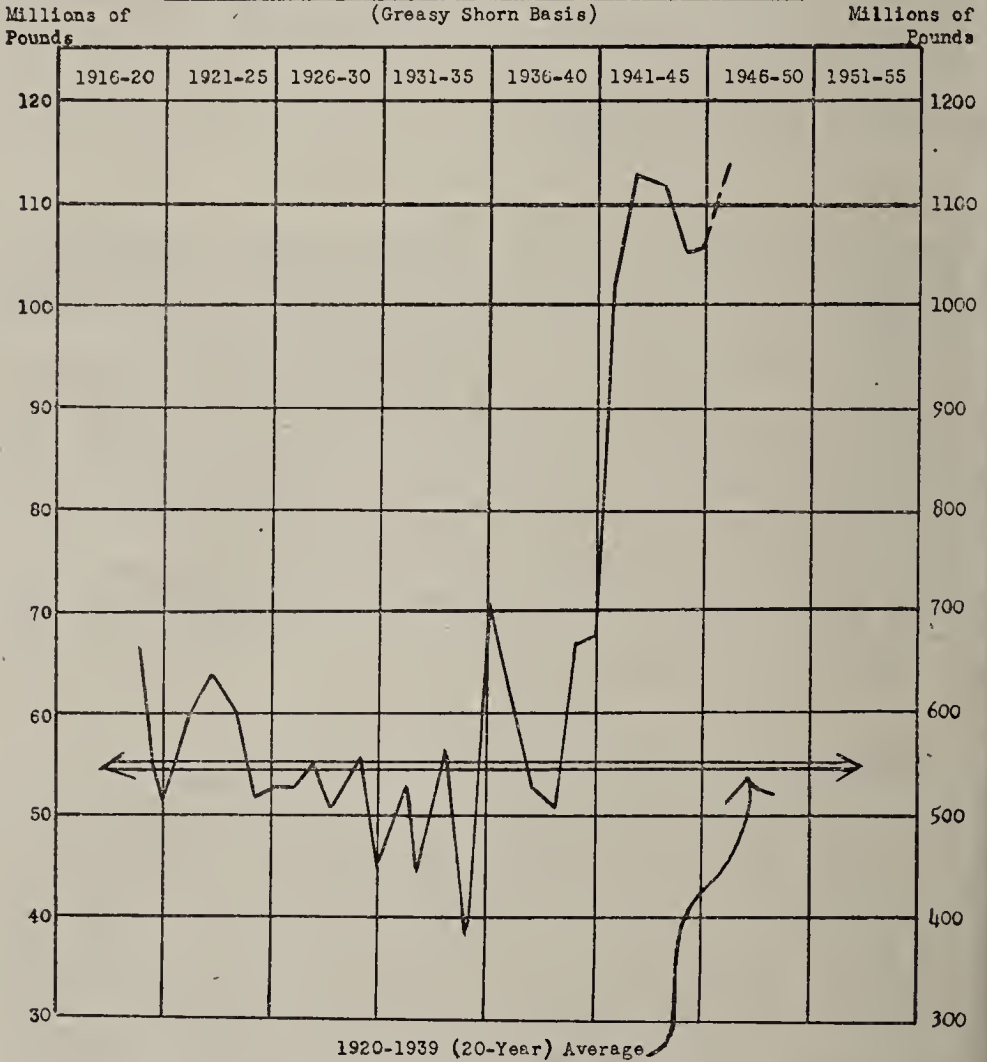
THE FOREIGN WOOL MONOPOLY BOGY

Question: Do United States wool producers have a foreign monopoly to contend with in the marketing of their wools?

Answer: No. What certain people insist upon labeling as a "foreign socialistic monopoly" is the "J. O." or "Joint Organization," composed of the wool-growing colonies within the British Empire. This "J. O." has the primary function of liquidating the war surpluses of wool without damaging the prices of the current clips and is actually a very constructive influence on United States raw-wool prices. It has no authority over current world wool prices, which are established by free competitive bidding at auctions in the colonies and in London. By including some of its wartime surplus wool in the auctions, it is gradually reducing the

threatening world surplus and it plans upon taking from 5 to 10 years to accomplish this task in orderly fashion. It also provides a floor (around 55 cents clean abroad or 32 cents greasy United States of America domestic equivalent) by having announced its intention of bidding in any new wools at the auctions should prices fall to around that level (present level at these foreign auctions being around 80 cents or 39 cents greasy United States of America equivalent). It reserves the

ANNUAL CONSUMPTION OF APPAREL WOOLS IN THE UNITED STATES



Source: Wool Associates of the N. Y. Cotton Exchange, Inc.
(Compiled from data furnished by the U. S. Dept. of Commerce)

Memo February 12, 1947

right to adjust its bidding limits to world conditions of supply and demand, but is in existence for the purpose of supporting world price levels of wool rather than letting them be destroyed by disorderly and hasty liquidation of Empire wool surpluses. Incidentally, big wool-producing nations such as Argentina and Uruguay are not included in this plan.

The CHAIRMAN. Mr. Wilson, we are glad to have you here representing the producers.

STATEMENT OF J. B. WILSON, NATIONAL WOOL GROWERS
ASSOCIATION, MCKINLEY, WYO.

Mr. WILSON. May I have Mr. Fawcett come up here and sit next to me and answer some questions that I cannot answer?

The CHAIRMAN. How long have you been in this business?

Mr. WILSON. Senator, ever since I have been old enough to herd bucks—50 years.

The CHAIRMAN. In what capacity have you served?

Mr. WILSON. For a good many years I served in the National Wool Growers Association on their legislative work in Washington.

Senator KEM. Are you a resident of Washington?

Mr. WILSON. No, sir. I am a resident of the State of Wyoming.

My name is J. B. Wilson, resident of McKinley, Wyo.

The CHAIRMAN. I believe he has been before this committee every year since I have been here; and Mr. C. J. Fawcett, manager of the National Wool Marketing Association.

I was very much interested, Mr. Wilson, in having you here.

Mr. WILSON. I was very much interested also, Mr. Chairman, in your remarks directed to the last witness, about the producers. Let me say first that the producers are pleased with the program that has been conducted by the Commodity Credit Corporation and they want it continued.

There is one thing that I think should be cleared up immediately with you gentlemen on the committee, and that is that the parity price which was so frequently referred to is unfair to wool. It happens that the base period was a period when the wool prices were very low. That is conceded by the Department of Agriculture who concede that we should have a comparable price.

I think you will recall, Senator Thomas, at the hearings you conducted they stated that the wool growers should have a comparable price and that the comparison should not be based on parity.

So that if we were figuring on a comparable price, and the growers must have a comparable price if they continue in business, then the computations of the last witness would be in error. He was referring to parity, which was and is extremely low.

I am not asking that this be made a part of the record, but these are statements presented at a meeting called by the Governor of our State. In these statements you will find some graphs that will answer a good many of your questions as to the amount of wool consumed, the proportion, for example, on one page of the graph we have the consumption of domestic wool set out as compared with the consumption of foreign wool.

You will note that in normal times, that is, previous to the war, that is on page 3, we consumed our domestic clip pretty well and consumed only a comparatively small portion of foreign wool.

There are some types of foreign wool that it is always necessary to import because we do not produce enough of the types in this country.

But as we got into the war the consumption of foreign wool increased enormously, and it is still increasing. That will give you the figures on the amount of domestic wool consumed. You will note that the consumption of domestic wool has gone down since 1939, or rather, since

1942, when the Army had completed the bulk of their requirements for defense purposes, and they were giving preference to the domestic wool under the provisions of the Buy American Act.

On the second and third page following you will find the production of domestic wool and imports set out. You will note that the imports for 1946 were estimated at 1,000,000,000 pounds, and I think they actually were about 1,000,000,000.

On the double page you will find a map showing the decline in the sheep population by States. It refers to the British monopoly and some various other items. But it does give you graphically the answer to some of the questions that have been asked here.

I attended the hearings yesterday and was very much pleased with the fine statement made by Mr. Dodd, the Under Secretary of Agriculture. I was delighted that he brought the wool question so prominently to your attention because it is a serious question and, as he pointed out in his testimony, the present Government support price program expires on April 15. The Secretary has stated that unless Congress directs, the program will not be continued.

The CHAIRMAN. You are referring to the Commodity Credit Corporation?

Mr. WILSON. Yes. Let me say before I forget it, Mr. Chairman, that we are in favor of the bill continuing the Commodity Credit Corporation. I am inclined to agree with Senator Thomas that it should have a more important place in the Department of Agriculture, and should carry out the instructions of Congress. I think that it deserves a more important place in the organization of the Department of Agriculture.

The CHAIRMAN. I think agriculture very generally is strong for the Commodity Credit Corporation.

Mr. WILSON. I think they have done a remarkably good job, Mr. Chairman, and certainly you have to have something like the Commodity Credit Corporation to carry out and implement the legislation that has already passed Congress and that will subsequently pass.

Answering another question of a moment ago, in 1946 the consumption of domestic wool was 17½ percent according to the Department of Commerce. These are preliminary figures. Foreign wool was 82½ percent. Those are apparel class wool, and the type of wool we produce in this country. We produce little, if any, carpet wool.

As shown on the graph, on this pamphlet, we find ourselves with the market for wool being given to foreign countries.

When they referred to the sheep being a dual-purpose animal, and of course it is, the proportion of wool and meat varies in different sections of the country. In the fine wool sections of the country the proportion of wool is from 48 to 49 percent, and from lambs, from 51 to 52 percent.

Senator KEM. That is in dollars?

Mr. WILSON. That is in dollars. That is in receipts, Senator Kem.

It must also be borne in mind that the value of the lamb, that is the live lamb, 25 percent of the value is represented by the value of the wool on that lamb or ewe, as the case may be. So that the 33½-percent figure just simply would not apply anywhere in the country that I know anything about. Because after all, when you get 25 percent of the value of the lamb represented by the wool, I presume that would not quite follow now, when lambs are so high, but over a period of

years, 25 percent of the value of lambs are represented by the value of the wool on that lamb.

First let me say this: Senator Thomas brought out the tariff. Our position is, as has been made quite apparent in this pamphlet, that we believe the tariff should be increased, for this reason: According to the Tariff Commission which is the fact-finding agency for the Government on matters of that kind, we are producing wool at a loss of about 10 cents per pound. The price being paid by the Commodity Credit Corporation is the ceiling price—that is, what was the ceiling price.

The CHAIRMAN. How long a period has that been true?

Mr. WILSON. We had ceiling prices since 1941.

Mr. FAWCETT. February 21, 1942. December 15, 1941, prices were frozen.

Mr. WILSON. Our prices have not been changed. They are exactly the same. During that period Great Britain purchased the wool of her domains and has increased the price twice.

The CHAIRMAN. Our prices are too low?

Mr. WILSON. Our prices are too low in view of the cost of production in this country, according to the United States Tariff Commission. The Tariff Commission has now a study which I understand will be released this week or early next week, which brings their figures up to date. We will make our case on the basis of the Tariff Commission's figures, although in some places we think they are a little low and in other places they think they are too high.

But they have made those figures, and have been making them for Congress, for a good many years. They have no particular interest in the wool-growing industry, and their studies are based on factual information.

We cannot exist in the wool-growing industry on the basis of the prevailing prices for wool. The reason, gentlemen, that the foreign wool is sold in preference to domestic wool is very simple. The foreign wools were considerably lower in price, even after they have paid the duties.

The CHAIRMAN. And they produce for less money.

Mr. WILSON. They produce for much less money. If we could produce for the same money they do we would not have any complaint, nor should we have any complaint. Our cost of production has been increasing right along.

You take today, the average wage of herders in the West is around \$160 a month, I should say, with board and his room, if you call a sheep wagon a room. It is his home at least. He would be earning at least what is equivalent to \$225 in a town or city.

Before this war period we were paying herders \$60 a month. Now the average is probably \$160. They are paying them from \$150 to \$200, and I am trying to strike an average.

The CHAIRMAN. You cannot continue on that basis.

Mr. WILSON. No, sir, we cannot; at the present prices of wool. It is impossible.

In answering the question I think that Senator Thye asked yesterday, and Senator Kem as well, we believe that the answer to these situations are a continuation of the program, plus an import quota that will limit imports of foreign wool. It is natural that that wool should come in. We have the best cash market in the world. Everybody wants to come into our market. And were I in Australia, I would have exactly the same feeling.

We believe the answer, and I think Mr. Dodd indicated that in response to one of the Senator's questions yesterday, that perhaps an import quota might be the answer.

But in the meantime, until that does apply—if it ever does—and until we can get rid of the present stock pile of wool we ask that the present program be continued.

Senator THOMAS. What is your recommendation for getting rid of the present stock pile of wool?

Mr. WILSON. The same recommendation, Senator Thomas, that the Department of Agriculture made, that they be permitted to sell at competitive prices or below parity.

Senator THOMAS. And let the Treasury absorb the loss?

Mr. WILSON. That is right. I do not see what else can be done. I do not know how much the storage charge on this wool is amounting to, but with half a billion pounds of wool it is amounting to a considerable sum.

The CHAIRMAN. The problem is increasing all the time.

Mr. WILSON. Yes. Right now they are shearing in Arizona, California, and parts of Texas, and in the Hagerman Valley of Idaho. I suppose probably not more than 15 percent of the clip would be shorn and offered to the Commodity Credit Corporation prior to April 15.

I would think not more than 15 percent. Those fellows that get in at that time would get the benefit of the present program, unless Congress in its wisdom directs the Commodity Credit Corporation to continue the program.

By continuation of the program, it was pointed out by Senator Thomas yesterday, it was provided for in a bill introduced by Senator O'Mahoney, and will be provided for in a bill to be introduced as soon as Senator Robertson gets back, Senator Robertson of my State.

The CHAIRMAN. For the program?

Mr. WILSON. For the program that the growers have endorsed, practically unanimously. I want to say to you, Senator, because of your interest in the producer, which has been continued for the 30 years that I have known you, the producers are sold on this program. They would like to go back to the free enterprise system. But they are not willing to go back to the free enterprise system at the expense of going out of business or going broke. That is exactly what it would mean now.

If we could get some limitations on imports you would find that the grower would be delighted to go back to the free enterprise system just as soon as you could get this stock pile out of the way, because the grower believes in free enterprise just as much as anyone else.

We do not want to interfere with the marketing arrangements of any commodity. I think that I have covered the main points that I had. I recognize that you gentlemen are working under pressure, and I do not want to take up your time. If there is anything that I have said that is not entirely clear I would try to answer it.

We have a situation where something must be done for the wool grower; that is generally admitted. It is admitted by the Department of Agriculture.

The CHAIRMAN. It is becoming more acute, is it?

Mr. WILSON. It is becoming more acute, Senator, technically in view of the fact that their present program of the Commodity Credit

Corporation expires on April 15, when not over 15 percent of the wool produced in this country will be shorn, I should say.

It is really acute. Mr. Fawcett is the general manager of the National Wool Marketing Association, the largest wool handler in the United States. I see he has been making some notes. I would like permission to have him extend his remarks in the record.

The CHAIRMAN. We would be glad to hear from you.

STATEMENT OF C. J. FAWCETT, MANAGER OF THE NATIONAL WOOL MARKETING ASSOCIATION, 281 SUMMER STREET, BOSTON, MASS.

Mr. FAWCETT. My name is C. J. Fawcett, general manager of the National Wool Marketing Association, 281 Summer Street, Boston.

The National Wool Marketing Association is the national cooperative wool-selling agency that serves the membership of 22 States cooperative wool-marketing agencies.

All the wool of these 22 cooperative State-marketing agencies is sold through the Boston office at 281 Summer Street, of which I happen to be general manager.

The CHAIRMAN. How does it happen that this wool market has been steadily concentrating in Boston?

Mr. FAWCETT. Because about 90 percent of all the wool that is consumed in the United States, both foreign and domestic, is consumed within a radius of 400 miles of Boston.

Senator THOMAS. By consumed you mean processed and made into cloth?

Mr. FAWCETT. Right. I think that percentage probably decreased slightly during the war, because many of the small woolen mills of the Central West had Government contracts for blankets. But that is a rough general estimate of the location of consumption of wool.

The CHAIRMAN. What State is the largest producer of wool?

Mr. FAWCETT. Texas.

The CHAIRMAN. It is a long way from the Boston markets.

Mr. FAWCETT. To be sure, it is.

Senator STEWART. You referred to the fact that the wool is consumed there. You mean—Senator Thomas asked you if you meant it was processed there. It is not all sold and actually 90 percent of it consumed there. Do you mean individual purchases of material that it is manufactured into occurs within 400 miles of Boston?

Mr. FAWCETT. That is right. The manufacturing processes, both woolen and worsted systems.

Senator STEWART. Is it retailed within 400 miles of Boston?

Mr. FAWCETT. No, sir.

Senator STEWART. What percentage of it is retailed within 400 miles of Boston?

Mr. FAWCETT. Practically all cloth is jobbed out of New York and distributed all over the United States.

New York is the center for the textile brokers, and the larger manufacturers located in New England have their own brokerage institutions in New York, cloth brokerage, selling agencies, as they call them.

But in answer to the Senator's question, I was referring to the manufacturing processes, both woolen and worsted.

Senator, with your permission I would like to comment on a few of the remarks that were made by our neighbors in Boston.

The CHAIRMAN. How long have you been in business in Boston?

Mr. FAWCETT. About 20 years.

The CHAIRMAN. In the wool business?

Mr. FAWCETT. Yes, sir.

The CHAIRMAN. It has been steadily getting stronger all the time, has it not, the wool business and the wool market up there? It is more of a factor in the market situation.

Mr. FAWCETT. Yes, sir.

We have here with us today our executive committee representing the 22 State organizations that we serve as sales agents. We are owned by these 22 State associations.

Senator THOMAS. What percentage of the entire domestic production do you handle?

Mr. FAWCETT. About 20.

Senator THOMAS. How is the other 80 percent handled?

Mr. FAWCETT. Independent agencies, and other cooperatives.

The CHAIRMAN. Scattered over the country?

Mr. FAWCETT. In Boston principally.

The CHAIRMAN. The other 80 percent I am speaking of.

Mr. FAWCETT. It is all handled by independent agencies and other cooperatives. But the bulk of the independent agencies are located in Boston and Philadelphia.

Senator THOMAS. What percent of the total wool industry is managed out of Boston?

Mr. FAWCETT. That is a difficult question to answer, Senator. But it is a great percentage.

Senator THOMAS. More than half?

Mr. FAWCETT. Yes.

The other two Boston witnesses could give you an idea on that. I would say that 85 percent of the wool outside of Texas is merehanded either directly or indirectly through Boston.

The CHAIRMAN. Is that because they are nearer the manufacturer?

Mr. FAWCETT. That is right. It is located near the heart of the consumption area. We call the manufacturing process the consumption of raw wool. That is the term we used.

The CHAIRMAN. The public is a long way from Boston that is buying the product of the mills.

Mr. FAWCETT. That is true.

Our executive committee is here in the interests of the continuation of the Commodity Credit Corporation, the continuation of the wool-purchase program as conducted by this Commodity Credit Corporation, until some permanent legislation or long-term wool program can be worked out.

First, on behalf of our organization, which is, as has been suggested, the largest handler of domestic wool in the United States, we want to endorse what Mr. Wilson, legislative representative of the National Wool Growers Association has said. In addition to that, if I may be allowed the time, I would like to refer to some of the statements that were made by my good friends from Boston.

You understand that we, as a national wool marketing corporation, handle only domestic wool. I want to come to the rescue of the Commodity Credit Corporation, although I do not think they need our aid, by stating that there is no disposition on the part of the Commodity Credit Corporation to deny the Boston wool trade or any

other merchant engaged in the merchandising of domestic wool, a part in the program.

In fact, the Commodity Credit Corporation is not merchandising its wool. An integral part of the program and the principle upon which the Commodity Credit Corporation purchasing of the wool was founded, was that it would be distributed through the normal channels.

So far as I know, no merchant in the United States that was formerly occupied in that business, and has facilities and is qualified to act as a merchant, has been denied a handler's agreement.

I cannot quite reconcile the statement that the wool trade has been put out of business. I am going to be frank to say that our business, with the exception of selling the foreign stock pile for the Government, is confined to commissions received for selling domestic wool. We do not have speculative profits. We do not deal in foreign wool or any other wool. We are simply a commission house and our sole revenue is derived from commissions.

We have done very well on the commissions that have been provided by the Commodity Credit Corporation in handling the wool. Something was said about denying free enterprise, and that if the Commodity Credit Corporation wool-purchasing program was eliminated that there would be no difficulty in supporting the market at 90 percent of parity.

Gentlemen, there is no restriction on the free sale of wool today. Every merchant and every individual citizen of the United States is entitled, and there is nothing to prevent him from going out and buying the wool at any price he sees fit to pay for it today.

You say "Why are they not doing it?" The answer is very simple: Because the foreign wool is so much cheaper than the domestic. That has already been explained.

The CHAIRMAN. Why can they produce it so much cheaper?

Mr. FAWCETT. In Australia they have a different climate. They have summer the year around. A ewe is not herded. All she has to do is give birth to a lamb, get up and eat grass and drink water. There are no predatory animals. There is no winter against which they have to provide feed. That is the principal item.

Second is the labor. Now, the third item is that growers are subsidized by their governments in many of these wool producing countries and in this monopoly that has so frequently been referred to by Senator O'Mahoney, who was the chairman of the Senate Wool Investigating Committee; the Joint Organization underwrites the value of every pound of wool that is produced by the wool growers of New Zealand, Tasmania, Australia, and South Africa, and the British Isles.

The CHAIRMAN. It is hard to understand that with the advantages they have there, that the Government would be ready to subsidize that.

Mr. FAWCETT. The answer to that is they want to convert their shelf-worn merchandise into American dollars. For with American dollars those countries can balance their accounts with any nation of the world.

Proof of that is found in the fact that upon November 14, 1946, the Commodity Credit Corporation lowered the price of domestic wool, and in 48 hours the "JO" adjusted their price on foreign wool. How can the domestic wool growing industry compete with that kind of a monopoly.

The "JO" is the Joint Organization.

The CHAIRMAN. What does that include?

Mr. FAWCETT. That includes England, Australia, New Zealand, Tasmania, and South Africa. That is the Joint Organization that controls 85 percent of the fine wool of the world, exclusive of that produced in the United States.

The CHAIRMAN. Do we have to go up against that?

Mr. FAWCETT. That is right. We as individuals are helpless to compete with a controlled world market such as that. We must depend upon our Government to meet their Government and protect our interests just as the "JO" is protecting the interests of their respective wool growers.

May I take one more minute to cite our situation in Argentina?

Argentina, of course, is not a British domain. In the year just closing Argentina dumped on our markets 346,000,000 pounds of wool, which is more than the total year's production of that country. We have put eight additional ships on to carry Argentine wool and help her dump and use our domestic markets for dumping grounds, as they are being used by every wool-producing country in the world.

Proof of that is found in the fact that last year 1,000,000,000 pounds of foreign wool were marketed in the United States, more than ever before in the history of the world.

England put in 2,000,000 bales, or 600,000,000. For those who are technical let me correct that Argentine figure of 347,000,000 pounds to say that about one-fifth or one-sixth of that was carpet wool, or about 55,000,000. It still puts her imports to the United States greater than a whole year's clip of Argentine, and the equivalent of the amount she exported to the rest of the world. Argentina accumulated huge stocks during the war period as did all other wool-producing countries. These surpluses are now being dumped on our markets.

What in return are we getting for that? We are getting a 5-year program that entitles the President of the Argentine to advance the duties on anything we might import into that country by 50 percent, within 24 hours.

The Commodity Credit Corporation, gentlemen, has shown no disposition of putting any wool merchant out of business, nor have they. I might say that the last 5 years have been perhaps the most profitable that the wool trade has ever had.

The CHAIRMAN. When speaking of "we" do you mean the country?

Mr. FAWCETT. No, I refer to the wool merchants and the organizations that I represent, which are growers organizations. We operate on a commission only. We have no speculative profits as do wool dealers policies. We do not handle foreign wool as the bulk of them do, and there, gentlemen, is where the profit is made on foreign wool.

So there was no disposition on the part of the Commodity Credit Corporation of putting anybody out of business, nor have they put anybody out of business.

I think that the wool trade as a whole has had 5 years of the most profitable operations in the history of the wool trade.

Senator, I want to apologize for taking so much time.

The CHAIRMAN. You made a very interesting statement.

Mr. WILSON. It seems rather inconsistent to me to propose a loan of 90 percent and a purchase price of 80 percent. After all, the pur-

chase price would be presumed to be higher than the loan. I just wanted to call attention to that.

The CHAIRMAN. What should be done to straighten that out?

Mr. WILSON. There are three things that should be done in my judgment. Several of them can be done by this committee, but not in the instant bill.

First, they can report out a bill similar to the O'Mahoney bill, or the bill that Senator Robertson (Wyoming) will introduce, or some other bill, which will provide first for fixing a comparable price which the Department of Agriculture said is justified and should be done.

Secondly, in giving wool the same treatment as the other Steagall commodities, 90 percent of parity or comparable price. The association feels that the Commodity Credit Corporation could support wool prices by purchase, loan, or otherwise, up to not less than 90 percent of the comparable prices.

Third, give the Commodity Credit Corporation permission to sell—you have to amend the act of Congress to do that—sell the commodities, and I doubt if it should be limited to wool, but we certainly want it for wool—to sell wool at less than parity or comparable prices, or at a competitive price.

If the Congress will pass the O'Mahoney bill, or other bills that have similar provision, it will take care of the situation for at least 2 years. I hope by that time that we may find some basis, and I think some of the other commodities may join us then, in providing some sort of an import quota.

After all, the foreign nations today are sending us at least five times more than they ever sent us before the war.

The CHAIRMAN. Sending us five times as much?

Mr. WILSON. Five times. The imports from abroad are more than five times what they were in a normal period, prior to 1940.

The CHAIRMAN. Do they find a market?

Mr. WILSON. Yes, sir. They find a market.

Mr. FAWCETT. Senator, may I make one more observation in connection with a duty on wool?

This was developed in the hearings conducted by the special Senate Wool Investigating Committee. In the year 1944, I think, which was the last of record, we collected in duties on wool approximately \$103,000,000. It would have taken, roughly speaking, \$26,000,000 of that \$103,000,000 to have placed the domestic wool clip of that year in a competitive position with foreign wool, and enabled its ready sale and consumption. That would have left, in the Treasury of the United States, for revenue purposes, attributable to wool alone, \$77,000,000. Is that too much to ask to perpetuate an essential industry in the United States? Less than 25 percent of the revenue we get from importation of that commodity comes in and is sold in competition with us.

The CHAIRMAN. Do you think that is the best way it can be done?

Mr. FAWCETT. Yes, sir. I think that the wool-growing industry is entitled to the percentage of the tariff that will enable them to place their commodities in a competitive position.

Mr. WILSON. Senator Capper, I neglected to point out, but the Department of Agriculture undoubtedly will, the tremendous decline in the sheep population. In our State it has been 40 percent. In some States it has been more than 50 percent. It is continuing and will continue for another year at least.

The CHAIRMAN. What do you say the fault is?

Mr. WILSON. Partially to labor. But mostly to the uncertainty of the future. We cannot tell what is going to happen. We are selling wool today at below the cost of production according to the Tariff Commission. You cannot continue doing that forever. It seriously affects the economy of the States that depend largely on stock raising, as my State of Wyoming does. It affects the school districts, counties, and local governments, because of the loss of revenue, and there has been a real loss of revenue.

The CHAIRMAN. Have you any suggestion as to how to help?

Mr. WILSON. No more than I have just made. I hope we will sometime get an import quota so that we will not give the foreign nations more than three times the amount of our market that they previously had in peacetime.

I think that is a reasonable request.

Mr. GREEN. Senator Capper, may I refer just a moment to Mr. Fawcett's statements?

He makes the statements that his cooperatives have done very well and made a lot of money over the 4 or 5 years just past. I think it should be brought to mind that I do not believe that Mr. Fawcett's organization pays any Federal taxes, like the rest of us have to pay. I think it is fair we should bring that out.

Mr. FAWCETT. In answer to that, Mr. Senator, I should like to say that every one of our members, I assume, are good American citizens and pay their taxes just the same as everybody else.

Mr. GREEN. Yes, sir; but we pay corporation taxes and personal taxes also.

Mr. FAWCETT. We also pay that, pay corporation taxes.

The CHAIRMAN. What I do not understand is why all this wool business should be way up in Boston?

Mr. WILSON. I want to thank the committee at this time.

The CHAIRMAN. Mr. Woodworth is our next witness.

STATEMENT OF R. C. WOODWORTH, MINNEAPOLIS, MINN., CHAIRMAN OF THE NATIONAL GRAIN TRADE COUNCIL

Mr. WOODWORTH. What I have, Senator, will not take very long.

The CHAIRMAN. Where are you located, Mr. Woodworth?

Mr. WOODWORTH. Minneapolis.

My name is R. C. Woodworth. I am now and for more than a year have been the chairman of the National Grain Trade Council, an organization comprising 6 Nation-wide grain and feed trade organizations and 28 commodity markets. My home is in Minneapolis, where I have been closely identified with the grain business all my life.

I do not appear presently in opposition to the extension of the life of the Commodity Credit Corporation as proposed in this bill, but rather to suggest to the committee that certain amendatory language be included to more closely delimit the field of activity of that Corporation in the field of purchase and distribution of grain.

For some years the private firms engaged in the assembly, storage, and distribution of grain have seen the steady encroachment of the Commodity Credit Corporation into the field of private business. Obviously this was largely the result of loan and support programs

ordered by the Congress, and recently the result of purchase and export of grain to hungry people abroad. But we maintain that the Commodity Credit Corporation, either through permission from its Washington office or through the zeal of its field agents, too often has considered itself a competitive merchandiser of grain, and has so acted. We maintain that some of its field offices have been built up to proportions not necessary for only the functioning of the program intended by the Congress.

The CHAIRMAN. What activities of the Government have you reference to? Where is that large staff?

Mr. WOODWORTH. I am speaking in this particular instance, Senator, to their regional offices principally.

The trade holds that there is no necessity for maintenance of a large staff of Government employees for the task of carrying a commodity and later merchandising it, when the trade itself is adequately prepared in numbers, experience, and facilities to carry on these functions which it ordinarily would do in free-market operations. This is merely a duplication of facilities in grain merchandising, at a cost which should be avoided to cut the total costs of marketing in our national economy.

We believe that the Congress did not intend to set up an organization which, with Government prestige, volume, and funds, would become an active competitor in the grain distributive system, but rather that the Congress intended that it should interfere with business no more than absolutely necessary to carry out the loan and support-price programs of law. We have been assured often by officials of this Corporation that they do not intend or wish to enter into Government competition with private business, but it has been, in our experience, difficult for them always to maintain their operations within the policy as stated.

Our trade would very much like to be heard when the Congress considers the permanent charter of this Corporation, but we know at this time that the Corporation must function under an extension act beyond June 30 of this year if the charter is not renewed before that time. Therefore, for the limited time of operation of the extension legislation now proposed, we ask that you adopt some clearly stated language that points out to the Corporation that it must not set its goal toward usurpation of the field of business in America.

We would like to see some limiting language that would set up the Corporation as a lending agency—perhaps more nearly patterned after the Housing Administration which, we understand, guarantees loans privately made, but that would bar the Corporation from physical handling of the crops involved.

In such a suggestion there is, of course, detail that will meet objection as being impractical; that we cannot ask a loaning agency to be barred from possession of the collateral which may come under default. But if there is as much determination to work out the detail of such a suggestion as there was to work out the detail of their present complex system of handling grain coming into their possession, we know it can be accomplished.

At the very least, we suggest that the Congress could express, in its wording of this bill, a statement that it shall be the policy of the Corporation generally to utilize the established trade facilities and services in the conduct of its operations, so far as it is possible to do so

without endangering the effective fulfillment of its legal responsibilities and the proper management of its operations.

We ask that in any such limiting language it should be clear that this policy extends to the export of grain. We know that the Corporation now has stocks of grain, and commitments for future acceptance of grain, to cover some of the allocations already made for this year. But we believe that there should be a policy for the return of the grain export business to the hands of our private exporters at the earliest possible date, and certainly not later than June 30 of this year.

The trade maintains—and I think the foreign claimants will bear us out—that we can provide grain for their needs at a price as low, or lower, than can the Government agency. We think this is obvious, because the Corporation buys its grain from the private trade, and there is no reason to believe that the trade would not be as willing to sell at the same price direct to foreign importers and without the added service charge which the Government agency makes for its services as an extra middleman.

Therefore, we request that under language, which you Members of Congress experienced in agricultural matters can so properly draft, the Commodity Credit Corporation be instructed against the unnecessary interjection of its activities into fields which are properly those of private industry.

The CHAIRMAN. Do you know of any effort that has been made to approach that problem as you see it? Is anybody working on your suggestions?

Mr. WOODWORTH. Not so far as I know. In connection with the export of grain, there has recently been a meeting between the private exporters of grain and the CCC, and for the March allocations some few cargoes of corn previously exported by CCC were returned to the private trade for export.

Other than that I know of no negotiations which have been carried on, sir.

The CHAIRMAN. Who would be the proper person to inaugurate something along that line?

Mr. WOODWORTH. Our feeling, as I have expressed it in this statement, is that the power lies with you gentlemen in the consideration of this bill.

We are not asking, as I stated, that you do not extend the life of the Commodity Credit Corporation for the span stated in this bill, but we are asking, and we believe that you gentlemen have the power, to limit in your extension of Commodity Credit Corporation its activities somewhat.

Senator THOMAS. To make that plainer to me, I wish you would state for the record what you think the Commodity Credit Corporation should do in the future, in the event that its life is extended. What kind of work should it perform?

Mr. WOODWORTH. I think, Senator Thomas, that the Commodity Credit Corporation facilities will probably have to be used for the duration of the Steagall amendment, the Steagall period.

Our Government has a commitment to support these agricultural prices for a period of 2 years following last December 31.

Senator THOMAS. That means to make loans on those commodities at the percentages stated in the law.

Mr. WOODWORTH. That is correct.

Senator THOMAS. And in the event they have to take over the commodities, to thereafter acquire possession of the commodities and merchandise them, get rid of them, to the best advantage of the Government.

Mr. WOODWORTH. Our feeling is that when the merchandising operation comes into being, insofar as possible that merchandising operation should be through the private trade, who have the facilities to do it.

Senator THOMAS. If the Commodity Credit Corporation acquired a lot of wheat or cotton or a lot of anything, they have to get rid of it or keep it forever. That is unthinkable. Should they not be left free to dispose of that to the best advantage of the Government?

Mr. WOODWORTH. Yes.

Senator THOMAS. We all own it.

Mr. WOODWORTH. I think they should, sir. But I think the trade has demonstrated its ability to merchandise that grain. It has the facilities, it has the personnel, and I think that it can do a better job in the merchandising of those stocks when it becomes necessary for the Government agency to dispose of those stocks.

Senator THOMAS. Assume that the Commodity Credit Corporation will put into operation the best merchandising policies, and if that could be done better through utilizing the services of the private concerns it occurs to me that they should do that.

Now, the second question: What is the Commodity Credit Corporation doing now, or what has it done in the past, that you object to?

Mr. WOODWORTH. The Commodity Credit Corporation originally was a loaning agency. It began with loans which I believe in the original act were roughly 52 percent of parity. By various steps that loan, as you know, has been increased up to the present 90 percent of parity.

The CHAIRMAN. I am curious to know how that loan business worked out. Has it been a sound program, in your opinion?

Mr. WOODWORTH. I think, Senator, and expressing a personal opinion, the war, coming as it did, relieved a situation which otherwise might have been extremely awkward. We were piling up, as a result of loans, a very, very substantial amount of grain.

Senator THOMAS. Do you understand that the Commodity Credit Corporation is not limited as to the prices it might receive for its commodities?

Mr. WOODWORTH. My understanding is that at the present time, on the sale of such commodities as come into their possession through default of loans, they are limited in sale at 100 percent of parity, or may sell for export at the market, or may dispose of those commodities which have gone or are about to go out of condition.

Senator THOMAS. Suppose now some exporter makes a commitment to sell to some foreign concern so many bales of cotton, or so many bushels of wheat, and the exporter who has a commitment finds it difficult to get the cotton or the wheat at the present time. This exporter could go to the Commodity Credit Corporation and buy it. They can do that. They can buy the cotton or buy the wheat and enable the exporter to fill his commitment.

That is done, I might say, privately, and there is no record made so far as the public is concerned of the transaction. We do not know what the price is.

Is that your understanding of its present activities?

Mr. WOODWORTH. I am not familiar with cotton, Senator Thomas.

Senator THOMAS. I am using cotton as an illustration only.

Mr. WOODWORTH. I have gathered from statements that I heard here this morning and elsewhere that there is plenty of cotton available. At the present time, if the private exporter were to sell wheat to a foreign country he would not go to Commodity Credit Corporation for it because Commodity Credit Corporation has no wheat, as I understand it, over and above their present requirements.

Senator THOMAS. They have had it in the past.

Mr. WOODWORTH. Yes, sir.

Senator THOMAS. I am just using that as an illustration.

Mr. WOODWORTH. Yes, sir. They would be a source of supply to a private merchandiser, as would the private merchandiser's normal source of supply.

Senator THOMAS. That would afford the Commodity Credit Corporation an opportunity to get rid of its surplus.

Mr. WOODWORTH. That is right.

Senator THOMAS. I want to know what it is you object to. I notice the objection stated in your statement. I would like to know the exact practice that you think should not be extended.

Mr. WOODWORTH. Simply that I think that insofar as it is possible to do so, the Commodity Credit Corporation should remain the type of agency which it was originally created to be, and should not engage in the merchandising of those commodities on which it is making loans.

That its merchandising operations should be handled entirely by the people in the trade who have spent a lifetime at it, who have the facilities, and who are qualified by experience and proven ability to do an excellent job.

Senator THOMAS. If the Commodity Credit Corporation has a lot of wool, as it now has, and in the past, great quantities of cotton and great quantities of wheat, the organization has to get rid of that in some way.

You contend that they should be limited in getting rid of these commodities for the use of private concerns who are engaged in that as a life work.

Mr. WOODWORTH. We think they should use the facilities of the trade normally doing that kind of work. We think the trade can find all the outlets for the stocks that Commodity Credit has.

Senator THOMAS. That would prevent the Commodity Credit Corporation from selling it direct.

Mr. WOODWORTH. Yes, sir. I believe, as I stated, that the private exporter is in a position to do that job. I personally am anxious to see our trade—I am anxious to see our Government—do anything that can be done to broaden our export market.

My personal opinion is that our private trade can make greater strides in finding these export outlets than can Government agencies.

I think that we have definitely demonstrated the fact that the private trade can sell to the importing country, the foreign country, at a price lower than the price at which the Commodity Credit Corporation can sell.

Senator THOMAS. Is it not true that before a private exporter can ship goods abroad he must get what is known as an export license?

Mr. WOODWORTH. That is correct.

Senator THOMAS. Do you hold that that is a restriction upon free enterprise?

Mr. WOODWORTH. I think it would be very much better if there were no licenses. I recognize, however, that we apparently have a plan in this country with which I am not wholly familiar, but I think there is anxiety on the part of Agriculture and possibly of State to use food as a weapon, to use food in any way in which it can be used to establish the type of government abroad that this Government believes should be established abroad.

If that be true—and I say this as a personal opinion and a personal impression—I can recognize some merit in a contention that there must be some direction of the amount of grain which moves overseas to a given country, and that certain countries must have at certain times special attention as against another country.

If that be true, and to a major extent, then I say that there may be some merit in the licensing system. But I am not wholly familiar with the thing.

I am expressing a personal opinion, and as I say, there are details of that situation with which I am not fully acquainted.

Senator THOMAS. I have complaints coming to my office to the effect that we have in this country surpluses of different commodities, and that those surpluses are in demand by foreign countries, and that if the license system should be obliterated and we go back to our free enterprise, the owners of these commodities could sell abroad and get rid of these surpluses rather quickly, but because they cannot ship them abroad, unless they can get on export license, the licenses are not forthcoming, therefore the commodities just remain here.

Have you heard that complaint?

Mr. WOODWORTH. I have heard of that complaint. I have not heard it in connection with the grains. At the present time, of course, the grains are in very broad demand overseas, and based on recent statements I have heard there, it seems reasonable to believe that they are likely to continue in rather broad and general demand all through the coming crop year, and possibly into the 1948 crop.

Senator STEWART. Do you mean that you think that exports will perhaps increase as the year goes on?

Mr. WOODWORTH. I do not know as they will increase, Senator, but there seems to be a broad enough demand from overseas to take as much grain as our transportation facilities will permit us to get to seaboard and to ship.

Senator STEWART. Would you care to comment on the present policy of the War Department shipping fertilizer overseas to foreign countries?

Mr. WOODWORTH. I would not be able to comment on it, Senator. I am not familiar with the situation, and do not feel qualified to comment on it.

(Mr. Woodworth later filed a supplemental statement which follows:)

SUPPLEMENTAL STATEMENT OF R. C. WOODWORTH, CHAIRMAN, THE NATIONAL GRAIN TRADE COUNCIL, TO THE SENATE COMMITTEE ON AGRICULTURE AND FORESTRY, RE S. 350

Under the permission granted me, I wish to supplement the brief oral statement made before you on February 27 last. At that time I urged that, in the legislation extending the life of the Commodity Credit Corporation, you adopt some language

that would more clearly warn the Corporation against any tendency to usurp the field of private business enterprise.

Officials of the Commodity Credit Corporation were called back before your committee on March 5, but there was only minor discussion of the point which, we understand, they were prepared to discuss. This was the point of competition by the Corporation with the private grain trade. We wish, therefore, to give you a little more detail than was possible in our oral testimony.

1. Agencies of the United States Department of Agriculture, of which the Corporation is a part, are exporting grain to foreign buyers. The Corporation purchases this grain from firms in the grain trade and adds its own mark-up. The grain exporters of the United States are eager again to conduct this business with the customers abroad; many of them have maintained offices or agents in foreign countries through the wartime period anticipating the return of exports from the United States to its private exporters. They maintain now that they can sell stocks of grain direct to the foreign purchasers at the same price they would sell to the Corporation here, thus permitting the foreign claimants to avoid the Corporation's services as an extra middleman. Usually the explanation is offered by the Corporation that it is a question of domestic transportation; that they are given boxcar service not available to private shippers to the ports. We maintain that where the design of our Government so clearly is to keep grain moving to ports for export to these needy nations, a way can be found to give transportation priority to private firms as well as to a Government corporation for this purpose.

This should not be understood as a complaint against allocations to the foreign nations. While the foreign demand exceeds our total ability to export, our Government probably must continue allocations. This does not imply, however, that in making allocations our Government also should be the active exporter. We ask that the Congress make it clear in this legislation that the Corporation, or its related Government agencies, shall not compete with private exporters of grain.

2. Where the Corporation comes into possession of stocks of grain through the loan or purchase programs ordered by law, that grain should reenter the flow of grain distribution through the private trade at its nearest point. That is, grain stored by the Government should be offered, when ready for sale, to all buyers at a stated price, and at the same price the bid of the warehouseman or other private firm nearest to this grain, should be preferred. The Corporation inclines toward the setting up of field office personnel who "shop around" with these stocks of grain, thus entering the field of competition for customers of the private trade. We are conscious that the Corporation, once stocks have been acquired, eventually must make a sale of these stocks; but we still ask that these sales be accomplished with the least possible competition with established business of this Nation.

3. In some instances the Corporation program has involved direct purchases from producers, thus bypassing the normal processes of trade between producers and their country elevators. To transport and warehouse grain so bought direct from producers, the Corporation still must use the grain trade facilities and services, but it does so on the basis of making the private businessman only an agent of Government, at prices set by the Government. Our request to your committee was that language be incorporated into the legislation extending Commodity Credit Corporation that would bar them from bypassing normal trade channels.

4. For some time the Corporation owned and operated steel and wooden bins for the storage of its surplus grain holdings. These piled-up surpluses were becoming economically a burden to the Government and to producers, and only a war in Europe bailed the Corporation out of its predicament and cut their losses. There is grain storage capacity in the United States—in addition to farm storage facilities—totaling more than two and one-half billions of bushels. This is storage capacity sufficient for our very largest crops and for any normal or efficient carry-over; need for larger carry-overs could come only from political necessity or preparation actively for another war, neither of which would be economic reasons. We believe the Corporation itself has seen the futility of buying, owning, and operating this huge excess storage capacity; they have sold more than 70 percent of the storage bins they once owned; others are for sale.

In his testimony on March 5, 1947, before your committee, Mr. Carl Farrington of the Corporation, in answering questions from Senator Lucas, stated (and we rely on notes taken by us, the official transcript not yet being available to us) that the Corporation called in representative people in the trade before it announced its different programs, and that the Corporation usually took the advice of these experienced people from the trade. Without reflection upon Mr. Farrington, whom we have considered a fair and forthright official, may we state

here that the failure of the Corporation to discuss previously with the trade many of the programs which it has inaugurated, has been one of our complaints over some years. Where the Government agency is the most dominant single factor in grain assembly, storage and merchandising, it simply is impossible for the grain-trade people to plan the management of their business. Overnight decisions of Corporation officials as to storage and the rates of storage, the price at which they will purchase or sell, and the manner in which they will loan or purchase, all become important to every individual in the trade and frequently mean the difference between profit and loss in his transactions.

May we again urge that your committee adopt language in any legislation extending the life of Commodity Credit Corporation that would clearly delimit the competition set up against established business by that Corporation.

Senator THOMAS. Mr. Chairman, before we conclude the hearings, I would like to have the Manager or some of the Board of Directors of the Commodity Credit Corporation come before us and give us some first-hand information as to just what they are doing, what they propose to do, if their life is extended.

The CHAIRMAN. Do you want them today?

Senator THOMAS. No, sir. It is now 1:15 p. m.

The CHAIRMAN. That is a good suggestion.

Senator THOMAS. I think that will complete the hearings, as far as I know, unless somebody else wants to be heard.

The CHAIRMAN. Senator Stewart, have you anything further?

Senator STEWART. No, sir.

The CHAIRMAN. I am very much obliged to you, Mr. Woodworth.

Senator THOMAS. Mr. Farrington said he could appear and explain the matter anytime at our convenience. It is up to you to set a time that would be convenient.

The CHAIRMAN. We would not have time today.

Senator THOMAS. No.

The CHAIRMAN. At this point in the record I want to insert the following letter I have received from the legislative secretary of the Farmers Educational and Cooperative Union of America in which the extension of the Commodity Credit Corporation for another 2 years is endorsed.

(The letter is as follows:)

FARMERS EDUCATIONAL AND COOPERATIVE UNION OF AMERICA,
Washington 3, D. C., February 19, 1947.

Senator ARTHUR CAPPER,
Chairman, Senate Agriculture Committee,
Washington, D. C.

DEAR SENATOR CAPPER: In view of the very clear need for extension of the life of the Commodity Credit Corporation and of the general recognition of that fact, it does not appear desirable for me to consume the time of the committee with oral testimony in the hearing of which I was notified today. Instead, I should appreciate it if you would have inserted in the record of the hearing this statement of the position of the National Farmers Union.

We believe that the extension of the Commodity Credit Corporation for another 2 years is indispensable to the conduct of an agricultural program, since that Corporation is the only machinery presently in existence for the maintenance of price support authorized under the Steagall amendment to the 1942 Price Control Act. We therefore urge that legislation to this end be approved in this session of Congress.

Sincerely,

RUSSELL SMITH, *Legislative Secretary.*

The CHAIRMAN. We will adjourn at this time until Wednesday morning, March 5, at 10:30 a. m.

(Thereupon, at 1:20 p. m., the committee adjourned to Wednesday, March 5, 1947, at 10:30 a. m.)

TO CONTINUE THE COMMODITY CREDIT CORPORATION

WEDNESDAY, MARCH 5, 1947

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met at 10:30 a. m., pursuant to adjournment, in room 324, Senate Office Building, Senator Arthur Capper (chairman) presiding.

Present: Senators Capper (chairman), Aiken, Bushfield, Young, Kem, Thye, Thomas, Lucas, Stewart, and Hoey.

Senator AIKEN. Senator Capper expects to be here as soon as he can get here. A letter has come to Senator Capper this morning from the Comptroller General of the United States which I think ought to be read now before we go any further.

HON. ARTHUR CAPPER,
*Chairman, Committee on Agriculture and Forestry,
United States Senate.*

MY DEAR MR. CHAIRMAN: It has come to my attention that S. 350 entitled "A bill to continue the Commodity Credit Corporation as an agency of the United States until June 30, 1949" has been referred to your committee. The present law (15 U. S. C. 713 (a)) provides that "Notwithstanding any other provision of law Commodity Credit Corporation, a corporation organized under the laws of the State of Delaware, shall continue until the close of business on June 30, 1947, or such earlier date as may be fixed by the President by the Executive order to be an agency of the United States."

In addition to S. 350 it appears that there has been introduced in the House of Representatives, H. R. 30, entitled "A bill to continue Commodity Credit Corporation as an agency of the United States on a permanent basis" which provides "That the first sentence of subsection (a) of section 7 of the act approved January 31, 1945 (49 Stat. 4, as amended, 15 U. S. C. 713 (a)), as amended by striking out the following 'until the close of business on June 30, 1947, or such earlier date as may be fixed by the President by Executive Order.'"

S. 350 amends the same subsection by striking out "June 30, 1947," inserting in lieu thereof "June 30, 1949."

It appears that the provisions of S. 350 would result in removing the Corporation from the operations of section 304 (b) of the Government Corporation Control Act (59 Stat. 597) by extending its existence beyond June 30, 1948. The said section provides as follows: "No wholly owned Government corporation created by or under the laws of any State, Territory, or possession of the United States or any political subdivision thereof or under the laws of the District of Columbia, shall continue after June 30, 1948, as an agency or instrumentality of the United States, except for purposes of liquidation: *Provided*, That prior thereto any such corporation may be reincorporated by act of Congress for such purposes and term of existence and with such powers, privileges, and duties as authorized by such act, including the power to take over the assets and assume the liabilities of its respective predecessor corporation."

While the audit of the Commodity Credit Corporation for the fiscal years 1944, 1945, and 1946, which this office is making pursuant to section 5 of the act of February 24, 1945 (59 Stat. 5), has been completed insofar as field examinations are concerned, it has not yet been possible to consolidate, evaluate, and reduce all findings to report form. Until such is done—and the work is being accomplished as expeditiously as possible—it would not be satisfactory to attempt to

make definite recommendations as to whether the Corporation should be continued in existence or if so, what the terms and provisions of its new Federal charter should be.

However, in that connection I may say that several preliminary discussions have been held with representatives of the Bureau of the Budget who are considering legislation to reincorporate the Corporation as recommended in the message of the President transmitting the budget for the fiscal year 1946. In any event, until the audit study by this office of the Commodity Credit Corporation has been completed and definite recommendations based thereupon can be made with respect to its reincorporation, I strongly recommend that no legislation be approved which will result in extending its life beyond June 30, 1948, the date fixed for the termination of all locally chartered Federal corporations not specifically reincorporated by act of Congress.

Sincerely yours,

LINDSAY C. WARREN.

I think the meaning of that letter is perfectly clear to all of us, that the Comptroller General feels that the life of the Commodity Credit Corporation should not be extended beyond June 30, 1948, which will give us almost a year and a half to get the report of the Comptroller General and the recommendations of the Comptroller General as regards the Commodity Credit Corporation and also to work out the terms and provisions of the new charter which might be issued.

This morning we have with us Jesse Gilmer, President, Commodity Credit Corporation; Carl Farrington, Vice President; Mr. Harry Reed, Director of the Livestock Branch of the Production and Marketing Administration; also Mr. Charles Holman, if time permits, and possibly Mr. George McIntyre of the Michigan Bean Shippers Association.

Mr. Gilmer is to take the stand first.

STATEMENT OF JESSE B. GILMER, PRESIDENT, COMMODITY CREDIT CORPORATION, WASHINGTON, D. C.

Senator AIKEN. I was unfortunately tied up in the committee when we had this hearing last. You have no prepared statement on the general operations of the Commodity Credit Corporation?

Mr. GILMER. No, sir.

Senator AIKEN. If you care to, proceed and give us a general statement in regard to the work of this Corporation.

Mr. GILMER. Senator, I would like to discuss, to the extent that the committee would like to have discussed the general method of operation of the Corporation and its organizational structure.

The Corporation is an organization of the United States Department of Agriculture. The Secretary of Agriculture holds and votes the stock of the United States. He is Chairman of the Board of Directors of the Corporation.

The Corporation is managed by a Board of Directors elected by the Secretary of Agriculture and the board at present consists of the Secretary of Agriculture, the Under Secretary of Agriculture, the Assistant Secretary of Agriculture, the Administrator of the Production and Marketing Administration, the Deputy Administrator of the Production and Marketing Administration, and the Assistant Administrators of the Production and Marketing Administration, and the Director of the Field Service Branch of PMA.

The use of all funds and powers of Commodity Credit Corporation is authorized by the Board of Directors of the Corporation. The Board is responsible to the Secretary of Agriculture. The president of the

Corporation is administratively responsible directly to the Secretary of Agriculture.

Within the Production and Marketing Administration, there is under consideration—as has been discussed with the committee before—an organizational alinement, which will bring the Commodity Credit Corporation more into being as a specific entity of the Department of Agriculture.

We propose to have within the Production and Marketing Administration an assistant administrator who will be in charge of Commodity Credit Corporation operations. This man will be in practice an executive vice president of Commodity Credit Corporation and at the Washington level will be directly responsible for the operation of Commodity Credit Corporation programs and the use of its funds.

In the field there will be a number of field offices of Commodity Credit Corporation, the head of those offices being directly responsible to this executive vice president for the operations of the Corporation.

Now, this is some change over what we have had in effect in the past, and is an effort to recognize the need of pulling Commodity Credit more together as an organizational entity, and it is planned to proceed on that basis.

Senator AIKEN. Any questions any of the members of the committee desire to ask Mr. Gilmer?

Senator LUCAS. The organization you have set up at the present time is in conformity with the articles of the charter?

Mr. GILMER. Yes, sir.

Senator LUCAS. What you contemplate doing I presume will still be within the framework of that charter?

Mr. GILMER. Yes, sir.

Senator LUCAS. Referring to the change you now are making it would not require any legislation to do that?

Mr. GILMER. No, sir.

Senator LUCAS. Were you here when the chairman read the letter of the Comptroller General?

Mr. GILMER. Yes, sir.

Senator LUCAS. Do you care to make any remarks on that letter?

Mr. GILMER. I do not believe I do, Senator.

Senator LUCAS. I will ask you this direct question: Do you believe that Mr. Warren is right in requesting Congress to continue the Commodity Credit Corporation only until June 1948?

Mr. GILMER. Well, I am sure that he is within his rights, Senator.

Our position is that we would like to see a Federal charter of Commodity Credit Corporation considered by the Congress.

Senator STEWART. You mean as a permanent thing?

Mr. GILMER. Yes, sir. We are working with the Budget Bureau at this time in development of a proposed charter to submit to the Congress and that is what we had rather see happen.

Senator LUCAS. If we continue this until 1948, would that give you time to submit what you have in mind to the Congress?

Mr. GILMER. Yes, sir.

Senator LUCAS. As far as the Federal charter is concerned?

Mr. GILMER. Yes, sir.

Senator AIKEN. And if we did not act on S. 350, an extension of Commodity Credit in any way, but waited until the charter had been

prepared and did not get any action on the charter bill through both Houses until after July 1, that would not be good—

Mr. GILMER. No, sir.

Senator AIKEN. For the Commodity Credit Corporation or its work; would it?

Mr. GILMER. As I understand it, the Commodity Credit Corporation would cease to be an agency of the United States.

Senator THOMAS. At what date?

Mr. GILMER. June 30, 1947.

Senator LUCAS. This year?

Mr. GILMER. Yes, sir.

Senator AIKEN. And the Comptroller General suggests extending the life 1 year, which would give ample time for him to prepare his reports on the Corporation and also to prepare a Federal charter.

Senator THOMAS. Mr. Chairman, that would not carry out the existing law in this particular: Under existing law the Department is authorized and directed to maintain support prices, which means the present loan program, for 2 years after the termination of the war, which was terminated officially on December 31, 1946.

So, to carry out that program we must have the Commodity Credit Corporation in existence at least for 2 years, which means December 31, 1948, and extend it just for a year, which would be June 30, 1948, would leave 6 months there that we would have to take into consideration at a later date, and it occurs to me if we are going to extend it at all we should extend it at least during the authorized and directed foreign-loan, support-price program.

Senator AIKEN. Senator Thomas, if we extend it just for 1 year, that still leaves the Commodity Credit Corporation under the new law requiring Federal charter for it, and it would also leave the responsibility upon the Congress for extending the Commodity Credit Corporation, or some other agency with power to carry out the provisions of the Steagall amendment, which guarantees farm prices for 2 years following the war.

I mean, we would have to enact still further legislation to continue it after July 1, 1948. Is that as you see it?

Senator THOMAS. Personally, I am sold on the program of trying to make permanent and making permanent support prices for agricultural products. Every other concern so far as I know has that support. They have it in one form or another. Electric utilities—they have their program approved by either the State in which they operate or the Federal Government. The railroads are supervised by the Interstate Commerce Commission. They have their rate schedule approved. They are not for a year or 2 years; they are a permanent proposition and, inasmuch as the farm industry must, of necessity, be permanent, I am in favor of considering our work on a permanent basis.

I would like to ask one or two questions to make the matter a little more clear.

Senator AIKEN. All right.

Senator THOMAS. What salary does the managing head of the Commodity Credit Corporation receive at the present time?

Mr. GILMER. \$10,000 per annum.

Senator THOMAS. Is he a full-time man or is he selected from some of the departments, and his time supposed to be taken up as the head

of his own division, and then he comes over to the Commodity Credit Corporation and serves as, you might say, as a side effort or activity?

Mr. GILMER. Senator, under the bylaws of the Corporation, as now written, the President of Commodity Credit Corporation is Administrator of the Production and Marketing Administration. Within the Department the Production and Marketing Administration is responsible for handling most of the non-credit-action programs of the Department. It is the agency which carries out, to some extent, the programs of Commodity Credit Corporation. It is a combination position, so to speak, at this time.

Senator BUSHFIELD. Is there another salary attached to the job?

Mr. GILMER. No, sir; \$10,000 a year from both jobs, sir. There is very little distinction between those two titles. As Administrator of PMA, that official is responsible for certain activities other than those involving the use of Commodity Credit Corporation funds and authority, but he is also responsible for administering the programs of Commodity Credit Corporation and using those funds and authority.

Senator THOMAS. Were you present the other day when someone testified that the Commodity Credit Corporation had handled business of a total volume of over \$30,000,000,000 over the past 5 years?

Mr. GILMER. No, sir; I was not present, Senator.

Senator THOMAS. That testimony was given before the committee, and if that is correct—which I assume it is—that means that the Commodity Credit has participated or managed support prices or other activities, including subsidies, to the extent of \$6,000,000,000 a year for the past 5 years, but it occurs to me, Mr. Chairman, that an institution that is that big should have a full-time man at the head of it and that he should be selected with great care, to get the best man available, and that his salary in my opinion should be more than \$10,000 a year.

That is the way it appeals to me, and, personally, I am hopeful that the farmers of the United States can be given some little assurance that their committee—in the Senate at least—is considering their program from a long-time standpoint and not just for 2 years after the termination of the war, and if this committee or the Senate of the Congress—the administration—extends this institution only for 1 year, I think it will put a sort of dampening influence upon the hopes of a good many farmers that this program is to be made permanent. I am just exhibiting to you my reaction and my viewpoint.

Senator AIKEN. It would appear that the length of time that the Commodity Credit should be extended for is probably a matter for the committee to take up in executive session. Perhaps this morning we can make the best use—

Senator THOMAS. I would like to ask, then, one more question.

Senator AIKEN. Go ahead, Senator.

Senator THOMAS. Are you prepared to answer this question: Is it the policy of the Agricultural Department to have this organization known as Commodity Credit Corporation extended indefinitely?

Mr. GILMER. Yes, sir.

Senator THOMAS. It is their policy?

Mr. GILMER. Yes, sir.

Senator LUCAS. Do you think the RFC could handle it?

Mr. GILMER. No, sir.

Senator LUCAS. Do you think it has to be a separate entity and could not be merged with any other agency of the Government successfully?

Mr. GILMER. Not necessarily, Senator. I think for the purpose of serving the agriculture of this country and the farmers of this country and the public in general, that this Corporation should be a corporation within the Department of Agriculture.

Senator LUCAS. That would do nothing but look after the interests of the farmers?

Mr. GILMER. Yes, sir.

Senator HOEY. Mr. Chairman, I do not understand the Comptroller General's suggestion about the termination of this at all. He means that it merely continues now until June 30, 1948, with the idea that in the meantime we would have this law establishing this Corporation as a permanent agency of the Government.

Senator AIKEN. The Comptroller General thinks that if this were extended beyond June 30, 1948, the effect would be to remove the Corporation from the operations of section 304 (b) of the Government Corporation Control Act, which requires the obtaining of a Federal charter.

Senator HOEY. Then, later on, he suggested this amendment about obtaining a Federal charter, which would make a permanent organization.

Senator AIKEN. That is right. The Comptroller General does not express any opinion on the merit or lack of merit of the Commodity Credit.

Senator LUCAS. As I understand it, if we passed this we would be in conflict with that section.

Senator AIKEN. That is right.

Senator LUCAS. And the President mentioned that fact in his budget message.

Senator AIKEN. But it would not be in conflict in extending the life of Commodity Credit to June 30, 1948.

Are there any further questions of Mr. Gilmer?

If not, we thank you now.

I know that all members of this committee have been receiving telegrams from bean growers—California, New York, and Michigan, in particular—and they had asked to appear before this committee this morning. However, the clerk has just handed me a note which reads:

The bean growers have just finished their conference with the Department of Agriculture. Satisfactory arrangements have been reached. Hence, they will not want to appear before the committee today.

Senator THOMAS. Mr. Chairman, I would like to know the nature of that agreement.

Senator AIKEN. You probably could find out by asking the bean growers. It seems the earlier agreement was not very satisfactory.

Senator LUCAS. They probably got a few more beans.

Senator THOMAS. Mr. Chairman, if we got a statement for the press present I imagine it would help our program by making it public.

**STATEMENT OF CARL FARRINGTON, VICE PRESIDENT, COM-
MODITY CREDIT CORPORATION, WASHINGTON, D. C.**

Mr. FARRINGTON. I imagine they were asking for a larger export allocation and I believe there was an agreement reached on that point.

Senator AIKEN. For the record, I might say that the bean growers complained that while they get an extra export allocation of 220,000 bags that the allocation was for countries which had no money to pay for the beans.

Senator BUSHFIELD. I would like to ask a question of Mr. Gilmer.

Senator AIKEN. Senator Bushfield.

Senator BUSHFIELD. Is it possible for anyone to buy or sell these commodities without the approval or the license of the Department?

Mr. GILMER. Involving the use of Commodity Credit powers and funds?

Senator BUSHFIELD. Yes.

Mr. GILMER. No, sir.

Senator BUSHFIELD. An individual could not sell agricultural commodities without a license from your Department?

Mr. GILMER. Well, it depends on the commodity, Senator. I think I misunderstood your question first.

No individual can engage in the buying and selling of commodities using the authorities of Commodity Credit Corporation and its funds without, of course, being an agent of Commodity Credit Corporation.

Now there are some commodities under license, under export controls and import controls, and there are certain commodities that require allocations to claimant countries, and other commodities which do not require such type of control. The license controls, however, are not exercised by the Commodity Credit Corporation.

Senator BUSHFIELD. What I did not understand was the processes by which commodities could be bought or sold or whether they could be bought or sold without a license from the Department.

Mr. GILMER. Yes, sir. They can be bought or sold without a license from the Department.

Senator BUSHFIELD. They can be?

Mr. GILMER. Yes, sir.

Senator THOMAS. Take beans, for illustration, supposing that country "A" wants a quantity of beans and an industry, a corporation in this country known as company "B" has plenty of beans. Can company "B" sell beans to country "A" without coming to your Department and getting permission?

Mr. GILMER. No, sir.

Senator THOMAS. Justify your answer, if you will. Why do you say no?

Mr. GILMER. Senator, beans——

Senator THOMAS. Well, I am using beans or anything else.

Mr. GILMER. Commodities in relatively short supply the world over are handled by allocation by agreement with the International Emergency Food Council, which is participated in by the majority of the Allied Nations.

Senator LUCAS. Congress approved that?

Mr. GILMER. Yes, sir. That Council has information supplied to it by member nations of the needs of those nations for various types of commodities. It also has information supplied to it by member nations of production in the member nations of the various types of commodities.

In other words, it knows the needs and it knows the quantity available. And then that Council recommends to the member countries allocations to be made from this world stock pile so to speak, to the needy nations.

When that Council acts, insofar as we are concerned, it informs the Department of its recommendations, and then it is the responsibility of the Department to take into consideration the recommendations of the Council and the relative needs of the people who buy their food from us, and what we call allocation is made of the commodity to the claimant nation.

Some of the commodities, a very few of them, are actually acquired by the Commodity Credit Corporation and delivered to the claimant nation. Other commodities are acquired directly with our private trade by the claimant nations and are exported under export license. The export license is granted by the Department of Commerce. So, in the case of beans we make an allocation of beans.

Senator THOMAS. Beans are not in short supply, are they?

Mr. GILMER. Senator, I cannot answer that question.

Senator BUSHFIELD. Let us take wheat or corn.

Mr. GILMER. Are they in support supply?

Mr. GILMER. World-wide; yes, sir. In this country, no, sir; not in my opinion.

Senator THOMAS. Take oats, for example.

Senator BUSHFIELD. You would not have to have a license from the Department for wheat or corn?

Mr. GILMER. To buy and sell in this country?

Senator BUSHFIELD. No; in some foreign country.

Mr. GILMER. To buy and sell for export; yes, sir.

Senator BUSHFIELD. You would have?

Mr. GILMER. Yes, sir.

Senator LUCAS. What commodities are included in that Food Council over which this Government exercises complete control so far as allocations are concerned?

Mr. GILMER. I would like, if I may, to ask Mr. Farrington.

Senator AIKEN. Mr. Farrington.

Mr. FARRINGTON. Several of the grains, wheat, and corn, grain sorghums, fats and oils generally—with one or two exceptions—one of them is tung oil—

Senator LUCAS. Is there any basic commodity that one who has an export license can sell to a foreign country without getting permission from the Agricultural Department?

Mr. FARRINGTON. Any of the basic commodities?

Senator LUCAS. Yes.

Mr. FARRINGTON. Yes, sir; cotton.

Senator LUCAS. Is that only one?

Mr. FARRINGTON. Tobacco; I am quite sure there are no export licenses on tobacco.

Senator LUCAS. Does it come within your jurisdiction to make the determination as to whether the supply is short or long?

Mr. FARRINGTON. I would say it is a joint determination by the IEFC, and from time to time commodities which have been in short supply and subject to allocation have been excluded. That was true the other day of tung oil which I mentioned and the list of commodities subject to international allocation has been going down rather rapidly.

Senator LUCAS. Let me ask you this question: Has the Department had any trouble with people in this country who desire to export and fail to get permission from the Department to do so?

Mr. FARRINGTON. Yes, sir. There have been complaints just like this bean complaint that was mentioned here earlier.

Senator KEM. Mr. Farrington, what is the congressional authority for this jurisdiction?

Mr. FARRINGTON. There are two acts. The first is the Second War Powers Act which provides authority for allocation.

Second, the Export Control Act, provides authority for the issuance of export licenses.

Senator KEM. Those powers will expire shortly if not removed?

Mr. FARRINGTON. The Second War Powers Act expires March 31, 1947, and the Export Control Act expires June 30, 1947.

Senator KEM. And if those two acts are not renewed you will not be in a position to continue this authority?

Mr. FARRINGTON. That is correct.

Senator THOMAS. What is the Department's recommendation with respect to these two authorities? Are they willing to have them cease to exist at the termination of this present authority or are you recommending that they be extended?

Mr. FARRINGTON. I believe that the recommendation has been made that they be extended for certain specific commodities and purposes. Not a general extension but a limited extension.

Senator KEM. Are those included in the President's message to Congress?

Mr. FARRINGTON. Yes, sir.

Senator KEM. Then did he not send a second message that modified the original request to some extent?

Mr. FARRINGTON. I am not sure. I believe that is correct.

Senator KEM. The second request, does that cover this?

STATEMENT OF N. E. DODD, UNDER SECRETARY OF AGRICULTURE AND VICE CHAIRMAN OF THE BOARD OF DIRECTORS, COM- MODITY CREDIT CORPORATION

Mr. DODD. Yes, sir.

Senator KEM. He is still asking for that?

Mr. DODD. Yes, sir.

Senator LUCAS. I should like to ask another question of Mr. Gilmer.

Senator AIKEN. Are you through with Mr. Gilmer?

Senator KEM. Just as a matter of general information, why do you think those should be extended?

Mr. FARRINGTON. There are still commodities which are in very short supply.

Senator KEM. For instance?

Mr. FARRINGTON. Fats and oils are in very short supply. We need to import large amounts of the drying oils and certain other of the technical oils.

Wheat for international purposes is in very short supply and in order to get an equitable distribution of the supplies, and have a part of those supplies go to those in greatest need it is very important that we have the allocation powers.

Senator YOUNG. Is flax under control?

Mr. FARRINGTON. Yes, sir. Sugar is of course the outstanding example of the commodities in short supply.

Senator THOMAS. Do other countries have similar restrictions to those just mentioned? In other words, exporting countries like Brazil, Argentina, Australia—do they have the controls over their exports?

Mr. FARRINGTON. My understanding is that all of those that are members of the IEFEC have agreed to impelment the allocations that have been made through the exercise of the control over imports and exports.

Senator AIKEN. Is Russia a member?

Mr. FARRINGTON. No, sir.

Senator AIKEN. Russia is the only important nation that is not a member.

Mr. FARRINGTON. It is——

Senator AIKEN. The only one of the larger nations?

Mr. FARRINGTON. I believe that is correct.

Senator KEM. Are these powers granted by the President and exercised by the Secretary of Agriculture?

Mr. FARRINGTON. Yes, sir.

Senator THOMAS. Is it not your opinion that if these controls were terminated immediately or terminated at the expiration date that thereafter we would be able to sell more of our supplies abroad in what might be termed a free economy, than we are selling or will sell if these controls are retained?

Mr. FARRINGTON. I think you would have that effect for certain commodities for a limited time. Over a long period of time I do not think you would increase your total export trade, but for a short period, yes. You might, for example, sell a lot more oil-seed meals and put the price up to the domestic feed users for a limited time, and have more exports than would otherwise be the case.

Senator THOMAS. Could not the bean industry increase their sales abroad if these restrictions were not retained and exercised, in your opinion?

Mr. FARRINGTON. For a brief period, yes, sir.

Senator THYE. I would like to ask a question: Why do you refer to the question of a brief period?

Mr. FARRINGTON. Well, the total bean-supply picture is pretty bad from a statistical standpoint. Now, for a short period, more beans would go out and the price would go up, and then probably that export demand would fall off, or domestic users would step up their prices to get their share of the available supply. The total amount that would be available would not be increased of course until the next crop but for a short period there would be more exports at a higher price and then the situation would then adjust itself.

Senator KEM. How long to you contemplate it would be necessary or advisable to have this regulation?

Mr. FARRINGTON. It differs with the different commodities: sugar we are recommending a 1-year extension to March 31, 1948.

Senator KEM. How about beans?

Mr. FARRINGTON. We need it through this crop year. We do not know what the next crop is going to be. We hope that the supply situation will be greatly improved for the next crop.

Senator BUSHFIELD. What is the situation with regard to wheat?

Mr. FARRINGTON. Wheat supplies—the carry-over this year is going to be again at a very low level. The world requirements for wheat are bound to continue very heavy for another year and we will be dependent for next year's supplies—

Senator BUSHFIELD. You will recommend that the controls be continued for a year then?

Mr. FARRINGTON. For a good part of the next crop year we think it would be desirable to have the authority. We, of course, would not want to use it any more than was absolutely necessary, but the supply situation for next year is very uncertain at this time and we will be dependent on next year's supplies, on what we produce this year, because there are not going to be carry overs any place in the world. That is, large carry overs.

Senator BUSHFIELD. We had the largest wheat crop in our history last year.

Mr. FARRINGTON. Yes, sir; and it is all going into consumption.

Senator AIKEN. And the smallest carry-over?

Mr. FARRINGTON. Yes, sir.

Senator KEM. Is your thought that these controls will become a more or less permanent part of our economy?

Mr. FARRINGTON. No, sir.

Senator KEM. Is it not true that there have been shortages in various parts of the world in food supply since the dawn of history?

Mr. FARRINGTON. Well, of course, that is a relative term. We have usually thought of wheat as being in rather surplus most of the time, even if there were large groups in certain countries that were not able to buy and use all the wheat that they would like to.

Senator KEM. That condition has been constant, has it not—more or less periodic all over the world—there have been times when there has been a shortage of food in different parts of the world.

Mr. FARRINGTON. That is correct.

Senator KEM. Has there been any time in the world's history when some shortages have not existed somewhere in the world?

Mr. FARRINGTON. I do not believe there have been any periods in history when there were not some hungry people in certain areas.

Senator KEM. If we want to return to a free economy, will we not have to take the bit in our teeth and disregard those situations at sometime?

Mr. FARRINGTON. Certainly those periodic and local shortages are not such as to necessitate a continued rigid import and export control from each country. The question is, When is the time to break loose? We have already broken loose on many of them, and as soon as Europe gets a good grain crop, and the Far East gets a good rice crop, the grain situation will be greatly eased.

Senator THYE. Mr. Chairman, I would be interested in getting the reaction by the trade to some of the controls that have been instigated against the various commodities. I would be anxious to hear what they have to say relative to and in complaint of the manner

that the controls have affected their businesses or affected the normal flow of that commodity.

Senator AIKEN. I think they testified the other day when you and I were in the Expenditures Committee and the testimony will be in the record.

Senator THYE. I am sorry. Then I retract my request of the trade. I had not seen it. For that reason I will retract that request that we hear from the trade.

Senator THOMAS. I think that was limited to the wool industry largely.

Senator KEM. The grain dealers expect to be heard.

Senator THYE. I have not read where the grain trade has been heard. At least I tried to follow it in the press. I have not seen all the committee reports here.

Senator AIKEN. Mr. Woodworth of Minneapolis testified the other day before this committee. The testimony will be found on page 212 in this report.

Senator LUCAS. Does he favor the continuation of controls?

Mr. FARRINGTON. He did comment on the controls in his testimony if you recall.

Senator AIKEN. I have not read the testimony.

Mr. FARRINGTON. He said that he recognized that under certain conditions, certain controls were necessary for a time. Naturally they, like we, want to get rid of them as soon as conditions will permit.

Senator AIKEN. I think it is well known that at times at least certain segments of the trade have objected to certain practices of the Commodity Credit Corporation.

Senator LUCAS. Well, they did that all through the war.

Senator AIKEN. That is true and they are still doing it.

Senator KEM. Are there any legal restrictions or standards on the exercise of the Secretary's discretion in this regard?

Mr. FARRINGTON. There is a representative of the Solicitor here if you would like to hear him. He could answer that question better than I. Mr. Schulman.

STATEMENT OF EDWARD M. SCHULMAN, ASSOCIATE SOLICITOR, UNITED STATES DEPARTMENT OF AGRICULTURE

Mr. SCHULMAN. There are certain standards in the act. I was not aware that any changes have been suggested in the standards. They are all in general but they do exist.

Senator KEM. Are you recommending any increase in those standards or any modification of them?

Mr. SCHULMAN. I am not aware of any substantial changes recommended.

Senator LUCAS. You are very much interested, I take it, in the continuation of the control of wheat in view of the short world supply?

Mr. FARRINGTON. Yes, sir.

Senator LUCAS. Because you want to see an equitable distribution of this wheat to countries that have people who are on the verge of starvation?

Mr. FARRINGTON. Yes, sir.

Senator LUCAS. And unless it is done this way, I take it the trade would probably not go into all of the details of what is going on in other

countries but would sell on the open market, where they would get the best price for it.

Mr. FARRINGTON. They would just have to. They would not be able to do otherwise.

Senator LUCAS. We have had many times a surplus wheat crop in this country when people were starving in other sections of the world and we could not make any disposition of it either.

Mr. FARRINGTON. Yes, sir.

Senator LUCAS. When people were hungry let us put it that way, and we could not make any disposition of it. At this time there is a special demand for wheat in all sections of the world and that is due to the ravages of the war.

Mr. FARRINGTON. Yes, sir.

Senator YOUNG. Yes; I might also add that many here in the United States were starving even when there was a great abundance of food. Farmers during the late 20's and early '30's actually brought poverty upon themselves by high production that resulted in depressed prices because of the lack of an intelligent governmental approach to the farm surplus problem.

Senator LUCAS. Yes; you burned it out in Dakota for fuel.

The CHAIRMAN. Have you a statement?

Mr. FARRINGTON. I have no formal statement. There were questions that came up the other day from the wool trade and the grain trade in connection with the operations of Commodity Credit Corporation. I would just like to say in the beginning that an agency which, as the Senator has pointed out, has had transactions totaling more than \$30,000,000,000, that had loans and purchases on more than 30,000,000 bales of cotton and handled millions of bushels of wheat and corn, it is just natural that some place along the line we would step on some toes, and that just cannot be helped if we are going to carry out the mandates of the Congress to help the farmer, as I think the record shows we have to the extent of adding hundreds of millions of dollars to their income, but I do want to say also that it is definitely the policy of Commodity Credit Corporation to utilize trade facilities and services.

There have been relatively few transactions that have been carried out with bypassing the trade facilities and services.

We have not built any warehouses or rented any warehouses, we have used the trade facilities to the extent that they were available.

There is one exception in that: We did in '38 to '40 buy some bins to grain—to put corn and wheat in.

Senator THOMAS. What do you mean by bins?

Mr. FARRINGTON. Small-sized bins.

Senator THOMAS. What do you mean by "small-sized"?

Mr. FARRINGTON. 1,000 to 3,000 bushels as contrasted with an elevator that would hold many times that.

Senator AIKEN. That was for storage on the farm.

Mr. FARRINGTON. That was for storage on the farm and at local delivery points. That was made necessary by the inadequacy of commercial facilities for the record carry-overs of crops of grain that were available at that time.

Senator LUCAS. The farmers are still using it too?

Mr. FARRINGTON. 70 percent approximately of those bins have been sold to the farmers and have increased the farm storage space and the

other 30 percent is now empty because now we do have commercial space available.

Senator THYE. You did not buy the bin as an agency and then put it in Mr. Smith's dooryard and then Mr. Brown's dooryard. You would concentrate those in a sort of colony of bins which you had close supervision of and in which you permitted the storage of this grain in this center or you would locate them adjacent to a railroad spur or elevator. That is how you handled them?

Mr. FARRINGTON. That is right.

Senator THYE. You did not put one storage bin in here in Smith's dooryard and another one over here in Brown's dooryard?

Mr. FARRINGTON. No. Later we sold as many as possible.

Senator THYE. The public misunderstands. When you say you bought these bins for the farmer to store his grain in, they conceive that you put them out promiscuously, but you put them out in a supervised manner to where you stored the grain?

Mr. FARRINGTON. That is correct. A lot of these bins have been sold to individual farmers and are now out on the farms, but they were just as you described it, Senator.

Senator BUSHFIELD. There is still wheat lying on the ground, is there not, out in my State?

Mr. FARRINGTON. I believe that has largely been cleaned up. The transportation situation, as you know, was such as to make it impossible to move all of it immediately, and there have been various times when that situation has prevailed, and it has been possible to use those bins for temporary storage to relieve a transportation situation.

Now, we want to use the trade facilities and services. We do not want to duplicate their services, and, as I have indicated, we work through them wherever we can, consistent with carrying out the mandate of the Congress.

Senator LUCAS. Do you have any organization set up to do that—to work with the trade—or is it just a sort of hit-or-miss proposition?

Mr. FARRINGTON. Well, we are in more or less continuous contact with the trade. Trade groups have been called in from time to time to advise us on specific problems. We have had to work with them.

Senator LUCAS. You take their advice; do you?

Mr. FARRINGTON. Yes, sir.

Senator LUCAS. Or do you just call them down and listen to them and then go on about what you want to?

Mr. FARRINGTON. I think we take their advice in many cases. I think they will testify to that fact. We do not always take it 100 percent, but we appreciate the cooperation they have given us, and they have been fine in working with us.

Senator LUCAS. I think you ought to continue to do that.

Mr. FARRINGTON. So do I.

Senator LUCAS. The theory is you are going to get out of this business sooner or later and the more you can cooperate with the trade and the more information you can get from the trade the sooner you can get out.

Mr. FARRINGTON. We are in complete agreement with that. For example, on the wool matter that came up here the other day, it was implied that we were driving the trade out of the wool business,

but as Mr. Fawcett brought out, every bit of the wool that we bought was bought through the trade. Every established wool handler had an opportunity to enter into contracts with Commodity Credit and most of them did.

All of our sales in the domestic market have been handled through the trade itself. In that case we have been absolutely 100 percent on utilizing trade facilities and services.

Senator LUCAS. Since you are on wool, do you agree with Mr. Dodd as to what should be done with this surplus wool crop we have got on hand?

Mr. FARRINGTON. Yes, sir.

Senator LUCAS. That is, Do you believe it ought to be sold at a lower price than what the law says you must sell it for now?

Mr. FARRINGTON. Yes, sir. We must be able to price it competitively and move it into consumption.

Senator LUCAS. Then what are we going to do with the next crop that comes along? Are we going to buy it and then do the same thing on this wool proposition?

Mr. FARRINGTON. There are others here——

The CHAIRMAN. I think we have a witness here—Mr. Reed—to discuss the wool situation, Senator.

Senator LUCAS. All right. I will cease and desist for the moment.

Senator THOMAS. I have one additional question. I want to ask one question, Mr. Chairman.

Your Bureau of Agricultural Economics, as I understand it, keeps track of parity prices; is that correct?

Mr. FARRINGTON. Yes, sir.

Senator THOMAS. And at the end of each month your Department announces the trend of so-called parity prices. During the month of February is it not a fact that the commodity index—or the index figure by which you measure parity prices—increased approximately six points?

Mr. FARRINGTON. That is correct. It went up from 215 to 221 percent.

Senator THOMAS. Translate that into the present parity price of basic commodities.

Mr. FARRINGTON. That means that the parity price of wheat was \$1.95 a bushel, corn \$1.42.

Senator LUCAS. Is that at the elevator?

Mr. FARRINGTON. That is the average farm price; parity.

Senator LUCAS. Is that on the farm or is that Chicago or Minneapolis?

Mr. FARRINGTON. That is where the farmer sells his corn—in the local market.

Senator YOUNG. That is 100 percent of parity?

Mr. FARRINGTON. Yes, sir.

Senator YOUNG. And you support at 90 percent of parity, so that is not actually the farm price?

Mr. FARRINGTON. No, sir; that is parity. The average farm price was \$1.99 on wheat as compared with a parity of \$1.95.

Senator YOUNG. Your support is at 90 percent of parity, which would be less than that.

Mr. FARRINGTON. Yes. Our support for this last crop was about \$1.49, I believe that was the average.

Senator YOUNG. And now it would be \$1.75 on the basis of 90 percent of present parity?

Mr. FARRINGTON. Yes, sir.

Senator LUCAS. As long as it is above parity you do not worry much.

Mr. FARRINGTON. That is correct.

Senator THOMAS. What are the other parity prices on the basic commodities?

Mr. FARRINGTON. Yes, sir. Rice is \$1.80; cotton, \$.27+; tobacco, of course, there are various prices.

Senator THOMAS. Yes; there are different grades of tobacco.

Mr. FARRINGTON. I have them all here and will be glad to insert them in the record.

Senator LUCAS. I do not see how those farmers can live on those prices.

Senator THYE. I would like to make inquiry of Mr. Farrington, What do you use when you are arriving at parity? What are the basic figures that you are working with when you make up that yardstick which you measure with?

Mr. FARRINGTON. I think we could illustrate it on wheat. If today we were figuring out the loan price for wheat, we would take this \$1.95 parity which was the most recent parity; 90 percent of that would be, as you said, approximately \$1.75, and we would set up a schedule of loan rates which would average, at the local market—

Senator THYE. That is your parity. I know how you arrived at it, and what dollars you are using and what figures you are using; but what did you use—

Mr. FARRINGTON. In arriving at the \$1.95?

Senator THYE. As a yardstick when you were doing this measuring to get at this figure?

Mr. FARRINGTON. The average price of wheat in the base period 1909 to 1914 was 88 cents plus. I think 88.4. That is the base-period price. You multiply that by the current index of the price paid by farmers, including interest and taxes.

Senator THYE. Interest and taxes. What else do you figure in, that the farmer is faced with in his operation?

Mr. FARRINGTON. The prices paid by farmers for his commodities purchased. That includes commodities for living expenses and commodities for production use.

That index now is 221. That means that the prices that farmers pay—

Senator THYE. Do you figure the hired help?

Mr. FARRINGTON. No, sir. The hired help is not included in that index.

Senator THYE. How do you overlook that major item in the expense that the man is put to?

Senator LUCAS. Mr. Chairman, if we get into this we will be here for a week.

Senator THYE. The Senator from Illinois was feeling badly for the farmer.

Senator LUCAS. I do not see how he can get along at this price.

Senator THYE. You do not see how he can get along. For that reason I want to get some of these major items of expense into the picture, because that is the only way we can feel sorry or judge how that man is faring.

Mr. FARRINGTON. The computation is the base price for the business period multiplied by the 221 index, which gives you the \$1.95 current period for the wheat. Labor has not been included in the index of prices paid by farmers. That has been discussed many times.

At the time the index computation of the Bureau of Agricultural Economics was first adopted legislatively, it had not been the practice to include labor, and the Bureau of Agricultural Economics has never felt that it had the authority to change its formula since that time.

There were discussions at various times as to the inclusion of labor, but there has been no legislation on the point and the Bureau of Agricultural Economics just feels that once the formula was adopted, they should stick with the same formula.

Senator AIKEN. The inclusion of farm labor, Senator Thye, is a matter which will probable come before this committee—this Congress—because there is a strong—

Senator THYE. I wanted to establish it for the record because there is always a tendency to forget the fact that the farmer has a question insofar as the expense of his labor or the expense of the help in the operation of that unit, and that was one reason why I raised the question, because it has got to be considered.

Senator LUCAS. The reason they did not put it in in the beginning, if I may say so, is because labor was cheap at that particular time, and if it had been included, the parity price would have been much lower, so they left it out.

Now, it is high and it will probably have to be put in sooner or later.

Senator THYE. From the standpoint of figuring it on the basis of basic benefits to the man, when he places himself on the basis of parity, that at the time that figure was fixed—you said that that help was exceedingly cheap—at that time we were spending great sums of money to find employment for men on WPA and other public works programs, so we just cannot overlook the fact that you have got to figure the man's expenditure in his operation as part of his figures of cost in figuring parity. It has got to be done.

Senator LUCAS. You would not have made that argument in 1934 had you been down here, as cheap as labor was at that time.

Senator THYE. I mean, we cannot overlook the fact that you have got to figure the cost of that man's operation in figuring parity and the cost of that help is a factor in figuring parity. I do not want to debate the question here but I wanted to get it into the record from the standpoint of what the parity figures really mean, and what you use in arriving at parity.

Mr. FARRINGTON. The list of commodities is clearly set out in the BAE publications.

Senator THOMAS. State, if you will, the number of commodities that are taken into calculation in arriving at your index number from month to month. Is it about 275?

Mr. FARRINGTON. I think that is about the figure. I am not sure but it is a very large number and covers all the commodities that farmers normally buy.

Senator THOMAS. And these commodities are definitely fixed and named in your record?

Mr. FARRINGTON. Yes, sir. The same list of commodities is used month after month.

Senator LUCAS. They move up and down your parity?

Mr. FARRINGTON. That is correct. If there are further questions I would be very glad to answer them. If not, maybe you would want to hear from Mr. Reed.

The CHAIRMAN. Mr. Holman will testify if he has time. He has 15 or 20 minutes. I do not know how long Mr. Reed has.

Mr. REED. Five minutes.

The CHAIRMAN. All right. That will come out just even, theoretically.

Senator LUCAS. That is, you hope you will be on 5 minutes. By the time Senator Thye and I get through with you, it might be 20 minutes.

**STATEMENT OF HARRY REED, DIRECTOR, LIVESTOCK BRANCH,
PRODUCTION AND MARKETING ADMINISTRATION, UNITED
STATES DEPARTMENT OF AGRICULTURE**

The CHAIRMAN. With whom are you associated?

Mr. REED. Director of Livestock Branch, Production and Marketing Administration.

Mr. CHAIRMAN. I have the answers to the questions that were submitted to us relative to the wool program.

The first question is, What was the total number of pounds purchased by the Commodity Credit Corporation since April 1943?

That was the beginning of the program. Through December 31, 1946, the Corporation had purchased 1,272,819,513 pounds of wool.

The CHAIRMAN. Covering what period?

Mr. REED. From April 1943, through December 31, 1946. The total cost of the quantity I named through December 31, 1946, was \$700,787,728.64. This cost includes all items except storage payments and financing costs, and administrative costs of the Commodity Credit Corporation personnel.

Through that same period we sold 809,584,880 pounds, and the proceeds from the sale of that wool through December 31 amounted to \$451,559,947.90.

Senator THOMAS. How much wool are you selling now, if any?

Mr. REED. The increase in parity that came out last week necessitated an increase in our sales price running from 2 to 3 cents, depending upon the classification, and we have not yet seen the result of that increased price, but in my opinion it is going to greatly slow down our sales.

Senator THOMAS. This period does not figure on imports—it is only on your domestic supply?

Mr. REED. The parity affects our sales in this way: We are operating under legislation that precludes us from selling stocks of Commodity Credit at less than parity prices.

Now, parity has increased so rapidly that we have had to increase our sales prices each month beginning with October 1946. That gives us five or six successive increases in our selling prices, and along with that increase, naturally, our sales have greatly slowed down.

Senator THOMAS. Under this trend, as the parity price goes up that tends to decrease the opportunity or possibility of your selling from your impounded stocks of wool?

Mr. REED. That is correct.

Senator THOMAS. And foreign countries are not affected by this parity price, which evidently or obviously means that as parity price goes up they can keep on exercising the opportunity of selling at full needs or demands of American mills; is that correct?

Mr. REED. That is correct. Foreign wools can come in here, pay the tariff, and undersell us.

The CHAIRMAN. Are they doing it?

Mr. REED. Yes, sir. The next question you gave us—

Senator KEM. Just a minute on that, Mr. Reed.

Mr. REED. Surely.

Senator KEM. Of course, the fact that foreign wools can do that is due to a lower cost of production?

Mr. REED. Yes, sir.

Senator KEM. Is that largely the labor item?

Mr. REED. Well, I would say because of the price level in those countries, both on labor and everything else. You see, our tariff on wool is 34 cents a clean pound.

Senator YOUNG. What are you paying for wool now?

Mr. REED. The support price—the price we pay farmers—runs in 1946 between 41 and 42 cents.

Senator AIKEN. These figures you gave us of amount bought, is that washed wool?

Mr. REED. No.

Senator AIKEN. That is greased—

Mr. REED. That is largely grease wool, but these figures include both washed wool and scoured wool.

Senator AIKEN. This 55-cent average—you bought 1,272,000,000 pounds and paid \$151,000,000 for it?

Mr. REED. I think the price paid throughout the program has been in the neighborhood of 42 cents to the farmer.

In addition to that there are certain costs involved.

Senator KEM. Where does most of this foreign wool come from?

Mr. REED. I would say largely Australia—some from South America, some from New Zealand—but Australia would be the principal supplier.

Senator AIKEN. And this \$700,000,000 includes costs and carrying charges?

Mr. REED. Yes, sir.

Senator AIKEN. It must be.

Mr. REED. Yes, sir.

Senator YOUNG. How do your holdings of wool now compare with a year ago?

Mr. REED. Slightly less. Our sales during 1946 were stepped up far in excess of anything we had had prior to that. You realize that until VJ-day there was an incentive to have a stock pile of wool in the United States. That was one of the reasons for the program. We did not know what was going to happen in the Pacific. We are on an import basis for wool; that is, we do not produce all the wool we need in the United States and we are dependent upon imports for a part of our consumption.

So, because of the war it was necessary to have a stock pile. But after VJ-day there was no need for this stock pile, and we began to liquidate the stock pile.

Between December 1, 1945, and I believe January 1—or maybe it was February 1—our sales amounted to approximately 393,000,000 pounds.

Senator YOUNG. Would you not say that these large stock piles of all farm products have played a very important part in winning this war?

Mr. REED. Yes, sir.

Senator YOUNG. I think that is a good answer to many of the critics of this farm program.

Senator THOMAS. Is it substantially correct to say that the people of the United States are wearing and using commodities—which means clothing and articles made from wool—of wool grown in foreign countries, almost exclusively, and that the American clipper wool is being taken over almost exclusively by the Commodity Credit Corporation and stored, and that is the status of the wool situation today in this country.

Mr. REED. With this qualification, Senator: Commodity Credit purchases of wool in 1946 were about 50,000,000 pounds less than the amount we sold, but mill consumption is mostly foreign wool. I do not have in mind the exact percentage, but, roughly, I would say it is around 75 percent foreign and 25 percent domestic.

Senator THOMAS. What kind of mills prefer to use the domestic wool in preference to foreign wool which they can buy at a substantially lower price?

Mr. REED. I would say that price is the controlling factor there. When the domestic wools can be purchased at a price as low as foreign wool, I do not think there will be discrimination against domestic wool.

Senator THOMAS. At the present time, with the support price of wool above the world price of wool, certainly competent mill managers are not paying a higher price just for the patriotism of the act.

Mr. REED. No. I say, when we are in a position to sell our domestic wool in competition with foreign wool.

Senator THOMAS. You cannot do that now.

Mr. REED. No, sir; not under the law.

Senator THOMAS. That is my understanding.

Senator LUCAS. Are you advocating that this law be changed?

Mr. REED. There are several bills before the Congress now permitting Commodity Credit to sell these wools at less than parity.

Senator LUCAS. How much wool do you have on hand at the present time, in dollars and cents?

Mr. REED. Approximately 450,000,000 pounds.

Senator LUCAS. How much in dollars and cents?

Mr. SHAMBURGER. As of December 31, 225 million.

Senator LUCAS. \$225,000,000. What loss now?

Mr. REED. Of course, that would depend on what prices could be obtained for it. If we had the authority to sell at less than parity, certainly it would not be the Department's intention to dump it on the market and break the price, but rather to liquidate stocks in an orderly manner.

If we took a loss, say, of 10 cents a pound, that would amount to roughly \$50,000,000 loss. What the loss would be I do not know, but certainly it would be our intention to feed that wool into the market in an orderly manner.

Senator LUCAS. Do you believe that the Congress can afford to continue to maintain a support price that is so far above the world price on wool and acquire a stock pile which may ultimately lose millions of dollars for the Government?

What we would be doing is just subsidizing, would we not, the wool growers of this country?

Mr. REED. Oh, yes. That would be subsidizing the wool market.

Now on the stock pile, we are asking for permission to liquidate that at competitive prices.

Senator LUCAS. Is there a bill in Congress on that?

Mr. REED. There are several bills before Congress now.

Senator THYE. May I ask this question of Mr. Reed?

If in the event that you are selling below parity and you would expect that wool would be shipped in from foreign countries, what is the Department's policy so far as safeguarding themselves against a great volume coming in as long as our market is maintained at the high level where you are really subsidizing the producer or the consumer of that wool in your parity payment as you would make that? Would it be possible for the Department to in any manner establish quotas as to the amount of wool that could be imported into this country, as long as the Department, through the United States Treasury, is paying out this 10 percent that you are speaking of paying out there, in establishing the parity price to the producer?

Mr. REED. There are bills before Congress now that—

Senator THYE. Establish quotas.

Mr. REED. That would give authority to establish quotas. In the event—

Senator THYE. And what would be your policy insofar—

Mr. REED. Sir?

Senator THYE. You must have a definite idea of what you would do if you were given the authority to establish the quotas. What is your policy in the Department of Agriculture relative to what would be imported under such a law?

Mr. REED. Well, I do not believe, Senator, that import quotas have as yet been used in a case like this. The provision to which I referred is, I believe, an amendment to the AAA Act.

Mr. DODD. We ask for an amendment so it could be invoked.

Mr. REED. So that excessive imports could not interfere with the handling of a commodity when there is a support price. So far as wool is concerned, the Department has taken the position that the wool program ends on April 15 of this year unless Congress especially directs that it be continued.

Senator THYE. Well, the Department of Agriculture, knowing the huge surplus of wool on hand, and knowing that you are going to sell that under a support price, your stock of wools on hand now in that huge inventory going into the market channels competitively with imports, which have been coming in to you at all times, and then your own present clip coming onto the market—what could the wool grower expect to be faced with under circumstances of that kind?

Mr. REED. Of course, the stock pile would hang a cloud over the market.

Senator THYE. It would spell ruin so the sheepmen.

Mr. REED. That is correct.

Senator THYE. And the sheep production?

Mr. REED. That is correct.

Senator THYE. It would absolutely be the ruination of them?

Mr. REED. That is correct.

Senator THYE. Because you could not have 2 years of shear or clip in inventory at the present time as you have got and then a threat of an import and then the present domestic shear that you have got coming now onto the market, but what you would break the market to a point that would spell ruin to every sheepman in the United States.

Mr. REED. That is correct.

Senator THYE. Nothing but that.

Senator YOUNG. Is it not true that what is happening to wool now might happen to all agriculture in the United States?

There is not any question in my mind but that—what with the lower standard of living in foreign countries, their cheap labor and what not—they could undersell us in time on every agricultural product. If we would not support farm prices here and if we lowered our tariffs way down, we would eventually become an almost exclusively industrial nation.

Personally I cannot see how we could raise wheat, for instance, in competition with cheap labor and low production costs of other countries.

I think the same thing is true of cattle.

Senator KEM. Mr. Reed, has the Secretary made any formal request that the production of wool in this country be increased under the provisions of the Steagall amendment?

Mr. REED. No, sir. Wool is not a Steagall commodity, nor is it a basic commodity.

Senator KEM. So the Government has made no commitment to the producers with reference to the extension of this program?

Mr. REED. No, sir. I have the answer to three other questions, Mr. Chairman.

The CHAIRMAN. We would like to have them.

Mr. REED. Of wool sold to date, how much money has been lost?

The books of the corporation as of December 31, 1946, reflected total losses on the wool program to that date, of \$37,466,659.42.

The CHAIRMAN. What period would that cover?

Mr. REED. From the beginning of the program in April 1943 through December 31, 1946. In addition to the loss that had been sustained, on the same date the Corporation carried a reserve of roughly \$55,000,000 for additional losses that would be incurred if the stock pile as of that date were liquidated.

Senator KEM. Does this wool deteriorate as you carry it in your inventory?

Mr. REED. Yes. To what extent I cannot say, Senator. Of course wool kept in storage a long time might become moth infested, it might stain, and then it might have a psychological deterioration in the minds of buyers who might prefer new wools.

Senator KEM. Is there any period beyond what it is considered good merchandising to carry?

Mr. REED. Normally before Commodity Credit built up this stock pile for war purposes, I believe it was the practice of the wool trade to clear out stocks by the time the new clip was available.

Senator KEM. Have you been following a first-in first-out policy in disposing of your inventory?

Mr. REED. No, sir. Since we started liquidating this stock pile we have been very anxious to sell wool and we will be glad to sell the buyer what he wants.

Senator KEM. Have you encountered any sales resistance on account of your inventory that has been on hand for some time?

Mr. REED. Oh, yes. Our '43 and '44 wools which we now hold naturally are the least desirable to buyers.

Senator KEM. The buyers do not want them?

Mr. REED. Not to the extent that they would like '46 wools.

Senator KEM. Is it possible then that you will have to revalue your present inventory in the light of the buyer's wishes in that matter?

Mr. REED. We are now revaluating our '43 and '44 wools.

Senator KEM. What basis do you use for the revaluation?

Mr. REED. Our appraisers go over those wools, primarily to make make corrections in any errors made in the original appraisal. The corrections made have to do largely with the establishing of a new shrinkage of the wool.

Senator KEM. Shrinkage by weight or by value?

Mr. REED. By weight. That being done, the value of the wool is automatically determined by the classification in the selling price.

Senator KEM. Have you made any computation about the loss of the value on this wool per pound?

Mr. REED. Yes, sir. That is the next answer I have.

Senator THOMAS. Before you answer that question, I wish you would state for the record whether or not your stock pile of wool is raw wool or is it refined wool, or in other words, is it wool in the grease, largely scoured wool.

Mr. REED. Largely grease wool. We have some scoured wool. We have some pulled wool.

Senator THOMAS. What do you mean by pulled wool?

Mr. REED. Well, that is pulled from the pelts of the sheep that packers have slaughtered.

Senator AIKEN. How did you happen to acquire scoured wool?

Mr. REED. Well, we have scoured some of our own wools.

Senator AIKEN. Scoured it yourself?

Mr. REED. We do not buy scoured wool but we scour some of our own.

Now, on the wools of the 1943-44 clip, Senator Kem, which have been reappraised and sold, what is the total amount of money lost on account of improper original appraisal?

That was one of the questions that was submitted to us, and the answer is: We have reappraised and sold as of December 31, 34,966,000 pounds, and our loss on that was—from the original—was \$2,065,000.

Senator KEM. Have you any figures on what your possible loss on inventory is, as a result of the proposed reappraisal of your assets?

Mr. REED. Well, only the one that I gave Senator Lucas a moment ago. I would estimate somewhere in the neighborhood of \$50,000,000.

Senator KEM. A Loss?

Mr. REED. We might incur such a loss in liquidating.

Senator KEM. In reserve?

Mr. REED. \$54,000,000 in reserve. We estimated that this would be needed to cover the cost of liquidating our inventory on January 1. We have about 450,000,000 pounds in inventory.

The CHAIRMAN. If we can get 12 minutes more here we can get the last witness in.

Mr. REED. I had one more answer here for you, Senator.

You asked about our storage costs per month. Based on the December 31 inventory of 444,000,000 pounds, the total cost per month would be approximately \$333,000.

Senator KEM. In view of the deterioration of this wool there ought to be something done about permitting you to price that wool at the market right away, ought there not?

Mr. REED. Yes, sir.

Senator KEM. It is perfectly foolish for the Government to continue to hold stocks that are deteriorating in value like that, is it not?

Mr. REED. Yes, sir. We were making sales at a very good rate until the constantly increasing parity caught up with us on the 1st of October, and we have raised our prices on the first of each month since then.

Senator KEM. Is the amendment that permits that to get on the market again, a provision in another bill, or is the bill a separate bill for that purpose?

Mr. REED. I believe there are four bills before the Congress now relative to wool, and all of them provide permission to sell wool at less than parity.

Senator KEM. I know, but just as a matter of sound merchandising you ought to get that permission right away, ought you not?

Mr. REED. The quicker we get it the quicker we can meet our competition.

Senator AIKEN. The less you will lose, also.

Mr. REED. It could be in the long run.

Senator KEM. What is that?

Senator AIKEN. The less they will lose on it the quicker they will get the authority.

Senator KEM. Regardless of that it seems to me they ought to have the authority.

STATEMENT OF CHARLES W. HOLMAN, SECRETARY, NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION, WASHINGTON, D. C.

Mr. HOLMAN. Senator, it is exactly 1,200 words and I can read it pretty rapidly.

The CHAIRMAN. I think we can take care of you.

Mr. HOLMAN. If you do not mind.

My name is Charles W. Holman and I am secretary of the National Cooperative Milk Producers Federation.

The CHAIRMAN. How long have you been in this business?

Mr. HOLMAN. Senator, I have been appearing before this committee for 29 years. I have been appearing for the federation for 26 years.

Our organization now consists of 83 farmer-owned and farmer-controlled dairy cooperatives and several hundred submember groups. The farm families, who are member owners of these cooperatives, number more than 380,000 and reside in 47 States. We have approximately 800 farmer-owned cooperative dairy plants.

I am appearing in support of S. 350 to extend the life of Commodity Credit Corporation to June 30, 1949. The Commodity Credit Corporation has been an indispensable instrument for carrying out

public policies for the protection of dairy farmers in the past. It will be equally indispensable in the future.

At different times during the 1930's it was necessary for the Federal Government to come to the aid of dairy farmers by buying dairy products. A number of different methods were tried until about 1937 when the Dairy Products Marketing Association was formed as an agency to carry out the Government dairy price support activities. The Commodity Credit Corporation loaned funds to the DPMA for the purchase and storage of butter.

In the calendar year 1938, Commodity Credit Corporation loaned a total of \$29,095,000 to DPMA which had purchased and put up as collateral for this loan 114,254,000 pounds of butter. During that period the price of butter did not shift for 7 months except on 2 days when it got out of control.

The Government eventually found that it needed a large part of this butter for relief purposes but the operations of Commodity Credit Corporation in lending money on this butter permitted its purchase at a time when the market was weakest and fitted into support operations much better than would Federal purchase for relief purposes only. This butter was bought on the market — on the butter exchanges of New York, Chicago, and San Francisco.

In 1939, 12,836,000 pounds of butter were put up as collateral for Commodity Credit Corporation loans totaling \$3,042,000. In this year it developed that private traders had underestimated their requirements and more than 9,000,000 pounds of butter were sold back to the private trade.

In 1940, 66,000 pounds was all the butter that was offered for loan and \$19,000 was the total amount loaned.

So much for the history of Commodity Credit Corporation operations in support of dairy commodities. These operations have been highly satisfactory to us, and together with the efficient functioning of the Dairy Products Marketing Association have constituted a smoothly functioning mechanism for carrying out Government price-support policy.

The immediate prospects are that Commodity Credit Corporation funds will be needed for dairy product price support programs within the next 3 months, and to continue into next fall and possibly through next year.

You are all aware of the gloomy forecasts which have been made by some persons concerning the possible level of dairy prices during the coming flush months of May and June. We believe that these stories are fostered by interests hoping to gain by buying butter cheaply in the spring, creating an artificial shortage, and selling at high prices next fall, thereby depriving farmers of returns to which they are entitled.

We further believe that a real danger of such manipulation exists. The experience of the butter market during January illustrates the great danger which so deeply concerns us. Butter prices dropped a total of 17 cents per pound from January 8 to January 22. That this was a wholly unwarranted decline of prices is evidenced by the subsequent rapid recovery of prices and their relative stability during recent weeks at the level which prevailed immediately before the break, which was approximately 75 cents per pound.

However, during the period when the price was depressed, creameries produced and marketed about 70 million pounds of butter on which they took a loss of more than \$5,000,000. The danger of such manipulation and the magnitude of the possible losses to producers will be multiplied greatly in the period of flush production when supplies amounting to hundreds of millions of pounds in excess of current requirements are being placed in storage to take care of next winter's requirements.

It is not only the loss on butter alone which concerns us, even though I dwell on that as an example of the dangers that face us. Butter being the keynote of the dairy price structure would set a tone of stability or of chaos in markets for all dairy products.

On January 3 our executive committee met at Chicago and, foreseeing that such developments as the January break in butter prices would develop, authorized a special committee to draw up a dairy price stabilization program.

It appeared necessary for us to take the initiative in this matter since the Secretary of Agriculture had made no announcement of dairy price supports. This was in contrast to policies adopted for other farm products. The Department of Agriculture had announced price supports on at least a dozen other products but not on dairy products. In view of the jittery condition of dairy products markets it would seem more urgent that dairy products be supported than such commodities, for example, as hogs, wheat and flaxseed, where market conditions are naturally strong.

The CHAIRMAN. Has there been any attempt made in that connection.

Mr. HOLMAN. In the next paragraph I state that we have appealed to the Secretary to stabilize at suggested minimum prices which I will come to in just a minute, Senator.

The federation's emergency price stabilization committee met on January 27 and drafted a set of proposed minimum dairy products prices. We felt encouraged to do this because in the interval between January 3 and January 27 the Secretary had appeared before the Agriculture Committees of the House and Senate and had indicated that he was willing and able to undertake a dairy price-support program.

Appearing before the Senate Committee on Agriculture January 23 the Secretary parried several questions on dairy price supports by saying that he preferred to reserve a statement until after a meeting with the Milk Producers Federation which had been arranged for the following Tuesday.

On January 28 the federation's emergency price stabilization committee met with Undersecretary N. E. Dodd, and other members of the Secretary's staff and of the Department of Agriculture.

At that time we presented our schedule of proposed minimum dairy products prices. We believe that these prices would, if supported by the Department of Agriculture, prevent the development of chaotic dairy market conditions and would permit reasonable prices to consumers.

We asked that the Secretary undertake to support the price of butter at 65 cents per pound for 92-score butter at Chicago, nonfat dry milk solids (spray process) at 13½ cents per pound, cheese at 34 cents per pound on the Wisconsin cheese exchange at Plymouth, and

prices for milk delivered by producers to condenseries at \$3.20 per hundredweight for 3.5 milk.

These proposals were received and we were promised that they would be given careful consideration and that the Secretary would give us his opinion within a short time.

We again met with the Secretary on February 7. At this meeting Secretary Anderson informed the federation's committee that study had been started on the proposals but that he was then unprepared to make any commitments. He promised that the study of the situation would proceed rapidly and indicated that an early answer to the proposals would be made. The Government since has authorized the purchase of nonfat dry-milk solids at 10 cents per pound, rather than the 13½ cents which we had requested.

We believe that that price was too low; that the products could have been just as easily handled at around 13 or 13½ as at 10.

The Secretary has suggested that premature announcement of support prices might tend to depress market prices to the support level. Except for nonfat dry milk, dairy prices are now substantially above the support levels which we think are necessary.

We do not believe that a support announcement would have a depressing effect. Hogs recently have been selling for \$29 to \$30 per hundredweight, although hog-price supports average only \$14.25 per hundredweight.

As no depressing effect is noticeable on hog prices, we believe the objection to an immediate announcement of dairy-price supports is not well founded.

However, the Secretary could give dairy farmers much of the assurance they want merely by making public announcement of his intention to support dairy products at reasonable levels without specifying exact prices.

Dairy farmers cannot plan their activities on a month-to-month schedule and they need to know in advance whether the Government will offer practicable protection against disastrous price breaks.

It would be possible for the Secretary to announce exact support prices and to put a support program into effect on each product as the price reaches a danger point. However, the program should avoid allowing some prices to drop so far that the support program would need to raise them. We believe, in any event, that the support levels which we have recommended are sound and necessary to avoid losses to dairy farmers and the public alike through flush season chaos in dairy markets.

It is most urgent that immediate action be taken to insure the Secretary's power to carry through a dairy price-support program.

Entirely apart from the problem which we have had in attempting to negotiate with the Secretary over this dairy price-support program there is the matter of provision for implementing the Steagall promise. At the outset of the war dairy farmers were assured that in return for all-out efforts to increase production needed for the war effort they would be protected against unreasonable declines in the price of their products following the war. The termination of this support has been fixed at December 31, 1948, by the President's announcement that hostilities have ended.

Dairy farmers carried out their part of the job by raising milk production from 109.5 billion pounds in 1940 to 121.5 billion pounds in

1945. If for no other reason it is imperative that Commodity Credit Corporation be kept intact in order to insure that the Steagall commitment can be carried out.

For the above reasons we recommend that the life of Commodity Credit Corporation be extended to June 30, 1949, its capital restored and its borrowing power continued at \$4,750,000,000.

Senator THOMAS. A bill before the committee provides for the expiration on June 30, 1949. It has been suggested that we only extend the life of the Commodity Credit Corporation for 1 year or until June 30, 1948.

What is your reaction to that proposed amendment?

Mr. HOLMAN. I would feel, Senator, that you could safely extend it to June 30, 1949. To extend it only to June 30, 1948, would break off the activities the midst of a possible guarantee period provided for by the Steagall amendment to this act.

The CHAIRMAN. What would be the reaction of the Department to that suggestion? Would they be for it?

Mr. HOLMAN. I would not know, Senator. The Under Secretary, I think, is still here, but I suspect that he would favor it.

Mr. DODD. Yes, I would.

Senator THOMAS. What is your reaction to the proposal to extend the life of this organization indefinitely and make it a permanent part of the farmer's programs?

Mr. HOLMAN. Senator, our people have not made any resolution on that matter but knowing the problem as it has come up from '33 to date I am confident that there will be times in the next 25 years when for a month or two at a time, or maybe 2 months, when we will have these seasonal flush support, and for that reason I am confident that our people would favor making Commodity Credit a permanent part of the Department of Agriculture.

I cannot say officially, but I am confident that I know their position on the matter.

The CHAIRMAN. Thank you.

Mr. HOLMAN. I thank the committee.

(Whereupon, at 12:20 the hearing was closed.)

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OFFICE OF BUDGET AND FINANCES
Legislative Reports and Service Section

HEARINGS BEFORE SENATE COMMITTEE ON AGRICULTURE
AND FORESTRY ON CCC CONTINUATION, FEBRUARY 24, 1947

(For administrative information only)

Mr. Dodd testified for the Department of Agriculture, calling attention first to the report which had been submitted indicating that the Department strongly favors the continuation of Commodity Credit Corporation but that the Congress might want to consider the adoption at this time of a Federal charter for Commodity Credit in lieu of further extension of the life of the Corporation under its Delaware charter as an agency of the U. S. Mr. Dodd also submitted for the record a copy of the Bylaws of the Corporation amended as of January 31, 1947, and in response to questions from Senator Thomas, called particular attention to the membership of the Board of Directors.

Most of the remainder of Mr. Dodd's testimony consisted of the presentation of charts portraying the operation of CCC. These charts brought out the volume of loan operations over the years, the wide fluctuation in volume of operations from year to year and from commodity to commodity, and the tremendous volume of purchases, sales, and subsidies undertaken by the Corporation as a part of its wartime activities. Particular attention was called to the large volume of business on wheat and cotton, the large profits realized on cotton operations and the losses being incurred on wool operations.

Committee members seemed extremely interested in bringing out the distinction between the subsidy programs, on the one hand, which were generally characterized as consumer subsidies and, on the other hand, the price supporting operations which to date showed a profit to the Government.

Net losses under subsidy programs were reported by Mr. Dodd, as of December 31, 1946, as \$2,136,414,395.84 and net program gains on other programs, as of December 31, 1946, were reported as \$132,867,059.89, making a net loss on all operations of \$2,003,547,335.95. A number of questions were asked regarding the 830 million dollar item for CCC included in the President's budget. It was brought out that this was the remaining amount needed to wipe out the subsidy losses during the war period and restore the capital of CCC as of June 30, 1946, previous appropriations and cancellation of notes having been authorized prior to this time totaling in excess of \$1,300,000,000.

Mr. Dodd explained the difficulty of arriving at net profit and loss figures by programs because of interest payments and administrative expenses which have not been allocated among the programs and called attention to the fact that interest payments to the Treasury during the past 3 years totaled 22 million dollars.

Senator Thomas asked questions apparently designed to bring out first the tremendous volume of operations conducted by CCC and the importance of these operations to agriculture and the national economy and second, the need in his judgment of Board members or employees of the Corporation devoting their time exclusively to CCC affairs.

Senator Byrd, of Kansas, called attention to the fact that all members of the Board are employees in the Department of Agriculture and all subject administratively to the Secretary. He drew the conclusion, therefore, that the Corporation was in fact administered by the Secretary since he assumed that no Board member would take a position contrary to the views of the Secretary.

The comments and questions of Senators Aiken, Young, and Ellender were apparently intended to focus attention on the value of the Corporation to agriculture and the public generally, the fact that losses were occasioned by consumer subsidies which in their judgment should not be charged up to agriculture, and the fact that the regular price supporting operations had resulted in a profit to the Government. In response to a question from Senator Ellender as to whether there was any opposition to the bill, Senator Aiken reported that telegrams had been received from the Boston Wool Exchange and the grain trade asking for a right to testify, presumably in opposition to the Corporation.

Representatives of the farm organizations and a number of trade associations were present at the hearing but did not have an opportunity to testify at the February 24 meeting. The hearing was recessed until 10 A.M. February 26, at which time Mr. Dodd will resume his testimony.

C. C. Farrington*
Acting PMA Administrator

*In cooperation with the Legislative Reports and Service Section.

OFFICE OF PLANNING AND FINANCE
Legislative Services and Service Section

(For administrative information only)

HEARINGS BEFORE SENATE AGRICULTURE AND FORESTRY COMMITTEE ON S. 350, TO CON-
TINUE CCC, FEBRUARY 26, 1947

As the hearing opened Senators Kem and Thye called attention to telegrams which had been received from Frank A. Thais and Peavey Heffelfinger requesting that the hearing be postponed or continued until the week of March 10 to provide them an opportunity to prepare statements which they desired to have presented on behalf of the grain trade in connection with the extension of the life of Commodity Credit Corporation. Senator Thomas expressed his understanding that the grain trade was not opposing the extension of the life of CCC but had in mind certain amendments which they would like to have accepted relating to the operation of Commodity Credit Corporation as a competitor of the private grain trade. It was agreed that the matter of delaying or continuing the hearing should be left to the Chairman and that possibly the grain trade could arrange to appear sooner than the week of March 10. At the end of the hearing word was received that Mr. Woodworth would be prepared to testify for the grain trade Thursday, February 27.

Mr. Dodd, in resuming his testimony, inserted in the record a statement summarizing the legislation relating to Commodity Credit Corporation, its charter powers, methods of operation, and types of programs carried out. He then presented a number of charts portraying CCC operations with respect to wheat, corn, cotton, and wool. These charts showed the quantities of these commodities placed under loan as compared with total production each year, the extent to which loans were liquidated by repayments on the one hand and delivery of collateral to the Corporation on the other, the extent of the inventory of these commodities under the control of CCC by calendar quarters, and the relationship between market prices and loan rates. He also presented charts showing the effect on possible losses to CCC of changes in per capita consumption of eggs and the extent of the financial resources which might need to be available to CCC for carrying out price supporting operations with respect to wheat and cotton, for example, in the event of the repetition at current loan rates of loan programs and inventory accumulations similar to those which occurred from 1940 to 1943.

The wool program came in for considerable discussion, and Senators Thye and Kem questioned the soundness of the policies which had been followed on wool; and these Senators, together with Senator Lucas, sought suggestions for corrections in the situation. Mr. Dodd explained that the program was started as a war emergency, that a year ago the Department had supported the O'Mahoney bill which would have provided a solution to the problem and is now in the process of making reports on bills introduced in the present Congress which offer possible solutions. Senator Kem commented and questioned Mr. Dodd on the effectiveness of acreage control. He wondered whether increases in yields and the shift to other crops did not largely nullify the acreage adjustments. Mr. Dodd, while recognizing some tendency in this direction, pointed out that many of the yield increases could have occurred regardless of whether or not acreage control was in effect

and acreage adjustments had been of some help in adjusting production to demand.

Senator Thye expressed his views on the desirability of developing and maintaining export markets and maintaining full domestic production in preference to the policy of production restriction. Senator Aiken called attention to undeveloped outlets in the U. S., particularly among low income families. Senator Lucas and Mr. Dodd expressed agreement with the views of Senator Thye and Senator Aiken so long as burdensome surpluses did not develop and prices to growers were not reduced below a reasonable level. They indicated that while expanded markets should be the first objective, production control was preferable to burdensome surpluses and disastrously low prices.

The entire committee was obviously well pleased with Mr. Dodd's testimony, and many of them expressed appreciation of his excellent statement. At about 11:50 the hearing was recessed until 10 a.m., February 27, when representatives of the farm organizations, the grain trade and the wool trade will be heard.

C. C. Farrington*
Assistant PMA Administrator

*In cooperation with the Legislative Reports and Service Section.

[For confidential information only]

HEARINGS BEFORE SENATE AGRICULTURE AND FORESTRY COMMITTEE ON S. 30, TO EXTEND
CCC, FEBRUARY 27, 1947

The first witness was J. T. Sanders, Legislative Counsel, for the Grange. Mr. Sanders testified that the Grange strongly recommends the extension of the life of CCC until at least December 31, 1948, in order that this agency would be available to carry out price support commitments made to farmers under the Steagall Amendment. He expressed general approval of the activities of CCC but added that the Grange does not support on a long time basis any program which tends to hold the price of the export portion of any crop above a world price level and tend to cause an accumulation of burdensome stocks. He indicated that the Grange favors some form of two-price system for export crops with no individual farm production restrictions.

Mr. Ed O'Neal testified on behalf of the American Farm Bureau Federation. Mr. O'Neal called attention to the resolution adopted at their recent national convention which reads as follows:

"We insist that the life of the Commodity Credit Corporation be extended. Sufficient funds must be made available to carry out the loan, support and other programs authorized by law. We are opposed to the use of Commodity Credit Corporation or other public funds for consumer subsidies in lieu of fair prices in the market place."

He also presented a summary of existing agricultural legislation, activities of CCC, and said that farmers are "looking to some agency such as CCC to play a leading role in any post-war agricultural program." Senator Thomas questioned Mr. O'Neal on the organization set-up of CCC and called his attention to the organization chart which had been presented to farm organizations and congressional leaders at a meeting held February 6. Senator Thomas expressed the view that CCC should have a more prominent and more clearly defined place in the Department organization since it was his assumption, concurred in by Mr. O'Neal, that price support should be a permanent part of the post-war farm program, that these price supports should be based on some percentage of parity and that CCC would be a permanent organization to carry out such price supports. Mr. O'Neal stated that the Farm Bureau had recommended the establishment of CCC as a separate bureau of the Department reporting directly to the Secretary and submitted for the Record a letter from the Farm Bureau to the Secretary regarding this matter. He indicated, however, that the organization plans discussed with the Secretary on February 8 would improve the situation and be a step in the right direction.

Senator Ken of Missouri questioned Mr. O'Neal on the soundness of acreage and production controls and particularly the tendency of such controls to hold an umbrella over foreign producers. Mr. O'Neal indicated that he felt production controls were an essential part of a sound farm program but that the program should be devised so as not to hold an umbrella over foreign producers. He indicated this could be done by participation in international commodity agreements and through the use of import quotas and export subsidies.

After some discussion of the wool program, Senator Thomas remarked that it seemed to him that the wool program was a step toward socialization which is to affect communism and that he would not support any agency or program which put government in competition with private enterprise whether it was in the field of electric power or wool, or otherwise.

Mr. Keltie, a wool merchant from Boston, stated that the Boston wool trade is not opposed to the extension of the life of CCC but that its powers were too broad and definitely should be restricted with respect to wool. He stated that CCC had served producers well in buying wool at prices ranging from 130 to 105 percent of parity but that the Corporation has done them a disservice in failing to merchandise this wool. He suggested that the hearing on this bill be continued until a report which he understood is to be issued by GAO is available for study. He stated that the parity price restriction did not adversely affect wool sales until about October 1946 and that between V-J day and October 1946, CCC had more than 1 year in which it was free to dispose of its stocks of wool but that it had largely failed to take advantage of this opportunity until a period from July to October 1946. He stated further that the Boston wool trade had served producers well; that over a 20-year period (1920-1940) wool producers had received prices averaging 94 percent of parity as compared with average prices of 80 percent of parity for other producers. He suggested two amendments: (1) Authorize CCC to liquidate its wool stocks through sales to established trade at competitive prices without regard to parity, and (2) authorize CCC to make loans on wool at not in excess of 90 percent of parity, or to make purchases of wool at not in excess of 80 percent of parity. He submitted to the Committee a chart which he alleged showed wool production tended to be lowest when prices were highest. Senator Thomas suggested that a representative of CCC come before the Committee to explain CCC wool operations and give its recommendations. Mr. Keltie submitted to the Committee a list of questions which he suggested to the Committee they have answered by CCC. (These questions have been submitted to the Livestock Branch and arrangements made for a representative of that Branch to appear before the Committee March 5.)

Mr. J. B. Wilson appearing on behalf of wool producers stated that producers are pleased with the present CCC program and want it continued. He said that they favored the prompt enactment of the O'Mahoney will or similar legislation authorizing continuation of the wool program. He further stated that the parity price is unfair to wool producers and that wool producers must have a comparable price. He also stated that wool producers favored higher tariffs on wool and/or import quotas. He alleged that wool producers were now losing 10 cents a pound on wool which they were selling at approximately 40 cents and that wool producers of this country could not compete with lower cost areas such as Australia and South America.

Mr. C. J. Faucett representing the National Wool Marketing Association, a producer's cooperative, strongly supported CCC handling of the wool program. He stated that his firm had prospered during the period of CCC operations and that there was no basis for statements that the wool trade had been put out of business by CCC since every established wool dealer had an opportunity to enter into handler agreements with CCC and all wool had been handled through the established trade. He further pointed out that any wool dealer was free to buy all the domestic wool he wanted to and that the reason they were not buying it was because foreign wool was available at lower prices.

Mr. R. C. Woodworth testified on behalf of the National Grain Trade Council. He stated that they did not oppose the extension of the life of CCC but proposed that certain amendatory language be included to more closely delimit the field of activity of that corporation in the field of purchase and distribution of grain. He stated that the grain trade holds that there is no necessity for the maintenance of a large staff of government employees for the task of carrying a commodity and later merchandising it when the trade itself is adequately prepared to carry on that function. They suggested that there should be some limiting language which would set up the Corporation as a lending agency patterned after the housing administration and recommended that, at the very least, Congress include in the bill a statement that "it shall be the policy of the Corporation generally to utilize the established trade facilities and services in the conduct of its operations so far as it is possible to do so without endangering the effective fulfillment of its legal responsibility and the proper management of its operations."

Mr. Woodworth was the last witness that had asked to be heard and with his testimony the hearings were concluded, except that arrangements have been made for representatives of CCC to appear before the Committee on Wednesday, March 5 to further explain the organization and operations of CCC and answer the questions raised with respect to the wool program.

C. C. Farrington*
Assistant FMA Administrator

*In cooperation with the Legislative Reports and Service Section.

OFFICE OF THE SECRETARY AND CLERK
Legislative Reports and Service Section

(For Administrative Information only)

HEARINGS BEFORE SENATE COMMITTEE ON AGRICULTURE AND FORESTRY, WASHINGTON, D. C., ON THE
COMMODITY CREDIT CORPORATION, MARCH 5, 1947

On opening the meeting Sen. Dixon read a letter from the Comptroller General of the United States, Mr. C. D. Clark, relative to continuing the life of the Commodity Credit Corporation. Mr. Clark recognized that legislation was being prepared on this matter in both the House and Senate and recommended that the life of the Commodity Credit Corporation be extended until June 30, 1948. This extension would allow sufficient time to prepare the proper reports on Commodity Credit Corporation activities and to develop legislation for a new Commodity Credit Corporation charter.

Mr. Dixon was then called on for general comments regarding the Commodity Credit Corporation and its operations. Mr. Dixon explained that the Corporation operates under a Board of Directors. In response to a question by Sen. Thomas, Mr. Dixon stated that business operations of the Commodity Credit Corporation during the past five years totaled about \$5 billion dollars. He also stated that the President of the Commodity Credit Corporation is the same person as the Administrator for ISMA and that the salary of this combination position is \$10,000 a year. Sen. Thomas suggested that if a business operation as large as this should be headed by a full time executive, his salary should exceed the present limit.

The subject of international allocations and export and import controls was discussed at some length. Mr. Harrington explained that the Department of Agriculture believed it desirable to continue controls on the foreign trade of certain commodities in about equal measure through the next crop year. Mr. Harrington also discussed briefly certain activities of Commodity Credit Corporation activities, pointing out that the policy of the Corporation has been to utilize normal trade facilities and practices, and in only a few instances have there been deviations from this policy. The way in which loans are determined in relation to parity also was explained.

Mr. Reed presented replies to five questions on the Commodity Credit Corporation which had been asked by the committee relative to the volume and value of wool purchases, sales, stocks, etc. In the accompanying discussion Mr. Reed pointed out that the steady advance in the parity index in recent months has made necessary recurring upward revisions in the schedule of selling prices below which the Commodity Credit Corporation cannot sell wool. Under this situation foreign wools have had a ready market in the United States, and only when the Commodity Credit Corporation is allowed to sell wool at less than 100 percent of parity will it be possible for United States wool to compete with foreign wool.

Witness was next heard from Mr. Charles Holman, Secretary of the National Milk Producers Association, who spoke favorably of Commodity Credit Corporation activities in respect to price support activities for dairy products and urged passage of legislation extending the life of the Commodity Credit Corporation.

J. F. Ivce*
Livestock Branch
PMA

Continuation with the Legislative Reports and Service Section.

DIGEST OF
CONGRESSIONAL PROCEEDINGS
OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section
(For Department staff only)

Issued March 20, 1947
For actions of March 19, 1947
80th-1st, No. 52

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HIGHLIGHTS: Senate committee reported bill to continue CCC until June 30, 1948. Senate committee reported measure to provide for grain-bonus payments. Received President's message recommending continuation of export-control powers until June 30, 1948.

SENATE

1. CCC CONTINUATION. The Agriculture and Forestry Committee reported with amendments S. 350, to continue CCC as a U. S. agency (S. Rept. 58)(p. 2298). The Committee agreed to an amendment to continue CCC until June 30, 1948, rather than until June 30, 1949.
2. GRAIN BONUS. The Agriculture and Forestry Committee reported without amendment S. 669, to provide for payment of a bonus of 30 cents a bushel on wheat and corn produced and sold between Jan. 1, 1945, and Apr. 18, 1946 (S. Rept. 59) (p. 2298).
3. EXPORT CONTROL. Received a message from the President recommending continuation of the Export Control Act until June 30, 1948 (pp. 2295-6). To Judiciary Committee, with a copy to Agriculture and Forestry Committee.
4. FORESTRY. Received an Oreg. Legislature memorial favoring restriction of acquisition of national-forest lands to those acquired by appropriations (p. 2297).
5. PRICE SUPPORTS. Received a Clay County, S. Dak., Farmers' Union petition opposing the USDA interpretation of the Steagall amendment regarding "average annual price" (p. 2298).
6. DAYLIGHT-SAVING TIME. Sen. Capper, Kans., inserted a letter from the Washington Board of Trade favoring S. 736, to authorize daylight-saving time for D. C. (p. 2298).
7. FARM LABOR. Sen. Capper, Kans., submitted an amendment which he intends to propose to H. R. 2102, continuing the farm-labor program (p. 2302).
8. PURCHASING. During debate on the portal-to-portal pay bill, there was discussion of Government contracts under the Walsh-Healey Act and the Bacon-Davis Act (pp. 2306-52).

HOUSE

NOT IN SESSION. Next meeting Thurs., Mar. 20.

9. HAWAII. The Public Lands Committee unanimously voted to report favorably H. R. 49, providing for Statehood for Hawaii (p. D37).

BILLS INTRODUCED

10. TRANSPORTATION. S. 935, by Sen. Cordon, Oreg., to amend the Interstate Commerce Act so as to increase from 2 to 3 years the period of limitation on actions for undercharges and overcharges by or against railroad carriers, and to provide limitations on the time within which actions may be brought for recovery of undercharges and overcharges by or against common carriers by motor vehicle and freight forwarders. To Interstate and Foreign Commerce Committee. (p. 2299.)
11. FOREIGN RELIEF. S. 938, by Sen. Vandenberg, Mich. (by request), to provide assistance to Greece and Turkey. To Foreign Relations Committee. (p. 2299.) Remarks of author (p. 2306).
12. PERSONNEL. S. 942, by Sen. Baldwin, Conn., to provide for increases in the maximum amounts of monthly compensation payable under the U.S. Employees' Compensation Act, and for recomputation of the amounts payable to persons now receiving compensation under such act. To Labor and Public Welfare Committee. (p. 2299.)

ITEMS IN APPENDIX

13. FLOOD CONTROL. Sen. Myers, Pa., inserted a Pittsburgh (Pa.) Press editorial urging the completion of flood-control projects in Pa. (p. A1178).
14. BUDGETING. Sen. Myers, Pa., inserted a Pittsburgh (Pa.) Press editorial favoring the balancing of the budget before tax reductions are made (p. A1183).
15. FOREIGN RELIEF. Various articles on aid to Greece and Turkey (pp. A1178, A1179, A1179-80, A1180-1, A1184-5).

COMMITTEE HEARINGS Released by G.P.O.

16. RUBBER. H.J.Res. 118, maintenance of an adequate domestic rubber-producing industry. House Armed Services Committee.
17. SELECTIVE SERVICE. S. 918, selective service records office. Senate Armed Services Committee.
18. WATER TRANSPORTATION. H.J.Res. 114, to continue authority of the Maritime Commission to operate vessels until July 1, 1947. House Merchant Marine and Fisheries Committee.
19. FOREIGN AFFAIRS. S. J.Res. 77, International Refugee Organization. Senate Foreign Relations Committee.
20. EDUCATION. Various bills to increase subsistence allowances of veterans for education and training. House Veterans' Affairs Committee.
21. TRANSPORTATION. S. 110, regulation of rate bureaus, conferences, and associations. Senate Interstate and Foreign Commerce Committee.

the payment of the difference between the ceiling price on flax and the price obtainable after the ceiling had been lifted; to the Committee on Agriculture and Forestry.

(See concurrent resolution printed in full when presented by Mr. YOUNG on March 17, 1947, p. 2177, CONGRESSIONAL RECORD.)

A concurrent resolution of the Legislature of the State of North Dakota, favoring the enactment of legislation to maintain a floor of not less than 90 percent of parity on all basic farm crops; to the Committee on Agriculture and Forestry.

(See concurrent resolution printed in full when presented by Mr. YOUNG on March 17, 1947, p. 2177, CONGRESSIONAL RECORD.)

A concurrent resolution of the Legislature of the State of North Dakota, favoring the enactment of legislation to strengthen present sanitary requirements governing the importation of livestock and livestock products and to appropriate additional funds to the Bureau of Animal Industry, United States Department of Agriculture, in order that border inspection may be improved and a system of patrol established along the northern boundary of Mexico to guard against the importation of people, animals, and materials carrying the infection of foot-and-mouth disease; to the Committee on Agriculture and Forestry.

(See concurrent resolution printed in full when presented by Mr. YOUNG on March 17, 1947, pp. 2176-2177, CONGRESSIONAL RECORD.)

A concurrent resolution of the Legislature of the State of North Dakota, favoring the enactment of legislation to propose an amendment to the Constitution providing equal rights for women; to the Committee on the Judiciary.

(See concurrent resolution printed in full when presented by Mr. YOUNG on March 17, 1947, p. 2174, CONGRESSIONAL RECORD.)

A concurrent resolution of the Legislature of the State of North Dakota, favoring the enactment of legislation to extend the time for availability of funds under the Federal Aid Act of 1944; to the Committee on Public Works.

(See concurrent resolution printed in full when presented by Mr. YOUNG on March 17, 1947, p. 2175, CONGRESSIONAL RECORD.)

A concurrent resolution of the Legislature of the State of North Dakota, favoring the enactment of legislation barring all forms of liquor advertising from interstate mails, radio, and motion-picture programs; to the Committee on Interstate and Foreign Commerce.

(See concurrent resolution printed in full when presented by Mr. YOUNG on March 17, 1947, p. 2175, CONGRESSIONAL RECORD.)

A concurrent resolution of the Legislature of the State of North Dakota, favoring the enactment of legislation to create a Roosevelt Memorial Park in the Bad Lands area of the State of North Dakota; to the Committee on Public Lands.

(See concurrent resolution printed in full when presented by Mr. YOUNG on March 17, 1947, p. 2176, CONGRESSIONAL RECORD.)

A concurrent resolution of the Legislature of the State of North Dakota, favoring the enactment of House bill 1113 of the Eightieth Congress, authorizing the removal of restrictions by the Government on land and land interests of Indian veterans; to the Committee on Public Lands.

(See concurrent resolution printed in full when presented by Mr. YOUNG on March 17, 1947, p. 2176, CONGRESSIONAL RECORD.)

A resolution adopted by the delegates of the Philadelphia (Pa.) Archdiocesan Holy Name Union, requesting that the United States representatives on the United Nations Human Rights Commission draft an international bill of rights; to the Committee on Foreign Relations.

By Mr. MORSE:

A joint memorial of the Legislature of the State of Oregon; to the Committee on Agriculture and Forestry:

"Senate Joint Memorial 2

"To the Honorable Senate and the House of Representatives of the United States of America, in Congress Assembled:

"We, your memorialists, the Senate and House of Representatives of the State of Oregon, in legislative session assembled, most respectfully represent and petition as follows:

"Whereas under existing general law all appropriations for the purchase of national forest lands in the several States are provided by the Congress of the United States, and each such acquisition is conditioned upon the consent of the State in which said property to be acquired is situated; and

"Whereas in the year 1922 the Congress further provided that the United States Forest Service, without congressional appropriation or review, has the right to appropriate so much of the annual timber crop from the national forests as it desires to use for the purpose of acquiring additional real property through the method of granting timber-cutting rights in the national forests in exchange for deeds to private property of equal value; and

"Whereas, by means of such method, the United States of America, acting by and through the Forest Service, has acquired in the State of Oregon in excess of 1,000,000 acres of land, without the prior approval of the Congress or of the State, which method of expending the public wealth is not only against the public interest, but is impairing the tax structures of the units of local government in the rural sections of the State, in that every such acquisition defeats the purpose of title 16, United States Code, Annotated, section 500, which provides that 25 percent of the gross receipts of the several national forests shall be paid to local governmental units in lieu of taxes, and that each such acquisition also reduces the property-tax base of one or more units of local government, and consequently increases the taxes necessarily levied by the taxing agencies thereby affected; Now, therefore, be it

"Resolved by the Senate of the State of Oregon (the House of Representatives jointly concurring therein), That the Congress of the United States be and it hereby is memorialized, and this forty-fourth legislative assembly of the State of Oregon does hereby petition the Congress to repeal title 16, United States Code, Annotated, section 485, and so much of title 16, United States Code, Annotated, section 516, as may be necessary to restrict the acquisition of national forest lands solely to such lands as may be acquired by appropriations of money from the Federal Treasury; be it further

"Resolved, That the secretary of state of the State of Oregon be, and he hereby is, directed to transmit copies of this memorial to the President of the Senate, to the Speaker of the House of Representatives of the United States, and to each Senator and Representative therein, representing the people of the State of Oregon."

RESOLUTIONS OF CLAY COUNTY (S. DAK.)
FARMERS' UNION

Mr. BUSHFIELD. Mr. President, I ask unanimous consent to present for printing in the RECORD and appropriate reference two resolutions adopted by the Clay County Farmers Union of South Dakota.

The PRESIDENT pro tempore. Without objection, the resolution will be received, printed in the RECORD, and appropriately referred.

To the Committee on Interstate and Foreign Commerce:

"Resolution 1

"Whereas the plight of landlocked States became further aggravated by reason of the Panama Canal, which brought water-borne commerce rates into competition with transcontinental rail shipments, as a result of which there followed reduced transcontinental rail rates and increased rail rates from either coast to interior points and between interior points, resulting in population gains along the seaboard and depopulation of landlocked States suffering from high freight rates and inadequate transportation service; and

"Whereas railroads exacting confiscatory rates for bad service are resisting Missouri River navigation; and

"Whereas the Minneapolis private grain trade fearing diversion of grain from Minneapolis to down-stream markets has taken a stand against navigation; and

"Whereas South Dakota is in a high-cost electric-power-producing area due to the local availability of neither oil nor suitable clay for electric-power production; and

"Whereas private electric-power companies have conducted a campaign of contradiction, confusion, and obstruct transmission of electric power to consumers at cost. Contradictory propaganda calculated to throttle production of electricity has followed these two patterns: (1) Only enough electric power can be generated to pump water out of the river for irrigation; (2) electric-power potentialities are so enormous as to make maximum production unnecessary and extravagantly wasteful; and

"Whereas the Pick-Sloan plan, designed to impound flood waters in the upper reaches of the Missouri River back of a series of mud dams without lock systems for navigation, holds no definite assurance of electric-power production beyond the amount required to pump water out of the river for irrigation to which it grants priority; and

"Whereas the Pick-Sloan combination seeks to return agriculture to prewar economic conditions by solving problems which do not exist and by ignoring problems which do exist—by emphasizing irrigation and by excluding navigation and by producing only an undetermined amount of electric energy with whatever water is left after saturating 5,000,000 acres of land to artificially produce more food to further aggravate an already threatened overproduction before completion of the projects; and

"Whereas approximately 75 percent of the power-generating sites on the main stem of the Missouri River are located in South Dakota; from which points, electric power could be successfully transmitted to all parts of our State, and long-distance transmission lines could deliver electricity to rural and urban consumers in other valley States which would require maximum production to the last kilowatt; and

"Whereas the pressing need in landlocked raw-material States is navigation plus an abundance of low-cost electric power to diversify our economy, promote industry, create a home market for farm products and to conserve coal and oil; and

"Whereas this Nation, confronted with the possibility of an atomic race involving all major nations necessitates maximum power generation and inland navigation to serve defense plants located in the interior: Therefore be it

"Resolved by the farmers at this county meeting at Vermillion, S. Dak., this 10th day of March 1947, That we reject irrigation priority; denounce Pick-Sloan mud dams without lock systems; and disapprove of electric power limitations; be it further

"Resolved, That we propose to attain our objective by unequivocally supporting impoundment of flood waters back of a series of indestructible, reinforced, multipurpose, concrete dams in the upper reaches of the Missouri River, with maximum power generating facilities; lock installations for navigation; surplus water for irrigation where feasible; and transmission of current to all consumers in valley States at cost with decentralized administrative authority; be it still further

"Resolved, That copies of this resolution be sent to South Dakota Senators and Congressmen."

To the Committee on Agriculture and Forestry:

"Resolution 2

"Whereas Congress by the Steagall amendment pledged the Government to support the price of farm products at not less than 90 percent of parity until the expiration of the 2-year period beginning with the first of January immediately following official termination of hostilities; and

"Whereas the Honorable Clinton Anderson, Secretary of Agriculture, has nullified this sacred 90 percent of parity pledge relative to the support price on eggs, by reading into the pledge a double rule of national and annual average price which is foreign to the Steagall amendment and has the effect of allowing 10-cent egg prices without support if the national or annual average price equals or exceeds 90 percent of parity; and

"Whereas application of the Anderson interpretation of the Steagall amendment to other supported farm commodities would permit 2-cent hog prices without support if the average national or average annual price were equal to or higher than 90 percent of parity: Therefore be it

"Resolved by the members of Clay County Farmers Union in attendance at this county meeting at Vermillion, S. Dak., this 10th day of March 1947, That we denounce the Anderson interpretation of the Steagall amendment as a gross miscarriage of justice and urge our Senators and Congressmen to exercise their influence to compel the Secretary of Agriculture to abide by the Steagall amendment without reading something into it which is not there; be it further

"Resolved, That copies of this resolution be sent to our Washington delegation consisting of GURNEY, BUSHFIELD, MUNDT, and CASE."

LABOR-MANAGEMENT COOPERATION

Mr. CORDON. Mr. President, in these times of labor and management relationship discussions within and without the Senate, in these times when we face situations such as that called to our attention by my colleague [Mr. MORSE] yesterday afternoon, it is refreshing to find here and there throughout the United States active cooperative efforts between management and labor resulting in peace on the management-labor front.

In my own State of Oregon, which has an enviable reputation for cooperative action between labor and management, there has been established for some time past a labor management committee which has functioned in a most successful manner in the settlement of labor-management disputes in that area. Recently that committee made a declaration of policy for industrial peace, which I desire at this time to read into the RECORD:

DECLARATION OF POLICY FOR INDUSTRIAL PEACE

The officers and board of directors of Portland Labor-Management Committee unanimously endorse a policy of labor and management working together with a true spirit of cooperation to preserve industrial peace

and the American way of life and hereby declare—

That the basic principle of free enterprise supported by collective bargaining must be the determining factor to guide labor and management to a full understanding of their responsibility;

That equitable wages and fair profits are essential to a stable economy and are an integral part of establishing confidence and mutual understanding between labor and management;

That maintaining agreements is a sacred trust of labor and management;

That labor and management pledge to their community and State help and assistance to meet the human and economic needs of its people and also their social, educational, moral, and spiritual problems;

That we pledge to labor and industry and the public who wish to locate in our area this program to insure continuous production by maintaining industrial peace.

PORTLAND LABOR-MANAGEMENT COMMITTEE

(By its officers and board of directors).

Dated at Portland, Oreg., this 5th day of March 1947.

I feel, Mr. President, that this declaration may well be adopted as a charter between labor and management throughout the Nation; I am sure such action would conduce in great degree to general industrial peace.

DAYLIGHT SAVING IN THE DISTRICT

Mr. CAPPER. Mr. President, I have received a letter from William H. Press, executive secretary of the Washington Board of Trade, appealing to me to support S. 736, which sets up a daylight-saving program for the District of Columbia. I am in favor of this legislation and I ask unanimous consent to present the letter from the Washington Board of Trade and request that it be printed in the RECORD and appropriately referred.

There being no objection, the letter was received, referred to the Committee on the District of Columbia, and ordered to be printed in the RECORD, as follows:

WASHINGTON BOARD OF TRADE,
Washington, D. C., March 15, 1947.

MY DEAR SENATOR: A favorable report on S. 736 will be placed before the Senate sometime next week. I believe you will appreciate the following information about the bill.

In voting for Senator McGRATH'S bill you will not cast a vote for daylight saving time. It merely empowers the Commissioners of the District of Columbia to establish daylight-saving time in the District during the spring and summer of 1947 if a public hearing demonstrates that local citizens want it. We believe that the Commissioners should have the power that this bill will grant.

The Washington Board of Trade, and we are convinced the overwhelming majority of organizations and citizens, want daylight-saving time in the District of Columbia this year. Eighty-two percent of the principal civic and business organizations polled by the junior board of commerce favor it. Four thousand four hundred and sixty-one out of six thousand six hundred and four citizens favored it in a straw ballot conducted by the Times-Herald. A substantial majority of citizens favored daylight-saving time in a sample survey conducted by the Washington Post. The American Legion, the Veterans of Foreign Wars, the Disabled American Veterans' and the American Veterans' Committee also want daylight-saving time. Notices appearing in the public press have clearly shown an extraordinarily vigorous local desire for summer daylight-saving time.

Business clearly wants daylight-saving time. Baltimore, Annapolis, and other communities in Maryland this year will move their clocks back. This means that practically all the principal communities and some entire States north of Washington along the Atlantic coast and west to Chicago will change their time. This is the area with which we maintain closest business ties. If we stay on standard time that means there will be confusion for travelers and lost time in the length of the business day of banks, financial institutions, and all business houses engaged in interstate commerce. Since the principal radio networks and news services change their clocks, we would have dislocation, lost time, and added expense in making necessary adjustments.

The great mass of people in Washington, including Federal workers, know that daylight-saving time will permit an extra hour of daylight for recreation, gardening, and other healthful, body-building activities.

We hope you will vote for S. 736 and thereby give Washingtonians an opportunity to convince the Commissioners that they want daylight-saving time, with the knowledge that the Commissioners can carry out their wishes.

Sincerely yours,

WILLIAM H. PRESS,
Executive Secretary.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. CAPPER, from the Committee on Agriculture and Forestry:

S. 350. A bill to continue the Commodity Credit Corporation as an agency of the United States until June 30, 1948; with amendments (Rept. No. 58); and

S. 669. A bill to provide for the payment of a bonus of 30 cents per bushel on wheat and corn produced and sold between January 1, 1945, and April 18, 1946; without amendment (Rept. No. 59).

By Mr. VANDENBERG, from the Committee on Foreign Relations:

S. 874. A bill to authorize the President to appoint Lt. Comdr. Paul A. Smith as alternate representative of the United States to the Interim Council of the Provisional International Civil Aviation Organization or its successor, and as representative of the United States to the Air Navigation Committee of the Provisional International Civil Aviation Organization, without affecting his status and perquisites as an officer of the Coast and Geodetic Survey; without amendment (Rept. No. 60);

S. 875. A bill to authorize the President to appoint Maj. Gen. Laurence S. Kuter as representative of the United States to the Interim Council of the Provisional International Civil Aviation Organization or its successor, without affecting his military status and perquisites; without amendment (Rept. No. 61); and

S. J. Res. 86. Joint resolution to authorize Herschel V. Johnson, Deputy Representative of the United States to the Security Council of the United Nations, to be reappointed to the Foreign Service, without amendment (Rept. No. 62).

EXECUTIVE MESSAGE REFERRED

As in executive session.

The PRESIDENT pro tempore laid before the Senate a message from the President of the United States submitting the nomination of John Wesley Thompson Falkner IV, of Mississippi, to be United States marshal for the northern district of Mississippi, vice Ira Lamar Morgan, term expired, which was referred to the Committee on the Judiciary.

CONTINUING THE COMMODITY CREDIT CORPORATION AS AN AGENCY OF THE UNITED STATES UNTIL JUNE 30, 1948

MARCH 19 (legislative day, FEBRUARY 19), 1947.—Ordered to be printed

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

REPORT

[To accompany S. 350]

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 350) to continue the Commodity Credit Corporation as an agency of the United States until June 30, 1949, having considered same report thereon with the recommendation that it do pass with the following amendments:

On page 1, line 6, that part which reads "June 30, 1949" is amended to read "June 30, 1948." The title is amended to read:

To continue the Commodity Credit Corporation as an agency of the United States until June 30, 1948

to conform with the amendment made to the text of the bill.

It is the opinion of the committee that the continuation of the Commodity Credit Corporation as an agency of the United States is essential to provide the necessary machinery to carry out the commitments of the Congress with respect to the farm price support program. However, in order to prevent conflict with the provisions of the Government Corporation Control Act of 1945, the bill is amended to continue the Corporation as an agency of the United States to June 30, 1948, only. The Government Corporation Control Act of 1945 would require the reincorporation of the Commodity Credit Corporation by an act of Congress if it is to be continued as an agency of the Government beyond June 30, 1948.

A copy of a letter dated February 24, 1947, signed by Mr. N. E. Dodd, Under Secretary of Agriculture, is attached hereto and made a part of said report.

DEPARTMENT OF AGRICULTURE,
Washington, February 24, 1947.

HON. ARTHUR CAPPER,
*Chairman, Committee on Agriculture and Forestry,
United States Senate.*

DEAR SENATOR: Your letter of January 25 requesting a report on S. 350, which provides for the continuation of Commodity Credit Corporation as an agency of the United States until June 30, 1949, has been received.

The life of the Corporation as an agency of the Government expires under present legislation on June 30, 1947. This Department is strongly in favor of continuation of the Corporation as an agency of the Government.

In this connection it should be noted that the Government Corporation Control Act provides that all wholly owned Government corporations operating under State charters shall obtain Federal charters by not later than June 30, 1948. In accordance with the request of both the Senate and House Appropriations Committees it is planned to submit shortly a proposed Federal charter for Commodity Credit Corporation to the Congress for consideration.

Although the passage of the above bill would provide the desired continued authority for Commodity Credit Corporation, it would be our preference that consideration first be given to a Federal charter for the Corporation to enable long-range planning as to methods for carrying out some of the agricultural programs now conducted through the Corporation.

The Bureau of the Budget has informally advised us that it has no objection to the submission of this report.

Sincerely,

N. E. DODD, *Acting Secretary.*

○

S. 350

[Report No. 58]

IN THE SENATE OF THE UNITED STATES

JANUARY 24 (legislative day, JANUARY 15), 1947

Mr. BUSHFIELD (for himself and Mr. YOUNG) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

MARCH 19 (legislative day, FEBRUARY 19), 1947

Reported by Mr. CAPPER, with amendments

[Omit the part struck through and insert the part printed in italic]

A BILL

To continue the Commodity Credit Corporation as an agency of the United States until June 30, 1949.

- 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 first sentence of subsection (a) of section 7 of the
4 Act approved January 31, 1935 (49 Stat. 4), as amended,
5 is amended by striking out "June 30, 1947" and inserting in
6 lieu thereof "~~June 30, 1949~~ 1948".

Amend the title so as to read: "A bill to continue the Commodity Credit Corporation as an agency of the United States until June 30, 1948."

80TH CONGRESS
1ST SESSION

S. 350

[Report No. 58]

A BILL

To continue the Commodity Credit Corporation as an agency of the United States until June 30, 1949.

By Mr. BUSHFIELD and Mr. YOUNG

JANUARY 24 (legislative day, JANUARY 15), 1947

Read twice and referred to the Committee on Agriculture and Forestry

MARCH 19 (legislative day, FEBRUARY 19), 1947

Reported with amendments

DIGEST OF
CONGRESSIONAL PROCEEDINGS
OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section
(For Department staff only)

Issued March 25, 1947
For actions of March 24, 1947
80th-1st, No. 55

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HIGHLIGHTS: Senate committee reported \$9,000,000 appropriation for combatting foot-and-mouth disease. Both Houses received State Department's proposed "foreign interchange and information" bill. Senate passed bill to continue synthetic rubber program. Rep. Hope introduced revised wool price-support bill.

SENATE

1. ANIMAL DISEASES. The Appropriations Committee reported without amendment H. J. Res. 154, to appropriate \$9,000,000 for combatting foot-and-mouth disease and rinderpest (S. Rept. 65)(p. 2507).
2. BANKING. The Banking and Currency Committee reported without amendment H. R. 2413, to amend the Federal Reserve Act regarding purchase of Government securities (S. Rept. 70)(p. 2507).
3. TRANSPORTATION. The Interstate and Foreign Commerce Committee reported without amendment H. R. 1240 and H. J. Res. 76, to suspend navigation and inspection laws for an additional period (S. Repts. 71, 72 (pp. 2507-8)).
4. DAYLIGHT-SAVING TIME. Passed, 56-17, without amendment S. 736, authorizing the D. C. Commissioners to establish daylight-saving time in D. C. (pp. 2519-26).
5. PERSONNEL. Received from the Civil Service Commission a proposed bill to amend the act providing for payment of Government employees for accumulated or accrued annual leave; to Civil Service Committee (p. 2503).
6. FOREIGN RELATIONS. Received from the State Department proposed legislation relating to promotion of the interchange of persons, knowledge, and skills between the U. S. and other countries and public dissemination abroad of information about the U. S.; to Foreign Relations Committee (p. 2503).
7. SUGAR CONTROLS. Sen. Wherry, Nebr., submitted an amendment which he intends to propose to S. J. Res. 58, to extend sugar controls, that would increase the home-consumption allowance to 45 pounds per person annually (p. 2508).

in lieu of his military pay and allowances shall receive such compensation and allowances as the Secretary of State shall prescribe from appropriations made by law for the Department of State.

Sec. 2. In the performance of his duties as representative of the United States to the Interim Council of the Provisional International Civil Aviation Organization or its successor, Major General Kuter shall be subject to no supervision, control, restriction, or prohibition (military or otherwise) other than would be operative with respect to him if he were in no way connected with the War Department, the Military Establishment, or the Army of the United States, or any component thereof.

Mr. LANGER. Mr. President, may I ask the distinguished Senator from Michigan whether the three gentlemen mentioned in the last three measures are the ones who took part in the civil aviation conference held at Chicago about 2 years ago?

Mr. VANDENBERG. I am unable to tell the Senator, since I do not have the file here, whether they served that particular function. I can tell him they are the best available experts at the present time to deal with the particular functions which are described, and I think there is no doubt that their services are highly essential. The sole purpose of this legislation really is to permit them to return to their Army status when their tasks are finished.

Mr. LANGER. I have no objection.

The ACTING PRESIDENT pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

BILL PASSED OVER

The bill (H. R. 2535), to amend the Reconstruction Finance Corporation Act, was announced as next in order.

Mr. FERGUSON. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

SYNTHETIC RUBBER PRODUCTION

The Senate proceeded to consider the joint resolution (H. J. Res. 118), to strengthen the common defense by maintaining an adequate domestic rubber-producing industry, which had been reported from the Committee on Banking and Currency with amendments.

The amendments were, on page 1, line 4, before the word "rubber", to strike out "Crude" and insert "Natural"; on line 11, to strike out "Crude" and insert "Natural"; on page 2, line 2, to strike out "crude" and insert "natural"; on line 10, to strike out "crude" and insert "natural"; on line 13, to strike out "crude" and insert "natural"; on line 23, to strike out "crude" and insert "natural"; on page 3, line 2, before "expandible", to strike out "rapid" and insert "rapidly"; on line 16, to strike out "crude" and insert "natural"; on page 3, line 23, after "notwithstanding," to strike out "any other provision of law, the provisions of section 2 (a) of the act of June 28, 1940, entitled "An act to expedite national defense and for other purposes" (54 Stat. 676), as amended, shall continue," and insert "the provisions of title XV of the Second War Powers Act, 1942, as amended, title III

of such act and the amendments to existing law made by such title, shall remain"; on page 4, line 9, to strike out "crude" and insert "natural," and to strike out "crude" and insert "natural-"; on page 4, line 10, to strike out, in the parenthesis, "except," and insert "including import control of synthetic rubber and natural- and synthetic-rubber products, but excluding"; on page 4, line 12, to strike out "crude" and insert "natural"; on page 4, line 13, after "that" to insert "to the extent necessary to accomplish the purposes of this joint resolution"; on page 4, line 18, to strike out "crude" and insert "natural"; on page 4, line 19, to strike out "crude" and insert "natural"; on page 4, line 19, after "products" to insert "and import control of synthetic rubber and natural- and synthetic-rubber products"; on page 4, line 23, to strike out "crude" and insert "natural"; and on page 4, line 24, to strike out "(b) The powers, functions, duties, and authority of the United States to manufacture and sell synthetic rubber shall continue in force until the effective date of permanent legislation enacted to accomplish the policy set forth in section 1 (b) hereof, but in no event beyond March 31, 1948, and as so continued it is hereby directed that they shall be exercised and performed by the Reconstruction Finance Corporation while that Corporation has succession, and thereafter by such officer, agency, or instrumentality of the United States as the President may designate" and insert "(b) The powers, functions, duties, and authority of the United States to manufacture (including the conduct of research essential to the development of the synthetic-rubber industry) and sell synthetic rubber shall continue in force until the effective date of permanent legislation enacted to accomplish the policy set forth in section 1 (b) hereof, but in no event beyond March 31, 1948. There shall not be declared as surplus nor shall War Assets Administration dispose of any synthetic-rubber plant and facilities costing the Government in excess of \$5,000,000, until the effective date of permanent legislation enacted to accomplish the policy set forth in section 1 (b) hereof: *Provided*, That there shall be exempt from such disposal limitations the neoprene plant, styrene plants, the petroleum butadiene plant located at Toledo, Ohio, not to exceed two alcohol butadiene plants, and butadiene-styrene type copolymer plants to the extent that the aggregate actual capacity of such copolymer plants remaining in Government ownership shall not be less than 600,000 long tons per year. It is hereby directed that the aforesaid powers, functions, duties, and authority of the United States to so manufacture and sell synthetic rubber shall be exercised and performed by Reconstruction Finance Corporation while that Corporation has succession and thereafter by such officer, agency, or instrumentality of the United States as the President may designate: *Provided further*, That nothing herein shall be construed as precluding any other agency of Government from engaging in research authorized by law."

The amendments were agreed to.

Mr. BALL. Mr. President, may we have an explanation of the joint resolution?

Mr. TOBEY. The purpose of the resolution is to extend Government controls on crude and synthetic rubber beyond the present expiration date of March 31, 1947, until such time as permanent legislation with respect to the maintenance of the synthetic-rubber program is enacted, but in no event beyond March 31, 1948.

The measure had extensive hearings before a subcommittee of the Senate Committee on Banking and Currency, of which the Senator from Ohio [Mr. BRICKER] was chairman, and the distinguished Senator from Virginia [Mr. ROBERTSON] was an active, interested member. I am going to call on the Senator from Ohio [Mr. BRICKER] to explain the joint resolution.

Mr. BRICKER. Mr. President, this joint resolution will discontinue the Government purchase of crude rubber on the 31st day of March and will continue the Government controls over synthetic rubber. That includes the controls of the end-product formula, and the allocation, but permits private companies to purchase on their own account natural rubber in the foreign market.

There was considerable difference among the manufacturers as to whether or not the latter provision should be included. Most of them, I think, were in favor of a continuance of Government purchase after March 31 for a period of 5 or 6 months. A great majority of the committee, along with the representatives of the Government and the Interdepartmental Agency of the Government departments interested in rubber, recommended that it be discontinued as of March 31. In substance the joint resolution takes the Government out of the purchase of natural rubber on the 31st day of March, and continues the Government in complete control, as it has been since the beginning of the synthetic program, of the manufacture and utilization of synthetic rubber.

It does so upon the ground that it is essential for the national defense that the synthetic program be continued, and that the Government have complete control over that program, and the authority to require the utilization of synthetic products until such time as we are no longer dependent completely upon natural rubber. The last amendment provides for the sale of certain synthetic plants which the Government feels are no longer necessary for the conduct of the synthetic-rubber program. The remainder of the synthetic plants will be retained pending permanent legislation which may be enacted at this and the coming sessions.

Mr. TOBEY. Mr. President, I would merely add, in amplifying the views just expressed by the Senator from Ohio, that when the war came on us, we were caught with a very scant supply of rubber; the stock pile was increased as much as possible; but we came through successfully because the science and ability and productive capacity of this country brought about the construction of great synthetic-rubber plants, with marvelous

CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE.
 Division of Legislative Reports
 (For Department staff only)

Issued April 9, 1947
 For actions of April 8, 1947
 80th-1st, No. 65

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HIGHLIGHTS: Senate passed bill to continue CCC until June 30, 1948. Senate passed bill to continue farm-labor program for 6 months. Senate vacated passage of bill to authorize RFC to purchase surplus property for resale to small business. Senate debated Greek-Turkish aid bill.

SENATE

1. COMMODITY CREDIT CORPORATION. Passed, as reported and without debate, S. 350, to continue CCC as a U. S. agency until June 30, 1948 (p. 3316).
2. FARM LABOR. Passed with amendments H. R. 2102; to continue the farm-labor supply program for 6 months (pp. 3300-15). Sens. Aiken, Bushfield, Young, Thomas of Okla., and Ellender were appointed conferees (p. 3315). Agreed to an amendment by Sen. Knowland, Calif., permitting Mexican farm laborers to remain in the U. S. as long as the program is in effect but not later than Dec. 31, 1947 (p. 3306). (Otherwise the bill, as passed by the Senate, is the same as reported to the Senate.) Rejected an amendment by Sen. Kem, Mo., to require employers to reimburse the Government for recruitment and transportation of off-shore employees (pp. 3306-14), and an amendment by Sen. Ball, Minn., to require that this program shall not be construed to interfere with the functions of USES or State employment services regarding a farm placement service (p. 3314).
3. SURPLUS PROPERTY. Reconsidered the passage of H. R. 2535, to authorize RFC to purchase surplus property for resale to small business, and returned it to the calendar (p. 3299). In asking for reconsideration, Sen. White stated that he had been asked to object to passage but had not been able to do so.
4. REMOUNT SERVICE. Received a Calif. Legislature memorial urging continuation of this project (pp. 3293-4).
5. ARBOR DAY. Sen. Butler, Nebr., spoke on the background and significance of Arbor Day, Apr. 10 (pp. 3294-5).
6. FOREIGN RELIEF. Began debate on S. 938, to provide assistance for Greece and Turkey (pp. 3296-9, 3316). As reported, S. 938 authorizes appropriation of \$400,000,000 to provide aid for Greece and Turkey; authorizes the detail of Government employees to those countries; provides for the transfer to, and the procurement for (by manufacture or otherwise), those countries of any articles,

services, and information; authorizes RFC to make advances up to \$100,000,000 until an appropriation is made, and to make allocations from such advances to any Government agency or department; and specifies certain conditions precedent to the receipt of any assistance by these countries, including free access of Government officials and the press.

HOUSE

NOT IN SESSION. Next meeting Wed., Apr. 9.

BILL INTRODUCED

7. SURPLUS PROPERTY. S. 1068, by Sen. Thomas, Okla., to provide for the more expeditious disposal of surplus personal property. To Armed Services Committee. (p. 3294.)

ITEM IN APPENDIX

8. FOREIGN TRADE; MONOPOLIES. Sen. Mores, Oreg., inserted E.H. Levi's (Univ. of Chicago) address, "The Cartel System," in which he discusses the monopolistic trend in foreign countries and in the U.S. (pp. A1638-42).

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COMMITTEE-HEARINGS ANNOUNCEMENTS for Apr. 9: S. Appropriations, deficiency appropriation bill; S. Public Lands, Gila reclamation project; S. Banking and Currency, housing bill; H. Appropriations, Agricultural appropriation bill (ex.); H. Banking and Currency, Wolcott housing bill; H. Foreign Affairs, Greek-Turkey aid; For Apr. 11: S. Expenditures in the Executive Departments, merger of quarantine services (Fladness and Rohwer to testify).

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For supplemental information and copies of legislative material referred to, call Ext. 4654, or send to Room 113 Adm. Arrangements may be made to be kept advised, routinely, of developments on any particular bill.

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As a result of the last 5 or 6 years of importations of foreign labor from the Bahamas, Puerto Rico, and Mexico, it will be found more and more troublesome for those who produce sugar beets in the Western States and those who produce other and different perishable crops in this country, to get the average American agricultural worker to go into the fields and do the stoop labor.

I hope that those who are responsible for the production of these perishable crops and who are compelled to employ this kind and type of labor will begin now to adjust themselves to the time when sooner or later this kind of an appropriation must by necessity be denied. In my judgment now is the time for those people to begin to set their house in order, for sooner or later the Government of the United States must cease to appropriate millions of dollars each year to bring to this country these migratory workers. That is especially true if we have heavy unemployment in this country.

I merely mention this in passing because as I said before I am going to support the bill. While this may be in vain, I do hope that at the end of 6 months we will not be faced again with a similar measure for a continuance of the importation of labor of the kind we have been discussing, necessitating an appropriation out of the Federal Treasury of some fifteen or sixteen million dollars. I appreciate that this is still a part of the war program and in this reconstruction era I am willing to go as far as any one in appropriating the necessary funds to produce sugar and the other perishable crops which are vital to our economy and to our way of life. But I repeat what I said before, those who are engaged in this great industry throughout the United States should begin to find ways and means of finding their own labor in the shortest period of time, because this cannot go on indefinitely.

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the committee, as amended.

The amendment as amended was agreed to.

The PRESIDENT pro tempore. The question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The PRESIDENT pro tempore. The question now is, Shall the bill pass?

The bill (H. R. 2102) was passed.

Mr. AIKEN. Mr. President, I move that the Senate insist upon its amendment, ask for a conference with the House thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the President pro tempore appointed Mr. AIKEN, Mr. BUSHFIELD, Mr. YOUNG, Mr. THOMAS of Oklahoma, and Mr. ELLENDER conferees on the part of the Senate.

INVESTIGATION OF POSTMASTER APPOINTMENTS

Mr. LANGER. Mr. President, I move that the Senate proceed to the consideration of Order No. 78, Senate Resolution 81, authorizing the Committee on

Civil Service to investigate the appointment of first-, second-, or third-class postmasters.

The motion was agreed to; and the Senate proceeded to consider the resolution.

The PRESIDENT pro tempore. The clerk will state the first amendment of the committee.

The first amendment of the committee was, on page 2, line 5, after the word "investigation", to strike out "as to why few if any Republicans have been appointed to the offices of first-, second-, or third-class postmasters for the last 14 years, how many Republicans have been removed" and to insert "as to political activities in the civil service in the appointment of first-, second-, and third-class postmasters."

Mr. LUCAS. A parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state it.

Mr. LUCAS. Is the Senate in executive session?

The PRESIDENT pro tempore. The Senate is in legislative session.

Mr. HAYDEN. Mr. President, I should like to propound a question to the chairman of the committee before we vote on the amendment.

The PRESIDENT pro tempore. The Senator from North Dakota has the floor. Does he yield?

Mr. LANGER. I yield.

Mr. HAYDEN. I should like to make inquiry with respect to the budget the Senator has submitted. Through inadvertence, the budget was not printed in the report. I am sure that was unintentional on the part of the Committee on Rules and Administration, because my understanding is that when an investigating committee asks for money from the contingent fund a budget must be submitted and the budget is to be included in the report of the Committee on Rules and Administration. That was done in the case of the resolution submitted by the Senator from Maine [Mr. BREWSTER], and it has been done a number of times. Through inadvertence, the budget was not included in the report on the pending resolution, and therefore the Senate has no knowledge as to that.

I am not blaming anyone. The budget provides for an expenditure of \$35,000.

Mr. LANGER. That is correct.

Mr. HAYDEN. A chief counsel at the rate of \$10,000 a year, a chief investigator at \$7,628, three investigators at \$5,695, four assistant investigators at \$5,116. I should like to inquire of the Senator, because I have made some inquiries in the committee, whether this budget was considered by the Committee on Civil Service and approved by it.

Mr. LANGER. No; they simply told us to go ahead and prepare it and submit it to the Committee on Rules and Administration.

Mr. HAYDEN. Then I make a point of order, Mr. President. I call the attention of the Chair to Senate Resolution 77, submitted by the Senator from Nebraska [Mr. WHERRY] on February 15, 1945, and reported by the Senator from Illinois [Mr. LUCAS], without amendment, considered, and agreed to, on June

28, 1945. It is now a standing rule of the Senate. It reads:

Resolved, That the Senate shall not (1) authorize the payment from the contingent fund of the Senate of the expenses, in excess of \$5,000, of any inquiry or investigation hereafter authorized, or (2) increase the amount heretofore authorized to be paid from the contingent fund of the Senate in connection with any inquiry or investigation, unless, prior to adoption of the resolution authorizing such payment or providing for such increase, the committee or subcommittee thereof authorized to conduct such inquiry or investigation shall have submitted to the Committee to Audit and Control the Contingent Expenses of the Senate—

Under the Reorganization Act that jurisdiction is transferred to the Committee on Rules and Administration—a budget, in such form as the committee may require—

There is no question as to the form—setting forth its estimates of expenses proposed to be incurred for personal services, hearings, and travel, and such other information as the committee may require.

So it is provided that the Senate shall not consider a measure appropriating money from the contingent fund of the Senate unless in conformity with the rule prescribed. My contention is that the Senate is prohibited unless the Committee on Civil Service has approved this budget; and the Committee on Civil Service has not approved the budget.

Mr. LANGER. The subcommittee has.

Mr. HAYDEN. I inquired of every member of the committee I could reach, and none of them said he had even seen the budget.

Mr. LANGER. The subcommittee consisted of the Senator from New Mexico [Mr. CHAVEZ], the Senator from Delaware [Mr. BUCK] and myself, and at the time the matter was agreed on it was said we could go ahead and submit whatever the budget was to the Senator from Illinois [Mr. BROOKS] and the Senator from Nebraska [Mr. WHERRY], of the Committee on Rules and Administration, of which the Senator from Arizona is a member, and we took the matter up.

Mr. HAYDEN. That is true, and I assumed the necessary action had been taken, but actually the budget was never submitted to the Committee on Civil Service.

Mr. LANGER. That is correct.

Mr. HAYDEN. None of the members of the committee ever saw it—

Mr. LANGER. That is correct.

Mr. HAYDEN. Prior to the time the Senator took it to the Committee on Rules and Administration.

Mr. LANGER. The subcommittee saw it.

Mr. HAYDEN. I make the point of order that until the committee meets and approves this budget the Senate cannot appropriate any money under the pending resolution.

The PRESIDENT pro tempore. The Chair's ruling turns, of course, on the question of fact. Is the Chair correct in his understanding that the Senators agree on the facts?

Mr. LANGER. We agree on the facts.

The PRESIDENT pro tempore. Under the circumstances, the point of order is sustained.

Mr. TAFT. What is this rule of the Senate? Is it a rule of the Senate today?

Mr. HAYDEN. Oh, yes.

Mr. TAFT. Was it not superseded by the La Follette-Monroney Act, section 134 (b)?

The PRESIDENT pro tempore. It is the understanding of the Chair that the resolution is still in force.

Mr. LANGER. I shall bring the matter before the Committee on Civil Service tomorrow.

Mr. HAYDEN. That was the next point I wanted to make—

Mr. LANGER. So long as the point of order has been raised, I think that is right.

Mr. HAYDEN. I desire to suggest that the budget be reexamined. In my opinion \$35,000 is not needed to get the answer as to why so few Republicans have been appointed postmasters in the past 14 years. It is for the same reason that so few Democrats were appointed postmasters from 1921 to 1933. There were Republican administrations in those years. There have been Democratic administrations from 1933 to this time, and naturally, of course, a majority of the appointments have been Democratic.

I suggest further to the Senator that there are now pending before his committee some 639 postmaster nominations. I am sure that there would be no occasion whatever to investigate the great majority of them. By mere inquiry of the Civil Service Commission it can be ascertained in how many instances there was but one examination, and in what cases the high man was appointed.

Mr. KNOWLAND. Mr. President, will the Senator yield?

Mr. HAYDEN. I yield.

Mr. KNOWLAND. I should like to ask, for the record, at what time were postmasters put under civil service?

Mr. HAYDEN. The history of that action very briefly is this: They were first put under civil service by Executive order issued by President Wilson in 1917. Prior to that time, in the McKinley, Roosevelt, and Taft administrations, and in the first 4 years of the Wilson administration, they were considered political patronage. I know that, because I was in the House of Representatives and I appointed about 300 of them. I picked out friends of mine in the various towns and appointed them. But Mr. Wilson grew tired of the postmaster controversy. After his reelection he issued an Executive order providing that thereafter all postmasters should be appointed as the result of a civil-service examination, and that the high man should be appointed. During the last 4 years of his administration that is exactly the way it was done. No Representative was consulted. No Senator was consulted. No Democratic national committeeman was consulted.

When Mr. Harding became President he issued an Executive order changing it, retaining the civil-service examination, but providing that, as in all other instances, any one of the three highest per-

sons certified as qualified might be appointed. The effect of that worried the Civil Service Reform League greatly. They pointed out in a report that, under 4 years of the Wilson administration, in the 2,000 post offices they had checked over in the Northern States, 800 Republicans had been appointed, whereas only 600 Democrats had retained office. That was in the section where the Republicans predominated. It really was done on the square, but they greatly feared that this method of allowing the choice of any one of the three highest on the list would result in politics entering into the selection of postmasters. A few years later their fears were realized, according to a subsequent report, which shows that the Post Office Department, when the three names came over from the Civil Service Commission, immediately notified the Republican Representative, or, if there was no Republican Representative from the district, the Senator; if not, the national committeeman; and he made a recommendation as to which of the three should be selected.

That was carried on through the Harding administration; the Executive orders issued by Coolidge carried on the same plan; and Hoover carried it also. When Franklin Roosevelt became President, he issued an order of the same kind, which was in effect until 1936, at which time he reverted to the original Wilson idea and provided that there should be a civil-service examination, the high man to be selected.

That did not suit the House of Representatives, and a bill was immediately introduced to provide the present way of handling it. That bill was passed by the Senate and became a law, I think, sometime in 1938. Since that time postmaster appointments have been handled just the same as any other civil-service appointments; that is, one of the three highest names is selected.

Of course, in the meantime, an Executive order has been issued giving preference to veterans. That preference is now conferred by law, and in the case of the 639 nominations now pending, about 250 of them are veterans. That is why I want the Civil Service Committee to look into this matter very carefully. I am sure if they will go through the 639 names they will find comparatively few that are questioned. I doubt very much whether it will require \$35,000 to ascertain in those few cases what ought to be done. Of course, it is a matter for the committee and for the Senate to decide. That is my judgment about it.

CONTINUANCE OF COMMODITY CREDIT CORPORATION UNTIL JUNE 30, 1948

Mr. BUSHFIELD. Mr. President, I move that the Senate proceed to the consideration of Senate bill 350.

The PRESIDENT pro tempore. The question is on the motion of the Senator from South Dakota.

The motion was agreed to; and the Senate proceeded to consider the bill (S. 350) to continue the Commodity Credit Corporation as an agency of the United States until June 30, 1949, which had been reported from the Committee

on Agriculture and Forestry with an amendment, on page 1, line 6, after "June 30", to strike out "1949" and insert "1948", so as to make the bill read:

Be it enacted, etc., That the first sentence of subsection (a) of section 7 of the act approved January 31, 1935 (49 Stat. 4), as amended, is amended by striking out "June 30, 1947" and inserting in lieu thereof "June 30, 1948."

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read: "A bill to continue the Commodity Credit Corporation as an agency of the United States until June 30, 1948."

AID TO GREECE AND TURKEY

Mr. WHITE. Mr. President, I know of no other legislative business to come before the Senate at this time.

The PRESIDENT pro tempore. The Chair suggests to the Senator that the Senate recur to the unfinished business, which was displaced temporarily so that other matters could be considered.

Mr. WHITE. Mr. President, I was about to follow with that suggestion. I know of no further legislative business to be taken up at this time. I was about to move that the Senate proceed to the consideration of executive business.

The PRESIDENT pro tempore. Senate bill 938 was temporarily displaced.

Mr. WHITE. The Chair is quite correct. I move that the Senate resume consideration of Senate bill 938.

The PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Maine.

The motion was agreed to; and the Senate resumed consideration of the bill (S. 938) to provide for assistance to Greece and Turkey.

MESSAGE FROM THE HOUSE—ENROLLED BILLS SIGNED

A message from the House of Representatives, by Mr. Megill, one of its clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

H. R. 1327. An act to amend existing law to provide privilege of renewing expiring 5-year level-premium-term policies for another 5-year period;

H. R. 1621. An act to authorize the Secretary of War to lend War Department equipment and provide services to the Boy Scouts of America in connection with the World Jamboree of Boy Scouts to be held in France, 1947; and to authorize the Commissioner of Internal Revenue to provide exemption from transportation tax; and further to authorize the Secretary of State to issue passports to bona fide Scouts and Scouters without fee for the application or the issuance of said passports;

H. R. 1713. An act to provide for the promotion of substitute employees in the postal service, and for other purposes; and

H. R. 1943. An act to establish a permanent Nurse Corps of the Army and the Navy and to establish a Women's Medical Specialist Corps in the Army.

IN THE HOUSE OF REPRESENTATIVES

APRIL 15, 1947

Referred to the Committee on Banking and Currency

AN ACT

To continue the Commodity Credit Corporation as an agency of the United States until June 30, 1948.

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 first sentence of subsection (a) of section 7 of the
4 Act approved January 31, 1935 (49 Stat. 4), as amended,
5 is amended by striking out "June 30, 1947" and inserting
6 in lieu thereof "June 30, 1948".

Passed the Senate April 8 (legislative day, March 24),
1947.

Attest:

CARL A. LOEFFLER,

Secretary.

80TH CONGRESS
1ST SESSION

S. 350

AN ACT

To continue the Commodity Credit Corporation as an agency of the United States until June 30, 1948.

APRIL 15, 1947

Referred to the Committee on Banking and Currency

(5) explains that the Committee reduced Legislative Reference Service to \$300,000 (Budget estimate, \$650,000; 1947 appropriation, \$475,000) on the basis that the committee staffs would be increased, that many of the committees are not utilizing the LRS specialists to any great extent, and that the House Coordinator of Information is in the same general field of work; (6) states that the Library of Congress project for storing and distributing Government motion-picture films "will cost an amount of money out of all proportion to its value" and raised a question as to whether the Library was the appropriate agency for this function in any event; (7) partially explained a \$10,000,000 cut in GPO's working fund by stating that "there is some difficulty in securing prompt payment by departments and agencies;" that the Committee "sees no valid reason why departments and agencies should not pay their printing bills within 30 days," and that GPO "could undoubtedly shorten the collection period by the simple expedient of refusing to accept requisitions for printing unless the department or agency concerned pays its bills promptly"; and (8) questioned the advisability of spending Federal funds for the Library of Congress' current legislative reference service on State legislation.

HOUSE

17. C.C.C. CONTINUATION. The Banking and Currency Committee reported without amendment S. 350, to continue CCC as a U.S. agency until June 30, 1948 (H.Rept. 719) (p. 7929).
18. EXPORT CONTROLS. The Rules Committee reported a resolution for the consideration of H.R. 3049, to continue the Export Control Act and direct the President to ascertain on or before Dec. 31, 1947, whether export controls should or should not be continued, such determination to be certified to Congress; to provide that upon the President's determination to discontinue, such controls should terminate within 15 days from the date of determination, except as to offences committed or rights or liabilities incurred; and to provide that in no event should controls extend beyond June 30, 1948 (p. 7929).
19. WAR POWERS; TRANSPORTATION. The Interstate and Foreign Commerce Committee reported with amendment H.R. 3152, to extend to June 30, 1948, title III of the Second War Powers Act relating to the allocation of transportation equipment (H.Rept. 710) (pp. 7883, 7929).
20. SOCIAL SECURITY; FARM LABOR. The Ways and Means Committee reported without amendment S. 1072, to extend until July 1, 1949, the period during which income from agricultural labor may be disregarded by States in making old-age assistance payments without prejudicing their rights to grants-in-aid under the Social Security Act (H.Rept. 713) (p. 7929).
21. COMMUNICATIONS. The Interstate and Foreign Commerce Committee reported without amendment S. 816, to repeal the mandatory special rate for Government telegrams; authorize the Federal Communications Commission under the Communications Act of 1934, to prescribe charges, classifications, regulations and practices, including priorities, applicable to Government telegrams; the effective date being the 10th day following the date of enactment (H.Rept. 715) (p. 7929).
22. RECONSTRUCTION FINANCE CORPORATION. Received the conference report on S.J.Res. 135, to continue RFC (pp. 7915-8). The conferees adopted the 1-year extension, as provided in the Senate version, but retained in general the House provisions extending only certain lending powers and functions of RFC. The House version contained several provisions regarding FCA; and conference report (as explained by the House conferees), "in lieu of repealing those provisions of law in their entirety, modifies them to eliminate their application to the

Reconstruction Finance Corporation but to retain their application to the Farr Credit Administration."

- 23. WAR POWERS. Passed with amendment H.R. 3647, to extend certain powers under Title III of the Second War Powers Act (including priorities, allocations, and certain export controls (pp. 7889-901). During the debate there was considerable discussion on the need for the export controls provided for in this bill and, in addition, the continuation of the Export Control Act as provided for in H.R. 3049. Rep. Murray, Wis., offered and withdrew an amendment to authorize import and export control for wheat, flour, corn, oats, and barley (pp. 7900-1) Reps. Springer (Ind.) and Michener (Mich.) discussed Mr. Dodd's testimony before the Judiciary Committee in regard to the continuation of controls on fibre and cordage (pp. 7890-1).
- 24. EXECUTIVE ORGANIZATION. Passed without amendment H.R. 775, to establish a Commission on Organization of the Executive Branch of the Government (pp. 7918-21)
- 25. ALASKA SETTLEMENT. The "Daily Digest" states that a subcommittee of the Public Lands Committee ordered* reported H.R. 868, to provide for homesteading in Alaska by veterans (p. D446).
*Copies of the bill and report will not be available until the bill is actually reported, when this Digest will include a statement to that effect.
- 26. LANDS. The Agriculture Committee ordered* reported H.R. 2511, to authorize the Department to quitclaim 2 acres of land near Muirkirk, Md., to the Queens Chape Methodist Church (p. D445).
*Copies of the bill and report will not be available until the bill is actually reported, when this Digest will include a statement to that effect.
- 27. FOREIGN RELIEF; FOOD PURCHASES. Rep. Harrison, Va., criticized USDA's policy on the purchase of food for foreign relief, referring particularly to surplus canned poultry and other canned goods, stating, "I was not able to interest Government authorities in the purchase of any of this surplus for foreign relief" (pp. 7886-7).
- 28. TREASURY-POST OFFICE APPROPRIATION BILL, 1948. Received the conference report on this bill, H.R. 2436 (pp. 7921-2).
- 29. FOREIGN AFFAIRS. Passed with amendments S. J. Res. 77, providing for membership and participation by the U.S. in the International Refugee Organization and authorizing an appropriation therefor (pp. 7901-15). As passed the measure contains the language of the House measure, H.J. Res. 207 (pp. 7915-5).
- 30. RECLAMATION. Rep. Phillips, Calif., discussed the appropriations for reclamation projects, stating that he hoped the House "would help the conferees work out a final appropriation bill for the Department of the Interior which will permit the economy of the West to be developed" (pp. 7923-8).
- 31. RUBBER. Rep. Crawford, Mich., spoke in favor of retaining the synthetic rubber industry (p. 7886).
- 32. WOOL. During the debate on H.J. Res. 207, Rep. Kersten, Wis., criticized the President's veto of S. 814, the wool price-support bill (pp. 7912-3).

BILLS INTRODUCED

33. FLOOD CONTROL; SURPLUS PROPERTY. S. 1515, by Sen. Aiken, Vt. (for himself and others), to make surplus property available for the alleviation of damage

H. R. 2276. An act to authorize the Secretary of War to pay certain expenses incident to training, attendance, and participation of personnel of the Army of the United States and of the naval service, respectively, in the seventh winter sports Olympic games and the fourteenth Olympic games and for future Olympic games.

ADJOURNMENT

Mr. COLE of Missouri. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 16 minutes p. m.) the House adjourned until tomorrow, Friday, June 27, 1947, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

852. A letter from the Acting Secretary of the Interior, transmitting a draft of a proposed bill to transfer certain transmission lines, substations, appurtenances, and equipment in connection with the sale and disposition of electric energy generated at the Fort Peck project, Montana, and for other purposes; to the Committee on Public Lands.

853. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the fiscal year 1947 in the amount of \$1,336,000 for the Post Office Department (H. Doc. No. 364); to the Committee on Appropriations and ordered to be printed.

854. A letter from the Secretary of the Navy, transmitting a list of institutions and organizations which have requested donations from the Navy Department; to the Committee on Armed Services.

855. A letter from the Administrator, National Housing Agency, transmitting a draft of a proposed bill for the relief of Andrew A. Koleser; to the Committee on the Judiciary.

856. A letter from the Administrator, National Housing Agency, transmitting a draft of a proposed bill for the relief of William G. Nelson; to the Committee on the Judiciary.

857. A letter from the Secretary of War, transmitting a draft of a proposed bill to amend the act of Congress entitled "An act to accord free entry to bona fide gifts from members of the armed forces of the United States on duty abroad," approved December 5, 1942; to the Committee on Ways and Means.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. ALLEN of Illinois: Committee on Rules. House Resolution 260. Resolution providing for the consideration of S. J. Res. 125, joint resolution to strengthen the common defense and to meet industrial needs for tin by providing for the maintenance of a domestic tin-smelting industry; without amendment (Rept. No. 706). Referred to the House Calendar.

Mr. ALLEN of Illinois: Committee on Rules. House Resolution 261. Resolution providing for the consideration of H. R. 3049, a bill to continue in effect section 6 of the act of July 2, 1940 (54 Stat. 714), as amended, relating to the exportation of certain commodities; without amendment (Rept. No. 707). Referred to the House Calendar.

Mr. ALLEN of Illinois: Committee on Rules. House Resolution 262. Resolution providing

for the consideration of H. R. 3951, a bill to provide increases in the rates of pension payable to Spanish-American War and Civil War veterans and their dependents; without amendment (Rept. No. 708). Referred to the House Calendar.

Mr. CORBETT: Committee on House Administration. House Resolution 251. Resolution to provide that Members of the House of Representatives and officers shall, for their convenience, be furnished with identification cards; without amendment (Rept. No. 709). Referred to the House Calendar.

Mr. BENNETT of Missouri: Committee on Interstate and Foreign Commerce. H. R. 3152. A bill to extend certain powers of the President under title III of the Second War Powers Act; with an amendment (Rept. No. 710). Referred to the Committee of the Whole House on the State of the Union.

Mr. REED of New York: Committee on Ways and Means. S. 1072. An act to extend until July 1, 1949, the period during which income from agricultural labor and nursing services may be disregarded by the States in making old-age assistance payments without prejudicing their rights to grants-in-aid under the Social Security Act; without amendment (Rept. No. 713). Referred to the Committee of the Whole House on the State of the Union.

Mrs. ROGERS of Massachusetts: Committee on Veterans' Affairs. House Concurrent Resolution 54. Concurrent resolution to provide for the use of Schick General Hospital at Clinton, Iowa, for the Veterans' Administration; without amendment (Rept. No. 714). Referred to the House Calendar.

Mr. LEONARD W. HALL: Committee on Interstate and Foreign Commerce. S. 816. An act to repeal the Post Roads Act of 1866, as amended, and for other purposes, without amendment (Rept. No. 715). Referred to the Committee of the Whole House on the State of the Union.

Mr. SMITH of Wisconsin: Committee on Foreign Affairs. S. 1005. An act to amend the act of June 28, 1935, entitled "An act to authorize participation by the United States in the Interparliamentary Union"; without amendment (Rept. No. 716). Referred to the Committee of the Whole House on the State of the Union.

Mr. JOHNSON of Indiana: Committee on Appropriations. H. R. 3993. A bill making appropriations for the legislative branch for the fiscal year ending June 30, 1948, and for other purposes; without amendment (Rept. No. 717). Referred to the Committee of the Whole House on the State of the Union.

Mr. ANDREWS of New York: Committee on Armed Services. H. R. 2313. A bill to amend the act of May 19, 1926 (44 Stat. 565), as amended by the acts of May 14, 1935 (49 Stat. 218), and of October 1, 1942 (56 Stat. 763), providing for the detail of United States military and naval missions to foreign governments; without amendment (Rept. No. 718). Referred to the Committee of the Whole House on the State of the Union.

Mr. WOLCOTT: Committee on Banking and Currency. S. 350. An act to continue the Commodity Credit Corporation as an agency of the United States until June 30, 1948; without amendment (Rept. No. 719). Referred to the Committee of the Whole House on the State of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. FELLOWS: Committee on the Judiciary. H. R. 650. A bill for the relief of Ruston Jamsetji Patell; without amendment (Rept. No. 711). Referred to the Committee of the Whole House.

Mr. FELLOWS: Committee on the Judiciary. H. R. 928. A bill for the relief of Riyoko Patell; with an amendment (Rept. No. 712). Referred to the Committee of the Whole House.

Mr. HOPE: Committee on Agriculture. H. R. 2511. A bill to authorize the Secretary of Agriculture to quitclaim 2 acres of land near Muirkirk, Md., to the Queens Chapel Methodist Church; without amendment (Rept. No. 720). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. HAVENNER:

H. R. 3986. A bill to provide for a Naval Marine Museum on Treasure Island; to the Committee on Armed Services.

By Mr. MILLS:

H. R. 3987. A bill to amend section 51 of the Internal Revenue Code to equalize Federal income taxes upon married persons; to the Committee on Ways and Means.

By Mr. PRICE of Florida:

H. R. 3988. A bill relating to the sale of Paxon Field, Duval County, Fla.; to the Committee on Expenditures in the Executive Departments.

By Mr. REED of New York:

H. R. 3989. A bill to amend section 51 of the Internal Revenue Code to equalize Federal income taxes upon married persons; to the Committee on Ways and Means.

By Mr. MUNDT:

H. R. 3990. A bill to provide for water-pollution-control activities in the Public Health Service of the Federal Security Agency and in the Federal Works Agency, and for other purposes; to the Committee on Public Works.

By Mr. SUNDSTROM:

H. R. 3991. A bill to authorize a preliminary examination and survey of the Rahway River and its tributaries, New Jersey, for flood control, for run-off and water-flow retardation, and for soil-erosion prevention; to the Committee on Public Works.

By Mr. SASSCER:

H. R. 3992. A bill to provide special pensions for certain persons awarded medals for extraordinary heroism in combat; to the Committee on Veterans' Affairs.

By Mr. JOHNSON of Indiana:

H. R. 3993. A bill making appropriations for the legislative branch for the fiscal year ending June 30, 1948, and for other purposes; to the Committee on Appropriations.

By Mr. MEADE of Maryland:

H. R. 3994. A bill to amend the Civil Aeronautics Act of 1938 so as to require the insurance, registration, and instruction in the use of safety devices, of passengers transported in interstate air transportation; to the Committee on Interstate and Foreign Commerce.

By Mr. BARTLETT:

H. R. 3995. A bill to provide for the establishment of a national cemetery at Juneau, Territory of Alaska; to the Committee on Public Lands.

By Mr. FARRINGTON:

H. R. 3996. A bill to provide for the establishment of a national cemetery at Honolulu, T. H.; to the Committee on Public Lands.

By Mr. GEARHART:

H. R. 3997. A bill to exclude certain vendors of newspapers or magazines from certain provisions of the Social Security Act and Internal Revenue Code; to the Committee on Ways and Means.

By Mr. SIMPSON of Illinois:

H. R. 3998. A bill to provide for regulation of certain insurance rates in the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

By Mr. MICHENER (by request):

H. R. 3999. A bill to authorize the Attorney General to adjudicate certain claims resulting from evacuation of certain persons of Japanese ancestry under military orders; to the Committee on the Judiciary.

By Mr. SMITH of Wisconsin:

H. J. Res. 223. Joint resolution providing for membership and participation by the United States in the Caribbean Commission and authorizing an appropriation therefor; to the Committee on Foreign Affairs.

H. J. Res. 224. Joint resolution providing for membership and participation by the United States in the South Pacific Commission and authorizing an appropriation therefor; to the Committee on Foreign Affairs.

By Mr. TALLE:

H. Con. Res. 55. Concurrent resolution to include all general appropriation bills in one consolidated general appropriation bill; to the Committee on Rules.

By Mr. SHAFER:

H. Con. Res. 56. Concurrent resolution to prohibit exports of petroleum and petroleum supplies outside the continental limits of the United States or its possessions; to the Committee on Armed Services.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Florida, memorializing

the President and the Congress of the United States, commending the United States Forest Service for the manner in which it has activated and maintained the Apalachicola National Forest in Liberty County, Fla.; to the Committee on Public Lands.

Also, memorial of the Legislature of the State of Illinois, memorializing the President and the Congress of the United States to enact legislation to exempt employers from the payment of the Federal three-tenths of 1 percent unemployment tax and to permit each State to collect such tax, in addition to contributions now collected by it, and to use such sums to finance its employment security program without Federal restrictions; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. NORBLAD:

H. R. 4000. A bill for the relief of John K. Jackson; to the Committee on the Judiciary.

By Mr. RICHARDS:

H. R. 4001. A bill for the relief of W. Avery Hollis; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

685. By the SPEAKER: Petition of the Salem Square Congregational Church petitioning consideration of their resolution with reference to opposing passage of a Federal aid bill to education, including the support of parochial schools in America; to the Committee on Education and Labor.

686. Also, petition of Miss Clementine Lenta, and sundry other citizens of Duluth, Minn., petitioning consideration of their resolution with reference to endorsement of House bill 2910; to the Committee on the Judiciary.

687. Also, petition of Mrs. S. L. Apgar, and sundry other citizens of Clearwater, Fla., petitioning consideration of their resolution with reference to endorsement of the Townsend plan, House bill 16; to the Committee on Ways and Means.

688. Also, petition of Mrs. Margaret Gurtler, and sundry other citizens, Jacksonville, Fla., petitioning consideration of their resolution with reference to endorsement of the Townsend plan, House bill 16; to the Committee on Ways and Means.

689. Also, petition of various citizens of the Fifth Congressional District, State of Washington, petitioning consideration of their resolution with reference to endorsement of House bill 2716; to the Committee on Veterans' Affairs.

COMMODITY CREDIT CORPORATION EXTENSION

JUNE 26, 1947.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. WOLCOTT, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany S. 350]

The Committee on Banking and Currency, to whom was referred the bill (S. 350) to continue the Commodity Credit Corporation as an agency of the United States until June 30, 1948, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

It is the opinion of the committee that the continuation of the Commodity Credit Corporation as an agency of the United States is essential to provide the necessary machinery to carry out the commitments of the Congress with respect to the farm price-support program. At the present time the life of the Commodity Credit Corporation would terminate on June 30, 1947, and the bill would provide for an extension of the Corporation until June 30, 1948.

In view of the fact that the Commodity Credit Corporation is a State-chartered corporation, wholly owned by the United States, it is subject to the provisions of the Government Corporation Control Act. The latter act requires that all wholly owned State-chartered Government corporations shall obtain Federal charters prior to June 30, 1948, or go out of existence. The 1-year extension provided in the bill would merely continue the Corporation to June 30, 1948, and prior to such date the Congress would have to fully review its operations and provide for its Federal incorporation if it should desire to continue the Corporation after June 30, 1948.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

Section 7 (a) of the act of January 31, 1935, as amended (15 U. S. C., 1940 edition, Supp. III, 713, as amended by the act of February 28, 1944, Public Law 240, 78th Cong., 2d sess.):

SEC. 7. (a) Notwithstanding any other provision of law, Commodity Credit Corporation, a corporation organized under the laws of the State of Delaware as an agency of the United States pursuant to the Executive order of the President of October 16, 1933, shall continue, until the close of business on **[June 30, 1947]** *June 30, 1948*, or such earlier date as may be fixed by the President by Executive order, to be an agency of the United States. During the continuance of such agency, the Secretary of Agriculture and the Governor of the Farm Credit Administration are authorized and directed to continue, for the use and benefit of the United States, the present investment in the capital stock of Commodity Credit Corporation, and the Corporation is hereby authorized to use all its assets, including capital and net earnings therefrom, and all moneys which have been or may hereafter be allocated to or borrowed by it, in the exercise of its functions as such agency, including the making of loans on agricultural commodities: *Provided, however,* That the Corporation shall at all times maintain complete and accurate books of account and shall determine the procedures to be followed in the transaction of the corporate business.



80TH CONGRESS
1ST SESSION

S. 350

[Report No. 719]

IN THE HOUSE OF REPRESENTATIVES

APRIL 15, 1947

Referred to the Committee on Banking and Currency

JUNE 26, 1947

Committed to the Committee of the Whole House on the State of the Union
and ordered to be printed

AN ACT

To continue the Commodity Credit Corporation as an agency of
the United States until June 30, 1948.

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 first sentence of subsection (a) of section 7 of the
4 Act approved January 31, 1935 (49 Stat. 4), as amended,
5 is amended by striking out "June 30, 1947" and inserting
6 in lieu thereof "June 30, 1948".

Passed the Senate April 8 (legislative day, March 24),
1947.

Attest:

CARL A. LOEFFLER,

Secretary.

Union Calendar No. 365

80TH CONGRESS
1ST SESSION

S. 350

[Report No. 719]

AN ACT

To continue the Commodity Credit Corporation as an agency of the United States until June 30, 1948.

APRIL 15, 1947

Referred to the Committee on Banking and Currency

JUNE 26, 1947

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

COMMITTEE ON BANKING AND CURRENCY
Division of Legislative Reports

(For administrative information only)

HEARINGS BEFORE HOUSE BANKING AND CURRENCY COMMITTEE ON S. 340, TO CONTINUE S. 400 FOR AN ADDITIONAL YEAR, JUNE 26, 1947

Chairman Tolcott said there has been a "controversy" between his Committee and the Agriculture Committee on jurisdiction over CCC matters but that Rep. Hays had agreed for the Banking and Currency Committee to consider the bill pending disposition of the jurisdiction question.

Mr. Dodd testified in support of the bill, reviewing the activities of CCC. Rep. Sandstrom asked if part of CCC's profit came from other Government agencies and, upon receiving an answer in the affirmative, questioned whether that could be considered a true profit. He also asked whether the war "baled out" CCC, and Mr. Dodd said no, with certain exceptions. Rep. Spence asked about the possibility of developing an export market for tobacco, and Mr. Dodd explained the difficulties of such a project but said the Department will try to work something out on this (he reviewed the arrangement with Japan regarding cotton and the cotton-rubber barter which was made a few years ago). Rep. Gamble said CCC is competing with private exporters, and Mr. Dodd denied this. Rep. McMillen asked for data to indicate whether CCC purchases of corn (particularly), wheat, and soybeans has caused price increases. Mr. Dodd denied that exports were an important reason for such increases, discussing other reasons; and Rep. McMillen said the Department should give the public information as a basis to decide the question. Rep. McMillen also asked whether exported grain has been used to feed livestock, and Mr. Dodd answered no.

Mr. O'Neal, Farm Bureau, spoke in favor of the bill. He said CCC is a "foundation" of the farm program, that it has had "marvelous results", and that the Farm Bureau favors its continuation on a permanent basis when the right time comes. He said he hoped RFC could make as good a financial report as CCC. He also said he believed the AAA and CCC programs "should go together."

Rep. Gamble (acting as Chairman at the time) stated that, in view of the time situation, "the only thing we can do is continue" CCC.

Mr. Sanders, Grange, spoke briefly in support of the bill.

The Committee then went into executive session.

Carl R. Sapp, R&F



CONGRESSIONAL PROCEEDINGS
OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE

Issued June 30, 1947

Division of Legislative Reports

For actions of June 27, 1947

(For Department staff only)

80th-1st, No. 123

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HIGHLIGHTS: President approved 2nd urgent deficiency appropriation bill. House passed bill to continue CCC for a year. House passed legislative appropriation bill; Reps. Cannon, Monroney, Murray discussed Legislative Reorganization Act. House received revised appropriation estimate of \$1,980,000 for Sugar Rationing Adm. Both Houses agreed to conference report on RFC-continuation bill. House received USDA proposal re liquidation of rural-rehabilitation corporations. House committee reported omnibus civil-service retirement bill. Rep. Rich criticized wool-bill veto. Senate passed measure continuing export-control, allocations, and priorities powers until July 15, 1947. Senate passed measure continuing appropriations after June 30, 1947, pending new appropriations. Senate passed bill to create Commission on Organization of Executive Branch. Senate committee reported bill to provide technical information thru Commerce Department. Refugee Organization bill ready for President. Unofficial cotton committee submitted report on Japanese cotton agreement.

HOUSE

1. COMMODITY CREDIT CORPORATION. Passed without amendment S. 350, to continue CCC as a U. S. agency, without change, through June 30, 1948 (p. 8000). This bill will now be sent to the President. Rep. Brown, Ga., spoke in favor of continuation of this agency.
2. LEGISLATIVE APPROPRIATION BILL. Passed without amendment this bill, H. R. 3993 (pp. 7991-9). For its provisions see Digest 122. Rep. Cannon, Mo., said the bill "is the last step in the complete wreckage of the famous Reorganization Act" and discussed reduction in number of committees, violation of the 3-day lie-over of appropriation bills, legislative provisions on appropriation bills, and the Legislative Reference Service (pp. 7992-5). Rep. Monroney, Okla., defended the Legislative Reorganization Act (pp. 7997-8). Rep. Murray, Wis., defended the Act's provisions regarding committee staffing, saying "there has never been a time that the committee [Agriculture] had the grasp that they have under this reorganization (p. 7993).
3. SUGAR RATIONING ADMINISTRATION. Received from the President a revised estimate of \$1,980,000 to provide funds for price control and industrial rationing of sugar from July 1, 1947, to Oct. 31, 1947, and to provide for liquidation of the program (H. Doc. 367); to Appropriations Committee (p. 8015).
4. RURAL REHABILITATION. Received from this Department proposed legislation to provide for liquidation of the trusts under the transfer agreements with State Rural Rehabilitation Corporations; to Agriculture Committee (p. 8015).

5. RECONSTRUCTION FINANCE CORPORATION. Both Houses agreed to the conference report on S. J. Res. 135, to continue RFC on a limited basis until June 30, 1948 (pp. 7999, 7962-9). This measure will now be sent to the President.
6. WAR DEPARTMENT CIVIL APPROPRIATION BILL, H. R. 4002, was reported by the Appropriations Committee (H. Rept. 723). This bill contains appropriations of \$132,041,800 for flood control by the War Department. The committee report states: "In keeping with its policy that provisions constituting permanent substantive legislation should not appear in appropriation bills, the committee has avoided the inclusion of items of that nature."
7. FARM LABOR. Passed without amendment S. 1072, to extend until July 1, 1949, the period during which income from agricultural labor and nursing services may be disregarded by the States in making old-age assistance payments without prejudicing their rights to grants-in-aid under the Social Security Act (pp. 7985-6). This bill will now be sent to the President.
8. CIVIL-SERVICE RETIREMENT. The Post Office and Civil Service Committee reported with amendments H. R. 3872, the omnibus civil-service retirement bill (H. Rept. 726)(p. 8016).
9. TREASURY-POST OFFICE APPROPRIATION BILL. Both Houses agreed to the conference report on this bill, H. R. 2436 (pp. 7957-61, 7989-90). This bill will now be sent to the President. The Senate receded on its amendment to permit higher prices to be paid by the Government for typewriters.
10. FISHERIES. The Merchant Marine and Fisheries Committee reported with amendment H. R. 1693, to provide for U. S. aid to States in fish-restoration and management projects (H. Rept. 728)(p. 8016).
11. WOOL-PRICE SUPPORTS. Rep. Rich, Pa., criticized the President's veto of S. 814 the wool bill, defending the tariff provision (p. 7987).
12. PERSONNEL LOYALTY. Rep. Holifield, Calif., spoke in favor of "preservation of civil liberties" in connection with the personnel-loyalty program (pp. 8006-10).
13. EXPORT CONTROL. Rep. Shafer, Mich., asked for consideration of H. R. 3049, to continue the Export Control Act, but after discussion Rep. Rizley, Okla., objected (p. 8006).
14. ADJOURNED until Mon., June 30 (p. 8015). Legislative program for this week, as announced by Majority Leader Halleck: Mon., bills under suspension of rules, Hawaii statehood; Tues., private calendar, War Department civil appropriation bill; Wed., D. C. appropriation bill; Thurs., continuation of above-mentioned bills; urgent rules at any time; adjournment Fri. through Sun. (p. 8000).
15. FOREIGN AFFAIRS; PURCHASING. The "Daily Digest" states that the subcommittee of the Foreign Affairs Committee ordered* favorably reported H.R. 3891, the International Organizations Procurement Act of 1947 (pp. D452-3).
16. MINERALS; WILDLIFE. The "Daily Digest" states that the subcommittee of the Public Lands Committee ordered* reported with amendment H.R. 2867, permitting mining locations in the State Park Game Sanctuary of Harney National Forest, S. Dak (p. D453).

*Copies of the bills and reports will not be available until the bills are actually reported, when this Digest will include statements to that effect.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. RAMEY asked and was given permission to extend his remarks in the RECORD and include an address on the subject Security for the Masses and Not Just Classes, delivered at Uline Arena, June 26, 1947.

Mr. CANNON and Mr. DIRKSEN asked and were given permission to revise and extend their remarks.

RECONSTRUCTION FINANCE CORPORATION ACT—CONFERENCE REPORT

Mr. WOLCOTT. Mr. Speaker, I call up the conference report on Senate Joint Resolution 135, to extend the succession, lending powers, and the functions of the Reconstruction Finance Corporation, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of June 26, 1947.)

Mr. WOLCOTT. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, the conferees agreed substantially with the House language. The only material change is in the date. The Senate provided a continuance of RFC for 1 year. The Senate has a companion resolution to authorize, I believe, \$50,000 for a complete investigation of Reconstruction Finance Corporation activities from its inception. Because of that situation and also the fact that the U. S. Commercial Corporation, a subsidiary of the Reconstruction Finance Corporation, is continued in the House bill for only 1 year it would obviously be necessary for us to have hearings on the U. S. Commercial Corporation within the year and might well have hearings at the same time on any further continuance of Reconstruction Finance Corporation. The House yielded in that respect.

The changes which were made in the House language are so minor perhaps as to not have to be discussed. They are changes of a typographical nature, changes in grammar, and some other very minor changes. The bill in substance and almost in its entirety as it was agreed to by the conferees is the bill which the House passed.

Mr. Speaker, I yield such time as he may desire to the gentleman from Kentucky [Mr. SPENCE].

Mr. SPENCE. Mr. Speaker, this is substantially the bill passed by the House with the exception that the limitation date was changed from 2 years to 1 year. It is the unanimous report of the conferees and I hope that the House will approve the conference report.

Mr. JONES of North Carolina. Mr. Speaker, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from North Carolina.

Mr. JONES of North Carolina. May I ask this question: Under this conference report can GI loans be accepted by the RFC any longer?

Mr. WOLCOTT. Under the language of the House bill and under the language of the bill as agreed to by the conferees, the Reconstruction Finance Corporation will not be authorized to purchase those loans guaranteed by banks or other lending institutions.

Mr. JONES of North Carolina. What about the paper they have been permitted to take already?

Mr. WOLCOTT. Any commitments made previous to the enactment of this law will be honored by the RFC under definite language in the bill. It is very definitely stated in the bill that any commitments made in any of these respects will be honored.

I call the gentleman's attention to section 201, title II, on page 7 of the conference report, which reads as follows. I think this is a very definite answer to the gentleman's question:

SEC. 201. No provision of this act shall be construed so as to prevent the Corporation from disbursing funds on purchases of securities and obligations, on loans made, or on commitments or agreements to make such purchases or loans, or on liabilities incurred, pursuant to law, prior to the effective date of this act.

All of the commitments made previous to the enactment of this bill for the purchase of mortgages guaranteed by the Veterans' Administration, will be honored under the provisions which I have just read.

Mr. JONES of North Carolina. I thank the gentleman.

Mr. WOLCOTT. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to.

A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. VAN ZANDT (at the request of Mr. GRAHAM) was given permission to extend his remarks in the RECORD and include a resolution adopted by the Pennsylvania State Legislature.

Mr. MONRONEY asked and was given permission to extend his remarks in the RECORD and include an editorial appearing in the Chicago Sun.

Mr. TIBBOTT asked and was given permission to revise and extend his remarks and include a statement.

Mr. GILLIE asked and was given permission to extend his remarks in the RECORD and include a short article.

Mr. BROWN of Georgia. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD following the passage of the Commodity Credit Corporation bill.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

SUSPENSION OF ANNUAL ASSESSMENT WORK ON MINING CLAIMS

Mr. WELCH. Mr. Speaker, I ask unanimous consent that I may have until

midnight tonight to file a conference report and statement on the bill H. R. 2369.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

The conference report and statement follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 2369) providing for the suspension of annual assessment work on mining claims held by location in the Territory of Alaska, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment.

RICHARD J. WELCH,
F. L. CRAWFORD,
ANDREW L. SOMERS,

Managers on the Part of the House.

HUGH BUTLER,
GUY CORDON,
CARL A. HATCH,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 2369) providing for the suspension of annual assessment work on mining claims held by location in the Territory of Alaska submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

It was the view of the Senate that this bill should also apply to mining claims in the United States as well as in Alaska. The House disagreed to the inclusion of this amendment, however, and after discussion in conference the Senate conferees agreed to recede from the position taken by the Senate, and accept the bill as originally passed by the House.

RICHARD J. WELCH,
F. L. CRAWFORD,
ANDREW L. SOMERS,

Managers on the Part of the House.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

Mr. HALLECK. Mr. Speaker, I ask unanimous consent that the Committee on Interstate and Foreign Commerce may have until midnight tonight to file a report on the bill H. R. 3150.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

SPECIAL ORDER GRANTED

Mr. BUCHANAN. Mr. Speaker, I ask unanimous consent that today, following any special orders heretofore entered, I may be permitted to address the House for 30 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. HALLECK. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

PROGRAM FOR NEXT WEEK

Mr. HALLECK. Mr. Speaker, I take this opportunity to announce the program for next week. On Monday it is proposed that the Speaker may permit some measures to be called up for passage under suspension of the rules. Of course, any conference reports that are ready will be in order. Then we propose to take up House Resolution 212 providing for statehood for Hawaii.

On Tuesday we will call the Private Calendar, and we also hope to take up the civil functions War Department appropriation bill.

On Wednesday we hope that the District of Columbia appropriation bill will be ready.

Thursday there will be a continuation of the above bills.

Friday, being the 4th of July, we expect to adjourn over from Thursday until Monday. Of course, urgent rules may be called up at any time. It occurs to me also that it might be well to suggest that in all probability matters of considerable importance will be called on Monday, July 7.

Mr. McCORMACK. Mr. Speaker, will the gentleman yield?

Mr. HALLECK. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. The majority leader possibly cannot, I understand, but if he can, in connection with suspensions on Monday, will he advise the House as to any that he has in mind?

Mr. HALLECK. I cannot announce that at this time.

Mr. McCORMACK. I realize that, because I have been in the same predicament myself. That is why I made a guarded inquiry.

COMMODITY CREDIT CORPORATION

Mr. WOLCOTT. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 350) to continue the Commodity Credit Corporation as an agency of the United States until June 30, 1948.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the first sentence of subsection (a) of section 7 of the act approved January 31, 1935 (49 Stat. 4), as amended, is amended by striking out "June 30, 1947" and inserting in lieu thereof "June 30, 1948."

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. BROWN of Georgia. Mr. Speaker, this bill merely extends the existing law for a period of 1 year. I introduced a bill some time ago to make Commodity Credit Corporation a permanent agency. This Corporation should become a permanent Government agency. Its contribution to agriculture, to the farmer, and to the economic stability of our country is beyond reproach. Legislation next year must make the Commodity Credit Corporation a permanent agency of the Government.

A short time ago the Senate passed S. 350 extending the authority of the Corporation for a period of 1 year. This, coupled with the fact that by June 30, 1948, a new Federal charter is required in lieu of the present Delaware charter, gives some justification for the continuation of the Corporation for but 1 year, or until Congress may have an opportunity to enact a new Federal charter. We did not have time this session to have a full hearing on my bill, so it is absolutely necessary that the law be extended by June 30 of this year.

The Commodity Credit Corporation was created under the laws of the State of Delaware pursuant to an Executive Order of the President October 16, 1933. A congressional act in 1935 directed that the Corporation should "continue until April 1, 1937," and by successive amendments to this act the Corporation has been continued until June 30, 1947.

The charter powers of the Commodity Credit Corporation authorize this Agency, among other things, to engage in buying, selling, lending, and other activities with respect to the agricultural commodities, products thereof, and related facilities. These powers have enabled the Corporation to engage in extensive operations for the purpose of increasing production, stabilizing prices, assuring adequate supplies, and facilitating the efficient distribution of agricultural commodities, foods, feeds, and fibers to meet the needs of the war emergency. For more than a decade those interested in agriculture have pressed for enactment of certain basic agricultural laws which now stand as a cornerstone—especially during this postwar period. Extension of the Commodity Credit Corporation is vital to the welfare of the farmer and to the farm program.

The Corporation's function has implemented many of the other basic farm programs. For example, the Corporation's price-support operation has resulted largely from legislation making it mandatory for the Corporation to provide price support for certain agricultural commodities through loans, purchases, and other operations. This price support operation includes loans to producers upon any crop of the basic commodities—cotton, corn, wheat, rice, tobacco, and peanuts—and at the present time the support rate is 90 percent of parity in the case of all the basic commodities other than cotton, and 92½ percent in the case of cotton.

In addition to the basic commodities, there are the so-called Steagall commodities which are supported in price through the operation of the Commodity Credit Corporation. These Steagall commodities are: Hogs, eggs, chickens and turkeys, milk and butterfat, dry peas of certain varieties, soybeans for oil, peanuts for oil, flaxseed for oil, potatoes, and sweetpotatoes.

Measured by commodities, the acres farmed, the individuals producing, and the dollar income from agricultural production during the coming years, it is not difficult to observe the scope of the solemn obligation accruing to nearly every American farmer as a result of basic agricultural legislation. The re-

sponsibility of implementing many of these programs is made possible by the Commodity Credit Corporation.

The Corporation has capital stock of \$100,000,000 and is authorized to borrow \$4,750,000,000 in conducting its operations. The budget estimates show that its purchase activities during the fiscal year 1947 will approximate \$1,500,000,000, that sales will exceed \$2,000,000,000, that new loans will be made approximating \$735,000,000.

It is gratifying to know that except for the subsidy payments authorized by the Congress that the Commodity Credit Corporation during its entire life has made several million dollars for the Federal Government, while at the same time it has aided the American farmer and the general public beyond measurement.

The activities of CCC over the past 14 years have, in my opinion, contributed more to the lot of the farmers than any other phase of the farm program.

Now, let me take just a few minutes to describe the basic functions of the Corporation.

The price-support activity, through which we have endeavored to see that farmers receive an income commensurate with their contribution to the Nation's economy, is the heart of our agricultural program.

You know what this program has meant—both to the farmers and the rest of the Nation. You know how the cotton loans saved our cotton farmers from ruin while at the same time building up a cotton backlog which meant much to us during the war. You know the ever-normal granary and its value to the Nation during the war and since. You know how tobacco loans have saved those producers when sudden termination of foreign markets threatened to drive tobacco prices to ruinous levels.

But even more important is the price-support function of the Corporation today. It is the agency which carries out the promises made by the Congress to support the price of agricultural commodities through the calendar year 1948.

During the war and since it has made purchases for our Army and Navy, for foreign governments, the American Red Cross, and other similar agencies. During the fiscal year which ends Monday, this Nation will have shipped more than 550,000,000 bushels of grain and grain products to foreign countries for emergency feeding. That is more grain than has been shipped by all the other countries of the world in any previous year. Most of that grain was bought by the Commodity Credit Corporation and bought in such a manner as to cause the least possible strain on our domestic market.

Another major function of the Corporation is to purchase for the American consumer certain scarce agricultural commodities in the foreign market. Such purchases include sugar, fats and oils, and rice. The world supply of most of these commodities is allocated to each country by the International Emergency Food Council. The Corporation buys our portions which are then divided among the various claimants in this country.

One of the best examples of the need for a flexible organization such as CCC

was seen in this connection in the work it did in reviving the Philippine copra industry. Through the use of CCC and other funds a quasi-governmental agency was set up which got that industry back to prewar production within half the time which the industry experts thought possible. This gave great relief to the world oil shortage and incidentally netted this Government a profit.

Another function is to export certain agricultural commodities. This work is well known to you. Because world prices are generally lower than prices here at home, the Corporation is authorized, under certain circumstances, to subsidize the exportation of surplus quantities of the basic agricultural commodities. Currently, this program applies only to the remaining stocks of low-grade cotton which we have accumulated over a period of 14 years. Practically all of that cotton has now been sold. The Government had a profit at one time of more than \$200,000,000 on cotton it held.

Another function is the payment of subsidies. During the emergency period producers' costs were frequently too high to maintain adequate production under ceilings. So CCC was directed to make up the difference between the ceiling and production costs. Since this has been the major function which put the Corporation in the red, I am glad to report that all subsidies, except the one on sugar, have now been removed.

Some of these functions are becoming less important as we move back toward normal conditions, but the price-support program—which is its major job—is still in full swing.

If we exclude the subsidy program, which was carried out by the Corporation at the direction of Congress, the Corporation actually showed a profit of \$228,000,000 for the period October 1933 through December 1946, after deducting administrative and other expenses, including administrative expenses and interest properly chargeable to the subsidy program.

In addition to the price-support functions, the charter of the Corporation makes possible an export program. Whenever surpluses approach unmanageable proportions, it is imperative that farmers have necessary machinery to control and adjust these supplies to total demands of markets so as to prevent wrecking of farm prices, destruction of farm purchasing power, and the resulting unbalanced national economy.

Under the commodity-export program of the Commodity Credit Corporation, the Corporation exports or causes to be exported, agricultural commodities and products. The purpose of the program is to obtain foreign markets for agricultural commodities and products thereof produced in the United States and to aid in the disposal of surplus agricultural commodities.

Since so much of our present farm legislation is tied into the existence of the Commodity Credit Corporation, our failure to continue that Corporation would have the effect of throwing out our whole price support program and defaulting on our solemn promise to the farmers of the Nation

DEPARTMENT OF LABOR, THE FEDERAL SECURITY AGENCY, AND RELATED INDEPENDENT AGENCIES APPROPRIATION BILL, 1948

Mr. BROWN of Ohio, from the Committee on Rules, reported the following privileged resolution (H. Res. 263, Rept. No. 731), which was referred to the House Calendar and ordered to be printed:

Resolved, That during the consideration of the bill (H. R. 4003) making appropriations for the Department of Labor, the Federal Security Agency, and related independent agencies, for the fiscal year ending June 30, 1948, and for other purposes, all points of order against the bill or any provisions contained therein are hereby waived.

DISTRICT OF COLUMBIA REVENUE ACT OF 1947

Mr. DIRKSEN. Mr. Speaker, I call up the conference report on the bill (H. R. 3737) to provide revenue for the District of Columbia, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of June 25, 1947.)

CALL OF THE HOUSE

Mr. CHURCH. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Obviously a quorum is not present.

Mr. DIRKSEN. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 93]

Allen, Ill.	Gallagher	Morgan
Andrews, N. Y.	Gathings	Morrison
Earden	Gavin	Murray, Tenn.
Beall	Gifford	Nodar
Blackney	Gore	Pace
Bland	Granger	Patterson
Bloom	Hall	Pfeifer
Boykin	Edwin Arthur	Philbin
Brooks	Hartley	Poulson
Buckley	Hays	Powell
Bulwinkle	Heffernan	Rabin
Byrne, N. Y.	Herter	Rayburn
Case, N. J.	Javits	Rayfiel
Celler	Jenkins, Pa.	Redden
Chadwick	Jennings	Rich
Chipherfield	Johnson, Okla.	Rivers
Clark	Jones, Ala.	Robison
Clason	Jonkman	Sanborn
Clements	Keafney	Scoblick
Clippinger	Kearns	Seely-Brown
Colmer	Kelley	Sheppard
Cooley	Kennedy	Short
Corbett	Keogh	Sikes
Coudert	Kilburn	Smathers
Courtney	Kirwan	Smith, Ohio
Cox	Klein	Snyder
Crow	Lane	Stanley
Dague	Latham	Stratton
Dawson, Ill.	Love	Taylor
Dawson, Utah	Lusk	Thomas, N. J.
Delaney	Lynch	Twyman
D'Ewart	McDowell	Van Zandt
Drewitt	McGarvey	Vinson
Eaton	Macy	Vorys
Elston	Madden	Walter
Fallon	Mansfield, Tex.	West
Fuller	Miller, Nebr.	Wilson, Ind.

The SPEAKER. On this roll call 316 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

EXTENSION OF REMARKS

Mr. KEFAUVER asked and was given permission to extend his remarks in the RECORD in two instances; to include in one an address he delivered, and in the other an editorial.

DISTRICT OF COLUMBIA REVENUE ACT OF 1947

Mr. DIRKSEN. Mr. Speaker, I yield 10 minutes to the gentleman from Massachusetts [Mr. BATES].

Mr. BATES of Massachusetts. Mr. Speaker, the matter presently before us is the conference report on the so-called District of Columbia revenue bill. This entire subject matter of District revenues has been gone into very thoroughly by the Subcommittee on Fiscal Affairs of the Committee on the District of Columbia, of which I happen to have the privilege of being chairman ever since the early part of this year.

Mr. Speaker, as a member of this Committee on the District of Columbia, serving with the gentleman from Illinois [Mr. DIRKSEN], chairman of the committee, for the last 10 years, I want to say frankly that during that period of time no matter has given us so much concern or has taken so much of our time as the fiscal relations confronting the District of Columbia for not only the year 1948 that lies ahead of us, but the several years that we must necessarily plan for if we are going to have sound administration within the District of Columbia. In the early part of the year the District Commissioners were confronted with a \$10,000,000 deficit for the year 1948, an estimated deficit of over \$12,000,000 in 1949 and a further estimated deficit in 1950 of approximately \$20,000,000. Something had to be done to adjust the financial program of this District so that we could bring the revenues of the District up to meet the operating costs. During the early part of the year the District Commissioners recommended 9 different types of legislation in the form of revenue bills. One was the income tax, a matter which we are presently going to discuss here on the floor of the House. Second, the sales tax. Third, an alcoholic-beverage tax. Fourth, a motor vehicles excise tax. Fifth, an inspection fee on motor vehicles and trailers. Sixth, an excise tax on cigarettes. Seventh, an amusement tax. Eighth, an excise tax on gas, electricity, and telephone bills. Ninth, the payment for water that is used by the Federal Government.

Over a period of many weeks this committee labored at great length, and this volume of nearly 1,100 pages will testify to the extent of the study we have given it. It is a very thorough study of the finances of this district over the period of 10 years past, and also the difficulties the District is facing at the present time. After many, many weeks of very thorough study on the part of this committee we came to the conclusion that if we resorted to the most basic of all taxes, namely, the real-estate tax, together with the income tax and the revenue coming

from the Federal payment, we would not only be able to meet the obligations of the District during the fiscal year 1948 but we would have a sizable surplus at the end of the year, but we programed the fiscal affairs of the District so that we could meet the obligations over a period of 2 years, ending with a surplus at the close of the fiscal year 1949 without the innovation of the multiplicity of new taxes recommended by the District Commissioners.

The question primarily today is in regard to the conference report we recommended. We were able to reconcile the revenue picture here in the District so that by increasing the real-estate tax, that has not been increased in 11 years, 25 cents, making it \$2 on a hundred-dollar valuation or \$20 on a thousand dollars, with an increase in the Federal payment from eight to twelve million dollars, and an increase in the water rates of 25 percent in order to put the water system on a pay-as-you-go basis, we would save \$10,000,000 in interest charges that would be necessary if the program that we recommended was not accepted by the Congress.

We recommended also a 1-cent increase in the gasoline tax. In addition, we thought it would be imperative, in the interest of fairness and equity, to make a readjustment of the income-tax system in the District of Columbia so that people who get the benefit of the municipal services here would make a contribution to that end.

We therefore brought to the House a bill which embraced a tax on those who were domiciled in the District on the 31st day of December, and every other individual who maintains a place of abode within the District for more than 7 months of the taxable year, whether domiciled in the District or not.

The House adopted in place of our recommendations the O'Hara amendment, which retained precisely the same provisions except that it made certain exemptions within the provisions of the law, which will be thoroughly explained when the gentleman from Minnesota [Mr. O'HARA] takes the floor, together with other members of the committee.

When the bill went to the Senate the Senate struck out the O'Hara amendment and substituted the original bill that was recommended by the House Committee on the District of Columbia when we reported it out a short time ago.

This matter is of tremendous importance not only to the people in the District, who have to pay these bills in the form of real-estate taxes and income taxes, but to the Members of Congress who have approved a Federal contribution of \$8,000,000 up to last year and \$12,000,000 in the bill we recommended only a short time ago.

The determination of what ought to be done in the District to meet our obligations has been a very serious question, and we have come to the conclusion that, if we can adjust the income tax on a fair basis so that those who live here the year around or who live here 7 months of the year and pay no income or intangible tax elsewhere and get the benefit of all the services that are rendered by the District

will pay their share of the cost of those services, then together with the real-estate tax and the Federal contribution we will meet all the obligations necessary in the fiscal years 1948 and 1949.

The question of income tax is one that has been discussed on the floor of the House, to my memory, ever since the introduction of the original income tax back in 1939. It was approved by an overwhelming vote by the Congress of that year. We specifically set out then as we do today, to achieve a fair and equitable method so that everyone who benefits from the municipal services of the District will pay his just share of the cost of government. The income tax would not be in excess of \$25 or \$30 on a net income, let us say \$5,000 to \$7,000 a year. Through that means he would be paying less than what he would through the alternative, which is the sales tax.

We must have in mind that 31 States in the Union have income taxes. We provide in this bill that those domiciled in States having an income tax will pay the tax back home and will be entirely exempt from payment of income tax in the District of Columbia. The reason they would not be compelled to pay an income tax in the District is that the rate of income tax in the District under the present law—which is not changed by this bill—is so much lower than what it is in any of those other States that once a payment is made in those other States they do not have to pay a tax here.

There is a provision in the bill also that in the other States, 17 in number, which have an intangible personal property tax, and they pay that intangible personal-property tax, the amount they pay in tax will be deducted from the amount they would have to pay in income tax in the District of Columbia.

Mr. Speaker, in the very limited time that we have at our disposal I want to say that we have given a great deal of thought and study to this whole tax structure over a period of many weeks ever since the beginning of this year, and we sincerely hope the recommendation of the committee to concur in the Senate amendments will be adopted by the House this afternoon.

Mr. DIRKSEN. Mr. Speaker, I yield 10 minutes to the gentleman from Minnesota [Mr. O'HARA].

(Mr. O'HARA asked and was given permission to revise and extend his remarks.)

Mr. O'HARA. Mr. Speaker, this is the fourth time that the principle of the so-called O'Hara amendment has been before the House. It was adopted as general legislation in 1944. It was adopted again in 1945 after full hearings before the Committee on the Judiciary of the House, which unanimously reported out the measure, and after there were full hearings before the Senate Committee on the Judiciary, which also reported it out unanimously. It came back to the House with an amendment which was placed on it in the Senate. As I stated to you before, the gentleman from Virginia [Mr. SMITH] objected to it going to conference, and it was thereafter

locked up in the Committee on Rules until we now have it before us in the form of the District tax bill.

May I say to the Members of the House I share with the gentleman from Massachusetts and the gentleman from Illinois the same keen interest in the District of Columbia that they and other Members of the House have with reference to the problems of the District. I volunteered for service on the Committee on the District of Columbia. I worked very hard and I think I have the best interests of the District at heart as well as anyone else. But I say to you that we have many problems confronting us in this tax bill. We are legislating with reference to many temporary residents of the District of Columbia who are employed here.

This is an important matter, and I do not want to impose upon the membership at any great length, because I feel that it is unnecessary. But the situation simply is that the House adopted the O'Hara amendment when it was before us by a vote of 70 to 30 on June 9, 1947. The so-called O'Hara amendment included in the bill provides for an exemption to Federal employees who have a bona fide domicile in some other State.

The language of the bill as adopted by the Senate and as originally reported by the District Committee, made this exemption, and I wish to make it plain to you so there will be no misunderstanding: It exempts Members of the Senate and Members of Congress, elective officers and officers appointed by the President, namely the ambassadors and other high appointive officers. Then it puts everybody else who lives here 7 months into the class of taxpayers, after we have taken care of the top brackets, I say in the interest of simple equity and justice that is not right, it is not right to our loyal and efficient office staffs and Government employees who come here from our own State who pay an income tax if it is an income-tax State, because they must maintain their residence.

Let me call your attention to one further significant thing, under the civil-service system Government employees must maintain a State residence when it comes to the matter of apportionment. That is the civil-service law.

I want to say to the membership of the House that this is the fanciest little income tax collecting bill that was ever conceived at any time or any place. It has been worked out by experts who have been in court too many times on tax bills. They put in this proposition that anyone who is here—that means your secretary and your office staff—more than 7 months and 1 day must pay an income tax in the District of Columbia. Now, my dear and beloved friend from Illinois [Mr. DIRKSEN] is going to follow me and say that they should pay an income tax here if they live here and enjoy the benefits of the District of Columbia. So should we as Members of Congress. I repeat, it is an equitable situation when we go back to our office staff and say, "Well, I voted to exempt myself but you, my office staff, you are going to pay."

[PUBLIC LAW 130—80TH CONGRESS]

[CHAPTER 164—1ST SESSION]

[S. 350]

AN ACT

To continue the Commodity Credit Corporation as an agency of the United States until June 30, 1948.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of subsection (a) of section 7 of the Act approved January 31, 1935 (49 Stat. 4), as amended, is amended by striking out "June 30, 1947" and inserting in lieu thereof "June 30, 1948".

Approved June 30, 1947.

