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**Senate Report to Accompany
Agricultural Act of 1964
S. Rep. No. 88-874 (1964)**

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COTTON AND WHEAT PROGRAMS

FEBRUARY 20 (legislative day, FEBRUARY 10), 1964.—Ordered to be printed

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

REPORT

together with

MINORITY AND SUPPLEMENTAL VIEWS

[To accompany H.R. 6196]

The Committee on Agriculture and Forestry, to whom was referred the bill (H.R. 6196), to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes, having considered the same, report thereon with a recommendation that it do pass with amendments.

MAJOR PROVISIONS

The committee proposal, which is in the nature of a substitute for H.R. 6196, contains a number of changes in the provisions relating to cotton and adds new provisions relating to wheat. The bill consists of two titles, title I relating to cotton and title II relating to wheat, providing for—

TITLE I—COTTON

(1) 4-year cotton program applicable to the 1964, 1965, 1966, and 1967 crops.

(2) Basic price support for 1964 at 30 cents for Middling 1-inch cotton and for the 1965 and subsequent crops at such level between 65 and 90 percent of parity, as the Secretary determines, after taking into consideration certain specified factors, including changes in the cost of production.

(3) Additional price support, above the basic level of support, for producers who participate in the domestic allotment choice program.

(4) A domestic allotment for each farm as a percentage of the regular farm acreage allotment equal to the percentage which the

national domestic allotment (acreage estimated to produce amount needed for domestic consumption) is of the national acreage allotment under present law.

(5) A minimum farm domestic allotment for each farm equal to the smaller of the farm acreage allotment or 15 acres.

(6) A special cotton research program designed to reduce the cost of producing upland cotton.

(7) The planting, within certain limits, of an acreage of upland cotton over and above regular farm acreage allotments upon the condition that cotton produced thereon is exported without Government assistance.

(8) Minimum CCC sales price, effective August 1, 1964, at 105 percent of the basic loan rate plus reasonable carrying charges.

(9) Payments in kind to persons, other than producers, in amounts which will eliminate inequities due to differences in the cost of raw cotton as between domestic and foreign users.

TITLE II—WHEAT

(1) 2-year voluntary wheat certificate and acreage diversion program applicable to the 1964 and 1965 crops.

(2) Temporary suspension of marketing quotas and penalties for wheat.

(3) Price support (i) for domestic certificate wheat at between 65 and 90 percent of parity, (ii) for export certificate wheat at a level determined by the Secretary not in excess of 90 percent of parity, and (iii) for noncertificate wheat at a level related to world prices of wheat and the value of wheat for feed.

(4) Continuation of farm acreage allotments, based on a national acreage allotment of not less than 49.5 million acres, and compliance therewith as a condition of price support, marketing certificates, and diversion payments.

(5) Minimum CCC wheat sales price at 105 percent of the loan rate for noncertificate wheat, plus reasonable carrying charges.

(6) Suspension of so-called Anfusio amendment for 1965 crop.

(7) Continuation of existing provision of law permitting substitution of wheat and feed grains.

(8) Continuation of present mandatory program after expiration of 2-year voluntary program.

TITLE I—COTTON

COMMITTEE DELIBERATIONS

The committee held extensive cotton hearings in May 1963 and again in February of this year. All segments of the industry submitted testimony. The Department of Agriculture and a large majority of the witnesses representing producers and other segments of the industry stressed the need for cotton legislation which would—

(1) eliminate the inequity of the two-price system under which domestic mills must pay substantially more for cotton than their foreign competitors;

(2) enable cotton to meet the price competition of synthetic fibers, thereby increasing the long-range market for cotton;

(3) reduce Government expenditures for the cotton program;

- (4) reduce excessive stocks of cotton; and
- (5) maintain producer income.

The committee gave very careful consideration to a number of bills and other proposals which had been made and which, if enacted, would affect cotton from the date of enactment through the 1967 cotton marketing year. All of the proposals were evaluated, and the legislation now reported out is in line with the President's message on agriculture, which contained the following:

Cotton.—The needs of neither the cottongrower, the cotton handler, the cotton textile mill, nor the consumer are being satisfied by the existing legislation. The cotton industry as a whole is our second largest. More than 1 million people are engaged in growing cotton—an additional 1.5 million people are employed in the production of cotton cloth and cotton products for consumers—and additional millions work in firms which supply the goods, machinery, and services to the industry.

Domestic cotton prices are much higher than world prices. Consequently, our textile mills must pay more for cotton than their foreign competitors.

In addition, despite the fact that the 1963 acreage allotment was held to the statutory minimum, sharply increased farm yields, combined with a continuing loss of markets—as cotton products are displaced by imports and by other fibers—has caused a sharp rise in the inventories of cotton held by the Commodity Credit Corporation. The carry-over on August 1 will be almost 2 million bales higher than it was last year, adding over \$300 million to the cost of the cotton program. The carryover will be enough to supply our domestic needs for 18 months.

Several legislative proposals are now pending before the Congress to deal with this program. *I recommend the enactment of legislation which will (1) make cotton more competitive with other fibers and eliminate the inequity of the present two-price system under which cotton used domestically is priced substantially higher than cotton sold for export; (2) make it possible for growers who desire to do so to produce cotton at world prices, without any subsidy, on a basis which will not add to our stocks; and (3) maintain the income of cotton growers while reducing excessive carryover stocks.*

The bill approved by the committee retains most of the features of H.R. 6196, but was modified to include the more desirable features of other bills before the committee. Two of the major features of H.R. 6196 which were retained include the trade incentive plan and the concept of export acres. A major modification was the authority to provide producers a domestic allotment choice program under which they may produce their domestic allotment at a higher price or their full regular allotment at a lower price.

The committee gave special consideration to the needs of small farms and included a provision which will help to maintain and improve the income of farmers with allotments of 15 acres and less.

In considering the provisions of the bill relating to the level of support for cotton, the committee determined that the parity concept

which has been included in price support legislation for about 30 years should be retained. The committee felt that the retention of the parity concept for price support is of utmost importance in order for cotton producers to receive their fair share of the national income.

Under the bill producer net income would be maintained and in the case of small producers would be increased. Producers with higher production costs can plant within an allotment based on the domestic consumption of cotton and receive price support at a higher level than producers who plant their full allotment.

The committee gave full consideration to the provision of the bill which will make cotton available to domestic users at a price not in excess of the price at which cotton is made available for export. This provision means that we will now have a one-price system for cotton.

The features of the program adopted by the committee insure that the cost will be substantially less than the present program and will be below the estimated cost of any of the other programs before it.

The Department of Agriculture was asked to provide the committee with long-range projections on the costs of the bill approved by the committee as compared to the costs of the cotton program under current legislation. Costs of the 1964 crop of cotton under the committee bill would amount to \$448 million as compared to \$566 million under current legislation. For the 1965 crop costs would be \$514 million under the committee bill as compared to \$640 million under current legislation. For 1966 the committee bill would cost \$509 million and for 1967 \$489 million as compared to \$734 million and \$816 million. These tables accompanied the departmental report on the bill and can be found at that point in the report.

THE CRITICAL NEED FOR LEGISLATION

1. Cotton is today the No. 1 surplus problem in American agriculture. The greatest need for cotton legislation is to start now to bring this surplus under control. The upland cotton carryover at the end of the current marketing year is estimated at 12.8 million bales. Without a new cotton law, the carryover will increase to 13.6 million bales by the end of the marketing year for the 1964 crop and soar to over 18 million bales by August 1, 1968. This would be about one-fourth higher than the previous record of 1956. It would be more than 10 million bales in excess of needed reserves and would be equal to more than 2 years' domestic consumption requirements. Carrying charges alone would be well over \$100 million per year—a senseless cost to the taxpayer that would bring benefits to no one (table 1).

TABLE 1.—Upland cotton: Supply and distribution in running bales, and production factors, 1951-63

Year beginning Aug. 1	Supply				Utilization			Ending stocks		Production factors		
	Beginning stocks	Production	Imports	Total	Domestic consumption	Exports	Total (including destroyed)	CCC	Total	Planted acres	Harvested acres	Yield per harvested acre
	Million bales	Million bales	Million bales	Million bales	Million bales	Million bales	Million bales	Million bales	Million bales	Million	Million	Pounds
1951.....	2.2	15.0	0.1	17.2	9.1	5.5	14.7	0.3	2.7	29.3	26.9	269
1952.....	2.7	15.0	.1	17.9	9.4	3.0	12.5	2.0	5.5	28.0	25.8	280
1953.....	5.5	16.3	.1	21.9	8.5	3.8	12.3	7.0	9.6	26.8	24.2	324
1954.....	9.6	13.5	.1	23.2	8.7	3.4	12.2	8.0	11.0	20.0	18.2	341
1955.....	11.0	14.6	.1	25.7	9.1	2.2	11.3	9.8	14.4	17.9	16.9	417
1956.....	14.4	12.9	.1	27.4	8.5	7.5	16.0	5.2	11.3	17.0	15.6	409
1957.....	11.3	10.8	.1	22.2	7.9	5.7	13.6	2.9	8.6	14.2	13.5	388
1958.....	8.6	11.3	.1	20.0	8.6	2.8	11.4	7.0	8.7	12.3	11.8	466
1959.....	8.7	14.4	.1	23.3	8.9	7.2	16.1	5.0	7.4	15.8	15.1	461
1960.....	7.4	14.3	.1	21.8	8.1	6.6	14.8	1.5	7.1	16.0	15.2	446
1961.....	7.1	14.3	.1	21.5	8.8	4.9	13.7	4.7	7.7	16.5	15.6	438
1962.....	7.8	14.8	.1	22.6	8.2	3.4	11.6	8.0	11.0	16.2	15.5	457
1963 ¹	11.0	15.3	.1	26.4	8.4	5.2	13.6	9.8	12.8	14.7	14.1	524

¹ Preliminary (Dec. 8, 1963, Crop Report).

NOTE.—All computations based on unrounded data.

Source: ASCS-PPA, Dec. 30, 1963.

2. The existing surplus of cotton has already increased Government expenditures for the cotton program to an intolerably high level. But without new legislation, Government outlays will increase from \$566 million estimated for the 1964 crop to over \$800 million for 1967. An exceptionally high yield in foreign countries—as occurred in 1962—or in the United States, such as took place in 1963, would increase such costs to over \$1 billion in a 12-month period. The bulk of these outlays would arise from the acquisition of unwanted stocks through the loan program. Thus, there would be no offsetting benefits to consumers, the textile industry, or—in the long run—cotton producers themselves.

3. New problems of cotton have not diminished the pain of old familiar problems. The unique burden of the two-price system continues to fall heavily on the whole cotton textile industry. U.S. textile mills are daily engaged in an unfair battle for the American market with foreign mills that are able to purchase our cotton at approximately \$42.50 per bale less than our own mills must pay. As a result, imports of cotton textiles continue to rise and now approach 650,000 bales of cotton equivalent per year. The inequity of the two-price system falls most directly upon the textile mills and the millions of workers employed in this huge industry. But it is also a serious longrun problem for cotton producers, since it imperils the existence of their major market (table 2).

TABLE 2.—Raw cotton equivalent of U.S. imports and exports of domestic cotton manufactures, 19 0 to date

[In thousands of bales]

Year	Imports	Exports	Year	Imports	Exports
1960.....	33.4	538.8	1957.....	199.1	579.1
1951.....	70.7	809.7	1958.....	233.8	521.0
1952.....	87.5	703.9	1959.....	360.3	492.5
1953.....	92.8	608.7	1960.....	525.5	496.0
1954.....	101.0	604.5	1961.....	393.5	498.3
1955.....	181.2	547.5	1962.....	645.5	459.0
1956.....	225.0	530.4			

Source: USDA.

4. For 2 years in succession, cotton consumption by domestic mills has been at a low level while consumption of manmade fibers has increased dramatically. For each of these 2 years, 1962-63 and 1963-64, U.S. mill consumption of upland cotton will be 8.4 million bales or less. We have not had consecutive years this low since 1938-39 and 1939-40. In large part, the low cotton consumption and high manmade fiber use are due to the fact that cotton is not competitive in price.

In the calendar year that just passed, it is estimated that cotton's share of total fiber consumption fell to a historic low of less than 57 percent. At the same time, manmade fibers' share of the total fiber market increased to more than 37 percent—a record level. The dramatic increase in consumption of manmade staple fibers is seen more clearly when the increasing use of these fibers is examined on the cotton system. It is here that fiber competition is most intense. The current rate of manmade fiber consumption is running 23 percent higher than a year ago and 53 percent higher than 2 years ago.

Rayon consumption, which competes with cotton most directly on the basis of price, is running at record levels. Current rates are 22 percent above last year and 45 percent above 2 years ago. In comparison, the rate of cotton consumption is up less than 3 percent from last year and is down 8 percent from 2 years ago. Rayon's price advantage in the past few years has averaged from 8 to 10 cents a pound. The removal of this price advantage would mean that cotton would regain markets that have been lost to rayon in recent years. It would also reduce the amount of blending of the newer types of rayon with cotton. In foreign consuming countries, where both cotton and rayon prices are below those in the United States, cotton consumption has continued to increase year by year despite a decline in cotton's share of the total textile market (table 3).

TABLE 3.—Mill consumption of fibers: Total and per capita, 1935 to date

Year beginning Jan. 1	Population, July 1 ¹	Cotton ²			Wool ³			Rayon and acetate ⁴			Noncellulosic manmades ⁵			Manmade waste ⁶			Flax ⁷ and silk ⁸			All fibers	
		Total	Percentage of fibers	Per capita	Total	Percentage of fibers	Per capita	Total	Percentage of fibers	Per capita	Total	Percentage of fibers	Per capita	Total	Percentage of fibers	Per capita	Total	Percentage of fibers	Per capita	Total	Per capita ⁹
	Millions	Million pounds	Per cent	Pounds	Million pounds	Per cent	Pounds	Million pounds	Per cent	Pounds	Million pounds	Per cent	Pounds	Million pounds	Per cent	Pounds	Million pounds	Per cent	Pounds	Million pounds	Pounds
1950	151.7	4,682.7	68.3	30.9	634.8	9.3	4.2	1,350.0	19.7	8.9	140.5	2.0	0.9	27.9	0.4	0.2	21.4	0.3	0.1	6,857.3	45.2
1951	154.4	4,868.6	71.1	31.5	484.2	7.1	3.1	1,274.6	18.6	8.3	195.5	2.8	1.3	8.5	.1	.1	18.3	.3	.1	6,849.7	44.4
1952	157.0	4,470.9	69.4	28.5	404.4	7.2	3.0	1,214.7	18.8	7.7	249.0	3.9	1.6	26.5	.4	.2	19.3	.3	.1	6,446.8	41.1
1953	159.6	4,456.1	68.8	27.9	494.0	7.6	3.1	1,222.5	18.8	7.7	279.4	4.3	1.8	21.8	.3	.1	15.4	.2	.1	6,489.2	40.7
1954	162.4	4,127.3	68.4	25.4	384.1	6.4	2.4	1,154.7	19.1	7.1	328.6	5.4	2.0	25.0	.4	.2	15.5	.3	.1	6,035.2	37.2
1955	165.3	4,382.4	65.2	26.5	413.8	6.2	2.5	1,419.2	21.1	8.6	432.2	6.4	2.6	51.1	.8	.3	19.0	.3	.1	6,717.7	40.6
1956	168.2	4,362.6	66.7	25.9	440.8	6.7	2.6	1,200.9	18.3	7.1	484.1	7.4	2.9	42.4	.6	.3	20.6	.3	.1	6,551.4	39.0
1957	171.2	4,060.4	65.1	23.7	368.8	5.9	2.2	1,177.1	18.9	6.9	567.5	9.1	3.3	48.0	.8	.3	15.5	.2	.1	6,237.3	36.4
1958	174.1	3,866.9	64.8	22.2	331.1	5.5	1.9	1,127.2	18.9	6.5	575.2	9.6	3.3	61.7	1.0	.4	9.4	.2	.1	5,971.4	34.3
1959	177.1	4,334.5	63.3	24.5	435.3	6.4	2.5	1,252.5	18.3	7.1	741.4	10.8	4.2	70.9	1.0	.4	11.8	.2	.1	6,846.4	38.7
1960	180.7	4,190.9	64.6	23.2	411.0	6.3	2.3	1,055.4	16.3	5.8	761.7	11.7	4.2	60.9	.9	.3	11.6	.2	.1	6,491.6	35.9
1961	183.7	4,081.5	62.1	22.2	412.1	6.3	2.2	1,128.7	17.2	6.1	861.7	13.1	4.7	74.7	1.1	.4	12.7	.2	.1	6,569.4	35.8
1962 ¹⁰	186.6	4,189.9	59.4	22.5	429.1	6.1	2.3	1,263.5	17.9	6.8	1,075.7	15.2	5.8	85.0	1.2	.5	12.4	.2	.1	7,055.6	37.8

¹ Bureau of the Census, population continental United States as of July 1, including Armed Forces overseas.

² Mill consumption as reported by the Bureau of the Census. For American cotton, tare as reported by the crop reporting board has been deducted; for foreign cotton, 3 percent (15 pounds) was deducted (20 pounds beginning Aug. 1, 1958). Since 1950, data have been adjusted to year ended Dec. 31.

³ Includes apparel and carpet wool on a scoured basis. Data from wool consumption reports of the Bureau of the Census.

⁴ Textile Organon, publication of the Textile Economics Bureau, Inc. Includes filament and staple fibers. Data are U.S. producers' domestic shipments, plus imports for consumption.

⁵ Textile Organon: Nylon, orlon, glass fiber, etc. U.S. production less exports plus imports for consumption.

⁶ Producers' manmade fiber waste consumed by mills (excludes glass).

⁷ Flax, imports, and estimated production. Bureau of the Census and Plant Industry through 1948. 1949-52 production was estimated by the Agricultural Marketing Service, Portland, Oreg., office. Imports only since the 1953 season.

⁸ Silk, Bureau of the Census. Net imports through 1933. Since 1934, imports for consumption.

⁹ Total consumption divided by population and not a summation of per capita consumption of fibers.

¹⁰ Preliminary.

Source: USDA.

5. Most cotton producers plant only a small acreage to this crop. Many of these are only barely able to stay out of the poverty class even at today's prices. That their cotton profits are low is drastically demonstrated by the rapidity with which they are being forced out of cotton production. They would be sorely hit by any reduction in the price support level. Their net income can be maintained and improved by a slightly higher support level. The very smallest of our cottongrowers badly need higher price support without any reduction in acreage (tables 4 and 5).

TABLE 4.—1963 upland cotton: Number of original allotment farms

State	Total	Size of original allotment (acres) ¹								
		0.1 to 4.9	5.0 to 10.0	10.1 to 14.9	15.0 to 29.9	30.0 to 49.9	50.0 to 99.9	100.0 to 199.9	200.0 to 499.9	500.0 and over
Alabama.....	100,383	44,890	32,273	9,661	8,787	2,627	1,456	520	158	11
Arizona.....	3,758	396	413	372	603	469	601	479	337	88
Arkansas.....	49,239	12,761	11,799	7,137	8,858	3,557	2,726	1,433	772	196
California.....	12,407	1,681	1,644	2,360	2,212	1,470	1,514	907	450	169
Florida.....	6,344	3,811	1,672	407	357	65	27	5	-----	-----
Georgia.....	69,201	24,467	21,535	8,192	9,606	3,179	1,654	467	95	6
Illinois.....	380	234	87	22	21	11	2	2	1	-----
Kansas.....	3	1	2	-----	-----	-----	-----	-----	-----	-----
Kentucky.....	1,082	826	124	25	49	31	18	8	1	-----
Louisiana.....	30,841	9,032	9,596	3,856	4,639	1,650	1,203	573	252	40
Mississippi.....	79,751	28,950	23,951	9,144	9,426	3,181	2,378	1,453	1,047	221
Missouri.....	14,305	3,129	2,856	2,108	3,161	1,478	1,086	361	103	23
Nevada.....	24	-----	1	-----	3	4	1	12	2	1
New Mexico.....	5,067	789	910	504	1,183	716	653	225	75	12
North Carolina.....	72,099	46,327	15,889	4,357	3,673	1,142	548	134	25	4
Oklahoma.....	37,437	8,039	8,433	4,874	8,626	4,340	2,480	562	75	8
South Carolina.....	66,549	32,710	16,666	6,325	6,464	2,384	1,464	403	95	8
Tennessee.....	54,771	24,994	15,576	5,549	5,554	1,757	989	275	74	3
Texas.....	165,926	22,636	21,136	15,222	39,306	26,048	26,518	11,378	3,290	392
Virginia.....	5,084	4,184	644	143	83	24	7	2	-----	-----
United States.....	774,654	269,857	185,237	80,258	112,611	54,133	45,325	19,199	6,852	1,182

¹ Original allotments refer to those established for all farms prior to the release and reapportionment programs.

Source: ASCS Policy and Program Appraisal Division.

TABLE 5.—1963 upland cotton: Percent of original allotment farms by size groups

State	Number of original allotment farms	Size of original allotment (acres) ¹										
		0.1 to 4.9	5.0 to 10.0	10.1 to 14.9	15.0 to 29.9	30.0 to 49.9	50.0 to 99.9	100.0 to 199.9	200.0 to 349.9	350.0 to 499.9	500.0 to 999.9	1,000 and over
		Percent										
Alabama.....	100,383	44.7	32.2	9.6	8.8	2.6	1.5	0.5	0.1	(?)	(?)	(?)
Arizona.....	3,758	10.5	11.0	9.9	16.0	12.5	16.0	12.7	6.9	2.1	1.8	0.6
Arkansas.....	49,239	25.9	24.0	14.5	18.0	7.2	5.5	2.9	1.2	.4	.3	.1
California.....	12,407	13.5	13.3	19.0	17.8	11.9	12.2	7.3	2.8	.8	.9	.5
Florida.....	6,344	60.1	26.4	6.4	5.6	1.0	.4	.1	-----	-----	-----	-----
Georgia.....	69,201	35.4	31.1	11.8	13.9	4.6	2.4	.7	.1	(?)	(?)	-----
Illinois.....	380	61.6	22.9	5.8	5.5	2.9	.5	.5	.3	-----	-----	-----
Kansas.....	3	66.7	33.3	-----	-----	-----	-----	-----	-----	-----	-----	-----
Kentucky.....	1,082	76.3	11.5	2.3	4.5	2.9	1.7	.7	.1	-----	-----	-----
Louisiana.....	30,841	29.3	31.1	12.5	15.0	5.3	3.9	1.9	.7	.2	.1	(?)
Mississippi.....	79,751	38.3	30.0	11.5	11.8	4.0	3.0	1.8	1.0	.3	.2	.1
Missouri.....	14,305	21.9	20.0	14.7	22.1	10.3	7.6	2.5	.5	.2	.2	(?)
Nevada.....	24	-----	4.2	-----	12.4	16.6	4.2	50.0	4.2	4.2	-----	4.2
New Mexico.....	5,067	15.6	18.0	9.9	23.4	14.1	12.9	4.4	1.1	.4	.2	(?)
North Carolina.....	72,099	64.3	22.0	6.0	5.1	1.6	.8	.2	(?)	(?)	(?)	(?)
Oklahoma.....	37,437	21.5	22.6	13.0	23.0	11.6	6.6	1.5	.2	(?)	(?)	-----
South Carolina.....	66,549	49.2	25.1	9.5	9.7	3.6	2.2	.6	.1	(?)	(?)	-----
Tennessee.....	54,771	45.6	28.5	10.1	10.2	3.2	1.8	.5	.1	(?)	(?)	-----
Texas.....	165,928	13.6	12.7	9.2	23.7	15.7	16.0	6.9	1.6	.3	.2	.1
Virginia.....	5,087	82.3	12.7	2.8	1.6	.5	.1	(?)	-----	-----	-----	-----
United States.....	774,654	34.8	23.9	10.4	14.5	7.0	5.9	2.5	.7	.2	.1	(?)

¹ Original allotments refer to those established for all farms prior to the release and reapportionment programs.

² Less than 0.05 percent.

Source: ASCS, Policy and Program Appraisal Division.

RECOMMENDATIONS OF THE DEPARTMENT OF AGRICULTURE ON COTTON
LEGISLATIONDEPARTMENT OF AGRICULTURE,
*Washington, D.C., February 20, 1964.*HON. ALLEN J. ELLENDER,
*Chairman, Committee on Agriculture and Forestry,
U.S. Senate.*

DEAR MR. CHAIRMAN: This is in response to your request for a report on the cotton provisions which were agreed to by the Committee on Agriculture and Forestry, U.S. Senate, on February 19, 1964, in the proposed amendment in the nature of a substitute for the text of H.R. 6196. The provisions of the committee amendment relating to cotton may be summarized, as follows:

1. Section 101 would add a new section 348 to the Agricultural Adjustment Act of 1938, as amended, to authorize the Commodity Credit Corporation to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts as the Secretary of Agriculture determines will eliminate inequities due to differences in the cost of raw upland cotton between domestic and foreign users of such cotton. Such payments would be made beginning with the date of enactment of this section and ending July 31, 1968. Beginning August 1 of the marketing year for the first crop for which price support is made available under section 103(b) of the Agricultural Act of 1949, as amended, and ending July 31, 1968, the payment to eliminate the inequity would be made in an amount which would make upland cotton produced in the United States available for domestic use at a price not in excess of the price at which such cotton is made available for export.

2. Section 103, would add subsection (c) to section 104 of the Agricultural Act of 1949, as amended, to authorize the Secretary to conduct a special cotton research program designed to reduce the cost of producing cotton and to authorize appropriations not to exceed \$10 million annually for such program.

3. Paragraph (b) of section 103 would amend section 103 of the Agricultural Act of 1949, as amended, to provide a basic price support rate for the 1964 crop of 30 cents, Middling 1-inch. Additional price support for the 1964 through 1967 crops would be made available to cooperators who plant upland cotton for harvest within the farm domestic allotment established under section 350 of the Agricultural Adjustment Act of 1938, as amended. Such additional support would be not in excess of 15 percent of the basic price support level in effect for the crop and would be available on the normal yield of the acreage planted for harvest within the farm domestic allotment. For 1965 and succeeding crops, the basic price support level would be established at not less than 65 percent and not more than 90 percent of the parity price for cotton, with the Secretary taking into consideration the factors specified in section 401(b) of the Agricultural Act of 1949, as amended. Section 103(c) of the committee amendment would add the cost of producing cotton to the several factors contained in the aforesaid section 401(b).

4. Section 104 would amend section 407 of the Agricultural Act of 1949, as amended, to authorize sales of upland cotton from CCC stocks for unrestricted use beginning August 1, 1964, at not less than 105 percent of the current basic loan rate plus reasonable carrying charges.

5. Section 105 would add section 350 to the Agricultural Adjustment Act of 1938, as amended, under which the Secretary would establish a farm domestic allotment for each farm for the 1964 through the 1967 crops of upland cotton. The farm domestic allotment would be the percentage which the national domestic allotment is of the national acreage allotment under section 344(a) applied as a percentage of the smaller of the current farm allotment established under section 344 or the higher planted acreage (including acreage regarded as planted under conservation programs) in the 2 preceding years. For purposes of this provision relating to utilization of the farm allotment in the 2 preceding years, the planting of 90 percent or more of the allotment would be deemed a planting of the entire allotment. A minimum domestic allotment for farms from which no acreage is released for 1965, 1966, or 1967 would be the smaller of 15 acres or the farm acreage allotment for such year. Minimum domestic allotments would be established for 1964 at the smaller of 15 acres or the farm acreage allotment even though some acreage may have been released from the farm. The national domestic allotment would be the acreage required, on the basis of the national yield per acre for the 4 preceding years, to make available from such crop an amount of cotton equal to the estimated domestic consumption of upland cotton for the marketing year for such crop. The Secretary would be required to proclaim the national domestic acreage allotment for the 1964 crop not later than April 1, 1964. For the 1965, 1966, and 1967 crops, the proclamation would be made not later than December 15 preceding the year in which the crop is to be produced.

6. Paragraph (1) of section 106 would add section 349 to the Agricultural Adjustment Act of 1938, as amended. Section 349(a) would authorize the Secretary to supplement the farm acreage allotment established under section 344 for the 1964 crop of upland cotton by up to 10 percent thereof upon a determination that such export market acreage will not increase carryover at the beginning of the marketing year for the next crop above one million bales less than the carryover one year earlier, if the carryover on such earlier date was more than eight million bales. For the 1965, 1966, and 1967 crops, the same requirements as to carryover would be in effect, but the amount of export market acreage made available for planting would be left to the determination of the Secretary. The amount so determined would be apportioned to States on the basis of State acreage allotments for such crop and apportioned under regulations issued by the Secretary to farms taking into consideration applications for such acreage filed with county committees. Export market acreage would be in addition to county, State, and national acreage allotments and the planting of such acreage would not create acreage history for purposes of future allotments. A farm on which additional price support is received on the basis of planting within the farm domestic allotment would not be eligible to plant export market acreage.

Regulations would prescribe procedures which would assure the exportation of a quantity of cotton produced on the farm equal to the average yield per acre for the farm multiplied by the export market acreage. The procedures would require the furnishing of a bond or other undertaking providing for the exportation of such cotton without benefit of any Government cotton export subsidy. In case of failure to export such cotton, liquidated damages would be payable to the

Commodity Credit Corporation at a rate per pound approximately equal to the marketing penalty on excess cotton under section 346(a) of the Agricultural Adjustment Act of 1938, as amended.

7. Paragraph (3) of section 106(b) would amend section 344(f)(8) of the Agricultural Adjustment Act of 1938, as amended, to permit a producer who participates in the domestic allotment program to protect his farm cotton allotment base by planting at least 75 percent of the farm domestic allotment.

8. Paragraph (4) of section 106(b) would amend section 377 of the Agricultural Adjustment Act of 1938, as amended, to permit a producer who participates in the domestic allotment program to protect his farm acreage history for upland cotton by planting at least 75 percent of the farm domestic allotment.

9. Paragraphs (5), (6), and (7) of section 106(b) would delete the definitions of farm and county normal yields from section 301(b) of the Agricultural Adjustment Act of 1938, as amended, and establish new definitions therefor. The county normal yield would be the average yield per acre, adjusted for abnormal weather conditions and any significant changes in production practices, during the 5 calendar years preceding the year in which the national marketing quota for the crop is proclaimed. The farm normal yield would be the average yield per acre, adjusted for abnormal weather conditions and any significant changes in production practices, during the 3 years preceding the year in which the determination is made.

The cotton industry in the United States is faced with many serious problems which cannot be resolved under present legislation. The price of our cotton for domestic use is much higher than its price for export; hence, our cotton mills must pay substantially more for cotton than their foreign competitors. This encourages increased usage by domestic mills of synthetic fibers, particularly rayon. Another serious problem for U.S. mills is the importation of cotton products, which has increased to new high levels in recent years. In 1960, for the first time since cotton manufacturing became a major industry in the United States, imports of cotton products exceeded exports.

Our stocks of cotton have risen to burdensome levels in the past 2 years. Domestic mill consumption and exports were at low levels during the 1962-63 marketing year and about 3 million bales were added to the carryover. Further deterioration in the supply situation has occurred this marketing year, even though total offtake is expected to be well above 1962-63. The record yield per acre from the 1963 crop was largely responsible. This yield was 524 pounds per acre, compared with the highest previous yield of 466 pounds in 1958. Thus, the carryover will be up about 2 million bales on August 1, 1964, above the amount on hand a year earlier. Under current estimates the carryover this coming August 1 will be nearly 13 million bales, of which about 10 million bales will be held by the Commodity Credit Corporation.

New legislation is needed in order to (1) eliminate the inequity of the two-price system under which domestic mills must pay substantially higher prices for cotton than foreign mills, (2) enable cotton to meet the price competition of synthetic fibers, (3) reduce Government expenditures for the cotton program, (4) reduce excessive stocks of cotton, and (5) maintain cotton producer income.

The committee amendment would authorize changes in present programs which would bring immediate relief in some problem areas

and permit steady progress toward achieving the five objectives set forth above. We believe that this proposal represents the best practical prospect for legislation to meet the problems of the cotton industry, and we recommend its enactment.

The provisions of the committee amendment on cotton are generally in accord with the proposal of the Cotton Producers Legislative Committee which the Department supported in its testimony before your committee on February 11, 1964. However, the committee's change from 10 acres to 15 acres in the provisions relating to the minimum acreage for farm domestic allotments will substantially decrease the reduction in expenditures which this proposal will achieve in comparison with the provisions of existing law.

There are attached four tables which show basic data for cotton under present law, under H.R. 6196 as approved by the House of Representatives, and under the committee amendment. You will note that under the domestic allotment-choice plan a substantial reduction in carryover is estimated, the cost of the program is less than other proposals designed to achieve comparable results, including programs under existing law, and net farm income is at a favorable level. According to the Department's projections as reflected in these tables, expenditures for the cotton program under the committee's proposal would be lower than under existing law by the following amounts: In fiscal year 1965, \$118 million; in fiscal year 1966, \$126 million; in fiscal year 1967, \$225 million; and in fiscal year 1968, \$327 million.

Upland cotton—Basic data for current legislation, H.R. 6196 as passed by the House and as amended by the Senate committee

Item	Current legislation		H.R. 6196, Cooley bill	
	1963 crop	1964 crop	As passed by the House	As amended by the Senate committee
			1964 crop	1964 crop
Acreage (thousands):				
Allotted.....	16,250	16,200	16,200	16,200
Soil bank, conservation reserve.....	586	413	413	413
Planted.....	14,710	14,800	14,800	12,650
Harvested.....	14,113	14,200	14,200	12,150
Yield: Pound per acre harvested.....	524	480	480	508
Domestic allotment (1,000 acres).....				10,800
Supply and utilization (1,000 bales):				
Production.....	15,350	14,200	14,200	12,850
Beginning stocks (including preseason ginning).....	11,000	12,850	12,850	12,850
Imports and city crop.....	100	100	100	100
Domestic disappearance.....	8,400	8,600	9,200	9,600
Exports.....	5,200	5,000	5,000	5,000
Ending stocks.....	12,850	13,550	12,950	11,200
Free stocks (July 31).....	3,000	3,000	3,000	3,500
CCC stocks (July 31).....	9,850	10,550	9,950	7,700
Support price per pound:				
Middling 1-1/4..... cents.....	32.47	32.47	30.00	30.00
Average of crop..... do.....	31.72	31.72	29.25	29.25
Producer payment rates or increased support..... do.....			2.47	1 3.5
Effective price:				
Domestic use (average of crop)..... do.....	32.00	32.00	26.00	23.00
Export, per pound (average of crops)..... do.....	23.50	23.00	23.00	23.00
CCC sales price (unrestricted use) (average of crops)..... do.....	36.47	36.47	30.71	30.71
Export payment rate per pound..... do.....	8.5	9.0	6.5	0
Trade incentive rate per pound..... do.....			3.5	6.5
Farm value of production ¹ million dollars.....	2,456	2,272	2,157	1,997

¹ On domestic allotment.

² Including any payment made to producers.

Upland cotton—Comparison of estimated expenditures under current legislation, H.R. 6196 as passed by House and as amended by Senate committee

[In millions of dollars]

Fiscal year	Current legislation		H.R. 6196, Cooley bill	
			As passed by the House	As amended by the Senate committee
	1963-64	1964-65	1964-65	1964-65
Major items of receipts or expenditures:				
Loans made.....	-1,280	-1,200	-1,018	-405
Loans repaid.....	+250	+304	+280	+207
Sales proceeds.....	+542	+563	+563	+403
Estimated carrying charges, interest, etc.....	-89	-94	-90	-60
Subtotal, price support.....	-577	-427	-265	+145
Export subsidy (100,000 bales).....	-4	-4	-3	0
Cotton products.....	-17	-18	-6	0
Public Law 480.....	-192	-117	-117	-117
Trade incentive payment.....			-161	¹ -374
Increase on 1st 15 bales.....			-62	
Price support payments.....				-102
Total major expenditures.....	-790	-566	-614	² -448
Change in CCC stocks (June 30) (from prior year).....	+1,830,000	+700,000	+100,000	-2,150,000

¹ This payment on 9.6 domestic consumption would be only \$312,000,000, balance of payment would be on cotton that would go for export. The additional cotton for export will be purchased from CCC at reduced prices.

² Expenditures under H.R. 6196 without the Jones amendment would be \$696,000,000, thus H.R. 6196 as amended by the Senate committee would cost some \$246,000,000 less and still go all the way to a one-price system.

³ If sufficient export acres were permitted to produce 300,000 bales, this would increase both expenditures and farm income about \$34,000,000.

NOTE.—Does not include the 1-time transition expenditures that could be incurred in 1963-64 or 1964-65 under new legislation.

Upland cotton—Long-range basic data for current legislation and H.R. 6196 as amended by the Senate committee

Item	Current legislation			H.R. 6196 as amended by Senate committee		
	1965 crop	1966 crop	1967 crop	1965 crop	1966 crop	1967 crop
Acreage (thousands):						
Allotted.....	16,200	16,200	16,200	16,200	16,200	16,200
Soil bank, conservation reserve.....	334	320	300	334	320	300
Planted.....	14,900	15,000	15,100	12,600	12,600	12,700
Harvested.....	14,300	14,400	14,500	12,100	12,100	12,200
Yield: Pounds per acre harvested.....						
Domestic allotment (1,000 acres).....	490	500	510	616	524	528
Supply and utilization (1,000 bales):				10,800	10,800	10,800
Production.....	14,600	15,000	15,400	13,000	13,200	13,400
(Including export market production of).....				(500)	(600)	(700)
Beginning stocks (including preseason ginning).....	13,550	14,650	16,250	11,200	9,700	8,200
Imports and city crop.....	100	100	100	100	100	100
Domestic disappearance.....	8,600	8,500	8,500	9,600	9,800	10,000
Exports.....	5,000	5,000	5,000	5,000	5,000	5,000
Ending stocks.....	14,650	16,250	18,250	9,700	8,200	6,700
Free stocks (July 31).....	3,000	3,000	3,000	3,500	3,500	3,600
CCC stocks (July 31).....	11,650	13,250	15,250	6,200	4,700	3,100
Support price per pound:						
Middling 1-inch..... cents.....	32.47	32.47	32.47	30.00	30.00	30.00
Average of crop..... do.....	31.72	31.72	31.72	29.25	29.25	29.25
Producer payment rates or increased support..... do.....				3.5	3.5	3.5
Effective price:						
Domestic use (average of crop)..... do.....	32.00	32.00	32.00	23.00	23.00	23.00
Export, per pound (A-C)..... do.....	23.00	23.00	23.00	23.00	23.00	23.00
CCC sales price (unrestricted use) (A-C)..... do.....	36.47	36.47	36.47	30.71	30.71	30.71
Export payment rate per pound..... do.....	9.0	9.0	9.0	0	0	0
Trade incentive rate per pound..... do.....				6.5	6.5	6.5
Farm value of production ¹ million dollars.....	2,336	2,400	2,464	2,019	2,047	2,073

¹ Including any payments made to producers.

Upland cotton—Long-range comparison of estimated expenditures under current legislation and H.R. 6196 as amended by Senate committee

[In millions of dollars]

Fiscal year	Current legislation			H.R. 6196 as amended by the Senate committee		
	1965-66	1966-67	1967-68	1965-66	1966-67	1967-68
Major items of receipts or expenditures:						
Loans made.....	-1,280	-1,360	-1,392	-369	-369	-369
Loans repaid.....	+320	+320	+288	+177	+177	+177
Sales proceeds.....	+563	+563	+563	+322	+322	+333
Estimated carrying charges, interest, etc....	-105	-119	-137	-48	-37	-24
Subtotal, price support..	-502	-596	-678	+82	+93	+117
Export subsidy (100,000 bales).....	-4	-4	-4	0	0	0
Cotton products.....	-17	-17	-17	0	0	0
Public Law 480.....	-117	-117	-117	-117	-117	-117
Trade incentive payment.....				1-362	1-366	1-369
Increase on 1st 15 bales.....						
Price support payments.....				-117	-119	-120
Total major expenditures.....	-640	-734	-816	¹ -514	² -509	² -489
Change in CCC stocks (June 30) (from prior year).....	+1,100,000	+1,600,000	+2,000,000	-1,500,000	-1,500,000	-1,600,000

¹ This payment on domestic consumption would be only \$312,000,000 for 1965-66, \$318,000,000 for 1966-67, and \$325,000,000 for 1967-68, balance of payment would be on cotton that would go for export. The additional cotton for export will be purchased from CCC at reduced prices.

² If export acres were not permitted, both farm value of production and Government expenditures would be reduced about \$60,000,000, \$70,000,000, and \$80,000,000 for 1965-66, 1966-67, and 1967-68, respectively.

While gross producer income from cotton would be somewhat less under the committee amendment than under H.R. 6196 as it passed the House, net producer income would be somewhat more. In addition, producers choosing the domestic allotment would have the opportunity to earn income from alternative uses of the acreage that would otherwise be devoted to the production of cotton.

With respect to the additional price support for cooperators who choose to plant within their domestic allotments, the enclosed tables assume that this additional support will be 3½ cents a pound making a total price support level of 33½ cents (basis Middling-inch) for cotton of producers who choose the domestic allotment. Of course, this assumption and similar assumptions in the tables, such as the 6½-cent payment rate on cotton for export or domestic consumption, do not represent administrative decisions or commitments that these are the rates which will be established by the Secretary.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

ORVILLE L. FREEMAN.

TITLE II—WHEAT

COMMITTEE DELIBERATIONS

The committee gave careful consideration to a number of proposals which had been made affecting the 1964 crop. Some were mandatory and called for a referendum. Others provided a support rate of more than \$2.50 a bushel for domestically consumed wheat; direct payments instead of certificates, or a combination of the two methods of payment to producers; a combined wheat-and-feed grain program; or a massive land retirement program which would not be aimed specifically at commodities in surplus.

All of the proposals were evaluated and desirable features chosen. The legislation now reported out is in line with the President's message to agriculture, which contained the following:

* * * Changes in the wheat program are urgently needed to check a drastic decline in producer income from the 1964 crop. In the absence of additional legislation it is estimated that wheat producers will receive between \$500 and \$700 million less in 1964 than they did in 1963.

I recommend that the existing law be amended to permit producers to participate in a certificate program on a voluntary basis. The law should be designed to (1) raise the income of wheatgrowers substantially above what it would be in the absence of new legislation; (2) avoid increases in budgetary costs; (3) maintain the price of wheat at a level which will not increase the price of bread to the consumer; and (4) enable the United States to discharge its responsibilities and realize the benefits of the International Wheat Agreement.

In order to be effective for the 1964 wheat crop, the legislation must be enacted immediately. I urge prompt consideration and disposition of this legislation.

The bill approved by the committee is very similar to wheat program provisions in the Food and Agriculture Act of 1962. The major difference is that it provides a voluntary program for 1964 and 1965 and two types of certificates. The legislative changes as set forth are necessary mainly to amend the 1962 act to make these changes.

Under the committee bill, wheat income for the 1964 crop would be substantially increased—some \$400 to \$500 million—above that which would prevail under existing legislation. This can be attained under the committee bill at less cost than under any other proposal before the committee.

The two certificates provided in the bill will not only serve to hold budgetary costs in line but permit levels of price support for wheat in relation to its uses. With noncertificated wheat priced at close to its feeding value in relation to corn, substitution of wheat for feed grains would be feasible. Wheat for domestic food use, however, would be priced at about \$2, including the value of the certificate. This is the level it has been moving at in recent years and the bill would not result in any increase in the price of wheat to flour millers

and should therefore by itself have no effect whatsoever on the price presently paid for bread by consumers.

Wheat for export would be supported to help improve farm income and to make sure that U.S. actions will not endanger world wheat price stability and also to assure the maintenance of U.S. commitments and benefits under the International Wheat Agreement. 附

It is anticipated under the program authorized that the support level for wheat accompanied by domestic certificates would be about \$2 per bushel for the 1964 crop. With this support level we would not anticipate a price level for wheat which would result in increased flour and bread prices. No change has been made in the limitation on Commodity Credit Corporation resale prices.

The committee included a provision, similar to that in effect under previous wheat programs, to give producers in high-risk production areas an opportunity to seed beyond their allotment and store under bond the production from those overseeded acres. This wheat would be released only when the producer underplanted or as a result of adverse weather conditions was not able to harvest a normal crop from his allotment.

The committee authorized a national acreage reserve of not to exceed 1 million acres to be distributed among farmers whose allotment in relation to cropland is less than one-half of the average ratio prevailing in the county.

The committee also gave consideration to the effect this bill would have on farms with small allotments and determined that no change should be made in the legislation. With the program being voluntary, small producers as well as all others are free to increase their acreage if they find it to their advantage to stay out of the program. If, however, the small farmer chooses to participate in this voluntary program, he would be eligible for price support, certificates, and land diversion payments in the same manner as producers with large allotments.

In order to give Congress in 1965 time to evaluate the results and consider extension of the voluntary certificate plan in the reported bill, the final date for holding a wheat referendum for the 1966 crop, as required by existing law, has been deferred until August 1.

The bill contemplates that the Department, in operating the wheat marketing certificate program, will give full recognition to the potential impact of this program on the orderly marketing of wheat. In particular, the committee is concerned with the problems of transition from the present program to the wheat certificate program. It is recognized that new crop wheat will be harvested and moved into the marketing channels prior to the beginning of the marketing year. It is also recognized that stocks of wheat will be held in an inventory position, particularly by millers, as of the beginning of the marketing year. The committee expects that the Commodity Credit Corporation will take such steps as are necessary to assure that the benefits of the certificate program are extended to producers of wheat who harvest wheat prior to the beginning of the marketing year. The committee also expects that recognition will be given to stocks of wheat in inventory on the effective date of the program. The mechanics for handling this phase of the program are the responsibility of the Department of Agriculture. The statute contains adequate authority to handle this problem. The Secretary of Agri-

culture should, however, proceed with extreme caution in this matter. The principal concern of the committee is that neither windfall profits nor losses should be incurred by holders of wheat on the effective date of the new program, because of inadequate mechanics for handling this problem.

The committee also believes that the certificates should trade at face value or a preannounced value and that opportunities for speculation in certificates should be eliminated. This can best be accomplished by announcing in advance that CCC will be a free buyer and seller of certificates. This announcement should not preclude the handling of certificates in trade channels but it would eliminate the opportunity to hold certificates for financial gain. It would further eliminate the possibility of the disruption of orderly marketing because of an artificial shortage of certificates.

The committee, by referring to specific problems, is not inferring that these are the only problems involved in the transition to the wheat certificate program or the only possibilities of interference with the orderly marketing processes. They are cited as a caution to the Secretary of Agriculture to use care in developing and administering this program. Conferences with committees of Congress, farm organizations, and the grain trade are essential to the proper development of the mechanics for handling the wheat certificate program.

The committee also believes that it is important that the necessary mechanics of operation be worked out and announced in advance of the effective date of the program. Only in this manner can all producers and grain handlers have an opportunity to adjust their operations to the certificate program.

NEED FOR A WHEAT PROGRAM

On May 21 of this year, wheat farmers rejected a mandatory program. As a result, a massive expansion of wheat acreage and production was feared. Fortunately, these fears were not borne out. The recent crop report indicates that most of the winter wheat acreage has been seeded within the allotment. This makes it clear that most wheat farmers expect that there will be a new program for wheat in 1964 and most certainly one in 1965. If they had not, there would have been no concern over the effect of the Anfuso amendment, which reduces allotments under future programs as the result of overplanting.

Farmers' actions to date are not typical of what could be expected if allotment programs were discontinued for all time. In the absence of legislation, wheat farmers—many of whom have no alternative source of income or only a narrow choice of alternative crops—would be forced to seed all the land they can to make a living.

THE WORLD SITUATION

If existing legislation continues, can we expect increasing world demand to siphon off our excess production? World trade has been trending upward. At 1,579 million bushels in 1962-63, the volume of exports by all wheat producing countries was nearly 250 million bushels above the level of 6 years earlier—and more than 600 million bushels more than the 1950-54 average.

Significantly, however, during the same period world production rose approximately twice as fast as exports. Even with the 1963

drought, foreign production was 1.2 billion bushels more than the average of the early 1950's. (See tables 1 and 2.)

It is clear that world trade is increasing steadily, but world production is climbing at a much faster rate.

TABLE 1.—Wheat and flour:¹ World exports by country, 1955-63

[In millions of bushels]

Year ending June 30—	United States	Canada	Australia	Argentina	U.S.S.R.	Other	Total
1955.....	275	252	93	132	64	155	971
1956.....	345	289	102	115	37	152	1,040
1957.....	549	282	126	98	160	113	1,328
1958.....	402	317	61	78	144	188	1,190
1959.....	443	300	75	103	220	180	1,321
1960.....	510	279	116	78	203	165	1,361
1961.....	662	344	183	70	186	131	1,576
1962.....	718	363	229	86	186	163	1,745
1963 ²	638	331	182	66	177	185	1,579

¹ Includes wheat equivalent of flour.

² Preliminary.

Source: Agriculture Handbook No. 258, p. 75, and World Agricultural Production and Trade, January 1964.

TABLE 2.—Wheat: World production, 1957-63

[In millions of bushels]

Country	1957	1958	1959	1960	1961	1962	1963
U.S.S.R.....	1,800	2,300	1,900	1,700	1,900	2,000	1,500
United States.....	956	1,457	1,121	1,357	1,235	1,093	1,138
Canada.....	393	398	445	518	283	566	723
France.....	407	353	425	405	352	509	352
Other Western							
Europe.....	961	992	995	920	913	1,102	983
Eastern Europe.....	585	515	645	590	600	609	625
Argentina.....	214	245	215	150	150	190	230
Asia.....	1,915	1,915	1,915	1,920	1,865	1,990	1,995
Australia.....	98	215	198	274	246	307	306
Others.....	341	330	326	356	296	364	388
Total.....	7,670	8,720	8,185	8,190	7,880	8,730	8,240

Source: Agriculture Handbook No. 258, September 1963, revised and supplemented from USDA records.

THE U.S. SITUATION

Supplies, utilization, and carryover of wheat since 1951 are shown in table 3. During the 1962-63 marketing year carryover of stocks was reduced by 127 million bushels. While substantial exports are shown for the 1963-64 marketing year—as result of pending shipments to Iron Curtain countries—current developments may prove this figure to be optimistic. Disappearance during the current marketing year was last estimated at about 1.6 billion bushels, with a carryover on July 1, 1964, of about 740 million bushels. Certainly there is little basis for expecting exports during the year in which the 1964 crop is marketed to reach these levels. Exports of about 700 million bushels are indicated at this early date. (See table 1.)

TABLE 3.—Wheat—United States: Supply and distribution, and production factors, 1951 to date

Year beginning July 1 —	Supply				Utilization						Production factors			
	Beginning stocks	Production	Imports ¹	Total	Food	Seed and feed	Total	Exports ²	Total	Ending stocks	Planted acres	Harvested acres	Yield per harvested acre	
	<i>Million bushels</i>	<i>Million bushels</i>	<i>Million bushels</i>	<i>Million bushels</i>	<i>Million bushels</i>	<i>Million bushels</i>	<i>Million bushels</i>	<i>Million bushels</i>	<i>Million bushels</i>	<i>Million bushels</i>	<i>Million bushels</i>	<i>Millions</i>	<i>Millions</i>	<i>Bushels</i>
1951.....	400	988	32	1,420	496	192	688	476	1,164	256	78.5	61.9	16.0	
1952.....	256	1,306	22	1,584	488	172	660	318	978	606	78.6	71.1	18.4	
1953.....	606	1,172	6	1,784	487	146	633	217	850	934	78.9	67.8	17.3	
1954.....	934	984	4	1,922	486	125	611	275	886	1,036	62.5	54.4	18.1	
1955.....	1,036	937	10	1,983	482	122	604	346	950	1,033	58.2	47.8	19.8	
1956.....	1,034	1,005	8	2,047	482	106	588	550	1,138	909	60.7	49.8	20.2	
1957.....	909	956	11	1,876	486	105	591	403	994	882	49.8	43.7	21.8	
1958.....	882	1,457	8	2,347	497	112	609	443	1,052	1,295	56.0	53.0	27.5	
1959.....	1,295	1,121	7	2,423	497	103	600	510	1,110	1,313	56.8	51.8	21.7	
1960.....	1,313	1,357	8	2,678	497	108	605	662	1,267	1,411	54.9	51.9	26.2	
1961.....	1,411	1,235	6	2,652	501	111	611	719	1,330	1,322	55.7	51.6	24.0	
1962 ³	1,322	1,094	5	2,421	501	86	587	639	1,226	1,195	49.1	43.6	25.1	
1963 ⁴	1,195	1,138	5	2,338	500	98	598	1,000	1,598	740	53.1	45.8	25.1	

¹ Imports include full duty wheat, wheat imported for feed, and dutiable flour and other wheat products in terms of wheat equivalent.

² Exports include flour wholly from U.S. wheat and other wheat products in terms of wheat equivalent.

³ Preliminary —1963-64 imports and distribution projected.

⁴ Basis December 1963 Crop Report, SRS, USDA.

⁵ Basis October Stocks of Grain Report, SRS, USDA.

⁶ Exports projected, subject to downward adjustment.

In the absence of legislation, a 1964 crop of about 1,300 million bushels is probable and with utilization during the 1964-65 marketing year—including exports—in the neighborhood of 1,350 million bushels, no substantial reduction in carryover can be expected. If no new legislation is enacted, prices received by farmers are expected to be at or slightly above the national loan rate of \$1.25 a bushel for the 1964 crop.

If no new legislation is provided, it is doubtful if wheat farmers will show the same restraint in their plantings in 1965 as they have so far this year. The effects of the Anfuso amendment would probably be far less compelling. In this situation, overplanting would occur and a crop of 1,600 to 1,700 million bushels is possible. This could only result in sharply reduced wheat prices to farmers, huge increases in CCC stocks, and increased costs to the Government.

SUPPLIES BY CLASS

Supplies of some classes of wheat are excessive. Durum wheat supplies on July 1, 1963, were exceptionally large, but these may be reduced sharply as result of sales to Russia. Quantities remaining, however, would be adequate to meet the Nation's needs. Supplies of Western White and Soft Red Winter are not excessive, but they are adequate to meet domestic requirements and exports for dollars. With a 49.5-million-acre wheat allotment, supplies of all classes of wheat should continue to be adequate. However, in the event that certain classes or types of wheat should be in short supply, section 334(i) of the Agricultural Adjustment Act of 1938 authorizes the Secretary to provide additional acreage to growers in order to assure the production of adequate supplies.

In addition, if the Secretary foresees an acute shortage of a particular class or type of wheat he is required under the provisions of Public Law 480 to curtail programing of the wheat in short supply under that law. Supply of wheat and export by classes is shown in tables 4 and 5.

TABLE 4.—Wheat—United States: Estimated supply and distribution by classes, 1957-61 average, and annually 1957 to date

[In millions of bushels]

Class	Supply				Utilization			Ending stocks
	Beginning stocks	Production	Imports	Total	Domestic	Exports	Total	
1957-61								
Hard Red Winter....	860	687	-----	1,547	264	335	599	948
Soft Red Winter....	12	179	-----	191	131	45	176	15
Hard Red Spring....	221	171	8	400	139	42	181	219
Durum.....	20	27	-----	47	24	5	29	18
White.....	49	161	-----	210	45	120	165	45
Total.....	1,162	1,225	8	2,395	603	547	1,150	1,245
1961-62 ¹								
Hard Red Winter....	1,104	754	-----	1,858	288	485	773	1,085
Soft Red Winter....	12	202	-----	214	134	56	190	24
Hard Red Spring....	237	116	6	359	130	42	172	187
Durum.....	20	21	-----	41	20	16	36	5
White.....	38	142	-----	180	40	119	159	21
Total.....	1,411	1,235	6	2,652	612	718	1,330	1,322
1962-63 ¹								
Hard Red Winter....	1,085	537	-----	1,622	249	434	683	939
Soft Red Winter....	24	157	-----	181	136	40	176	5
Hard Red Spring....	187	175	5	367	136	39	175	192
Durum.....	5	70	-----	75	25	4	29	46
White.....	21	155	-----	176	41	122	163	13
Total.....	1,322	1,094	5	2,421	587	639	1,226	1,195
1963-64 ^{1 2 3}								
Hard Red Winter....	939	544	-----	1,483	257	701	958	517
Soft Red Winter....	5	212	-----	217	135	78	213	4
Hard Red Spring....	192	162	5	359	140	60	200	159
Durum.....	46	50	-----	96	26	26	52	44
White.....	13	170	-----	183	40	135	175	8
Total.....	1,195	1,138	5	2,338	598	1,000	1,598	740

¹ Preliminary.² Imports and distribution projected.³ Exports by class have not been approved.⁴ Basis December 1963 crop report, and October stocks of grain report.⁵ Exports projected—subject to downward adjustments.

NOTES

Figures by classes are not based on survey or enumeration data and are therefore only approximations. All computations based on unrounded data.

TABLE 5.—United States: Wheat exports by classes¹, dollar and Government-financed grain only

[In million of bushels]

Year beginning July 1—	Hard Red Spring	Hard Red Winter	Soft Red Winter	White	Durum	Mixed	Total
1957:							
Dollar sales	23.1	40.8	3.4	42.8	0.29	2.5	112.9
Government program ²	4.8	106.7	20.3	67.7	-----	14.8	214.4
Total	27.9	147.5	23.7	110.5	.29	17.3	327.3
Dollar percent	83.0	28.0	14.0	39.0	100	14	34.0
1958:							
Dollar sales	23.6	33.0	22.7	33.3	0	.64	113.2
Government program	8.4	160.9	17.0	59.4	0	2.8	248.5
Total	32.0	193.9	39.7	92.7	0	3.4	361.7
Dollar percent	74.0	17.0	57.0	36.0	-----	19	31.0
1959:							
Dollar sales	23.5	31.3	15.3	30.5	0	.15	100.7
Government program	12.2	185.1	21.7	92.5	0	.16	312.2
Total	35.7	216.4	37.0	123.0	0	.76	412.9
Dollar percent	66.0	14.0	41.0	25.0	-----	20	24.0
1960:							
Dollar sales	21.6	107.0	25.9	46.6	5.3	2.3	208.7
Government program	3.7	241.3	25.9	85.9	0	.1	357.0
Total	25.3	348.3	51.8	132.5	5.3	2.4	565.7
Dollar percent	85.0	21.0	60.0	35.0	100	96	36.0
1961:							
Dollar sales	23.1	67.4	39.0	55.0	15.9	1.7	202.1
Government program	6.0	328.7	13.4	57.1	0	.1	405.3
Total	29.1	396.1	52.4	112.1	15.9	1.8	607.4
Dollar percent	79.0	17.0	74.0	49.0	100	93	33.0
1962:							
Dollar sales	17.3	38.3	28.7	29.1	3.3	1.6	114.3
Government program	8.0	304.7	11.8	84.4	-----	10.8	419.7
Total	25.3	343.0	36.5	113.5	3.3	12.4	534.0
Dollar percent	68.0	11.0	68.0	26.0	100	13.0	21.0

¹ Inspection for export.² Special Government-financed programs such as Public Law 480 sales for foreign currencies (the major portion) donation, barter, and special long-term credit sales.

FARM INCOME

A very compelling reason for enacting farm legislation is to increase the income of wheatgrowers above the income they will have under existing legislation. Returns from the 1964 crop will probably be about \$600 million less than 1963 if the law is not changed. A drop of that magnitude would not only be felt by the 1¼ million wheat farmers, but by millions of others—those who live in the small towns and cities throughout the Great Plains area; in fact, throughout all of rural America and in our larger cities which produce and supply the machinery and materials used by wheat farmers.

MEETING U.S. OBLIGATIONS UNDER THE IWA

Under existing legislation, wheat is being supported at \$1.25 a bushel. Historically, the season average price is close to the support level. However, the usual seasonal pattern of U.S. farm prices could bring this down to about \$1.10 a bushel during the June–August harvesting season.

The range in International Wheat Agreement prices for No. 1 Manitoba wheat in store at Fort Williams-Port Arthur is \$1.62 to \$2.02 a bushel. The U.S. average farm price equivalent range is \$1.15 to \$1.55 a bushel. In practice, the exporting nations under the agreement generally sell at a relatively stable price within the range. Currently, this level for No. 1 Manitoba at Fort Williams-Port Arthur is about \$1.82, and the U.S. farm equivalent of that price is about \$1.35 a bushel—10 cents above the U.S. loan rate.

Under existing legislation, farm prices could be below IWA minimum prices and as much as 25 cents a bushel below current IWA levels. With a loan price of \$1.25 a bushel, it may be very difficult if not impossible for the United States to meet its commitments under the International Wheat Agreement. Hence to assure compliance with IWA and producers with benefits under the agreement, an export certificate of about 25 cents is needed as part of new legislation.

DEPARTMENT OF AGRICULTURE RECOMMENDATIONS ON WHEAT
LEGISLATION

DEPARTMENT OF AGRICULTURE,
Washington, D.C., February 20, 1964.

HON. ALLEN J. ELLENDER,
*Chairman, Committee on Agriculture and Forestry,
U.S. Senate.*

DEAR MR. CHAIRMAN: This is in reply to your request for an analysis and report on the following wheat bills, S. 1946, S. 2357, S. 2492, S. 2258, S. 1581, and S. 1617; and your request for the Department's recommendations with respect to new wheat legislation, including specifically the proposal contained in the amendment of the Senate committee to H.R. 6196.

A brief summary of the various bills on which a report was requested is as follows:

S. 1946 provides a voluntary, certificate-type program for 1964 and subsequent crops of wheat, similar to the mandatory program voted down in the wheat referendum last spring, amends the Agricultural Adjustment Act of 1938 and the Food and Agriculture Act of 1962 by eliminating wheat marketing quotas and land use penalties. Compliance with allotments would not be mandatory, but participation would be required as a condition for eligibility for price support, wheat marketing certificates, and land diversion payments.

S. 2357 provides a permanent wheat domestic parity program beginning in 1964 and repeals wheat marketing quotas. The present system of acreage allotments would remain in effect with the minimum national allotment continued at an acreage designed to produce 1 billion bushels. Price support loans would reflect world prices and feeding value of wheat, and certificates would be issued to make up the difference between such price level and the parity price on an amount equal to the domestic food consumption of wheat. The President is given discretion to require processors to purchase certificates or allow the value of the certificate to be paid directly to producers by the CCC. The present diversion program would remain in effect for 1964 and 1965 but without monetary penalties for noncompliance. Price

support and certificates would be conditioned on compliance with acreage allotments and the diversion program.

S. 2492 is also a certificate-type program under which cooperating producers would be assured parity for their domestic food portion of production: \$2 per bushel on their export share, and the balance would be supported through loan at about \$1.30 per bushel.

CCC could not sell its stocks at less than 115 percent of support plus reasonable carrying costs. There would be no payment for diverting land from wheat.

S. 1617 would provide a voluntary program for massive retirement of general cropland. The program would (1) authorize long-term contracts for cropland retirement on a competitive bid basis; (2) emphasize retirement of whole farms; (3) withhold CCC stocks of wheat, feed grains, soybeans, and flaxseed from the market until prices reach at least 115 percent of the support price; (4) abolish marketing quotas and acreage allotments for wheat; and (5) repeal legislation authorizing feed grain programs for 1964 and 1965.

Price support would be available to participants and nonparticipants alike. All feed grains would be supported at 90 percent of preceding 3-year average of prices received, but not less than 50 percent of parity. Wheat would be supported at the U.S. farm price equivalent of the average world price during the preceding 3 marketing years, but not less than 50 percent of parity.

S. 2258 would authorize a voluntary acreage diversion program for wheat in the 1964 and 1965 crop years, if the Secretary determined that the supply of wheat is excessive. Wheat would be supported by loan at competitive world prices, with direct payments made to producers at two levels: (a) per bushel payments equal to the difference between \$2 and the price received by farmers for the 1964 crop (but not in excess of \$0.65) on one-half the normal production of the acreage of wheat planted for harvest; and (b) \$0.25 per bushel on the remaining normal production. In addition, the bill provides that CCC cannot sell its stocks for unrestricted use for less than 115 percent above the current support price plus reasonable carrying charges.

S. 1581 would put into effect, for 2 years, the 1963 program considered to be temporary in nature and primarily for the purpose of assisting producers in adjusting production, reducing program costs, and maintaining farm income until a long-range program could be put into effect. It would require holding another referendum for the 1964 crop.

We have made a careful analysis of these various proposals to determine the extent each would meet the criteria set forth in the President's message outlining the need for additional wheat legislation. In that message, he stated as follows:

"* * * I recommend that the existing law be amended to permit producers to participate in a certificate program on a voluntary basis. The law should be designed to (1) raise the income of wheat growers substantially above what it would be in the absence of new legislation; (2) avoid increases in budgetary costs; (3) maintain the price of wheat at a level which will not increase the price of bread to the consumer; and (4) enable the United States to discharge its

responsibilities and realize the benefits of the International Wheat Agreement.

Each of these proposals contain a number of desirable features. For example, a number of these bills such as S. 1946, S. 2357, and S. 2492 would increase farm income and embody a certificate-type program. All except S. 1581 are voluntary programs. Probably S. 1617 would be the least acceptable in all respects since it would fail to achieve the farm income objective and avoid increased budgetary costs. It would achieve the objective of reducing surpluses of wheat and feed grains only if farmers could be induced to retire about 75 million acres of cropland. A detailed report with respect to our views on this proposal is contained in the hearings before the House Agriculture Committee on "Cropland Retirement and Expiring Conservation Reserve Contracts," 87th Congress, 2d session, serial EE, pages 138-209.

On the basis of our analysis, we believe that it would be desirable to embody the best features of each of the proposed bills so as to meet the President's objective. In addition, in view of the short time remaining to make a program fully operative for the 1964 crop, it is essential that this proposal make as few changes from existing law and administrative determinations as is possible. Consequently, we recommend that existing law be modified to—

- (1) Provide for a voluntary certificate plan for 1964 and 1965 crops.

- (2) Provide a loan level which would price wheat competitively with feed grains and take into account competitive world prices.

- (3) Provide for diversion payments at a level which would cover producers' cost of carrying and caring for land diverted to conservation uses. This provision should be made applicable to the acres required to be diverted—difference between the allotment computed on the basis of 49.5 and 55 million acres, and provide authority to make such payments on additional acres of wheat allotment land which the producer may wish to divert to a conservation use.

4. Provide for the issuing of two types of certificates—one covering domestic food use valued at such level which when added to the loan rate for noncertificated wheat would result in maintaining the cost of what to domestic processors and millers at approximately the level in recent years, and one for export certificates valued at such a level which when added to the loan level (or anticipated market prices during any part of the marketing season and for any grade, class, or location) would make it possible for us to discharge our responsibilities under the International Wheat Agreement.

This type of program requires only a minimum of changes in the existing law—as well as administrative regulations. This is important. There is little time to make a new program fully effective for the 1964 crop.

If legislation is enacted embodying the above principles, it would substantially raise the income of wheat producers over the level expected for 1964. Further, although the program is voluntary, we believe that a large majority of the producers would comply with their allotment and thereby the program would achieve the goal of reducing stocks. Further, the authority to provide export certificates

valued differently from the domestic certificates would reduce export subsidy costs, while assuring that U.S. obligations and responsibility under the IWA are fully met and realized. Such a program will reduce the cost of the wheat program from levels of recent years and will be fully consistent with the President's budget request for fiscal year 1965 for wheat.

We believe that the provision relating to wheat contained in the amendment of the Senate Committee on Agriculture and Forestry to H.R. 6196 meets the objectives outlined above, and we recommend their enactment.

If the wheat farmer is to benefit from a new voluntary wheat program, there must be prompt consideration and disposition of this legislation.

The Bureau of the Budget advises that there is no objection to submitting this report from the standpoint of the administration's program.

Sincerely yours,

ORVILLE L. FREEMAN.

SECTION-BY-SECTION EXPLANATION

Section 1. Short title.—The first section provides that the act may be cited as the "Agricultural Act of 1964."

TITLE I—COTTON

Section 101. Payments in kind to equalize cost of cotton to domestic and foreign users.—Section 101 of the bill adds a new section 348 to the Agricultural Adjustment Act of 1938 to authorize payments in kind to eliminate inequities in the cost of raw upland cotton consumed by domestic and foreign users of cotton. The bill provides that such payments shall be made to persons other than producers, first, in amounts as the Secretary determines will eliminate such inequities, and secondly, beginning August 1 of the marketing year for the first crop for which the domestic allotment choice program is in effect, in amounts necessary to make U.S. cotton available to domestic mills at prices not in excess of the price paid by foreign users. Although the bill excludes producers as recipients, it does not specify to whom these equalization payments shall be made, but rather leaves that to the determination of the Secretary. Such payments could be made to the first buyer, the last seller, the user of the cotton, or possibly others, as would best accomplish the purposes of this section. If payments are made to the first buyer of cotton, such payments could be made on all cotton marketed domestically regardless of whether the cotton is eventually consumed domestically or is exported.

Payments under this section are authorized for the period from the enactment of the bill through July 31, 1968. Consistent with the basic purpose of this provision to eliminate the two-price system, provision is made for such payments as may be necessary to make any bales of cotton in inventory on the date of enactment of the bill available for consumption at prices consistent with the price objective of this section. Broad authority is given to the Secretary to issue regulations prescribing the terms and conditions upon which payments authorized by this section are to be made.

Section 102. Finality of payments.—Section 102 makes applicable to the payments authorized by section 348, existing provisions of law relating to the finality of determinations respecting program payments generally.

Section 103. Research program and price support.—Subsection (a) of section 103 would add a new provision to the Agricultural Act of 1949 authorizing and directing the Secretary to conduct a special research program designed to reduce the cost of producing upland cotton. An appropriation of not to exceed \$10 million annually is authorized. The Department of Agriculture already has very broad authority to conduct research, including research of the type provided for by this section. For instance, Revised Statutes, section 520, establishing the Department, provided: "There shall be at the seat of government a Department of Agriculture, the general design and duties of which shall be to acquire and to diffuse * * * useful information on subjects connected with agriculture, in the most general and comprehensive sense of that word * * *" (5 U.S.C. 511). Section 1 of the act of June 29, 1935 (7 U.S.C. 427), directs the Secretary to conduct research into new and improved methods of production among other subjects. The Department of Agriculture and Related Agencies Appropriations Act, 1964, in addition to appropriating funds for production research, provided for transfer of \$15 million of Commodity Credit Corporation funds to research funds for "cost of production research" and other purposes. It also provided for the use of section 32 funds to "increase domestic consumption of surplus farm commodities," and the legislative history of this provision showed that research into weed control and other matters which might result in reductions in costs was contemplated. While there is adequate authority, therefore, for research aimed at reducing production costs, this section would emphasize the importance of such research, direct that it be carried out, and require reports to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture and Forestry of the Senate.

Subsection (b) of section 103 of the bill would amend section 103 of the Agricultural Act of 1949, relating to price support for cotton. The price support for the 1964 crop is fixed by the bill at 30 cents per pound for Middling 1-inch cotton. For the 1965 and subsequent crops, the Secretary would be authorized, as under present law, to establish the support level for upland cotton at a level between 65 and 90 percent of parity, after considering the factors specified in section 401(b) of the act. The bill also would amend section 401(b) to add changes in cost of production as an additional factor which the Secretary must consider in determining the support level for upland cotton.

The bill provides for additional price support on the 1964, 1965, 1966, and 1967 crops of upland cotton to cooperators on whose farms the acreage planted for harvest to upland cotton does not exceed the farm domestic allotment established under section 350 of the Agricultural Adjustment Act, as added by the Agricultural Act of 1964. This additional price support would be at a level determined by the Secretary up to 15 percent in excess of the basic support level and is to be provided on the normal yield of the acreage planted for harvest within the farm domestic allotment.

This additional price support could be carried out by purchases at the higher level and simultaneous sales back at the lower level, by

loans at the higher level which would be repayable at the lower level, or by similar operations, including payment-in-kind certificates to producers, redeemable by CCC. The purpose of providing these alternatives is to keep cotton in the normal channels of trade as far as practicable. The CCC also is directed to assist producers and others in the marketing of payment-in-kind certificates. The authority for such assistance is the same as existing law relating to payment-in-kind certificates under the feed grain and wheat stabilization programs.

Subsection (c) of section 103 would amend section 401(b) of the Agricultural Act of 1949 to add changes in the cost of producing cotton as an additional factor to be used in determining the level of price support for the 1965 and subsequent cotton crops. The Department of Agriculture testified that land values would be taken into account in determining production cost changes.

Section 104. Sales prices of cotton by CCC.—Section 104 of the bill would amend section 407 of the Agricultural Act of 1949 to authorize the CCC, effective August 1, 1964, to sell upland cotton for unrestricted use at not to exceed 105 percent of the current loan rate under section 103(a) of that act, plus reasonable carrying charges. At the present time, the minimum sales price for cotton for unrestricted use is 115 percent of the loan rate, plus reasonable carrying charges.

SECTION 105. Domestic allotment choice program.—Section 105 would add a new section 350 to the Agricultural Adjustment Act of 1938 for the purpose of providing producers with a choice program of reduced acreage and higher price support for the 1964, 1965, 1966, and 1967 crops of upland cotton. There would be established for each farm a domestic allotment in acres, which would be a percentage (i.e., ratio of national domestic allotment to national acreage allotment) of the smaller of (i) the farm acreage allotment established under section 344 or (ii) the acreage planted to cotton in whichever of the 2 preceding years the acreage was the higher. In determining the acreage planted in those years, there would be included acreage regarded as planted under conservation programs, but not acreage regarded as planted for purposes of section 344(m) or section 377 of the act. Any producer who planted 90 percent or more of the farm acreage allotment in either of those years would be deemed to have planted the entire allotment for such years for the purposes of this provision. There also would be established a minimum farm domestic allotment equal to the smaller of the farm acreage allotment established under section 344, or 15 acres. Except for the year 1964, this minimum allotment provision would not apply to any farm whose acreage allotment was reduced under section 344(m) of the act. The national domestic allotment would be the acreage required to produce the estimated domestic consumption of upland cotton for the marketing year beginning in the calendar year in which the crop, for which the determination is made, is to be produced. For example, for the 1964 crop, such estimated consumption would be for the marketing year August 1, 1964, to August 1, 1965.

Section 106. Export market acreage.—Section 106 would amend the Agricultural Adjustment Act of 1938 by adding a new section 349 authorizing the Secretary to permit the planting of cotton above the farm acreage allotment for export purposes. The export market acreage for 1964 would be a uniform percentage, not exceeding 10

percent, of each farm acreage allotment, as determined by the Secretary. For the 1965, 1966, and 1967 crops, the amount of export market acreage would be determined by the Secretary after such hearing and investigation as he finds necessary. The bill provides that the amount of export market acreage for any crop could not exceed an acreage which the Secretary determined would increase the carryover at the beginning of the marketing year for the next succeeding crop above 1 million bales less than the carryover on the same date 1 year earlier. This limitation, however, would not apply to the export market acreage for any crop if the estimated carryover as of the beginning of the marketing year for such crop did not exceed 8 million bales. This limitation would mean, for example, that the Secretary could not permit producers to plant export acreage for the 1964 crop in an amount that would increase the estimated carryover of cotton on August 1, 1965, above 1 million bales less than the estimated carryover of cotton on hand August 1, 1964.

As will be noted, any export market acreage permitted in 1964 would be a percentage of each farm allotment, but for 1965, 1966, and 1967 the total export market acreage would be apportioned to States on the basis of the State acreage allotments and, in turn, allocated to farms after considering applications filed for such acreage with the county committee in which the farm is located. The production from the export market acreage would not be considered in establishing future State, county, and farm acreage allotments. This provision relating to export market acreage would not apply to extra-long staple cotton or to any farm which elected to participate in the domestic allotment choice program.

The bill provides that the producers on any farm on which there is export market acreage, or the purchasers of the cotton from such acreage, shall, under regulations issued by the Secretary, furnish a bond or other such undertaking providing for the exportation, without benefit of any Government subsidy, of a quantity of cotton produced on the farm equal to the average yield multiplied by the number of export market acres on the farm. The average yield would be determined in accordance with regulations of the Secretary and could include appraisal where necessary. The bill requires that in the event of default of a person furnishing such bond, he shall be liable for liquidated damages in an amount which the Secretary determines will approximate the amount payable on excess cotton under the cotton marketing quota provisions of the act. If a bond is not furnished, or if appropriate payment in lieu of a bond is not made, as required by regulations of the Secretary, or if the acreage planted to cotton on the farm exceeds the farm acreage allotment by more than the export market acreage, all acreage in excess of the farm acreage allotment established under section 344 would be considered "excess acreage" for purposes of the marketing quota penalty provisions of the act, and for price support purposes.

Section 106 of the bill would also add provisions to the Agricultural Adjustment Act of 1938 to protect the farm base of any farm participating in the domestic allotment choice program if the acreage planted on the farm was at least 75 percent of the farm domestic allotment. These provisions are similar to the provisions of existing law which provide for protection of the farm base of any farm planting 75 percent or more of the farm acreage allotment.

Section 106 also includes other amendments to the Agricultural Adjustment Act of 1938, as amended, relating to the normal yield for the county and farm, to include, in the case of the county yield, authority to adjust for significant changes in cotton production practices, and in the case of the farm yield, to limit the years to 3 rather than 5 and also include authority to adjust for significant changes in cotton production practices on the farm.

TITLE II—WHEAT

Section 201 of the bill would amend the present law to provide that marketing quotas shall not be in effect for the 1965 crop of wheat. Section 201 provides that the Secretary shall proclaim a national acreage allotment of not less than 49,500,000 acres for the 1965 crop of wheat.

Section 202 contains a number of amendments to the Agricultural Adjustment Act of 1938. Amendment (1) would authorize the Secretary to establish, beginning with the 1965 crop, a reserve of not to exceed 1 million acres out of the national acreage allotment for apportionment to counties for the purpose of making adjustments in allotments on farms on which the ratio of the wheat acreage allotment to cropland on the farm is less than half the average ratio of wheat acreage allotment to cropland on farms in the county.

Amendments (2), (3), and (4), and a part of (1), suspend for 1965 the existing provisions of law which result in farms, as well as the county and State, losing wheat acreage history when producers exceed their acreage allotments. Under the amendments, farms, counties, and States would neither lose nor gain wheat acreage history as a result of producers complying or not complying with their 1965 allotments.

Amendment (5) would postpone the final date for holding the wheat referendum to August 1 of the calendar year in which the national marketing quota is proclaimed. Under existing law, the referendum is required to be held not later than 60 days after the quota is proclaimed. The quota must be proclaimed by April 15.

Amendment (6) would suspend the land-use penalties through the 1965 crop and make the diversion of land from the production of wheat only a condition of eligibility for receiving wheat marketing certificates.

Amendment (7) would add a provision to make it clear that any producer who complies with his 1964 farm acreage allotment is eligible to receive diversion payments under the 1964 program even through compliance with part of the requirements of the program many already have occurred before the program is promulgated. This amendment also makes a technical change in the existing law to make it clear that the maximum limit on diversion payments of 50 percent of the price support rate has reference to the price support rate for noncertificate wheat.

Amendment (8) would extend to June 30, 1965, the authority to use Commodity Credit Corporation funds for administrative expenses in carrying out the wheat diversion program.

Amendment (9) amends the existing law to provide that a voluntary wheat marketing certificate program shall be in effect for the 1964 and 1965 crops of wheat. Under existing law, such program would be in effect only if a marketing quota program were in effect.

Amendment (10) is a technical amendment to substitute for the present language in the existing law the term "food product" which is defined in amendment (16) of this section.

Amendment (11) would provide for the use of two certificates—a domestic certificate for wheat used for domestic consumption and an export certificate for wheat used for export.

Amendment (12) would authorize producers who exceed their 1965 wheat allotments to store their excess wheat in accordance with regulations issued by the Secretary and be eligible for wheat marketing certificates. Wheat stored under this provision cannot be removed from storage until a subsequent year when the acreage allotment is underplanted or the production on the acreage allotment is less than normal. If the wheat is removed contrary to these conditions, the producer would be required to pay an amount equal to 1½ times the value of the wheat marketing certificates issued with respect to the farm for the year in which the wheat on the acreage in excess of the allotment was produced. Producers who exceed their allotment and store their excess wheat would not be eligible for diversion payments.

Amendment (13) would authorize a face value to be established for export certificates different from the face value established for domestic certificates.

Amendment (14) would authorize Commodity Credit Corporation to purchase certificates from producers and thereby eliminate the necessity for certificates to accompany wheat in the market. Under existing law, the producer would have to sell his certificates to the purchaser of his wheat.

Amendment (15) makes several minor changes in the existing provisions for handling marketing certificates. One change is technical, to make it clear that certificates are required on all wheat processed into food products whether sold, removed for sale, or removed for consumption. Since the purpose of requiring certificates on wheat and wheat products exported is not to obtain revenue, but solely to regulate the price at which such products are exported and eliminate the possibility of windfall profits, another change made by this amendment provides that Commodity Credit Corporation shall refund to the exporter such part of the cost of the certificate as the Secretary determines will make U.S. wheat and wheat flour generally competitive in the world market, avoid disruption of world market prices, and fulfill the international obligations of the United States. A further change made by this amendment authorizes the Secretary to exempt from the requirement to have marketing certificates, wheat which is donated abroad and wheat processed for use on the farm where grown.

Amendment (16) defines "food products" to include flour, semolina, farina, bulgur, beverage, and any other product composed wholly or partly of wheat which the Secretary may determine to be a food product. The effect of this amendment is to require a certificate on all wheat processed into such products irrespective of whether such products are actually used for human consumption.

Section 203 would amend the price support provisions for wheat. Under the amendment, price support for wheat accompanied by domestic certificates would remain the same as it is under existing law, namely, not less than 65 percent or more than 90 percent of the parity price. Price support for wheat accompanied by export certificates would be at such level, not to exceed 90 percent of the

parity price, as the Secretary determines appropriate, taking into consideration the factors specified in section 401(b). Price support for wheat not accompanied by marketing certificates would remain the same as it is under existing law; namely, at such level not in excess of 90 percent of the parity price, as the Secretary determines appropriate taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains.

This amendment also provides that producers who exceed their 1965 allotment and store the excess wheat under the provisions contained in amendment (12) of section 202 of the bill shall be eligible for price support on the wheat produced within the allotment but not on the excess wheat.

Section 204 would amend the present section 407 of the Agricultural Act of 1949 relating to restrictions on sales by Commodity Credit Corporation, to provide that during the marketing years for the 1964 and 1965 crops the minimum sales price for wheat will be 105 percent of the support price for noncertificate wheat, plus carrying charges.

CHANGES IN EXISTING LAW

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

AGRICULTURAL ADJUSTMENT ACT OF 1938

Sec. 301 * * *

(b) DEFINITIONS APPLICABLE TO ONE OR MORE COMMODITIES. For the purposes of this title—

* * * * *

(13) * * *

(B) "Normal yield" for any country, in the case of [cotton or] peanuts, shall be the average yield per acre of [cotton or] peanuts for the country, adjusted for abnormal weather conditions, during the five calendar years immediately preceding the year in which such normal yield is determined.

* * * * *

(G) "Normal yield" for any farm, in the case of corn [, cotton] or peanuts, shall be the average yield per acre of corn [, cotton,] or peanuts, as the case may be, for the farm, adjusted for abnormal weather conditions during the five calendar years immediately preceding the year in which such normal yield is determined. If for any such year the data are not available or there is no actual yield, then the normal yield for the farm shall be appraised in accordance with regulations of the Secretary, taking into consideration abnormal weather conditions, the normal yield for the county, and the yield in years for which data are available.

(H) "Normal yield" for any county, for any crop of cotton, shall be the average yield per acre of cotton for the county, adjusted for abnormal weather conditions and any significant changes in production practices during the five calendar years immediately preceding the year in which

the national marketing quota for such crop is proclaimed. If for any such year the data are not available, or there is no actual yield, an appraised yield for such year, determined in accordance with regulations issued by the Secretary, shall be used as the actual yield for such year.

(I) "Normal yield" for any farm, for any crop of cotton, shall be the average yield per acre of cotton for the farm, adjusted for abnormal weather conditions and any significant changes in production practices during the three calendar years immediately preceding the year in which such normal yield is determined. If for any such year the data are not available or there is no actual yield, then the normal yield for the farm shall be appraised in accordance with regulations of the Secretary, taking into consideration abnormal weather conditions, the normal yield for the county, changes in production practices, and the yield in years for which data are not available.

* * * * *

APPORTIONMENT OF NATIONAL ACREAGE ALLOTMENT

SEC. 334. (a) The national acreage allotment for wheat, less a reserve of not to exceed one per centum thereof for apportionment as provided in this subsection, *and less the special acreage reserve provided for in this subsection*, shall be apportioned by the Secretary among the several States on the basis of the acreage seeded for the production of wheat during the ten calendar years immediately preceding the calendar year in which the national acreage allotment is determined (plus, in applicable years, the acreage diverted under previous agricultural adjustment and conservation programs), with adjustments for abnormal weather conditions and for trends in acreage during such period: *Provided*, That in establishing State acreage allotments the acreage seeded for the production of wheat plus the acreage diverted for 1959 and any subsequent year for any farm on which the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty shall be the base acreage of wheat determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year, but if any part of the amount of wheat so stored is later depleted and penalty becomes due by reason of such depletion, for the purpose of establishing State wheat acreage allotments subsequent to such depletion the seeded plus diverted acreage of wheat for the farm for the year in which the excess was produced shall be reduced to the farm wheat acreage allotment for such year: *Provided further*, *That in establishing State acreage allotments, the acreage seeded for the production of wheat plus the acreage diverted for 1965 for any farm shall be the base acreage of wheat determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year.* The reserve acreage set aside herein for apportionment by the Secretary shall be used to make allotments to counties, in addition to the county allotments made under subsection (b) of this section, on the basis of the relative needs of counties for additional allotment because of reclamation and other new areas coming into the production of wheat during the ten calendar years ending with the calendar year in which the national acreage allotment is proclaimed. *There shall also be made available, beginning with the 1965 crop, a special*

acreage reserve of not in excess of one million acres as determined by the Secretary to be desirable for the purposes hereof which shall be in addition to the national acreage reserve provided for in this subsection. Such special acreage reserve shall be used to make additional allotments to counties on the basis of the relative needs of counties, as determined by the Secretary, for additional allotment to make adjustments in the allotments on old wheat farms, (i.e., farms on which wheat has been seeded or regarded as seeded to one or more of the three crops immediately preceding the crop for which the allotment is established) on which the ratio of wheat acreage allotment to cropland on the farm is less than one-half the average ratio of wheat acreage allotment to cropland on old wheat farms in the county. Such adjustments shall not provide an allotment for any farm which would result in an allotment-cropland ratio for the farm in excess of one-half of such county average ratio and the total of such adjustments in any county shall not exceed the acreage made available therefor in the county. Such apportionment from the special acreage reserve shall be made only to counties where wheat is a major income-producing crop, only to farms on which there is limited opportunity for the production of an alternative income-producing crop, and only if an efficient farming operation on the farm requires the allotment of additional acreage from the special acreage reserve. For the purposes of making adjustments hereunder the cropland on the farm shall not include any land developed as cropland subsequent to the 1963 crop year.

(b) The State acreage allotment for wheat, less a reserve of not to exceed 3 per centum thereof for apportionment as provided in subsection (c) of this section, shall be apportioned by the Secretary among the counties in the State, on the basis of the acreage seeded for the production of wheat during the ten calendar years immediately preceding the calendar year in which the national acreage allotment is determined (plus, in applicable years, the acreage diverted under previous agricultural adjustment and conservation programs), with adjustments for abnormal weather conditions and trends in acreage during such period and for the promotion of soil-conservation practices: *Provided*, That in establishing county acreage allotments the acreage seeded for the production of wheat plus the acreage diverted for 1959 and any subsequent year for any farm on which the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty shall be the base acreage of wheat determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year, but if any part of the amount of wheat so stored is later depleted and penalty becomes due by reason of such depletion, for the purpose of establishing county acreage allotments subsequent to such depletion the seeded plus diverted acreage of wheat for the farm for the year in which the excess was produced shall be reduced to the farm wheat acreage allotment for such year: *Provided further*, That in establishing county acreage allotments, the acreage seeded for the production of wheat plus the acreage diverted for 1965 for any farm shall be the base acreage of wheat determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year.

(c)(1) The allotment to the county shall be apportioned by the Secretary, through the local committees, among the farms within the

county on the basis of past acreage of wheat, tillable acres, crop-rotation practices, type of soil, and topography. Not more than 3 per centum of the State allotment shall be apportioned to farms on which wheat has not been planted during any of the three marketing years immediately preceding the marketing year in which the allotment is made. For the purpose of establishing farm acreage allotments— (i) the past acreage of wheat on any farm for 1958 or 1965 shall be the base acreage determined for the farm under the regulations issued by the Secretary for determining 1958 or 1965 farm wheat acreage allotments; (ii) if subsequent to the determination of such base acreage the 1958 or 1965 wheat acreage allotment for the farm is increased through administrative, review, or court proceedings, the 1958 or 1965 farm base acreage shall be increased in the same proportion; and (iii) the past acreage of wheat for 1959 and any subsequent year *except 1965* shall be the wheat acreage on the farm which is not in excess of the farm wheat acreage allotment, plus, in the case of any farm which is in compliance with its farm wheat acreage allotment, the acreage diverted under such wheat allotment programs: *Provided*, That for 1959 and subsequent years in the case of any farm on which the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty, the past acreage of wheat for the year in which such farm marketing excess is so delivered or stored shall be the farm base acreage of wheat determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year, but if any part of the amount of wheat so stored is later depleted and penalty becomes due by reason of such depletion, for the purpose of establishing farm wheat acreage allotments subsequent to such depletion the past acreage of wheat for the farm for the year in which the excess was produced shall be reduced to the farm wheat acreage allotment for such year.

* * * * *

(g) Notwithstanding any other provision of law, no acreage in the commercial wheat-producing area seeded to wheat for harvest as grain in 1958 or thereafter *except 1965* in excess of acreage allotments shall be considered in establishing future State and county acreage allotments except as prescribed in the provisos to the first sentence of subsections (a) and (b), respectively, of this section. The planting on a farm in the commercial wheat-producing area of wheat of the 1958 or any subsequent crop for which no farm wheat acreage allotment was established shall not make the farm eligible for an allotment as an old farm pursuant to the first sentence of subsection (c) of this section nor shall such farm by reason of such planting be considered ineligible for an allotment as a new farm under the second sentence of such subsection.

* * * * *

REFERENDUM

SEC. 336. If a national marketing quota for wheat for one, two, or three marketing years is proclaimed, the Secretary shall, [not later than sixty days after such proclamation is published in the Federal Register] *not later than August 1 of the calendar year in which such national marketing quota is proclaimed*, conduct a referendum, by

secret ballot, of farmers to determine whether they favor or oppose marketing quotas for the marketing year or years for which proclaimed. Any producer who has a farm acreage allotment shall be eligible to vote in any referendum held pursuant to this section, except that a producer who has a farm acreage allotment of less than fifteen acres shall not be eligible to vote unless the farm operated elected pursuant to section 335 to be subject to the farm marketing quota. The Secretary shall proclaim the results of any referendum held hereunder within thirty days after the date of such referendum, and if the Secretary determines that more than one-third of the farmers voting in the referendum voted against marketing quotas, the Secretary shall proclaim that marketing quotas will not be in effect with respect to the crop of wheat produced for harvest in the calendar year following the calendar year in which the referendum is held. If the Secretary determines that two-thirds or more of the farmers voting in a referendum approve marketing quotas for a period of two or three marketing years, no referendum shall be held for the subsequent year or years of such period.

* * * * * *

(Note.—Subsection (a)(1) below is superseded only effective with respect to the crops planted for harvest in 1964 and 1965.)

SEC. 339. (a)(1) [During any year in which marketing quotas for wheat are in effect, the producers on any farm (except a new farm receiving an allotment from the reserve for new farms) on which any crop is produced on acreage required to be diverted from the production of wheat shall be subject to a penalty on such crop, in addition to any marketing quota penalty applicable to such crops, as provided in this subsection unless (1) the crop is designated by the Secretary as one which is not in surplus supply and will not be in surplus supply if it is permitted to be grown on the diverted acreage, or as one the production of which will not substantially impair the purpose of the requirements of this section, or (2) no wheat is produced on the farm, and the producers have not filed an agreement or a statement of intention to participate in the payment program formulated pursuant to subsection (b) of this section. The acreage required to be diverted from the production of wheat on the farm shall be an acreage of cropland equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor determined by dividing the number of acres by which the national acreage allotment is reduced below fifty-five million acres by the number of acres in the national acreage allotment. The actual production of any crop subject to penalty under this subsection shall be regarded as available for marketing and the penalty on such crop shall be computed on the actual acreage of such crop at the rate of 65 per centum of the parity price per bushel of wheat as of May 1 of the calendar year in which such crop is harvested, multiplied by the normal yield of wheat per acre established for the farm. Until the producers on any farm pay the penalty on such crop, the entire crop of wheat produced on the farm and any subsequent crop of wheat subject to marketing quotas in which the producer has an interest shall be subject to a lien in favor of the United States for the amount of the penalty. Each producer having an interest in the crop or crops on acreage diverted or required to be diverted from the production of wheat shall be jointly and severally liable for the entire

amount of the penalty. The persons liable for the payment or collection of the penalty under this section shall be liable also for interest thereon at the rate of 6 per centum per annum from the date the penalty becomes due until the date of payment of such penalty.】 *As a condition of eligibility for wheat marketing certificates with respect to any farm, the producers on such farm shall be required to divert from the production of wheat to an approved conservation use an acreage of cropland on the farm equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor, and to participate in any program formulated under subsection (b) to the extent prescribed by the Secretary. Such diversion factor shall be determined by dividing the number of acres by which the national acreage allotment is reduced below fifty-five million acres by the number of acres in the national acreage allotment.*

* * * * *

(b) The Secretary is authorized to formulate and carry out a program with respect to the 1964 and 1965 crops of wheat under which, subject to such terms and conditions as he determines are desirable to effectuate the purposes of this section, payments may be made in amounts not in excess of 50 per centum of the estimated basic county support rate *for wheat not accompanied by marketing certificates* on the normal production of the acreage diverted taking into account the income objectives of the Act, determined by the Secretary to be fair and reasonable with respect to acreage diverted pursuant to subsection (a) of this section. *Any producer who complies with his 1964 farm acreage allotment for wheat and with the other requirements of the program shall be eligible to receive payments under the program for the 1964 crop of wheat.* The Secretary may permit producers on any farm to divert from the production of wheat an acreage, in addition to the acreage diverted pursuant to subsection (a), equal to 20 per centum of the farm acreage allotment for wheat: *Provided*, That the producers on any farm may, at their election, divert such acreage in addition to the acreage diverted pursuant to subsection (a), as will bring the total acreage diverted on the farm to fifteen acres. Such program shall require (1) that the diverted acreage shall be devoted to conservation uses approved by the Secretary; (2) that the total acreage of cropland on the farm devoted to soil-conserving uses, including summer fallow and idle land but excluding the acreage diverted as provided above, shall be not less than the total average acreage of cropland devoted to soil-conserving uses including summer fallow and idle land on the farm during a representative period, as determined by the Secretary, adjusted to the extent the Secretary determines appropriate for (i) abnormal weather conditions or other factors affecting production, (ii) established crop-rotation practices on the farm, (iii) participation in other Federal farm programs, (iv) unusually high percentage of land on the farm devoted to conserving uses, and (v) other factors which the Secretary determines should be considered for the purpose of establishing a fair and equitable soil-conserving acreage for the farm; and (3) that the producer shall not knowingly exceed (i) any farm acreage allotment in effect for any commodity produced on the farm, and (ii) except as the Secretary may by regulations prescribe, with the farm acreage allotments on any other farm for any crop in which the producer has a share: *Provided*, That no producer shall be

deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty: *And provided further*, That no producer shall be deemed to have exceeded a farm acreage allotment for any crop of wheat if the farm is exempt from the farm marketing quota for such crop under section 335. The producers on a new farm shall not be eligible for payments hereunder. The Secretary shall provide for the sharing of payment among producers on the farm on a fair and equitable basis. Payments may be made in cash or in wheat.

* * * * *

(h) The Commodity Credit Corporation is authorized to utilize its capital funds and other assets for the purpose of making the payments authorized in this section and to pay administrative expenses necessary in carrying out this section during the period ending [June 30, 1963] *June 30, 1965*. There is authorized to be appropriated such amounts as may be necessary thereafter to pay such administrative expenses.

* * * * *

SEC. 344. (f)

* * * * *

(8) Notwithstanding the foregoing provisions of paragraphs (2) and (6) of this subsection, the Secretary shall, if allotments were in effect the preceding year, provide for the county acreage allotment for the 1959 and succeeding crops of cotton, less the acreage reserved under paragraph (3) of this subsection, to be apportioned to farms on which cotton has been planted in any one of the three years immediately preceding the year for which such allotment is determined, on the basis of the farm acreage allotment for the year immediately preceding the year for which such apportionment is made, adjusted as may be necessary (i) for any change in the acreage of cropland available for the production of cotton, or (ii) to meet the requirements of any provision (other than those contained in paragraphs (2) and (6)) with respect to the counting of acreage for history purposes: *Provided*, That, beginning with allotments established for the 1961 crop of cotton, if the acreage actually planted (or regarded as planted under the Soil Bank Act, the Great Plains program, and the release and reapportionment provisions of subsection (m)(2) of this section) to cotton on the farm in the preceding year was less than 75 per centum of the farm allotment for such year *or, in the case of a farm which qualified for price support on the crop produced in such year under section 108(b) of the Agricultural Act of 1949, as amended, 75 per centum of the farm domestic allotment established under section 350 for such year, whichever is smaller*, in lieu of using such allotment as the farm base as provided in this paragraph, the base shall be the average of (1) the cotton acreage for the farm for the preceding year as determined for purposes of this proviso and (2) the allotment established for the farm pursuant to the provisions of this subsection (f) for such preceding year; and the 1958 allotment used for establishing the minimum farm allotment under paragraph (1) of this subsection (f) shall be adjusted to the average acreage so determined. The base for a farm shall not be adjusted as provided in this paragraph if the county committee determines that failure to plant at least 75

per centum of the farm allotment was due to conditions beyond the control of producers on the farm. The Secretary shall establish limitations to prevent allocations of allotment to farms not affected by the foregoing proviso, which would be excessive on the basis of the cropland, past cotton acreage, allotments for other commodities, and good soil conservation practices on such farms.

* * * * *

SEC. 348. *In order to maintain and expand domestic consumption of upland cotton produced in the United States and to prevent discrimination against the domestic users of such cotton, notwithstanding any other provision of law, the Commodity Credit Corporation, under such rules and regulations as the Secretary may prescribe, is authorized and directed for the period beginning with the date of enactment of this section and ending July 31, 1968, to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton, including such payments as may be necessary to make raw cotton in inventory on the date of enactment of this section available for consumption at prices consistent with the purposes of this section: Provided, That for the period beginning August 1 of the marketing year for the first crop for which price support is made available under section 103(b) of the Agricultural Act of 1949, as amended, and ending July 31, 1968, such payments shall be made in an amount which will make upland cotton produced in the United States available for domestic use at a price which is not in excess of the price at which such cotton is made available for export.*

SEC. 349. (a) *The acreage allotment established under the provisions of section 344 of this Act for each farm for the 1964 crop may be supplemented by the Secretary by an acreage equal to such percentage, but not more than 10 per centum, of such acreage allotment as he determines will not increase the carryover of upland cotton at the beginning of the marketing year for the next succeeding crop above one million bales less than the carryover on the same date one year earlier, if the carryover on such earlier date exceeds eight million bales. For the 1965, 1966 and 1967 crops, the Secretary may, after such hearing and investigation as he finds necessary, announce an export market acreage which he finds will not increase the carryover of upland cotton at the beginning of the marketing year for the next succeeding crop above one million bales less than the carryover on the same date one year earlier, if the carryover on such earlier date exceeds eight million bales. Such export market acreage shall be apportioned to the States on the basis of the State acreage allotments established under section 344 and apportioned by the States to farms receiving allotments under section 344, pursuant to regulations issued by the Secretary, after considering applications for such acreage filed with the county committee of the county in which the farm is located. The "export market acreage" on any farm shall be the number of acres, not exceeding the maximum export market acreage for the farm established pursuant to this subsection, by which the acreage planted to cotton on the farm exceeds the farm acreage allotment. For purposes of sections 345 and 374 of this Act and the provisions of any law requiring compliance with a farm acreage allotment as a condition of eligibility for price support or payments under any farm program, the farm acreage allotment for farms with export market acreage shall be the sum of the farm acreage*

allotment established under section 344 and the maximum export market acreage. Export market acreage shall be in addition to the county, State, and national acreage allotments and shall not be taken into account in establishing future State, county, and farm acreage allotments. The provisions of this section shall not apply to extra long staple cotton or to any farm which receives price support under section 103(b) of the Agricultural Act of 1949, as amended.

(b) The producers on any farm on which there is export market acreage or the purchasers of cotton produced thereon shall, under regulations issued by the Secretary, furnish a bond or other undertaking prescribed by the Secretary providing for the exportation, without benefit of any Government cotton export subsidy and within such period of time as the Secretary may specify, of a quantity of cotton produced on the farm equal to the average yield for the farm multiplied by the export market acreage as determined pursuant to regulations issued by the Secretary. The bond or other undertaking given pursuant to this section shall provide that, upon failure to comply with the terms and conditions thereof, the person furnishing such bond or other undertaking shall be liable for liquidated damages in an amount which the Secretary determines and specifies in such undertaking will approximate the amount payable on excess cotton under section 346(a). The Secretary may, in lieu of the furnishing of a bond or other undertaking, provide for the payment of an amount equal to that which would be payable as liquidated damages under such bond or other undertaking. If such bond or other undertaking is not furnished, or if payment in lieu thereof is not made as provided herein, at such time and in the manner required by regulations of the Secretary, or if the acreage planted to cotton on the farm exceeds the farm acreage allotment established under the provisions of section 344 by more than the maximum export market acreage, the farm acreage allotment shall be the acreage so established under section 344. Amounts collected by the Secretary under this section shall be remitted to the Commodity Credit Corporation and used by the Corporation to defray costs of encouraging export sales of cotton under section 203 of the Agricultural Act of 1956, as amended.

SEC. 350. In order to provide producers with a choice program of reduced acreage and higher price support, the Secretary shall establish for each farm for the 1964, 1965, 1966, and 1967 crops of upland cotton a farm domestic allotment in acres. The farm domestic allotment shall be the percentage which the national domestic allotment is of the national acreage allotment established under section 344(a) applied as a percentage of the smaller of (1) the farm acreage allotment established under section 344, or (2) the higher acreage actually planted or regarded as planted on the farm (excluding acreage regarded as planted under sections 344(m)(2) and 377) in the two years preceding the year for which such allotment is established: Provided, That any farm planting 90 per centum or more of the allotment shall, for the purpose of (2) above, be considered as having planted the entire farm allotment: Provided further, That, except for farms the acreage allotments of which are reduced under section 344(m), the farm domestic allotment shall not be less than the smaller of 15 acres or the farm acreage allotment established under section 344, but this proviso shall be applicable to the 1964 crop; without regard to the exception stated herein. The national domestic acreage allotment for any crop shall be that acreage, based upon the national average yield per acre of cotton for the four years immediately preceding the calendar year in which the national acreage allotment is proclaimed, required to make available

from such crop an amount of upland cotton equal to the estimated domestic consumption for the marketing year for such crop. The Secretary shall proclaim the national domestic acreage allotment for the 1964 crop not later than April 1, 1964, and for each subsequent crop not later than December 15 of the calendar year preceding the year in which the crop is to be produced.

* * * * *

COURT JURISDICTION

SEC. 376. The several district courts of the United States are hereby vested with jurisdiction specifically to enforce the provisions of this title. If and when the Secretary shall so request, it shall be the duty of the several United States attorneys in their respective districts, under the direction of the Attorney General, to institute proceedings to collect the penalties provided in this title. The remedies and penalties provided for herein shall be in addition to, and not exclusive of, any of the remedies or penalties under existing law. *This section also shall be applicable to liquidated damages provided for pursuant to section 349 of this title.*

SEC. 377. In any case in which, during any year beginning with 1956, the acreage planted to a commodity on any farm is less than the acreage allotment for such farm, the entire acreage allotment for such farm (excluding any allotment released from the farm or reapportioned to the farm and any allotment provided for the farm pursuant to subsection (f)(7)(A) of section 344) shall, except as provided herein, be considered for the purpose of establishing future State, county and farm acreage allotments to have been planted to such commodity in such year on such farm, but the 1956 acreage allotment of any commodity shall be regarded as planted under this section only if the owner or operator on such farm notified the county committee prior to the sixtieth day preceding the beginning of the marketing year for such commodity of his desire to preserve such allotment: *Provided*, That beginning with the 1960 crop, except for federally owned land, the current farm acreage allotments established for a commodity shall not be preserved as history acreage pursuant to the provisions of this section unless for the current year or either of the two preceding years an acreage equal to 75 per centum or more of the farm acreage allotment for such year or, *in the case of upland cotton on a farm which qualified for price support on the crop produced in any such year under section 108(b) of the Agricultural Act of 1949, as amended, 75 per centum of the farm domestic allotment established under section 350 for any such year, whichever is smaller*, was actually planted or devoted to the commodity on the farm (or was regarded as planted under provisions of the Soil Bank Act or the Great Plains program): *Provided further*, That this section shall not be applicable in any case, within the period 1956 to 1959, in which the amount of the commodity required to be stored to postpone or avoid payment of penalty has been reduced because the allotment was not fully planted. Acreage history credits for released or reapportioned acreage shall be governed by the applicable provisions of this title pertaining to the release and reapportionment of acreage allotments.

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(Note.—Section 379b below is superseded effective only with respect to the crops planted for harvest in 1964 and 1965.)

WHEAT MARKETING ALLOCATION

SEC. 379b. [During any marketing year for which a marketing quota is in effect for wheat, beginning with the marketing year for the 1964 crop, a wheat marketing allocation program shall be in effect as provided in this subtitle. Whenever a wheat marketing allocation program is in effect for any marketing year, the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat which in determining the national marketing quota for such marketing year he estimated would be used during such year for [human consumption in the United States, as food, food products, and beverages, composed wholly or partly of wheat] *food products for consumption in the United States*¹ and that portion of the amount of wheat which in determining such quota he estimated would be exported in the form of wheat or products thereof during the marketing year on which the Secretary determines that marketing certificates shall be issued to producers in order to achieve, insofar as practicable, the price and income objectives of this subtitle, and (2) the national allocation percentage which shall be the percentage which the national marketing allocation is of the national marketing quota. Each farm shall receive a wheat marketing allocation for such marketing year equal to the number of bushels obtained by multiplying the number of acres in the farm acreage allotment for wheat by the normal yield of wheat for the farm as determined by the Secretary, and multiplying the resulting number of bushels by the national allocation percentage. If a noncommercial wheat-producing area is established for any marketing year, farms in such area shall be given wheat marketing allocations which are determined by the Secretary to be fair and reasonable in relation to the wheat marketing allocation given producers in the commercial wheat-producing area.] *A wheat marketing allocation program as provided in this subtitle shall be in effect for the marketing years for the 1964 and 1965 crops. Whenever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat he estimates will be used during such year for food products for consumption in the United States and that portion of the amount of wheat which he estimates will be exported in the form of wheat or products thereof during the marketing year on which the Secretary determines that marketing certificates shall be issued to producers in order to achieve, insofar as practicable, the price and income objectives of this subtitle, and (2) the national allocation percentage for such year which shall be the percentage which the national marketing allocation is of the national marketing quota proclaimed for the 1964 crop, less the expected production on the acreage allotments for farms which will not be in compliance with the requirements of the program. Each farm shall receive a wheat marketing allocation for such marketing year equal to the number of bushels obtained by multiplying the number of acres in the farm acreage allotment for wheat by the normal yield of wheat for the farm as determined by the Secretary, and multiplying the resulting number of bushels by the national allocation percentage.*

¹ This amendment is effective with respect to the crops planted for harvest in the calendar year 1966 and any subsequent year.

MARKETING CERTIFICATES

Sec. 379c. (a) The Secretary shall provide for the issuance of wheat marketing certificates for each marketing year for which a wheat marketing allocation program is in effect for the purpose of enabling producers on any farm with respect to which certificates are issued to receive, in addition to the other proceeds from the sale of wheat, an amount equal to the value of such certificates. The wheat marketing certificates issued with respect to any farm for any marketing year shall be in the amount of the farm wheat marketing allocation for such year, but not to exceed (i) the actual acreage of wheat planted on the farm for harvest in the calendar year in which the marketing year begins multiplied by the normal yield of wheat for the farm, plus (ii) the amount of wheat stored *under section 379c(b) or to avoid or postpone a marketing quota penalty, which is released from storage during the marketing year on account of underplanting or underproduction, and if this limitation operates to reduce the amount of wheat marketing certificates which would otherwise be issued with respect to the farm, such reduction shall be made first from the amount of export certificates which would otherwise be issued.* The Secretary shall provide for the sharing of wheat marketing certificates among producers on the farm on the basis of their respective shares in the wheat crop produced on the farm, or the proceeds therefrom. *The Secretary shall, in accordance with such regulation as he may prescribe, provide for the issuance of domestic marketing certificates for the portion of the wheat marketing allocation representing wheat used for food products for consumption in the United States and for the issuance of export marketing certificates for the portion of the wheat marketing allocation used for exports.*

(b) No producer shall be eligible to receive wheat marketing certificates with respect to any farm for any marketing year in which a marketing quota penalty is assessed for any commodity on such farm or in which the farm has not complied with the land-use requirements of section 339 to the extent prescribed by the Secretary, or in which, except as the Secretary may by regulation prescribe, the producer exceeds the farm acreage allotment on any other farm for any commodity in which he has an interest as a producer. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty. No producer shall be deemed to have exceeded the farm acreage allotment for wheat on any other farm, if such farm is exempt from the farm marketing quota for such crop under section 335. *For purposes of this section, but not for purposes of diversion payments under subsection (b) of section 339, a producer shall be deemed not to have exceeded the farm acreage allotment for wheat if the acreage in excess of the farm acreage allotment does not exceed 50 per centum of the farm acreage allotment and the amount of wheat produced on the acreage in excess of the farm acreage allotment is stored in accordance with regulations issued by the Secretary. The amount of wheat required to be stored hereunder shall be an amount equal to twice the normal yield of wheat per acre established for the farm multiplied by the number of acres of such crop of wheat on the farm in excess of the farm acreage allotment for such crop unless the producer, in accordance with*

regulations prescribed by the Secretary and within the time prescribed therein, establishes to the satisfaction of the Secretary the actual production of such crop of wheat on the farm. If such actual production is so established, the amount of wheat required to be stored shall be such actual production less the actual production of the farm wheat acreage allotment based upon the average yield per acre for the entire wheat acreage on the farm: Provided however, That the amount of wheat required to be stored shall not be larger than the amount by which the actual production so established exceeds the normal production of the farm wheat acreage allotment. At the time and to the extent of any depletion in the amount of wheat so stored, except depletion resulting from the release of wheat from storage on account of underplanting or underproduction, as provided below or depletion resulting from some cause beyond the control of the producer, the producer shall pay an amount to the Secretary equal to one and one-half times the value of the wheat marketing certificates issued with respect to the farm for the year in which the wheat on the acreage in excess of the allotment was produced. Whenever the planted acreage of the then current crop of wheat on the farm is less than the farm acreage allotment, the total amount of wheat from any previous crops stored hereunder or stored in order to avoid or postpone a marketing quota penalty shall be reduced by that amount which is equal to the normal production of the number of acres by which the farm acreage allotment exceeds the planted acreage, and whenever the actual production of the acreage of wheat is less than the normal production of the farm acreage allotment, the total amount of wheat from any previous crops stored hereunder or in order to avoid a marketing quota penalty shall be reduced by that amount which together with the actual production of the then current crop will equal the normal production of the farm acreage allotment.¹

(c) [Whenever a wheat marketing allocation program is in effect for any marketing year, the Secretary shall determine and proclaim for such marketing year the face value per bushel of marketing certificates. The face value per bushel of marketing certificates shall be equal to the amount by which the level of price support for wheat accompanied by certificates exceeds the level of price support for wheat not accompanied by certificates (noncertificate wheat).] The Secretary shall determine and proclaim for each marketing year the face value per bushel of wheat marketing certificates. The face value per bushel of domestic certificates shall be the amount by which the level of price support for wheat accompanied by domestic certificates exceeds the level of price support for wheat not accompanied by certificates (noncertificate wheat); and the face value per bushel of export certificates shall be the amount by which the level of price support for wheat accompanied by export certificates exceeds the level of price support for noncertificate wheat.

* * * * *

Marketing Restrictions

Sec. 379d. (a) [All persons are prohibited from acquiring marketing certificates from the producer to whom such certificates are issued, unless such certificates are acquired in connection with the acquisition from such producer of a number of bushels of wheat equivalent to the marketing certificates.] Marketing certificates shall be transferable only in accordance with regulations prescribed by the Secre-

¹ This amendment is effective only with respect to the crop planted for harvest in the calendar year 1965.

tary. Any unused certificates legally held [by persons other than the producer to whom such certificates are issued] by any person shall be purchased by Commodity Credit Corporation if tendered to the Corporation for purchase in accordance with regulations prescribed by the Secretary. [Notwithstanding the foregoing provisions of this section, Commodity Credit Corporation is authorized to purchase from producers certificates not accompanied by wheat in cases where the Secretary determines that it would constitute an undue hardship to require the producer to transfer his certificates only in connection with the disposition of wheat.]

(b) [During any marketing year for which a wheat marketing allocation program is in effect, (i) all persons engaged in the processing of wheat into food products shall, prior to marketing any such product for human food in the United States, acquire marketing certificates equivalent to the number of bushels of wheat contained in such product and (ii) all persons exporting wheat or food products shall prior to such export acquire marketing certificates equivalent to the number of bushels so exported. Marketing certificates shall be valid to cover only sales or exportations made during the marketing year with respect to which they are issued, and after being once used to cover a sale or export of a food product or an export of wheat shall be void and shall be disposed of in accordance with regulations prescribed by the Secretary. Notwithstanding the foregoing provisions hereof, the Secretary may require marketing certificates issued for any marketing year to be acquired to cover sales or exportations made on or after the date during the calendar year in which wheat harvested in such calendar year begins to be marketed as determined by the Secretary even though such wheat is marketed prior to the beginning of the marketing year, and marketing certificates for such marketing year shall be valid to cover sales or exportations made on or after the date so determined by the Secretary.] *During any marketing year for which a wheat marketing allocation program is in effect, (i) all persons engaged in the processing of wheat into food products shall, prior to marketing any such food product or removing such food product for sale or consumption, acquire domestic marketing certificates equivalent to the number of bushels of wheat contained in such product and (ii) all persons exporting wheat shall, prior to such export, acquire export marketing certificates equivalent to the number of bushels so exported. In order to expand international trade in wheat and wheat flour and promote equitable and stable prices therefor, the Commodity Credit Corporation shall, upon the exportation from the United States of any wheat or wheat flour, make a refund to the exporter or allow him a credit against the amount payable by him for marketing certificates, in such amount as the Secretary determines will make United States wheat and wheat flour generally competitive in the world market, avoid disruption of world market prices, and fulfill the international obligations of the United States. The Secretary may exempt wheat exported for donation abroad and other noncommercial exports of wheat and wheat processed for use on the farm where grown from the requirements of this subsection. Marketing certificates shall be valid to cover only sales or removals for sale or consumption or exportations made during the marketing year with respect to which they are issued, and after being once used to cover a sale or removal for sale or consumption or export of a food product or an export of wheat shall be void and shall be disposed of in accordance with regulations prescribed by the Secretary.*

Notwithstanding the foregoing provisions hereof, the Secretary may require marketing certificates issued for any marketing year to be acquired to cover sales, removals, or exportations made on or after the date during the calendar year in which wheat harvested in such calendar year begins to be marketed as determined by the Secretary even though such wheat is marketed prior to the beginning of the marketing year, and marketing certificates for such marketing year shall be valid to cover sales, removals, or exportations made on or after the date so determined by the Secretary.

* * * * *

(d) As used in this subtitle, the term "food products" means [any product composed wholly or partly of wheat to be used for human consumption, including beverage] *flour, semolina, farina, bulgur, beverage, and any other product composed wholly or partly of wheat which the Secretary may determine to be a food product.*

* * * * *

FINALITY OF FARMERS' PAYMENTS AND LOANS

SEC. 385. The facts constituting the basis for any Soil Conservation Act payment, parity payment, payment under section 339, loan, or price support operation, or the amount thereof, when officially determined in conformity with the applicable regulations prescribed by the Secretary or by the Commodity Credit Corporation, shall be final and conclusive and shall not be reviewable by any other officer or agency of the Government. In case any person who is entitled to any such payment dies, becomes incompetent, or disappears before receiving such payment, or is succeeded by another who renders or completes the required performance, the payment shall, without regard to any other provisions of law, be made as the Secretary of Agriculture may determine to be fair and reasonable in all the circumstances and provided by regulations. *This section also shall be applicable to payments provided for under section 348 of this title.*

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AGRICULTURAL ACT OF 1949

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PRICE SUPPORT FOR 1961 AND SUBSEQUENT YEARS (COTTON)

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

(b) *If producers have not disapproved marketing quotas, the Secretary shall provide additional price support on the 1964, 1965, 1966 and 1967 crops of upland cotton to cooperators on whose farms the acreage planted to upland cotton for harvest does not exceed the farm domestic allotment established under section 350 of the Agricultural Adjustment Act of 1938, as amended. Such additional support shall be at a level up to 15 per centum in excess of the basic level of support established under subsection (a) and shall be provided on the normal yield of the acreage planted for harvest within the farm domestic allotment.*

(c) *In order to keep upland cotton to the maximum extent practicable in the normal channels of trade, any additional price support under subsection (b) of this section may be carried out through the simultaneous purchase of cotton at the support price therefor under subsection (b) and the sale of such cotton at the support price therefor under subsection (a) or similar operations, including loans under which the cotton would be redeemable by payment of the amount for which the cotton would be redeemable if the loan thereon had been made at the support price for such cotton under subsection (a), or payments-in-kind through the issuance of certificates which the Commodity Credit Corporation shall redeem for cotton under regulations issued by the Secretary. If such additional support is provided through the issuance of payment-in-kind certificates, such certificates shall have a value per pound of cotton equal to the difference between the level of support established under subsection (a) and the level of support established under subsection (b). The Corporation may, under regulations prescribed by the Secretary, assist the producers and persons receiving payment-in-kind certificates under this section and section 348 of the Agricultural Adjustment Act of 1938, as amended, in the marketing of such certificates at such time and in such manner as the Secretary determines will best effectuate the purposes of the program authorized by this section and such section 348. In the case of any certificates not presented for redemption within 30 days of the date of its issuance, reasonable costs of storage and other carrying charges as determined by the Secretary for the period beginning 30 days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate.*

* * * * *
 SEC. 104. * * *

(c) *The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. There are hereby authorized to be appropriated such sums, not to exceed \$10,000,000 annually, as may be necessary for the Secretary to carry out this special research program. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research.*

* * * * *
 PRICE SUPPORT FOR 1964 AND SUBSEQUENT YEARS (WHEAT)

SEC. 107. [Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crop—

(1) price support for wheat accompanied by marketing certificates shall be at such level not less than 65 per centum or more

than 90 per centum of the parity price therefor as the Secretary determines appropriate taking into consideration the factors specified in section 401(b),

(2) if marketing quotas are in effect for wheat price support for wheat not accompanied by marketing certificates shall be at such level as the Secretary determines appropriate taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains,

(3) price support shall be made available only to cooperators; and if a commercial wheat-producing area is established for such crop, price support shall be made available only in the commercial wheat-producing area,

(4) the level of price support for any crop of wheat for which a national marketing quota is not proclaimed or for which marketing quotas have been disapproved by producers shall be as provided in section 101, and

(5) if marketing quotas are in effect for the crop of wheat, a "cooperator" with respect to any crop of wheat produced on a farm shall be a producer who (i) does not knowingly exceed (A) the farm acreage allotment for wheat or any other commodity on the farm or (B) except as the Secretary may by regulation prescribe, the farm acreage allotment on any other farm for any commodity in which he has an interest as a producer, and (ii) complies with the land-use requirements of section 339 of the Agricultural Adjustment Act of 1938, as amended, to the extent prescribed by the Secretary. If marketing quotas are not in effect for the crop of wheat, a "cooperator" with respect to any crop of wheat produced on a farm shall be a producer who does not knowingly exceed the farm acreage allotment for wheat. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty, but the producer shall not be eligible to receive price support on such marketing excess. No producer shall be deemed to have exceeded the farm acreage allotment for wheat on any other farm, if such farm is exempt from the farm marketing quota for such crop under section 335.】 *Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crop—*

(1) *Price support for wheat accompanied by domestic certificates shall be at such level not less than 65 per centum or more than 90 per centum of the parity price therefor as the Secretary determines appropriate, taking into consideration the factors specified in section 401(b).*

(2) *Price support for wheat accompanied by export certificates shall be at such level not more than 90 per centum of the parity price therefor as the Secretary determines appropriate, taking into consideration the factors specified in section 401(b).*

(3) *Price support for wheat not accompanied by marketing certificates shall be at such level, not in excess of 90 per centum of the parity price therefor, as the Secretary determines appropriate, taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains.*

(4) Price support shall be made available only to cooperators; and, if a commercial wheat-producing area is established for such crop, price support shall be made available only in the commercial wheat-producing area.

(5) Effective with respect to crops planted for harvest in the calendar year 1966 and any subsequent year, the level of price support for any crop of wheat for which a national marketing quota is not proclaimed or for which marketing quotas have been disapproved by producers shall be as provided in section 101.

(6) A "cooperator" with respect to any crop of wheat produced on a farm shall be a producer who (i) does not knowingly exceed (A) the farm acreage allotment for wheat on the farm or (B) except as the Secretary may by regulation prescribe, the farm acreage allotment for wheat on any other farm on which the producer shares in the production of wheat, and (ii) complies with the land-use requirements of section 339 of the Agricultural Adjustment Act of 1938, as amended, to the extent prescribed by the Secretary. Effective with respect to crops planted for harvest in the calendar year 1966 and any subsequent year, if marketing quotas are not in effect for the crop of wheat, a "cooperator" with respect to any crop of wheat produced on a farm shall be a producer who does not knowingly exceed the farm acreage allotment for wheat. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty, but the producer shall not be eligible to receive price support on such marketing excess. No producer shall be deemed to have exceeded the farm acreage allotment for wheat on any other farm, if such farm is exempt from the farm marketing quota for such crop under section 335. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the production on the acreage in excess of the farm acreage allotment is stored pursuant to the provisions of section 379c(b), but the producer shall not be eligible to receive price support on the wheat so stored.

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FACTORS

SEC. 401. * * *

(b) Except as otherwise provided in this Act, the amounts, terms, and conditions of price support operations and the extent to which such operations are carried out, shall be determined or approved by the Secretary. The following factors shall be taken into consideration in determining, in the case of any commodity for which price support is discretionary, whether a price-support operation shall be undertaken and the level of such support and, in the case of any commodity for which price support is mandatory, the level of support in excess of the minimum level prescribed for such commodity: (1) the supply of the commodity in relation to the demand therefor, (2) the price levels at which other commodities are being supported and, in the case of feed grains, the feed values of such grains in relation to corn, (3) the availability of funds, (4) the perishability of the commodity, (5) the importance of the commodity to agriculture and the national economy, (6) the ability to dispose of stocks acquired through a price-support operation, (7) the need for offsetting temporary losses

of export markets, [and] (8) the ability and willingness of producers to keep supplies in line with demand, and (9), in the case of upland cotton, changes in the cost of producing such cotton.

* * * * *

SALES IN GENERAL

SEC. 407. The Commodity Credit Corporation may sell any farm commodity owned or controlled by it at any price not prohibited by this section. In determining sales policies for basic agricultural commodities or storable nonbasic commodities, the Corporation should give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop. The Corporation shall not sell any basic agricultural commodity or storable nonbasic commodity at less than 5 per centum above the current support price for such commodity, plus reasonable carrying charges: *Provided*, That effective with the beginning of the marketing year for the 1961 crop, the Corporation shall not sell any upland or extra long staple cotton for unrestricted use at less than 15 per centum above the current support price for cotton plus reasonable carrying charges, except that the Corporation may, in an orderly manner and so as not to affect market prices unduly, sell for unrestricted use at the market price at the time of sale a number of bales of cotton equal to the number of bales by which the national marketing quota for such marketing year is reduced below the estimated domestic consumption and exports for such marketing year pursuant to the provisions of section 342 of the Agricultural Adjustment Act of 1938, as amended: *Provided further*, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges: [Provided, That if a wheat marketing allocation program is in effect, the current support price for wheat shall be the support price for wheat accompanied by marketing certificate and wheat sold shall be accompanied by a marketing certificate] *Provided further*, That if a wheat marketing allocation program is in effect, the current support price for wheat shall be the support price for wheat not accompanied by marketing certificates.¹ The foregoing restrictions shall not apply to (A) sales for new or byproduct uses; (B) sales of peanuts and oilseeds for the extraction of oil; (C) sales for seed or feed if such sales will not substantially impair any price-support program; (D) sales of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage; (E) sales for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity; (F) sales for export; (G) sales of wool; and (H) sales for other than primary uses. Notwithstanding the foregoing, the Corporation, on such terms and conditions as the Secretary may deem in the public interest, shall make available any farm commodity or product thereof owned or controlled by it for use in relieving distress (1) in any area in the United States declared by the

¹ This proviso effective only with respect to the marketing years beginning in the calendar years 1964 and 1965.

President to be an acute distress area because of unemployment or other economic cause if the President finds that such use will not displace or interfere with normal marketing of agricultural commodities and (2) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress, as amended (42 U.S.C. 1855) and shall make feed owned or controlled by it available at any price not less than 75 per centum of the current support price for such feed (or a comparable price if there is no current support price) for assistance in the preservation and maintenance of foundation herds of cattle (including producing dairy cattle), sheep, and goats, and their offspring, in any area of the United States where, because of flood, drought, fire, hurricane, earthquake, storm, disease, insect infestation, or other catastrophe in such areas, the Secretary determines that an emergency exists which warrants such assistance, such feed to be made available only to persons who do not have, and are unable to obtain through normal channels of trade without undue financial hardship, sufficient feed for such livestock. Except on a reimbursable basis, the Corporation shall not bear any costs in connection with making such commodity available beyond the cost of the commodities to the Corporation in store and the handling and transportation costs in making delivery of the commodity to designated agencies at one or more central locations in each State. Nor shall the foregoing restrictions apply to sales of commodities the disposition of which is desirable in the interest of the effective and efficient conduct of the Corporation's operations because of the small quantities involved, or because of age, location or questionable continued storability, but such sales shall be offset by such purchases of commodities as the Corporation determines are necessary to prevent such sales from substantially impairing any price-support program, but in no event shall the purchase price exceed the then current support price for such commodities. For the purposes of this section, sales for export shall not only include sales made on condition that the identical commodities sold be exported, but shall also include sales made on condition that commodities of the same kind and of comparable value or quantity be exported, either in raw or processed form. Notwithstanding the foregoing, whenever prior to December 31, 1963, the Secretary determines it necessary in order to assure the Nation an adequate supply of milk free of contamination by radioactive fallout, he may make feed owned or controlled by the Commodity Credit Corporation available to producers of milk in any area or areas of the United States at such prices and on such terms and conditions as he deems appropriate in the public interest.

MINORITY VIEWS

The wheatgrowers of the United States emphatically rejected the strict-control wheat certificate plan submitted to them in the referendum in 1963, despite the efforts and methods used in an attempt to force it upon them. The majority of wheat producers clearly indicated that they wanted to move away from restrictive Government programs and to assume greater personal responsibility in the production and marketing of wheat.

The wheat provisions of H.R. 6196 would reject this mandate from the wheat farmers, and impose without referendum a so-called "voluntary program," "voluntary" in name only, as it provides penalties for those who do not participate that leave the farmer with no real choice—the farmer must volunteer "or else." The proposed "voluntary plan" embodies a great deal of compulsion and Government allocation of the market for food wheat without regard to the quality of wheat a grower produces or the use that is actually made of it. The proposal to require exporters to purchase marketing certificates would set up a mechanism that could be used to hold domestic wheat prices below the world level. The opportunity to stay out of the program would really amount to nothing more than a feed wheat exemption. Such a plan could be expected to restrict production of milling quality wheats and to encourage additional production of high-yield feed wheats. The wheat producers who voted against the certificate plan last May do not want a control program with a feed-wheat exemption—they want an opportunity to compete for markets on the basis of comparative advantage.

Participation in the certificate plan contained in the provisions of the present bill would be compulsory, not voluntary, for wheat processors; they would be compelled to make payments to the Government for the privilege of handling wheat. This is clearly a commodity processing tax, a "bread tax" the ultimate burden of which would be borne by the consumers, placing the heaviest burden on the lower income groups who spend the largest proportion of their income for bread and flour.

The present outlook for wheat is far brighter than the picture painted by proponents of a "yes" vote in their efforts to force approval of the certificate program in last year's referendum. Uncertain as to future prices, producers exercised considerable and wise restraint last fall in seeding winter wheat; where the U.S. Department of Agriculture predicted a "no vote" in the referendum would result in growers planting 70 million acres or more in wheat, of which approximately 54.5 million acres would be winter wheat, the present official estimate of last fall's planting indicated only 43 million acres were actually seeded to wheat. Export prospects have been improved by poor crops abroad. Where exports totaled 639 million bushels last year and 720 million bushels in the previous record year of 1961-62, it is now estimated exports may reach a record 1 billion bushels in the current marketing year. The carryover of wheat is being reduced, and

could be down to about 725 million bushels by July 1, 1964, the lowest for any year since 1953. The market system thus has begun to work in wheat. The futures market has shown little regard for the pre-referendum predictions that the farm price of wheat would drop to \$1 per bushel or less if farmers disapproved the certificate plan; and the market has begun to reflect changes in the supply-demand situation. There may never be a better time for wheat producers to make the transition to freer markets.

The only sure way to solve our wheat problems is to let the market system guide production and consumption; the wheatgrowers who voted "no" in the referendum understand this fact. They want sensible, uncomplicated, and workable wheat legislation in the direction of less, not more, control. They want to move away from restrictive Government programs and to assume greater personal responsibility in the production and marketing of wheat, and to restore the farmer to a place of economic competition with other sectors of our economy.

Artificial efforts to control wheat production have failed. They have created inefficiencies in production of farm commodities, have increased production costs, and have shifted the surplus problem from one commodity to another. Program "benefits" have been capitalized into land values, creating problems for those who must rent or buy land in order to farm. The programs have been costly in relation to the limited results that have been achieved. The program approved by the committee, in H.R. 6196, would have these same deficiencies and create new problems.

The farmer does not want a dole or handout; probably no other member of our society is as independent by nature as is the American farmer, who wants only a chance to work his land, raise his crops and livestock and sell them in the marketplace for a fair price. Rather than the complicated legislation being reported by the committee, I would propose to—

- (1) Repeal existing authority for wheat allotment, marketing quota, and certificate programs. Each farmer would decide for himself which grains he should grow and how much of each he can best produce.

- (2) Beginning with the 1964 crop, set price supports for wheat at the higher of the U.S. farm price equivalent of the average world market during the immediately preceding 3 marketing years—currently about \$1.30 per bushel—or 50 percent of parity, with premiums and discounts to reflect market demand for milling and baking quality. This would eliminate administrative discretion as to price support levels, automatically adjust support prices to changing supply and demand conditions, and assure other wheat-producing countries that the change in our price support policy would not break world wheat prices. It would not impede the working of the market, would not provide incentive for increasing production, but would provide real protection against substantial drop in wheat prices.

- (3) Place wheat and feed grains on a comparable basis as soon as possible.

- (4) Prohibit the CCC from offering its stocks domestically at less than 115 percent of the applicable support level, plus reasonable carrying charges, except for sales offset by open-market purchases. This would protect farmers against undue com-

petition from the release of Government-owned surpluses, yet not apply to CCC sales for export.

(5) Authorize the Secretary to enter into contracts (during 3 years) for voluntary retirement of cropland on a competitive bid basis. This would facilitate individual adjustments to freer markets, and would lead to withdrawal of much greater productive capacity per dollar of cost and eliminate most of the administrative problems associated with the emergency-type programs of recent years.

The above could be achieved by enactment of S. 1617, "The Wheat and Feed Grain Act of 1963," introduced by myself and with 16 other Senators.

It will be particularly disappointing to wheat producers that the committee rejected language proposed by Senator McCarthy as an amendment to H.R. 6196 wheat provisions, which would have prohibited the CCC from selling its wheat stocks at less than 110 percent of the support level plus carrying charges. The action of the committee will allow the CCC to continue in effect to use sales of stocks to make the support level for wheat the ceiling, rather than the floor, for wheat prices. Thus, farmers cannot redeem their loans and get any higher return, most wheat put under loan passes into Government hands, and the Government handles a large part of each crop instead of just holding the surplus. The Government should be withdrawing from the grain business, not plunging into it even more.

BOURKE B. HICKENLOOPER.

SUPPLEMENTAL VIEWS

Although I did not oppose reporting this bill to the Senate believing that the Congress should have the opportunity to consider it if it so desires, I have reserved the right to oppose it on the floor.

In my opinion the proposed legislation is neither necessary nor desirable.

In the case of wheat, income to the grower can be maintained by means already available to the Secretary of Agriculture.

In the case of cotton, a simple authorization for the sale of Government-owned cotton for domestic purposes at a subsidized price would suffice. A subsidy of several hundred million dollars to the textile mills should not be charged to a farm program, anyway.

When the bill is taken up for consideration, I expect to present evidence to substantiate this supplemental statement.

GEORGE D. AIKEN.

SUPPLEMENTAL VIEWS

Our domestic cotton industry is plagued by very serious problems. The current predicament finds us with unmanageable quantities of surplus cotton, coupled with a domestic price higher than the world price and with constant encroachment from synthetics. We need a cotton program pegged to the market system. Such a system would operate to the advantage of efficient growers and all consumers by rewarding individual ingenuity and enterprise.

Title I of the committee substitute for H.R. 6196 has some very serious defects.

This proposed legislation is far reaching, complex, and expensive. It was presented to the committee on the last day of the hearings by Under Secretary of Agriculture Murphy. No other witnesses were heard on this proposal.

In 1958 Congress passed adequate cotton legislation. During the time that congressional intent was followed, it worked satisfactorily. However, in early 1961, the Secretary of Agriculture increased the support level, thus increasing the export subsidy. Exports fell from an average of 6.9 million bales yearly to 4.1 million. Carryover rose from 7.1 million bales to 11 million bales, and is still rising. We lost our competitive position in the world market. This critical situation resulted when the Secretary of Agriculture unwisely exercised his discretionary power to set price supports as a percentage of parity. Yet, the legislation before us gives the Secretary the same discretionary powers again.

If the Secretary had followed the intent of the Agricultural Act of 1958, no action would now be necessary.

The pending proposal continues the unwise system of two levels of price supports. It attempts to correct past mistakes by piling subsidy upon subsidy. I believe that it will result in high cost to taxpayers and high fiber costs to consumers, without improving the level of income to farmers.

As a cosponsor of S. 1617, I concur with the statement presented by Senator Hickenlooper.

E. L. MECHEM.

