

POLICY ALTERNATIVES TO THE FOOD SECURITY ACT OF 1985

HEARINGS BEFORE THE SUBCOMMITTEE ON WHEAT, SOYBEANS, AND FEED GRAINS OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES ONE HUNDREDTH CONGRESS FIRST SESSION

MARCH 10, 1987
USDA'S BUDGET RECOMMENDATIONS

MARCH 12, 1987
DECOUPLING CONCEPT

MARCH 17, 1987
TARGETING PROGRAM PAYMENTS

MARCH 19, 1987
MARKETING LOAN CONCEPT

MARCH 31, 1987
MANDATORY PRODUCTION CONTROLS

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partment to cost it out in terms of savings, how much wheat, corn, cotton and rice affected; how many farms affected and where.

While I have the floor, Mr. Chairman, I want to say a word about three other issues, since I don't come to every hearing. On decoupling last week, I think it was brought out very clearly the dangers of the comprehensive Boschwitz bill, to family farmers and to the financial position of American agriculture since it would phase payments down and out very quickly.

The marketing loan will be discussed here in a few days and the subcommittee will be urged, I think to adopt the marketing loan for wheat and feed grains. I would urge the subcommittee to resist that temptation. It would be a costly failure in my judgment.

It is already being tried in a kind of a backhanded way in corn, with prices being driven some 40 to 50 cents a bushel below the loan level with no tangible increase in exports.

In my judgment, the idea that the marketing loan is responsible for most of the increase in cotton exports is probably wrong, since world cotton production failed 7 million bales last year, a situation which didn't happen in wheat and corn, and I think which largely explains the different responses of the cotton versus the grain export market.

Finally, I want to say that mandatory programs similar to those in the Harkin-Gephardt bill are now generally unacceptable to U.S. farmers in my judgment. Wheat farmers or rice might vote it in, but corn and soybeans and other farmers would vote it out, and you would have a chaotic situation in farm programs if you went to something along the Harkin-Gephardt approach and voted it in or out, commodity by commodity.

I think the acreage reduction program, including the conservation reserve now in the law, weak as they are, and being administered with about as many loopholes as one can conceive of, are what we have to fall back upon to cope with the surpluses in the next few years.

Thank you.

[The prepared statement of Mr. Schnittker appears at the conclusion of the hearing.]

Mr. JOHNSON [acting chairman]. Thank you, Mr. Schnittker. I think it would work best for the subcommittee if we would hear now from Mr. Benbrook, and then we would open it up for questions from the subcommittee. Mr. Benbrook.

**STATEMENT OF CHARLES M. BENBROOK, EXECUTIVE DIRECTOR,
BOARD ON AGRICULTURE, NATIONAL RESEARCH COUNCIL, NA-
TIONAL ACADEMY OF SCIENCES**

Mr. BENBROOK. Thank you, Mr. Chairman. First, I would just like to say a word of greeting to Mr. Roberts, a man I used to work with when I sat behind the desk up there.

It is a pleasure to be here to talk with you about targeting concepts. First of all, my understanding of the concept of targeting would be an effort by the Congress and the Department of Agriculture to bring about a distribution of program benefits that differs in some way from what would occur under existing law.

It involves achievement of some kind of goal based on the characteristics of farms. Since targeting entails the administration of a more sophisticated set of program provisions, first of all the committee should be aware that it has the potential of further complicating the administration of the farm programs, and the decisions farmers have to make regarding participation in them.

I would say, as Mr. Roberts and any Member of Congress who is in touch with their growers already knows, the programs have grown incredibly complex, virtually mandatory because of the size of the economic benefits associated with them, and very confusing and changeable. At the date of this hearing, producers around the country have 10 days more to figure out whether they are a person, multiple persons; figure out whether they can reorganize their farms and make very critical strategic decisions about how to enroll in the programs.

I would merely caution that if a targeting objective is going to be added to the several other objectives of farm policy and related proposals, that it be done very clearly, precisely, having fully thought through the implications of the targeting proposals in light of the other objectives of the program.

It is also very important, once Congress has clearly reached a political consensus on what the goal of a targeting mechanism is, that such a mechanism be clearly incorporated in legislation and explained in operational detail, in both the law and legislative history, so that the Department of Agriculture, farmers, farmer organizations, OMB, everyone understands what the goal is. Only with such clear understanding is there any hope that it could be achieved.

Now there are several different strategies that one could take to targeting, and I am going to just throw out several possibilities. One set of strategies would focus on adjusting the flow of benefits from the Department of Agriculture to producers.

These sorts of provisions would involve the benefit side of the farm program equation. But there are also targeting proposals and mechanisms that could be thought of on the cost side of the programs. It is often forgotten by people that participation in the farm programs entails substantial costs to the producers, on the order of a 15 to 20 percent increase in the cost of production because of the acreage set-aside programs, and other factors.

So one could target benefits under the farm programs by providing differential costs of participation in them. And of course, one can do combinations of both of them.

There are many options to target or adjust the benefit stream. You could impose and strictly enforce payment limitations, or caps, as is happening right now under the Farm Security Act.

You could offer a two-tiered payment system which provides growers with a larger deficiency payment up to a certain number of bushels, as proposed in the Dorgan-Penny-Johnson bill. You could offer special additional or bonus payments to mid-size and small farms, or by offering them marketing loans, or give them other preferential treatment in terms of building base, increasing established farm yields, or you might possibly provide them with the opportunity to use their set-aside acres for hay, grazing and

other economic uses as a way to allow them to more fully utilize the family labor that is available on such a farm.

The cost side of participation in the programs could be adjusted by relaxing or exempting mid-size and small farms from acreage reduction requirements, allowing such farms to use crop rotations, by imposing progressively higher set-aside requirements on producers that have large acreages, a concept that is incorporated in the Save the Family Farm Act, and variable imposition of cross-compliance provisions.

I think to fully evaluate these options and the consequences of them is very complicated, and Dr. Schnittker is right—only the Department of Agriculture has the resources and data to do that. I would urge that this subcommittee be quite vigorous in requesting such analytical support from the Department.

I guess the last point I will make is that there appears to be a trend toward multiple payment limits under different programs. A payment limit for the conservation reserve, a payment limit for price supports; another limit covering all price support disaster and related payments.

This imposition of multiple payment limits adds yet another dimension of complexity to the overall Farm Program. I think that while it may be tempting to provide an opportunity for growers to participate in these programs through that avenue, it needs to be evaluated in terms of its implications to the overall complexity of the programs.

Thank you.

[The prepared statement of Mr. Benbrook appears at the conclusion of the hearing.]

Mr. JOHNSON. Thank you, Mr. Benbrook. I want to thank both of you for your contributions on this critical issue.

The question that I would have for you is a question that is not unique to targeting concepts, but is one that is particularly important to a targeting concept and that is, if you would shed any light on the problem of defining the family farm or defining the unit that we are going to target.

Mr. SCHNITTKER. I think the first step in that, Mr. Chairman, would follow from the proposals that have been made to the Congress, by the administration, on carefully defining a person for purposes of receiving payments so that you stabilize the question of proliferation of farms to farm the program, as people say.

Having done that, and knowing that persons or farms would remain stable for a few years under that definition adopted by Congress and embedded in USDA regulations, then Congress could begin to decide whether it wanted to make payments to farmers up to 10,000 bushels, or \$30,000, and what kind of a prorating scale or targeting scale you wanted to apply after that.

But you have to stabilize the idea of a farm for payment and benefit purposes first, in my judgment.

Mr. BENBROOK. Mr. Chairman, I actually think it would not be that difficult to come up with an operational definition of a family farm. I think the critical feature of it is the involvement of the individual and the actual labor and management of the farm operation as either the sole or primary occupation of the individual.

I think that we have to recognize that there are some farms that are highly sophisticated businesses, with much division of labor. In the case of a large, modern poultry operation, for example, the manager may sit in the room with a computer terminal and work with that, and on a telephone, and be 100 percent engaged in the farm business.

We have to recognize that farming does not necessarily imply 70 hours a week on a tractor seat anymore. But I think it is really fairly simple to determine whether a person is solely or primarily engaged in agriculture, as to the way they spend their time, the way they earn their living. A family farm is a farm which would earn most of its family income and provide most of its family energies toward the operation of the farm.

Mr. JOHNSON. You don't see the problem of off-farm income, as was alluded to by one of the members of the subcommittee, as being an insurmountable problem?

Mr. BENBROOK. No, I don't. I think obviously most mid and small to mid-sized farms are dependent on earning some off-farm income to live. The Congress would hardly want to penalize any family farm that has a husband or a wife that is willing to go off farm during the off-season months, or year-round and earn some income.

If the farm operation is incidental to two off-farm jobs, then I think that that is a different situation.

Mr. JOHNSON. Mr. Penny.

Mr. PENNY. Thank you, Mr. Chairman. I don't have any questions, but I do appreciate both gentlemen coming here today to present their testimony. They each raise issues that I think we need to focus on, and they offer some options to targeting that I think may be helpful.

I have maintained from the outset that, as we move forward with the farm policy debate, that targeting can be and ought to be part of the solution. Byron and I and Tim have one bill that we think has some merit, but the testimony of these two gentlemen I think will help us flesh out exactly how we pin down the definitions of targeting. They also give us some options to turn to in case our bill, as it now stands, is not going to be embraced by the committee, we can look at some other ways in which to raise that issue.

Thank you for making your presentation.

Mr. JOHNSON. Mr. Roberts.

Mr. ROBERTS. Yes, Mr. Chairman. I am going to take advantage of these two witnesses and explore the "flesh" part of this business. I think it is a good word. I am not sure that I would agree on where the fleshing should be.

I am going to concentrate on the statement by Dr. Benbrook as opposed to you, John, in that I am batting about two-for-three in every case where we have a discussion. I really do appreciate your coming to the new members' orientation at Harvard where you gave a similar statement. It was very helpful then, but I do want to concentrate on my friend and former staffer on the Department Operations Research, and Foreign Agriculture Subcommittee, Dr. Benbrook.

One, when you say that this is a targeting scheme, I do appreciate that use of the word as opposed to a proposal. I am not trying to perjure the concept by any means, but I think it is a scheme and

several of them have been. When you say that they strive for a more equitable distribution of funds, it is that word "equitable" I think is a key. Some would call this kind of a thing, if we get into what we eventually could get into, a welfare payment, if you will, or some have referred to them as an equity payment.

I note on page 2 of your testimony, you talk about adjusting the size or placing limits on the benefit stream. That is an interesting definition. Maybe that is a target-priced efficiency trough, something that we are talking about.

But that concerns me. It is that kind of connotation that really worries me in regards to Farm Program payments. Are they a benefits stream? Is this an equity payment as opposed to a supply management kind of payment?

When you summarize this whole thing in your conclusion, you say the Congress should assess what is happening now in farm country as a result of existing targeting provisions, and particularly the payment limitation policy.

Let me tell my colleagues what is happening, at least in my district. Normally, farmers have until March 1 to reconstitute their farms. That is the word that the ASCS—to record the changes in their farming operations. But because of last week, that deadline was extended to April 1. Why? Because the ASCS and the USDA is in full bloom trying to redefine what is a person under a \$50,000 payment cap. We are going to have some hearings on that on down the road. Why?

Because between 1984 and 1986, 100,000 new wheat farms were created and 160,000 new corn farmers were created. Now, why? Some of those are flagrant violations. Some of those we have seen in the press have to be addressed.

I am not defending those kinds of things by any means, but there is some very legitimate concern in my personal opinion for the father and two sons who farm 2,500 to 3,000 acres out in my district, and in the districts of those that I said before in my statement. I think you have to take a look at what is happening in that case. You have a father and two sons who have combined their operation for tax purposes and machinery purposes so they could stay alive in this business and by the way, big farmers are in just as much trouble as small farmers, depending on your definition of size.

Now we come into the reconstitution business, and ASCS says, no, you can't do that in regards to the definition of who a person is as to whether or not you are eligible for the payment.

That is all taking place right now. ASCS has turned into a SWAT Team, if you please; running out to individual farmers, checking on tractors. We have the appeals coming into the State and the Federal Government. I think we ought to go very slow.

I have a little feeling about who is a family farmer. I will make the speech that I have made in the committee before. You have a typical case of a 100-acre operation in many states. It is the cover of the Saturday Evening Post, if you will. In that 100-acre operation, we have an orchard, we have a pond, about 40 acres of wheat, 40 acres of corn, a few hogs, and the wife works at the plant and the farmer works part time somewhere else, and he is a part-time foreman.

He has probably a three-legged dog named Lucky, and he has about as much to do with the production of food and fiber in this country as the cover of the Saturday Evening Post. We reward him under some of these schemes with a \$5 deficiency payment. We let the father and two sons in my country, who have 2,500 acres because of the rainfall situation third and fourth generation farmers, and yes, their acreage base in terms of 2,500 would be what 1,600 acres. So for 500 acres they get the \$5 payment, and for the rest of it, we say, God Bless them. Adios.

Who does that? This committee or the Congress of the United States decides who is a two-family farmer. Bottomline when you say that, in your testimony, Chuck, when you say, "However, we require unprecedented tenacity and commitment, and would deeply divide the agriculture community," you are right. We are headed for a civil war in farm country if we do this.

Why are we doing this? The chairman just remarked to me personally why we are doing it. We want to get the budget down, plus the fact it is a sexy issue for everybody out there doing the writing with their pencils. It is a marvelous issue for the press to talk about. A marvelous issue for the TV to have on—help the true family farmer. Those big fat-cat operators out there in the West, they can get on on their own.

They are not getting on on their own and they are family farmers and it all depends on your definition of size. It hasn't got a dog-gone thing to do with a Mississippi Christmas tree and all this talk of people trying to avoid the limitation. We should get after those people.

But somebody has to stand up and talk on behalf of the producer in this country who does produce most of the food and fiber.

I have made my speech. Would you like to comment?

Mr. BENBROOK. I would, actually. I think one of the things that might help the public understand what is at stake here, Mr. Roberts, is to tell people about the cost of a combine. You can't amortize the cost of any kind of a modern combine over less than 800 acres of corn, and out in your country, Mr. Roberts, I would suspect that the average combine is going to cover at least 1,500 acres, if not 2,500 acres.

If you don't cover that kind of ground with one of these machines that costs over \$100,000 new, you can't afford to own it. It adds to the cost of trying to own and run and maintain a farm if such a machine must be spread over a smaller acreage base. It adds extra cost to each bushel of wheat that moves off that farm.

The combine, the harvesting machine is a very critical determinant in the size of a farm. Out here in Maryland, where I live in farm country, the farm operations generally employ either one or two combines. The one combine farms harvest between 800 and 1,200 acres, and the growers that have two combines can push 3,000 acres when they are double cropping wheat and soybeans.

The goal of keeping the combine fully employed is the primary thing that governs how much ground they try to rent, plant, operate and eventually enroll in the farm programs.

It is really a serious problem when you have, all of a sudden, a change in the rules of the game. The farm programs provided an umbrella, a support for farmers up to one combine size, just until a

few years ago. Now, in perhaps a year or two we are going to have another shift in the rules, and suddenly the programs won't cover a farm of that size.

On behalf of my neighbors in rural Montgomery County and the farmers all over the country that I talk to, there is just a great deal of anxiety about how this is all going to play out.

These people are making commitments for rental leases. They are buying machinery that takes 4 or 5 years to pay off. A lot of them are really down to living off the last little bit of equity that they have in their operations.

I really am concerned about how it is going to play out. It is definitely going to catch a lot of producers.

I was able to ferret out of USDA yesterday some intriguing information, some data about how many acres of base you would need to have enrolled in the programs over the last few years to run into this problem. In 1985, for corn, if you had 630 acres, you would run into a \$50,000 limit. In 1986, that had dropped down to 350 acres. This year, it will probably be even a little less than that.

Well, you know, 350 acres of corn base is not a lot. It is about what would be envisioned under the Penny-Dorgan-Johnson bill. For wheat, Mr. Roberts, you are looking at something on the order of 460 acres now; something like that.

Certainly there is a great deal of production in American agriculture on wheat farms that harvest over 460 acres of wheat base. For corn, I was able to learn that about 40 percent of the corn crop is harvested off farms that are harvesting over this 350 acres.

So in terms of the amount of production that at least could exit participation in the farm programs, it is sizable, and that has budgetary implications, and implications for the effectiveness of the program.

Mr. JOHNSON. Two minutes, Mr. Roberts.

Mr. ROBERTS. Yes, Mr. Chairman. I ask unanimous consent that I may be granted 2 additional minutes, if that be possible.

To follow up on this in regard to the consistency and predictability issue. I guess if I waive and beat my head enough, I will get the TV camera to turn around on my point of view, as opposed to the others.

We are having a hearing at 1 o'clock, where the ASCS is going to explain why they, in their infinite wisdom, have lumped all 38,000 Methodist Churches in one entity for one payment. We don't know what the situation is with the Baptists and the Catholics or the Mormons. All of this is going to be dumped on one ASCS office in Ness County in my district.

We have about six employees out there. Now, for a rural development program, I would like to have a computer center and 150 employees. I was incredulous when I found this out.

That is an interesting topic to explore, but right at the time when ASCS is deluged by all this reconstitution problems they are having, they come out and say we are going to explore the 38,000 churches in the United States that belong to the Methodist—well, the Mother Methodist Church. We have defined all those folks as one payment entity.

Now, I don't know what the outcome of that is going to be, but that is an example of what is going on.

I think we ought to back off, at least, and as the chairman has indicated, I think we ought to explore this very carefully in terms of targeting, but I would certainly agree with you that in view of the need for consistency and predictability, we ought to go very slow.

John, I haven't really given you any chance to comment in my response to my tirade, and I think I better do that, since you are from Hutchinson, Kansas, and most of the time you don't forget where your roots are.

Mr. SCHNITTKER. Well, Mr. Chairman, I feel for those folks out in Ness County, but I expect they will cope with it.

On the question of targeting and the numbers of farmers that would be affected by it, this is an issue which I think is largely being explored, as the chairman said, for 2 or 3 years down the road. I don't think your farmers need to worry that their 1987 or 1988 program payments are going to be targeted.

Even if they were, I would, under the proposals or ideas that have been talked about here this morning, Mr. Dorgan's or the example that I used for an illustration, I would anticipate that about 80 percent of the farmers even in your district would be exempt from the initial targeting approaches. Others of course, would have to pay attention to it but the effect would not be as onerous or burdensome as you.

Mr. ROBERTS. Yes, but John, we are defining who the 80 percent is, and who the 20 percent is; next year it is 75, and the next year it is 25. I share your concern, and really, it would be the easiest task for me just not to speak up on this, because the press defines me as trying to defend the big producer.

I am not trying to do that. I am trying to express concern that we here are defining who a true family farmer is. We talked to that income limit, I will tell you why I want that income provision in there. I don't want somebody who has off-farm income, xxx and only x in terms of farm income getting the benefits of the farm program while my guy out there, isolated, has to depend entirely as to his livelihood to some extent on the Farm Program.

If we are going to reform, I always worry about what works under the banner of reform, if we are going to reform this program, we are really going to reform it. I will have an amendment in there that all farm programs be printed in the county newspaper. I think that would be a good reform.

If we are going to reform it, let's really reform it.

Mr. SCHNITTKER. I would go for that.

Mr. GLICKMAN. I think Mr. Volkmer was here.

Mr. ROBERTS. And you missed my tirade.

Mr. VOLKMER. The rest of us didn't.

Mr. Benbrook, in reviewing your statement as you read it, and just in response to the gentleman from Kansas, you mentioned that many of the 40 percent of the farmers who are producing these large amounts of grains would probably opt out of the program if we target it too closely as defined by the Dorgan-Penny bill, and that that would have budgetary implications.

I don't personally see that. I think if somebody goes out of the program, they are not going to get a payment at all. Correct?

Mr. BENBROOK. That is correct. But it would have budgetary implications if say 20 percent of the acreage enrolled in the wheat and feed grain program that is represented by large producers in crop year 1987 goes out of the program in 1988, and those producers elect to grow corn and wheat on 100 percent of their acreage base. They would produce more additional corn and wheat on the land that they bring back into production than probably is going to be held out of production on a good portion of the smaller farmers enrolling in the programs.

The overall supply of corn and wheat could go up substantially and therefore, the Government cost of maintaining a given level in deficiency payments for everyone else that is in the program is going to increase.

Mr. VOLKMER. I don't understand that. You have a reduced number of deficiency payments being made. The deficiency payment in dollar amount is static, no matter who is in it. Now if you are going to pay to fewer farmers, how do you increase?

Mr. BENBROOK. In the short run, you are right. If you have fewer acres enrolled in the program, then Government expenditures would go down.

Mr. VOLKMER. Now you agree also that if you don't enroll in the program and you stay out of the program for several years, what has happened to your base?

Mr. BENBROOK. You will lose it, depending upon what the rules are, of course.

Mr. VOLKMER. Right. And therefore you are still going to pay on fewer—the Government is. Also, by those people being out of the program, all that stock is free stock, it is going to drive the market price down. Correct? The market price is down anyway, so as far as feed grains and wheat is concerned, it has no effect on deficiency payment.

Mr. BENBROOK. In the short run, yes.

Mr. VOLKMER. In fact, I think we would save money. Government money we would save.

Mr. BENBROOK. Savings under the farm programs can be very elusive. You think you save them in one year, but they have a way of coming back in years down the road.

But, I think that one of the basic options that Congress faces is, do you want to drive big producers out of the programs by some kind of a payment cap or targeting scheme and leave them to make whatever money they can from the market. That is what is in the act right now. That is what is going to happen without changes in the Food Security Act.

Mr. VOLKMER. Well, I personally feel that that is an option that the farmer has. I think that even the larger producers are going to look at it both ways. In the program and out of the program.

They are going to look not just this year, but next year, to their base and everything else, and how this affects them. They don't know what is going to happen in the following years. And the question is, can they continue to produce let's say, a corn producer, can he continue to produce if that market price drops down to a \$1 or \$1.20 a bushel on corn, can he stay in? Can he make it? Can he get it that efficient?

Mr. BENBROOK. Not very many.

Mr. VOLKMER. Another thing I would like to comment on.

Mr. ROBERTS. Would the gentleman yield on that one point?

Mr. VOLKMER. All right. I will yield on that, and then I have one other point.

Mr. ROBERTS. Let me point out that since I am now using my 2,500 acre farm with the farmer and his two sons, rather than the 1,000 acres, and you so cogently pointed out my summer fallow concerns, I have raised that up to 2,500 now as the gentleman will note.

But that operator, always before, and I have to give them this, they sort of hid under the loan rate. They said, I don't want any Farm Program. I am going to be efficient. I am going to put in my computer center. I am going to go high tech. I am going to do what the Office of Technology Assessment said we should do to be an efficient producer.

He has really got a going operation. Then you know what has happened in the last 4 or 5 years under the current Farm Program, that loan rate dropped. And if he has had a price decline of about \$1—it was about \$3.50 last year, and now it is \$2.50, and then he turns around and says, OK, you are doing this to me in terms of the price decline because of the loan rate, and where you are headed to be an export oriented Farm Program, but he can't get in the program. The safety net doesn't affect him because of the payment limitations.

You see, we are down to that 480 acres. So we become very market competitive all right. We have darn near put him out of business.

He says, wait a minute. I didn't ask for the farm program to begin with it. I have stayed out of it all these years. So what the gentleman has pointed out is exactly correct. He is in one heck of a fix, and he was the efficient producer who thought he would never need a Farm Program.

Now is that fair? That is a good question.

It depends on what kind of combine you are talking about.

Mr. VOLKMER. For wheat.

Mr. ROBERTS. We have a lot of custom cutters that come through.

Mr. VOLKMER. That is right, so we don't want to relate it to that. I agree on that. So, it is really not part of the discussion as to whether or not that farm can support one or two combines in certain areas of this country.

Mr. ROBERTS. But we could use tractors or combines, or any kind of combines if the Gentleman wants, and the economy of scale is much larger out in Kansas. That is just the way it is.

Mr. VOLKMER. Yield back the balance of my time.

Mr. GLICKMAN. Mr. Emerson.

Mr. EMERSON. No questions.

Mr. GLICKMAN. Mr. Marlenee.

Mr. MARLENEE. There are a few things about this concept that have not been brought out and I would like the authors of the bill to think about.

Number one, we have to define who are producers and which people are going to get this targeted amount of bushels? Is it really the commercial producer that we are trying to help, or are we

going to help a number of other people involved in agriculture? And I emphasize "involve."

Let's think about this for a moment because, are we going to entitle the doctor with investments, and he has bought 640 acres of land and leases it out to a producer; is he entitled to these deficiency payments, or to some kind of a targeted payment?

What about the brother who left the farm, turned it over, is he one of those and is he going to get that targeted assistance? The retired farmer, who finished up and he moved to town, now he is going to get some of this targeted assistance. The guy who could not make it and had to rent out his place, the attorney who owns some land—maybe he inherited it, maybe he purchased it for an investment—all of these people are going to be generally under the acreage of the commercial investor and they are at the present time considered producers.

And they outnumber, I would venture to say in our country, they outnumber the actual hands-on producer by about two-to-one. You take one farmer and he will rent—he will have anywhere from two to five, to six or seven different landlords. So you are going to say, hey, all of you guys out there that own, or absentee—you are not a hands-on producer—you are entitled to 20,000 bushels, of assistance, and you the producer, the commercial producer who is the lessee, the actual producer, you are only going to be able to receive one increment of assistance.

I think that that is flying and skewing the direction that we want to move with farm programs. It is not targeting the commercial producer, the guy, the family farmer that we want to help, but all of these absentee landlords. If we want to do something, what about the foreign entities that own land in Minnesota, Kansas, Montana? Are we going to say, hey, you guys are all entitled to some, too.

If we want to do something, maybe we ought to say that anybody from Switzerland, Canada, Germany, France—maybe they should not be entitled to Government payments, but when we do that, we had better look at what we do to the farm economy in general.

We are talking about management logistics, and I understand management and I understand it quite well. I have sweat through this son-of-a-gun for about 25 or 30 years now trying to make a farm operation go. I know what would happen if you came along and you said—every farm is only going to get 20,000. We are going to give you a hell of a deal; we are going to make \$7 a bushel, you are only going to get 10,000 bushel of protection on wheat.

All right, that is great. What happens then to the guy—the banker says, hey, fellow. You have to liquidate, you have 1,640 acres and you have too much debt. You have to liquidate 320 acres of that. You have to liquidate that land and you have to sell it to somebody so you can restructure your debt.

Let me ask you, who is he going to sell that to? Most of the producers are up against the payment limitation. They are raising about 10,000 or maybe 20,000 bushel, and a good, solid commercial producer, he can't buy any more because he can't get any assistance.

So here the guy is, he does not have the opportunity to restructure. I think that a severe targeting or payment limitation pro-

gram could precipitate—and I emphasize this most strongly—could precipitate one of the greatest real estate crashes that this country has ever seen, in Minnesota, Kansas, Montana, Nebraska, Missouri, or wherever you go simply because nobody will have the opportunity to put on the market additional land so they can restructure their debt.

This committee better move very cautiously in this regard. These are two things. They are not involved with saving the family farm. Well, they are involved with saving the family farm, but our actions could precipitate disaster for a lot of producers, and finally, Mr. Chairman—indulge me with one more minute—I ask unanimous consent for one more minute.

Mr. GLICKMAN. Granted.

Mr. MARLENEE. Finally, there is something inherently wrong with a system in which we say we are going to drive down the price on the world market so that this Nation can be competitive and so the consumers can receive a basket of food that is second to none in the world for the price and for what you get.

There is something inherently wrong in a system that does that, and then says—only you, you and you, because you happen to raise less than 20,000 bushel and maybe you don't even live on the farm, are entitled to a better price than the guy whose market we have destroyed.

Thank you, Mr. Chairman.

Mr. GLICKMAN. I just finished reading both of these statements. They are excellent statements, and they provide us with some options as well as in Dr. Benbrook's statement, a variety of what I call intellectual judgments that we must make before we make any profound changes.

I think the committee is very appreciative for them. I would just ask a couple of things. One, have either of you ever thought about the option of the Government not paying the first bushel produced, deficiency payments, or making those eligible for loans? Small farmers, hobby farmers, let's say the first 30 or 50 acres of production as a way to reduce cost in the program and also as a way to deal with the situation where if you have a target or a loan rate that is too high it encourages maybe the very small producers from participating.

Mr. SCHNITTKER. I have not considered that, no. I am not sure I understand, Mr. Chairman.

Mr. GLICKMAN. Let's say that we just decide that in any form of targeting arrangement, or even in the current program that we will make the first 50 acres of wheat and the first 30 acres of corn not eligible for payments, period, as a way to deal—I am only dealing with this in the fiscal context in a day to deal with the situation where more and more people are bumping up against the payment limitation. You might have some folks who are just for the target price, particularly the smaller producers.

I just wondered if you ever thought about that, to try to exclude the very smallest producers.

Mr. SCHNITTKER. I think that is an intriguing concept. There are very few farmers and very few farm families are heavily dependent on the income that is going to come off 30 acres of wheat, and the

benefits from the farm programs aren't going to make that big of a difference to them.

Mr. GLICKMAN. I just wondered where, in an era where we are seeing Gramm-Rudman and other budget things—this is kind of a reverse concept because it is geared towards the very, very smallest of producers. I wonder what the fiscal impact would be. We may be looking at ways to reduce cost, and obviously everybody gets a payment on those first 30 acres.

Mr. SCHNITTKER. I think it would have much less of an impact on the budgetary expenditures under the program than it would on the workload in the ASCS offices. They have to do a lot of applications. It is just as much work to send out a PIK certificate worth \$300 as \$3,000.

Mr. VOLKMER. Would the gentleman yield?

Mr. GLICKMAN. Yes.

Mr. VOLKMER. I believe that the gentleman from Kansas has already given the answer to that type of situation; if you restrict targeting, as the gentleman say, he would offer an amendment to where at least 50 percent of the income from a person had to come from that farming operation. You are going to eliminate most of those people because they are not going to make any livelihood on 30, 40 or 50 acres.

Mr. ROBERTS. Would the chairman yield?

Mr. GLICKMAN. Be glad to.

Mr. ROBERTS. If we are going to go into the briar patch, I think we ought to go in and define on the bottom end of it, as well. We are defining if you are too big, you don't get payments; maybe we ought to decide if you are too small, you don't get payments.

But the key is, instead of a small family farmer, we are talking about a small family producer, as opposed to a hobby farmer, and I don't want to perjure that term either. There is a lot of folks out there that contribute in many ways to our society that fall into that category, but what we are still talking about, I hope, is supply-management to some extent with very severe budget restrictions, and where we want agriculture to go in this country.

But that is the problem, again, I would say to the chairman when this committee, the full Congress, the USDA, or for that matter anybody—any farm organization—tries to define who is a farmer, who is a producer, how small, how big. The blood pressure in my country is, if in fact you have a 2,500 acre operation that does contribute more to the Nation's food supply and they are enrolled in a supply-management program, why are you rewarding a hobby farmer from some other place with only 40 acres with a higher price?

Mr. VOLKMER. Would the gentleman yield?

Mr. MARLENEE. Will the gentleman yield?

Mr. GLICKMAN. I will yield for a minute.

Mr. MARLENEE. The answer is very simple: Go ahead with the amendment and let's have USDA make all the evaluations. You have to get an appointment now to get into your ASCA Office to sign up for all the programs. By the time we go through all the evaluations, the planting season is over and we won't raise anything.

Mr. VOLKMER. Will the gentleman yield?

Mr. GLICKMAN. Yes, I would be glad to.

Mr. VOLKMER. I would much prefer if we do anything on this whole idea—the gentleman from Kansas' solution, rather than this gentleman from Kansas—the chairman's solution—because in many areas of this country, not only in mine, but in other areas, you can have a 1,000 acre farm with a 30, 40 or 50 acre wheat base. Because they may also produce corn and milo and soybeans, or cotton, or rice.

Therefore, if because the person had such a smaller base, I don't think it is as good as trying to say that a producer should be from farm income.

Mr. ROBERTS. Would the gentleman yield on that point?

Mr. GLICKMAN. Yes.

Mr. ROBERTS. But there is no substitution, which is what the gentleman has pointed out. We tried to get a 20 percent substitution factor in this farm bill. We have a 10 percent substitution flexibility but the Secretary has refused to do that, and so in many cases now, in terms of good conservation practices and in trying to figure out where you are going to plant a crop for the market, you can't do that.

Under this particular plan, there is no substitution and that is yet another problem.

Mr. GLICKMAN. We don't know if there is substitution or not.

Mr. VOLKMER. In the gentleman's bill there may not be, but that doesn't mean that we wouldn't do anything.

Mr. GLICKMAN. I guess my point in raising this is if the Dorgan-Penny concept, which I find attractive, is based upon a quite high target price or payment on x -thousand bushels, I don't want to be encouraging more people to produce those bushels.

I am just trying to figure out if there is a way to deal with that problem. We don't want to increase production by 20 percent by a higher target price on all the bushels produced up to 30,000 bushels. That was my point.

Let me just make a couple of quick points. Mr. Schnittker, just briefly, in your statement you say that you oppose the decoupling concept of the Boren-Boschwitz proposal, but you do support a 0/92 proposal, at least on an option basis for a short period of time. Is that a fair characterization?

Mr. SCHNITTKER. Yes, I referred to what I see as real difficulties in the overall Senator Boschwitz bill, which includes lowering price support levels, terminating acreage reduction, et cetera. But I think it is important to make a start on the decoupling idea with one commodity or two for a year and see what kind of farmer response you get, and that is what I understand the bill that is going to be on the floor would do.

Mr. GLICKMAN. Thank you. Let me finally ask you, I don't know if you are going to be testifying on the Harkin-Gephardt, the mandatory control bill or not, but you have a statement in your last point. I would like to read it.

You say:

Mandatory programs, similar to those in the Harkin-Gephardt bill are now generally unacceptable to U.S. farmers in my judgment. Wheat or rice farmers might support a mandatory high-price support program, but I doubt it. Corn and soybean growers would never do so. We need to make acreage restrictions for a time, given

the huge surpluses and excess capacity now evident, but a combination of present diversion programs strongly administered, and the conservation reserve now represent the only acceptable approach.

I wonder if you might outline in your own words, generally, your thoughts on Harkin-Gephardt type proposals.

Mr. SCHNITTKER. I fear that under that type of proposal, where you decide more or less commodity, or product by product, that you would get, say, wheat voting yes, and you would have everything that goes with it, including a very high price support, but then corn voting no. You would get \$1.80 corn and \$7 wheat, and that just doesn't work very well.

I think you would have a very uneven situation if you submitted to that kind of a decision process by farmers, and it would become unworkable in my judgment.

Mr. GLICKMAN. I want to thank you both for coming here, very much. Your statements are excellent.

Our last panel is a panel of three gentlemen, Mr. Don Reeves, Bread for the World, Central City, Nebraska; Mr. Bob Carlson, vice president, North Dakota Farmers Union; and Mr. John Zippert, Federation of Southern Cooperatives, Atlanta, Georgia.

We are delighted to have you all here. Why don't you come up and we will proceed to hearing from each of you. Your entire statements will appear in the record. If you can try to summarize and give us more time for questions, we would appreciate it.

We have a bill on the floor that is going to be on about 12:10 or 12:15, so we are going to have to move as quickly as possible.

STATEMENT OF DON REEVES, AGRICULTURAL POLICY CONSULTANT, BREAD FOR THE WORLD

Mr. REEVES. I am Don Reeves, from Central City. I am a grain and livestock farmer, but appear here today on behalf of Bread for the World, most of whose members are not farmers.

I am going to start with a couple of stories that are not in the written testimony. In some of the best land in Guatemala they grow cotton for export purposes, and I understand from a Guatemalan geographer that the labor is so cheap there that they can hire people—they overplant the seed—and then hire people to thin those plants by hand; and that the preferred persons to hire for this thinning operation are the young women and the women who come down from the mountains.

Their culture is such that they thin down to the strongest plant, and that cultural instinct, as it were, carries them through and there is a measurable increase in cotton if those people do the thinning, as opposed to other persons.

I was reminded of that as I read the current issue of Hog Management, in which William Hahn, who is the president of National Farms, was talking about the people who work on their hog operation in Holt County, Nebraska. They have hired about 275 people there and William Hahn said everyone of these people is the son or daughter of a farmer.

Well, I thought of the Guatemalan situation and my question to William Hahn, the people who supported that kind of an industrial agriculture, where are the sons and daughters going to come from the next generation?