

A CONFIDENTIAL REPORT ON WASHINGTON FARM DEVELOPMENTS

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SHOWDOWN NEAR ON ADMINISTRATION FARM BILL

The Senate is currently debating and the House will take up next week the complicated and highly-controversial Administration farm bill. [Some Washington observers, who were predicting earlier that Congress would make no major changes in present farm programs at this Session, now concede that the Administration will get a general farm bill enacted. It won't embrace everything the Administration sought--mandatory dairy production controls are out, for example--but programs covering 1963 crop wheat and feed grains seem sure to be approved.

While the mushrooming Estes scandal was expected by some people here to dim chances for new farm legislation, actually it has provided the Administration with a dramatic means of focusing public attention on the need for changes in the Nation's agricultural programs. Note how President Kennedy seized upon this at his press conference last week. His implication was that without huge surpluses there would have been no opportunity for Estes' manipulations. This, of course, overlooks the Texas operator's dealings in pooled cotton allotments which were in no way related to storage.

Note also the Kennedy emphasis upon reducing farm program costs. Without the Administration-backed farm legislation, he said surpluses and government investment in farm commodities would soar in years ahead. This appeal was obviously directed toward city people and the Congressmen who represent them and, without the support of a sizeable number of big city Democrats, the Administration farm measure would have little chance of passage. Kennedy aides are reported to be bearing down heavily on these big city Congressmen, many of whom had become cool toward virtually all farm programs. Apparently a considerable number of these Congressmen will now vote for the Kennedy farm bill as an "economy measure."

While no one can say with certainty how much higher farm surpluses might rise without new legislation, it seems quite clear that the Kennedy program will be expensive. Department of Agriculture outlays jumped by about one billion dollars during the first Kennedy year, largely as a result of the feed grain program. They seem likely to climb even higher this year, because of added wheat program costs. Thus, while the Administration may win support in Congress for its farm bill with the argument that it will save money, we believe it will actually cost more.

The big question, we think, centers around whether the Administration will get a mandatory feed grain bill or a voluntary one along the lines of the present program. House bill provides mandatory feed grain acreage cuts expected to average about 20 per cent. Senate bill provides voluntary reductions which would be compensated through federal payments for retired acres. Chairman Ellender of the Senate Agriculture Committee is expected to make a strong floor fight to restore the mandatory feed grain acre cutback which was knocked

out in his Committee.

The House Agriculture Committee approved the mandatory feed grains section by a narrow majority and this was achieved only by adding a couple of "sweetener" amendments which picked up the support of some wavering Southern Congressmen. The amendment which won their votes would permit the Secretary of Agriculture to call for no acreage cutbacks in the "deficit" feed grain areas--largely the South. In other words, Midwestern producers would be called upon to bear the entire burden of reducing feed grain surpluses. This amendment also concerns wheat growers who, under a two price plan, would look to the deficit areas as their natural market for feed wheat.

As of today, a farm bill seems sure to be passed. The big question remaining is whether the production control aspects of it will be fairly tough or extremely tough.

RAMIFICATIONS OF THE ESTES CASE

Secretary Freeman's announcement of yesterday that the government's 42 million bushels of grain will be moved out of the Estes storage facilities over the next 18 months as a matter of "public policy" raises the question of whether it was in the public interest to store so much grain in West Texas locations in the first place. The USDA admits that in 1961 some 5.2 million bushels of wheat were shipped from Kansas, Nebraska, Colorado and Missouri to the Estes elevators in the Plainview, Texas, area. The bulk of this grain originated in Kansas. This has puzzled many people who can't understand why wheat "in position" should be moved to "out of position" locations at great cost. This is one of the specific items which the McClellan Committee is now investigating in its search for evidence of favoritism to Estes. Records of these grain shipments have been forwarded from the Kansas City area office to USDA here in Washington and are now being studied by McClellan Committee investigators.

In addition, the Intergovernmental Relations Subcommittee, Congressman Fountain (D.-N.C.), Chairman, has also announced plans to investigate the Estes affair. This is the Subcommittee which has conducted periodic investigations of government grain storage operations in recent years. It kept USDA officials of the previous Administration on the griddle almost constantly.

The Fountain Subcommittee lacks the trained staff available to the McClellan Committee for a full-scale investigation of the Estes case. Some fears are expressed privately by Capitol Hill observers that the Fountain probe may be directed again at grain storage operators primarily and Estes only incidentally. If the finger of suspicion can be pointed at the previous Administration and at all grain storage operators, the theory is that this would help to divert attention from Estes and his dealings with high officials of the present Administration.

Since the widely-publicized Symington investigation of the grain storage industry two years ago, this segment of business has become a favorite whipping boy for some of the politicians. Somehow forgotten are the days when farmers couldn't find space to store their crops, when emergency storage loans were made on the ground or under any kind of cover. Harry Truman made lack of storage facilities a major campaign issue in 1948. Subsequently, Congress approved accelerated tax deductions on new grain storage facilities. The Dept. of Agriculture pleaded with the private trade to build the required space and even offered guaranteed occupancy contracts to stimulate construction.

Now the people who got the job done--who did what the government itself asked them to do--are apparently in the same SOB class with the steel industry.

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