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5/6/16/75

THE WHITE HOUSE

WASHINGTON

June 12, 1975

ACTION

Last Day: June 16

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *Jac*

SUBJECT: Enrolled Bill S. 1236 - Emergency Livestock Credit

Attached for your consideration is S. 1236, sponsored by Senator McGovern, which extends and amends the Emergency Livestock Credit Act of 1974 from July 25, 1975 to December 31, 1976.

A discussion of the amendments is provided in OMB's enrolled bill report at Tab A.

With the exception of CEA, which recommends veto, all of the departments and agencies contacted by OMB recommend approval of the enrolled bill. In addition, OMB, Max Friedersdorf, Phil Buchen (Lazarus) and I recommend approval. Bill Seidman has no comments.

RECOMMENDATION

That you sign S. 1236 at Tab B.

That you approve the attached signing statement which has been cleared by Paul Theis, at Tab C.

Approve *PT*

Disapprove _____



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUN 10 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 1236 - Emergency Livestock Credit
Sponsor - Sen. McGovern (D) South Dakota

Last Day for Action

June 16, 1975 - Monday

Purpose

Extends, with certain amendments, from July 25, 1975 to December 31, 1976, the Emergency Livestock Credit Act of 1974.

Agency Recommendations

Office of Management and Budget	Approval
Department of Agriculture	Approval
Farm Credit Administration	Approval
Department of the Treasury	No objection
Council of Economic Advisers	Disapproval

Discussion

Under provisions of the Emergency Livestock Credit Act of 1974, the Secretary of Agriculture is directed to provide loan guarantees covering up to 80 percent of the loss on private lender loans which are made to bona fide farmers and ranchers who are primarily engaged in breeding, raising, fattening or marketing livestock. The total loans guaranteed for any loan applicant may not exceed \$250,000, and the aggregate of such loans may not exceed \$2 billion at any one time. The loans must be repaid within 3 years with an option of renewal for up to 2 additional years. Eligible loan purposes include beef cattle, dairy cattle, swine, chicken,



APPROVED

JUN 16 1975

Signed in Ceremony
- Cabinet Room - 3:00p

To Archives
6/17

turkeys, sheep and goats. The authority to make new guaranteed loans expires on July 25, 1975, although the Secretary has the discretion to extend the program for up to an additional 6 months.

S. 1236 would amend the Emergency Livestock Credit Act of 1974 to:

- extend the authority to make new loan guarantees to December 31, 1976;
- broaden program eligibility to include those farmers or ranchers who have "substantial" livestock operations;
- increase coverage so that the total principal balance outstanding at any one time on guaranteed loans for any borrower may not exceed \$350,000;
- lengthen the maximum duration of loans to 7 years with Secretarial discretion to renew for up to 3 additional years;
- change the loan guarantee to cover up to 90 percent of the principal and interest of the total loan;
- liberalize loan security requirements to authorize the Secretary, at his discretion, to accept collateral which has depreciated in value owing to temporary economic conditions, if the lender is confident it is sufficient, considering the repayment ability of the borrower;
- authorize the Federal Financing Bank to hold the guaranteed portion of these loans;
- reduce the aggregate level of Federal loan guarantees to \$1,500,000 at any one time; and,
- require the Secretary to report to Congress concerning the effectiveness of the Act.

In testifying before Congress, Agriculture witnesses stated that the Administration would support S. 1236 subject to continuing this program as a guaranteed loan program with



loans being made at interest rates agreed upon by the borrower and the lender -- the enrolled bill meets these basic conditions. In addition, Agriculture and Treasury offered a number of specific changes to the proposed legislation which for the most part have been incorporated in S. 1236, as enrolled.

Two of the Administration's amendments which were not adopted are worth noting. First, we had opposed the liberalization of the bill's scope to include those farmers and ranchers who have "substantial" livestock operations (versus existing requirement that such activities be their primary operations). This change could extend credit assistance to operations whose main activities are not attributable to livestock and which by any objective standard do not really need such special assistance. Second, we viewed as unnecessary the lengthening of loan periods to potentially 10 years. However, we have been advised informally by Agriculture that it will stringently administer these provisions to avoid possible abuses under the new standard.

In reporting on S. 1236, the House Agriculture Committee stated that:

"In a deteriorating market that has seen the inventory value of cattle reduced by nearly 50 percent in recent months, the loss of equity and the expectation of a longer period of non-profit operations calls for, if not demands, some liberalization of credit conditions for livestock producers...."

* * * * *

"The amendments to the Emergency Livestock Credit Act of 1974 provided for in this bill should provide a sound loan program, one that permits rural banks to maintain liquidity while also tiding the livestock producers over a grave financial crisis. It is also believed that it will benefit consumers by maintaining the livestock industry in a posture where it can produce an optimum amount of beef at prices that will provide an adequate return to producers and at reasonable retail prices."



Agriculture, the Farm Credit Administration, and Treasury all recommend or have no objection to approval of S. 1236. However, the Council of Economic Advisers recommends disapproval on the basis that credit is "now more available generally and viable enterprises should be able to obtain the credit they need." CEA also notes that the livestock sector should adjust to its changing market conditions and that approval of the enrolled bill would only "forestall the day of reckoning."

While we share the concerns expressed by CEA, we conclude that the Emergency Livestock Credit Act of 1974 has been, and as amended by S. 1236 will continue to be, a useful and necessary program in assuring that the livestock industry, a major section of American agriculture, can obtain the credit it must have in order to return with the least disruption to a stable and healthy position. As the House Agriculture Committee report cited above notes, livestock producers have been facing a rather poor economic situation and many of them will need additional credit relief if they are to continue as viable participants in the industry. Finally, it should be noted that the Congress was responsive to many of the Administration's comments on the bill, and in those areas where we unsuccessfully sought amendments, we will work with Agriculture in an effort to minimize our participation in placing questionable and unnecessary loan guarantees. Direct Federal costs will be limited to nominal administrative expenses (\$700,000 for the full 1975 fiscal year), and such defaults of guaranteed loans as may occur in future years under this "market" interest rate loan program. These administrative expenses and any defaults that occur will represent an increase in your fiscal year 1976 budget.

James M. Frey

Assistant Director for
Legislative Reference

Enclosures





485 L'ENFANT PLAZA, S.W. WASHINGTON, D.C. 20578

June 6, 1975

Director, Office of Management and Budget
Executive Office of the President
Washington, DC 20503

Attention: Assistant Director for
Legislative Reference

Subject: Report on enrolled bill S. 1236, 94th Congress

This is in response to your request of June 4, 1975, for a report on enrolled bill S. 1236, an act "To extend and amend the Emergency Livestock Credit Act of 1974, and for other purposes."

Under the Act, the Secretary of Agriculture is authorized and directed to provide financial assistance by guaranteeing loans made by a legally organized lending agency to a bona fide farmer or rancher who is primarily and directly engaged in livestock production. The enrolled bill would authorize the guarantee of a line of credit up to \$350,000; the present maximum amount is \$250,000. It also would increase the limitation on the amount of a loan the Secretary could guarantee from 80 percent to 90 percent. Further, the enrolled bill would clarify who is eligible for assistance under the Act, and would extend the termination date for the emergency livestock credit program to December 31, 1976.

The Farm Credit Administration recommends that the enrolled bill be approved by the President.

Sincerely,

W. M. H. [Signature]

Governor





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

June 10, 1975

Honorable James T. Lynn, Director
Office of Management and Budget
Washington, D.C.

Dear Mr. Lynn:

In reply to the request of your office, the following report is submitted on the enrolled enactment of S. 1236, an Act "To extend and amend the Emergency Livestock Credit Act of 1974."

This Department recommends that the President sign the Act.

The guaranteed Emergency Livestock loan program is designed to assist livestock producers to continue their normal operations through the temporary adverse economic period. As passed by the Congress, S. 1236 will, among other things: (1) broaden eligibility to require that only a substantial part of an applicant's farming or ranching operation be in breeding, raising, fattening, or marketing livestock, including dairy cattle raised and maintained for the primary purpose of marketing dairy products; (2) extend the authority to approve new contracts of guarantee to December 31, 1976; (3) authorize the guarantee of a "line of credit" for each borrower up to \$350,000; (4) make the guarantee apply to 90 percent of the principal and interest instead of 80 percent of any loss sustained under the guarantee, as presently authorized; (5) increase maximum length of loans to 7 years with a 3-year renewal provision; (6) broaden security requirements to provide that the Secretary may accept collateral which has depreciated in value owing to temporary economic conditions, if the lender is confident it is adequate, taking into consideration the repayment ability of the borrower; (7) authorize the Federal Financing Bank to hold the guaranteed portion of these loans; (8) permit funds from the Agricultural Credit Insurance Fund to be used for purchase of the guaranteed portion; and (9) permit use of such funds to meet administrative expenses necessary to carry out the provisions of the Act.

The Act will make needed changes in the guaranteed Emergency Livestock loan program administered by the Farmers Home Administration (FmHA), so that it will be more workable and responsive to eligible borrowers and lenders.

The cost of the program as authorized by S. 1236 is not known because possible effects of changes in the new Act have not been demonstrated. However, it should be noted that since these are loan guarantees there will be no direct cost to the Treasury, other than administrative expenses, until there is a default on a loan and holders of the guarantee request settlement. None is expected during fiscal year 1975.

Sincerely,


J. Phil Campbell
Under Secretary



THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

JUN 6 1975

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of S. 1236, "To extend and amend the Emergency Livestock Credit Act of 1974, and for other purposes."

The enrolled enactment would amend the 1974 Act by deleting the proviso which prohibits the Federal Financing Bank from financing loans guaranteed under the Act and substituting language which would authorize the Bank to "hold the guaranteed portion of such loans." The enrolled enactment also changes the extent of the Federal guarantee from 80 percent of loss to 90 percent of principal and interest.

These amendments are consistent with suggestions made by Secretary Simon in a December 26, 1974 letter to Senator Curtis (set out at page 6 of the Senate Committee report), and were supported in principle in testimony by the Department of Agriculture.

The Department would have no objection to a recommendation that the enrolled enactment be approved by the President.

Sincerely yours,


General Counsel

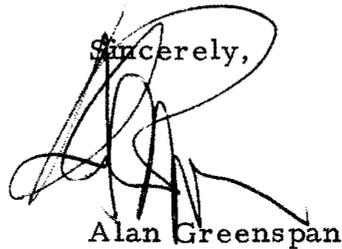
THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 5, 1975

Dear Mr. Frey:

This letter is in reference to S. 1236, an act "To extend and amend the Emergency Livestock Credit Act of 1974, and for other purposes." We are strongly opposed to this legislation and recommend that the President veto it. The Administration opposed the original Emergency Livestock Credit Act of 1974. There is even less basis for such legislation at the present time. Credit is now more available generally and viable enterprises should be able to obtain the credit they need. More importantly, however, the livestock sector (especially beef) is in much need of adjusting to the changed market conditions that it faces. Extension of the Emergency Livestock Credit Act will only forestall the day of reckoning.

Sincerely,



Alan Greenspan

Mr. James Frey
Assistant Director for Legislative Reference
Office of Management and Budget
Washington, D. C. 20503



Please note: Max Friedersorf
recommends signing ceremony if possible.

Do we take initiative or does he?

THE WHITE HOUSE
WASHINGTON

June 11, 1975

MEMORANDUM FOR: JIM CAVANAUGH
FROM: MAX L. FRIEDERSDORF *M-6*
SUBJECT: S. 1236 - Emergency Livestock Credit Act of 1974

The Office of Legislative Affairs concurs with the agencies
that the subject bill be signed.

Attachments

*I recommend signing
Ceremony if possible. - MAF.*

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 10, 1975

Time: 600pm

FOR ACTION: Paul Leach *ml* cc (for information): Jim Cavanaugh
 Bill Seidman *No comment* Jack Marsh
 Max Friedersdorf *ml*
 Ken Lazarus *ml*

FROM THE STAFF SECRETARY

DUE: Date: June 11

Time: 300pm

SUBJECT:

S. 1236 - Emergency Livestock Credit Act of 1974

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 10, 1975

Time: 600pm

FOR ACTION: Paul Leach
Bill Seidman
Max Friedersdorf
Ken Lazarus

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: June 11

Time: 300pm

SUBJECT:

S. 1236 - Emergency Livestock Credit Act of 1974

ACTION REQUESTED:

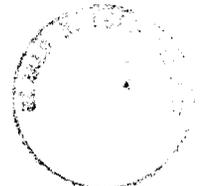
- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

The subject bill passed the Senate on March 20 by voice vote and the House on May 6, by a vote of 363-42. A veto would be politically damaging and likely would be overridden. Recommend approval.

Ken Lazarus 6/11/75



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Conroy
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: June 10, 1975

Time: 600pm

FOR ACTION: Paul Leach
Bill Seidman
Max Friedersdorf
Ken Lazarus

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: June 11

Time: 300pm

SUBJECT:

S. 1236 - Emergency Livestock Credit Act of 1974

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No Comment

LWS

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cavanaugh
For the President

*Continue
to be in modified form*

STATEMENT BY THE PRESIDENT

*extending and amending
the
Emergency
Livestock
Credit
Act of 1974*

I am pleased to sign into law today S. 1236, ~~Emergency Livestock Credit Act of 1974~~ *Emergency Livestock Credit Act of 1974*

~~This bill will extend and liberalize the Emergency Livestock Credit Act which was due to expire on July 25, 1975.~~

~~While this date could and would have been extended by the Secretary of Agriculture for an additional 6 months. The Act will~~ *extend until the end of 1976. The*

~~enactment of S. 1236 will provide a further period within which to help livestock producers, now just beginning to recover from a serious cost-price squeeze, by assisting them to obtain guaranteed financing from the private sector.~~

BEEN
~~Our livestock industry has and is continuing to go~~ *going*
~~through a very troubled time financially. Farmers and ranchers, especially those who raise beef cattle, found themselves caught between soaring prices of feed and prices for livestock on the hoof that rose~~ *prices*
~~which have failed to keep pace with increased costs.~~ *prices*
and
found themselves
caught between soaring prices of feed and prices for livestock
prices
on the hoof that rose
increased costs.
prices
and
found themselves
caught between soaring prices of feed and prices for livestock
prices
on the hoof that rose
increased costs.

~~A cutback in livestock supplies would, of course, run contrary to the long-term interest of the American consumer. To avoid this and to provide a deserved measure of relief to our farmers and ranchers, the Emergency Livestock Act was enacted in 1974.~~

~~The bill I am signing today builds on this sound foundation and expands it in the light of the experience we have gained.~~

I am confident that, with this assistance, the livestock industry will continue its progress toward economic viability, thus benefiting producers and consumers alike.



#

Stateman 7 By The President Oct 11 1975

I am pleased to sign into law today S. 1236, extending and amending ~~The~~ Emergency Livestock Credit Act of 1974, which was due to expire on July 25, 1975. This Act will continue in modified form until the end of 1976 the period within which livestock producers, who are now just beginning to recover from a serious cost-price squeeze, can obtain guaranteed financing from the private sector.

Our livestock industry has been going through very troubled times financially. Farmers and ranchers, especially those who raise ~~best~~ beef cattle, have been hard hit by livestock prices which have failed to keep pace with ^{RISING} costs of feed and other items.

A cutback in the supply of livestock ~~and~~ would, of course, run contrary to the long-term interests of the American consumer. To avoid this and to provide needed relief to our farmers and ranchers, the Emergency Livestock Credit Act was ~~enxx~~ enacted in 1974.

The bill I am signing today not only extends this law but expands it in the light of the ~~enxx~~ experience we have gained.

I am confident that, with this assistance, the livestock industry will continue its progress toward economic health, thus benefiting producers and consumers alike.

Speech Type

Industry

C. ~~Press Plan~~ ~~Full~~ ~~press~~ ~~Coverage~~

TALKING POINTS

Remarks

1. It is my great pleasure to have you all here with me today while I sign this bill which extends and amends the Emergency Livestock Credit Act.
2. This legislation provides a useful and necessary program to assure that the livestock industry can obtain the credit it needs in order to return to a healthy position.
3. I consider it to be critical that we provide relief to this important section of American agriculture during this period of economic adversity *and a severe cost-price squeeze.*
4. In addition, this Act will benefit consumers by helping the livestock industry produce the meat required by our Nation at reasonable prices.

STATEMENT BY THE PRESIDENT

I am pleased to sign into law today S. 1236, extending and amending the Emergency Livestock Credit Act of 1974, which was due to expire on July 25, 1975. This Act will continue in modified form until the end of 1976 the period within which livestock producers, who are now just beginning to recover from a serious cost-price squeeze, can obtain guaranteed financing from the private sector.

Our livestock industry has been going through very troubled times financially. Farmers and ranchers, especially those who raise beef cattle, have been hard hit by livestock prices which have failed to keep pace with rising costs of feed and other items.

A cutback in the supply of livestock would, of course, run contrary to the long-term interests of the American consumer. To avoid this and to provide needed relief to our farmers and ranchers, the Emergency Livestock Credit Act was enacted in 1974.

The bill I am signing today not only extends this law but expands it in the light of the experience we have gained.

I am confident that, with this assistance, the livestock industry will continue its progress toward economic health, thus benefiting producers and consumers alike.

EMERGENCY LIVESTOCK CREDIT

MARCH 18 (legislative day, MARCH 12), 1975—Ordered to be printed

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

REPORT

[To accompany S. 1236]

The Committee on Agriculture and Forestry, to which was referred the bill to amend and extend the Emergency Livestock Credit Act of 1974, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

SHORT EXPLANATION

The bill being reported by the Committee combines provisions in S. 351 and S. 579 to amend and extend the Emergency Livestock Credit Act of 1974. The bill—

(1) Directs the extension of financial assistance to a bona fide farmer or rancher if a substantial part of his operation involves the breeding, raising, fattening, or marketing of livestock.

(2) Permits secondary financing of the guaranteed portion of livestock loans through the Federal Financing Bank.

(3) Provides that contracts of guarantee shall not require the Secretary of Agriculture to guarantee more than 90 percent of the principal and interest on the loan. Under existing law, the Secretary's participation is limited to 80 percent of any loss sustained. The amendment would make it easier for lenders to sell the guaranteed portion of loans to other financial sources.

(4) Provides that guaranteed loans shall be for the period reasonably required by the needs of the borrower (taking into consideration the available security), but not exceeding an original term of seven years. Loans could be renewed for not more than three additional years. Under existing law, guaranteed loans must be payable in not more than three years, but may be renewed for not more than two additional years.

(5) Authorizes the guarantee of a line of credit up to \$500,000. Under existing law, the total loans guaranteed for any loan applicant may not exceed \$250,000.

(6) Authorizes the payment of administrative expenses from any funds available including the Agricultural Credit Insurance Fund.

(7) Extends the Act until December 31, 1976. Under existing law, the authority to make new guarantees will terminate July 25, 1975.

(8) Requires that, insofar as practicable, action by the Department of Agriculture on each loan application is to be completed within thirty days.

The bill would also amend the Consolidated Farm and Rural Development Act to provide that contracts of guarantee under that Act shall not require the Secretary to guarantee more than 90 percent of the principal and interest on such loans. Under existing law, the Secretary may guarantee no more than 90 percent of the loss sustained on any loan. The amendment would make it easier for lenders to sell the guaranteed portions of loans to other financial sources.

NEED FOR LEGISLATION

When the Committee considered the Emergency Livestock Credit Act of 1974, the economic plight of livestock producers was desperate, and there was need for immediate action. Since that time there has been another shortfall in crops (due to the mid-summer drought and early frosts last year) and further deterioration of the general economy. These have further exacerbated the credit needs of the livestock industry.

The nearly two years of an increasingly severe cost-price squeeze for beef continues to endanger the viability of this industry, especially at the cow-calf level. This is the foundation of the beef industry and it is under great pressure.

It is now clear that extension of the basic emergency Act is necessary and some modifications are imperative. The current authority to make guarantees will terminate in July, although the Secretary may extend the authority for an additional six months. The need is not going to be satisfied in this period and the discretionary power of the Secretary to extend or not extend the program causes uncertainty and could be limiting the program's usefulness.

The intensity of the problem facing many livestock producers, especially their loss of equity and the expectation of an extended period of low returns, necessitates a longer repayment period for producers to regain full viability. Providing for up to 7-year terms with the provision for a 3-year extension adds flexibility needed to provide farmers adequate opportunity to reestablish a sound financial base.

Further, the modification of loan limits to a credit line basis will also provide more flexibility to both producers and lenders. The increase in the individual limit to \$500,000 will also increase the flexibility of the program and more fully meet the needs of a larger share of producers.

Increasing the guarantee from 80 percent to 90 percent of principal and interest will not increase government exposure significantly but

will improve the marketability of this paper in secondary markets. This will assist small rural banks in maintaining necessary liquidity and in meeting normal obligations.

The original program was not designed to bail out either the livestock industry or its lenders; nor are the amendments contained in the bill being reported by the Committee. It is simply a method to assist producers through a period of economic adjustment and bring the entire industry back to a position of financial stability. This is necessary for producers, as well as consumers. Without this stability, supplies and prices of livestock products will be irregular at best and could be extremely unsettling to the overall effort to reestablish a normal livestock economy.

COMMITTEE CONSIDERATION

The Subcommittee on Agricultural Credit and Rural Electrification held a hearing on February 17, 1975, in Sioux Falls, South Dakota, to receive testimony on the farm credit situation, especially as it related to the problems of livestock producers.

Fourteen witnesses testified. Represented among the witnesses were livestock producers, farm organizations, lenders, State and Federal agricultural officials, and members of Congress.

Each witness, without exception, testified that the Emergency Livestock Credit Act of 1974 was insufficient to meet the critical credit needs of livestock producers who have been adversely affected by substantial declines in market prices for live animals.

Through the first week of March, only \$218 million in loan guarantees of the allotted \$2 billion ceiling had been extended—about 10 percent after 8 months of operation. In addition, only 1,811 borrowers had been serviced under the program.

The Subcommittee met in Washington, D.C., in open business session, on March 6, 1975, to consider S. 351, S. 579, and S. 812, and received comments from representatives of the Farmers Home Administration.

With full consideration of these findings, the Subcommittee ordered reported to the full Committee a bill to extend and improve the Emergency Livestock Credit Act of 1974.

With only minor amendments, the full Committee on March 18, 1975, agreed to report the bill to the Senate.

SECTION-BY-SECTION ANALYSIS

The bill being reported by the Committee consists of two sections. *Section 1* contains amendments which would extend and amend the Emergency Livestock Credit Act of 1974.

Subsection (a) strikes "for the purpose of" in the first sentence of section 2(a) of the Act and inserts in lieu thereof the words "and who have substantial operations in". The amendment would permit financial assistance to be made to bona fide farmers and ranchers if a substantial part of their operation involves the breeding, raising, fattening, or marketing of livestock. As under existing law, the loans guaranteed under the Act could be only for livestock operations.

It is the intent of the Committee that a bona fide farmer or rancher is to be deemed as having "substantial operations" in the breeding,

raising, fattening, or marketing of livestock if (1) he devotes not less than 25 percent of his time to his livestock operation; (2) not less than 25 percent of his farm income is derived from his livestock operation; or (3) not less than 25 percent of his capital investment is attributable to his livestock operation.

Subsection (a) also deletes the proviso in section 2(b) of the Act providing that the term "legally organized lending agencies" (with respect to which loans may be guaranteed) does not include the Federal Financing Bank. The deletion of the proviso would permit secondary financing of the guaranteed portion of livestock loans through the Federal Financing Bank.

Subsection (a) also amends section 2(c) of the Act to provide that contracts of guarantee shall not require the Secretary to guarantee more than 90 percent of the principal and interest on the loan. Under existing law, the Secretary's participation is limited to 80 percent of any loss sustained.

Subsection (a) also amends section 2(f) of the Act to provide that guaranteed loans shall be for the period reasonably required by the needs of the borrower (taking into consideration the available security), but not exceeding an original term of seven years. Loans could be renewed for not more than three additional years. Under existing law, guaranteed loans must be payable in not more than three years, but may be renewed for not more than two additional years.

Subsection (b) amends section 3(a) (3) of the Act to authorize the guarantee of a line of credit up to \$500,000. Under existing law, the total loans guaranteed for any applicant may not exceed \$250,000.

Subsection (c) amends section 5 of the Act to authorize the payment of administrative expenses from any funds available, including the Agricultural Credit Insurance Fund.

Subsection (d) amends section 8 of the Act to extend the Act until December 31, 1976. Under existing law, the authority to make new guarantees will terminate July 25, 1975. However, upon making certain findings, the Secretary could extend the guarantee authority for a period not to exceed six months.

Subsection (e) amends section 10 of the Act to require that, insofar as practicable, action by the Department of Agriculture on each loan application is to be completed within thirty days.

Section 2 of the bill amends section 344 of the Consolidated Farm and Rural Development Act to provide that contracts of guarantee under that Act shall not require the Secretary to guarantee more than 90 percent of the principal and interest on such loans. Under existing law, the Secretary may guarantee no more than 90 percent of the loss sustained on any loan.

DEPARTMENTAL VIEWS

I

The committee has received no report from the Department of Agriculture on S. 351 and S. 579. However, in testimony before the Livestock and Grains Subcommittee and the Conservation and Credit Subcommittee of the House Committee on Agriculture on March 13,

1975, Assistant Secretary of Agriculture William Erwin stated that certain changes in the Emergency Livestock Credit Act would have the support of the administration. The Assistant Secretary's statement reads as follows:

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

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

The program has not been used as widely by farmers and ranchers as originally thought by some. We are pleased to report, however, that as of March 7, 1975, 1,811 borrowers have had \$218.1 million guaranteed under this program. The number of loans increased by 200 between February 28 and March 7, so we may be entering a period of accelerated use of this program.

Farmers involved with beef cattle lead the list of borrowers. Statistics do not show whether a borrower is primarily interested in feedlots, cow-calf operations, or one of the many variations in breeding, growing, fattening and marketing beef animals. We know that, as of January 31, 1975, 70 percent of the borrowers and 78 percent of the money involved the beef cattle business. Next in line came dairy operations with 10 percent of the loans and 6 percent of the dollars, followed in descending order by swine and chickens. Combinations of one or more livestock enterprises involved 14 percent of the loans and 12 percent of the dollars.

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

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

First among these would be an amendment to permit the Federal Financing Bank to participate in the program to the extent of being a holder of the guaranteed portion of such loans. Presently the Bank is excluded by law. We would not favor changing the exclusion to allow the Federal Financing Bank to make loans directly to farmers and ranchers. The Federal Financing Bank's participation should be limited to purchasing and holding the guaranteed portion of loans made by other lenders. Eliminating the exclusion as a holder could improve the basis for a secondary market for guaranteed loans and increase the funds available to rural banks for loans. We believe that

this change could have a beneficial effect on this program. However, we would expect that private lending institutions would be the primary purchasers of the guaranteed portion of the loans. I would like to make it clear that our support of this change with regard to the Federal Financing Bank does not in any way state or imply any commitment or obligation on the part of the Federal Financing Bank to participation in this program.

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

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

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

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

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

II

In a letter to Senator Curtis dated December 26, 1974, Secretary of the Treasury William Simon explains two of the provisions in the bill being reported by the Committee. The Secretary's letter reads as follows:

THE SECRETARY OF THE TREASURY,
Washington, December 26, 1974.

HON. CARL T. CURTIS,
U.S. Senate, Washington, D.C.

DEAR SENATOR CURTIS: This is in further reply to your letter of September 24 regarding use of the Federal Financing Bank to provide a secondary market for emergency livestock loans which are made by commercial lenders with a guarantee from the Farmers Home Administration. This question was raised in a letter to you from Mr. David P. Mueller.

In my reply to you of October 25 I indicated two apparent impediments to Federal Financing Bank financing of emergency livestock

loans. First, the 1974 Emergency Livestock Credit Act authorizes the Secretary of Agriculture to guarantee loans made by any "legal organized lending agency" but goes on to provide that this term shall not include the Federal Financing Bank. Second, since the guarantee under the 1974 Act runs to a specified percentage (up to 80 percent) of loss, there is no guaranteed portion of the loan, as such, for which the Federal Financing Bank could provide a secondary market.

These problems have since been discussed by our staffs and the staff of the Farmers Home Administration, and we have concluded that they could be resolved by legislation along the lines of the attached draft amendments. These amendments would make clear the intent of the Congress to permit secondary financing of the guaranteed portion of livestock loans through the Federal Financing Bank.

As chairman of the Federal Financing Bank, I am concerned with providing the most efficient means of financing Federally-backed obligations in the securities market, though I do not wish to make a judgment in this capacity as to the merits or demerits of any particular Federal credit assistance program or the appropriate extent of the Federal Government's support under such programs. Yet, I am happy to be of service to you in providing the attached draft legislation to deal with the technical problems.

Please let me know if I can be of further assistance.

Sincerely yours,

WILLIAM E. SIMON.

COST ESTIMATE

In accordance with section 252 of the Legislative Reorganization Act of 1970, the following is the Committee estimate of the costs which would be incurred in carrying out the provisions of the bill. No formal estimate of costs has been received from the Department of Agriculture.

All loans are to be guaranteed and therefore no direct costs to the Treasury are anticipated. But in the few cases where loan guarantees are exercised, the security backing the loan would make this cost nominal.

Some administrative costs will be incurred, but the Secretary of Agriculture is expected to hold these to a minimum.

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 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):

EMERGENCY LIVESTOCK CREDIT ACT OF 1974

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Emergency Livestock Credit Act of 1974".

SEC. 2. (a) The Secretary of Agriculture is authorized and directed to provide financial assistance to bona fide farmers and ranchers who

are primarily and directly engaged in agricultural production [for the purpose of] and who have substantial operations in breeding, raising, fattening, or marketing livestock. In the case of corporations or partnerships, such financial assistance shall be extended only when a majority interest in such corporations or partnerships is held by stockholders or partners who themselves are primarily and directly engaged in such agricultural production. For purposes of this Act, the term "livestock" shall mean beef cattle, dairy cattle, swine, sheep, goats, chickens, and turkeys.

(b) The Secretary shall guarantee loans, including both principal and interest, made by any legally organized lending agency which otherwise meet the purposes and conditions of this Act. As used herein, a guaranteed loan is one which is made, held, and serviced by a legally organized lending agency and which is guaranteed by the Secretary hereunder [;]. [Provided, That the term "legally organized lending agency" shall not be deemed to include the Federal Financing Bank.]

(c) No contract guaranteeing any such loan by a lender shall require the Secretary [to participate in more than 80 per centum of any loss sustained thereon.] to guarantee more than 90 per centum of the principal and interest on such loan.

(d) No fees or charges shall be assessed by the Secretary for any guarantee provided by him under this Act.

(e) Loans guaranteed under this Act shall bear interest at a rate to be agreed upon by the lender and borrower.

[(f) Loans guaranteed under this Act shall be payable in not more than three years, but may be renewed for not more than two additional years.]

(f) Loans guaranteed under this Act shall be for the period reasonably required by the needs of the borrower, taking into consideration the security the borrower has available, but not exceeding an original term of seven years. Loans may be renewed for not more than three additional years.

SEC. 3. As a condition of the Secretary's guaranteeing any loan under this Act—

(a) The lender shall certify that—

(1) the lender is unwilling to provide credit to the loan applicant in the absence of the guarantee authorized by this Act;

(2) the loan applicant is directly and in good faith engaged in agricultural production, and the financing to be furnished the loan applicant is to be used for purposes related to the breeding, raising, fattening, or marketing of livestock;

(3) the loan is for the purpose of maintaining the operations of the loan applicant, and the total loans made to the loan applicant do not exceed the amount necessary to permit the continuation of his livestock operations at a level equal to its highest level during the eighteen months immediately preceding the date of enactment of this Act: *Provided*, That [the total loans guaranteed under this Act for any loan applicant shall not exceed \$250,000;] the total principal balance outstanding at any one time on loans guaranteed under this Act for any borrower shall not exceed \$500,000;

(4) in the case of any loan to refinance the livestock operations of a loan applicant (i) the loan and refinancing are absolutely

essential in order for the loan applicant to remain in business, (ii) the lending agency would not refinance such loan in the absence of a guarantee, and (iii) the lending agency is not currently refinancing similar loans to others without such guarantees.

(b) The loan applicant shall certify that he will be unable to obtain financing in the absence of the guarantee authorized by this Act.

(c) The Secretary finds there is reasonable probability of accomplishing the objectives of the Act and repayment of the loan.

SEC. 4. Loans guaranteed under this Act shall be secured by security adequate to protect the Government's interests, as determined by the Secretary.

SEC. 5. Loan guarantees outstanding under this Act shall not exceed \$2,000,000,000 at any one time. Subject to the provisions of section 2(c) of this Act, the fund created in section 309 of the Consolidated Farm and Rural Development Act shall be used by the Secretary for the discharge of the obligations of the Secretary under contracts of guarantee made pursuant to this Act. *In the administration of this Act, the Secretary may utilize any funds available, including the Agricultural Credit Insurance Fund, to pay for administrative expenses notwithstanding any limitations imposed for budgetary reasons.*

SEC. 6. Contracts of guarantee under this Act shall not be included in the totals of the budget of the United States Government and shall be exempt from any general limitation imposed by statute on expenditures and net lending (budget outlays) of the United States.

SEC. 7. Any contract of guarantee executed by the Secretary under this Act shall be an obligation supported by the full faith and credit of the United States and incontestable except for fraud or misrepresentation of which the holder had actual knowledge at the time it became a holder.

SEC. 8. [The provisions of this Act shall become effective upon enactment, and the authority to make new guarantees under this Act shall terminate one year from the date of enactment of this Act, except that the Secretary of Agriculture may extend the guarantee authority provided in this Act for a period not to exceed six months if he (1) determines that such guarantees are necessary to the welfare of livestock producers and that adequate credit cannot be obtained without such guarantee by the Secretary, and (2) notifies the Committee on Agriculture and Forestry of the Senate and the Committee on Agriculture of the House of Representatives at least thirty days prior to the date on which he elects to extend the guarantee authority provided in the Act.] *The provisions of this Act shall become effective upon enactment, and the authority to make new guarantees under this Act shall terminate on December 31, 1976.*

SEC. 9. (a) The provisions of section 310B(d)(6) of the Consolidated Farm and Rural Development Act shall apply to loans guaranteed under this Act.

(b) Contracts of guarantee executed pursuant to the provisions of this Act shall be fully assignable.

SEC. 10. The Secretary is authorized to issue such regulations as he determines necessary to carry out this Act. The proposed regulations shall be issued as soon as possible, but in no event later than thirty days from the date of enactment of this Act. *Insofar as practicable, the Sec-*

retary shall complete action on each loan application within thirty days after its receipt.

CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

* * * * *

Sec. 344. No loan (other than one to a public body or nonprofit association (including Indian tribes on Federal and State reservations or other federally recognized Indian tribal groups) for community facilities or one of a type authorized by section 306(a)(1) prior to its amendment by the Rural Development Act of 1972) shall be made by the Secretary either for sale as an insured loan or otherwise under section 304(b), 306(a)(1), 310B, 312(b), or 312(c) unless the Secretary shall have determined that no other lender is willing to make such loan and assume 10 per centum of any loss sustained thereon. [No contract guaranteeing any such loan by such other lender shall require the Secretary to participate in more than 90 per centum of any loss sustained thereon.] *No contract guaranteeing any such loan by such other lender shall require the Secretary to guarantee more than 90 per centum of the principal and interest on such loan.*

○

EMERGENCY LIVESTOCK CREDIT

MAY 21, 1975.—Ordered to be printed

Mr. McGOVERN, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany S. 1236]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1236) to extend and amend the Emergency Livestock Credit Act of 1974, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

That the Emergency Livestock Credit Act of 1974 (88 Stat. 391) is amended as follows:

(a) *Section 2 is amended—*

(1) *By striking "for the purpose of" in the first sentence of subsection (a) and inserting in lieu thereof the following: "and who have substantial operations in".*

(2) *By striking the period at the end of subsection (a) and inserting in lieu thereof the following: "including dairy cattle raised and maintained for the primary purpose of marketing dairy products."*

(3) *By striking everything following the word "Provided." in subsection (b) and inserting in lieu thereof the following: "That the term 'legally organized lending agency' shall be deemed to include the Federal Financing Bank only to the extent that such Bank may hold the guaranteed portion of such loans."*

(4) *By striking all of subsection (c) after the word "Secretary" and inserting the following in lieu thereof: "to guarantee more than 90 per centum of the principal and interest on such loan."*

(5) By changing subsection (f) to read as follows:

"(f) Loans guaranteed under this Act shall be for the period reasonably required by the needs of the borrower, taking into consideration the security the borrower has available, but not exceeding an original term of seven years. Loans may be renewed for not more than three additional years."

(b) Section 3 is amended by striking all of paragraph (3) of subsection (a) after the words "Provided, That" and inserting in lieu thereof the following: "the total principal balance outstanding at any one time on loans guaranteed under this Act for any borrower shall not exceed \$350,000;"

(c) Section 4 is amended to read as follows:

"SEC. 4. Loans guaranteed under this Act shall be secured by collateral adequate to protect the Government's interests, as determined by the Secretary: Provided, That the Secretary may accept collateral which has depreciated in value owing to temporary economic conditions and which, in the opinion of the lender, together with his confidence in the repayment ability of the borrower, is adequate security for the loan."

(d) Section 5 is amended by striking "\$2,000,000,000" and inserting in lieu thereof "\$1,500,000,000", and by adding at the end thereof the following new sentences: "Such fund may also be utilized to pay administrative expenses of the Secretary necessary to carry out the provisions of this Act. The Secretary in his discretion is authorized to use the funds from the Agricultural Credit Insurance Fund to purchase, on such terms and conditions as he may deem appropriate, the guaranteed portion of any loan made pursuant to this Act and to pay such expenses and fees incident to such purchases."

(e) Section 8 is amended to read as follows:

"SEC. 8. The provisions of this Act shall become effective upon enactment, and the authority to make new guarantees shall terminate on December 31, 1976."

(f) Section 10 is amended by adding at the end thereof the following new sentence: "Insofar as practicable, the Secretary shall complete action on each loan application within thirty days after its receipt."

(g) The Act is amended by adding at the end thereof the following new section 11:

"SEC. 11. The Secretary shall report to the Committee on Agriculture, United States House of Representatives, and the Committee on Agriculture and Forestry, United States Senate, on or within one year of the date of the enactment of this section, and annually thereafter, with respect to the effectiveness of this Act. The Secretary shall be required, but not limited, to include in such report the number of loan applications submitted, the number and amount of loans approved, the financial situation facing cattlemen at the time of the report, the effect of this Act on the retail marketing of beef and on the farm-retail price spread of beef, and any recommendations he may have as to actions which can be taken to further decrease the price spread and to increase the consumption of beef."

SEC. 2. Section 344 of the Consolidated Farm and Rural Development Act (86 Stat. 667) is amended by changing the last sentence thereof to read as follows: "No contract guaranteeing any such loan by such other lender shall require the Secretary to guarantee more than 90 per centum of the principal and interest on such loan."

And the House agree to the same.

That the House recede from its amendment to the title of the bill.

And the Senate agree to the same.

HERMAN E. TALMADGE,
JAMES O. EASTLAND,
GEORGE MCGOVERN,
JAMES B. ALLEN,
H. H. HUMPHREY,
ROBERT DOLE,
CARL T. CURTIS,
HENRY BELLMON,

Managers on the Part of the Senate.

BOB BERGLAND,
W. R. POAGE,
E. DE LA GARZA,
ALVIN J. BALDUS,
GLENN ENGLISH,
JACK HIGHTOWER,
BILL WAMPLER,
PAUL FINDLEY,

Managers on the Part of the House.

JOINT EXPLANATORY STATEMENT OF THE
COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1236) to extend and amend the Emergency Livestock Credit Act of 1974, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report. The differences between the Senate bill and the House amendment and the substitute agreed to in conference are noted in the following outline, except for conforming, clarifying, and technical changes:

(1) *Eligibility of dairy producers.*

The House amendment provides that the term "livestock" shall include dairy cattle "raised and maintained for the primary purpose of marketing dairy products".

The Senate bill contains no comparable provision.

The Conference substitute adopts the House provision.

This amendment is clarifying in nature in that the Secretary under existing law has authority to guarantee loans with respect to producers of milk, eggs, and other livestock products such as wool and mohair. This is made clear by the following exchange of correspondence between the Chairman of the Senate Committee on Agriculture and Forestry and the Department of Agriculture:

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C., August 2, 1974.

HON. EARL L. BUTZ,
Secretary, U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: The regulations issued by the Department of Agriculture implementing the provisions of the Emergency Livestock Credit Act of 1974, specifically paragraph 1845.12(e), seemingly exclude the egg and milk producers of this Nation.

This ambiguity needs clarification immediately and must be resolved, without a doubt, so that the producers of these two very important commodities are explicitly included under the regulations, just as they are covered by the Act.

While the House of Representatives amended Sec. 2 of the Senate bill (S. 3679) to delete the phrase, "or the products thereof" from the definition of the term "livestock", this is of no consequence, for the Act specifically includes "dairy cattle and chickens" among the commodities covered, and surely the prime function of many chickens is to produce eggs, just as the function of dairy cattle is to produce milk.

(4)

Although I have no personal knowledge, I am informed that when the term "or the products thereof" was deleted during the course of House Committee consideration of the bill, the reason given for such action was to assure that packers and milk manufacturers were excluded.

Furthermore, when the House-passed bill was considered in the Senate the Senator from South Dakota, Mr. McGovern, the floor manager of the bill, on page 12761 of the Congressional Record of July 17, 1974, said: "The House amendment deletes any reference to the products of livestock. However, both the Senate bill and the House amendment define livestock as including dairy cattle and chickens. Therefore, producers of eggs and milk are eligible for assistance under the bill."

Obviously, the complete history of this measure is such as to cover all elements of the livestock sector of our agricultural economy. I know that the members of the Senate Committee on Agriculture and Forestry felt this way.

There is no rational reason to exclude milk producers. Nor is there any substantive reason to exclude egg producers. Therefore, I would appreciate very much if the regulations were amended to assure needed credit to the producers of these two very important agricultural commodities.

With every good wish, I am
Sincerely,

HERMAN E. TALMADGE, *Chairman.*

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., August 27, 1974.

HON. HERMAN E. TALMADGE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR TALMADGE: This is in reply to your letter of August 2, 1974, with respect to the regulations issued by this Department covering the Emergency Livestock Credit Act of 1974.

We appreciate your bringing to our attention the matter of clarification in regard to the financing of milk and egg producers under this new legislation. The Department has issued a revision of the rules and regulations to include producers of both milk and eggs, as well as other livestock products, such as wool and mohair and delete Paragraph 1845.12(e) of the regulations. The Federal Register dated August 16, 1974, beginning on page 29581, sets forth these changes.

Your comments relative to the legislative history and intent of this new Act are very much appreciated.

Sincerely,

WILLIAM ERWIN,
Assistant Secretary.

(2) *Eligibility criteria of producers.*

The Senate bill directs the extension of financial assistance to bona fide farmers and ranchers "who have substantial operations in" breeding, raising, fattening, or marketing livestock.

The *House* amendment contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision. The *Conferees* intend that a bona fide farmer or rancher shall be deemed as having "substantial operations" in the breeding, raising, fattening, or marketing of livestock if (1) he devotes not less than 25 percent of his time to his livestock operation; (2) not less than 25 percent of his farm income is derived from his livestock operation; or (3) not less than 25 percent of his capital investment is attributable to his livestock operation. Only persons actually engaged in livestock production would be eligible for assistance under the Act.

(3) *Eligibility of secondary financing by Federal Financing Bank.*

Both the *Senate* bill and the *House* amendment permit secondary financing of the guaranteed portion of livestock loans through the Federal Financing Bank.

The *House* amendment provides specifically that the Federal Financing Bank may hold only the guaranteed portion of loans guaranteed under the Act.

The *Conference* substitute adopts the *House* provision.

(4) *Term of loans and renewals.*

The *Senate* bill permits loans for the period reasonably required by the needs of the borrower, taking into consideration the security he has available, but not exceeding an original term of seven years. Loans could be renewed for not more than three years.

The *House* amendment permits loans over such period of time as determined by the Secretary, but not to exceed seven years.

The *Conference* substitute adopts the *Senate* provision.

(5) *Maximum loan level.*

The *Senate* bill authorizes the guarantee of a line of credit up to \$500,000.

The *House* amendment reduces the maximum line of credit to \$250,000.

Under the *Conference* substitute, the line of credit could not exceed \$350,000.

(6) *Limitation of total outstanding loan guarantees.*

The *House* amendment reduces the amount of loan guarantees under existing law which may be outstanding at any one time from \$2 billion to \$1 billion.

The *Senate* bill contains no comparable provision.

Under the *Conference* substitute, the amount of loan guarantees which may be outstanding at any one time is reduced to \$1.5 billion.

(7) *Utilization of the Agricultural Credit Insurance Fund.*

The *Senate* bill authorizes the use of the Agricultural Credit Insurance Fund to pay administrative expenses.

The *House* amendment also authorizes the use of the fund to pay administrative expenses and further authorizes the Secretary of Agriculture to use this fund, on such terms and conditions as he may deem appropriate, to purchase the guaranteed portion of any loans "made pursuant to amendments to this Act".

The *Conference* substitute adopts the *House* provision with an amendment deleting the words "to amendments".

The *Senate* bill provides that, insofar as practicable, the Secretary shall complete action on each loan application within 30 days after receipt.

The *House* amendment contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision.

(9) *Security and collateral for guaranteed loans.*

The *House* amendment provides that guaranteed loans must be secured by collateral adequate to protect the Government's interest but permits the Secretary to accept collateral which has depreciated in value owing to temporary economic conditions.

The *Senate* bill contains no comparable provision.

The *Conference* substitute adopts the *House* provision.

(10) *Annual reports.*

The *House* amendment requires annual reports from the Secretary on the effectiveness of the Act and the activity thereunder, including any recommendations the Secretary may have as to actions which can be taken to decrease the farm-retail price spread and increase the consumption of beef.

The *Senate* bill contains no comparable provision.

The *Conference* substitute adopts the *House* provision.

(11) *Loan guarantees under the Consolidated Farm and Rural Development Act.*

The *Senate* bill amends the Consolidated Farm and Rural Development Act to provide that contracts of guarantee under that Act shall not require the Secretary to guarantee more than 90 percent of the principal and interest on such loans. Under existing law, the Secretary may guarantee no more than 90 percent of the loss sustained on any loan.

The *House* amendment contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision.

(12) *Consolidation of farm operating loans.*

The *House* amendment amends the Consolidated Farm and Rural Development Act to permit the Secretary to consolidate and amortize subsequent repayment of farm operating loans over a period of not to exceed 10 years from the date of consolidation.

The *Senate* bill contains no comparable provision.

The *Conference* substitute deletes the *House* provision.

HERMAN E. TALMADGE,
JAMES O. EASTLAND,
GEORGE MCGOVERN,
JAMES B. ALLEN,
H. H. HUMPHREY,
ROBERT DOLE,
CARL T. CURTIS,
HENRY BELLMON,

Managers on the Part of the Senate.

BOB BERGLAND,
W. R. POAGE,
E. DE LA GARZA,
ALVIN J. BALDUS,
GLENN ENGLISH,
JACK HIGHTOWER,
BILL WAMPLER,
PAUL FINDLEY,

Managers on the Part of the House.

EMERGENCY LIVESTOCK CREDIT

APRIL 7, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. FOLEY, from the Committee on Agriculture,
submitted the following

REPORT

[To accompany S. 1236]

The Committee on Agriculture, to whom was referred the bill (S. 1236) having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

That the Emergency Livestock Credit Act of 1974 is amended as follows:

(a) Subsection (b) of section 2 of said Act is amended by striking everything following the word "Provided" and inserting in lieu thereof "That the term 'legally organized lending agency' shall be deemed to include the Federal Financing Bank only to the extent that such Bank may hold the guaranteed portion of such loans."

(b) Subsection (c) of section 2 of said Act is amended by striking everything after the word "Secretary" and inserting "to guarantee more than 90 per centum of the principal and interest on said loan."

(c) Subsection (f) of section 2 of said Act is amended to read: "Loans guaranteed under this Act may be payable over a period of time as determined by the Secretary, but not to exceed seven years."

(d) Subsection (a) (3) of section 3 of said Act is amended by deleting everything after the words "Provided, That" and inserting in lieu thereof "the total principal balance outstanding at any one time on loans guaranteed under this Act for any borrower shall not exceed \$250,000;"

(e) Section 8 of said Act is amended to read as follows: "The provisions of this Act shall become effective upon enactment, and the authority to make new guarantees under this Act shall terminate on December 31, 1976."

(f) Section 4 of said Act is amended to read as follows: "Loans guaranteed under this Act shall be secured by collateral adequate to protect the Government's interests, as determined by the Secretary: *Provided*, That the Secretary may accept collateral which has depreciated in value owing to temporary economic conditions and which in the opinion of the lender, together with his confidence in the repayment ability of the borrower, is adequate security for the loan."

(g) Section 5 of said Act is amended by adding a new sentence at the end thereof stating, "Such fund may also be utilized to pay administrative expenses of the Secretary necessary to carry out the provisions of this Act."

(h) Said Act is amended by adding at the end thereof the following new section 11:

"Sec. 11. The Secretary shall report to the Committee on Agriculture, U.S. House of Representatives, and the Committee on Agriculture and Forestry, U.S. Senate, on or within one year of the date of the enactment of this section, and annually thereafter, with respect to the effectiveness of this Act. The Secretary shall be required, but not limited, to include in such report the number of loan applications submitted, the number and amount of loans approved, the financial situation facing cattlemen at the time of the report, the effect of this Act on the retail marketing of beef and on the farm-retail price spread of beef, and any recommendations he may have as to actions which can be taken to further decrease the price spread and to increase the consumption of beef."

SEC. 2. Section 316 of the Consolidated Farm and Rural Development Act is amended by striking the period at the end of the first sentence and inserting after the words "additional years" the following: "except that if two or more loans are consolidated the renewal period shall be computed from the due date of the most recent loan."

Amend the title to read as follows:

"To amend the Emergency Livestock Credit Act of 1974 and Section 316 of the Consolidated Farm and Rural Development Act."

NEED AND PURPOSE OF THE LEGISLATION

The need for this legislation arose since the enactment of the Livestock Credit Act of 1974 on July 25, 1974. Livestock prices have dropped even further than the point they had reached in mid-1974, and the financial stress on producers now is even greater than it was when the Livestock Credit Act of 1974 was passed.

Based on the testimony of representatives of the Agriculture Department, the cattle level in March 1975 is running at a near record level as a result of a 7-year growth period, while the food grain supplies are some 20 percent, and roughage supplies are some 10 percent, smaller than last winter. The slaughter of cattle has been at record levels since January, largely because of the inability of farmers to carry their cattle through the winter. However, Departmental spokesmen expect the cattle inventory to remain at record levels; but, despite this, they do not expect cattlemen to be "in a clear-cut profit position for the rest of this year." This is not to say their position may not improve somewhat once cattle can be put out in pastures and ranges and if there is a large feed grain harvest this fall. However, we have got a record cow herd and most likely will have another record calf crop this year. The only relief that can help the cow-calf operators, that form the very foundation of the beef industry, is an increased demand for their product (feeder cattle). Basically such a turnaround will require higher prices for feeder cattle and lower feed costs.

In a deteriorating market that has seen the inventory value of cattle reduced by nearly 50 percent in recent months, the loss of equity and the expectation of a longer period of nonprofit operations calls for, if not demands, some liberalization of credit conditions for livestock producers through amendments to the Emergency Livestock Credit Act.

The extension of the Emergency Livestock Credit Act by Congress, which was scheduled for termination July 25, 1975, unless the Secretary extended it six months under his discretionary authority, until December 31, 1976, should serve as clear evidence to the financial com-

munity, especially rural bankers, of a commitment by the Government to a strong and viable livestock industry. The extension also comes at a time when the usefulness of the program to the cattle farmers and ranchers is being reflected in increased loan activity. For instance, Mr. Irwin, Assistant Secretary for Rural Development, testified that as of March 7, 1975, there were 1,811 borrowers that had \$218.1 million in loans under the emergency livestock loan program. More recent figures from the Department, a mere 2 weeks later (March 21, 1975) indicate that there are 1,942 borrowers and \$232.5 million in loans.

Given the testimony before the Subcommittee that the economic plight of the cattle producers will undoubtedly continue through the year, the amendment of the Emergency Livestock Credit Act to permit repayments of loans in periods up to 7 years, in lieu of 3 years (with up to a 2-year renewal), will provide the Secretary with flexibility to provide farmers and ranchers emergency loans with a repayment schedule that allows the farmers to get on as sound a financial footing as possible before they are required to pay off the loans.

The amendment in the bill providing a "line of credit" to livestock farmers and ranchers up to \$250,000 will, in the opinion of the Committee, eliminate a certain amount of redtape and provide both the lender and the borrower with much needed flexibility in this program. The Department records indicate that as of January 1, 1975, 70 percent of the borrowers and 78 percent of the money loaned under the emergency livestock loan program involved the beef cattle business. Also, the testimony in the hearings indicated that the average loans to beef producers were running on the average about \$136,000. It makes sense to place these loans on a line-of-credit basis, where farmers and ranchers are constantly culling their herds and subsequently adding to them, such that where portions of loans are curtailed that borrowers need not go through the needless and time-consuming procedures of taking out new loans. Rural banks have traditionally handled their loans with implement dealers and others on this basis and, for purposes of efficient administration and flexibility, it appears advisable to place this program on a line-of-credit basis. The limit of \$250,000, which Congress approved when it passed the Emergency Act in 1974, remains intact in this bill.

The Department of Agriculture, as noted in its letter printed hereafter, supports this bill. The amendment to section 4 of Public Law 93-357, to which the Department originally objected, was changed in Committee markup so as to make it acceptable to the Department. While the Department has not commented on two other changes made during the Committee markup (the new section 11 report requirement provision, and the relatively minor amendment to the Consolidated Farm and Rural Development Act), it is understood that there is no objection to the inclusion of such amendments. The general position of the Department regarding changes in existing law was articulated by Assistant Secretary Erwin in the course of the Subcommittee hearings:

Some changes in the Emergency Livestock Credit Act of 1974 would have the support of the Administration, based upon the following two premises: (1) that the Emergency Livestock Program will continue as a guaranteed loan program, and (2) that loans will be made at interest rates agreed upon by the borrower and lender.

S. 1236, as amended and reported by the Committee, does nothing to infringe upon either of these two premises.

BRIEF EXPLANATION OF S. 1236 AS AMENDED BY THE HOUSE

The bill as reported by the Committee—

1. Amends the Emergency Livestock Credit Act of 1974 as follows:

(a) Permits the Secretary to use the Federal Financing Bank as a service agency to provide a secondary market for the guaranteed portions of emergency livestock loans. The purpose of it is to extend the availability of credit under this loan program.

(b) Increases the amount of principal and interest that the Secretary may guarantee from 80 percent to 90 percent.

(c) Changes the period of time for loan repayment—from not more than 3 years, with a renewal of not more than 2 additional years—to a period not in excess of 7 years.

(d) Changes the amount of loans which may be guaranteed under this Act from total loans not to exceed \$250,000 to a "line of credit," or total principal balance, not to exceed \$250,000.

(e) Extends the termination date of the Act from July 25, 1975 (plus a 6-month extension beyond that at the conditional discretion of the Secretary) to December 31, 1976, and provides that the amendments contained in this bill shall take effect on enactment.

(f) Broadens the authority of the Secretary, if he wishes to exercise his discretion in the matter, as to the amount and kind of collateral he may accept as adequate to protect the Government's interests.

(g) Permits the Secretary to utilize the Agricultural Credit Insurance Fund to pay the administrative expenses involved in carrying out the loan program authorized by the Act.

(h) Adds a requirement that the Secretary shall report to the Senate and House Agriculture Committees annually with respect to the effectiveness of the Act, and delineates certain information to be included in such report.

2. Amends Section 316 of the Consolidated Farm and Rural Development Act by providing that if two or more loans are consolidated and renewed, the renewal period shall be computed from the due date of the most recent loan that was obtained by the borrower.

COMMITTEE CONSIDERATION

The Subcommittee on Livestock and Grains sitting jointly with the Subcommittee on Conservation and Credit held a hearing on March 13, 1975, to receive testimony to consider changes in the Emergency Livestock Credit Program. In addition, the Subcommittee on Conservation and Credit held hearings on February 18, 1975, on H.R. 2127, and other related bills, to amend subtitle C of the Consolidated Farm and Rural Development Act to provide for emergency loans for farmers suffering natural disasters, etc. The latter hearing involved testimony concerning the general farm credit situation and the "arctic hurricane" which struck the Midwest in early January 1975, and resulted in considerable losses to livestock producers. There was also

considerable testimony before the Subcommittee on Livestock and Grains, on March 5, 1975, which received testimony on H.R. 48, wherein several witnesses among whom were livestock producers provided testimony on the dire economic straits of those in the beef cattle industry.

The witnesses who testified before the Subcommittees on the farm economic and credit situation, especially as it affected livestock producers, consisted of livestock producers, farm organizations, Department of Agriculture officials, and Members of Congress. Others, such as representatives of the American Bankers Association submitted a statement for the record.

The hearing record is replete with statements about the poor economic situation which livestock producers find themselves in and the critical credit needs of these producers that will not be met unless some changes are made in the Emergency Livestock Credit Act of 1974 so that lenders "of last resort" will be enabled to help the farmers avoid financial catastrophe. The need for additional credit relief is fully documented in the hearings. The fact that the use of the Emergency Livestock Loan Program is increasing is attested to by Departmental statistics, but its improvement as an emergency credit tool can be substantially enhanced by needed amendments to existing law. The number of borrowers under the program increased from about 1,600 on February 1, 1975, to 1,942 on March 21, 1975. However, out of \$2 billion in authorized loans, only \$232.5 million had been utilized by March 21, 1975.

The amendments to the Emergency Livestock Credit Act of 1974 provided for in this bill should provide a sound loan program, one that permits rural banks to maintain liquidity while also tiding the livestock producers over a grave financial crisis. It is also believed that it will benefit consumers by maintaining the livestock industry in a posture where it can produce an optimum amount of beef at prices that will provide an adequate return to producers and at reasonable retail prices.

On March 14, 1975, the Subcommittee on Livestock and Grains sitting jointly with the Subcommittee on Conservation and Credit met in open business meeting, a quorum being present, for the purpose of considering amendments to the Emergency Livestock Credit Act of 1974 and approved by voice vote a draft bill, amended in the meeting, which was introduced as H.R. 5235.

The full Committee met in an open business meeting on Wednesday, March 26, 1975, in the presence of a quorum, and considered H.R. 5235 and S. 1236, which had passed the Senate and had been referred to the Committee on March 21, 1975. The Committee by voice vote ordered S. 1236 favorably reported, as amended, by striking all after the enacting clause and by amending the title.

The Committee substitute makes the following main changes in S. 1236, as passed by the Senate:

First, it would not amend section 2(a) of the Emergency Livestock Credit Act, as does the Senate, so as to permit the extension of financial assistance to bona fide farmers and ranchers "who have substantial operations in" the breeding, raising, fattening, or marketing of livestock.

Second, subsection (b) of section (2) of the Emergency Livestock Act is amended, but by using different language, so as to permit the secondary financing of the guaranteed portion of livestock loans through the Federal Financing Bank.

Third, subsection (f) of section 2 of the Emergency Livestock Act is amended so as to permit loans for a period up to 7 years without renewal, whereas the Senate version would have also permitted a *renewal* for not more than 3 additional years.

Fourth, subsection (a) (3) of section 3 of the Emergency Livestock Act is amended so as to provide a line of credit up to \$250,000, in lieu of \$500,000 as provided in the Senate version.

Fifth, section 4 of the Emergency Livestock Act is amended to permit the Secretary to accept collateral which has depreciated in value owing to economic conditions and which in the opinion of the lender, together with the lender's confidence in the borrower's repayment ability, is adequate security for the loan. Senate version contains no such provision.

Sixth, a new section 11 is added to the Emergency Livestock Act, that requires the Secretary to report to the House Committee on Agriculture and the Senate Committee on Agriculture and Forestry on the effectiveness of the Act accompanied by recommendations on actions which might be taken to decrease the price spread and increase the consumption of beef. Senate version contains no such provision.

Seventh, it would not require, as does the Senate version, that loan applications be processed within 30 days.

Eighth, it would amend section 316 of the Consolidated Farm and Rural Development Act (75 Stat. 311, as amended, 82 Stat. 771) such that if two or more loans are consolidated, the renewal period shall be computed from the due date of the most recent loan. The Senate version contains no such provision.

Ninth, it would *not* amend section 344 of the Consolidated Farm and Rural Development Act (86 Stat. 667) regarding loan limitations as does the Senate version of the bill.

The Committee considered language that would have amended section 4 of the Emergency Livestock Act so that the lender, not the Secretary, determined whether the 90 percent loan guarantee of the Government was adequately protected, and also would have permitted the lender, not the Secretary, to accept collateral, which, though depreciated in value due to temporary economic conditions, when taken together with the confidence in the borrower to repay the loan, would provide adequate security for the loan. The Department of Agriculture opposed such a provision for reasons as is noted in the letter appearing hereinafter. The Committee resolved the matter, so as to overcome the Department's objection, by substituting the word "Secretary" immediately before and after the word "Provided" in subsection (f) of section 1 of the bill, as amended.

Another amendment considered, but not included in the bill as reported, was a provision that would have permitted claimant-creditors of American Beef Packing, Inc., to use claims certified by the trustee in bankruptcy as security for emergency livestock loans. Such a provision was not accepted by the Committee because it was considered that the language added to section 4 of the Emergency Live-

stock Credit Act by subsection (f) of section 1 of the bill would have the effect of liberalizing the collateral considerations of the Secretary to the extent possible given the language in the introductory part of section 4 which states that loans "shall be secured by collateral adequate to protect the Government's interests, as determined by the Secretary."

The intent of the Committee in drafting the language to amend section 4 of the Emergency Livestock Act, as reported, was to provide for "softer" loans under the Emergency Livestock Credit Act as it was to be amended. How "soft" those loans could be would rest in the discretion of the Secretary.

However, it should be clearly understood that the Committee does not intend that the Secretary accept as collateral commercial or other instruments evidencing a debt, financial obligation, or ownership in a legal entity, having no ascertainable value, or value of a speculative nature.

The full Committee ordered S. 1236 reported after striking everything after the enacting clause and substituting the House language therefore. The title was also amended.

ADMINISTRATION POSITION

The following letter forwarded to the Chairman by J. Phil Campbell, Acting Secretary, under date of March 25, 1975, sets forth the position of the Department of Agriculture on H.R. 5235, which was the bill the full Committee worked on in markup and the principal language of which was incorporated into S. 1236 as reported by the Committee:

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., March 25, 1975.

HON. THOMAS S. FOLEY,
House of Representatives,
Washington, D.C.

DEAR TOM: The Department of Agriculture supports H.R. 5235 with the exception of section (f), which amends section 4 of Public Law 93-357 to provide that the lender will determine the adequacy of security in Guaranteed Emergency Livestock loans.

The section says: "Loans guaranteed under this Act shall be secured by collateral adequate to protect the Government's interests, as determined by the lender: *Provided*, That the lender may accept collateral which has depreciated in value owing to temporary economic conditions and which, in the opinion of the lender, together with his confidence in the repayment ability of the borrower, is adequate security for the loan."

Exception to this section is based on these reasons:

1. The provision removes any government control over the security of the loan and leaves the Secretary no way in which to protect the interest of the Government. The lender has no real incentive to protect the Government's interest.

2. While the provision speaks to loss of value due to *temporary* economic conditions, in a loan program designed to meet such condi-

tions, it is especially important that the Secretary have responsibility for tailoring security requirements to those conditions so as to insure that the program does not become a give-away and undermine lender confidence in other Farmers Home Administration (FmHA) programs which require adequate collateral and repayment capability.

3. Under the proposed language of section 4, there is no practical way the Department can administer the program on a uniform basis as individual lenders will use their own method and judgment in determining adequacy of security.

Sincerely,

J. PHIL CAMPBELL,
Acting Secretary.

Assistant Secretary of Agriculture William W. Erwin read the following statement into the record at the Subcommittee hearings, which further sets forth the position of the Department on certain of the amendments of the Emergency Livestock Credit Act of 1974 that are contained in S. 1236 as reported by the Committee:

Chairman and Committee Members, I thank you for the opportunity to appear here to discuss a subject that is of concern to all of us, and one that has a direct and important effect on a major section of American agriculture.

Some changes in the Emergency Livestock Credit Act of 1974 would have the support of the Administration, based upon the following two premises: (1) that the Emergency Livestock Program will continue as a guaranteed loan program, and (2) that loans will be made at interest rates agreed upon by the borrower and the lender.

We are in accord with the benefits being provided to bona fide ranchers and farmers. In carrying out the intent of the Act, the Department has required that eligible borrowers be engaged in agricultural production with the funds being used for the purpose of raising, breeding, fattening or marketing livestock.

Our regulations reinforce this concept of helping the family farmer—the livestock producer whose access to credit sources may be limited.

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

The number of loans increased by 200 between February 28 and March 7, so we may be entering a period of accelerated use of this program.

Farmers involved with beef cattle lead the list of borrowers. Statistics do not show whether a borrower is primarily interested in feedlots, cow-calf operations, or one of the many variations in breeding, growing, fattening and marketing beef animals.

We know that, as of January 31, 1975, 70 percent of the borrowers and 78 percent of the money involved the beef cattle business.

Next in line came dairy operations with 10 percent of the loans and 6 percent of the dollars, followed in descending order by swine and chickens. Combinations of one or more livestock enterprises involved 14 percent of the loans and 12 percent of the dollars.

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

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

First among these would be an amendment to permit the Federal Financing Bank to participate in the program to the extent of being a holder of the guaranteed portion of such loans.

Presently the Bank is excluded by law. We would not favor changing the exclusion to allow the Federal Financing Bank to make loans directly to farmers and ranchers. The Federal Financing Bank's participation should be limited to purchasing and holding the guaranteed portion of loans made by other lenders.

Eliminating the exclusion as a holder could improve the basis for a secondary market for guaranteed loans and increase the funds available to rural banks for loans. We believe that this change could have a beneficial effect on this program.

However, we would expect that private lending institutions would be the primary purchasers of the guaranteed portion of the loans. I would like to make it clear that our support of this change with regard to the Federal Financing Bank does not in any way state or imply any commitment or obligation on the part of the Federal Financing Bank to participation in this program.

A change in the guarantee from 80 percent of any loss to up to 90 percent of the principal and interest of the total loan would be acceptable. We understand the intent is to guarantee a lender for up to 90 percent of principal and interest until such time as the loan is paid off.

This change would provide a procedure for the secondary market to operate. We would be opposed to a provision referring to 90 percent of payments due, because such a provision could have the effect of providing more than a 90 percent guarantee.

A third change we could support would be to institute a flexible repayment schedule for borrowers, by giving the Secretary authority to determine the length of the repayment period up to seven years, based on a case-by-case analysis of each borrower's repayment ability and the type of loan security.

Such a provision would also provide more latitude in working with the individual private lenders.

As to the fourth suggestion, the concept of a line of credit to a borrower is acceptable in principle. Such action would

allow borrowers a great deal more latitude in running their operations.

Since the results of the economic squeeze may cause credit problems there is a possibility that a borrower would need to return for an additional guaranteed loan. Thus, we would support amending the Act to provide that the total loans guaranteed under the Act for any applicant cannot exceed \$250,000 at any one time.

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

SECTION-BY-SECTION ANALYSIS

Section 1. Amendments to the Emergency Livestock Credit Act of 1974 (88 Stat. 392)

Section 1 extends and amends the Emergency Livestock Credit Act of 1974 as follows:

Subsection (a) amends subsection (b) of section 2 of the Act by striking everything following the word "Provided" and inserting in lieu thereof "That the term 'legally organized lending agency' shall be deemed to include the Federal Financing Bank only to the extent that such Bank may hold guaranteed portions of such loans." The addition of this language would permit the secondary financing of the guaranteed portions of livestock loans through the Federal Financing Bank.

Subsection (b) also amends section 2 of the Act by striking everything after the word "Secretary" and inserting the words "to guarantee more than 90 per centum of the principal and interest on said loan." Existing law provides that no contract guaranteeing loans by a lender shall require the Secretary to participate in "more than 80 per centum of any loss sustained thereon".

Subsection (c) also amends section 2 of the Act to read "Loans guaranteed under this Act may be payable over a period of time as determined by the Secretary, but not to exceed seven years." The law now provides that guaranteed loans must be payable in not more than three years, but may be renewed for not more than two additional years.

Subsection (d) amends subsection (a) (3) of section 3 of the Act by deleting everything after the words "Provided, That" and inserting in lieu thereof "the total principal balance outstanding at any one time on loans guaranteed under this Act for any borrower shall not exceed \$250,000;". Under existing law, livestock loans are handled on a "one-time" guarantee basis with an overall credit limit of \$250,000.

Subsection (e) amends section 8 of the Act so as to legislatively extend the Act until December 31, 1976. Existing law provides for termination of the Act on July 25, 1975, unless the Secretary after making certain findings, extends the guarantee authority for a period not in excess of six months.

Subsection (f) amends section 4 of the Act to read as follows:

Loans guaranteed under this Act shall be secured by collateral adequate to protect the Government's interests, as determined by the Secretary: *Provided*, That the Secretary may accept collateral

which has depreciated in value owing to temporary economic conditions and which in the opinion of the lender, together with his confidence in the repayment ability of the borrower, is adequate security for the loan.

Existing law provides that loans guaranteed under the Act "shall be secured by security adequate to protect the Government's interests, as determined by the Secretary." The added language would have the effect of liberalizing somewhat the collateral considerations of the Secretary.

Subsection (g) amends section 5 of the Act so as to permit the Secretary to utilize the Agricultural Credit Insurance Fund to pay the administrative expenses of the emergency livestock loan program. That fund may not be so utilized under existing law.

Subsection (h) amends the Act by adding a new section 11 which reads as follows:

SEC. 11. The Secretary shall report to the Committee on Agriculture, U.S. House of Representatives, and the Committee on Agriculture and Forestry, U.S. Senate, on or within one year of the date of the enactment of this section, and annually thereafter, with respect to the effectiveness of this Act. The Secretary shall be required, but not limited, to include in such report the number of loan applications submitted, the number and amount of loans approved, the financial situation facing cattlemen at the time of the report, the effect of this Act on the retail marketing of beef and on the farm-retail price spread of beef, and any recommendations he may have as to actions which can be taken to further decrease the price spread and to increase the consumption of beef.

There is no reporting requirement in existing law.

Section 2. Amendment to the Consolidated Farm and Rural Development Act

Section 2 amends section 316 of the Consolidated Farm and Rural Development Act to provide that if two or more farm operating loans are consolidated, the renewal period shall be computed from the due date of the most recent loan.

COST ESTIMATE

Pursuant to clause 7 of Rule XII of the Rules of the House of Representatives, the following is the Committee estimate of the costs which would be incurred in carrying out the provisions of this bill.

No formal estimate of costs has been received from the Department of Agriculture. However, all loans are to be guaranteed; and, therefore, no direct costs to the Treasury are anticipated at this time. It should also be noted that the Act will terminate December 31, 1976.

It is estimated that there will be no direct costs added to the administration of this program for fiscal year 1975. Moreover, it is not expected that the Secretary will incur any losses by reason of defaults on loans in fiscal year 1975. What loss experience is anticipated by the Department for future years is based on the experience of the Small Business Administration for similar loan programs, inasmuch as the emergency livestock loan program has not been in existence long

enough to provide the Department with a basis for making loss estimates. Whatever administrative expenses are expended from the Agricultural Credit Insurance Fund under the discretion of the Secretary, as provided in this bill, also cannot be determined at this time and will have to be budgeted for by the Department of Agriculture in future years.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1)(4), Rule XI of the Rules of the House of Representatives, the Committee estimates that enactment of S. 1236 could possibly have some minor inflationary impact on consumer prices and costs of beef products; nonetheless, the Committee is convinced that this is more than offset by other beneficial effects of the legislation on the important national resource of a sound livestock industry and, in fact, is essential to offset the critical credit needs impacting on the livestock producers of the nation.

BUDGET ACT COMPLIANCE (SECTION 308 AND SECTION 403)

The provisions of clause (3)(B) and clause (1)(3)(C) of Rule X of the House of Representatives, and Section 308(a) and Section 403 of the Congressional Budget Act of 1974 (relating to estimates of new budget authority on new or increased tax expenditures and estimate in comparisons prepared by the Director of the Congressional Budget Office), are not considered applicable.

OVERSIGHT STATEMENT

No specific oversight activities, other than the hearings accompanying the Committee's consideration of S. 1236 (and H.R. 5235 and related bills), were made by the Committee, within the definition of clause 2(b)(1) of Rule X of the House.

No summary of oversight findings and recommendations made by the Committee on Government Operations under clause 2(b)(2) of Rule X of the Rules of the House of Representatives was available to the Committee with reference to the subject matter specifically addressed by S. 1236.

CHANGES IN EXISTING LAW

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

EMERGENCY LIVESTOCK CREDIT ACT OF 1974

AN ACT To provide temporary emergency livestock financing through the establishment of a guaranteed loan program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Emergency Livestock Credit Act of 1974".

SEC. 2. (a) The Secretary of Agriculture is authorized and directed to provide financial assistance to bona fide farmers and ranchers who are primarily and directly engaged in agricultural production for the purpose of breeding, raising, fattening, or marketing livestock. In the case of corporations or partnerships, such financial assistance shall be extended only when a majority interest in such corporations or partnerships is held by stockholders or partners who themselves are primarily and directly engaged in such agricultural production. For purposes of this Act, the term "livestock" shall mean beef cattle, dairy cattle, swine, sheep, goats, chickens, and turkeys.

(b) The Secretary shall guarantee loans, including both principal and interest, made by any legally organized lending agency which otherwise meet the purposes and conditions of this Act. As used herein, a guaranteed loan is one which is made, held, and serviced by a legally organized lending agency and which is guaranteed by the Secretary hereunder: *Provided*, [That the term "legally organized lending agency" shall not be deemed to include the Federal Financing Bank.] *That the term "legally organized lending agency" shall be deemed to include the Federal Financing Bank only to the extent that such Bank may hold the guaranteed portion of such loans.*

(c) No contract guaranteeing any such loan by a lender shall require the Secretary [to participate in more than 80 per centum of any loss sustained thereon.] *to guarantee more than 90 per centum of the principal and interest on such loan.*

(d) No fees or charges shall be assessed by the Secretary for any guarantee provided by him under this Act.

(e) Loans guaranteed under this Act shall bear interest at a rate to be agreed upon by the lender and borrower.

[(f) Loans guaranteed under this Act shall be payable in not more than three years, but may be renewed for not more than two additional years.]

(f) *Loans guaranteed under this Act may be payable over a period of time as determined by the Secretary, but not to exceed seven years.*

SEC. 3. As a condition of the Secretary's guaranteeing any loan under this Act—

(a) The lender shall certify that—

(1) the lender is unwilling to provide credit to the loan applicant in the absence of the guarantee authorized by this Act;

(2) the loan applicant is directly and in good faith engaged in agricultural production, and the financing to be furnished the loan applicant is to be used for purposes related to the breeding, raising, fattening, or marketing of livestock;

(3) the loan is for the purpose of maintaining the operations of the loan applicant, and the total loans made to the loan applicant do not exceed the amount necessary to permit the continuation of his livestock operations at a level equal to its highest level during the eighteen months immediately preceding the date of enactment of this Act: *Provided*, That [the total loans guaranteed under this Act for any loan applicant shall not exceed \$250,000;] *the total principal balance outstanding at any one time on loans guaranteed under this Act for any borrower shall not exceed \$250,000;*

(4) in the case of any loan to refinance the livestock operations of a loan applicant (i) the loan and refinancing are absolutely

essential in order for the loan applicant to remain in business, (ii) the lending agency would not refinance such loan in the absence of a guarantee, and (iii) the lending agency is not currently refinancing similar loans to others without such guarantees.

(b) The loan applicant shall certify that he will be unable to obtain financing in the absence of the guarantee authorized by this Act.

(c) The Secretary finds there is reasonable probability of accomplishing the objectives of the Act and repayment of the loan.

SEC. 4. [Loans guaranteed under this Act shall be secured by security adequate to protect the Government's interests, as determined by the Secretary.] *Loans guaranteed under this Act shall be secured by collateral adequate to protect the Government's interests, as determined by the Secretary: Provided, That the Secretary may accept collateral which has depreciated in value owing to temporary economic conditions and which in the opinion of the lender, together with his confidence in the repayment ability of the borrower, is adequate security for the loan.*

SEC. 5. Loan guarantees outstanding under this Act shall not exceed \$2,000,000,000 at any one time. Subject to the provisions of section 2(c) of this Act, the fund created in section 309 of the Consolidated Farm and Rural Development Act shall be used by the Secretary for the discharge of the obligations of the Secretary under contracts of guarantee made pursuant to this Act. *Such fund may also be utilized to pay administrative expenses of the Secretary necessary to carry out the provisions of this Act.*

SEC. 6. Contracts of guarantee under this Act shall not be included in the totals of the budget of the United States Government and shall be exempt from any general limitation imposed by statute on expenditures and net lending (budget outlays) of the United States.

SEC. 7. Any contract of guarantee executed by the Secretary under this Act shall be an obligation supported by the full faith and credit of the United States and incontestable except for fraud or misrepresentation of which the holder had actual knowledge at the time it became a holder.

SEC. 8. [The provisions of this Act shall become effective upon enactment, and the authority to make new guarantees under this Act shall terminate one year from the date of enactment of this Act, except that the Secretary of Agriculture may extend the guarantee authority provided in this Act for a period not to exceed six months if he (1) determines that such guarantees are necessary to the welfare of livestock producers and that adequate credit cannot be obtained without such guarantee by the Secretary, and (2) notifies the Committee on Agriculture and Forestry of the Senate and the Committee on Agriculture of the House of Representatives at least thirty days prior to the date on which he elects to extend the guarantee authority provided in the Act.] *The provisions of this Act shall become effective upon enactment, and the authority to make new guarantees under this Act shall terminate on December 31, 1976.*

SEC. 9. (a) The provisions of section 310B(d)(6) of the Consolidated Farm and Rural Development Act shall apply to loans guaranteed under this Act.

(b) Contracts of guarantee executed pursuant to the provisions of this Act shall be fully assignable.

SEC. 10. The Secretary is authorized to issue such regulations as he determines necessary to carry out this Act. The proposed regulations shall be issued as soon as possible, but in no event later than thirty days from the date of enactment of this Act.

SEC. 11. *The Secretary shall report to the Committee on Agriculture, U.S. House of Representatives, and the Committee on Agriculture and Forestry, U.S. Senate, on or within one year of the date of the enactment of this section, and annually thereafter, with respect to the effectiveness of this Act. The Secretary shall be required, but not limited, to include in such report the number of loan applications submitted, the number and amount of loans approved, the financial situation facing cattlemen at the time of the report, the effect of this Act on the retail marketing of beef and on the farm-retail price spread of beef, and any recommendations he may have as to actions which can be taken to further decrease the price spread and to increase the consumption of beef.*

CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

* * * * *
 SEC. 316. The Secretary shall make all loans under this subchapter upon the full personal liability of the borrower and upon such security as the Secretary may prescribe. Such loans shall be payable in not more than seven years, but may be renewed for not more than five additional years [], *except that if two or more loans are consolidated the renewal period shall be computed from the due date of the most recent loan.* Loans made under this subchapter shall bear interest at a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, plus not to exceed 1 per centum per annum as determined by the Secretary.

PROVIDING FOR THE CONSIDERATION OF S. 1236

APRIL 22, 1975.— Referred to the House Calendar and ordered to be printed

Mr. YOUNG of Texas, from the Committee on Rules,
submitted the following

REPORT

[To accompany H. Res. 419]

The Committee on Rules, having had under consideration House Resolution 419, by a nonrecord vote, report the same to the House with the recommendation that the resolution do pass.



EMERGENCY LIVESTOCK CREDIT

MAY 22, 1975.—Ordered to be printed

Mr. BERGLAND, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany S. 1236]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1236) to extend and amend the Emergency Livestock Credit Act of 1974, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

That the Emergency Livestock Credit Act of 1974 (88 Stat. 391) is amended as follows:

(a) *Section 2 is amended—*

(1) *By striking “for the purpose of” in the first sentence of subsection (a) and inserting in lieu thereof the following: “and who have substantial operations in”.*

(2) *By striking the period at the end of subsection (a) and inserting in lieu thereof the following: “including dairy cattle raised and maintained for the primary purpose of marketing dairy products.”.*

(3) *By striking everything following the word “Provided,” in subsection (b) and inserting in lieu thereof the following: “That the term ‘legally organized lending agency’ shall be deemed to include the Federal Financing Bank only to the extent that such Bank may hold the guaranteed portion of such loans.”.*

(4) *By striking all of subsection (c) after the word “Secretary” and inserting the following in lieu thereof: “to guarantee more than 90 per centum of the principal and interest on such loan.”.*

(5) By changing subsection (f) to read as follows:

"(f) Loans guaranteed under this Act shall be for the period reasonably required by the needs of the borrower, taking into consideration the security the borrower has available, but not exceeding an original term of seven years. Loans may be renewed for not more than three additional years."

(b) Section 3 is amended by striking all of paragraph (3) of subsection (a) after the words "Provided, That" and inserting in lieu thereof the following: "the total principal balance outstanding at any one time on loans guaranteed under this Act for any borrower shall not exceed \$350,000;"

(c) Section 4 is amended to read as follows:

"Sec. 4. Loans guaranteed under this Act shall be secured by collateral adequate to protect the Government's interests, as determined by the Secretary: Provided, That the Secretary may accept collateral which has depreciated in value owing to temporary economic conditions and which, in the opinion of the lender, together with his confidence in the repayment ability of the borrower, is adequate security for the loan."

(d) Section 5 is amended by striking "\$2,000,000,000" and inserting in lieu thereof "\$1,500,000,000", and by adding at the end thereof the following new sentences: "Such fund may also be utilized to pay administrative expenses of the Secretary necessary to carry out the provisions of this Act. The Secretary in his discretion is authorized to use the funds from the Agricultural Credit Insurance Fund to purchase, on such terms and conditions as he may deem appropriate, the guaranteed portion of any loan made pursuant to this Act and to pay such expenses and fees incident to such purchases."

(e) Section 8 is amended to read as follows:

"Sec. 8. The provisions of this Act shall become effective upon enactment, and the authority to make new guarantees shall terminate on December 31, 1976."

(f) Section 10 is amended by adding at the end thereof the following new sentence: "Insofar as practicable, the Secretary shall complete action on each loan application within thirty days after its receipt."

(g) The Act is amended by adding at the end thereof the following new section 11:

"Sec. 11. The Secretary shall report to the Committee on Agriculture, United States House of Representatives, and the Committee on Agriculture and Forestry, United States Senate, on or within one year of the date of the enactment of this section, and annually thereafter, with respect to the effectiveness of this Act. The Secretary shall be required, but not limited, to include in such report the number of loan applications submitted, the number and amount of loans approved, the financial situation facing cattlemen at the time of the report, the effect of this Act on the retail marketing of beef and on the farm-retail price spread of beef, and any recommendations he may have as to actions which can be taken to further decrease the price spread and to increase the consumption of beef."

Sec. 2. Section 344 of the Consolidated Farm and Rural Development Act (86 Stat. 667) is amended by changing the last sentence thereof to read as follows: "No contract guaranteeing any such loan by such other lender shall require the Secretary to guarantee more than 90 per centum of the principal and interest on such loan."

And the House agree to the same.

That the House recede from its amendment to the title of the bill.

And the Senate agree to the same.

BOB BERGLAND,
W. R. POAGE,
E. DE LA GARZA,
ALVIN J. BALDUS,
GLENN ENGLISH,
JACK HIGHTOWER,
BILL WAMPLER,
PAUL FINDLEY,

Managers on the Part of the House.

HERMAN E. TALMADGE,
JAMES O. EASTLAND,
GEORGE MCGOVERN,
JAMES B. ALLEN,
H. H. HUMPHREY,
ROBERT DOLE,
CARL T. CURTIS,
HENRY BELLMON,

Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE
COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1236) to extend and amend the Emergency Livestock Credit Act of 1974, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report. The differences between the Senate bill and the House amendment and the substitute agreed to in conference are noted in the following outline, except for conforming, clarifying, and technical changes:

(1) *Eligibility of dairy producers.*

The *House* amendment provides that the term "livestock" shall include dairy cattle "raised and maintained for the primary purpose of marketing dairy products".

The *Senate* bill contains no comparable provision.

The *Conference* substitute adopts the House provision.

This amendment is clarifying in nature in that the Secretary under existing law has authority to guarantee loans with respect to producers of milk, eggs, and other livestock products such as wool and mohair. This is made clear by the following exchange of correspondence between the Chairman of the Senate Committee on Agriculture and Forestry and the Department of Agriculture:

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C., August 2, 1974.

HON. EARL L. BUTZ,
Secretary, U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: The regulations issued by the Department of Agriculture implementing the provisions of the Emergency Livestock Credit Act of 1974, specifically paragraph 1845.12(e), seemingly exclude the egg and milk producers of this Nation.

This ambiguity needs clarification immediately and must be resolved, without a doubt, so that the producers of these two very important commodities are explicitly included under the regulations, just as they are covered by the Act.

While the House of Representatives amended Sec. 2 of the Senate bill (S. 3679) to delete the phrase, "or the products thereof" from the definition of the term "livestock", this is of no consequence, for the Act specifically includes "dairy cattle and chickens" among the commodities covered, and surely the prime function of many chickens is to produce eggs, just as the function of dairy cattle is to produce milk.

(4)

Although I have no personal knowledge, I am informed that when the term "or the products thereof" was deleted during the course of House Committee consideration of the bill, the reason given for such action was to assure that packers and milk manufacturers were excluded.

Furthermore, when the House-passed bill was considered in the Senate the Senator from South Dakota, Mr. McGovern, the floor manager of the bill, on page 12761 of the Congressional Record of July 17, 1974, said: "The House amendment deletes any reference to the products of livestock. However, both the Senate bill and the House amendment define livestock as including dairy cattle and chickens. Therefore, producers of eggs and milk are eligible for assistance under the bill."

Obviously, the complete history of this measure is such as to cover all elements of the livestock sector of our agricultural economy. I know that the members of the Senate Committee on Agriculture and Forestry felt this way.

There is no rational reason to exclude milk producers. Nor is there any substantive reason to exclude egg producers. Therefore, I would appreciate very much if the regulations were amended to assure needed credit to the producers of these two very important agricultural commodities.

With every good wish, I am
Sincerely,

HERMAN E. TALMADGE, *Chairman.*

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., August 27, 1974.

HON. HERMAN E. TALMADGE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR TALMADGE: This is in reply to your letter of August 2, 1974, with respect to the regulations issued by this Department covering the Emergency Livestock Credit Act of 1974.

We appreciate your bringing to our attention the matter of clarification in regard to the financing of milk and egg producers under this new legislation. The Department has issued a revision of the rules and regulations to include producers of both milk and eggs, as well as other livestock products, such as wool and mohair and delete Paragraph 1845.12(e) of the regulations. The Federal Register dated August 16, 1974, beginning on page 29581, sets forth these changes.

Your comments relative to the legislative history and intent of this new Act are very much appreciated.

Sincerely,

WILLIAM ERWIN,
Assistant Secretary.

(2) *Eligibility criteria of producers.*

The *Senate* bill directs the extension of financial assistance to bona fide farmers and ranchers "who have substantial operations in" breeding, raising, fattening, or marketing livestock.

The *House* amendment contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision. The *Conferees* intend that a bona fide farmer or rancher shall be deemed as having "substantial operations" in the breeding, raising, fattening, or marketing of livestock if (1) he devotes not less than 25 percent of his time to his livestock operation; (2) not less than 25 percent of his farm income is derived from his livestock operation; or (3) not less than 25 percent of his capital investment is attributable to his livestock operation. Only persons actually engaged in livestock production would be eligible for assistance under the Act.

(3) *Eligibility of secondary financing by Federal Financing Bank.*

Both the *Senate* bill and the *House* amendment permit secondary financing of the guaranteed portion of livestock loans through the Federal Financing Bank.

The *House* amendment provides specifically that the Federal Financing Bank may hold only the guaranteed portion of loans guaranteed under the Act.

The *Conference* substitute adopts the *House* provision.

(4) *Term of loans and renewals.*

The *Senate* bill permits loans for the period reasonably required by the needs of the borrower, taking into consideration the security he has available, but not exceeding an original term of seven years. Loans could be renewed for not more than three years.

The *House* amendment permits loans over such period of time as determined by the Secretary, but not to exceed seven years.

The *Conference* substitute adopts the *Senate* provision.

(5) *Maximum loan level.*

The *Senate* bill authorizes the guarantee of a line of credit up to \$500,000.

The *House* amendment reduces the maximum line of credit to \$250,000.

Under the *Conference* substitute, the line of credit could not exceed \$350,000.

(6) *Limitation of total outstanding loan guarantees.*

The *House* amendment reduces the amount of loan guarantees under existing law which may be outstanding at any one time from \$2 billion to \$1 billion.

The *Senate* bill contains no comparable provision.

Under the *Conference* substitute, the amount of loan guarantees which may be outstanding at any one time is reduced to \$1.5 billion.

(7) *Utilization of the Agricultural Credit Insurance Fund.*

The *Senate* bill authorizes the use of the Agricultural Credit Insurance Fund to pay administrative expenses.

The *House* amendment also authorizes the use of the fund to pay administrative expenses and further authorizes the Secretary of Agriculture to use this fund, on such terms and conditions as he may deem appropriate, to purchase the guaranteed portion of any loans "made pursuant to amendments to this Act".

The *Conference* substitute adopts the *House* provision with an amendment deleting the words "to amendments".

The *Senate* bill provides that, insofar as practicable, the Secretary shall complete action on each loan application within 30 days after receipt.

The *House* amendment contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision.

(9) *Security and collateral for guaranteed loans.*

The *House* amendment provides that guaranteed loans must be secured by collateral adequate to protect the Government's interest but permits the Secretary to accept collateral which has depreciated in value owing to temporary economic conditions.

The *Senate* bill contains no comparable provision.

The *Conference* substitute adopts the *House* provision.

(10) *Annual reports.*

The *House* amendment requires annual reports from the Secretary on the effectiveness of the Act and the activity thereunder, including any recommendations the Secretary may have as to actions which can be taken to decrease the farm-retail price spread and increase the consumption of beef.

The *Senate* bill contains no comparable provision.

The *Conference* substitute adopts the *House* provision.

(11) *Loan guarantees under the Consolidated Farm and Rural Development Act.*

The *Senate* bill amends the Consolidated Farm and Rural Development Act to provide that contracts of guarantee under that Act shall not require the Secretary to guarantee more than 90 percent of the principal and interest on such loans. Under existing law, the Secretary may guarantee no more than 90 percent of the loss sustained on any loan.

The *House* amendment contains no comparable provision.

The *Conference* substitute adopts the *Senate* provision.

(12) *Consolidation of farm operating loans.*

The *House* amendment amends the Consolidated Farm and Rural Development Act to permit the Secretary to consolidate and amortize subsequent repayment of farm operating loans over a period of not to exceed 10 years from the date of consolidation.

The *Senate* bill contains no comparable provision.

The *Conference* substitute deletes the *House* provision.

BOB BERGLAND,
W. R. POAGE,
E. DE LA GARZA,
ALVIN J. BALDUS,
GLENN ENGLISH,
JACK HIGHTOWER,
BILL WAMPLER,
PAUL FINDLEY,

Managers on the Part of the House.

HERMAN E. TALMADGE,
JAMES O. EASTLAND,
GEORGE MCGOVERN,
JAMES B. ALLEN,
H. H. HUMPHREY,
ROBERT DOLE,
CARL T. CURTIS,
HENRY BELLMON,

Managers on the Part of the Senate.

Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Tuesday, the fourteenth day of January,
one thousand nine hundred and seventy-five

An Act

To extend and amend the Emergency Livestock Credit Act of 1974, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Emergency Livestock Credit Act of 1974 (88 Stat. 391) is amended as follows:

(a) Section 2 is amended—

(1) By striking “for the purpose of” in the first sentence of subsection (a) and inserting in lieu thereof the following: “and who have substantial operations in”.

(2) By striking the period at the end of subsection (a) and inserting in lieu thereof the following: “including dairy cattle raised and maintained for the primary purpose of marketing dairy products.”.

(3) By striking everything following the word “*Provided,*” in subsection (b) and inserting in lieu thereof the following: “That the term ‘legally organized lending agency’ shall be deemed to include the Federal Financing Bank only to the extent that such Bank may hold the guaranteed portion of such loans.”.

(4) By striking all of subsection (c) after the word “Secretary” and inserting the following in lieu thereof: “to guarantee more than 90 per centum of the principal and interest on such loan.”.

(5) By changing subsection (f) to read as follows:

“(f) Loans guaranteed under this Act shall be for the period reasonably required by the needs of the borrower, taking into consideration the security the borrower has available, but not exceeding an original term of seven years. Loans may be renewed for not more than three additional years.”.

(b) Section 3 is amended by striking all of paragraph (3) of subsection (a) after the words “*Provided, That*” and inserting in lieu thereof the following: “the total principal balance outstanding at any one time on loans guaranteed under this Act for any borrower shall not exceed \$350,000;”.

(c) Section 4 is amended to read as follows:

“SEC. 4. Loans guaranteed under this Act shall be secured by collateral adequate to protect the Government’s interests, as determined by the Secretary: *Provided,* That the Secretary may accept collateral which has depreciated in value owing to temporary economic conditions and which, in the opinion of the lender, together with his confidence in the repayment ability of the borrower, is adequate security for the loan.”.

(d) Section 5 is amended by striking “\$2,000,000,000” and inserting in lieu thereof “\$1,500,000,000”, and by adding at the end thereof the following new sentences: “Such fund may also be utilized to pay administrative expenses of the Secretary necessary to carry out the provisions of this Act. The Secretary in his discretion is authorized to use the funds from the Agricultural Credit Insurance Fund to purchase, on such terms and conditions as he may deem appropriate, the guaranteed portion of any loan made pursuant to this Act and to pay such expenses and fees incident to such purchases.”.

(e) Section 8 is amended to read as follows:

"SEC. 8. The provisions of this Act shall become effective upon enactment, and the authority to make new guarantees shall terminate on December 31, 1976."

(f) Section 10 is amended by adding at the end thereof the following new sentence: "Insofar as practicable, the Secretary shall complete action on each loan application within thirty days after its receipt."

(g) The Act is amended by adding at the end thereof the following new section 11:

"SEC. 11. The Secretary shall report to the Committee on Agriculture, United States House of Representatives, and the Committee on Agriculture and Forestry, United States Senate, on or within one year of the date of the enactment of this section, and annually thereafter, with respect to the effectiveness of this Act. The Secretary shall be required, but not limited, to include in such report the number of loan applications submitted, the number and amount of loans approved, the financial situation facing cattlemen at the time of the report, the effect of this Act on the retail marketing of beef and on the farm-retail price spread of beef, and any recommendations he may have as to actions which can be taken to further decrease the price spread and to increase the consumption of beef."

SEC. 2. Section 344 of the Consolidated Farm and Rural Development Act (86 Stat. 667) is amended by changing the last sentence thereof to read as follows: "No contract guaranteeing any such loan by such other lender shall require the Secretary to guarantee more than 90 per centum of the principal and interest on such loan."

Carl Albert

Speaker of the House of Representatives.

William French Smith

*Vice President of the United States and
President of the Senate.*

APPROVED

JUN 16 1975

Ronald R. Ford

JUNE 16, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

EXTENSION OF THE EMERGENCY LIVESTOCK CREDIT

ACT OF 1974 (S. 1236)

FACT SHEET

The President today signed into law S. 1236, which extends, with certain amendments, the Emergency Livestock Credit Act of 1974 from July 25, 1975 to December 31, 1976.

Background

The original Act currently provides guarantees for loans by private lenders made to farmers and ranchers who breed, raise, fatten or market livestock. At present, the total loans guaranteed for any borrower may not exceed \$250,000 and the aggregate of all loans guaranteed at any one time may not exceed \$2 billion.

The original Act and this extension are designed to deal with the depressed market for livestock -- particularly cattle -- and to soften the financial impact of this market collapse on the livestock industry.

Features of S. 1236

This legislation extends new loan guarantee authority under the Act from July 25, 1975 to December 31, 1976 and amends the Act to:

- broaden program eligibility.
- increase maximum guaranteed loan amounts to \$350,000 (from \$250,000).
- lengthen the maximum duration of loans to 7 years (from 3 years).
- change the loan guarantee to cover up to 90% of the principal and interest of the loan (from 80%).
- liberalize loan security requirements.
- reduce the aggregate level of Federal loan guarantees to \$1.5 billion (from \$2.0 billion).

Since this is a guarantee program with no interest rate subsidy, direct costs to the Federal Government will be limited to nominal administrative expenses and any future losses resulting from defaults of guaranteed loans.

#

FOR IMMEDIATE RELEASE

JUNE 16, 1975

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
AT THE SIGNING
OF S. 1236
AN AMENDMENT TO THE EMERGENCY
LIVESTOCK CREDIT ACT OF 1974

THE CABINET ROOM

3:01 P.M. EDT

Let me thank the Members of the Congress, particularly those from the two committees on Agriculture for coming down, along with Secretary of Agriculture Butz, for the signing of the Emergency Livestock Credit Act of 1975, which is, of course, an extension of the law that was passed in the first instance in 1974.

The livestock industry for the last several years has been going through a very difficult period. They have a cost-price squeeze; there has been a serious problem in handling credit as a result.

The Congress and the Executive Branch working together by the original Act and by the Extension which I am about to sign, I think will help to build a healthy livestock industry. It will be something that will benefit not only the livestock producers but other related agricultural producers, and it will likewise help the consumer in that we will have an assured supply of good food, which is, of course, essential and necessary for a better America.

So it is a privilege for me on this occasion to thank the Members of Congress who worked on this legislation and to participate in the extension of this legislation.

END (AT 3:03 P.M. EDT)

June 4, 1975

Dear Mr. Director:

The following bill was received at the White House on June 4th:

S. 1236

Please let the President have reports and recommendations as to the approval of this bill as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.