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APPROVED
JUL 14 1976

87/4/76

THE WHITE HOUSE
WASHINGTON
July 12, 1976

ACTION
LAST DAY: July 17

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON *JMC*

SUBJECT:

H.R. 10930 - Cotton Research and Promotion Program

*Posted
7/15/76*

*Archived
7/15/76*

Attached for your consideration is H.R. 10930, sponsored by Representative Bowen.

The enrolled bill would amend existing law to:

- repeal the authorization to use public funds in the Cotton Research and Promotion Program, effective October 1, 1977.
- authorizes, subject to approval in a referendum of producers, an increase in the per bale assessment paid by cotton producers in an amount not to exceed one percent of the value of the cotton (current price is about \$300/bale);
- requires the Cotton Board to reimburse the Secretary of Agriculture (1) for expenses, not to exceed \$200,000 incurred in connection with any cotton referendum conducted by the Secretary and (2) for administrative costs incurred by the Secretary of up to five employee years associated with supervising the administration of a cotton order; and
- authorizes the Secretary of Agriculture to appoint up to three consumer advisers to the Cotton Board.

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

OMB, Max Friedersdorf, CEA, Bill Seidman, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 10930 at Tab B.





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

JUL 12 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 10930 - Cotton research and
promotion program
Sponsor - Rep. Bowen (D) Mississippi

Last Day for Action

July 17, 1976 - Saturday

Purpose

Amends existing law to (1) eliminate Federal funding support for the cotton research and promotion program, and (2) authorize an increase in the assessment paid by cotton producers for cotton research and promotion activities.

Agency Recommendations

Office of Management and Budget	Approval
Department of Agriculture	Approval
Council of Economic Advisers	No objection

Discussion

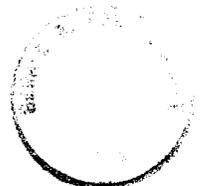
Under provisions of the Cotton Research and Promotion Act of 1966, the Cotton Board, composed of 20 non-government members appointed by the Secretary of Agriculture, administers a research and promotion program for cotton. Funding for the program currently comes from two sources: (1) a \$1 per bale assessment levied on cotton producers -- refunds are made to producers when requested; and, (2) an annual authorization to use up to \$20 million of Commodity Credit Corporation (CCC) funds through fiscal year 1978 and \$10 million thereafter.

After netting out refunds, the producer-supported program was funded at about \$10 million in fiscal year 1976 and it is expected to be around \$9 million in fiscal year 1977. With respect to CCC monies, \$3 million was appropriated for fiscal year 1976 and its use was restricted to research activities while the fiscal year 1977 Agriculture appropriation bill that was cleared by Congress late last month did not provide funds for the cotton program.

This move to eliminate Federal funding support is consistent with your budget for fiscal year 1977, and it also reflects the recent trend toward making agricultural commodity promotion programs entirely self-supporting.

H.R. 10930 would make the following changes in the present cotton research and promotion program:

- repeals the authorization to use public (CCC) funds in the program, effective October 1, 1977 (this date allows the obligation and use of funds appropriated in fiscal year 1976);
- authorizes, subject to approval in a referendum of producers, an increase in the per bale assessment paid by cotton producers in an amount not to exceed one percent of the value of the cotton (current price is about \$300/bale);
- requires the Cotton Board to reimburse the Secretary (1) for expenses, not to exceed \$200,000, incurred in connection with any cotton referendum conducted by the Secretary, and (2) for administrative costs incurred by the Secretary of up to five employee years associated with supervising the administration of a cotton order; and,
- authorizes the Secretary to appoint up to three consumer advisors to the Cotton Board.



Generally, H.R. 10930 reflects the amendments that were recommended by Agriculture during congressional consideration of the bill, and in its enrolled bill letter, the Department notes that:

"...the enactment of H.R. 10930 would result in an annual savings of \$3 million of appropriated funds due to the repeal of section 610 as well as savings of approximately \$70,000 appropriated annually for administrative expenses."

While this Office continues to question the overall effectiveness of agricultural commodity promotion programs, and the Council of Economic Advisers expresses the same concern in its enrolled bill letter, we share CEA's view that H.R. 10930 does improve the nature of the present cotton promotion program by shifting certain costs from the Federal Government to the cotton industry. Accordingly, we recommend approval of H.R. 10930.

James M. Frey
Assistant Director for
Legislative Reference

Enclosures



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 22

Time: 530pm

FOR ACTION: Paul Leach
Bill Seidman
Max Friedersdorf
Ken Lazarus

cc (for information): Jack Marsh
Jim Cavanaugh
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: July 13

Time: 500pm

SUBJECT: H.R. 10930-Cotton research and promotion program

ACTION REQUESTED:

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



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

July 8, 1976

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

In reply to the request of your office, the following report is submitted on the enrolled enactment of H.R. 10930, "To repeal section 610 of the Agricultural Act of 1970 pertaining to the use of Commodity Credit Corporation funds for research and promotion and to amend section 7 (e) of the Cotton Research and Promotion Act to provide for an additional assessment and for reimbursement of certain expenses incurred by the Secretary of Agriculture."

This Department recommends that the President approve the bill.

H.R. 10930 makes two basic changes in the cotton research and promotion program. First, the bill repeals section 610 of the Agricultural Act of 1970, as amended, thereby terminating public funding of a portion of the program. This would be consistent with the approach taken in other commodity research and promotion programs in that they are fully producer-financed. Second, the bill authorizes an increase in the assessment paid by cotton producers to fund a self-help program of research, promotion, and market development, subject to approval by producers in a referendum. In addition, the federal costs of administering the program and the cost of holding the producer referendum would be reimbursed by cotton producers with funds derived from their assessments.

It is believed that the enactment of H.R. 10930 would result in an annual savings of \$3 million of appropriated funds due to the repeal of section 610 as well as savings of approximately \$70,000 appropriated annually for administrative expenses.

Sincerely,

A handwritten signature in cursive script that reads "Earl L. Butz".

Earl L. Butz
Secretary

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 12, 1976

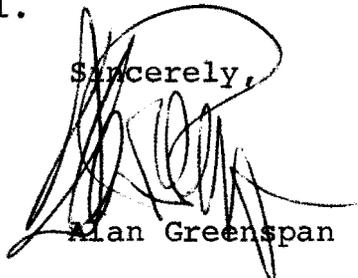
Dear Mr. Frey:

In response to your request for CEA's views on H. R. 10390, to permit an increase in the assessment for cotton research and promotion, we are not opposed to the bill.

This legislation is one of a series of bills which provide governmentally sanctioned and supported mechanisms for promotion of agricultural commodities. These bills tend to increase the prices of the products promoted, and it is not clear that they provide corresponding benefits to either consumers or producers. In general, we believe it is unwise for government to assist in such promotion schemes for private industries, even in competitive industries such as agriculture.

However, H. R. 10390 would also shift costs of current cotton promotion activities from USDA to the cotton industry. There are no official estimates of the budget savings of this shift but it would be significant, and has been estimated by the CBO to be in the neighborhood of \$10 million. For this reason we raise no objection to the bill.

Sincerely,



Alan Greenspan

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



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 12

Time: 530pm

FOR ACTION: Paul Leach
Bill Seidman ✓
Max Friedersdorf
Ken Lazarus

cc (for information): Jack Marsh
Jim Cavanaugh
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: July 13

Time: 500pm

SUBJECT: H.R. 10930-Cotton research and promotion program

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

*approval
JWS*

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 M. Cannon
For the President

THE WHITE HOUSE

ACTION MF

DUM

WASHINGTON

LOG NO.:

Date: Ju

Time: 530pm

FOR AC Paul Leach
Bill Seidman
Max Friedersdorf
Ken Lazarus

cc (for information): Jack Marsh
Jim Cavanaugh
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: July 13

Time: 500pm

SUBJECT: H.R. 10930-Cotton research and promotion program

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

*OK - PCZ
Recommend - sy*

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 M. Cannon
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 12

Time: 530pm

FOR ACTION: Paul Leach
Bill Seidman
Max Friedersdorf
Ken Lazarus

cc (for information): Jack Marsh
Jim Cavanaugh
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: July 13

Time: 500pm

SUBJECT: H.R. 10930-Cotton research and promotion program

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 checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

please return to judy johnston, ground floor west wing

No objection -- Ken Lazarus 7/13/76

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 M. Cannon
For the President

THE WHITE HOUSE

WASHINGTON

July 13, 1976

MEMORANDUM FOR: JIM CAVANAUGH
FROM: MAX L. FRIEDERSDORF *M.L.F.*
SUBJECT: HR 10930 - Cotton Research and promotion program

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

Attachments

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

JUL 12 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 10930 - Cotton research and
promotion program
Sponsor - Rep. Bowen (D) Mississippi

Last Day for Action

July 17, 1976 - Saturday

Purpose

Amends existing law to (1) eliminate Federal funding support for the cotton research and promotion program, and (2) authorize an increase in the assessment paid by cotton producers for cotton research and promotion activities.

Agency Recommendations

Office of Management and Budget	Approval
Department of Agriculture	Approval
Council of Economic Advisers	No objection

Discussion

Under provisions of the Cotton Research and Promotion Act of 1966, the Cotton Board, composed of 20 non-government members appointed by the Secretary of Agriculture, administers a research and promotion program for cotton. Funding for the program currently comes from two sources: (1) a \$1 per bale assessment levied on cotton producers -- refunds are made to producers when requested; and, (2) an annual authorization to use up to \$20 million of Commodity Credit Corporation (CCC) funds through fiscal year 1978 and \$10 million thereafter.

AMENDMENTS TO COTTON RESEARCH AND PROMOTION PROGRAM

MAY 15, 1976—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

[Including the Congressional Budget Office cost estimates]

[To accompany H.R. 10930]

The Committee on Agriculture, to whom was referred the bill (H.R. 10930), to amend section 7(e) of the Cotton Research and Promotion Act to provide for an additional assessment and for reimbursement of certain expenses incurred by the Secretary of Agriculture and to repeal section 610 of the Agricultural Act of 1970 pertaining to the use of Commodity Credit Corporation funds for research and promotion, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 1, line 3, strike all after the enacting clause and insert in lieu thereof the following:

That section 610 of the Agricultural Act of 1970, as amended (7 U.S.C. 2119), is repealed effective October 1, 1977.

SEC. 2. Section 7(e) of the Cotton Research and Promotion Act (7 U.S.C. 2106(e)) is amended as follows:

(1) At the end of the first sentence strike the period and add the following: “, and for reimbursing the Secretary (1) for expenses not to exceed \$200,000 incurred by him in connection with any referendum conducted under section 8, and (2) for administrative costs incurred by the Secretary for supervisory work up to 5 employee years after an order or amendment to an order has been issued and made effective.”

(2) At the end of the second sentence strike the period and add the following: “, unless specifically authorized by provisions of this subsection.”

(3) At the end of the third sentence strike the period and add the following: “but, subject to approval in a referendum as provided in section 8, the Secretary shall issue an amendment to the order which shall provide that in each marketing year, the rate shall be supplemented by an additional per bale amount to be collected or paid as

provided in this subsection, such amount to be at a rate as prescribed in the amendment to the order, but not to exceed one per centum of the value of cotton as determined by the Cotton Board and the Secretary. Neither the amendment to the order authorized by the foregoing provisions nor the disapproval of such amendment in a referendum shall operate to decrease or otherwise affect the amount of the assessment of \$1.00 per bale in effect under the order published in the Federal Register on December 31, 1966. No authority under this Act may be used as a basis to advertise or solicit votes in any referendum relating to the rate of assessment with funds collected under this Act."

And amend the title to read as follows:

To repeal section 610 of the Agricultural Act of 1970 pertaining to the use of Commodity Credit Corporation funds for research and promotion and to amend section 7(e) of the Cotton Research and Promotion Act to provide for an additional assessment and for reimbursement of certain expenses incurred by the Secretary of Agriculture.

PURPOSE AND NEED

H.R. 10930 makes two basic changes in the Cotton Research and Promotion Program. First, the bill repeals section 610 of the Agricultural Act of 1970 which authorizes government financing to supplement funds available for the Cotton Research and Promotion Act. Second, it authorizes an increase in the assessment paid by producers to fund a self-help program of research and marketing, subject to approval by producers in a referendum.

The Cotton Research and Promotion Act was adopted in 1966 to enable cotton producers to establish, finance, and carry out a coordinated program of research and promotion to improve the competitive position of, and to expand markets for, cotton. The Act authorized an assessment of \$1 per bale on cotton producers and accorded each producer the right to obtain a refund if he was not in favor of the program. These funds were supplemented by government funds under section 610 of the Agricultural Act of 1970. H.R. 10930 does not change the Cotton Research and Promotion Act in any basic way. It ends public support for the program and at the same time provides cotton growers in the United States an opportunity to decide for themselves as to whether or not they will assess themselves additional charges to support the research and promotion effort.

A healthy, profitable cotton economy is an asset to the national economy for its contributions to the domestic economy and its significant contribution to our export trade and the all important balance of payments in international trade.

There is a need for a coordinated research and promotion program to be carried out by approximately 250,000 cotton producers in the United States if cotton is to maintain and expand its markets. Cotton is facing well organized and highly financed competition from synthetic fabrics. There are seven major chemical companies which control an estimated 84 percent of synthetic production—in 1974 the two largest dominated the market with 54 percent of sales. Research in the fields of cotton production and marketing have been completely overshadowed by the heavily financed programs of research and marketing support by the almost unlimited resources of the manufacturers of synthetic textile products.

Since the dollar per bale program was enacted in 1966, the dollar has shrunk in value due to inflation experienced over the past several years to only 60 cents today. In addition, government funds in support of the program were cut in 1974 and 1975 from \$10 million per year to \$3 million annually and by this bill would be eliminated entirely. Another form of public support has likewise been reduced. The utilization research effort devoted to cotton by USDA and State Agricultural Experiment Stations has decreased by some 10 percent in the period 1966 to 1974.

The program provided for by the Cotton Research and Promotion Act has provided concentrated effort in research and promotion to enable cotton to regain markets which have been lost to synthetics and other competing fabrics over the last number of years. In 1960, cotton had about 65 percent of the U.S. textile fiber market and this fell below 30 percent in 1973. Cotton was gradually losing its markets to synthetics, in part, because of the vast resources provided for research and development and for advertising and marketing support. In the early 1960's, synthetic fiber corporations were spending about \$120 million a year for research and advertising alone. In 1974 the synthetic industry invested \$234 million in fiber research and \$60 million in advertising to promote sales of synthetic fibers. By comparison the amount spent by Cotton, Inc., was but \$5.4 million for fiber research and \$3.4 million for advertising for cotton. In part, as a result of the program authorized by the Cotton Research and Promotion Act, cotton moved back to 30.3 percent of the fiber market in 1974. It has held steady since and looks better yet for the future assuming proper support is provided for the program.

Cotton research and promotion programs date back to 1938 when rayon was beginning to make inroads into cotton's markets. To help combat this threat, a group of cotton leaders organized the National Cotton Council with the objective of increasing consumption of United States cotton and its products through research and promotion as well as through other needed projects. The Council tried various voluntary financing plans. In 1960, it organized the Cotton Producers Institute as a division of the Council with its funds going entirely to research and promotion projects. Collections went from a little over \$1 million the first year to a high of about \$3 million and then began to decline for a number of reasons. As the program started to erode throughout the cotton producing area, it became clear a uniform method of financing was needed. This led to enactment of the Cotton Research and Promotion Act which became effective with the 1967 crop. That Act set up a quasi-governmental agency called the Cotton Board to administer the program with assessments collected under the Act. The Act maintained the voluntary nature of the original producer effort by allowing refunds to producers who did not wish to participate.

Public hearings were held on a proposed cotton research and promotion order and a referendum vote by cotton producers approved the order by a 68-percent majority of growers voting.

The implementing order was issued on December 31, 1966.

In early 1967, the Secretary of Agriculture appointed 20 members and 20 alternate members to the Cotton Board which met for its initial meeting in March.

The Cotton Board developed and issued regulations governing the collection and refund of producers assessments and entered into a contract with the Cotton Producers Institute—now Cotton Inc.—to develop and implement a research and promotion program.

Collection of producer assessments began with the 1967 cotton crop and the first research and promotion program and budget was approved and implemented in calendar year 1968.

According to the U.S.D.A., through June 30, 1975, \$85 million in producer funds have been collected; \$8 million have been refunded leaving net collections of \$77 million. Refunds have ranged from 3 percent in 1967 to 12.5 percent in 1974.

Section 610 of the Agricultural Act of 1970 as amended by the Agriculture and Consumer Protection Act of 1973 authorized the use of \$10 million of Commodity Credit Corporation funds annually in fiscal years 1972-78 for the program. The Agricultural Appropriations Acts for 1974, 1975 and 1976 limited the section 610 funds to \$3 million annually to be used for research only. Through fiscal year 1976 a total of \$29 million of CCC funds has been made available for this program.

Through June 30, 1975, \$71 million of producer funds have been expended with about 60 percent devoted to promotion and 40 percent to research; \$25 million of section 610 funds have been spent through the same date, about equally divided between promotion and research. Beginning in fiscal 1974 the use of section 610 funds has been limited to research.

The current fiscal year producer-funded program is budgeted at \$10.1 million. Available producer funds for the fiscal year 1977 budget will be around \$9 million, the smallest annual budget since the first year of the program. The only other funds available to increase fiscal 1977 program would be Cotton Inc.'s own funds of just over \$1 million (which were inherited from the voluntary program prior to 1966) and about \$500,000 in patent and royalty funds.

Many benefits have been derived from the research and promotion efforts funded by the Act. For example, a coordinated research program through contracts and cooperative agreements with State Experiment Stations resulted in the development of the mechanical rick compactors and the module builder system. These systems permit the handling of seed cotton in a much more efficient manner for the grower, preserving the quality of the lint and seed, and reducing field loss.

Textile research at Cotton Inc.'s plant and under contract and cooperative agreements have been responsible for new and better fabrics, such as fire retardant and easy-care fabrics. Research is ongoing now to combat the occupational and safety health hazard of byssinosis. In the promotion area, Cotton Inc. has been concentrating in advertising, mill motivation and new product merchandizing to increase cotton consumption at the mill, manufacturer, and retail levels.

The program provided under the Act guarantees a strongly competitive fiber market by establishing a cooperative effort to accomplish research and marketing program that is now beginning to show positive results.

It will, if adequately funded, restore cotton to its rightful position as a fabric unequalled for comfort, durability and economy of use.

SECTION-BY-SECTION ANALYSIS

Section 1.—This section repeals section 610 of the Agricultural Act of 1970, as amended, effective October 1, 1977, thereby terminating public funding of the program. After that date the program will be supported entirely with funds collected from producers of cotton. Section 610 authorizes Commodity Credit Corporation to make available \$10 million annually for research and promotion programs conducted through the Cotton Board established under the Cotton Research and Promotion Act and provides discretionary authority to the Secretary to make additional sums available for such purpose not exceeding \$10 million. There is an amount of \$3 million appropriated pursuant to this authority in the appropriation act for the Department of Agriculture for the current fiscal year. While testimony at the hearing indicated that it was not anticipated additional funds would be made available pursuant to section 610 for the next fiscal year, the effective date of this provision is postponed until October 1, 1977, to allow funds appropriated in the current fiscal year to be obligated and utilized under on-going contracts which will continue into the next year.

Section 2.—This section amends section 7(e) of the Cotton Research and Promotion Act as follows:

Paragraph (1) provides that the assessments collected under the order shall be used to reimburse the Secretary (a) for expenses, not to exceed \$200,000, incurred by him in connection with any referendum conducted under section 8 for approval of an order or an amendment of an order and (b) for administrative costs incurred by the Secretary for supervisory work up to five employee years after an order or amendment to an order has been issued and made effective. It is the intention of the Committee that the dollar limitation on the USDA expenses to be borne by producer assessments—\$200,000 for the cost of the referendum, and 5 employee years for the administrative costs for supervisory work—be viewed as ceilings and are not requirements that the full amount be utilized.

Paragraph (2) sets forth an exception to the provision in the Act that no more than one assessment shall be made on any bale of cotton so as to take account of any supplemental assessment authorized pursuant to section 7(e) as amended by H.R. 10930.

Paragraph (3) provides an authorization for a supplemental rate of assessment of an amount not to exceed 1 percent of the value of cotton as determined by the Cotton Board and the Secretary. The supplemental rate set forth in the bill is a maximum. So long as this amount is not exceeded, the amended order could provide either a flat dollar and cent rate per bale or a rate based on a percentage of value per bale using past or current cotton prices. The Cotton Board would be expected to engage in such meetings or communication with cotton growers as it deems necessary in order to arrive at a rate or rate procedure for recommendation to the Secretary. Thereafter, the views of growers and others would be obtained on the assessment rate and other provisions of the proposed amendment to the order in hearings conducted by the Secretary. The decision on the assessment rate to be included in the amendment to the order would be made by the Cotton Board and the Secretary after giving consideration to the hearing record and the recommendations in connection therewith.

If the maximum amount is not utilized in an amendment to the order, and it becomes necessary at a later date to increase the amount further, such action would be authorized under the Act, so long as the total supplemental assessments did not exceed the prescribed rate of one percent of the value of the cotton.

Before any such supplemental assessment could become effective, it would, of course, have to be approved by producers in a referendum conducted under section 8. Neither an amendment to the order providing for a supplemental rate of assessment nor disapproval of such amendment shall operate to decrease or otherwise affect the assessment of \$1.00 per bale currently in effect.

The paragraph also provides that no authority under the Act may be used as a basis to advertise or solicit votes in any referendum relating to the rate of assessment with funds collected under the Act. This provision does not derogate from the authority of the Cotton Board or Cotton Inc. to conduct on-going promotion programs in its customary and usual manner in which it explains the work that is being performed under the order, but it is not expected that this activity would be conducted in such a manner as to advertise or solicit votes in the referendum.

COMMITTEE CONSIDERATION

The Subcommittee on Cotton held hearings on H.R. 10930 on December 16 and 17, 1975. Testimony was received in support of the legislation from representatives of many producer organizations including organizations from the States of Arizona, California, Alabama, Florida, Louisiana, Georgia, Virginia, the Carolinas, Tennessee, and Texas. Support for the legislation also came from members of the Board of Cotton Inc., and from a representative of the National Cotton Council, the National Cottonseed Producers Association, the American Cotton Shippers Association, and the Cotton Warehousemen's Association. Since the hearings a letter in support of the legislation was received from the American Farm Bureau Federation.

At the hearing, the Administrator, Agricultural Marketing Service, U.S. Department of Agriculture, testified that the Department had no objection to enactment of H.R. 10930 if amended as suggested. He recommended first that reimbursement for administrative costs not be confined to a specific number of employee years (as introduced the bill provided for reimbursement for 2.5 employee years), and that the Department should be reimbursed for all costs associated with the holding of a producer referendum to approve additional assessments.

Finally, at the hearings a representative of the Mid-continent Farmers Association appeared and urged deferral of action on H.R. 10930 pending an impartial evaluation by an outside source of program effectiveness. He also suggested a number of modifications in the program.

The Subcommittee on Cotton met in mark-up session on April 7, 1976. It considered and adopted two amendments offered by Mr. Bowen. One provides for administrative costs incurred by the Secretary for supervisory work of up to five employee years to be made from assessments rather than costs involving 2.5 employee years as provided in the bill as introduced. The change was offered to meet, in part, a request from USDA. The other changes were technical in

nature. They provided for a repeal of section 610 of the Agricultural Act of 1970 to become effective October 1, 1977, instead of the July 1 date as in the bill as originally introduced. The change was made so that the time would coincide with the beginning of the fiscal year. The bill was then ordered reported to the full Committee with a recommendation that it be passed, by a roll call vote of 9 yeas to 0 nays in the presence of a quorum.

The Committee on Agriculture met on May 6, 1976, to consider the bill. At that time, it adopted an amendment offered by Mr. Krebs which would provide for the cost of the referendum in an amount not to exceed \$200,000 to be borne from assessments collected from producers. In the discussion of the Krebs' amendment, it was pointed out by Mr. Bowen that the limitation of \$200,000 should be more than ample to cover the expected costs of the referendum. The Department of Agriculture originally estimated the expense at a higher figure but had revised its figures downward and advised Mr. Bowen that the costs to ASCS for the conduct of the referendum would be in the amount of approximately \$129,000 with a possibility of an additional \$25,000 while the costs to Agricultural Marketing Service in connection with the hearings preliminary to the referendum should total \$21,100, for a grand total of approximately \$175,000. An amendment was also offered by Mr. Findley and agreed to by the Committee which provides that no authority under the Act may be used as a basis to advertise or solicit votes in any referendum relating to the rate of assessment with funds collected under the Act.

In the course of discussion, the question was raised as to whether the Secretary would have authority after enactment of H.R. 10930 to review effectively expenditures of funds under the program. In response to the question, reference was made to various provisions of the Cotton Research and Promotion Act which help to assure that the Secretary would continue to be authorized to exercise his authority in this area. These provisions include the requirement that the Cotton Board submit to the Secretary for approval sales, promotion or research plans or projects, budgets of its anticipated expenses and disbursement in the administration of the order including the costs of advertising and promotion and research and development projects. A reference was also made to the requirement that the Cotton Board maintain such books and records and make such records available to the Secretary as he may prescribe for the appropriate accounting of the Cotton Board of all funds entrusted to it. In addition, mention was made of the authority of the Secretary to issue orders and regulations under the statute and to conduct investigations to assure proper protection of producers' interests. The Cotton Board also has responsibilities under the Act which the Committee expects will be carried out fully. These include, among other things, the responsibility to administer the order in accordance with its terms and conditions and, as indicated above, to develop the plans and projects for advertising, sales promotion and research and development as well as the fiscal year budget which are submitted to the Secretary for his approval.

Following discussion, the Committee voted in the presence of a quorum by voice vote to report the bill with a recommendation that it do pass.

ADMINISTRATION POSITION

The following report was received from the Department of Agriculture concerning its position on H.R. 10930. In the letter the USDA made certain recommendations for changes in the bill. To accommodate the concerns of USDA, the Committee acted to provide reimbursement for Department costs incurred under the program as explained more fully elsewhere in this report. The Department also recommended a change in the language regarding the supplemental assessment to require an exact per bale amount. However, it should be noted that the amount set forth in H.R. 10930 is a maximum and there is authority under the bill to specify an assessment at a lesser rate which could be in the form of a fixed dollar and cent amount, if the Secretary and the Cotton Board should find it desirable.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., December 17, 1975.

HON. THOMAS S. FOLEY,
*Chairman, Committee on Agriculture,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your request for a report on H.R. 10930, a bill "To amend section 7(e) of the Cotton Research and Promotion Act to provide for an additional assessment and for reimbursement of certain expenses incurred by the Secretary of Agriculture and to repeal section 610 of the Agricultural Act of 1970 pertaining to the use of Commodity Credit Corporation funds for research and promotion."

The Department has no objection to the enactment of H.R. 10930 if amended and clarified as set forth herein.

Section 1(1) of the bill would provide for the reimbursement of administrative costs incurred by the Department for supervisory work involving 2.5 employee years after an order or amendment to an order has been issued and made effective. We recommend that a provision be made for reimbursement of all administrative costs incurred by the agency within the Department directly responsible for program administration—in this case the Agricultural Marketing Service. We further recommend that the Department be reimbursed for all costs associated with the holding of a producer referendum to approve additional assessments. The Department assumed all costs of developing the Order, holding public hearings, and holding the producer referendum in 1966. Any costs associated with other than the initial referendum of 1966 should be defrayed from program assessments.

Section 1(2) contains language necessary to authorize the collection of an additional assessment on each bale over and above the present \$1 per bale assessment.

Section 1(3) of the bill provides for an additional producer assessment for research and promotion. This is a decision that must ultimately be reached in a referendum by cotton producers themselves if Congress approves this amendment. The language in this section is not clear as to whether the additional assessment is to be an amount per bale or a percentage of some value of cotton to be determined in some

undefined means by the Cotton Board and the Secretary. Neither is it clear as to who would establish the rate of the additional assessment.

The Committee may want to consider changing the language to specify an exact per bale amount of the additional assessment rather than providing that the amount be prescribed in an amendment to the Order. This would be consistent with the action taken by Congress when it set the initial \$1 per bale in the Act. It would also facilitate and simplify the collection and remittance of assessments by handlers to the Cotton Board as well as eliminate the need for an annual determination of the value of cotton by the Cotton Board and the Secretary.

In any event, we recommend that the language be revised to clarify the amount of the assessment and the basis on which it is to be established.

Section 2 provides for the repeal of section 610 of the Agricultural Act of 1970 effective July 1, 1977. Thus, authority for the use of section 610 funds would be continued for most of fiscal year 1977. Section 610 authorizes the use of Commodity Credit Corporation funds for cotton research activities. The Department agrees with the repeal of section 610 of the Agricultural Act of 1970. This would be consistent with the approach taken in other commodity research and promotion programs in that they are fully producer-financed. However, it should be noted that the repeal of section 610 would in no way affect our responsibility for supervising the producer-financed program. The Department has well-defined oversight and surveillance responsibilities in the Cotton Research and Promotion Act. We assure the Congress that these activities will continue.

Because of the ambiguity in the assessment provisions of the bill, we are unable to estimate the total amount of revenue to be generated by this proposal.

With respect to the provisions of Public Law 91-190, Section 102 (2) (C), we believe this legislation would have no significant impact on the quality of the environment.

The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

RICHARD L. FELTNER,
Assistant Secretary.

CURRENT AND FIVE SUBSEQUENT FISCAL YEAR COST ESTIMATE

Pursuant to clause 7 of Rule XIII of the Rules of the House of Representatives, the Committee estimates that H.R. 10930 should not result in any government costs during the current and five subsequent fiscal year period. To the contrary, it should result in cost savings to the United States. First, H.R. 10930 repeals effective October 1977 authority under section 610 of the Agricultural Act of 1970 under which CCC funds have been made available for the cotton research and promotion program. Section 610 authorizes \$10 million in CCC funds to be used annually for this purpose and makes an additional \$10 million available at the discretion of the Secretary from funds available for payments on each of the cotton crops through the 1977 crop. For the current fiscal year, the amount available under section 610 has been limited to \$3 million. H.R. 10930 would have potential savings

of \$20 million in fiscal year 1978, when the repeal first becomes effective and \$10 million each year thereafter, assuming the full authorization under section 610 would otherwise have been made available for the program.

There are other cost savings resulting from H.R. 10930. The bill provides that certain program costs now paid from funds appropriated under the Cotton Research and Promotion Act would be borne in the future by producer assessments. These include up to \$200,000 for costs associated with any referendum conducted under the Act, and administrative costs for supervisory work involving up to 5 employee years after an order or amendment thereto has been made effective. These maximum limits should be more than enough to cover anticipated expenses for the future. Information from the USDA indicates that the costs associated with a referendum should not exceed \$175,000 and the administrative costs to the Department for supervisory work should not exceed approximately 3 employee years and involve an expenditure of some \$72-75,000 with a potential that it might go up to 5 employee years over the next three years depending on the workload.

The provision for reimbursement of referendum expenses would save the USDA for expenses incurred in the referendum on the increase in the assessment, which most probably would occur in fiscal year 1977, and on any referendum which might occur thereafter. The savings resulting from reimbursement of administrative costs would be a savings on an annual basis of the amount set forth above for this purpose.

The Committee's estimate is consistent with the estimate of the Congressional Budget Office which appears elsewhere in this report.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1) (4) of Rule XI of the Rules of the House of Representatives, the Committee estimates that enactment of H.R. 10930 will have no inflationary impact on the national economy.

BUDGET ACT COMPLIANCE (SECTION 308 AND SECTION 403)

The provisions of clause 2(1) (3) (B) of Rule XI of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 (relating to estimates of new budget authority or new or increased tax expenditures) are not considered applicable. The estimate and comparison prepared by the Director of the Congressional Budget Office under clause 2(1) (3) (C) of Rule XI of the Congressional Budget Act of 1974 submitted to the Committee prior to the filing of this report are as follows:

CONGRESS OF THE UNITED STATES,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., May 14, 1976.

HON. THOMAS S. FOLEY,
Chairman, Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the

attached cost estimate for H.R. 10930, the Cotton Research and Promotion Act.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

ALICE M. RIVLIN,
Director.

Attachment.

CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE

MAY 14, 1976.

1. Bill Number: H.R. 10930
2. Bill Title: Cotton Research and Promotion
3. Purpose of Bill:

Under Section 610 of the Agricultural Act of 1970, as amended, the Commodity Credit Corporation, through the Cotton Board, provides funds for cotton research, promotion and market development. Section 610 authorizes \$20 million per year for these purposes through crop year 1977 (FY 1978) and \$10 million per year thereafter. These funds are supplemented by assessments paid by cotton growers under provisions of the Cotton Research and Promotion Act.

H.R. 10930 would repeal Section 610 and would thus eliminate the use of CCC funds for cotton research and promotion. In addition, the bill would authorize the Secretary of Agriculture to issue an order that would raise the level of cotton assessments. This proposal requires the endorsement of cotton growers voting in a referendum. The federal costs of administering the cotton research and promotion program and the cost of supervising the referendum would be reimbursed by cotton growers with funds derived from them assessments.

4. Cost Estimate:

Enactment of H.R. 10930 would lead to a reduction in federal costs as a result of the reimbursement provisions and the termination of the CCC cotton promotion program. The estimated cost savings are shown in the table below.

COST SAVINGS					
[In thousands of dollars; fiscal year]					
	1977	1978	1979	1980	1981
Repeal of CCC funding.....		20,000	10,000	10,000	10,000
Reimbursement of administrative cost.....	69	73	77	82	87
Reimbursement of referendum cost.....	175				
Total.....	244	20,073	10,077	10,082	10,087

5. Basis of Estimate:

The estimates of the savings resulting from the termination of CCC support represent the funds authorized in Section 610. It is assumed that all of the funds authorized would have been spent in the year of the authorization. Savings would not occur until FY 1978, the year Section 610 would be repealed. The estimates of the funds reimbursed for administrative expenses reflect CBO projections of the cost of managing the cotton research and promotion program. The Agricul-

tural Marketing Service spent about \$65,000 for the cotton program in FY 1976. Future costs were projected using CBO estimates of the expected changes in federal salaries. The reimbursement for the cost of supervising a referendum is based on a Department of Agriculture estimate. It was assumed that only one referendum would be held and that this vote would occur in FY 1977 for the purpose of endorsing or rejecting the new assessments. The last referendum was held about ten years ago when the assessments were first authorized.

6. Estimate Comparison : None available.
7. Previous CBO Estimate : None.
8. Estimate Prepared By : Robert M. Gordon (225-5275).
9. Estimate Approved By :

JAMES L. BLUM,
*Assistant Director
for Budget Analysis.*

OVERSIGHT STATEMENT

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 H.R. 10930, as amended.

No specific oversight activities, other than the hearing accompanying the Committee's consideration of H.R. 10930, as amended, were conducted by the Committee within the definition of clause 2(b)(1) of Rule X of the Rules of the House of Representatives.

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) :

COTTON RESEARCH AND PROMOTION ACT

* * * * *

Sec. 7. ***

(e) Providing that the producer or other person for whom the cotton is being handled shall to the handler of cotton designated by the Cotton Board pursuant to regulations issued under the order and that such handler of cotton shall collect from the producer or other person for whom the cotton, including cotton owned by the handler, is being handled, and shall pay to the Cotton Board, an assessment prescribed by the order, on the basis of bales of cotton handled, for such expenses and expenditures, including provision for a reasonable reserve, as the Secretary finds are reasonable and likely to be incurred by the Cotton Board under the order, during any period specified by him [.] and for reimbursing the Secretary (1) for expenses not to exceed \$200,000 incurred by him in connection with any referendum conducted under section 8, and (2) for administrative costs incurred by the Secretary

for supervisory work up to 5 employee years after an order or amendment to an order has been issued and made effective. To facilitate the collection and payment of such assessments, the Cotton Board may designate different handlers or classes of handlers to recognize differences in marketing practices or procedures utilized in any State or area, except that no more than one such assessment shall be made on any bale of cotton [.] unless specifically authorized by provisions of this subsection.

The rate of assessment prescribed by the order shall be \$1 per bale of cotton handled [.] but, subject to approval in a referendum as provided in section 8, the Secretary shall issue an amendment to the order which shall provide that in each marketing year, the rate shall be supplemented by an additional per bale amount to be collected or paid as provided in this subsection, such amount to be at a rate as prescribed in the amendment to the order, but not to exceed one per centum of the value of cotton as determined by the Cotton Board and the Secretary. Neither the amendment to the order authorized by the foregoing provisions nor the disapproval of such amendment in a referendum shall operate to decrease or otherwise affect the amount of the assessment of \$1.00 per bale in effect under the order published in the Federal Register on December 31, 1966. No authority under this Act may be used as a basis to advertise or solicit votes in any referendum relating to the rate of assessment with funds collected under this Act. The Secretary may maintain a suit against any person subject to the order for the collection of such assessment, and the several district courts of the United States are hereby vested with jurisdiction to entertain such suits regardless of the amount in controversy: *Provided*, That the remedies provided in this section shall be in addition to, and not exclusive of, the remedies provided for elsewhere in this Act or now or hereafter existing at law or in equity.

* * * * *

AGRICULTURAL ACT OF 1970

* * * * *

[Sec. 610. The Commodity Credit Corporation, in furtherance of its powers and duties under subsections (e) and (f) of section 5 of the Commodity Credit Corporation Charter Act, shall, through the Cotton Board established under the Cotton Research and Promotion Act, and upon approval of the Secretary, enter into agreements with the contracting organization specified pursuant to section 7(g) of that Act for the conduct, in domestic and foreign markets, of market development, research or sales promotion programs and programs to aid in the development of new and additional markets, marketing facilities and uses for cotton and cotton products, including programs to facilitate the utilization and commercial application of research findings. Each year the amount available for such agreements shall be that portion of the funds (not exceeding \$10,000,000) authorized to be made available to cooperators under the cotton program for such year but which is not paid to producers because of a statutory limitation on the amounts of such funds payable to any producer. The Secretary is authorized to deduct from funds available for payments to pro-

ducers under section 103 of the Agricultural Act of 1949, as amended, on each of the 1972 and 1973 crops of upland cotton such additional sums for use as specified above (not exceeding \$10,000,000 for each such crop) as he determines desirable; and the final rate of payment provided in section 103 if higher than the rate of the preliminary payment provided in such section shall be reduced to the extent necessary to defray such costs. No funds made available under this section shall be used for the purpose of influencing legislative action or general farm policy with respect to cotton.】

* * * * *

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COTTON RESEARCH AND PROMOTION PROGRAM

JULY 1 (legislative day JUNE 18), 1976.—Ordered to be printed

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

REPORT

[To accompany H.R. 10930]

The Committee on Agriculture and Forestry, to which was referred the bill (H.R. 10930) to repeal section 610 of the Agricultural Act of 1970 pertaining to the use of Commodity Credit Corporation funds for research and promotion and to amend section 7(e) of the Cotton Research and Promotion Act to provide for an additional assessment and for reimbursement of certain expenses incurred by the Secretary of Agriculture, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

SHORT EXPLANATION

H.R. 10930 makes changes in the cotton research and promotion program. The bill—

(1) repeals section 610 of the Agricultural Act of 1970, which authorizes Government financing to supplement funds available through producer assessments under the Cotton Research and Promotion Act;

(2) authorizes, subject to a referendum among producers, a supplemental rate of producer assessment not to exceed 1 percent of the value of cotton as determined by the Cotton Board and the Secretary of Agriculture. Neither an amendment to the order providing for a supplemental rate of assessment nor the disapproval of such amendment would operate to decrease or otherwise affect the assessment of \$1 per bale currently in effect; and

(3) authorizes the Secretary to appoint consumer advisors to the Cotton Board. In number, they are not to exceed 15 percent of the membership of the Cotton Board.

BACKGROUND AND NEED FOR LEGISLATION

I.

The Cotton Research and Promotion Act was enacted in 1966 to enable cotton producers to establish, finance, and carry out a coordinated program of research and promotion to improve the competitive position of, and to expand markets for, cotton. The Act authorized an assessment of \$1 per bale of cotton and accorded individual producers the right to obtain refunds of the assessments if they were not in favor of the program. These funds were later supplemented by Government funds under section 610 of the Agricultural Act of 1970.

Cotton research and promotion programs date back to 1938 when rayon was beginning to make inroads into cotton's markets. To help combat this threat, a group of cotton leaders organized the National Cotton Council with the objective of increasing consumption of United States cotton and its products through research and promotion as well as through other needed projects. The Council tried various voluntary financing plans. In 1960, it organized the Cotton Producers Institute, as a division of the Council, with its funds going entirely to research and promotion projects. Collections went from a little over \$1 million the first year to a high of about \$3 million and then began to decline for a number of reasons. As the program began to erode throughout the cotton producing area, it became clear a uniform method of financing was needed. This led to enactment of the Cotton Research and Promotion Act, which became effective with the 1967 crop.

The 1966 Act and the implementing order subsequently approved in a referendum of cotton producers provide the basic procedures for carrying out the cotton research and promotion program. The Act and the order provide for establishment of a quasi-governmental agency to administer the program. This agency is the 20-member Cotton Board appointed by the Secretary from nominations made by producer associations in each State in the Cotton Belt. The Board handles the collection of the \$1 per bale assessments from producers and makes refunds of assessments upon request. It also has responsibility for safeguarding and investing the funds in accordance with governmental regulations. The other major function of the Board is to review each year proposed research and promotion projects.

The Act and order provide for a contracting organization to develop cotton research and promotion projects and related budgets and to carry out the projects after approval by the Cotton Board and the Secretary of Agriculture. This organization, Cotton, Inc., is governed by a board of directors composed of cotton producers elected by producer associations in each Cotton Belt State.

II.

A healthy, profitable cotton industry is an asset to the national economy and makes a significant contribution to our export trade and the all-important balance of payments in international trade.

There is a need for a coordinated research and promotion program if cotton is to maintain and expand its markets. Cotton is facing well-organized and highly-financed competition from synthetic fabrics.

There are seven major chemical companies which control an estimated 84 percent of synthetic production. In 1974, the two largest companies dominated the market with 54 percent of sales. Research in the fields of cotton production and marketing has been almost completely overshadowed by the heavily-financed programs of research and marketing by the manufacturers of synthetic textile products.

The program authorized by the Cotton Research and Promotion Act, has, however, enabled cotton to regain markets which had been lost to synthetics and other competing fabrics. In 1960, cotton had about 65 percent of the U.S. textile fiber market, and this fell below 30 percent in 1973. Cotton was gradually losing its markets to synthetics, in part, because of the vast resources provided for research and development and for advertising and marketing support. In the early 1960's, synthetic fiber corporations were spending about \$120 million a year for research and advertising alone. In 1974, the synthetic industry invested \$234 million in fiber research and \$60 million in advertising to promote sales of synthetic fibers. By comparison, the amount spent by Cotton, Inc., was but \$5.4 million for fiber research and \$3.4 million for advertising for cotton. In part, as a result of the program authorized by the Cotton Research and Promotion Act, cotton moved back to 30.3 percent of the fiber market in 1974.

III.

According to the Department of Agriculture, through June 30, 1975, \$85 million in producer funds have been collected under the Cotton Research and Promotion Act; \$8 million have been refunded, leaving net collections of \$77 million. Refunds have ranged from 3 percent in 1967 to 12.5 percent in 1974.

Section 610 of the Agricultural Act of 1970, as amended by the Agriculture and Consumer Protection Act of 1973, authorized the use of Commodity Credit Corporation funds in fiscal years 1972-78 for the cotton research and promotion program. However, the appropriations acts for the Department of Agriculture for 1974, 1975, and 1976 limited the section 610 funds to \$3 million annually to be used for research only. Through fiscal year 1976, a total of \$29 million of Commodity Credit Corporation funds has been made available for the program.

Through June 30, 1975, \$71 million of producer funds have been expended with about 60 percent devoted to promotion and 40 percent to research; \$25 million of section 610 funds have been spent through the same date, about equally divided between promotion and research.

The current fiscal year producer-funded program is budgeted at \$10.1 million. Available producer funds for the fiscal year 1977 budget will be around \$9 million, the smallest annual budget since the first year of the program.

IV.

Many benefits have been derived from the cotton research and promotion program. For example, a coordinated research program through contracts and cooperative agreements with State experiment stations resulted in the development of the mechanical rick compactors and the module builder system. These systems permit the handling of

seed cotton in a much more efficient manner for the grower, preserving the quality of the lint and seed, and reducing field loss.

Textile research at Cotton, Inc.'s plant and under contract and cooperative agreements has been responsible for new and better fabrics, such as fire retardant and easy-care fabrics. Research is ongoing now to combat the occupational and safety health hazard of byssinosis. In the promotion area, Cotton, Inc., has been concentrating in advertising, mill motivation, and new product merchandizing to increase cotton consumption at the mill, manufacturer, and retail levels.

The program will, if adequately funded, help restore cotton to its rightful position as a fabric unequalled for comfort, durability, and economy of use. H.R. 10930, while terminating Government financing of the program, provides cotton growers in the United States an opportunity to decide for themselves whether they wish to assess themselves additional charges to support the research and promotion effort. (In hearings on H.R. 10930 before the Subcommittee on Cotton of the House Committee on Agriculture, cotton producer organizations were virtually unanimous in their support of the bill.)

SECTION-BY-SECTION ANALYSIS

Section 1. Repeal of section 610 of the Agricultural Act of 1970

Section 1 of the bill repeals section 610 of the Agricultural Act of 1970, as amended, effective October 1, 1977, thereby terminating public funding of the program. After that date, the program will be supported entirely with funds collected from producers of cotton.

Section 610 authorizes the Commodity Credit Corporation to make available \$10 million annually for research and promotion programs conducted through the Cotton Board established under the Cotton Research and Promotion Act and provides discretionary authority to the Secretary of Agriculture to make additional sums available, not to exceed \$10 million annually.

Section 2. Supplemental rate of assessment and reimbursement for Departmental administrative costs

Section 2 of the bill contains three paragraphs amending section 7(e) of the Cotton Research and Promotion Act.

Paragraph (1) provides that the assessments collected under the Act shall be used to reimburse the Secretary of Agriculture for (a) expenses, not to exceed \$200,000, incurred by him in connection with any referendum conducted under section 8 for approval of an order or an amendment of an order and (b) administrative costs incurred by the Secretary for supervisory work up to 5 employee years after an order or amendment to an order has been issued and made effective. The limitations on the USDA expenses to be borne by producer assessments—\$200,000 for the cost of the referendum and 5 employee years for the administrative costs for supervisory work—are, of course, ceilings and are not requirements that the full amount be utilized.

Paragraph (2) sets forth an exception to the provision in the Act that no more than one assessment shall be made on any bale of cotton so as to take account of any supplemental assessment authorized pursuant to section 7(e), as amended by the bill.

Paragraph (3) provides authority for a supplemental rate of assessment in an amount not to exceed 1 percent of the value of cotton as

determined by the Cotton Board and the Secretary. The supplemental rate set forth in the bill is a maximum. So long as this amount is not exceeded, the amended order could provide either a flat dollar-and-cent rate per bale or a rate based on a percentage of value per bale using past or current cotton prices. The Cotton Board would be expected to engage in such meetings or communication with cotton growers as it deems necessary in order to arrive at a rate or rate procedure for recommendation to the Secretary. Thereafter, the views of growers and others would be obtained on the assessment rate and other provisions of the proposed amendment to the order in hearings conducted by the Secretary. The decision on the assessment rate to be included in the amendment to the order would be made by the Cotton Board and the Secretary after giving consideration to the hearing record and the recommendations in connection therewith.

Before any supplemental assessment could become effective, it would, of course, have to be approved by producers in a referendum conducted under section 8 of the Act. Neither an amendment to the order providing for a supplemental rate of assessment nor disapproval of such amendment would operate to decrease or otherwise affect the assessment of \$1 per bale currently in effect.

Paragraph (3) also provides that no authority under the Act may be used as a basis to advertise or solicit votes in any referendum relating to the rate of assessment with funds collected under the Act. This provision does not affect the authority of the Cotton Board or Cotton, Inc. to conduct ongoing promotion programs in their customary and usual manner in which they explain the work that is being performed under the order, but it is not expected that this activity will be conducted in such a manner as to advertise or solicit votes in the referendum.

Section 3. Appointment of consumer advisors to the Cotton Board

Section 3 of the bill authorizes the Secretary of Agriculture to appoint consumer advisors to the Cotton Board. In number, they are not to exceed 15 percent of the membership of the Cotton Board.

DEPARTMENTAL VIEWS

The Committee on Agriculture and Forestry has not received a report from the Department of Agriculture on H.R. 10930. However, in a letter to Chairman Foley of the House Committee on Agriculture dated December 17, 1975, Assistant Secretary of Agriculture Richard L. Feltner stated that the Department had no objection to the enactment of H.R. 10930 if amended and clarified in certain respects. The letter from the Assistant Secretary reads as follows:

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., December 17, 1975.

HON. THOMAS S. FOLEY,
Chairman, Committee on Agriculture, House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on H.R. 10930, a bill "To amend section 7(e) of the Cotton Research

and Promotion Act to provide for an additional assessment and for reimbursement of certain expenses incurred by the Secretary of Agriculture and to repeal section 610 of the Agricultural Act of 1970 pertaining to the use of Commodity Credit Corporation funds for research and promotion.

The Department has no objection to the enactment of H.R. 10930 if amended and clarified as set forth herein.

Section 1(1) of the bill would provide for the reimbursement of administrative costs incurred by the Department for supervisory work involving 2.5 employee years after an order or amendment to an order has been issued and made effective. We recommend that a provision be made for reimbursement of all administrative costs incurred by the agency within the Department directly responsible for program administration—in this case the Agricultural Marketing Service. We further recommend that the Department be reimbursed for all costs associated with the holding of a producer referendum to approve additional assessments. The Department assumed all costs of developing the Order, holding public hearings, and holding the producer referendum in 1966. Any costs associated with other than the initial referendum of 1966 should be defrayed from program assessments.

Section 1(2) contains language necessary to authorize the collection of an additional assessment on each bale over and above the present \$1 per bale assessment.

Section 1(3) of the bill provides for an additional producer assessment for research and promotion. This is a decision that must ultimately be reached in a referendum by cotton producers themselves if Congress approves this amendment. The language in this section is not clear as to whether the additional assessment is to be an amount per bale or a percentage of some value of cotton to be determined in some undefined means by the Cotton Board and the Secretary. Neither is it clear as to who would establish the rate of the additional assessment.

The Committee may want to consider changing the language to specify an exact per bale amount of the additional assessment rather than providing that the amount be prescribed in an amendment to the Order. This would be consistent with the action taken by Congress when it set the initial \$1 per bale in the Act. It would also facilitate and simplify the collection and remittance of assessments by handlers to the Cotton Board as well as eliminate the need for an annual determination of the value of cotton by the Cotton Board and the Secretary.

In any event, we recommend that the language be revised to clarify the amount of the assessment and the basis on which it is to be established.

Section 2 provides for the repeal of section 610 of the Agricultural Act of 1970 effective July 1, 1977. Thus, authority for the use of section 610 funds would be continued for most of fiscal year 1977. Section 610 authorizes the use of Commodity Credit Corporation funds for cotton research activities. The Department agrees with the repeal of section 610 of the Agricultural Act of 1970. This would be consistent with the approach taken in other commodity research and promotion programs in that they are fully producer-financed. However, it should be noted that the repeal of section 610 would in no way affect our

responsibility for supervising the producer-financed program. The Department has well-defined oversight and surveillance responsibilities in the Cotton Research and Promotion Act. We assure the Congress that these activities will continue.

Because of the ambiguity in the assessment provisions of the bill, we are unable to estimate the total amount of revenue to be generated by this proposal.

With respect to the provisions of Public Law 91-190, Section 102 (2) (C), we believe this legislation would have no significant impact on the quality of the environment.

The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

RICHARD L. FELTNER,
Assistant Secretary.

COST ESTIMATE

I.

In accordance with section 252 of the Legislative Reorganization Act of 1970, the Committee estimates that the enactment of H.R. 10930 would not result in any additional costs for the Federal Government but should result in significant savings. There are in fact two sources of savings.

First, H.R. 10930 would repeal the authority under section 610 of the Agricultural Act of 1970 that authorizes up to \$10 million in Commodity Credit Corporation funds for the purpose of cotton research and promotion. The Secretary of Agriculture also has the discretion to designate up to \$10 million from funds for the cotton program to use for research and promotion. Therefore, the potential savings to the Federal Government from the repeal of section 610 is \$20 million in fiscal 1978. However, the actual savings will probably be closer to \$3 million a year—the average Federal contribution for the past three years.

A second source of savings would result from the provisions in H.R. 10930 which provide that certain administrative costs, now borne by the Government, would be paid by cotton producers. These include up to \$200,000 for costs associated with any referendum conducted under the Act, and administrative costs for supervisory work involving up to 5 employee years after an order or amendment thereto has been made effective. These maximum limits should be more than enough to cover anticipated expenses for the future. According to the Department of Agriculture, the costs associated with a referendum should not exceed \$175,000, and the administrative costs to the Department for supervisory work should not exceed 3 employee years at this time.

The Committee's estimate for potential savings from enactment of this bill is basically consistent with the estimate of the Congressional Budget Office. However, realized savings will probably average about \$3 million a year in 1978 through 1981 because this is the more likely funding level that could be expected. In addition, the savings in 1977

would only be \$69,000 because the estimated "savings" for reimbursement of the referendum cost is a cost that would not be incurred unless the legislation is passed. The net effect, therefore, is zero.

COST SAVINGS
(Thousands of dollars; fiscal years)

	1977	1978	1979	1980	1981
Decrease in budget authority.....	0	20,000	10,000	10,000	10,000
Total Reduction in costs.....	69	3,073	3,077	3,082	3,087
Reduction in outlays.....	0	3,000	3,000	3,000	3,000
Reduction in administrative costs..	69	73	77	82	87

II.

The cost estimate prepared by the Congressional Budget Office pursuant to section 403 of the Congressional Budget Act of 1974 reads as follows:

CONGRESS OF THE UNITED STATES,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., May 14, 1976.

HON. THOMAS S. FOLEY,
Chairman, Committee on Agriculture,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 10930, the Cotton Research and Promotion Act.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

ALICE M. RIVLIN,
Director.

Attachment.

CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE

MAY 14, 1976.

1. Bill Number: H.R. 10930
2. Bill Title: Cotton Research and Promotion
3. Purpose of Bill:

Under Section 610 of the Agricultural Act of 1970, as amended, the Commodity Credit Corporation, through the Cotton Board, provides funds for cotton research, promotion and market development. Section 610 authorizes \$20 million per year for these purposes through crop year 1977 (FY 1978) and \$10 million per year thereafter. These funds are supplemented by assessments paid by cotton growers under provisions of the Cotton Research and Promotion Act.

H.R. 10930 would repeal Section 610 and would thus eliminate the use of CCC funds for cotton research and promotion. In addition, the bill would authorize the Secretary of Agriculture to issue an order that would raise the level of cotton assessments. This proposal requires

the endorsement of cotton growers voting in a referendum. The Federal costs of administering the cotton research and promotion program and the cost of supervising the referendum would be reimbursed by cotton growers with funds derived from the assessments.

4. Cost Estimate:

Enactment of H.R. 10930 would lead to a reduction in Federal costs as a result of the reimbursement provisions and the termination of the CCC cotton promotion program. The estimated cost savings are shown in the table below.

COST SAVINGS
(In thousands of dollars; fiscal year)

	1977	1978	1979	1980	1981
Repeal of CCC funding.....		20,000	10,000	10,000	10,000
Reimbursement of administrative cost.....	69	73	77	82	87
Reimbursement of referendum cost.....	175				
Total.....	244	20,073	10,077	10,082	10,087

5. Basis of Estimate:

The estimates of the savings resulting from the termination of CCC support represent the funds authorized in Section 610. It is assumed that all of the funds authorized would have been spent in the year of the authorization. Savings would not occur until FY 1978, the year Section 610 would be repealed. The estimates of the funds reimbursed for administrative expenses reflect CBO projections of the cost of managing the cotton research and promotion program. The Agricultural Marketing Service spent about \$65,000 for the cotton program in FY 1976. Future costs were projected using CBO estimates of the expected changes in Federal salaries. The reimbursement for the cost of supervising a referendum is based on a Department of Agriculture estimate. It was assumed that only one referendum would be held and that this vote would occur in FY 1977 for the purpose of endorsing or rejecting the new assessments. The last referendum was held about ten years ago when the assessments were first authorized.

6. Estimate Comparison: None available.
7. Previous CBO Estimate: None.
8. Estimate Prepared By: Robert M. Gordon (225-5275).
9. Estimate Approved By:

JAMES L. BLUM,
Assistant Director
for Budget Analysis.

III.

The Committee did not receive a cost estimate from the Department of Agriculture.

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 *italics*, existing law in which no change is proposed is shown in roman):

AGRICULTURAL ACT OF 1970

* * * * *

[SEC. 610. The Commodity Credit Corporation, in furtherance of its powers and duties under subsections (e) and (f) of section 5 of the Commodity Credit Corporation Charter Act, shall, through the Cotton Board established under the Cotton Research and Promotion Act, and upon approval of the Secretary, enter into agreements with the contracting organization specified pursuant to section 7(g) of that Act for the conduct, in domestic and foreign markets, of market development, research or sales promotion programs and programs to aid in the development of new and additional markets, marketing facilities and uses for cotton and cotton products, including programs to facilitate the utilization and commercial application of research findings. Each year the amount available for such agreements shall be 10 million dollars. The Secretary is authorized to deduct from funds available for payments to producers under section 103 of the Agricultural Act of 1949, as amended, on each of the 1972 through 1977 crops of upland cotton such additional sums for use as specified above (not exceeding \$10,000,000 for each such crop) as he determines desirable; and the final rate of payment provided in section 103 if higher than the rate of the preliminary payment provided in such section shall be reduced to the extent necessary to defray such costs. No funds made available under this section shall be used for the purpose of influencing legislative action or general farm policy with respect to cotton.]¹

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COTTON RESEARCH AND PROMOTION ACT

REQUIRED TERMS IN ORDERS

SEC. 7. Orders issued pursuant to this Act shall contain the following terms and conditions:

(a) Providing for the establishment and selection by the Secretary, of a Cotton Board, and defining its powers and duties, which shall include only the powers:

(1) To administer such order in accordance with its terms and provisions;

(2) To make rules and regulations to effectuate the terms and provisions of such order, including the designation of the handler responsible for collecting the producer assessment;

(3) To receive, investigate, and report to the Secretary complaints of violations of such order; and

(4) To recommend to the Secretary amendments to such order.

(b) Providing that the Cotton Board shall be composed of representatives of cotton producers selected by the Secretary from nominations submitted by eligible producer organizations within a cotton-producing State, as certified pursuant to section 14 of this Act, or, if the Secretary determines that a substantial number of producers are

¹ Section 610 is repealed effective Oct. 1, 1977.

not members of or their interests are not represented by any such eligible producer organizations, from nominations made by producers in the manner authorized by the Secretary, so that the representation of cotton producers on the Board for each cotton-producing State shall reflect, to the extent practicable, the proportion which that State's marketings of cotton bears to the total marketings of cotton in the United States: *Provided, however,* That each cotton-producing State shall be entitled to at least one representative on the Cotton Board. *The Secretary may appoint a number of consumer advisors to the Cotton Board not to exceed 15 per centum of the membership of the Cotton Board. The Cotton Board shall reimburse the consumer advisors for expenses incurred in attending meetings of the Board in the same manner as the Cotton Board members.*

(c) Providing that the Cotton Board shall, subject to the provisions of subsection (g) of this section, develop and submit to the Secretary for his approval any advertising or sales promotion or research and development plans or projects, and that any such plan or project must be approved by the Secretary before becoming effective.

(d) Providing that the Cotton Board shall, subject to the provisions of subsection (g) of this section, submit to the Secretary for his approval, budgets on a fiscal period basis of its anticipated expenses and disbursements in the administration of the order, including probable costs of advertising and promotion and research and development projects.

(e) Providing that the producer or other person for whom the cotton is being handled shall pay to the handler of cotton designated by the Cotton Board pursuant to regulations issued under the order and that such handler of cotton shall collect from the producer or other person for whom the cotton, including cotton owned by the handler, is being handled, and shall pay to the Cotton Board, an assessment prescribed by the order, on the basis of bales of cotton handled, for such expenses and expenditures, including provision for a reasonable reserve, as the Secretary finds are reasonable and likely to be incurred by the Cotton Board under the order, during any period specified by him [], and for reimbursing the Secretary (1) for expenses not to exceed \$200,000 incurred by him in connection with any referendum conducted under section 8, and (2) for administrative costs incurred by the Secretary for supervisory work up to 5 employee years after an order or amendment to an order has been issued and made effective. To facilitate the collection and payment of such assessments, the Cotton Board may designate different handlers or classes of handlers to recognize differences in marketing practices or procedures utilized in any State or area, except that no more than one such assessment shall be made on any bale of cotton [], unless specifically authorized by provisions of this subsection. The rate of assessment prescribed by the order shall be \$1 per bale of cotton handled [] but, subject to approval in a referendum as provided in section 8, the Secretary shall issue an amendment to the order which shall provide that, in each marketing year, the rate shall be supplemented by an additional per bale amount to be collected or paid as provided in this subsection, such amount to be at a rate as prescribed in the amendment to the order, but not to exceed one per centum of the value of cotton as determined by the Cotton Board and the Secretary. Neither the amendment to the order author-

ized by the foregoing provisions nor the disapproval of such amendment in a referendum shall operate to decrease or otherwise affect the amount of the assessment of \$1 per bale in effect under the order published in the Federal Register on December 31, 1966. No authority under this Act may be used as a basis to advertise or solicit votes in any referendum relating to the rate of assessment with funds collected under this Act. The Secretary may maintain a suit against any person subject to the order for the collection of such assessment, and the several district courts of the United States are hereby vested with jurisdiction to entertain such suits regardless of the amount in controversy: *Provided*, That the remedies provided in this section shall be in addition to, and not exclusive of, the remedies provided for elsewhere in this Act or now or hereafter existing at law or in equity.

(f) Providing that the Cotton Board shall maintain such books and records and prepare and submit such reports from time to time, to the Secretary as he may prescribe, and for appropriate accounting by the Cotton Board with respect to the receipt and disbursement of all funds entrusted to it.

(g) Providing that the Cotton Board, with the approval of the Secretary, shall enter into contracts or agreements for the development and carrying out of the activities authorized under the order pursuant to sections 6 (a) and (b), and for the payment of the costs thereof with funds collected pursuant to the order, with an organization or association whose governing body consists of cotton producers selected by the cotton producer organizations certified by the Secretary under section 14, in such manner that the producers of each cotton-producing State will, to the extent practicable, have representation on the governing body of such organization in the proportion that the cotton marketed by the producers of such State bears to the total cotton marketed by the producers of all cotton-producing States, subject to adjustments to reflect lack of participation in the program by reason of refunds under section 11. Any such contract or agreement shall provide that such contracting organization or association shall develop and submit annually to the Cotton Board, for the purpose of review and making recommendations to the Secretary, a program of research, advertising, and sales promotion projects, together with a budget, or budgets, which shall show the estimated cost to be incurred for such projects, and that any such projects shall become effective upon approval by the Secretary. Any such contract or agreement shall also provide that the contracting organization shall keep accurate records of all its transactions and make an annual report to the Cotton Board of activities carried out and an accounting for funds received and expended, and such other reports as the Secretary may require.

(h) Providing that no funds collected by the Cotton Board under the order shall in any manner be used for the purpose of influencing governmental policy or action, except as provided by subsection (a) (4) of this section.

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Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,
one thousand nine hundred and seventy-six*

An Act

To repeal section 610 of the Agricultural Act of 1970 pertaining to the use of Commodity Credit Corporation funds for research and promotion and to amend section 7(e) of the Cotton Research and Promotion Act to provide for an additional assessment and for reimbursement of certain expenses incurred by the Secretary of Agriculture.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 610 of the Agricultural Act of 1970, as amended (7 U.S.C. 2119), is repealed effective October 1, 1977.

SEC. 2. Section 7(e) of the Cotton Research and Promotion Act (7 U.S.C. 2106(e)) is amended as follows:

(1) At the end of the first sentence strike the period and add the following: “, and for reimbursing the Secretary (1) for expenses not to exceed \$200,000 incurred by him in connection with any referendum conducted under section 8, and (2) for administrative costs incurred by the Secretary for supervisory work up to 5 employee years after an order or amendment to an order has been issued and made effective.”.

(2) At the end of the second sentence strike the period and add the following: “, unless specifically authorized by provisions of this subsection.”.

(3) At the end of the third sentence strike the period and add the following: “but, subject to approval in a referendum as provided in section 8, the Secretary shall issue an amendment to the order which shall provide that, in each marketing year, the rate shall be supplemented by an additional per bale amount to be collected or paid as provided in this subsection, such amount to be at a rate as prescribed in the amendment to the order, but not to exceed 1 per centum of the value of cotton as determined by the Cotton Board and the Secretary. Neither the amendment to the order authorized by the foregoing provisions nor the disapproval of such amendment in a referendum shall operate to decrease or otherwise affect the amount of the assessment of \$1 per bale in effect under the order published in the Federal Register on December 31, 1966. No authority under this Act may be used as a basis to advertise or solicit votes in any referendum relating to the rate of assessment with funds collected under this Act.”.

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SEC. 3. Section 7(b) of the Cotton Research and Promotion Act (7 U.S.C. 2106(b)) is amended by adding at the end thereof the following: "The Secretary may appoint a number of consumer advisors to the Cotton Board not to exceed 15 per centum of the membership of the Cotton Board. The Cotton Board shall reimburse the consumer advisors for expenses incurred in attending meetings of the Board in the same manner as the Cotton Board members."

Speaker of the House of Representatives.

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