

**REGULATING THE WAREHOUSING  
OF COTTON HELD BY THE COMMODITY  
CREDIT CORPORATION**

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**HEARINGS**

BEFORE THE

**COMMITTEE ON AGRICULTURE AND FORESTRY**

**UNITED STATES SENATE**

**SEVENTY-SEVENTH CONGRESS**

**FIRST SESSION**

ON

**S. 262**

**A BILL REGULATING THE WAREHOUSING, STORING  
AND RECONCENTRATION OF COTTON HELD  
BY THE COMMODITY CREDIT  
CORPORATION**

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JANUARY 23, 24, 25, 30, 31, FEBRUARY 1, 3, AND 11, 1941  
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Printed for the use of the Committee on Agriculture and Forestry



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UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1941

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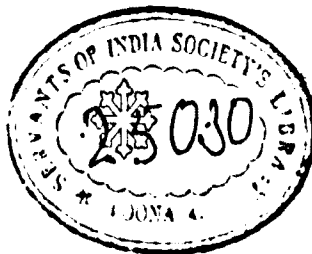
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# REGULATING THE WAREHOUSING OF COTTON HELD BY THE COMMODITY CREDIT CORPORATION

THURSDAY, JANUARY 23, 1941

UNITED STATES SENATE,  
COMMITTEE ON AGRICULTURE AND FORESTRY,  
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the committee room, 324 Senate Office Building, Senator John H. Bankhead presiding.

The committee had under consideration S. 262, which is as follows:

[S. 262, 77th Cong., 1st sess.]

A BILL Regulating the warehousing, storing, and reconcentration of cotton held by the Commodity Credit Corporation

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Commodity Credit Corporation is hereby authorized to enter into one year contracts prior to August 1 in each year for the warehousing or storing, in accordance with the provisions contained in section 2 of this Act, of cotton heretofore or hereafter acquired by such Corporation and cotton held as security for loans heretofore or hereafter made or arranged for by such Corporation. Such contracts may be entered into without advertising and without competitive bidding; and, if the Corporation is unable to enter into satisfactory contracts at reasonable rates without advertising and competitive bidding, such contracts may be made pursuant to advertisement and competitive bidding. In any such case advertisements for bids shall be published at least three times in a daily newspaper of general circulation in the vicinity, determined in accordance with the provisions of section 2 of this Act, in which the cotton should be warehoused or stored, and the contract shall be awarded to the lowest responsible bidder in such vicinity having satisfactory warehousing or storage facilities if the rates contained in his bid are reasonable.

SEC. 2. All cotton which is warehoused or stored under any contract or arrangement made by the Commodity Credit Corporation shall be warehoused or stored in the nearest locality to the place where it is produced, or to the place where it is located when such contract or arrangement is made, within which satisfactory facilities can be obtained at reasonable rates; it being the purpose of this Act to continue in effect the system of warehousing or storing such cotton in the cotton producing States, near the places where such cotton is produced, in accordance with the system in effect during the year 1940, so as (1) to prevent unnecessary and uneconomical costs to farmers arising out of the sampling and resampling of their cotton, or arising out of warehousing or storing their cotton and rewarehousing or restoring it in the same season, or arising out of transportation charges incurred in connection with rewarehousing, restoring, or reconcentrating their cotton; (2) to prevent the removal of cotton to warehouses far distant from the homes of the farmers who own it, or have interests in it; and (3) to prevent monopolistic control and monopolistic tendencies with respect to the warehousing, storing, and reconcentration of cotton owned by farmers, or by the Government.

SEC. 3. In determining reasonable rates for the warehousing or storage of cotton for the purposes of this Act, consideration shall be given to the rates

for such services which have been in effect during the years 1936 to 1940, inclusive, and no consideration shall be given to unusually low rates at which facilities are available by reason of abnormal dislocations in foreign commerce.

Sec. 4. All laws or parts of laws in conflict with or inconsistent with the provisions of this Act are hereby repealed to the extent of such conflict or inconsistency.

Senator **BANKHEAD**. Let us come to order, gentlemen, and Mrs. Caraway. The committee has for consideration this morning S. 262, introduced by Senator McKellar, having to do with the warehousing of cotton.

Senator McKellar is present, also Mr. Robbins, president of the Commodity Credit Corporation. Inasmuch as some difference seems to exist between some members of the committee and the Commodity Credit Corporation, and the sponsor of the bill, Senator McKellar, I would suggest that Senator Ellender, Senator McKellar, and Mr. Robbins confer among themselves for a few minutes and see if they can reach an agreement. In the meantime we will take a brief recess.

(A brief recess was taken.)

Senator **McKELLAR**. We are unable to agree, Mr. Chairman. Mr. Robbins talked to the Secretary, and he said the Secretary was unwilling to postpone it longer than 40 days.

Senator **BANKHEAD**. From when?

Senator **McKELLAR**. From now. Inasmuch as we all know, the new men just coming in here know, that a bill like this cannot be passed in both Houses in 40 days, why we are unable to agree, and we want to proceed with the proofs.

Senator **ELLENDER**. Mr. Chairman, Senator McKellar said there were a few witnesses he had here this morning who would like to be heard, who may not be able to come here Monday. So far as I am concerned, I am sure the committee will agree to hear those witnesses today, and then adjourn the meeting until Monday, so as to hear such other witnesses as may desire to be heard.

Senator **BANKHEAD**. Now, let me see if I understand that—of course, I understand that statement that we are to proceed with the witnesses who want to be heard today—then the idea is to recess until Monday?

Senator **ELLENDER**. That is correct.

Senator **BANKHEAD**. Now, without agreement, when does the time expire?

Senator **McKELLAR**. Next Thursday, or one day next week.

Senator **CARAWAY**. Saturday is the 1st day of February.

Senator **McKELLAR**. Saturday is the day that Congress is to legislate; after that time it might interfere with the Commodity Credit Corporation in this matter.

Senator **BANKHEAD**. Are we going to be able to get action by February 1?

Senator **McKELLAR**. No; we will have to pass a resolution as we did before, dealing with this matter. We will undertake to do that, because it is idle to get this bill through—hearings held—there are going to be witnesses here from all over the country, and it is idle to talk about passing both Houses in 40 days.

Senator **BANKHEAD**. Could we reach an agreement definitely here in a week—next week?

Senator **McKELLAR**. How could we reach an agreement to do that?

Senator **BANKHEAD**. Suppose we did reach an agreement, how would

it be? Suppose this committee were to decide it would give a week to hearing—

Senator ELLENDER. Suppose we wait until Monday to decide that.

Senator BANKHEAD. You are right up to the deadline without any agreement on the extension of time.

Senator ELLENDER. I might suggest this, Senator, we propose a resolution today to the Senate, whereby the Commodity Credit Corporation will take no action in this matter until the Congress has a reasonable time in which to pass upon the merits of this bill.

Senator MCKELLAR. Well, they should take a stronger stand than that because we passed this resolution, the Department of Agriculture accepted it at first, and then later on put a time limitation of the 1st of February on it, that it had to be done by the 1st of February, otherwise they were going to accept these bids, whatever may be, and move the cotton.

Senator BANKHEAD. If anybody in this country has got any idea that I am going to spend all summer on this little bit of a bill, they have got to change their mind.

Senator MCKELLAR. I cannot understand how in the name of Heavens, a Department of this Government would serve notice on Congress, and take the stand that Congress has to pass a bill or not pass a bill within a certain length of time. That is something new to me in legislation, and I have been here for 30 years. I have never known a department to serve notice that any action that Congress might take had to be taken within a given time or that they would disregard it.

Senator CAPPER. It is a new one to me. It impresses me as being a very important matter. I would like to have all the information that is available with respect to the legislation. I don't believe that we should rush it through.

Senator BANKHEAD. Well, the question is that the Department is making us rush through, or they rush through. That is just what we have been trying to do, to get them to say that we won't have to rush through. If you can prevail upon the Department, Senator, to give us time we will all be glad to do it. The friends of this bill are just fighting against time.

Senator MCKELLAR. Mr. Chairman, if the committee will authorize me to do it, I would like to talk to the Secretary of Agriculture over the telephone myself and see if 60 days won't be acceptable to him.

Senator BANKHEAD. All right, sir; I will give you the time.

(Senator McKellar leaves the room.)

Senator BANKHEAD. Gentlemen, I would like to find out how many people are here from out of the city.

Mr. REED. I am from Texas. If you are going to postpone until Monday—

Senator BANKHEAD. We haven't decided anything about postponing.

Mr. REED. Mr. Payne is from Memphis, Tenn.; Mr. Rogers is from Cordelle, Ga.; Mr. Brooks is from Dallas, Tex.; Mr. Glenning is from Oklahoma; Mr. Humphrey from Oklahoma; Mr. Harris, Alabama; Mr. Blackford from Memphis; Mr. Mallory from Memphis; Mr. McElroy from Texas; Mr. Murchison from Texas; Mr. Haleis from Missouri.

Senator BANKHEAD. Thank you, sir; there are quite a number from long distances. I am waiting, gentlemen, for Senator McKellar to return, he is having a conference with the Secretary on the phone.

(Senator McKellar returns.)

Senator McKELLAR. Mr. Chairman, the Secretary says that if the committee will say that they need the extra 60 days to get this bill through or defeat it, that it will be all right with him, but he wants the committee to pass some resolution.

Senator BANKHEAD. Well, I would not say necessarily that we need that, but I think the committee—at least I will vote—for a request that he give us that long, if the committee cannot get earlier action.

Senator McKELLAR. He said that. Now if you are going to have a resolution passed—I am not a member of the committee—

Senator BANKHEAD. Dictate it to the stenographer.

Senator McKELLAR. This will be a resolution of the Senate Committee on Agriculture:

Whereas a difference has arisen about the amount of time that it will take to dispose of Senate bill 262, or any amendments or substitutes therefor; and

Whereas the Secretary of Agriculture has heretofore announced that he will take action on the bids that have been asked for for the warehousing of cotton: Now, therefore, be it

*Resolved*, That this committee requests the Secretary of Agriculture to hold the matter for 60 days from this date, in order that the two Houses of Congress may pass upon this bill.

Of course, if it can be passed or defeated earlier, this resolution ends at that time.

Senator BANKHEAD. I think that is all right.

Senator McKELLAR. Is there any objection to that?

Senator BANKHEAD. Gentlemen and Mrs. Caraway, you have heard this resolution. All in favor of its adoption say "aye."

[Resolution was put and carried.]

The resolution is adopted.

Now we have got witnesses here—while you were out I investigated, had them stand up—we have got about a dozen witnesses here, most of them from as far away as Texas and Oklahoma. I don't know whether they would rather wait or come back. We must not indefinitely postpone proceeding in this matter. We must go right ahead with diligence.

Senator McKELLAR. Mr. Chairman, may I introduce Mr. Reed, of Texas?

Senator BANKHEAD. Mr. Reed, what do you think of the suggestion which some of us here have discussed? We have got to go to the Senate now pretty soon for the day's session—of taking a recess of this committee until 10 o'clock tomorrow morning and meeting here—we won't have the Senate in session tomorrow—meet here tomorrow morning and we can if necessary come back Saturday morning, for the convenience of those gentlemen who have come so far.

Mr. REED. That will be very desirable, Mr. Chairman. The members of the committee should appreciate we are ready to proceed. If it is going through until Monday, we would like to have this consideration given. There is a National Cotton Council meeting starting Monday, that I think practically everybody in the industry, and

perhaps Members of Congress, are interested in. In all probability they will want to go to that cotton council meeting at Augusta, Ga.

Senator BANKHEAD. At Augusta?

Mr. REED. Yes, sir.

Senator BANKHEAD. My thought is to meet that morning and if we have to meet Saturday we will do that. That will give you time to get down there, and then tomorrow we will investigate how long it will be—Senator Ellender's group—

Senator ELLENDER. I would not refer to it as Senator Ellender's group at all.

Senator BANKHEAD. I have not heard from any other source for a postponement, that is the reason I say that.

Senator ELLENDER. Personally, I am of the opinion that if we are going to get anywhere with this hearing, that the chairman should appoint a subcommittee, because I am satisfied that it will be impossible to get a full committee anyway, to hear these witnesses, and the ordinary usual procedure is for a subcommittee to be appointed to hear these witnesses, and I make that motion, Mr. Chairman, that a subcommittee of, say, 5 be appointed to hold these hearings and report back to the committee after they are through with the hearings.

Senator MCKELLAR. Mr. Chairman, it seems to me that these hearings might well be heard before the whole committee.

Senator BANKHEAD. It would be preferable if you can get them to attend.

Senator MCKELLAR. I think you can get as many to attend relatively as will attend a subcommittee meeting.

Senator BANKHEAD. If we could get unanimous consent, instead of having a subcommittee, if we could get unanimous consent to proceed with such members as appear here, that we will go ahead with the hearing, because we don't have to vote on anything until we get through. Is there any objection to unanimous consent that we proceed as if a quorum was present until we are through with these hearings?

Senator ELLENDER. Do you mean as a committee as a whole?

Senator BANKHEAD. Yes.

Senator ELLENDER. Isn't that out of the ordinary, Senator? I don't want to appear obstinate—

Senator BANKHEAD. We can make any agreement here by unanimous consent that we desire to make.

Senator ELLENDER. If the Senate should adopt the resolution proposed by the Senator from Tennessee, if it takes 6 months to properly hear that bill—

Senator BANKHEAD. We are not going to impose; we are going right through with it.

Senator ELLENDER. I don't believe the matter ought to be rushed through. I think for the sake of the bill itself that we ought to take our time about it and hear all the facts and make a proper presentation of it before the Senate.

Senator BANKHEAD. Senator, it is in line with that, that I am not very strong for a subcommittee, because I want just as many members of this entire committee to hear that testimony, or just as much of it as they can. The Senator knows the rule; when we have a subcommittee, other members don't feel entirely free—



Senator ELLENDER. I have no objection to that. The only thing I had in mind was to be certain that when we meet here at 10 o'clock tomorrow morning, we would not have to wait in order to get a quorum. I don't believe we could get that unanimous consent you speak of, either.

Senator BANKHEAD. If you object, we won't.

Senator ELLENDER. I object.

Senator BANKHEAD. All right; that ends it. The hearing is recessed until 10 o'clock tomorrow.

(Whereupon, at 11:55 a. m., the committee adjourned to 10 a. m., Friday, January 24, 1941.)

# REGULATING THE WAREHOUSING OF COTTON HELD BY THE COMMODITY CREDIT CORPORATION

FRIDAY, JANUARY 24, 1941

UNITED STATES SENATE,  
COMMITTEE ON AGRICULTURE AND FORESTRY,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10 a. m., in the committee room, 324 Senate Office Building, Senator John H. Bankhead presiding.

Senator McKELLAR. Mr. Chairman and gentlemen of the committee, I want to make a very brief statement concerning this bill, S. 262. It will be noted that the first section of the bill reads as follows:

That the Commodity Credit Corporation is hereby authorized to enter into one-year contracts prior to August 1 in each year for the warehousing or storing, in accordance with the provisions contained in section 2 of this Act, of cotton heretofore or hereafter acquired by such Corporation and cotton held as security for loans heretofore or hereafter made or arranged for by such Corporation. Such contracts may be entered into without advertising and without competitive bidding; and, if the Corporation is unable to enter into satisfactory contracts at reasonable rates without advertising and competitive bidding, such contracts may be made pursuant to advertisement and competitive bidding. In any such case advertisements for bids shall be published at least three times in a daily newspaper of general circulation in the vicinity, determined in accordance with the provisions of section 2 of this Act, in which the cotton should be warehoused or stored, and the contract shall be awarded to the lowest responsible bidder in such vicinity having satisfactory warehousing or storage facilities if the rates contained in his bid are reasonable.

Now gentlemen, that provides for just what is done now, except that there being no regulation of either the letting of contracts without bidding or the letting of contracts with bidding, why, in the middle of the season, after making the contract last summer, after the Commodity Credit Corporation had made contracts for the warehousing of that cotton, and after it had been warehoused, after it has been sampled, after the freight has been paid to that warehouse, the Commodity Credit Corporation now proposes to rewarehouse—the term for it is reconcentration of cotton—which is a euphonism—but what they really do is to rewarehouse the cotton somewhere else, and this particular proposal coming from the Commodity Credit Corporation is to rewarehouse the cotton on the coast, and I cannot—I better say we have had a great deal of experience with this some 5 years ago—5 or 6 years ago, I cannot be accurate about the date—this same organization undertook to rewarehouse the cotton in the middle of the season, and they employed what was known as the American Cotton Cooperative Association to do the rewarehousing or reconcentration. My recollection is, it cost the farmers, or if the

Government owned the cotton, it cost the Government about \$1,700,000 just for the supervision of the rewarehousing. In addition to that it cost the owners of the cotton, and incidentally all charges come out of the cotton itself, which means that they come out of the farmer, it costs the owners of the cotton for sampling, resampling of the cotton that had already been sampled—which amounts to about 20 or 25 cents a bale for the sampling and resampling of that cotton; and in addition to that it cost the freight, the additional freight to the warehouse in which it is reconcentrated or rewarehoused. I imagine that kind of action in 1935 must have cost the farmers somewhere in the neighborhood of three or four million dollars, and that source tried their best to get the Congress to let that be done again, but the next year there was put in a provision prohibiting that to be done unless the farmer agreed to it. That law was passed and so when the loans were made, the Commodity Credit Corporation put in the loan itself, in the loan agreement, the right to rewarehouse the cotton, and the Congress passed another law prohibiting it to be done, unless the agreement was made in a separate agreement, a separate agreement now giving the power from the farmer—give the power to the Commodity Credit Corporation to rewarehouse his cotton; and that law is in effect today, but it seems that some of this cotton has been taken over by the Government, some of it the farmer still has an equity in—I cannot give the bales, but it will be given by these gentlemen who are going to give you all the facts.

Notwithstanding that law, now it is proposed by the Department, and not only proposed but insisted upon by the Commodity Credit Corporation, that this cotton be rewarehoused in the middle of the season. The arrangement for warehousing has already been made. The excuse first given was that there were about 92,000 bales in western Texas that were not properly warehoused. There is no reason in the world why that could not have been arranged under the present law; if there were 92,000 bales anywhere, it could be rewarehoused and made safe. Another reason is that they are going to save money, and that will be the contention, I understand. I just don't know what the Secretary said yesterday—it has been put up to the Commodity Credit Corporation, that they can save \$5,000 a day by reconcentrating this cotton, or rewarehousing this cotton. In my judgment it would be quite the contrary.

Now in order that you may see why, that this does not limit the warehousing of cotton to anybody—for instance, it has been stated, and the facts will come out undoubtedly, that after the American Cotton Cooperative failed to proceed with their business—they folded up—that now some operators on the coast, foreign operators who have been selling cotton—I have no criticism to make of these people personally, but the celebrated firm of Anderson, Clayton & Co., which is one of the largest, if not the largest firms in the country, they got a little warehouse down on the coast and they are not doing any foreign business, and therefore they do not need it, and they have seized upon this opportunity to bid, or they expect to bid for this cotton. It has been shown that they have some warehouses down there that are either not being used, and they sent the cotton to the coast at this time. What for? They are not selling any cotton themselves and they cannot sell it either, as long as this present condition

lasts. Why pull it out from not only where it was raised but where it has been warehoused heretofore?

Now the second section will show what is proposed here, and I want to ask you gentlemen to read it with me, if you will, section 2, which is as follows:

SEC. 2. All cotton which is warehoused or stored under any contract or arrangement made by the Commodity Credit Corporation shall be warehoused or stored in the nearest locality to the place where it is produced, or to the place where it is located when such contract or arrangement is made, within which satisfactory facilities can be obtained at reasonable rates; it being the purpose of this Act to continue in effect the system of warehousing or storing such cotton in the cotton producing States, near the places where such cotton is produced, in accordance with the system in effect during the year 1940, so as—now what is the purpose of this—(1) to prevent unnecessary and uneconomical costs to farmers arising out of the sampling and resampling of their cotton, or arising out of warehousing or storing their cotton and rewarehousing or re-storing it in the same season, or arising out of transportation charges incurred in connection with rewarehousing, re-storing, or reconcentrating their cotton; (2) to prevent the removal of cotton to warehouses far distant from the homes of the farmers who own it, or have interests in it; and (3) to prevent monopolistic control and monopolistic tendencies with respect to the warehousing, storing, and reconcentration of cotton owned by farmers, or by the Government.

There are about 6,500,000 bales of this cotton now owned by the Government, and the others the farmers have an interest in. Now the purpose of that is shown, but in order to illustrate just what I mean by this, in 1935 it came out in one of the hearings that we were conducting at that time when the A. C. C. A. as it was called, the American Cotton Cooperative Association, had the same situation, or was trying or did have the same situation, that the big dealers are trying to get now, in other words to get control of the cotton, because whenever that cotton is shipped from the interior to the coast as provided under the bids that have been announced, it means that the cotton will pass out from those that are interested in the cotton, and I want to give you a statement to show you just exactly what occurred.

Holly Springs, Miss., is about 60 miles from the city of Memphis, if I remember right—it is right nearby in Mississippi—you will remember Memphis, Tenn., where I live, is in the southwest corner of the State—a colored man, and my recollection is he just had one bale of cotton, he put it with the Government, as the saying was—he borrowed money, the amount that he was allowed to borrow; it was put in a Holly Springs warehouse, but in 1935, if I remember the year right, the Commodity Credit Corporation moved that cotton to New Orleans, La. The cotton price went up a little, and that colored man had 8 or 10 dollars in his cotton—had an equity of 8 or 10 dollars. When he found that he had that equity of 8 or 10 dollars, he wanted to get his money. Well, what had happened to the cotton? It had been stored in Holly Springs, but the Commodity Credit Corporation had restored it—they called it reconcentration, whatever the term, it means the same thing in substance—they had restored it in New Orleans, and that colored man had to make all kinds of investigation, or get somebody to make it for him, even to find his cotton. It had passed out of his jurisdiction, see? It had passed down to Louisiana, at New Orleans, and he had a very difficult time to find the cotton; but he finally found it. When he found it, he found that it had been sampled twice—

I forget what the loss in weight—moving the cotton around there had caused it to lose in weight, for some reason that these gentlemen may be able to tell you; but he found that it had been sampled twice. He had a loss of about 25 cents a bale on that; he found that the freight which had been paid to New Orleans had to be taken out—I don't remember what that is; it is about \$1.75 or maybe \$2.75 a bale—it was considerable—and he lost that. In other words, through the reconcentration of the cotton in the middle of the year, and that is why this bill provides that it should be done at the proper time in July. By the reconcentration or the rewarehousing of the colored man's cotton he had lost half of his equity, or about half of his equity in it; and as it turned out, that cotton was sold somewhere in Kentucky or West Virginia for manufacture, and came directly back from where it was stored in New Orleans, through Holly Springs, to the point of delivery. In other words, just paid the freight twice on it.

Now, gentlemen, we think that the inland people who make this cotton should warehouse it in the locality where they can sell it to the best advantage. We don't think it ought to be rewarehoused, at an enormous cost to the farmer, because that is just exactly what it will mean, and that is why we introduced this bill, to protect the farmer.

Another thing, it might be regarded that this cotton—for instance, suppose Anderson, Clayton & Co. are the lowest bidders—I believe Mr. Clayton is now here working for the Government as a “dollar a year” man. Of course, he may not even know what is being done—I don't think he does—he might find himself—suppose they are the lowest bidders on this cotton—what does that mean in cotton parlance; what does it mean in the trade? It means that Anderson, Clayton & Co. will control the disposition of that cotton; they cannot sell it abroad; they got to pay the freight on it and take the freight out of the farmers' cotton coming from the interior points to the coast points; and then they have to take the freight out of it, or pay the freight out of it going back to where it was manufactured into cloth, and so for that reason this bill has been introduced.

You have more people to contend for it when you give the inland people who make the cotton, and who have heretofore stored the cotton, you have more people to bid on these things. If Anderson, Clayton & Co. want to bid on it, they can bid on it just as before, but they have got to store it in the way that it is now stored, concentrated over the entire country; it cannot be concentrated and controlled by monopoly, if this bill passes, and I am here to ask you to do it.

I am not going to say anything more about it, because there are men here—well, I won't say they have not been in the cotton business as long as I have, because while I have not been in the cotton business for many, many years, I have done everything a cotton grower or anybody else has ever done, except to make money out of it; I have planted it; I have plowed out; I have hoed it; I have ginned it; I have hauled it; and I have sold it; and I know something about it. I have lived with it all my life, lived right in the midst of it all my life, and I feel like that it is a problem, and a problem that the people down our way, who are engaged in cotton above all other things, and our most important crop—I think we ought to have something to say about what shall be done.

Now, they say we don't want—that the warehouse companies don't want—it may be said that the warehouse companies are not interested



in this bill, and I have no doubt they are—the inland warehouse companies, because I will tell you what it is going to do, and you cannot blame them. They are interested in the way that we are all interested in it, because if the Commodity Credit Corporation has its way, and they are very actively trying to have their way about it, if it has its way, it is going to remove all this inland cotton from where the cotton is raised, where it is planted, where it is ginned, where it is hauled, where it is warehoused, where it is compressed, and where it is sold, it is going to be taken away from them and turned over to a monopoly, that happens to have at the present time a few—not a few but a number—of unused warehouses, and incidentally, it is going to turn over to people who are planting cotton in other countries, planting cotton in South America, in competition with our own cotton—to say that warehousemen are not interested in it—of course they are interested in it—everyone else that makes their living by cotton is interested in the same way, and it seems to me that the Commodity Credit Corporation is going out of its way, and tremendously out of its way, to undertake to reconcentrate this cotton in the interest of one concern.

And now, Mr. Chairman and gentlemen, I want to introduce Mr. Reed, of Texas, who is going to testify—he has made a study of this matter and is familiar with it—and I want him to testify concerning it, and I want to call his attention to a statement, and I hope he will stress it, the statement that was made yesterday by the Secretary of Agriculture to me, and by Mr. Robbins, the head of the Commodity Credit Corporation, that the Government would save \$5,000 a day. I want to say, in my judgment, that that statement is wholly incorrect, and that the farmers and the Government will come nearer to losing \$5,000 a day if the Commodity Credit Corporation has its way about it. I want to introduce Mr. Reed.

#### STATEMENT OF A. L. REED, DALLAS, TEX.

Mr. REED. Mr. Chairman, and gentlemen of the committee, my name is A. L. Reed, and I live in Dallas, Tex. I have been selected to present the facts with respect to the handling of cotton by the Interior Warehouse Industry, by a large number of representatives from all of the cotton-producing States. For the purpose of conserving the committee's time and eliminating duplication, I am going to present what is in fact a composite view that these gentlemen prepared after consultation. It may or may not be my views, but they are the facts that these gentlemen have prepared, and they were gathered from 369 facilities, plants located in the cotton-producing States. I hope you gentlemen will bear in mind that we are here talking about our biggest customer. The controversy deals with the question of the advisability of competitive bids versus a system where the Government has heretofore itself fixed the rate for the industry. We want to disagree with the Government, but we hope that we may be able to disagree without being disagreeable.

The question of competitive bids, if you were going to build a house there would not be any controversy as to whether or not a competitive bid was the best thing for you, because after the house is constructed that ends the matter. Competitive bids on the storage of cotton, however, are not the end of the matter, because the Government is still interested in the producer's income, and the cotton is not disposed of

when it is stored, it continues to move in the channels of trade. Therefore, you cannot just have a competitive bid and end it with that. You have other factors to consider.

Dealing with the representative market and the facilities for whom I am speaking here, in 1938-39 they handled 60 percent of the production of cotton. There were produced 11,623,000 bales, and these facilities handled 6,984,000 bales.

Senator BANKHEAD. In what year?

Mr. REED. One year, 1938-39. I would like the record to show that the '38-'39 corresponds to the production season, that is, from July 31, 1938, to August 1, 1939. They handled and received from the producers 6,984,000 bales of cotton. They inducted into the Government loan of that cotton 2,583,000 bales and marketed or stored for the account of the producer, independent of that loan, 4,400,000 bales.

During the 1939-40 season these facilities handled 77 percent of the total production in the United States. The production was 11,451,000 bales, and they handled 8,887,000 bales. There was inducted into the loan that year only 8,474 bales. The loan did not take the cotton during the 1939-40 season. There were only about 20,000 bales that went into the loan and remained in it at the present time. In other words, the market we stored during the 1939-40 season, 8,800,000 bales of the producer's cotton wholly independent of the loan. Now, I brought those figures out because they illustrate the representative character of the people that are before you, and they also illustrate the interest that the Government may have, and I know they do have, in the producer's income from cotton, not only that which goes into the loan but that which is marketed and stored by the producer for his own account.

These facilities have an investment of over \$60,000,000, and since 1934, the beginning of the Government loan program, they have spent over \$12,000,000 in improvements and betterments and some additions to accommodate the Government loan cotton. That is not new construction, principally it was the construction of fire walls to meet insurance regulations that were required—certain construction in order to bring down the insurance rates, which, by the way, to those facilities average 3.57 cents per bale per month.

Senator RUSSELL. Is that one organization or is it a name?

Mr. REED. It is not an organization. We just simply meet—I gathered this from all these facilities.

Senator BANKHEAD. What do you include in the expression "facilities."

Mr. REED. Warehouse plants in the community, in the interior—

Senator RUSSELL. Do you have representatives from all of the cotton-producing States?

Mr. REED. Yes, sir; we have a list of them here, from practically all of them, I am sure it is all of them.

Senator RUSSELL. That is all right; I don't want to delay you.

Senator McKELLAR. Put them in the record, that is all right.

Mr. REED. I am going to put them in; I think they are representative of the facilities for whom I am speaking. They paid in taxes in 1939 \$1,519,000, which equals 21 cents per bale for each bale of cotton received, which is almost an increase of 100 percent in taxes paid in 5 years.

They employed 26,930 people in 1939-40, and paid them an average wage of \$500, which would be—they work only about 4 months out of the year—it is a highly seasonal industry with a widely fluctuating volume of business. In 1937-38 the production was 18,000,000; the next year it dropped to 11,000,000. We have got to provide facilities to take care of the peak, and then we have them on our hands when we have a minimum. We expect to show by these witnesses, and by the facts which we have gathered that competitive bids will increase the cost of marketing the producer's cotton; secondly, that the call for competitive bids, by including the 1938-39 and 1939-40 cotton, specifically violated the terms and conditions of the Bankhead Act, article 1383-A of the Annotated Statutes; thirdly, we expect to show that the call for bids deprived the interior of an opportunity to bid for reconcentrating cotton, and that the call was, therefore, to that extent not in fact a competitive bid.

There are two types of cotton involved in this question. One of them may be described as long-term dead storage, that is represented by the Government-owned stock. That is the type of cotton that they stack it up in the warehouse, and just leave it there. That brings in revenue without incurring the constant cost of handling and rehandling it—there has been some rehandling of the Government cotton, but not to the extent that the producers' cotton is rehandled.

The other type of cotton is the moving stock that is given constant rehandling by the warehouse. We store them today, and take a bale out tomorrow.

Dealing with the long-term dead storage stocks, and the Government-owned stocks, that is what we have in mind when we refer to that, there are 6,185,201 bales now owned by the Government, that were taken from the producer out of the 1934-35 and 1937-38 loan years; 4,878,000 of those bales are located at interior warehouse points; 1,307,199 bales are now at port location.

Senator MCKELLAR. Will you give the amount at port locations again?

Mr. REED. 1,307,199 bales are located in ports; 4,878,000 are located at interior warehouse points. Of the 1,307,000 bales located at the ports, more than 1,000,000 are located at three ports, Houston, Galveston, and New Orleans. The majority of it is at Houston and Galveston, only 254,286 bales being located at New Orleans. That is a natural thing, because Oklahoma and Texas cotton has heretofore formerly been your export cotton, and it moves normally through your Houston and Galveston ports. Now the Government-owned stock, which is the long-term dead storage to which I referred—

Senator ELLENDER. At this point, have you a break-down as among the larger owners, as to where this 4,800,000 bales are?

Mr. REED. I can give it to you. I will say that it is in communities that have an average population of less than 12,000.

Of this Government-owned stock, this long-term storage, it constitutes the majority stock, the large part of the interior warehouses. For instance, in the State of Alabama the total stocks are 1,080,000. Of that peak, 907,000 is Government-owned stock. Some warehouses have practically nothing else on hand.

Senator BANKHEAD. If the Government cotton then were removed from the interior warehouses they would all be left practically empty?

Senator AIKEN. You mean by Government-owned, the Government has a greater or less equity in this stock?

Mr. REED. Yes, sir.

Senator AIKEN. The Government has taken it over?

Mr. REED. Yes, sir. There is a picture for you, 4,807,000 bales of what we call dead long-term storage in stock. Now, I am going to analyze for you the handling of the 1938-39 producers' cotton, showing how it is in constant process of moving in and out of these facilities for whom I speak, and there are only 314 involved in this statement, because all of them didn't handle 38-39 cotton, or didn't have any Government loan cotton.

Senator WILLIS. How many did you say?

Mr. REED. 341; from August 1938 to July 31, 1939, they inducted into the loan for the account of producers 2,583,419 bales. Now, there were produced that year only 12,000,000 bales of cotton.

Senator MCKELLAR. Give me those again.

Mr. REED. 2,583,419 bales. Now, that represented 347,110 separate transactions, because the average number of bales per note was 7.4. In other words, in taking in that 2,583,000 bales the producer came up with his wagon or his truck and we handled an average of 7.4 bales per note. We took them off his truck; we weighed them; we sampled them; we issued a negotiable warehouse receipt; we took the sample and forwarded it to the Government classing agent, and then when that came back we filled in the note with the grade and staple and weighed and certified to it, and assumed some very serious responsibilities with respect to the matter. We had 347,000 of those transactions in order to accumulate 2,583,000 bales of loan cotton. Then immediately it starts moving out of the loan. The producer takes his note, and our negotiable insured warehouse receipt to get his money from the loan agency. The market goes up and there is a profit in his equity. The first year of the loan, that is July 31, 1939, the producer had repossessed 303,301 bales of the cotton that we had inducted into the loan leaving on hand 2,280,118 bales.

Senator ELLENDER. That means that the cotton was sold by the producer at a profit?

Mr. REED. Yes, sir.

Senator ELLENDER. What were you paid for the sampling and handling of that cotton that you have just referred to?

Mr. REED. 15 cents per bale per month, including insurance.

Senator ELLENDER. That is storage?

Mr. REED. That is receiving, Senator, receiving, sampling, weighing, and insurance.

Senator ELLENDER. Now, in addition to that 15 cents, the cotton owner had to pay the usual charge per month per bale for storage?

Mr. REED. No, sir; he paid 15 cents per bale per month, including receiving, handling, sampling, weighing, insurance, and storage.

Senator ELLENDER. Now, suppose a purchaser desired to examine a certain lot of cotton, would you or the warehouse man bring that cotton out on the platform and parade it around and let the prospective purchaser get a look at it, and it finally turned out that he didn't buy it.

Mr. REED. Senator, I don't know that it is handled that way. It may

be, but my thought about the matter is this, that the samplers won't sample a bale of cotton unless a negotiable warehouse receipt is produced for the taking of the bale out of the loan.

Senator ELLENDER. The point I desire to make is that in addition to the regular charge fixed per bale per month cost, there is an additional cost that is charged for sampling, weighing, and everything else by the warehouseman that takes over the cotton.

Mr. REED. No, sir; you are wrong about that. The Government puts that in its waiver, and they have been very efficient—

Senator ELLENDER. I am trying to get the facts.

Mr. REED. Well, the facts are that they will not let us—they make us certify that in the statement that we make or waiver, that we have not made any other charge. Now, there are some of them that did do it, and the Department got after them about it and made them cut it out. Now, there are some of them that charge some small receiving charge, and I think the result of that was that the Government issued an edict about that telling them that this 15 cents covers everything, even to the making out of the loan papers.

Senator ELLENDER. Now, are we to understand then that if the Government asks for bids, as it has done in the past, and the warehouseman was to bid say 15 cents per bale per month to handle the cotton—

Mr. REED. Yes, sir.

Senator ELLENDER. That that 15-cent charge includes the entire cost of handling, sampling, weighing, and everything else, and that there is no other charge made for that cotton.

Mr. REED. No, sir; now I see what you have in mind. When we re-concentrated, when we inducted into the loan for the producer, the 15 cents covers sampling, weighing, and everything—

Senator ELLENDER. And that does not include storage?

Mr. REED. It does include the storage. If the producer sells it that is all we ever get out of it; if the Government reconcentrates or moves it to another warehouse and we resample the bale, there is a charge made to the Government.

Senator ELLENDER. Is that always done?

Mr. REED. That is always done when they reconcentrate.

Senator ELLENDER. Isn't it done only on request?

Mr. REED. It has to be done, when there is reconcentrating done, because there is a question of establishing responsibility for damage to the receiving of it by another warehouse.

Senator ELLENDER. Well, would you say that applies both to the Government-owned cotton and that which is owned by the farmer, or that in which he has an interest?

Mr. REED. Yes, sir; that process applies to any cotton that is reconcentrated, because if they have taken it out of my warehouse and put it in yours they have got to know where responsibility lies for any damage.

Senator ELLENDER. Whether the Government asks for that service or not, it is done?

Mr. REED. Oh, no; we don't do that unless asked for it.

Senator ELLENDER. That is what I wanted to know; it is not usually done unless the Government demands it?

Mr. REED. That is the idea; they could hardly reconcentrate the cotton, Senator, unless they did do that.



Senator ELLENDER. It is not a question of what could be done. I mean that the service is done and the charge to the owner of the cotton only if request for that service is received?

Mr. REED. Yes, sir.

Senator BANKHEAD. Mr. Reed, while we are on the subject of retail cost, you have constantly referred to a charge of 15 cents—

Mr. REED. Yes, sir.

Senator BANKHEAD. Now, isn't that only 12 cents?

Mr. REED. That is the second year. I am going to cover that later.

Senator McKELLAR. That is the present price?

Mr. REED. The 12½ cents per bale per month, including insurance, is the second year. The first year it is 15 cents, including insurance; in the second year we get 12½. Now these bids are a flat 12½-cent rate and no 15-cent rate.

Senator ELLENDER. Then are we to understand that the 2½-cent difference would cover the cost of weighing and resampling, the 12½ cents—in other words, you said the first year it is 15 cents, and the second year it is 12½ cents, and the 2½ cents would cover the additional cost imposed on the warehouse the first year in weighing it and sampling it?

Mr. REED. I assume they recognize that we have the same service to perform.

Senator ELLENDER. Now, under the contract is there any specific time that this cotton has to remain in your warehouse?

Mr. REED. No, sir.

Senator ELLENDER. It can be taken out at any time?

Mr. REED. Yes, sir. I pointed out, I believe, that during the first year that this 2,583,000 bales were produced the producer sold 303,000; during the second year they repossessed or sold 1,106,780 bales.

Senator McKELLAR. The second year 1,106,780 bales?

Mr. REED. Bear in mind, that is not the total 1938-39 cotton in the loan, that is only the cotton we could analyze that was in these 341 facilities. From these facilities the producers drew the second year, or repossessed, 1,106,780 bales, leaving on hand 1,173,000 bales of the 2,583,000 bales. For the 4-month period in the third year—that is, from August 1, 1940, to November 30, 1940—the producers repossessed 91,429 bales, leaving on hand November 30, out of the original 2,583,000 bales, 1,081,000 bales. In other words, for 3 years this loan stock was constantly moving, or the producer would sell his equity, or the producer would bring in negotiable warehouse receipts, and we would go into the stocks, rehandle, and pick out a bale of cotton during the entire period.

Senator RUSSELL. And you got no extra compensation whatever for that?

Mr. REED. No, sir.

Senator ELLENDER. When you say that the cotton was repossessed, it means that the equities were purchased, and that you, as the warehouse man, retained the storage until this party who repossessed it sold it, is that true?

Mr. REED. The Government has undertaken to require the purchaser of the equity to haul it within a certain period of time, and I think, Senator, probably some of them have taken the equity, and then they would haul it.

Senator ELLENDER. Well, that means at any rate, that it was moved from the warehouse to the market centers?

Mr. REED. Yes, sir; that is all we have analyzed. We have only undertaken here to find out how much of the cotton the producers repossessed and sold in trade channels out of the original warehouse.

Senator ELLENDER. But that does not cover any Government-owned cotton?

Mr. REED. That does not cover any Government-owned cotton—just the 1938-39 loan.

Senator ELLENDER. I understand.

Senator AIKEN. In the meantime, had some of the producers stored additional cotton?

Mr. REED. Well, they had stored during that same year with these facilities—during the market they had stored—during the 1938-39 market with these facilities, 4,400,000 bales of cotton in addition to the loan cotton.

Senator ELLENDER. That was privately owned cotton on which the Government did not loan. This bill does not cover that.

Mr. REED. No, sir.

Senator ELLENDER. So that the owners of that cotton can proceed and handle the cotton to the best advantage?

Mr. REED. That is correct.

Senator ELLENDER. It is not covered by this bill.

Mr. REED. This bill does not cover that cotton, Senator, but it has a very important bearing upon the cost to the producer of marketing it. I am going to show you that fact in just a minute.

Senator BANKHEAD. What part of that cotton has been sold by the farmer when it is put in the warehouse, to cotton buyers or factors?

Mr. REED. I cannot answer the question, how much was sold and how much remained in storage. My impression is practically all of it has been sold in trade channels.

Senator BANKHEAD. Or disposed of or put in there by producers—

Mr. REED. Yes, sir. The important fact in connection with that 4,000,000 bales of cotton is that these facilities were an important factor to the producer in getting his cotton in the trade channels.

Senator BANKHEAD. Very few farmers are able to hold the cotton unless they get a loan?

Mr. REED. That is correct, for example, the Government loan has made it easier for them to hold it.

Senator BANKHEAD. They are obliged to get the money otherwise they could not hold it on their own?

Mr. REED. Correct, the Government loan has made it much easier for the producer to hold his cotton and to obtain that loan.

Senator ELLENDER. And then it has stabilized his price to a certain extent?

Mr. REED. Yes, sir.

Senator ELLENDER. So that they could tell at once whether or not it would pay to hold the cotton or put it in the Government loan?

Senator BANKHEAD. And another feature, the trade channels would know that the price was stabilized, and they stood no chance of losing by buying it at that price.

Mr. REED. I think the Government loan has now gotten to the point that it is one of the most important factors in the producer's marketing of his cotton, so that he can use it—the point I was making of these figures is to show you that these facilities were an essential factor in getting the producers' cotton into trade channels, because they did use them. In 1939-40, 77 percent of the production was handled through these facilities into the Government loans marketed by the producer or stored by him, and while he did not put it in the loan, the Government loan was a factor in helping him out, because it stood there as a bottom for him.

Senator ELLENDER. The most of the cotton that is stored in these interior warehouses is sold to the local mills and little of it is exported as a result?

Mr. REED. Now the condition, Senator is that very little is exported. I am going to give you the figures on that.

Senator ELLENDER. Well, what I mean is, there is very little cotton that was stored in the interior warehouses actually exported?

Mr. REED. 39 percent of our production in 1939-40 was exported.

Senator McKELLAR. How long was that in storage?

Mr. REED. Well, I cannot answer that question. I don't know how long it was in storage, but it was 39 percent of the cotton shipped in 1939-40.

Senator ELLENDER. That included Government-owned?

Mr. REED. Everything.

Senator AIKEN. What percent of the crop is that; do you know?

Mr. REED. No, sir; I don't, because the shipments—I could not give you the relationship without checking it. It was a substantial amount of cotton, however.

Now, here is the picture I want to present to you, so that you can see just what the effect and purpose of this bill is. I want you to know that we have this 4,878,000 bales of Government stock in our warehouses. On the other hand, we have this cotton of the type of the 1938 loan coming in and going out and moving all the time. There are two types of cotton. One of them is the long-term storage and the other is the moving stock. Heretofore, the Government has called the warehouse in and averaged those conditions for us and fixed rates that they thought were reasonable. It had been a constantly downward trend in the rate, because as our stocks went up, they reduced the rate.

Senator ELLENDER. At that point, Mr. Reed, has the Government ever advertised for bids other than on this occasion?

Mr. REED. I don't believe they ever advertised for bids, including this occasion. It is not an advertised bid, Senator. They simply send a call out, an invitation to bid, as I understand.

Senator ELLENDER. Anyhow, the method that was in vogue prior to this period was not by bidding, competitive bidding?

Mr. REED. I think the port warehouses have recently made competitive bids on reconcentrated cotton, but this is the first time there has been a so-called competitive bid called on all of the cotton.

Senator ELLENDER. Well, would you now say this, that they called for competitive bids for port-warehoused cotton, including interior warehouses?

Mr. REED. Well, I think I can answer that question. The Government's effort was to maintain warehouses at origin, so that the producers would have facilities to use. In other words, that they

tried to maintain facilities there that would be open to them at all hours, day and night, as they came in with their cotton, and at the same time leave enough on hand to keep the facilities going.

Senator ELLENDER. Was that a condition of bidding?

Mr. REED. There was not any bid at all on that, they just simply fixed the rate—

Senator ELLENDER. No, I am talking about the port warehouses.

Mr. REED. I am coming to that now; the cotton they had moved out of the interior to the ports in order to make room for the incoming crop, I believe they called for competitive bids, that is, in 1939, they may have called for that in '38—I am not certain about that. The result of that is they have reconcentration rates at the ports as low as 8 cents per bale per month, including insurance, because the owners have large blocks of this dead stock which is not moving; they get it, compress it, and store it that way, and it is cheaper to do it. The point I am making with respect to this entire matter is that when you discard the system of averaging these conditions and substitute competitive bids for it, it is just as obvious to me as day and night that the two types of cotton will seek their economic level. In other words, this dead stock that is cheap to handle is going to get the cheapest rate; this moving stock of the producer is going to go up correspondingly. I just cannot see how there can be any argument about it. I will stake my future on this fact, and when they tabulate these bids that are received, they are going to find the interior bidding their rates down for the purpose of holding that dead stock here. Why are they doing it? They are going to bid down their No. 1 cost, which is the dead stock that does not require costly handling, and they know when they do it that they are going to have to raise their rates on this moving stuff, the producers stock that goes into the market, that is going up, not only what the Government sets in the difference on the storage rate, but they are going to pay in addition to that, the additional cost of moving this moving stock. They are going to pay other factors in addition. I am going to show you what they are—

Senator ELLENDER. It is my recollection—Senator McKellar, you can correct me if I am wrong—that I think the Secretary of Agriculture took the position when we had the conference with him last month, that the law provided that it must be by competitive bidding, and that is why he was attempting to comply with the law. Am I right in that?

Senator MCKELLAR. I don't recall him saying that. I don't think the Secretary said that; I am not sure, but not while I was there at any rate.

Senator BANKHEAD. We never have had competitive bidding.

Senator ELLENDER. I must have gotten it from some other source, because I understood the Department took the position that they were attempting to comply with the law as they saw it, and of course in so doing decreased the rates. That would inure to the benefit of the farmers and the Government.

Senator RUSSELL. They didn't make any contention that they were following the law at the time I was down there.

Senator BANKHEAD. I am quite sure Senator Ellender is mistaken.

Senator ELLENDER. I must have gained the impression——

Senator BANKHEAD. I have never heard before any suggestion from any source that the law required competitive bidding.

Senator MCKELLAR. My recollection is that it was argued at the time, Senator Ellender, that they had never before asked for competitive bids, but that the Secretary said that they had a right to ask for them, and I think that is agreed to by everybody.

Senator ELLENDER. In that connection, I got the impression that he was called upon to follow the law in order to avoid criticism.

Senator MCKELLAR. No.

Senator ELLENDER. That is the impression I got.

Senator BANKHEAD. Go ahead, Mr. Reed!

Mr. REED. I think, in connection with Government-owned stock, the Government has the right under existing law to call for competitive bids, but as to the producer's stock, you have an act of Congress that specifically covers that, and competitive bidding would be an open violation of it.

Senator ELLENDER. I am aware of the different laws, and I may have mixed in Government-owned and the other, but I remember very distinctly that there was some mention made of the cotton. I think now that you mention it, it was the Government-owned cotton, with respect to loans the third year, that they must call for competitive bidding.

Mr. REED. I don't think they must do it. I say they have a right to do it.

Senator BANKHEAD. In other words, there is no limitation put there.

Mr. REED. No, sir. This system of the Government calling the warehouses in and fixing the average rate to reflect these various conditions that deal with our cost and handling cotton has produced substantial results both to the Government and the producer. I want briefly to give you a history of some of the rates. I cannot go into them all over the territory. I don't want to convey the impression that these rates are identical all over the territory, because they are not. This is a history of the rate covering this territory as we could gather them together, for the 1934-35, when the Government loan program really started the charge for a bale of cotton was 40 cents per bale including the first month's storage; the next month was 25 cents per bale—neither rate covered insurance. Now the average holding time has been determined to be about 90 days. That would mean that the average holding time cost the producer 90 cents per bale in 1934 to market his cotton. Now the Government has by reason of its stock of cotton and by reason of its control of the industry lowered the rates until today that rate is 15 cents per bale instead of 40; the second month is 15 cents instead of 25, and that rate includes insurance that we pay the insurance companies. That means today on a 90-day holding time that the producer can market his bale for 45 cents instead of 90 cents.

Senator ELLENDER. How could the Government prevail upon the warehousemen to make such a big reduction?



Mr. REED. Senator, if you had a customer that had 5,000,000, or 6,000,000 bales of cotton in your warehouse and he called you in and said, "Now, gentlemen, we can store cotton elsewhere for 12½ cents, do you want it for 12½ cents?" It is that kind of regulation.

Senator ELLENDER. Are you warehousemen able to maintain yourselves with a decrease from 40 cents to 15 cents?

Mr. REED. Yes, sir; because we have increased volume.

Senator ELLENDER. You must have made a pile of money before then.

Mr. REED. No; we did not have the volume. Now we have the volume as a result of the Government loan stock. That is what I am talking about. If you take it away from us we are not going to have the volume and then the rates are going back to where they were.

Senator ELLENDER. You attribute this to the fact that they have an enormous surplus of cotton on hand, and if and when we can get rid of this enormous surplus then you cannot survive on the present rates?

Mr. REED. No, sir; if you reconcentrate this Government loan stock out of the interior we could not survive.

Senator MCKELLAR. After these rates of 15 cents for the first year and 12½ cents for the second year were put into effect, did Mr. Robbins, the head of the Commodity Credit Corporation, express himself with regard to the reasonableness or unreasonableness of those rates?

Mr. REED. After this contract of 12½ cents was made Mr. Robbins came to a meeting of the industry in New Orleans, and he reviewed the conditions leading up to it, and he made the statement to us on that day that no one can say the warehouse industry is now enjoying entirely unreasonable and excessive profits. Now we can show that Mr. Robbins was absolutely correct with respect to that.

Senator RUSSELL. Mr. Reed, before you leave that, right there, you have described to the committee how the effect of this charge narrowed the overhang of cotton and brought the rates to the producer from 40 cents for 1 month to 15 and 15 for each succeeding month from 25; and, of course, if it stays over a year it brought it down from 15 to 12½.

Mr. REED. Yes, sir.

Senator RUSSELL. That reduced the expense to the owner of the cotton, whether it was the Government or the producer. I don't think that you followed that out, that that didn't represent even then the additional expense to which the warehouseman was put. You did mention insurance.

Mr. REED. Yes, sir.

Senator RUSSELL. You didn't mention the cost of mailing in these samples from the small town to the sampling points. That is, 10 or 12 cents' postage per bale, and the fact that the warehousemen in the smaller towns have all had to employ additional people or personnel rather to fill out these loan blanks, which are very long and voluminous legal papers.

Mr. REED. That is correct. During the loan season we have stayed open nearly all night, Senator, to accommodate these producers that are bringing their cotton in, and filling out their papers.

Senator RUSSELL. And wait around your place, and these warehousemen have had to increase the compensation to the laborers who are doing the handling of this cotton?

Mr. REED. That is right.

Senator BANKHEAD. Mr. Reed, at times isn't it due to the fact that there is a rush during the harvest season to get the cotton into the warehouse and to get it gathered in, the farmers take it to the gin and stay there all night—the gin just runs all night; and then, when the farmer gets his cotton from the gin, he carries it to the warehouse before he goes back home?

Mr. REED. Well, that is frequently true. The gin will work all night. If the farmer wants to get his money early the next morning. We have some compression superintendents here to explain how they handle that. They have to have somebody down there when the farmer comes in who can take the bales in for him. If we cannot complete the papers for him that night, he will sleep in his wagon downtown and come up the next morning to finish it.

Senator BANKHEAD. You have competition against that, don't you?

Mr. REED. Yes, sir; plenty of it.

Senator ELLENDER. Mr. Reed, with respect to the point I attempted to develop a few minutes ago, prior to the time that the Government had this enormous surplus of cotton to handle, usually the warehousemen kept the cotton on hand from 2 to 3 months?

Mr. REED. The average was 3 months; that was found to be the fact.

Senator ELLENDER. For that service he received 40 cents one month?

Mr. REED. And 25 cents the next month.

Senator ELLENDER. And 25 cents the next month, and the average cost to him per bale was—

Mr. REED. About 90 cents, not including insurance.

Senator CARAWAY. Not including insurance.

Senator ELLENDER. Because of this enormous amount of cotton that forms this enormous surplus that we have on hand, it is because of that that the warehousemen were able to leave that as low, the rate as low as 15 cents?

Mr. REED. Yes, sir.

Senator ELLENDER. Would you say that was the only reason?

Mr. REED. That is the only reason, Senator. We have got 4,878,000 bales of that Government property in our warehouse and it is the backlog upon which that rate is based.

Senator ELLENDER. I do not care to suggest to you how you shall present your case, but it strikes me that it would be very beneficial to the committee if you could take, let's say, a few years of operation before the surplus began to accumulate, and just show some facts and figures, if you have them and put them in the record, just to show the cost to the farmer then as compared to now. I think it might be very interesting.

Mr. REED. I have here a compilation, starting with 1931-32 of the charges, showing the history of them. I have simply given you just a slight résumé, because I didn't want to take the time of the committee. I would like to make that a part of the record, because

it shows the volume of business, and it shows as our volume has gone up, and our volume has gone up, our charges have gone down. I want to say—I want to give the Department credit for a lot of that, because they have been responsible for calling the industry together and fixing these rates.

Senator ELLENDER. Kind of equalizing them?

Mr. REED. Yes, sir. Mr. Randell has got on awfully sharp pencil when he starts to figure he gets us down. He has gotten them down to where they have said themselves they are reasonable. We think they are reasonable. In any event, they are below what our costs are going to be in the next year or so if the defense program and other things increase our costs as we think they will.

Senator ELLENDER. You said you desired to make this part of the record?

Mr. REED. Yes, sir.

Senator BANKHEAD. Give it to the reporter.

(The compilation referred to was as follows:)

Commodity Credit Corporation storage rates on loan cotton and regular tariff rates at most compress companies located in the Mississippi Valley from 1933 to 1940, inclusive

Stocks in public storage in United States		Commodity Credit Corporation rate provided for in warehouse certificate and waiver	Commodity Credit Corporation contract rate on loan cotton carried over from July 31	Regular tariff storage rates at most compress companies in Mississippi Valley	Compression rates
July 31	Season				
4,524,407	1931-32	No loan	No loan	First month 50 cents, next 3 months at 25 cents, thereafter 15 cents.	Standard density, 18 cents per hundredweight; high density, 18 cents per hundredweight.
6,699,868	1932-33	do	do	First 3 months at 25 cents, thereafter 15 cents.	Standard density, 12 cents per hundredweight; high density, 75 cents per bale compressed.
5,736,308	1933-34	Each month 25 cents or warehouseman's tariff if lower.	No loan cotton carried over	do	Standard density, 12 cents per hundredweight; high density, 75 cents per bale compressed.
5,526,000	1934-35	Each month 25 cents or warehouseman's tariff if lower insurance included.	Each month 25 cents or warehouseman's tariff if lower insurance included.	First month 40 cents, next 2 months at 25 cents, thereafter 15 cents.	Standard density, 12 cents per hundredweight; high density, 75 cents per bale compressed.
5,708,899	1935-36	do	Each day 5 mills (15 cents each month).	First 3 months at 25 cents, thereafter 15 cents.	Standard density, 12 cents per hundredweight; high density, 75 cents per bale compressed.
3,907,000	1936-37	do	Each month 15 cents	do	Standard density, 60 cents per bale compressed; high density, 75 cents per bale compressed.
2,769,171	1937-38	do	Each day 6 mills (18 cents each month).	First month 40 cents, next 2 months at 25 cents, thereafter 20 cents, changed Jan. 15, 1938, first 3 months 25 cents, thereafter 20 cents.	Do.
9,645,907	1938-39	Each month 25 cents or warehouseman's tariff if lower insurance and loading into cars or trucks included.	do	First month 25 cents, thereafter 20 cents.	Do.
11,620,408	1939-40	Each month 15 cents or warehouseman's tariff if lower insurance and loading into cars or trucks included.	First 3 months 15 cents, thereafter 12½ cents.	Each month including insurance 15 cents. <sup>1</sup>	Do.
	1940-41	Each month 15 cents until July 31, 1941, 12½ cents thereafter or warehouseman's tariff if lower insurance and loading into cars or trucks included, compression or flat delivery at warehouseman's tariff, July 1, 1940.	Each month 12½ cents.	do	Standard density, 12 cents per hundredweight; high density, 75 cents per bale compressed.

<sup>1</sup> Compress companies' tariffs included insurance seasons 1939-40 and 1940-41.

Mr. REED. Now the Government program has brought these rates down to the producer on the cotton he is marketing. In addition it has brought the rate down to the Government. Originally in 1934-35 the rate was 25 cents per bale. It has gone down from 25 cents to 12½. Now that is solely because we have as a part of our stock, this Government-owned stock. We could not handle this cotton that is moving in there and out all the time on this rate if we didn't have the Government-owned stock. Now these stocks—

Senator McKELLAR. Mr. Reed, may I ask there—if you didn't have the Government-owned stock it would unquestionably cost the producer or farmer, the producer of the cotton, more than it now does?

Mr. REED. I am going to give you the figures. I am going to give to you just exactly what we think will happen. I have here a copy of the contract we entered into in October 1939, that may not be the exact date, I think it was extended maybe into November before it was made effective on cotton that came in that year under this contract which contains this condition:

After July 31, 1940, this contract may be terminated upon 30 days' written notice to the Corporation by the Warehouse Co., otherwise to remain in full force and effect.

Now we have here a solemn obligation from our Government in October 1939, that is still in effect, which has been disrupted by this call for bids. I think we ought to be permitted to rely upon this contract and in the adjustment of our affairs and our revenues. I want to introduce that into the record.

Senator ELLENDER. And yet they reserve the right to terminate it upon 30 days' notice.

Mr. REED. No, sir; it says the warehouseman may give 30 days' notice.

Senator BANKHEAD. The reporter will put that in the record.  
(The contract referred to is as follows:)

#### COTTON STORAGE CONTRACT

This agreement made and entered into by and between Commodity Credit Corporation, Washington, D. C., organized and existing as an agency of the United States, hereinafter referred to as the "Corporation," and \_\_\_\_\_ hereinafter referred to as the "Warehouse Company," witnesseth:

Whereas the Warehouse Company controls by ownership and operates a certain compress warehouse plant located at \_\_\_\_\_ and commonly known as \_\_\_\_\_; and

Whereas the Warehouse Company has in storage, at said warehouse plant certain cotton owned by the Corporation or pledged to secure loans on 1938-39 C. C. C. Cotton Form A;

Now, therefore, in consideration of the benefits accruing from the operation of this contract, irrespective of and without reference to any previous contracts or agreements covering storage charges entered into between the Corporation and the Warehouse Company, the parties hereto agree each with the other as follows:

1. For the period the cotton is in storage after August 1, 1939, the charge for storage and insurance on all cotton owned by the Corporation or pledged as security for loans on 1938-39 C. C. C. Cotton Form A shall be 12½ cents per bale per month or fraction thereof. Charges for resampling and reweighing shall be at the regular tariff rates, but in no event more than 10 cents per bale for resampling and 10 cents per bale for reweighing. No charge shall be made for storage or handling of samples, ranging cotton or picking out by tag number, flat delivery, or loading on trucks or into cars for shipment.

2. The provisions of this contract shall accrue to the benefit of the holders of the warehouse receipts representing cotton released from the loan or sold by the Corporation for a period extending from the effective date hereof to 15

days from the date of release of such warehouse receipts by the Corporation, provided the Corporation marks such warehouse receipts to show the date of such release.

3. The Warehouse Company agrees that if the cotton is ordered shipped by the Corporation, shipments will be made promptly and storage charges will stop on receipt of shipping instructions and surrender of the warehouse receipts unless the cotton is shipped within a reasonable time as determined by the Corporation. Whenever any of such cotton is shipped upon its orders, the Corporation will pay the accrued storage charges to that date, and all other charges in connection therewith on receipt of the invoice for same. Storage charges determined in accordance with this agreement, accrued through July 31 of any year in which it is in effect shall be paid by the Corporation promptly thereafter on such of the cotton as is represented by warehouse receipts held by the Corporation at the time of payment.

4. The Warehouse Company agrees to notify the Corporation of any cotton that may be damaged after being received and stored in the warehouse and to recondition all such cotton free of all charges, and to pay the Corporation for all losses sustained, by reason of such damage.

5. The Warehouse Company agrees to insure and keep insured against loss or damage by fire for its full market value, so long as its receipts for same are outstanding, all cotton subject to this agreement.

6. It is further agreed that any of the cotton covered by this agreement damaged by water from the Warehouse Company's sprinkler system will be under the Warehouse Company's insurance coverage, when such damage results from fire originating in the same warehouse in which the Corporation's cotton is stored on rates named herein.

After July 31, 1940, this contract may be terminated upon 30 days' written notice to the Corporation by the Warehouse Company, otherwise to remain in full force and effect.

In witness whereof the parties hereto have caused these presents to be executed in duplicate form, their names on behalf and under their respective seal by the proper corporate officers hereunto duly authorized as of October 10, 1939.

COMMODITY CREDIT CORPORATION,

By \_\_\_\_\_  
*Assistant Treasurer.*

Witnesseth:

\_\_\_\_\_  
*Assistant Secretary.*

Witnesseth:

By \_\_\_\_\_

Mr. REED. They had the right, Senator, to move the cotton, which is not the right which they are exercising, which is a call for bids before the contract has been terminated.

Senator ELLENDER. You interpret it to move the cotton just for sale and consumption?

Mr. REED. Reconcentrate it for any reason.

Senator ELLENDER. You don't interpret it to mean that, do you?

Mr. REED. Any reason.

Senator RUSSELL. At the outset you mentioned—you said the warehouse in handling this cotton had incurred considerable expenses in the building of fire walls, extensions, and things of that kind. Were many of those expenditures made in faith of that contract—on the strength of it, rather—that they would have the cotton to keep?

Mr. REED. Senator, these expenditures were made before we entered into that contract.

Senator RUSSELL. Haven't some been made since then?

Mr. REED. Prior thereto we had contracts with the Government. I would say that the contract was not the incentive of building the fire

walls. The incentive for building the fire walls was to bring down our insurance rate so that we could bring down our rates to meet competition.

Senator RUSSELL. The Government brought down the rates and you had to meet it, had to take some action?

Mr. REED. By building these fire walls, and that also cost more. I would like this to go in the record, to show this difference in the cost, what it would have been to the producer whose cotton in 1939-40 went to market—if we hadn't had this backlog of Government storage it would have cost the producer \$5,000,000 to have marketed his cotton more than it did cost him under the present system. Now I don't believe that any saving that they can make on storage alone is going to anywhere approximate that figure, or even get close to it.

Senator WILLIS. What was that saving, did you say?

Mr. REED. About \$5,000,000. I believe they will find that probably the cost of storage under the Government loan, that will come down \$6,000,000 or \$6,500,000. I don't believe, however, that anything like the loss to the purchaser, by reason of the increased costs on his other stocks would even approximate that saving in storage, and the cost to the purchaser is not all the handling charge, is not the only loss he is going to take. I am going to show you in just a few minutes—

Senator McKELLAR. Mr. Reed, if I may interject, I was told yesterday by the Secretary that the Government was losing \$5,000 per day by failing to accept these bids. Please address yourself to that particular contention.

Mr. REED. Senator, I am not informed as to how he arrived at that, but I assume he arrived at that on the basis of the difference in his present storage charge and the result of these bids, if they have been tabulated. If that be the fact, even if it were \$5,000 a day, that would be \$1,800,000 a year, so it is not anywhere approximate to what the producer is going to lose by reason of the fact that if he brings these charges down on this Government stock, the other charges have got to go up. We cannot maintain the present system of rates. If you are going to bring down to the very minimum the low-cost stocks, we have got obviously to bring the others up to where we can continue in business.

Senator BANKHEAD. Mr. Reed, have you figured how much the storage must be reduced in order for the Government to save that amount?

Mr. REED. No, sir; I have not.

Senator AIKEN. Do you anticipate, Mr. Reed, that the defense program will result in an increased percentage of live stock or moving stock?

Mr. REED. Yes, sir; the market is buying 1938-39 cotton, Senator, and well, the majority of that loan has been in there for 3 years, there are 3 years handling charges on it. Assuming there is sufficient buying—during December I have not got the figures for all of these facilities, but during December over 60,000 bales were withdrawn in the 1 territory with which I am familiar.

Senator AIKEN. And that tends to increase the cost of storing the whole?

Mr. REED. Yes, sir.

Senator BANKHEAD. Mr. Reed, the question I asked you I considered important, it is to me. You said that they would have to—I

believe that they would have to—they would save \$1,800,000 if they reduced the rate. How did you find that \$1,800,000?

Mr. REED. \$5,000 a day for 365 days.

Senator BANKHEAD. What rate did you take. They got 6,150,000 bales in the warehouse, the Government.

Mr. REED. Well, from that figure, Senator, they have 1,400,000 bales at the port loans at 9 cents, then they have 4,478,000 interior with a 12½-cent rate.

It would have to be an awfully low rate to save \$1,800,000.

Senator BANKHEAD. Won't you figure that out for us, what price it would have to be so that they could reach a saving of \$5,000 a day?

Mr. REED. We can figure that out, the reduction.

Senator ELLENDER. Just one more question. As I understand the Government is now attempting to lower the rates, as low as say around 9 cents to equal probably the lowest that they are now paying. Now if a contract were entered into by any warehouseman that would mean that any cotton that the warehouse would handle, whether Government owned or farmer owned, that the farmer had an equity in, the warehouseman would be obligated to handle that cotton for 9 cents from the time he gets it into the warehouse, from the field to the warehouse?

Mr. REED. No, sir; the second year, that 15-cent rate is not involved in this controversy, Senator.

Senator ELLENDER. Just this second—

Mr. REED. Yes, sir.

Senator ELLENDER. So that the price of 15 cents for the first year would remain stable?

Mr. REED. Yes, sir; if we could continue to do that after they reduced the rates on this other cotton. I say to you we cannot.

Senator ELLENDER. Assuming that the rates for the cotton that you were to handle remained at 15 cents, and this other cotton, Government-owned, that stays in your warehouse and moves very little, if that were taken away from you, could you survive on the 15-cent rate?

Mr. REED. No, sir.

Senator ELLENDER. Have you any figures?

Mr. REED. Yes, sir; I have got the best evidence in the world.

Senator RUSSELL. Another thing, Senator Bankhead was asking you about the amount of reduction that would be necessary to save this \$5,000 a day. If you have any figures on the capacity, the unused capacity of the port warehouses, whether they could hold all this cotton, and therefore enjoy the entire saving, I think that would be helpful to the committee.

Mr. REED. I have no figures on the available capacity, the unused capacity. Those are not available from any source that I know of.

Senator MCKELLAR. Had you heard that one of the professional bidders had bid, recently bid in anticipation of getting this cotton moved to the coast out of those warehouse facilities in the city of Mobile?

Mr. REED. I heard that, Senator, but I know nothing about the accuracy of it. I think that is the best evidence in the world of what is going to happen to these charges if you follow the competitive bidding system and eliminate the present method of having the Department



fix those rates. I have here the tariffs of the Houston Compressing Co., effective August 1, 1940, covering the cotton the producer might take to that facility for handling it the first month and holding it for 90 days. Now, I have used the Houston Compressing Co. because it is the largest port facility and, in my judgment, one of the best-managed facilities in the country. I am not using it in any critical vein whatsoever. They have an available capacity at Houston of 750,000 bales—incidentally, the largest port facility in the country—and if a producer took a bale of his cotton there today he would pay 35 cents per bale for receiving it. He would pay 21 cents per bale for the second month and the third month, making a total of 77 cents for the 90-day period, whereas, through the interior, under the basis of the present system he could market that for approximately 45 cents, and particularly in the territory covered by this tariff. I would like to leave this tariff—I don't think it is necessary, I will just read this—

Senator ELLENDER. You don't know what that facility put in bids to the Government?

Mr. REED. No, sir.

Senator MCKELLAR. Who owns it?

Mr. REED. It is the Anderson, Clayton facility at Houston.

Senator MCKELLAR. Suppose you put that into the record; it is not long.

Senator BANKHEAD. What is there in this document that would throw light on the subject?

Mr. REED. Only the first three items, item 1, 2, and 3.

Senator BANKHEAD. Give it to the reporter and let him copy in the first three items.

(The first three items referred to are as follows:)

TARIFF

HOUSTON COMPRESS CO.,  
Houston, Tex., August 1, 1940.

(This tariff cancels all previous tariffs—this tariff subject to change without notice)

Item (1). Receiving flat or standard compressed cotton, tagging, weighing, sampling, delivering of samples to shipper's local office or to shipper's local representative or to transportation depot in Houston, compressing on arrival to standard density with 8 bands or to high density with 9 bands, 30 days' storage, picking out by tag numbers for shipment, marking at time of shipment with 1 mark and 1 head brand of not more than 5 letters each per side, shipping and delivering to shipside in Houston, Tex., per bale.....	\$0.85
Item (2). Receiving standard or high density compressed cotton, tagging, weighing, sampling, delivering of samples to shipper's local office or to shipper's local representative or to transportation depot in Houston, 30 days' storage, picking out by tag numbers for shipment, marking at time of shipment with one mark and one head brand of not more than five letters each per side, shipping and delivering to shipside in Houston, Tex., per bale.....	.50
Item (3). Storage, after first 30-day period, per bale per day.....	.007

NOTE.—Thirty-five cents of item (1) is due and payable upon receipt of cotton. The balance of charges accruing under items (1), (2), and (3) are payable at time of shipment except in cases where cotton is carried over from one season to another beginning August 1; and in such cases all accrued charges are due and payable as of July 31 of each year.

Senator STEWART. Mr. Chairman, I would like to ask Mr. Reed a question. I understand the figures you gave a moment ago to indicate

that there is about a 33½ percent higher charge on interior warehousing than the charges on the coast for cotton storage?

Mr. REED. That is not what I said.

Senator STEWART. I thought you read 8 cents against 12 cents.

Mr. REED. No, sir; the 8 cents refers to some of the warehouse rates. I understand not all of them, some of them are 9 cents.

Senator STEWART. What is the reason for that?

Mr. REED. The reason is that on the reconcentrated cotton the Government obtains bids from the port warehouse. The point I am making is that those warehouses that bid those 11-cent rates have given in effect—the very thing—when you put a competitive bid in effect in the interior in order to bring the rates down on the low nonmoving dead stock, then we have got to do the same thing they have done.

Senator BANKHEAD. In other words, it is the same question, the old dumping proposition, when the warehouses take in all of the area, it is natural—it is just the old dumping situation.

Mr. REED. It is the theory of the grocery store—

Senator BANKHEAD. Just like they used to charge a manufacturer in this country selling articles abroad less than they sold in this country.

Mr. REED. That is correct, identically that theory.

Senator MCKELLAR. Mr. Reed, may I ask if there is actual use for those warehouses along on the coast now when our foreign trade is so much less.

Mr. REED. No, sir. Of course I can give you some figures on that to show you that there is not any possibility of any great business in the marketing of the cotton that you are going to reconcentrate at the port, and it shows just what you have in mind.

Senator STEWART. Mr. Reed, may I ask you—

Mr. REED. Yes; it doesn't bother me to be interrupted.

Senator STEWART. Suppose that the bids are taken and reconcentration there is made to warehouses along the coast, that is the port warehouses that you spoke of, which become the low bidders, what would be the approximate cost of moving the cotton from the interior to the coast?

Mr. REED. I am going to give you those figures in general, as well as to give them to you exactly; we have figured them out.

Senator STEWART. Does that take into consideration the cost of the movement of this cotton from the interior to the port? Is that taking into consideration the figures mentioned a moment ago, which indicated that the Government can save \$5,000 a day?

Mr. REED. No, sir. You will find the Government would lose about four or five times that amount.

Senator STEWART. Isn't that an important thing, the extra cost of moving that—

Mr. REED. We believe that it is.

Senator STEWART. It is the actual cost, isn't it?

Mr. REED. Yes, sir.

Senator ELLENDER. If you reconcentrate the cotton from the interior to a port, and that cotton is sold from the port to a foreign customer, doesn't that move from the interior to the port increase the value of that cotton?

Mr. REED. More than the export market, or over the domestic market?

Senator ELLENDER. No; the point I have in mind is they will have moved it from the interior to the port in any event.

Mr. REED. It all depends on whether or not the export market is sufficient to cover that freight.

Senator ELLENDER. Well, now, the export market will not get it if the domestic market is too high.

Mr. REED. If it is at the port, the export market is a factor that would determine its value, and frequently the export market would be under your domestic market. I have seen cotton at an interior point in Texas selling for 5, 6, or 10 points over and above the price at Houston.

Senator STEWART. Then we have no export market at this time?

Mr. REED. I am going to show you that you haven't, unfortunately for everybody. I want to go back again to this Houston Compress Co. tariff and the difference between that and the rate which we have is 31 cents per bale on the 1939-40 crop. That difference alone is an increase of \$3,000,000. Now, it would take an awful lot of shaving in storage rate to equal that.

Now, here is one of the most important factors in my mind in the whole thing. I have got the figures here for you, Senator. Here is the distribution of shipments in 1940 from the 341 plants: 9 percent went to Canada and New England; 39 percent went to southern mills; 13 percent went to other interior points other than New England and southern mills; 30 percent went to the ports; 9 percent was delivered locally right where the warehouse is; 8 percent went to points within 50 miles of those warehouses; 16 percent went to points within 100 miles.

Let me give you an illustration of what happened at Marshall, Tex. The Government has reconcentrated some 1934-35 cotton at Marshall at a Beaumont port, which is in the southwestern part of Texas from Marshall; later they shipped from Alexandria, La., into Marshall some 1934-35 cotton from the W. P. A. relief projects—that is not a criticism of the Government policy, because the warehouse at Marshall asked them to move the cotton—I am just pointing out to you the value of holding them at origin in the small town, that illustrates it, and the value of holding it at origin. Now, the freight from Alexandria into Marshall is very high, I think it is around two to three dollars a bale—there is a loss, a hidden loss in this thing, and I have figured it out, Arkansas, Tennessee, Mississippi, Oklahoma—if they took Arkansas cotton to a port and later sold it to a southern mill market, the Government would lose, or the producer would lose, \$1.69 on every bale on freight charges.

Senator ELLENDER. Have you any examples showing that the Government has done that?

Mr. REED. I have examples showing that the Government has done that.

Senator ELLENDER. That they have shipped from the interior to the ports, and then from the ports back to the mills; am I right?

Mr. REED. Yes, sir, indeed; it is done every day.

Senator ELLENDER. I think it would be apropos to give some examples.

Mr. REED. The Government is not the only one that does it. Plenty of other firms have shipped it from the point of origin to the port and reshipped it to a domestic mill.

Senator ELLENDER. That is because they made a mistake; they thought they could sell it, but they found out they couldn't.

Mr. REED. Yes, sir.

Senator ELLENDER. This example you just mentioned of cotton there at Marshall, cotton shipped from Alexandria to Marshall, that was Government low-grade cotton?

Mr. REED. It was all low-grade mattress cotton.

Senator ELLENDER. You mean the cotton shipped from Marshall to Beaumont was mattress cotton?

Mr. REED. Well, I don't know. The point I was stressing in my argument was that they lost \$1.69 on each bale.

As to the sale to domestic mills, our records show 39 percent of it is local to domestic southern mills; so, therefore, in 39 percent in that instance, they are likely to lose \$1.69 on each and every Arkansas bale of cotton; the Tennessee cotton was \$2.30; Mississippi cotton, \$1.10; Oklahoma, \$1.81. Now, there is your hidden cost in this thing, that is over and above this difference in storage rate that must result if we are forced to cut the higher rate for our moving stock and not touch the rate on any other stock we handle.

Then a thing that is in addition to that, Senator—I think I told you that the producer's cotton, just for production, there is a further loss of a million dollars a year, possibly—I don't say it will be entirely loss, but it is a possible loss; it certainly will be a loss to the local producers of cotton.

Senator ELLENDER. I wonder if we could have for the record the amounts of cotton that were shipped to each port last—let us say Houston, Beaumont, New Orleans, Savannah, Charleston?

Mr. REED. Yes, sir; I am going to give you that.

Senator ELLENDER. And giving the amount of that cotton that was shipped to those ports that was not shipped abroad nor used locally but shipped back into the interior.

Mr. REED. We can give you those figures. I do not have them. I would like to put them in the record. I will give you the shipments from the interior to New Orleans, Houston, and Galveston.

Senator ELLENDER. I think that would be a very good idea.

Mr. REED. I will have them here next Thursday, Senator.

Senator ELLENDER. All right.

Mr. REED. I will give you the difference in storage charges.

Senator ELLENDER. In connection with that statement I wonder if it would be possible to give what the losses were to the cotton owners?

Mr. REED. No, sir; we cannot do that without having the origin of the cotton.

Senator ELLENDER. I see.

Mr. REED. I have given you the difference which we think will result from the difference in rate and the difference in freight, in addition to that loss, it is frequently a fact that by reason of the fact that for the cotton at origin there is a premium paid by the consumer of that cotton—and there are going to be some cotton merchants here that will tell you that amounts to as much as \$5 a bale. If you take it away from origin—they pay that premium because of the condition of soil and the type of cotton grown in the territory—if you take that away from origin and move it to some distant point—I don't care whether it is freight or what makes it

up, or ordinary cottons of every variety, grade, and character they lose that premium.

Senator MCKELLAR. Mr. Reed, in that connection, the fact that long staple cotton is grown in the Mississippi Valley at various places in the valley, not confined to any particular States, that would undoubtedly lose its increased value because of that, would it not, to a very large extent?

Mr. REED. It would lose its premium because of the territory where it was produced, but I don't believe it would lose its value because that is long staple cotton.

Senator MCKELLAR. It would lose its reputation as cotton grown in a certain community.

Mr. REED. Correct.

Senator BANKHEAD. Soil, different fiber?

Mr. REED. Correct. It would lose all of that.

Senator BANKHEAD. Tensile strength?

Senator AIKEN. It would lose its reputation.

Mr. REED. Yes. I want to state on the question of reconcentrating cotton there is an item, I think everybody will agree, that when they reconcentrate, they got to resample it, got to reweigh it. Now, all of the cost from resampling and reweighing it, due to the fact that we have got to take at least a pound out of that bale for sampling, we have probably to scrape off a little more than a pound while they are at it, that certainly would be six ounces from each side of the bale, there is a 9 cent per bale loss right there on the present market to the producer.

Senator BANKHEAD. Is there any other loss?

Mr. REED. Yes; I would say it would take probably about two pounds in order to properly sample a bale.

Senator ELLENDER. It is customary to sample every bale from each lot of cotton, or do they pick out just one or two from a lot of bales?

Mr. REED. If you are going to reconcentrate it, they would want a sample before reconcentration.

Senator ELLENDER. Even Government-owned cotton?

Mr. REED. Yes, sir; because the Government-owned cotton is there open to such resampling—or would have to be resampled for that purpose.

Senator ELLENDER. I see.

Mr. REED. Because when you transfer it from one bailee to another, you got to determine its condition, so that you can distinguish between the responsibility of the two bailees.

Senator ELLENDER. Why should you want to do that when the entire storage on a bale of cotton is only  $\frac{7}{8}$  or  $1\frac{1}{8}$ , which wouldn't make any difference?

Mr. REED. Senator, I would hate to tell you how many times we have resampled the 1934-35 cotton on request of the Government—

Senator ELLENDER. That is for Government-owned cotton?

Mr. REED. No, sir; after we owned it we resampled it for the Barter deal.

Senator MCKELLAR. I recall very distinctly that in the reconcentration project of 1936, I think it was, the only time that it was ever done on a very large extent, every bale was resampled, and the proof was that on the average it took about  $1\frac{3}{4}$  pounds to constitute this

sampling, which, instead of 9 cents a pound, is something like 16 cents a pound.

Mr. REED. I think I can give you an illustration of this because about 200 of our facilities agreed with the Government that they would sample the cotton free and pay the cost of transporting the samples to the sampling agency handling the Barter deal. I can tell you approximately what the cost was to those 200 facilities, it cost them over \$100,000.

Senator ELLENDER. Mr. Reed—

Senator BANKHEAD. How much cotton?

Mr. REED. That was mattress cotton.

Senator BANKHEAD. How much did it include?

Mr. REED. 1934-35 cotton, around 6,000,000 bales.

Senator ELLENDER. We can well understand the necessity for resampling, reweighing, and everything else, when you actually sell the cotton, but why you should propose, on the Government's desire to save money on the storage now, to move it from warehouse A, located in Charleston, S. C., to an interior port 100 miles away, where it is immediately sold, I don't see what would be the purpose of resampling the cotton.

Mr. REED. If they already have it graded and classed there would be no purpose in it.

Senator ELLENDER. Well, did they have it?

In other words, every bale of cotton that was owned by the Government was at one time classified?

Mr. REED. By an agency of the Government.

Senator ELLENDER. Why, certainly.

Mr. REED. But, unfortunately, Senator, when a year or 2 years has passed there is a change in the cotton, due to the length of time it has been held. It takes on a little coloring, and different matters.

Senator ELLENDER. We can understand that that is necessary, and I imagine is required by the producer, but when we speak of simply moving cotton from one point to the other that is owned by the Government, for the express purpose of saving the storage, that cost is usually eliminated, it is not requested, is it?

Mr. REED. Well, the warehousemen tell me that it is requested.

Senator ELLENDER. That is not my information.

Senator MCKELLAR. It was certainly done in 1936, when that big concentration was taken, every bale of it was sampled.

Mr. REED. Senator, I would appreciate it if you would ask some of these warehousemen when they get on the stand, if they resampled the cotton on reconcentration.

Senator ELLENDER. It is my understanding that the warehouseman is not put to that expense unless it is requested by the owner of that cotton, and if it is requested the warehouseman is paid for it.

Mr. REED. On resampling he is paid for it.

Senator ELLENDER. Yes, sir; resampling, and regrading, the warehouseman is paid for that service.

Senator MCKELLAR. Mr. Reed, whenever the cotton is rerated or resampled, I presume the producer is the one to pay for it?

Mr. REED. He pays for the loss of the sample.

Senator AIKEN. What becomes of the sample?

Mr. REED. It goes into what we call the "loose."

Senator ELLENDER. That is usually done, as I understand, when the cotton is about to be sold, and somebody requests for that and asks what grade it is, and its condition, and all. I think you will agree with me that if you were to buy a lot of cotton you would want to do the same thing.

Mr. REED. I understand they do demand it when they buy cotton. Now, Senator, there are other reasons why they have to sample this cotton in connection with the reconcentration of it. Now, I think you will find that cotton that has been on hand 2 or 3 or 4 or 5 years that same question of determining who is responsible for damage. Now, I think that 1934-35 cotton has been sampled at the request of the Government at least two or three times. I don't know how many times but I know at their request it was sampled for the Barter deal, every bale of it. Now, a large part of it—a large number of them did that service free—gave you the premium because of it.

Senator ELLENDER. I think that was requested by the Government. I don't recall the exact reason for it, but it was found that there was some difference in some lots of cotton, that is the sampling that was done for the farmer and what was actually the case, and when the Government found that there was a difference, then it was that they ordered a resampling, or rechecking of the entire amount.

Mr. REED. It was not done for that reason alone, that was one of the reasons why they wanted to do it, and that is where the Government classing agency today analyzes a bale of cotton, and then it simply stays in the warehouse and when they draw another sample and send it to the Government agency, that comes back a different class. There is always an argument on the class, a matter of opinion. That is one reason why sampling is necessary. As to whether or not they resample all of the reconcentrated cotton, I would prefer you ask the warehouseman when they get on the stand. I am not certain in my own mind as to whether it was done on all reconcentrated cotton or not.

Senator STEWART. May I ask if there is a deal, and it would actually be a saving to the Government to take the competitive bid would it be impracticable to arbitrarily fix a storage-cost price?

Mr. REED. They have done that up to now.

Senator STEWART. I mean if it is lower than the present price is. Of course, they have. It is said they can save \$5,000 a day to the Government on the basis of some definite price they apprehend will have to be paid for storage, isn't that it?

Mr. REED. Yes, sir.

Senator STEWART. What is that price, do you know?

Mr. REED. No, sir; I don't. It will not be lower than 10 cents. It ought to be somewhere around about 6 or 7 cents per bale per month.

Senator STEWART. Do you think it would be impracticable to arbitrarily fix the price as a storage price to be paid to those who still have the cotton? Of course that would include the interior warehousemen and those on the coast, the coastal warehouse and port warehouse located at the ports, whatever you call them.

Mr. REED. Of course, it is possible for a Government, the Government has power to fix the rate, it does not make any difference how you bring that rate down on the dead stock, the long-term storage.

If you bring it down to its very lowest level, whatever is the cost of handling it, at the same time you are going to bring up the cost of handling the other cotton, so it does not make any difference whether you do it by competitive bidding or whether you do it by arbitrary fixation by Government. Heretofore, the Government has averaged this condition for us and fixed a rate which they thought was reasonable for the producer, for the Government, and the warehouseman, and Senator McKellar's bill retains that system and gives the Department the right to fix the rate, if we do not accept the rate they fix, then they have the right to advertise for competitive bids.

Senator STEWART. Representative Brown of Georgia is here. We have been discussing the question. Would it be permissible for him to ask some questions?

Senator BANKHEAD. Yes.

Mr. BROWN of Georgia. I understood you to say a while ago that the port warehouses had charged the Government on its cotton a higher rate than the interior producer who brings his product to that port, is that correct?

Mr. REED. What I have pointed out, Mr. Brown, the port warehouse tariff, for receiving a bale of cotton was higher than the interior tariff for receiving a bale of cotton for a producer, neither of which is in the loan. Now the tariff on handling Government cotton on the contract basis is just about 9 cents per bale per month, so I understand it is materially lower than the price to the producer. Now it is also true that at the same time possibly in the interior they have a lower rate to the Government than they do have to the producer.

Mr. BROWN. Now suppose it is 10 cents, isn't it true that a small interior warehouse in the community where the cotton is produced will have no additional business?

Mr. REED. They are going to have a hard struggle to stay in business if they bring the rate down on these 4,878,000 bales of cotton, some of them are going to be out of business because they have not in these warehouses the space; there are others that are going to be strong enough to survive whatever they do, and there are others who will simply tell them to take your cotton out we will not bother with it.

Mr. BROWN. Is it not true the Government encouraged many of these small warehouses where cotton is produced, to go ahead and rebuild, put in sprinkler systems and fire walls, and that would be a loss to the community warehouse if you reduced the cotton storage below 10 cents.

Mr. REED. I would not want to say the Government encouraged them to do it, Congressman. I would say possibly the Government used every incentive that resulted in that being done. Government business is the cause of that improvement being made.

Mr. BROWN. That is all.

Mr. REED. I want to deal with the question of reconcentration to port locations, and to show you the extent to which that export market has been lost. From August 1, 1940, to January 19, 1941, we exported 636,602 bales of cotton.

Senator BANKHEAD. What was that figure again?

Mr. REED. 636,602 bales of cotton.



Senator BANKHEAD. Over what period?

Mr. REED. From August 1, 1940, to January 19, 1941.

Senator BANKHEAD. That was half of the market?

Mr. REED. During that same period last year we exported 3,451,045 bales. There is also present at port locations at two points, Houston and Galveston, a tremendous stock, both Government-owned cotton and producer-owned cotton. On January 19, 1941, the port stocks were 3,451,375 bales.

Senator McKELLAR. That is 2,800,000 more than was sold from those ports this last year?

Mr. REED. Yes, sir.

Senator McKELLAR. I mean in round numbers.

Senator AIKEN. Than were sold?

Mr. REED. Yes, sir; now look at Houston and Galveston, this 3,451,000 bales is 1,962,000—nearly 2,000,000 bales, right in Houston; Galveston is 1,475,587 bales of Government-owned stock and producer stock. In other words, we have a concentration in the two principal export markets for export cotton, more cotton than we are going to sell in a long time to any export market.

Senator McKELLAR. If that is the case, what possible reason has the farmer for being put to the expense of paying the freight to the coast warehouse?

Mr. REED. I mean those figures show the likelihood of incurring these losses on freight and these losses on reconcentration, and these losses that would be involved, these hidden losses in the reconcentration of cotton, not only the producer cotton but the Government cotton.

Senator BANKHEAD. Then when you cannot export it and you will need it for use in this country, then you have got to pay the transportation back to the mills?

Mr. REED. Sometimes they can get a transfer, but I do not believe any of the 1934-35 and 1937-38 cotton now at port locations has any freight bills upon which they can reship in transit. I think all those freight bills expired February 28, 1938.

Senator BANKHEAD. Let me ask you this, suppose a shipment originated in Senator McKellar's town, they took it to Houston when it was needed for consumption at a mill in South Carolina—

Mr. REED. They would charge the freight from Houston, and the freight from Houston to South Carolina, just the freight from Houston alone instead of the freight to New Orleans.

Senator BANKHEAD. So that would be a big loss?

Mr. REED. Yes, sir.

Senator BANKHEAD. Unless the Government cotton at these ports of Houston and Galveston—assuming until we get rid of Hitler—there will be at least no increase in exports, unless the cotton is needed in this country at cotton mills, it would just stay there forever, is that right?

Mr. REED. Yes, sir; the mill consumption of America is incapable of absorbing our cotton. I think the statement the Secretary made at Little Rock, in his speech to the producers at Little Rock was to the effect that they need not expect anything from the export market for a long long time to come, and that they would need to regulate their production to domestic consumption.

Senator McKELLAR. You said the export market, you mean the domestic market?

Senator BANKHEAD. No; he said the export was—

Senator McKELLAR. He was talking about what the Secretary said.

Mr. REED. I want to correct it because what the Secretary said in substance was that they are going to have to adjust their production to the domestic consumption. I want to point out particularly that the calling for bids, including cotton in the 1938-39 and 1939-40 loan, which is governed by the Bankhead Act, and the call for bids specifically announced that the cotton was going to be handled contrary to the terms and conditions of the Bankhead Act.

Senator McKELLAR. Have you got a copy of the act there?

Mr. REED. Yes, sir.

Senator McKELLAR. All right, go ahead.

Mr. REED. Originally the Triple A Act provided that the cotton of the producer could not be reconcentrated without his consent. Thereafter the Department made it a condition upon which he could obtain his loan that he waive his right and authorize reconcentration. Following that the Congress passed the Bankhead Act, which among other things had a number of provisions.

Senator BANKHEAD. Let's put that in the record.

Mr. REED. I have it. I will put it in the record. I want to say that the Bankhead Act which went into effect June 16, 1938, had one condition that is specifically applicable to the 1938-39 and 1940 cotton that was included in the call for bids, and that condition in the Bankhead Act was this. It said as to that cotton that it could not be reconcentrated without the producer's consent in writing for that purpose, unless the charges of the local warehouseman were substantially higher than the average charges to be obtained elsewhere, and then only after the local warehouseman was apprised of the rates obtainable elsewhere and given an opportunity to meet them. Now the press release that announced this call for bids said that the cotton will be stored at warehouses providing less rates, and no other bids may be revised after the last date for submission. In two respects in this announcement the Bankhead Act would be violated, because the Bankhead Act says the local warehouse rate need not be lower than the average elsewhere, and if they were not substantially higher than the average elsewhere they should be permitted to retain the cotton. Now if his rate were substantially higher than obtainable elsewhere the Bankhead Act gave him the opportunity to meet it. The competitive bid announced that the bid could not be revised after November 22, 1940.

Now another thing which we say—I want to put the Bankhead Act in the record.

Senator McKELLAR. I would like you to read the Bankhead Act, some of its provisions—we have not read it recently—I would like you to read it, essentially that part of it, the prohibition against the Department.

Mr. REED. I will read the entire act.

Senator BANKHEAD. Before you do that, let me make a personal statement that has a bearing on it that in our controversy with the Commodity Credit Corporation—several times the matter came before the Congress and these efforts to move all this cotton out, very large

percentages of it from interior warehouses to the port warehouses, there has been a constant effort here by the owners of the port warehouses to get this cotton away from the country warehouses, so in the act, the Agricultural Adjustment Act of 1938, this clause was put into that act, it is section 1383, subsection B, cotton held as security for any loan heretofore or hereafter made (there was no Government-owned cotton at the time) or arranged for by the Commodity Credit Corporation, shall not hereafter be reconcentrated without the written consent of the producer of origin. Now it developed shortly after that they started in their move to reconcentrate. On investigation it was found that in the application for loans for the farmers they had one of these little fine-print sections, they had a concealed, I call it a concealed, agreement by the producer which obviated it, they had taken that before the law was passed. Well that obviated it, they said we already got their consent, then the next proposition is what is called the Bankhead Act after me, because I introduced it. It was approved on June 16, 1938, and that was—when you read that you will see the intent to obviate that little concealed, I call it fraudulent arrangement, because no farmer ever read all these printed terms, he didn't know what he was agreeing to—when we found what they were agreeing to—we got this terrible commotion because of it—so this section was passed which prohibited that thing from being done.

Senator MCKELLAR. That second prohibition he is going to read it for the committee.

Senator BANKHEAD. He is going to read it or put it in. I think this might show the intention of Congress on this subject, not only one time but twice, and now they come along—I don't know whether they are going to try to move all the borrowed cotton or not, but they say, notwithstanding the intention of Congress to leave that cotton where it is, that this Bankhead Act does not apply to Government cotton, in effect they hold they can do with Government cotton what Congress prohibited them from doing with the producer's cotton.

Mr. REED. They included in the call for bids the producer's cotton in the loan which was not owned by the Government. The Bankhead Act—I want to say if they had not had the producer's cotton in there—the interior could have bid for the Government stocks without bringing the rate down on the producer's stocks, but that they have it in there which practically precludes us from bidding a low rate on these dead stocks and forces us to buy under average conditions. Now on the other hand, if the port facility was bidding on this reconcentrated cotton and knew that that was all of it, these 4,878,000 bales of Government cotton, that that was what he was going to get. I want to read this Bankhead Act right there. It is section 1383 A from the annotated statutes:

In the administration of section 1383-B of this chapter, the written consent of the producer or borrower to the reconcentration of any cotton held as security for any loan heretofore or hereafter made or arranged for by the Commodity Credit Corporation shall not be deemed to have been given unless such consent shall have been given in an instrument made solely for that purpose. Notwithstanding any provision of any loan agreement heretofore made, no cotton held under any such loan agreement as security for any such loan shall be moved from one warehouse to another unless the written consent of the producer or borrower shall have been obtained in a separate instrument given solely for that purpose as required by this section. The giving of written consents for the reconcentration of cotton shall not be made a condition upon the making of any loans. However,

in case where there is congestion or lack of storage facilities and the local warehouse certifies such fact and requests the Commodity Credit Corporation to move cotton for reconcentration to some other point or when the Commodity Credit Corporation determines such loan cotton is improperly warehoused and subject to damage or if uninsured, or if any terms of such loan agreement are violated or if any carrying charges are substantially in excess of the average carrying charges available elsewhere, and the local warehouse, after notice, declines to reduce such charges, such written consent as provided in this amendment need not be obtained and consent to movement under any of the conditions of this proviso may be required in future loan agreements.

I want to say that under that provision the Department has gradually brought the cost of handling the producers' cotton and the Government cotton down to where it is 12½ cents today; they have obtained low bids on reconcentrated cotton under this act.

Senator BANKHEAD. Senator Ellender has an important engagement at 12 o'clock, and we will recess at this time until 2 o'clock.

Whereupon at 12:10 p. m., the committee recessed until 2 p. m. this day.

#### AFTER RECESS

(The committee reassembled at 2 p. m., pursuant to recess.)

Senator BANKHEAD. The committee will come to order. You may proceed, Mr. Reed.

#### STATEMENT OF A. L. REED—Resumed

Senator MCKELLAR. Let me ask you this question, Mr. Reed. Insofar as the cotton in which the farmers have an equity is concerned, and which cotton was advertised to be rewarehoused, the proposal of the Department is a direct violation of the Bankhead Act, is it not?

Mr. REED. Yes, sir; it proposes certain things with respect to that cotton that are directly contrary to the provisions of the Bankhead Act.

Senator MCKELLAR. So, if these bids were accepted and action taken to move cotton in which the farmer or producer has an interest or an equity, the Department of Agriculture or the Commodity Credit Corporation, or those in charge of it, would be violating, in your judgment, the Bankhead Act?

Mr. REED. Yes, sir. I want to add this to my answer, though, Senator: I understand that they have announced to some Members of Congress that they did not intend to do that; however, the bids are directly contrary to the act.

Senator BANKHEAD. Have you a copy of the invitations?

Mr. REED. Yes, sir. I am going to put that in the record.

Senator ELLENDER. Mr. Reed, while we are on the question of the Bankhead Act, would not the adoption of this bill as written do away with the Bankhead Act?

Mr. REED. We are fearful that it will, Senator, and we have a suggestion to make with respect to it, which I am going to make a little later.

Senator BANKHEAD. Covering an amendment on that point.

Senator MCKELLAR. And I will say in respect to that, as I have already stated, that I will accept such an amendment, because this is not in violation of the Bankhead Act; it is for the purpose of supplementing, not to violate the act.

Mr. REED. The situation with respect to the ports is not all bad—I am going to digress a little bit to tell you about that—because they are essential facilities, and the people that I am speaking for do not want to see the Bankhead Act repealed, so that reconcentration of cotton could not be had at port facilities under that act, and we have some suggestions to make with reference to it a little later on. We are not making any attack on the ports. There may be some things here that might indicate that, but we intend to preserve for the ports and for the interior points, if we are able to do so, the system that is in effect today.

Senator ELLENDER. You are going to do that by amendment to this act?

Mr. REED. Yes, sir.

Senator ELLENDER. Because, the way it is now, it puts the ports completely out of business, in my humble opinion.

Mr. REED. Yes, sir; there is some evidence to that effect.

Senator BANKHEAD. I do not agree with that position.

Senator McKELLAR. Neither do I, but in order not to have the slightest difference about that, I have already said that I am perfectly willing to accept that amendment.

Senator ELLENDER. Of course, speaking of it in the light of the act as presented to the committee, and of course I do not know what is in the mind of the Senator from Tennessee nor that of the Senator from Alabama with reference to amendments, but I am speaking of that act as presently drafted. I know that insofar as the city of New Orleans is concerned, there is no cotton grown in any appreciable amount within 175 miles of that city.

Senator McKELLAR. If the Senator will draw an amendment which will leave New Orleans just exactly like it is now, I shall be very glad to accept it.

I would not know how to draw that without changing the whole bill. Of course, I suppose it can be done.

Senator ELLENDER. Well, Senator, as I understand the bill, the Commodity Credit Corporation would have to follow section 2, and section 2 says specifically that all cotton which is warehoused or stored under any contract or arrangement made by the Commodity Credit Corporation shall be warehoused or stored in the nearest locality to the place where it is produced, or to the place where it is located, when such contract or arrangement is made.

Now, in order not to affect any locality like the city of New Orleans, or Mobile, or any port in South Carolina, or any Southern State, that language would have to be changed.

Senator McKELLAR. Now, let me read the language just following that, in the same sentence:

It being the purpose of this act to continue in effect the system of warehousing or storing such cotton in the cotton-producing States, near the places where such cotton is produced in accordance with the system in effect during the year 1940.

It will be fixed so that it will not interfere with New Orleans, and if you think it does, we will make it apply to New Orleans specifically, so that no discrimination will be made against New Orleans. We are going to keep the system like it is now.

Senator ELLENDER. As I have just pointed out, the second part of this section 2, that you have just read, is dependent upon the first

part. The first part, as I understand it, is the guiding factor that the Commodity Credit Corporation must follow in receiving bids, even though those bids are advertised.

Senator MCKELLAR. We will arrange that New Orleans proposition.

Senator BANKHEAD. Now, let us go ahead with the evidence.

Senator ELLENDER. I did not intend to discuss that, except that Mr. Reed is an able lawyer, and before he gets off the stand I would like to get his opinion as to the bill as drafted.

Senator MCKELLAR. I am sure he will be delighted to give it to you.

Senator BANKHEAD. If you will go ahead with your statement of facts, Mr. Reed, and then we will get to the discussion later.

Mr. REED. At noon Senator Ellender asked me about the sampling of the cotton for reconcentration. I have investigated that matter further and I find that the 1934-35, and 1937-38 cotton, which is the cotton owned by the Government, was all sampled by the industry, but it was sampled regardless of reconcentration. Senator. That was my mistake. I thought it was sampled for reconcentration, but it was sampled regardless of reconcentration.

Senator ELLENDER. One of the reasons why I believe that was made necessary is because they found some discrepancies in certain lots of cotton, and the discrepancy was so great that they thought the best thing to do was in many cases to resample it and reexamine all of the cotton.

Mr. REED. I think that in substance you are correct. The 1934-35 cotton was not classed specifically. It simply had a minimum class on it.

Senator ELLENDER. That is right.

Mr. REED. I think that was one of the reasons, and the barter agreement was the other. I also stated that it cost the industry for that sampling over \$100,000. The correct figure is in excess of \$250,000.

I want to take up now the question of the call for bids, and I want to particularly point out that the call for bids did not permit the interior to submit competitive bids for the storage of Government-owned cotton separate and apart from the producers' stocks, and the producers' stocks are covered by the existing act known as the Bankhead Act. The Government-owned stocks are not technically covered by that act. The bids that were submitted confused the characters of cotton and deprived us of an opportunity to bid separately on the Government-owned stocks, which is the dead stocks, but required us to average the moving stocks with the dead stocks. Necessarily, a bid of that character from an interior facility would have to be higher than a bid of a facility that could take one of the reconcentration contracts and bid with full knowledge that the only thing he would get would be this Government-owned stock or the reconcentrated cotton, which would itself be dead stock.

Senator BANKHEAD. Does that operate in the interest of the port warehouse?

Mr. REED. Yes, sir; the reconcentration bid was so drawn, Mr. Chairman, that no one but a port warehouse could use it, and I am going to show you why in just a minute. I do not think there was any intent or purpose about the matter, but that is the way it is.

Senator BANKHEAD. Now, are you sure about that?

Mr. REED. Well, I do not want to say there is.

Senator BANKHEAD. You would not say it is not? Some people here of respectable standing think probably there was.

Mr. REED. Well, I want to show you what the facts are, without comment.

Senator BANKHEAD. It has been so indicated to me. I have no definite opinion about it myself.

Mr. REED. The Government stocks are 6,185,000 bales. Of that amount, 1,307,000 are located at ports and 4,878,000 at interior points.

The producers' stocks involved in this call for bids are 2,009,427 bales. Of that quantity, 324,440 bales are located at the ports, and 1,754,987 bales at interior points. As I say, the bill was so designed as to divide it into three types, three characters of bids, Form 55-A-1, Form 55-A-2, and Form 55-A-3.

The explanation for Form 55-A-1 states that it is to be used by the warehousemen submitting bids only for continued storage of cotton on hand December 1, 1940.

Form 55-A-2 was to be used for warehousemen bidding for continued storage as well as new storage.

Now, there is a statement in the explanation found in item 6 in the invitation for bids which says this:

Bids from warehousemen for storage of cotton under more than one type of storage agreement by any individual warehouse will not be accepted.

In other words, we had to bid on one or the other of the forms. We could not bid on two forms. We could not bid for new business. We could only bid on one form.

Now, I want to call your attention to the terms of Form 55-A-2 for reconcentration. Item 7 specifically sets out the amount to be paid for compression at 30 cents per bale. Item 8 states that delivery to ship's side will be performed for 15 cents per bale. I just called your attention some time ago to the fact that our taxes are 21 cents a bale. We could not bid to compress cotton for 30 cents a bale under that form, because our labor and fuel alone will exceed that. And what about a port warehouseman? He can bid on that form because he knows the cotton is coming to him compressed, and he is not going to lose his shirt on it. If we bid on it we are going to have to absorb the loss on the compression side. Item No. 8 says it is to be delivered to ship's side for 15 cents. Certainly, the compressor at Memphis, Tenn., could not sign a contract to deliver a bale to ship's side for 15 cents. The freight on it alone would be \$1.50 or \$2 a bale. Therefore, the only people that could use that contract would be a port warehouse, who would bid on it for reconcentrated cotton.

The same thing is true under Form 55-A-3, that has to do with new business where a warehouse doesn't have any business on hand but wants to bid for new business. It could not be used by anyone but a port warehouse.

I would like to file as part of the record the press release, the invitation for bids and the three forms of contract.

Senator BANKHEAD. It may go into the record.

(The documents referred to follow:)

## BIDS INVITED BY COMMODITY CREDIT CORPORATION ON STORAGE COTTON

WASHINGTON, D. C., November 8, 1940.

Commodity Credit Corporation today invited warehousemen to submit bids for the storage of all cotton, except that from the 1940 crop which is now being harvested, either owned or held as security for loans by the Corporation.

Bids must be submitted prior to noon November 22, 1940, and the rates offered in bids accepted will be effective from December 1, 1940.

The invitations for bids are limited to warehouses located in the cotton-producing areas and ports adjacent thereto. Cotton stored in these areas is readily available for distribution to all domestic consuming centers and export markets without the loss of transportation expenses.

The cotton will be stored at the warehouses offering the lowest rates, and no bids may be revised after the last date for submission. Any necessary movements of cotton will be made in line of transit to domestic mills or ports.

Officials of the Corporation pointed out that this solicitation of bids is being made for the twofold purpose of obtaining warehousing services for the Government and farmers at the lowest available rates and relieving the congested storage situation in certain localities so as to provide producers with adequate facilities for 1940 crop cotton at all local points.

Exclusive of the 1940 crop, the Commodity Credit Corporation holds title to approximately 6,500,000 bales of cotton and has under loan approximately 2,200,000 bales.

Copies of the invitation for bids may be obtained upon request to the Commodity Credit Corporation's office at Washington, D. C.

## COMMODITY CREDIT CORPORATION INVITATION FOR BIDS FOR STORAGE OF COTTON

1. Commodity Credit Corporation requests warehousemen located in the cotton-producing area and at South Atlantic, Gulf, and California ports to submit bids for the storage of cotton owned by Commodity Credit Corporation or pledged as security to loans on 1938-39 and 1939-40 C. C. Cotton Form A.

2. Bids, to be acceptable, must be received at the office of Commodity Credit Corporation, Washington, D. C., prior to 12 o'clock noon, November 22, 1940. The bids will be opened on November 22 and each bidder will be notified by a letter postmarked not later than December 16, 1940.

3. Bids are to be submitted only for storage, including fire insurance. The rates applicable for receiving and other necessary services are specified in the attached storage agreements.

4. Bids in excess of rates now in effect at the respective warehouses will not be accepted. Where bids are at rates identical with those now in effect at the respective warehouses, the cotton will remain in storage under the existing contracts subject to movement when storage space at lower rates is available.

5. Bids will be considered for storage of cotton under one of three types of storage agreements, as follows:

(a) Commodity Credit Corporation Form No. 55-A-1 for use by warehousemen submitting bids only for continued storage of cotton on hand December 1, 1940.

(b) Commodity Credit Corporation Form No. 55-A-2 for use by warehousemen submitting bids for the continued storage of cotton on hand December 1, 1940, and for the storage of additional cotton. (This form provides for the same storage rate for cotton on hand December 1, 1940, and for any additional cotton shipped to the warehouse by Commodity Credit Corporation.)

(c) Commodity Credit Corporation Form No. 55-A-3 for use by warehousemen submitting bids only for reconcentrated cotton. (This form is not applicable for warehousemen storing any cotton referred to in Section 1 hereof on December 1, 1940.)

Copies of the storage agreements are attached.

6. Bids from warehousemen for storage of cotton under more than one type of storage agreement for any individual warehouse will not be accepted.

7. Bids requiring that cotton remain in storage for a specified length of time will not be accepted.

8. Bids may not be conditioned upon delivery for storage of specified quantities of cotton.

9. Bids for storage under Commodity Credit Corporation Cotton Forms 55-A-2 or 55-A-3 should specify the maximum quantity of reconcentrated cotton that can be stored.



10. All warehousemen awarded contracts will be required to meet the requirements of Commodity Credit Corporation for approved warehouses.
11. All bids must be submitted in the following form:

-----  
(Date)

Commodity Credit Corporation,  
Washington, D. C.

The undersigned warehouseman hereby offers to store cotton at -----  
-----, in accordance with the terms of Commodity Credit  
(state location of warehouse)  
Corporation Cotton Form -----, at a rate of ----- cents per bale per month, or  
fraction thereof.

Storage space is available for ----- bales of reconcentrated cotton.

-----  
(warehouse company)

By -----

12. Commodity Credit Corporation reserves the right to reject any or all bids.

## COTTON STORAGE AGREEMENT

This agreement made and entered into by and between the Commodity Credit Corporation, Washington, D. C., organized and existing as an agency of the United States (hereinafter referred to as the "Corporation") and -----  
----- (hereinafter referred to as the "Warehouseman").

## WITNESSETH—

Whereas the Warehouseman controls by ownership or lease and operates a certain warehouse located at ----- and commonly known as -----  
----- and

Whereas the Warehouseman has in storage, at said warehouse, certain cotton owned by the Corporation or pledged under a 1938-39 Commodity Credit Corporation Cotton Form A or 1939-40 Commodity Credit Corporation Cotton Form A as security for loans (hereinafter referred to as "the cotton").

Now, therefore, in consideration of covenants and agreements herein contained, the parties hereto agree each with the other as follows:

1. The Warehouseman shall continue to store the cotton after November 30, 1940. The Warehouseman's charge for such storage shall be ----- cents per bale per month or fraction thereof. The Warehouseman's Charges, with respect to cotton so stored, for resampling and reweighing, shall be at his regular tariff rates but, in no event, more than 10 cents per bale for resampling and 10 cents per bale for reweighing. No charge shall be made by the Warehouseman, with respect to cotton so stored, for storage or handling of samples, ranging cotton, picking out by tag number, flat delivery, or loading on trucks or in cars for shipment.

2. If any of the cotton is sold by the Corporation or redeemed from the loan made thereon, the charges provided herein shall be applicable for the period extending from November 30, 1940, to and including fifteen (15) days after such cotton was so sold or redeemed, and the Warehouseman shall not charge the holder of the warehouse receipt representing such cotton for services rendered during that period an amount in excess of that computed in accordance with this agreement.

3. The Warehouseman shall, when the cotton is ordered shipped by the Corporation, make such shipments promptly. Storage charges shall accrue up to, but not including, the date of shipment if the cotton is shipped within a reasonable time, as determined by the Corporation, after receipt of shipping instructions and surrender of the warehouse receipts. If shipment is not made within such reasonable time, storage charges shall stop as of the date of receipt of shipping instructions and surrender of the warehouse receipts.

4. Whenever any of the cotton is shipped upon the Corporation's order, the accrued storage charges and charges for other services authorized by it with respect to the cotton so shipped shall be paid to the Warehouseman by the Corporation within a reasonable time after the presentation by the Warehouseman to the Corporation of a certified invoice covering such charges.

5. Storage charges which have accrued as of July 31 of each year with respect to such of the cotton as is represented by warehouse receipts held by the Corporation on such date shall be paid by the Corporation within a reasonable time thereafter, but the Corporation shall not be obligated to pay such charges with

respect to any of such cotton which is sold by it or redeemed from the loan prior to the date on which payment of the storage charges would otherwise be made.

6. The Warehousemen shall promptly notify the Corporation of any damage to the cotton while it is in the custody of the Warehouseman; recondition all cotton so damaged without cost to the Corporation; and pay the Corporation for all losses sustained by it by reason of any such damage.

7. The Warehouseman shall hold separately for the account of the Corporation all loose cotton which has accumulated from the trimmings of samples or sample holes or which is otherwise taken from bales of the cotton and will dispose of such loose cotton only as directed by the Corporation.

8. The Warehouseman shall, without in any way limiting its obligation under any other provisions of this agreement, insure, at its own expense, the cotton against loss or damage from fire for the full market value at the time and place of loss under a policy or policies providing coverage similar to that afforded in the standard fire policy of the State in which the cotton is stored, and shall keep such cotton so insured so long as the warehouse receipt is outstanding. Such insurance shall cover any loss or damage caused by water from the Warehouseman's sprinkler system where the use of the sprinkler system was occasioned by a fire in the warehouse in which such cotton is stored.

9. The terms of this Agreement shall prevail over the written or printed terms of warehouse receipts representing the cotton. This Agreement shall, as to the rights and obligations of the Warehouseman and the Corporation respecting the cotton which accrue after November 30, 1940, supersede any existing agreement between the Warehouseman and the Corporation.

10. This Agreement shall continue in full force and effect until July 31, 1942, and, thereafter, shall continue in full force and effect until terminated by either party's giving the other ninety (90) days' prior notice of its election to terminate the Agreement.

In witness whereof the parties hereto have subscribed their names.

COMMODITY CREDIT CORPORATION,

By \_\_\_\_\_

Date \_\_\_\_\_

Witness: \_\_\_\_\_

\_\_\_\_\_  
(Warehouseman)

By \_\_\_\_\_

\_\_\_\_\_  
(Title)

Date \_\_\_\_\_

Witness: \_\_\_\_\_

#### COTTON-STORAGE AGREEMENT

This agreement, made and entered into by and between the Commodity Credit Corporation, Washington, D. C., organized and existing as an agency of the United States (hereinafter referred to as the "Corporation") and \_\_\_\_\_ (hereinafter referred to as the "Warehouseman").

#### WITNESSETH—

Whereas the Warehouseman controls by ownership or lease and operates a certain warehouse located at \_\_\_\_\_ and commonly known as \_\_\_\_\_; and

Whereas the Warehouseman has in storage at said warehouse certain cotton owned by the Corporation or pledged under a 1938-39 Commodity Credit Corporation Cotton Form A or 1939-40 Commodity Credit Corporation Cotton Form A as security for loans, and

Whereas the Warehouseman desires to continue to store such cotton and also to store additional cotton which may be delivered to the Warehouseman for storage by the Corporation

Now, therefore, in consideration of the covenants and agreements herein contained, the parties hereto agree with each other as follows:

1. The Warehouseman shall continue after November 30, 1940 to store the cotton owned by the Corporation or pledged under a 1938-39 Commodity Credit Corporation Cotton Form A or 1939-40 Commodity Credit Corporation Cotton Form A as security for loans, which is in storage in the warehouse on such date, and shall receive and store such additional cotton as may be delivered to him by the Corporation. Cotton so stored shall be referred to hereinafter as "the cotton".

2. Rates for storage and other services rendered by the Warehouseman with respect to the cotton shall be as follows:

*Item No. 1.*—Receiving, weighing, tagging, sampling, issuing warehouse receipts, and placing in storage, per bale, 10 cents.

*Item No. 2.*—Storage per bale per month or fraction thereof, including fire insurance. As per bid.

*Item No. 3.*—Resampling, including ranging and returning to storage, per bale, 10 cents.

*Item No. 4.*—Reweighing, including ranging and returning to storage, per bale, 10 cents.

*Item No. 5.*—Resampling at time of shipment or cotton on range, 5 cents.

*Item No. 6.*—Reweighing at time of shipment or cotton on range, 5 cents.

*Item No. 7.*—Compression from flat to standard density or from flat to high density or from standard to high density, 30 cents.

*Item No. 8.*—Delivery shipside where cotton compression is not performed by the Warehouseman, per bale, 15 cents.

*Item No. 9.*—Ranging for any purpose other than reweighing or resampling, per bale, 5 cents.

No charge shall be made by the Warehouseman for storage or handling of samples, flat delivery, or loading on trucks into cars for shipment, including turning out, marking with one mark and one head brand of not more than five letters, delivering compressed cotton shipside where compression is performed by the Warehouseman, picking out by tag numbers, and furnishing detailed weight sheets. All charges for other services rendered by the Warehouseman are to be at the published tariff rates of the Warehouseman in effect at the time the services are rendered at the request of the Corporation.

3. The Warehouseman shall issue negotiable warehouse receipts meeting the requirements of the Uniform Warehouse Receipts Act for all the cotton received by it for storage and shall promptly furnish, with respect to such cotton, detailed weight sheets in triplicate, such weight sheets to show tag and receipt numbers of the shipping warehouse together with the tag numbers of the Warehouseman.

4. If any of the cotton is sold by the Corporation or redeemed from the loan thereon, the charges provided herein, in the case of cotton in storage on November 30, 1940, shall be applicable for the period extending from November 30, 1940, to and including fifteen days after such cotton was so sold or redeemed, and in the case of the cotton delivered to the Warehousemen for storage after November 30, 1940, shall be applicable for the period extending from the date of such delivery to and including fifteen days after such cotton was so sold or redeemed; and the Warehouseman shall not charge the holder of the warehouse receipt representing such cotton for services rendered during that period an amount in excess of that computed in accordance with this Agreement.

5. The Warehouseman shall, when the cotton is ordered shipped by the Corporation, make such shipments promptly. Storage charges shall accrue up to, but not including, the date of shipment if the cotton is shipped within a reasonable time, as determined by the Corporation, after receipt of shipping instructions and surrender of the warehouse receipts. If shipment is not made within such reasonable time, storage charges shall stop as of the date of receipt of shipping instructions and surrender of the warehouse receipts.

6. Whenever any of the cotton is shipped upon the Corporation's order, the accrued storage charges and charges for other services authorized by it with respect to the cotton so shipped shall be paid to the Warehouseman by the Corporation within a reasonable time after the presentation by the Warehouseman to the Corporation of a certified invoice covering such charges.

7. Storage charges which have accrued as of July 31 of each year with respect to such of the cotton as is represented by warehouse receipts held by the Corporation on such date shall be paid by the Corporation within a reasonable time thereafter, but the Corporation shall not be obligated to pay such charges with respect to any of such cotton which is sold by it or redeemed from the loan prior to the date on which payment of the storage charges would otherwise be made.

8. The Warehouseman shall promptly notify the Corporation of any damage to the cotton while it is in the custody of the Warehouseman; recondition all cotton so damaged without cost to the Corporation; and pay the Corporation for all losses sustained by it by reason of any such damage.

9. The Warehouseman shall hold separately for the account of the Corporation all loose cotton which has accumulated from the trimmings of samples or sample holes or which is otherwise taken from bales of the cotton and will dispose of such loose cotton only as directed by the Corporation.

10. The Warehouseman shall, without in any way limiting its obligation under any other provision of this Agreement, insure, at its own expense, the cotton against loss or damage from fire for the full market value at the time and place of loss under a policy or policies providing coverage similar to that afforded in the standard fire policy of the State in which the cotton is stored, and shall keep such cotton so insured so long as the warehouse receipt is outstanding. Such insurance shall cover any loss or damage caused by water from the Warehouseman's sprinkler system where the use of the sprinkler system was occasioned by a fire in the warehouse in which such cotton is stored.

11. The terms of this Agreement shall prevail over the written or printed terms of warehouse receipts representing the cotton. This Agreement shall, as to the rights and obligations of the Warehouseman and the Corporation respecting the cotton which accrue after November 30, 1940, supersede any existing agreement between the Warehouseman and the Corporation.

12. This Agreement shall continue in full force and effect until July 31, 1942, and, thereafter, shall continue in full force and effect until terminated by either party's giving the other ninety (90) days' prior notice of its election to terminate the Agreement.

In witness whereof the parties hereto have subscribed their names.

COMMODITY CREDIT CORPORATION.

By \_\_\_\_\_

Date \_\_\_\_\_

Witness: \_\_\_\_\_

\_\_\_\_\_  
(Warehouseman)

By \_\_\_\_\_

\_\_\_\_\_  
(Title)

Date \_\_\_\_\_

Witness: \_\_\_\_\_

#### COTTON STORAGE AGREEMENT

This agreement, made and entered into by and between the Commodity Credit Corporation, Washington, D. C., organized and existing as an agency of the United States (hereinafter referred to as the "Corporation") and \_\_\_\_\_ (hereinafter referred to as the "Warehouseman");

#### WITNESSETH—

Whereas, the warehouseman controls by ownership or lease and operates a certain warehouse located at \_\_\_\_\_ and commonly known as \_\_\_\_\_; and

Whereas, the Warehouseman desires to make its facilities available to the Corporation for the storage of cotton delivered to the Warehouseman for storage by the Corporation;

Now, therefore, in consideration of the covenants and agreements herein contained, the parties hereto agree with each other as follows:

1. The Warehouseman shall receive and store such cotton (hereinafter referred to as "the cotton") as may be delivered to him by the Corporation. Rates for storage and other services rendered by the Warehouseman with respect to the cotton shall be as follows:

*Item No. 1.*—Receiving, weighing, tagging, sampling, issuing warehouse receipts, and placing in storage, per bale, 10 cents.

*Item No. 2.*—Storage per bale per month or fraction thereof, including fire insurance—As per bid.

*Item No. 3.*—Resampling, including ranging and returning to storage, per bale, 10 cents.

*Item No. 4.*—Reweighing, including ranging and returning to storage, per bale, 10 cents.

*Item No. 5.*—Resampling at time of shipment or cotton on range, 5 cents.

*Item No. 6.*—Reweighting at time of shipment or cotton on range, 5 cents.

*Item No. 7.*—Compression from flat to standard density or from flat to high density or from standard to high density, 30 cents.

*Item No. 8.*—Delivery shipside where cotton compression is not performed by the Warehouseman, per bale, 15 cents.

*Item No. 9.*—Ranging for any purpose other than reweighing or resampling, per bale, 5 cents.

No charge shall be made by the Warehouseman for storage or handling of samples, flat delivery or loading on trucks or into cars for shipment, including turning out, marking with one mark and one head brand of not more than five letters, delivering compressed cotton shipside where compression is performed by the Warehouseman, picking out by tag numbers, and furnishing detailed weight sheets. All charges for other services rendered by the Warehouseman are to be at the published tariff rates of the Warehouseman in effect at the time the services are rendered at the request of the Corporation.

2. The Warehouseman shall issue negotiable warehouse receipts meeting the requirements of the Uniform Warehouse Receipts Act for all the cotton received of him for storage and shall promptly furnish, with respect to such cotton, detailed weight sheets in triplicate, such weight sheets to show tag and receipt numbers of the shipping warehouse together with the tag numbers of the Warehouseman.

3. If the warehouse receipt(s) representing any of the cotton are transferred, the charges provided herein shall be applicable for the period extending from the date the cotton was delivered to the Warehouseman for storage to and including fifteen days after the warehouse receipt(s) was (were) transferred by the Corporation; and the Warehouseman shall not charge the holder(s) of the warehouse receipt(s) representing such cotton for services rendered during that period an amount in excess of that computed in accordance with this Agreement.

4. The Warehouseman shall, when the cotton is ordered shipped by the Corporation, make such shipments promptly. Storage charges shall accrue up to, but not including, the date of shipment if the cotton is shipped within a reasonable time, as determined by the Corporation, after receipt of shipping instructions and surrender of the warehouse receipts. If shipment is not made within such reasonable time, storage charges shall stop as of the date of receipt of shipping instructions and surrender of the warehouse receipts.

5. Whenever any of the cotton is shipped upon the Corporation's order, the accrued storage charges and charges for other services authorized by it with respect to the cotton so shipped shall be paid to the Warehouseman by the Corporation within a reasonable time after the presentation by the Warehouseman to the Corporation of a certified invoice covering such charges.

6. Storage charges which have accrued as of July 31 of each year with respect to such of the cotton as is represented by warehouse receipts held by the Corporation on such date shall be paid by the Corporation within a reasonable time thereafter, but the Corporation shall not be obligated to pay such charges with respect to any of such cotton which is sold by it or redeemed from the loan prior to the date on which payment of the storage charges would otherwise be made.

7. The Warehouseman shall promptly notify the Corporation of any damage to the cotton while it is in the custody of the Warehouseman, recondition all cotton so damaged without cost to the Corporation; and pay the Corporation for all losses sustained by it by reason of any such damage.

8. The Warehouseman shall hold separately for the account of the Corporation all loose cotton which has accumulated from the trimmings of samples or sample holes or which is otherwise taken from bales of the cotton and will dispose of such loose cotton only as directed by the Corporation.

9. The Warehouseman shall, without in any way limiting its obligation under any other provision of this Agreement, insure, at its own expense, the cotton against loss or damage from fire for the full market value at the time and place of loss under a policy or policies providing coverage similar to that afforded in the standard fire policy of the State in which the cotton is stored, and shall keep such cotton so insured so long as the warehouse receipt is outstanding. Such insurance shall cover any loss or damage caused by water from the Warehouseman's sprinkler system where the use of the sprinkler system was occasioned by a fire in the warehouse in which such cotton is stored.

10. The terms of this Agreement shall prevail over the written or printed terms of warehouse receipts representing the cotton.

11. This Agreement shall continue in full force and effect until July 31, 1942, and, thereafter, shall continue in full force and effect until terminated by either party's giving the other 90 days' prior notice of its election to terminate the Agreement.

In witness whereof the parties hereto have subscribed their names.

		COMMODITY CREDIT CORPORATION,
	By	-----
Witness	-----	Date
		-----
		Warehouseman
	By	-----
Witness	-----	-----
		Title
		-----
		Date
		-----

Mr. REED. I made some figures on this \$5,000-per-day saving at lunchtime, and the best estimate I can make is that it would be somewhere between 20 to 25 cents per bale per annum. I believe the difference in the cost of storing and marketing the producer's stock under the loan itself would exceed that saving, even if he did not contribute the cotton that was marketed.

Senator ELLENDER. With respect to that \$5,000 figure, how much more would the cost of storing be if the Commodity Credit Corporation should be forced to take the average for the years 1936 to 1940, the average prescribed in section 3 of this bill, in determining a reasonable rate?

Mr. REED. Well, the present rate is 12½ cents, which is supposed to be, and I think it is, an average of what the Department was able to obtain on cotton prior to the present contract.

Senator ELLENDER. Now, my information is—I may be wrong about it—we will get to that later—that the average rate on cotton between 1936 and 1940 would be about 20 cents per bale and the highest would be as much as 25 cents.

Mr. REED. That would be a weighted average. I do not believe the weighted average would be that much, because your big stocks have been accumulated on the lower rates.

Senator ELLENDER. What do you mean by "weighted"?

Mr. REED. The weighted average would be the bales of cotton times the rate, and then averaged per bale. For instance, if you had a 25-cent rate and 100 bales, and a 12½-cent rate and 1,000,000 bales of cotton, there would be practically no difference in the average in the 12½-cent rate.

Senator ELLENDER. But, as I understand it, figuring on the cotton that was Government-owned cotton and the cotton in which the farmers had an equity, the average cost of storage between 1936 and 1940 would be 20 cents?

Mr. REED. The average of it would be somewhere around 18 cents, I think.

Senator ELLENDER. Of course, we will get those figures later, and of course under this bill, whenever the Department would consider what reasonable rates are, they would have to use that as a yardstick, would they not, if this bill were enacted as written?

Mr. REED. No, sir; I do not believe they would. I think that they would not be required under this bill to use the simple average of the figures. It says:

In determining reasonable rates for the warehousing or storage of cotton for the purpose of this act, consideration shall be given to the rates for such services which have been in effect during the years 1936 to 1940, inclusive, and no consideration shall be given to unusually low rates at which facilities are available by reason of abnormal dislocations in foreign commerce.

Now, to place a standard in there for the fixation of the rates and require them to consider it does not mean that they have to actually use it. They have simply got to take it into consideration in their calculations, and I would say that that is not a legal obligation to simply use the average of the 1936-40 rate.

Senator ELLENDER. Then why put it in the bill?

Mr. REED. It is customary where Congress prescribes a regulation in terms, it fixes on the Department an obligation with respect to those regulations that they also fix standards to guide them by. That is a standard to guide them.

Senator ELLENDER. I do not know of any other standard placed in the bill that they would have to use. In other words, as I view it, they would be relegated to the provisions of section 3, and would have to take that as a guide, as I view it.

Mr. REED. I think they would have to consider what the rates were during that period, but I do not agree, Senator, that they would have to fix it on the basis of the average of 1936 to 1940.

Senator AIKEN. Your real intent is to continue such rates as are now generally in effect?

Mr. REED. Yes, sir.

Senator AIKEN. That would cover it.

Senator ELLENDER. Of course, that would be a different proposition, but under the provisions of section 3, as I understand it, the Department would have to raise the rates. There is no doubt about it.

Senator McKELLAR. That was not the intention at all. The purpose was that the rate should not be fixed simply because a lot of—not a lot, but because certain warehousemen that have their warehouses on the coast now, and are not full of cotton because we have lost our export trade, in such an emergency they could afford to put it down there for 1 cent a bale or half a cent a bale. They would make just that much, because those facilities are not being used there now to the extent that they were intended to be used when they were built, and that sort of an emergency should not be taken as a criterion for general rates. That is all that was.

Senator ELLENDER. Well, Senator, in that connection, personally, I do not believe that Congress should stand for this cutthroat competition with respect to storage.

Senator McKELLAR. I am glad the Senator has made that statement.

Senator ELLENDER. And if there is any way by which that can be stopped, I think it ought to be stopped.

Senator McKELLAR. That was the purpose of this section 3. I prepared this bill myself by very careful and painstaking effort, and then turned it over to the drafting committee, which changed it very little. They did make a suggestion with reference to section 3, which I very readily accepted, and which was put there for the purpose that I have stated, and which the Senator says he feels is right, that we ought not to let that be controlling in a case of this kind, in this emergency.

Senator McKellar. And in that connection, Mr. Reed, as I suggested this morning, it might be well to put into the record such evidence as you may have available, simply to show that it is only because of the fact that you have a lot of this cotton on hand, this enormous surplus, that the warehousemen are able to store the cotton as cheaply as they are now storing it.

Mr. REED. Yes; I will try to give exact figures on that.

Senator Elleder. I can readily see that.

Senator Bankhead. Mr. Reed, I did not understand clearly your statement about the \$5,000-a-day saving.

Mr. REED. I am going to try to work it out to the best of my ability with the information at hand, for next Thursday, but I would say that a pretty close approximation of that would be between 20 and 25 cents per bale. That is per annum, for the Government cotton in storage.

Senator Aiken. You mean 2 cents under the prevailing rate?

Mr. REED. About  $2\frac{1}{2}$  cents, yes. I would say that that saving of 20 cents per bale per annum will not equal, will not be anywhere near the additional cost that is going to be imposed upon the producer to market his cotton independent of the loan, or hereafter to put it in the loan. And I want to read something out of the report of the Secretary of Agriculture on that thought.

Senator McKellar. What is the date of that report? So there cannot be any question about it.

Mr. REED. This is the report of the Secretary of Agriculture for 1940, page 116:

The quantity of cotton withheld from marketing by the 1939 Government-loan program was only about 25,000 bales; whereas, in 1938, over 4,000,000 bales was placed in the loan, but more than half of this 1938 loan cotton was withdrawn and marketed during the 1939-40 season.

Now, I want to make this point with respect to this: Suppose you did save 20 cents a bale, and as a result the producer's rate for the marketing of his cotton took it off the loan, took it out of the Government's hand, that 20 cents might mean the difference between the Government owning that bale of cotton and the producer selling it, and then where are you with your loss and your savings?

There is one other quotation I want to make from page 117 of the Secretary's report:

The shock of the decline in the export market for cotton is being cushioned by the Government loan. With limited stocks of nonloan cotton from previous crops carried over in commercial warehouses, domestic prices are being supported at about the 1940 loan rate.

This industry that is here today has been the vehicle through which that was accomplished.

Now, I want to take up this question of port storage. The people for whom I speak are not here trying to defeat port storage at any point, and I want to point out to you that there is a large territory from which the port facilities can reconcentrate cotton without loss, and go to the domestic market. For instance, New Orleans can draw cotton from Mississippi up as far as a line running from Vicksburg over to Jackson through New Orleans to the southeast, without penalty. They can reconcentrate from all of the State of Louisiana and some small part of Arkansas—very insignificant. This cotton



may move to New Orleans for concentration and reshipment to the domestic market without loss.

Texas cotton can move through Houston and Galveston in reconcentration service without loss.

Now, we want to preserve for the benefit of the Government and the producer, and everyone else, the privilege of using port facilities. We have no idea of freezing the cotton in its present location. I do not believe that the McKellar bill will freeze it in its present location, but there is some doubt about it because it may repeal the Bankhead Act, and in the Bankhead Act are provisions for the reconcentration of cotton under conditions that force its reconcentration. For instance in the case of congestion. A facility may be congested in the interior. I think there was probably some congestion this last year. The producer there, by reason of that congestion, would be deprived of the facilities to market his cotton. You have got to reconcentrate that somewhere else, and the port facilities have been the place where it has been reconcentrated, largely.

Improperly warehoused cotton. Unfortunately, there has been some of that, where they violate the terms of the loan agreement.

Senator MCKELLAR. The only complaints on that, though, came from points in West Texas, did they not?

Mr. REED. No; I believe there has been some improperly warehoused at several places, but the trouble concerning congestion in West Texas, Senator, was due to violation of the terms of the loan agreement. They have the privilege of reconcentration.

Now, we suggest, in order that there be no doubt about the matter, that an amendment be carried in this act that will preserve for the Government and for the port and everybody else the privileges that are now in the Bankhead Act.

Senator MCKELLAR. Mr. Reed, let me suggest this for your consideration on section 4 of the bill. Of course, this bill is not intended to repeal the Bankhead Act generally at all, because we want to retain that act, and section 4 says:

All laws or parts of laws in conflict with or inconsistent with the provisions of this Act are hereby repealed to the extent of such conflict or inconsistency.

Now, we were unable to find any conflict or inconsistency between this act and the Bankhead Act, and it was thought that that covered it, but as I told you, and as I told other members of the cotton industry, the cotton warehousing industry, who spoke to me about it, I was perfectly willing to accept an amendment that would specifically keep and retain the provisions of the Bankhead Act.

Mr. REED. Senator, on your idea there, here is the doubt that has arisen—

Senator MCKELLAR (interposing). I will be very glad to hear it, because I am perfectly willing to accept it if there is any doubt.

Mr. REED. Here is the doubt that has arisen: Under section 2 doubt has arisen as to whether or not the condition of congestion would govern or whether the provisions of section 2 would govern. In other words, if there is congestion, do they have to comply with section 2 in order to relieve it?

Senator MCKELLAR. In order to eliminate that I am perfectly willing to have it amended.

Senator BANKHEAD. You might use the language, "That no part of this Act shall be construed to alter, change, or repeal any part of the Bankhead Act."

Mr. REED. That is precisely what I have here. May I read it?

Senator BANKHEAD. Yes.

Mr. REED. I suggest that you add at the bottom of section 2 this language:

Provided, however, that, subject to the provisions of section 3 of this Act, any cotton in which the Commodity Credit Corporation is interested may be reconcentrated to other points, and provided in the Act commonly known as the Bankhead Act being Public Act No. 660, Seventy-fifth Congress, chapter 480, third session.

Senator MCKELLAR. I have no objection whatsoever to the inclusion of that amendment.

Senator ELLENDER. On that particular reference, having obtained the consent of Congress, that gives the Department absolute authority to reconcentrate the cotton regardless of the consent of the producer, the objection of the warehouse company or anyone else.

Senator BANKHEAD. I do not know that I am going to agree with that. You may go too far.

Mr. REED. They have that authority now, Senator, under the Bankhead Act, I think.

Senator BANKHEAD. Under certain conditions.

Senator MCKELLAR. May I make a suggestion? Senator Bankhead, the chairman, is absolutely familiar with the terms of the Bankhead Act, and he is absolutely familiar with the terms of this act, and I suggest that he look it over and submit such an amendment as will be acceptable to him.

Senator ELLENDER. It might be well for the witness to suggest his own views as to amendment. After that we can get together.

Senator MCKELLAR. This committee will do that.

Senator ELLENDER. We will have to do the amending.

Senator MCKELLAR. Yes; but I am willing to accept the amendment.

Mr. REED. The final thing I have is that Mr. P. E. Herrold, manager of the Oklahoma Cotton Cooperative Association, has asked that I state in the record that it is the feeling of his members that under present conditions Government loan cotton should remain stored in warehouses at originating points in Oklahoma; therefore we are supporting the McKellar bill, 262.

That is all I have, Mr. Chairman. I would like to call some of these witnesses now.

Senator BANKHEAD. Gentlemen of the committee, questions are in order now by anyone who wishes to question the witness.

Senator ELLENDER. Mr. Chairman, I would like to ask him—he has given us some facts, and I would like to ask him a few questions with respect to the effect of the bill as presented to the committee.

As I understand this act, the Commodity Credit Corporation will be prohibited from accepting bids for the storing of cotton except as is provided in section 2.

Mr. REED. Section 2 provides the only method by which they could call for competitive bids.

Senator ELLENDER. So that the provision made in section 1, whereby it is provided that if the Commodity Credit Corporation cannot agree to terms acceptable to the warehousemen, they may resort to advertisement and competitive bidding?

Mr. REED. That is almost precisely the present system.

Senator ELLENDER. But now, should they resort to competitive bidding, would they not be, under that condition, relegated also to section 2, in that all cotton warehoused or stored under any contract or arrangement made by the Commodity Credit Corporation shall be warehoused or stored in the nearest locality to the place where it is produced?

Mr. REED. Or to the place where it is located when such contract arrangement is made.

Senator ELLENDER. What is the purpose, what is the idea then, what is the advantage of competitive bidding, if under both conditions, that is, where the Commodity Credit cannot reach a satisfactory bid, they must resort to section 2? What advantage is it to have a competitive bid system, as is provided for in the bill?

Mr. REED. Let me illustrate that. Suppose we had cotton at Lubbock, Tex.—that is about as far west as you can get—and the lowest bid was at New Orleans. That would be the nearest point at which you had the lowest bid, would it not? So, therefore, under section 2, if they were unable—I want to illustrate this point—if under section 2 at Lubbock, Tex., they were unable to get a satisfactory rate, and the nearest point that that was bid was New Orleans or Atlanta, Ga., it would still be, under the terms of the bill, a possible point of reconcentration.

Senator ELLENDER. No; because section 2 provides that the cotton shall be stored or warehoused in the locality nearest to the place where it is produced, where it is grown, where it is made.

Senator McKELLAR. Or to the place where it is located.

Senator ELLENDER. That is for cotton that is now in storage, Senator. When that goes out, then you are relegated to the first provision in Section 2. Now, it is my contention—I may be wrong, and that is what I would like to have you as a lawyer give to the committee, your views as to whether or not the Commodity Credit Corporation, would be bound to accept the bid of such warehouses as may be located where that cotton is actually grown and produced.

Mr. REED. I read that "nearest locality to the place where it is produced, or to the place where it is located" to mean the nearest locality at which satisfactory facilities can be obtained at reasonable rates.

Senator ELLENDER. Where do you get that language?

Mr. REED. You have got to paraphrase that, Senator. In other words, there are two predicates there, either of which may be used by the Department.

Senator ELLENDER. You mean after the "or to the place where it is located when such contract or arrangement is made"? That would apply to existing cotton, of course.

Mr. REED. That is at the time the contract was called for.

Senator BANKHEAD. That might be cotton produced this year, if you do not call it till next year.

Mr. REED. There is some doubt about the matter, Senator, and we want to have that point cleared up.

Senator ELLENDER. Well, that language would convey this thought to me, that the Commodity Credit Corporation would be bound to accept warehousemen located where that cotton is produced.

Mr. REED. You can make that contention under that language, Senator, and that is one of the reasons why we say it is inaccurate.

Senator ELLENDER. So that, if the law were so interpreted, it would simply mean that any warehouse facility that is located far from the production point of cotton would not have any cotton?

Mr. REED. As I understand it, under that language it is also possible to say that the nearest available facility at a reasonable rate might even be Atlanta, Ga., for Lubbock, Tex., cotton. But I agree with the contention that you are making, and because that contention is possible, we have thought it advisable to suggest to the committee that it be cleared up.

Senator BANKHEAD. So far as I am concerned, and speaking generally, I think the cotton ought to be kept in the community where warehouse facilities at reasonable rates are available.

Mr. REED. That is our belief.

Senator BANKHEAD. I do not think this language intends to provide for the storage at any particular place. That is not the intention. This is an interior proposition, so far as storage is concerned before it is ready for shipment. I do not object to its going to New Orleans but I do not want to ship cotton down there just for the purpose of giving warehousemen in New Orleans storage facilities and take it away from the fellow in the county where it was produced.

Senator ELLENDER. I do not want that. I do not think you do either. Of course, I do not know what practice this Department has been following.

Senator BANKHEAD. I am not speaking of New Orleans solely. I am speaking of Mobile and other ports also.

Senator ELLENDER. Well, I do not have New Orleans in mind. I am thinking of this thing as a whole. You can take the port of Savannah, the port of Charleston, in all of those ports there is hardly any cotton grown in the immediate vicinity of the port.

Senator BANKHEAD. But those warehouses were built to take care of export business; the interior warehouses were intended to take care of local business.

Senator ELLENDER. I understand that; but personally I do not believe that any cotton should be removed from the interior that would be purchased, let us say, or used by mills in the interior. I think it is folly, for instance, to ship cotton from Memphis, Tenn., to New Orleans and then back from New Orleans to some point in Tennessee to have it manufactured into cotton goods, but the Department, I am informed, has been following the policy of not sending cotton, let us say, to New Orleans or to Savannah or to any port unless it was destined for export and not for use in the interior.

Senator BANKHEAD. I think that is sound doctrine.

Senator MCKELLAR. But that is the policy that is being pursued, as will be shown a little later. But let me call the Senator's attention to the remarkable situation that I learned only this morning, about a district in Georgia which is, I think, within about 100 miles of Savannah. If this program of the Commodity Credit Corporation goes through, it would take every bale of that cotton to Savannah. That district has over 100 cotton mills that use that cotton right there at home, and yet it would take it away and have it stored in Savannah, and then have to ship it back to the mills in that very congressional district. That just illustrates the thing that we are up against here,

and we do not want to do anybody an injustice, New Orleans or any other port or any other place in the country. The purpose of this act is clearly set out, it being the purpose to continue in effect the system of warehousing or storing such cotton in cotton-producing States near the places where such cotton is produced, in accordance with the system in effect during the year 1940. Now, I know the Senator will agree to that.

Senator ELLENDER. But the language of the bill is not responsive to your intentions, Senator McKellar. That is what I am trying to point out.

Senator MCKELLAR. If the Senator can straighten out that language so as to make it any clearer, we will be glad to adjust it.

Now, are there any other questions?

Senator BANKHEAD. Are there any other questions of this witness? Thank you, Mr. Reed.

Senator MCKELLAR. I will turn over to Mr. Reed the calling of the witnesses.

Mr. REED. I will call Mr. Fletcher.

#### STATEMENT OF C. B. FLETCHER, CORDELE, GA., REPRESENTING THE CORDELE COMPRESS

Mr. FLETCHER. Mr. Chairman and gentlemen, my name is C. B. Fletcher. I am from Cordele, Ga., representing the Cordele Compress. I am secretary-treasurer of the Georgia Warehouse & Compress Association, and president of the South Atlantic Association. That is made up of warehouses in Alabama, Georgia, and the two Carolinas. We want to concur in Mr. Reed's statements.

Mr. REED. Will you tell the committee about the size of the community in which you have that facility? What is the population of Cordele?

Mr. FLETCHER. Cordele is 8,000.

Mr. REED. And about what is the size of your facility?

Mr. FLETCHER. Twelve thousand bales capacity.

Mr. REED. What is the average stock that you carry there?

Mr. FLETCHER. Well, our stock now is pretty low. The 1938-39 cotton is sold, and just about all of the 1940 cotton is out of the loan, so we only have now about 4,000 bales.

Mr. REED. Twelve thousand bales is your capacity?

Mr. FLETCHER. Yes.

Mr. REED. What is your judgment, Mr. Fletcher, as to whether or not you would have to increase your rate in the event they cut the rate on the stock you have on hand, or reconcentrate it elsewhere?

Mr. FLETCHER. It is obvious that we would have to.

Mr. REED. That is all, Senator.

Senator ELLENDER. To what extent would you have to increase those rates, Mr. Fletcher?

Mr. FLETCHER. We do not get—we have a compress in our facility. There are very few compresses left in that section, only two or three. The bulk of the warehouses do not get any revenue from compression, like the big plants in the West do. All of theirs is dealing in cotton and storing cotton. The charge is now about 50 cents a bale. Cotton that is not going in the loan but is just brought in a bale at a time by the producer, to be stored for a month and then sold, 50 cents a

bale is the average charge. It used to be 75 cents or a dollar. The warehouseman acts as the salesman. He just puts the samples out on the table and gets a bid on it. He keeps in touch with the buyers and the mill men, and has their limits before him to bid on all the time.

Senator ELLENDER. How long have you been storing cotton?

Mr. FLETCHER. This plant was built in 1912.

Senator ELLENDER. Now, assuming that we will go back to normalcy, that is, with our regular carry-over of cotton of four and a half to 5,000,000 bales instead of this enormous 12,000,000-bale surplus that you have been having, due to the fact that we cannot ship to Europe and other countries, how much more would you have to ask for storing cotton under the prevailing prices, in order to obtain, let us say, the same profit?

Mr. FLETCHER. I would say at least 25 cents a bale.

Senator BANKHEAD. You would have to raise it 25 cents?

Mr. FLETCHER. Raise it to 25 cents.

Senator ELLENDER. In other words, you would have to raise it for the first year from the present 15-cent rate to 25 cents. Is that right?

Mr. FLETCHER. Yes. We could not afford to carry it—in fact, we are not making any money, the small warehouseman. This 12½-cent rate is just down to the bone. The insurance rate in many of our plants, I would say over half of them, runs from 5 to 8 cents. We get 12½, and the insurance is over half of that.

Senator ELLENDER. Now, that rate of 25 cents would be for the first year. What would be the minimum for the second year that you could operate under?

Mr. FLETCHER. The lowest rate that I have known in my compress, in our experience since I have been in the business, since 1919 has been a 20-cent rate.

Senator ELLENDER. Now, the only reason, as was pointed out by Mr. Reed—

Mr. FLETCHER (interposing). That did not include the insurance. The shipper carried his own insurance.

Senator ELLENDER. And, as was brought out by Mr. Reed, the only reason why you are able to carry that cotton at the 15-cent rate for the first year and 12½ cents the second year is because of this dead cotton that you have on hand, that you can keep for longer periods than you ordinarily would?

Mr. FLETCHER. It helps, Senator. It is not the only reason. As I said, we are not making any money now, and if the rate were lowered it would put many of the small warehousemen out of business.

Senator McKELLAR. What is your nearest seaport?

Mr. FLETCHER. Savannah.

Senator McKELLAR. Assuming that the plan of the Department goes through, your cotton would naturally go there?

Mr. FLETCHER. Yes; it would go to Savannah or Atlanta. The Southeastern has several plants, three or four plants in Georgia. Atlanta has been leased to the Government. They have a good deal of space in Augusta, I think, and in Athens.

Senator McKELLAR. How much of this cotton is manufactured into goods in your district? You have mills in that district, have you not?

Mr. FLETCHER. Yes; we have a few, but the main mill is in the northern part of the State. I happen to be in the central part, south central.

We have a few mills right at our back door.

Senator McKELLAR. Can you see any reason for the Government storing its cotton in the ports at a time when there is practically no export trade?

Mr. FLETCHER. No.

Senator McKELLAR. Is it not bound to be more expensive to haul this cotton to the ports and then haul it back to the mills?

Mr. FLETCHER. There would be a back haul involved; yes.

Senator McKELLAR. And I wonder if you know whether or not, when they reconcentrated this cotton—you were in business in 1930, 1934, 1935, and 1936?

Mr. FLETCHER. Yes, sir.

Senator McKELLAR. When they reconcentrated this cotton you took samples out of it when they put it in another warehouse?

Mr. FLETCHER. Yes; the cotton was resampled then.

Senator McKELLAR. If I remember correctly, the warehousemen required samples—they themselves required that they take samples so as to be certain that the bales correspond with the samples. Is not that true?

Mr. FLETCHER. That is true; and this cotton, if it was to be reconcentrated now, we warehousemen who operate under the United States Warehouse Act, Federal system, it has got to be resampled again, and they could put on the face of the receipt "Cotton not graded, by request of the Department." and avoid that. But in all Federal warehouses it is customary to resample it and have it regraded, unless they could get these Government grades, and attach it and make it part of the receipt.

Senator BANKHEAD. You spoke of a number of large plants in Atlanta. Might it not be reconcentrated in Atlanta?

Mr. FLETCHER. There is no space in Atlanta, I think. Augusta and Athens are the only two I know of in Georgia that are willing to take it.

Senator BANKHEAD. Who owns those facilities?

Mr. FLETCHER. Southeastern.

Senator BANKHEAD. Who is that?

Mr. FLETCHER. Anderson, Clayton.

Senator BANKHEAD. They have got big warehouses over in Georgia, too, have they not?

Mr. FLETCHER. Yes, sir.

Senator ELLENDER. Those are interior warehouses?

Mr. FLETCHER. Yes.

Senator McKELLAR. Boiled down, Mr. Fletcher, is not this a fight between the small warehouseman and the interior warehouseman against the big fellows?

Mr. FLETCHER. Yes, sir.

Senator BANKHEAD. That is so all over the South?

Mr. FLETCHER. Yes, sir.

Senator ELLENDER. Mr. Fletcher, during your experience in storing cotton have you known of much cotton being sent from your warehouse to a port and then back from the port to the interior, to some interior American mill?

Mr. FLETCHER. No; not a great deal. Generally when it goes to the port it is earmarked. But I do know of some.

Senator ELLENDER. I know, but my information is that that is a very small amount.

Mr. FLETCHER. In our section when cotton goes to the port it is definitely marked for export.

Senator ELLENDER. Exactly. And I think that is the same condition in every port, and there is very little that is reshipped from the port back into the interior.

Mr. FLETCHER. They have concentration grades, as Mr. Reed brought out, in the West, where they do not suffer any penalty in going through the port to the New England States and to the southeast.

Senator ELLENDER. In that case nobody suffers any loss.

Senator WILLIS. Did you indicate that this present price that you are getting for dead storage cotton is the only factor that allows you to operate at all, or at a profit?

Mr. FLETCHER. No; I would not say that. I answered by saying it would help, but I also stated that the 12½ cents is really down to the bone, and it is not such a profitable business. If we had to depend on that alone we would not make any money. We have got these facilities and we are just hoping for better days. The warehouse business is the backbone of the cotton business. The small country warehouse is the backbone of the cotton industry. The farmer does not know anything about selling his cotton. He is not in touch with the market and he looks to his warehouseman to do it. Every farmer that I have ever heard say anything about it says they want to maintain the country warehouse, and if they put this thing through it will put many of them out of business.

Senator BANKHEAD. Is there anything further, gentlemen? Thank you, Mr. Fletcher.

Call your next witness.

**STATEMENT OF CAMERON McELROY, REPRESENTING THE MARSHALL CONCENTRATED COMPRESS CO., MARSHALL, TEX., AND THE JEFFERSON COMPRESS CO., JEFFERSON, TEX.**

Mr. McELROY. My name is Cameron McElroy. I represent the Marshall Concentrated Compress Co. in Marshall, Tex., and the Jefferson Compress Co. at Jefferson, Tex.

Mr. REED. What about the size of the communities, Jefferson and Marshall?

Mr. McELROY. Marshall in the last census had about 18,000 people; Jefferson around 3,500.

Mr. REED. What is the capacity of your facility in Marshall?

Mr. McELROY. Marshall has a storage capacity of approximately 25,000 bales. Jefferson has a storage capacity of 10,000 bales. That is compressed cotton.

Mr. REED. Do you have any considerable amount of Government-owned stocks on hand in your compress?

Mr. McELROY. No; only 1940 loan cotton. Let me correct that. I do not have a considerable amount of 1937 and 1938, which is owned by the Government.

Mr. REED. That is, the Government owns the title?

Mr. McELROY. The Government owns the title.

Mr. REED. What effect would it have upon the charges you make to the producers for the handling of the cotton to be marketed and for the handling of the cotton in the loan if the Government should



go ahead with this competitive bidding and either reduced your rates on the Government-owned stock or reconcentrated it somewhere else?

Mr. McELROY. Mr. Reed, I can best explain that by giving the figures on the amount of 1937-38 cotton that we have in Marshall and Jefferson. We have about 13,500 bales of 1937 and 1938 cotton. We have no 1938-39—maybe 500 bales of that cotton on hand. That cotton is sold out of the loan, and that has been our backlog and has enabled us to make a small dividend, that percentage of 1937 and 1938 cotton that we have on hand at this time. If we did not have that we would have lost money for the last 7 years, because of our lowered tariff that came about at that time. In 1931 we got 30 cents a bale for cotton received from the wagon. The farmers average six bales in eastern Texas, and they harvest that six bales from September through December, and they bring it to the compress one bale at a time, so our cost for handling that type of cotton is pretty high.

Mr. REED. Could you continue to handle it at the present rate but for this 1937-38 cotton?

Mr. McELROY. No, sir.

Mr. REED. About what increase do you think you would have to make?

Mr. McELROY. We would have to go back to our old 1931-32 tariff, or 50 cents for retrieving a bale of wagon cotton. That is probably higher than some of the plants yet, because of the condition we have there, all small farmers, and they bring us one bale at a time. We do not get any quantity lots of cotton at all. We would have to go back to 50 cents the first month and then 25 cents a month thereafter. Which would not include insurance.

Mr. REED. I believe that is all, Senator.

Senator BANKHEAD. So that it may be clearly understood, is it not a fact that six bales is about the average of the farms in the cotton producing country? They are all small farms?

Mr. McELROY. In western Texas there are probably some large farms.

Senator BANKHEAD. We have got a little over 2,000,000 cotton farmers, and they produce about 12,000,000 bales, which is an average of about six bales.

Mr. McELROY. Yes; that is correct.

Senator BANKHEAD. And all these interior warehouses have to deal with that same problem.

Mr. McELROY. That is correct.

Senator ELLENDER. Have you any competition in Marshall and Jefferson on storage?

Mr. McELROY. Yes, sir. Not the Government storage. We have cotton storage there where they receive cotton and they make a charge of 50 cents a bale for that, where we are charging 15 cents a bale for the first month.

Senator ELLENDER. That is where the farmer brings it in?

Mr. McELROY. Yes. But on Government loan cotton, we are the only facility there for it.

Senator McKELLAR. May I ask the witness this question: You heard my question to the last witness, and when boiled down is not

this a fight between the big cotton interests on the one side and the warehousemen and smaller dealers and warehousemen on the other?

Mr. McELROY. I think it is a fight for the survival of the interior cotton merchant, who also helps the farmer and the producer.

Senator ELLENDER. Where do you get your information, Mr. McElroy, hearsay?

Mr. McELROY. No; that is from practical experience.

Senator ELLENDER. Are you familiar with the Federal compress?

Mr. McELROY. No; I am in competition with them at my Jefferson plant, but it is some 50 air miles from there to the nearest plant, and I do not come in contact with them.

Senator ELLENDER. I understand that the Federal compress is the largest in the business. Am I right about that?

Mr. McELROY. I could not say. I really know nothing definitely about their structure at all.

Senator BANKHEAD. Who owns that compress?

Senator ELLENDER. I do not know what interests.

Senator MCKELLAR. We will produce the witnesses on that, the stockholders.

Senator ELLENDER. I understand Mr. Barnett is the manager or in charge of it. Somebody gave me that information this morning.

Mr. McELROY. I do not know Mr. Barnett.

Senator ELLENDER. I do not know him either.

Mr. McELROY. They have a Mr. Bennett with them.

Senator ELLENDER. It might be Mr. Bennett.

Senator MCKELLAR. We will give you the witnesses that you can get the information from about the Federal compress and every other compress and warehouse company that is interested in this matter.

Senator ELLENDER. I am not trying to throw aspersions at anyone, but I think that when a witness just makes the charge that it is a fight between this interest and that interest and the other interest, he ought to have something to back it up with. I think, so far as I am concerned, that I want to give a little credit to those in authority and to the Federal Government, that if there is a possibility of saving money for the farmer and saving money for the Federal Government, it is their duty to do it, and of course, whether or not they can do it, remains to be seen. But I think they ought to be afforded an opportunity to do it if they can, and not simply make the bald assertion that this is a fight between one interest and another interest. I think there ought to be something to back it up.

Senator MCKELLAR. We will give you something to back it up.

Senator BANKHEAD. Does any Senator desire to ask this witness any further questions? Thank you, Mr. McElroy.

Call your next witness.

#### STATEMENT OF W. M. MALLORY, REPRESENTING THE MEMPHIS COMPRESS & STORAGE CO., MEMPHIS, TENN.

Mr. MALLORY. My name is W. M. Mallory, Memphis, Tenn. I am representing the Memphis Compress & Storage Co.

Senator MCKELLAR. What did you say you represent?

Mr. MALLORY. The Memphis Compress & Storage Co. and the Wilson Compress & Storage Co. The Memphis Compress & Storage Co. is located in Memphis. The Wilson compress is located at Wilson, Ark.

Mr. REED. You have heard the statement that was made here with respect to this matter concerning the bill S. 262?

Mr. MALLORY. I have, and I concur heartily in everything that I heard you state before the committee this morning.

Mr. REED. Will you state whether or not it is your opinion that the reduction in the rate on the Government-owned stock, or the reconcentration of the Government-owned stock would result in an increase in the charges you make for the marketing of the producer's cotton?

Mr. MALLORY. There is absolutely no question of doubt about that. There is no warehouseman that can operate a warehouse with carrying charges, handling in and out cotton, unless he has got a backlog of Government cotton that is in a sense dead stock which he does not have to handle day in and day out, but which will remain in storage, and at the end of the year bring him in a substantial part of his revenue.

Mr. REED. You heard the statement this morning in respect to the Nation as a whole, that about 39 percent of the cotton moved in southern mill points. What would be the percentage moving to southern mill points out of your Wilson, Ark., and Memphis compresses?

Mr. MALLORY. Mr. Reed, I would rather give it to you, if I may, as an average for the Mississippi Valley. I do not have it specifically, but as you mentioned this morning that 39 percent of the cotton shipped went to the southeastern mills consuming territory, before we ran into this time of low exports. The Mississippi Valley shipped to southeastern mill points 65 percent of all its cotton; 20 percent of it went export, 15 percent went to Canadian mills. That is the average up to July 31, 1940. Since that date we have run into the low export movement, and from that date up to the present time our shipments to the Carolinas have increased, so that shipments now average approximately 75 percent of all cotton to the Carolinas.

Senator RUSSELL. How are the Canadian shipments?

Mr. MALLORY. Canadian, to the best of my recollection, is still 15 percent, approximately, and about 10 percent export, approximately. That is under the present yield I am referring to.

Senator AIKEN. Is that water or rail shipments?

Mr. MALLORY. That is all shipments.

Senator AIKEN. Mostly water or mostly rail?

Mr. MALLORY. The majority of the cotton out of the interior goes by rail.

Mr. REED. Then in about 75 percent of the instances, reconcentration of cotton out of the Mississippi Valley into port locations would occur at what freight rate, approximately?

Mr. MALLORY. Just as you said this morning, from Arkansas 75 percent of that cotton would catch you around \$1.60, or 70 cents additional freight charges. Out of Tennessee I think it is around \$2. Out of Mississippi it is around \$1.80; 75 out of 100 bales would catch that additional charge if it moves to a port, as compared to moving directly from point of origin in Mississippi territory to southeastern mill territory.

Senator ELLENDER. That is, if it was sent from the port to the interior and did not go into export.

Mr. MALLORY. But we have no export movement now.

Senator ELLENDER. But you heard some testimony yesterday that in many instances that cotton was brought back into the interior, and I

think the Department will be able to show, from what I can understand, that whenever cotton is concentrated at a port it is earmarked for export shipment and it stays there until it is shipped abroad.

Mr. MALLORY. That may be true, Senator Ellender, but it looks like it might stay there an awful long time in order to go export.

Senator ELLENDER. Yes; and we may be in the war next month, too, but the point is that if this cotton is shipped from the interior to the port where it is destined to be shipped abroad, then the excess freight rate is not a loss.

Mr. MALLORY. Naturally not.

Senator ELLENDER. Of course not. It would have to be paid in any event.

Mr. REED. I wanted to ask him if he knew what the New Orleans port records show as to the reshipment from New Orleans to southern mills. I want to get that figure, Senator, but I think it is way up around 200,000 bales that is reshipped to southern mills.

Mr. MALLORY. I do not know that figure.

Senator ELLENDER. That may be cotton on which there is no loss, that was referred to this morning.

Mr. REED. Yes; that is correct.

Senator ELLENDER. What is the capacity of the Memphis compress, Mr. Mallory?

Mr. MALLORY. Around 150,000 bales.

Senator ELLENDER. And the Wilson?

Mr. MALLORY. About 60,000 bales.

Senator ELLENDER. How many bales of cotton have you at the Memphis compress?

Mr. MALLORY. I have of both Government and 1938-39 cotton in which the producer still has an interest, around 65,000 bales.

Senator ELLENDER. Have you very much competition in Memphis and thereabouts for storage cotton?

Mr. MALLORY. Yes; there are a number of plants in Memphis, and a great many plants located in adjacent territory.

Senator ELLENDER. Where does the cotton come from that is placed in your warehouse?

Mr. MALLORY. Generally speaking, from the producing territory in that general area.

Senator ELLENDER. From how far away?

Mr. MALLORY. Well, we get cotton at times all the way from Texas and Oklahoma, because Memphis is the crossroads, so to speak. In other words, cotton is concentrated in Memphis for reshipment into the Carolinas, New England, and Canadian mill points without any substantial loss in freight rates. We draw the majority of our cotton from the eastern part of Arkansas and the northern part of Mississippi and the western part of Tennessee.

Senator ELLENDER. Are you aware of the fact that under the provisions of this bill, if it goes through as written, you might lose a lot of this Texas business and Arkansas business, provided that the producers or warehousemen where it is really produced can offer the facilities?

Mr. MALLORY. I have never had any of that kind of business yet. Mine has been shipper business but not Government business.

Senator ELLENDER. Not Government business?

Mr. MALLORY. No, sir.

Senator BANKHEAD. Are there any other questions, gentlemen?

Mr. MALLORY. I would like to make one other statement, if I may, in regard to the Mississippi Valley. I naturally speak of that because I am located there. The cotton grown in the Mississippi Valley, we think, and I think it is generally accepted by the trade, carries a certain premium because of the alluvial type of lands that we have in the Valley there, and because of certain other characteristics in the quality of the cotton. To move Mississippi Valley cotton out of that area—I mean out of the area in which it is produced—it then becomes just cotton, and the producer—I am referring now particularly to the cotton that is in the loan but in which the farmer still has an interest—if the cotton is moved out of that Mississippi Valley territory to a port or any other point, for that matter, it is going to lose its identity, and that premium for quality which has been known to the trade for years is going to be completely lost to the producer. Just how much loss that is going to be will vary according to the quality of the grade and staple of the cotton, but it is generally recognized as a very definite fact that Mississippi Valley cotton has certain characteristics that command certain premiums.

Senator BANKHEAD. You mean price premiums in the general market?

Mr. MALLORY. Price premiums is what I refer to, on account of the staple, the quality. If it goes to New Orleans for reconcentration and gets down there with cotton from other sections, the buyer is not able to distinguish Mississippi Valley cotton from any other cotton, and the producer is going to lose. There is no question about that.

Senator ELLENDER. As a matter of fact, are there not very few farmers who are able to hold their cotton? Is it not the cotton factor that makes that money?

Mr. MALLORY. No, oh, no. The cotton producer is the man that has got his cotton in the 1938-39 loan.

Senator ELLENDER. They usually get what the market calls for at the time it is sold, do they not?

Mr. MALLORY. I do not agree with you at all, Senator Ellender. I happen to be a farmer too.

Senator ELLENDER. You may be an exception. You may be able to retain your cotton, contrary to what many of our people are able to do.

Senator RUSSELL. The situation you describe is not confined to the Mississippi Valley. I know that in my own State the Augusta, Ga., spot market is always 50 to 75 points higher than it is in other sections, and the farmer that produces cotton in that area gets a better price for it in that market, but that cotton loses its identity when it is shipped to another market.

Mr. MALLORY. I have understood that to be the case in other sections.

Senator RUSSELL. The spot market is a good deal higher in some places than in others.

Senator MCKELLAR. Mr. Mallory, you are a warehouseman and you are also a farmer yourself?

Mr. MALLORY. Yes, sir.

Senator MCKELLAR. You have a cotton plantation?

Mr. MALLORY. Yes, sir.

Senator McKellar. About how much cotton do you raise?

Mr. Mallory. Approximately 1,500 bales a year.

Senator McKellar. Is it your idea that if the proposal submitted by the Commodity Credit Corporation was put through it would be against the interests of the cotton producer?

Mr. Mallory. Very definitely, on that cotton in which he has an interest.

Senator McKellar. I want to ask you another question wherein you said you were interested in the Memphis Cotton Compress & Storage Co., and the Wilson, Ark., company. Are those private companies, independent companies?

Mr. Mallory. Well, they are corporations, but they are connected with no other group of compresses.

Senator McKellar. Are those owned by you and your family, those two compresses?

Mr. Mallory. Substantially.

Senator McKellar. You have had experience for a number of years in the compression of cotton?

Mr. Mallory. Yes, sir.

Senator McKellar. Do you think the rate—I believe you have already stated that you thought the rate on producer cotton would have to be raised unless the Government left a portion of its cotton with your compress and other interior compresses?

Mr. Mallory. There is no doubt about that.

Senator McKellar. The business could not be carried on at so low a price as 15 cents a month for the first year and 12½ cents for the months after that?

Mr. Mallory. Our present tariff is 15 cents a month. We could not operate cotton in and out, sample, weigh, store, and handle the farmer's cotton at 15 cents a bale a month unless we had substantial revenues coming in on this loan cotton, which stands there like books in a bookcase which we do not have to touch.

Senator McKellar. Do you insure it?

Mr. Mallory. We also include our insurance in that 15 cents per bale.

Senator McKellar. In former times what was it?

Mr. Mallory. In former times we did not insure the farmer's cotton, and our rates ranged from, to the best of my recollection, around 1930 and 1931 our rates were 50 cents for the first month and 25 cents each month thereafter. And we did not have the wage-hour bill.

Senator McKellar. In your judgment, therefore, the farmers would be penalized by quite as much or more than the Government would save by the proposal submitted by the Commodity Credit Corporation?

Mr. Mallory. I think the farmer will have to spend all of the increased costs that we would incur by the loss of this Government cotton.

Senator McKellar. Do you recall several years ago, I think it was 1936, but I have not been able to refresh my memory to be certain about the year—do you recall when cotton was being reconcentrated by the Commodity Credit Corporation, and at that time do you recall whether or not it was sampled when it was reconcentrated?

Mr. Mallory. I could not answer that question definitely.

Senator McKELLAR. Then I do not want you to testify about it unless you know it definitely. We will find that out from someone else.

Senator ELLENDER. Mr. Mallory, when you say that the charge of 15 cents a bale per month for the first year, that includes classifying?

Mr. MALLORY. No; not classifying.

Senator ELLENDER. If classification is asked, that is an additional charge, is it not?

Mr. MALLORY. In our territory—I would rather speak in regard to my own facilities—we did not classify any cotton.

Senator ELLENDER. Well, Government cotton. If the Government should request classification of that cotton you do not have to pay for that, do you?

Mr. MALLORY. No; we do not pay for the classing of the cotton.

Senator ELLENDER. Do you pay for the moving of it at the time you classify it? In other words, getting the samples and all that. Who does that?

Mr. MALLORY. Our contract with the Government provides that we will sample and weight cotton for them, and as was pointed out in Mr. Reed's testimony this morning, when the barter deal went through, we classed—I mean we sampled all of that cotton at no additional cost.

Senator ELLENDER. But you did that for the Government just as a favor?

Mr. MALLORY. Call it that if you want to.

Senator ELLENDER. Ordinarily, though, after the cotton is stored—that is, sampled and weighed and stored for the first time—and another request is made on you to get more samples and so forth, you make a charge for that, do you not?

Mr. MALLORY. We would like to make a charge. Whether we would be able to under our contract or not, I do not know.

Senator ELLENDER. You have never had any experience with that?

Mr. MALLORY. I have never had any experience.

Senator RUSSELL. I understood that all of the classing of the cotton was done by the Government classers and the producers paid for it.

Mr. MALLORY. It has been done recently.

Senator BANKHEAD. That was not done until last year. Prior to that the warehousemen had to take the risk.

Senator RUSSELL. They were based on the grading by the warehouseman who stored the cotton, but they incurred some losses and then required that the Bureau of Agricultural Economics, through its cotton classers, do this. In some cases, in the smaller towns at least, the warehouseman incurred additional expense, because he had to go to the expense of getting the samples to the place where the classer was located. They did not have one in every little town.

Senator BANKHEAD. They were really guarantors, too, of the class originally, because they made the loans. The loans were made on their certificates, and if the cotton did not turn out right there was liability there, and they could have a good deal of trouble about it. But now that has been removed.

Senator McKELLAR. Mr. Mallory, if the proposed plan of reconcentrating cotton in coast cities were carried out, would that be in accord with what might be called the "normal" marketing of cotton?

Mr. MALLORY. I should not think so, Senator, particularly in our territory, because in normal times, when we have normal exports, 65 percent of our cotton moved to southeastern milling territory.

Senator BANKHEAD. Suppose a farmer has cotton in a warehouse and he desires to sell it bale by bale, he sells his ticket, does he not?

Mr. MALLORY. Yes; the warehouse receipt.

Senator BANKHEAD. The warehouse receipt. Then the purchaser of that cotton has to go to the warehouse and get the cotton, and the warehouseman has to search through the stock and get it out for him?

Mr. MALLORY. That is exactly correct. It is handled on an individual-bale basis.

Senator BANKHEAD. And with a very large number of producers, as of course there are, mostly small producers, there is constant moving and side cutting to get out the bales and deliver them?

Mr. MALLORY. Yes, sir.

Senator ELLENDER. And that charge of 15 cents, or 12½ cents, covers that service?

Mr. MALLORY. That is correct.

Senator McKELLAR. Mr. Mallory, I want to call your attention to a statement made by Mr. Carl D. Robbins, President of the Commodity Credit Corporation, on problems in housing C. C. C. cotton, April 30, 1940, in which he said this about the question of normal marketing:

We understood that cotton was only moved in the route of its normal marketing to a mill point. We do not like to get it too far from that route, because the nearer the mill you finally get your cotton, the less number of alternatives you have from which to choose when it comes time to sell.

Do you agree with that statement?

Mr. MALLORY. I agree that that cotton ought to be retained as close to the point of origin as possible before sale, so that it can go in any direction, to any place where they might want to ship it.

Senator McKELLAR. I imagine that is evidently what Mr. Robbins meant to say here, although it is not as clear as the statement you have just made about it. Certainly that is the sensible and only proper thing to do in marketing cotton.

Mr. MALLORY. I think so.

Senator McKELLAR. To sell it as near the point of origin as possible, and let it go to the best market that it can find, without increased cost of carriage. Is not that so?

Mr. MALLORY. I think that is true.

Senator ELLENDER. One more question, Mr. Mallory. Assuming that a bale of cotton stays in your warehouse for a year, you would get for that service \$1.80?

Mr. MALLORY. Fifteen cents a bale a month; yes.

Senator ELLENDER. How much of that will you have to expend for insurance?

Mr. MALLORY. To insure—are you talking about my own particular case?

Senator ELLENDER. No; I am talking about the Government cotton.

Mr. MALLORY. Insurance rates vary greatly, according to the type of location of the facility. In my own particular case our Memphis plant carries a rate of—it costs us per bale between three-quarters of a cent and a cent a bale a month.



Senator ELLENDER. That would be 9 cents to 12 cents a year?

Mr. MALLORY. A round that.

Senator BANKHEAD. That is in view of your investment in that facility?

Mr. MALLORY. Due to the type of construction of our Memphis plant. I am talking about our main facility at Memphis. I should add that we have facilities that carry higher rates than that.

Senator ELLENDER. Would you be able to give that amount?

Mr. MALLORY. I could not give you the exact figure, because that would be dependent upon the value of the cotton. All of these insurance rates depend upon the value of the cotton.

Senator RUSSELL. No; they are dependent on a great many other factors than that. You take the small towns where they do not have adequate fire-protection facilities, the construction of the warehouse enters into it. Some of these little country warehouses pay a rate enormously greater than that you just mentioned.

Mr. MALLORY. Yes. What I wanted to say, Senator, was that your premiums are based on or figured on value of the structure. In Memphis we have concrete and brick, therefore they have a low insurance rate. Some other facilities of less permanent construction carry a lot higher rate than that. I think the average rate for Mississippi Valley would run, say, about 3 cents a bale a month, approximately.

Senator RUSSELL. In some cases in these smaller warehouses it will run considerably higher than 3 cents.

Mr. MALLORY. Yes; it will run up to 6 or 7 cents in some cases.

Mr. REED. Average 3.04 a bale.

Mr. MALLORY. 3.57 cents a bale premium.

Senator RUSSELL. You have got larger facilities there in New Orleans.

Senator BANKHEAD. The smaller the warehouse the higher the cost.

Mr. REED. That is correct. This report represents every type of facility, Senator Bankhead, and there are more of the smaller facilities than there are of the larger ones, and for that reason it averages up. The larger facilities will have an average of around 1 cent per bale per month, but then you have a large amount of cotton in smaller facilities that has a 7- or 8-cent charge for insurance.

Senator ELLENDER. Per month?

Mr. REED. Yes. When you add them all together it makes an average of about 3.57 cents per month.

Senator ELLENDER. Now, you have the cost of the facility, the taxes, maintenance. What other costs are there that you must bear other than the insurance and cost of moving the cotton. Taxes on the cotton?

Mr. MALLORY. We have the taxes that any other ordinary business does.

Senator ELLENDER. I do not mean taxes on the facility; I am talking about on the cotton itself.

Mr. MALLORY. Taxes on the cotton itself!

Senator ELLENDER. Yes. What I am trying to get is your cost, exclusive of the taxes on the facility itself, the maintenance of it, the upkeep of it. In other words, when a bale of cotton is taken in by you for storage, you have the cost of sampling that cotton and moving it about in order to locate in your facility and, in addition to that cost of

moving the cotton, you have the insurance. Now, is there any other cost?

Mr. MALLORY. You have the general overhead cost that any business would have to stand in order to operate.

Senator ELLENDER. In your overhead would be the cost of maintaining the facility, the cost of insurance, and things of that kind.

Mr. MALLORY. And depreciation and many other items of expense that go to make up general overhead costs. There is no tax that I know of on the certificate itself.

Senator RUSSELL. You do not hold title to the cotton, and it would not be assessed against you; it would be assessed against the holder of the legal title. You are merely a party storing it for hire.

Senator MCKELLAR. I want to ask Mr. Mallory this question: Since the passage and the going into effect of the wage-hour law, have your costs been increased or not?

Mr. MALLORY. Labor costs have been materially increased.

Senator MCKELLAR. That is all for me.

Senator BANKHEAD. Thank you, Mr. Mallory. Call your next witness.

#### STATEMENT OF LLOYD UMBERGER, WELEETKA, OKLA.

Mr. UMBERGER. Mr. Chairman and gentlemen, my name is Lloyd Umberger. I am connected with the Weleetka Warehouse Co.

Mr. REED. What is the size of that community, Weleetka, Okla.?

Mr. UMBERGER. Weleetka, Okla., is a town of less than 2,000 people.

Mr. REED. And what do you do in Weleetka?

Mr. UMBERGER. I am connected with a contracting warehouse facility.

Mr. REED. What is your connection with it?

Mr. UMBERGER. I am the local manager.

Mr. REED. How large is that facility?

Mr. UMBERGER. It is a three-compartment plant, about 15,000-bale capacity.

Mr. REED. What is the present stock?

Mr. UMBERGER. The present stock is around 11,000 bales.

Mr. REED. How much of that is Government-owned cotton?

Mr. UMBERGER. I would say a fourth of it is Government-owned.

Mr. REED. And what comprises the remainder of the stock?

Mr. UMBERGER. About 4,000 other bales in which the producers still have an equity.

Senator MCKELLAR. The Government has made loans on it?

Mr. UMBERGER. Yes, sir.

Senator MCKELLAR. But the producer still has an equity in it?

Mr. UMBERGER. The producer still has an equity, the title to it.

Mr. REED. Mr. Umberger, you heard the statements made here by myself and the other witnesses with respect to this problem?

Mr. UMBERGER. Yes, sir.

Mr. REED. Do you have anything to say with reference to it?

Mr. UMBERGER. I would like to say that my principal connection is with the farmer himself. That cotton comes in in very small quantities. I think we made 1,897 loan papers this year. We have to have a girl there especially to do that. These farmers come in with one or two bales, and they know nothing at all about the pro-

cedure, the red tape. They just tell us they want to put their cotton in the Government loan, and we then take the cotton from the car or truck or wagon or whatever it is, unload it, weigh it, tag it, issue them a receipt on the insured form, sample it and tag the samples, send them to the nearest Government lending agency, and in about 2 days we get a transcript back from them which shows the grade and staple of the bale. And each grade and staple has to go on a separate loan. A lot of these farmers cannot even write their own name, so they certainly could not make out any loan papers. We make up the loan papers, showing the warehouse receipt number, the weight of the bale, grade, and staple of the bale, the loan value of the cotton and amount of the loan, and he takes it to his bank, whatever bank he does business with, and that bank completes the loan form—I am speaking now just from my own personal knowledge—the bank completes the loan form and gives him immediate credit. And the banks, most all of them carry this paper, as I understand it—I do not have the figures, but I do not think there has been any cotton discounted in our territory. I think the local banks are still carrying all the paper.

Senator BANKHEAD. How do you handle it when the farmer sells his cotton?

Mr. UMBERGER. We have nothing to do with the selling of the cotton. We are bailees only. Some buyer may come along who wants to buy his cotton, and he would get an order from the producer, a signed order giving us authority to sample the cotton, and we take samples and sell it to anybody that wants to buy it, any buyer that wants to buy it and pay the money for it.

Senator BANKHEAD. Then you have got to identify that bale and move it out?

Mr. UMBERGER. Oh, yes. Or they may just take it on the street and move it later on.

Senator BANKHEAD. But you do have to perform that service?

Mr. UMBERGER. Oh, yes, sir.

Mr. REED. What would be the effect upon your rate structure if they reduced the rate on your Government stock or reconcentrated it? Could you continue to handle the producer's cotton for 15 cents a bale?

Mr. UMBERGER. I do not see how we could, and do the same or give the same service we are now giving. We are doing everything for them. We are the best friend the producer has.

Mr. REED. How late do you work at night?

Mr. UMBERGER. During the active busy season we have men there at any time of the day or night to take cotton.

Mr. REED. Do they bring cotton in at anytime of night?

Mr. UMBERGER. Yes, sir; any time at night and on Sundays.

Mr. REED. I believe that is all.

Senator ELLENDER. Mr. Umberger, you say that at present you have 11,000 bales to handle?

Mr. UMBERGER. Yes, sir.

Senator ELLENDER. Eight thousand of which belong to the Government and also to the farmer, in which he has an equity?

Mr. UMBERGER. About 4,000 each way. Those are approximate figures.

Senator ELLENDER. I understand that. I presume you agree with the testimony of Mr. Mallory and Mr. Fletcher and some other gentlemen that, if it were not for the fact that you have this extra Government cotton that does not move, the probabilities are that you could not handle this cotton at 15 cents?

Mr. UMBERGER. That is right.

Senator ELLENDER. How long have you had charge of this particular warehouse?

Mr. UMBERGER. I have been in this location for about 12 years.

Senator ELLENDER. Before we had this accumulated surplus, about how much cotton did you have on hand year in and year out, on an average?

Mr. UMBERGER. That is a long story, a long way back. I do not remember so well how much we had, but we had a substantial amount. Some of it used to move to the ports, but it did not move to the ports altogether.

Senator ELLENDER. Well, the point is that during those days you did not carry as much cotton as you now have on hand, of course?

Mr. UMBERGER. No; I do not think we carried that much cotton.

Senator ELLENDER. And what rates did you charge at that time?

Mr. UMBERGER. I do not remember. I do not have those figures at all. I did not think I would need to testify on that.

Senator ELLENDER. Do you know how much per bale it was?

Mr. UMBERGER. Not that far back; no, sir.

Senator ELLENDER. Before this 15-cent-per-bale contract was entered into by you, how much did you charge? Do you remember that?

Mr. UMBERGER. It seems to me that it was 25 cents.

Senator ELLENDER. Is it your view that, should you be deprived of this Government cotton, or should the surplus be removed in some way, is it your opinion that you, as a cotton warehouseman, would have to go back to this 25-cent rate on cotton?

Mr. UMBERGER. We would have to do something, because it is such an expense to bother with it. We do not have the volume any more, to begin with. Now this loan cotton that we are talking about here, a thousand bales of it has been accumulating for quite some time.

Senator MCKELLAR. Would you be able to state for the record whether or not your profit under this 15-cent charge which you now have is more or less than it was in prior years, when you charged the 25 cents?

Mr. UMBERGER. I do not have those figures. I do not know a thing about figures.

Senator ELLENDER. What is your insurance rate?

Mr. UMBERGER. I do not know that.

Senator ELLENDER. That is all.

**STATEMENT OF T. DURST, PRESIDENT OF THE CAROLINA COTTON WAREHOUSE ASSOCIATION AND THE STANDARD WAREHOUSE CO., COLUMBIA, S. C.**

Mr. DURST. My name is T. Durst, president of the Carolina Cotton Warehouse Association, in North and South Carolina, and the Standard Warehouse Co., of Columbia, S. C.

Mr. REED. You heard the statements made here in respect to this problem of the competitive bids versus the present method of fixing rates for the warehousemen?

Mr. DURST. Yes; I have.

Mr. REED. Do you concur in the statements made?

Mr. DURST. I concur absolutely with the statement made by Mr. Fletcher. We have the same problems. We are in the mill territory.

Mr. REED. Have you anything else you want to add?

Mr. DURST. No; I think that is all. If this rate is lowered, I do not see anything that can keep us from increasing our rates to the small man.

Mr. REED. That is all.

Senator ELLENDER. What is the capacity of your plant?

Mr. DURST. 75,000 bales. We operate five locations.

Senator ELLENDER. And your entire capacity is 75,000 bales?

Mr. DURST. Yes, sir.

Senator ELLENDER. How much of that is Government-owned and farmer-owned? I mean in which the farmer has an interest.

Mr. DURST. Approximately half of it. Not quite that. We have got about 32,000.

Senator ELLENDER. Will you also agree that if it were not for this backlog, that is, this cotton that you have, that does not move, you could not maintain your compresses on 15 cents?

Mr. DURST. Let me get this straight, Senator. In our own individual plant we have no compress. I believe there are two in South Carolina other than at the port of Charleston.

Senator ELLENDER. What I meant was storage. I did not mean compress, but storage. In other words, you have at present 30,000 bales, approximately, of Government-owned cotton and cotton in which the farmer has an interest?

Mr. DURST. Yes.

Senator ELLENDER. If it were not for the fact that that cotton is stored with you, could you handle this other cotton that you move in and out, at 15 cents?

Mr. DURST. No, sir; we could not.

Senator ELLENDER. You would have to resort to what rate about, do you know?

Mr. DURST. Well, certainly, 25 cents.

Senator ELLENDER. As a minimum?

Mr. DURST. Yes, sir.

Senator ELLENDER. And, of course, that cost would be borne by the farmer?

Mr. DURST. Yes, sir. That is flat cotton. We have not sold flat cotton for the Government at the same price we paid for compress cotton.

Senator ELLENDER. Would you be able to tell the committee whether or not, or do you know of any instances in which cotton was shipped from your interior warehouses to a port and then back from the port to the interior for consumption?

Mr. DURST. No, sir; I do not have any.

Senator ELLENDER. Do you know whether or not that cotton, when shipped to the port, is earmarked for export?

Mr. DURST. No, Senator, I could not say. I do not know whether any such cotton has moved to the port of Charleston or not.

Senator AIKEN. This rate of 15 cents a month for the first year and 12½ cents a month for the second year, on cotton which the Government owns or on which the producer has a loan—does that fix the rate for the other cotton that you store, that is not in the Government program?

Mr. DURST. Yes, sir. On the merchant's cotton, though, we are able to get—we get more than 15 cents, because we have additional handling, and they realize it. So the 15 cents does have a tendency to break down the rate structure.

Senator AIKEN. That is all I have.

Senator BANKHEAD. Are there any further questions? Thank you, Mr. Durst.

**STATEMENT OF W. A. BROOKS, JR., VICE PRESIDENT AND GENERAL MANAGER, FARMERS & MERCHANTS COMPRESS WAREHOUSE CO., DALLAS, TEX.**

Mr. BROOKS. My name is W. A. Brooks, Jr. I live at Dallas, Tex. I am vice president and general manager of the Farmers & Merchants Compress Warehouse Co. We operate 16 compressors and warehouses in northeast Texas.

Mr. REED. I wish you would name the towns in which you operate.

Mr. BROOKS. Cleburne, Tex.

Mr. REED. About what size is that? A small community?

Mr. BROOKS. Yes; about 4,000, I think, or 5,000. Dallas, which is 300,000; Terrell, which is about 10,000; Tyler, which I think is 15,000—I am just guessing at these population figures—Lancaster, which is about a thousand; Taylor, which is about a thousand; Sulphur Springs, which is about 5,000; Greenville, which is about 15,000; Paris, which is about 12,000; Hugo, Okla., which is probably 5,000; Gainesville, Tex., about 4,000; Honey Grove, Tex., about 3,000. That is all I can recall offhand.

Mr. REED. You heard the statements made here with respect to this cotton competitive bids versus the present method of fixing the rate by the Government?

Mr. BROOKS. Yes, sir.

Mr. REED. Do you or do you not concur in the statements that have been made with reference to the matter?

Mr. BROOKS. I do concur wholeheartedly in the testimony you gave this morning, and generally in all that has been said by your witnesses.

Mr. REED. To about what extent would you have to increase your rate should the program here under consideration be made effective?

Mr. BROOKS. I think we would have to go to 25 cents a bale per month.

Mr. REED. What has been the effect of the wage-hour law on your operating costs?

Mr. BROOKS. It has almost doubled them. We were getting common labor at 15 cents and 17 cents, and when the wage-hour bill came in it put it up to, I think, 25 cents or 30 cents. It is now 30 cents.

Senator BANKHEAD. 32½ in Texas.

Mr. BROOKS. 30 with us now, I think. So we almost doubled the rate. And that hurt us very badly, but the rate coming down

from 25 cents to where it is has hurt us much worse, and the two combined almost crucified us. We are not getting along very well.

Mr. REED. Have you anything else to say?

Mr. BROOKS. I think not. I would like to say this, however, before I get off the stand, that I have been around the country visiting our plants, which I do regularly, periodically, and I have talked to a lot of farmers about this very thing, and I am very honest when I tell you that I think 95 percent, or maybe 99 percent, of the farmers in north-east Texas—and I believe that would hold all over the South—want their cotton to say at home—as near at home as possible. They think they have an advantage, and this 25-cent-per-annum saving that the Commodity Credit Corporation thinks they are going to make on this cotton does not mean anything to the farmer, compared to what he thinks he has in value by having his cotton at home where he might have a chance to sell it as long as he has an equity in it.

Mr. REED. Are you engaged in farming?

Mr. BROOKS. Yes.

Mr. REED. Do you raise any cotton?

Mr. BROOKS. Yes, sir.

Mr. REED. That is all.

Senator BANKHEAD. Are there any questions? Thank you, Mr. Brooks. Call your next witness.

#### STATEMENT OF W. B. DOSSETT, WACO, TEX.

Mr. DOSSETT. My name is W. B. Dossett. I live at Waco, Tex., and I am connected with three corporations that operate a total of eight small plants in Waco and around that area.

Mr. REED. Will you name the points?

Mr. DOSSETT. Waco, Hillsboro, Marlin, Groesbeck, Rosenberg, Cameron, McGregor, Gatesville, Tex.

Mr. REED. Can you give us some idea of just about the size of those communities?

Mr. DOSSETT. Well, Waco is a town of 55,000 people. Hillsboro has about 10,000, and the other points runs from 2,500 to 5,000 population.

Mr. REED. Have you heard the statements made here with respect to this program of competitive bidding versus the present method of fixing the rates on this Government cotton and producer cotton?

Mr. DOSSETT. Yes.

Mr. REED. Do you concur in those statements?

Mr. DOSSETT. I do. And I would like to add further that we are in the peculiar location of being very close to the ports of Houston and Galveston, Tex. Our nearest point is some 134 miles and our farthest point 225 miles, and I would say that our general territory is about 180 miles average, and we compete with those ports on the original business of taking the cotton into the loan. And then, of course, we have to compete with them further on the reconcentration, because in former years 90 percent of our cotton went export, and the natural channel of movement was through those two ports. So that every time there was any type cotton to be concentrated, we lost our cotton first.

Mr. REED. How does your stock in a community like Cameron compare with the million or more bales that are maintained in the community of Houston, Tex.?

Mr. DOSSETT. We have at the present time a stock in Cameron of approximately 15,000 bales. That is the largest stock we have had in some years, and is accounted for because practically all of our 1940 crop went into the Government loan. Of the 16,000 bales, 10,000 of it is 1940 loan cotton.

Mr. REED. And the remainder is what year?

Mr. DOSSETT. Well, we have some of each loan. We have 324 bales in the 1934 loan; 2,000 bales 1937-38 loan; 1,500 bales of the 1938-39 loan; and we have about 2,000 bales of shippers' cotton, farmers' cotton, not in the loan.

Mr. REED. Do you believe that 16,000 bales at Cameron is excessive, as compared with the 1,000,000 bales carried in the city of Houston?

Mr. DOSSETT. We have storage capacity at Cameron for about 20,000 bales. We have never been able to fill our capacity since the Government program in the reduced acreage.

Mr. REED. You have to keep your facilities open during the gathering season to accommodate producers in your area, do you?

Mr. DOSSETT. We do; yes, sir.

Mr. REED. How late at night do you keep open?

Mr. DOSSETT. During the real busy season we usually receive cotton till about 10 o'clock at night. Of course, the watchman is there to receive cotton later, but the farmer does not get a receipt until the next day on cotton brought in later than 10 o'clock at night.

Mr. REED. I believe that is all.

Senator ELLENDER. Mr. Dossett, do you have the figures with you of all the cotton that you now have on hand in all of your several facilities?

Mr. DOSSETT. Yes, sir.

Senator ELLENDER. What does that amount to?

Mr. DOSSETT. That amounts to—well, this is only the Government-loan cotton we have. These figures do not include shippers' cotton nor the cotton that the farmers own, that they have not pledged to the loan, which is a very small percentage of our stock. But we have 97,903 bales—this was January 1—at all of our 8 plants, of cotton in the various Government loans.

Senator BANKHEAD. Is any of it Government owned?

Mr. DOSSETT. Yes, sir.

Senator BANKHEAD. How much?

Mr. DOSSETT. 403 bales of the 1934-35 loan; 18,286 bales of the 1937-38 loan; just about 18,000 bales of the Government loan; and the rest of it the farmers still have an equity in it.

Senator ELLENDER. Have you made any profit in 1940?

Mr. DOSSETT. No, sir; because our fiscal year ends April 30, and we will show a loss in this fiscal year, because we will collect storage from the Government in August on this, and that will go into our next handling season.

Senator ELLENDER. If you could collect from the Government what is due you from April to April, would your facilities show any profit?

Mr. DOSSETT. We did show—in two of the corporations we showed a profit last year, last April, but it so happens that we handle very little cotton for the Government, and so last August—I mean last year, you see, and until last August, to go into this fiscal year we had very little revenue in Government-loan cotton.



Senator ELLENDER. Let me put it this way: In the last 5 years have your facilities shown a profit each year?

Mr. DOSSETT. Two of the corporations have, I think. In 1932 or 1933 we failed to show a profit. We have one small corporation that has never shown a profit since 1930.

Senator ELLENDER. In other words, what I am driving at is—and you have heard me ask the questions of these other witnesses—if it were not for the fact that you have this cotton on hand that you do not have to move and on which you get a certain fixed amount each year, if it were not for that, your losses would be much greater?

Mr. DOSSETT. That is right.

Senator ELLENDER. Unless you should charge more for cotton that is put in there and moved every year?

Mr. DOSSETT. That is right.

Senator ELLENDER. What were the charges that your companies made, if you recall, prior to the time when you began accumulating surplus?

Mr. DOSSETT. We have always made a charge since 1921, I think, since I have been connected with this company—we have made a charge of 25 cents a bale for receiving the cotton, which included weighing, sampling, and 15 days' free storage. Then we made a charge of 30 cents a bale a month, pro rata part of a month, after that as long as the cotton stayed in storage. We were so situated that we seldom kept any long-time storage, because the cotton moved and was in the reconcentration ports, in the normal channels of trade.

Senator ELLENDER. For the first 15 days or half month, it costs the farmer 25 cents a day?

Mr. DOSSETT. Yes.

Senator ELLENDER. And thereafter 30 cents a month?

Mr. DOSSETT. Yes.

Senator ELLENDER. With such charges as those, how did the profits compare with the present profits?

Mr. DOSSETT. Well, we made much larger profits all through the 1920's, because we had a much larger volume of business to deal with, although very little of the actual revenue during those years came out of that storage rate. The bulk of it was an in-and-out movement of 25 cents a bale, plus our compression charge, on which we were getting a large volume movement.

Senator ELLENDER. Well, strictly on storage—of course, you may be differently situated than the average small cotton warehouseman, but, generally speaking, how much cotton would your warehouse have on hand, say, where you had no compressor, per year, prior to 1934, let us say, when all the surplus has accumulated?

Mr. DOSSETT. I do not think our average holding time on cotton we received would run over 60 days, if that long, per bale.

Senator ELLENDER. So that for that service the farmer would have to pay 25 cents for the first 15 days, and then for the 45 days he would have to pay at the rate of 30 cents a month?

Mr. DOSSETT. Yes, sir.

Senator ELLENDER. And that would leave the total cost to the farmer of your charges for handling that cotton?

Mr. DOSSETT. Yes, sir.

Senator ELLENDER. Does that include insurance?

Mr. DOSSETT. No, sir.

Senator ELLENDER. What would that amount to? Do you know?

Mr. DOSSETT. Yes. In our plants, because we never had large stocks of cotton, we naturally did not build an expensive plant such as they had at other locations where they did carry large stocks, so it follows that our insurance rates were very high. Our average insurance rates at these eight plants now cost us 5 cents a bale a month.

Senator ELLENDER. How much did it cost you in prior years?

Mr. DOSSETT. We did not insure the cotton. We had no interest in it. The rates were approximately the same.

Senator ELLENDER. The farmer had to pay that insurance, did he not?

Mr. DOSSETT. Either the farmer paid it or the cotton merchant.

Senator ELLENDER. Was it as much as it now is, or more?

Mr. DOSSETT. It was better.

Senator ELLENDER. And it would be how much a bale a month, did you say?

Mr. DOSSETT. 5 cents a bale a month. We have a low of 3 cents at Waco and a high of 8 cents at one of our smaller plants.

Senator ELLENDER. So that if the farmer paid insurance in accordance with the rates that now exist, 5 cents per bale per month, and the cotton remained in the warehouse an average of 60 days per bale, his total cost for that bale for insurance and storage and sampling and everything else would be 80 cents, as I figure it?

Mr. DOSSETT. 70 cents, the way I figure it.

Senator ELLENDER. 70 cents plus 10 cents insurance.

Mr. DOSSETT. Yes, sir. That would be his entire cost.

Senator ELLENDER. That is all.

Senator BANKHEAD. Thank you, Mr. Dossett.

#### STATEMENT OF O. T. POOL, GENERAL MANAGER, AMERICAN COMPRESS & WAREHOUSE CO., SHREVEPORT, LA.

Mr. POOL. My name is O. T. Pool, general manager of the American Compress & Warehouse Co., with branches at Shreveport, Alexandria, and Nacogdoches, Tex:

Mr. REED. Will you give us some idea of the size of those communities, Mr. Pool?

Mr. POOL. Shreveport is 95,000, Nacogdoches is 13,000, Alexandria 28,000, and Bunger about 5,000.

Mr. REED. What is the size of the facilities located at those points, stated in terms of bales stored?

Mr. POOL. We can store 120,000 bales at Shreveport, 26,000 bales at Nacogdoches, 27,000 bales at Alexandria, and 6,500 bales at Bunger.

Mr. REED. About what are your present stocks?

Mr. POOL. We have 80,000 bales at Shreveport, 21,000 at Nacogdoches, 27,000 bales at Alexandria, and 1,900 bales at Bunger.

Mr. REED. You heard the testimony here with respect to the effect of this proposal concerning competitive bids?

Mr. POOL. Yes, sir.

Mr. REED. Do you concur in the statements made?

Mr. POOL. Yes, sir.

Mr. REED. Would it result in an increase to the producer of the handling charges for marketing and handling of his cotton if this plan should be made effective?

Mr. POOL. Yes, sir.

Mr. REED. Have you anything else you wish to say, Mr. Pool?

Mr. POOL. No; except we may possibly be forced to give up all our loan cotton if the rate goes below 12½ cents.

Mr. REED. You do not feel that you could carry it at that?

Mr. POOL. No.

Mr. REED. I believe that is all.

Senator ELLENDER. Mr. Pool, you heard all of the questions that have been asked. Do you concur in these statements that have been made?

Mr. POOL. Yes, sir.

Senator ELLENDER. That is, in respect to the additional costs that you would have to put on for storage if you did not have this Government cotton?

Mr. POOL. That is right.

Senator ELLENDER. Do you charge the same rate for storing cotton and handling to people who do not make a loan with the Government?

Mr. POOL. We do; yes, sir.

Senator ELLENDER. What is the rate?

Mr. POOL. There is no difference. The charge is all the same. Our rate is the same to the Government as it is on this year's cotton, as it is to anybody else. They are all the same.

Senator ELLENDER. And how have your profits been, as compared to, let us say, this year and back to 1932 or 1933, with the profits before that time, when your cotton storage was 25 cents, or 30 cents?

Mr. POOL. 30 cents. We got 35 cents for the first month's storage, then 25 cents a bale a month.

Senator ELLENDER. Excluding, if it is possible to do that, the additional cost that you were put to by virtue of the Wages and Hours Act, would you say that the profit that you are now making under the present rate is much less than it was prior to this period of time?

Mr. POOL. No; I would not say it is much less because of the loan-factor cotton. Without the loan cotton it would be considerably less.

Senator ELLENDER. Would you say they were about the same?

Mr. POOL. No; I think with the loan rate around 18 cents, the present situation with the loan cotton is better than it was.

Senator ELLENDER. So that confirms the statement that without this Government backlog cotton you would probably be in the red?

Mr. POOL. There is no doubt about it. At three of the plants I am sure that is true.

Senator ELLENDER. That is all.

Senator BANKHEAD. Are there any further questions? Thank you, Mr. Pool.

#### STATEMENT OF G. H. SHERMAN, RAYNESVILLE COTTON WAREHOUSE CO., RAYNESVILLE, ARK.

Mr. SHERMAN. My name is G. H. Sherman, Raynesville Cotton Warehouse Co., Raynesville, Ark.

Mr. REED. What size community is that?

Mr. SHERMAN. Two thousand five hundred people.

Mr. REED. What is the size of your warehouse there?

Mr. SHERMAN. We have storage facilities for around 20,000 bales.

Mr. REED. What is the present stock?

Mr. SHERMAN. On the first of January it was 19,500 bales.

Mr. REED. How much of that was Government-loan cotton?

Mr. SHERMAN. Well, approximately 19,000 bales.

Mr. REED. How much of it was owned by the Government and how much of it was producer-owned?

Mr. SHERMAN. There is about 500 bales in the 1935 loan, about 11,000 bales in the 1937-38 loan, and about 600 bales of the 1938-39 loan.

Mr. REED. The rest of it 1940-41?

Mr. SHERMAN. Yes, sir.

Mr. REED. Then not more than 50 percent of your stock is Government-owned stock?

Mr. SHERMAN. Yes, sir.

Mr. REED. What is your insurance rate per bale per month?

Mr. SHERMAN. For three of my sheds it will run about 2½ cents a bale per month. On the other shed it will run about 9 cents.

Mr. REED. You heard Mr. Pool's statement and the other statements made with respect to this matter?

Mr. SHERMAN. Yes, sir.

Mr. REED. Do you concur in those statements?

Mr. SHERMAN. Yes, sir.

Mr. REED. I think that is all.

Senator BANKHEAD. Are there any questions? Thank you, Mr. Sherman.

#### STATEMENT OF M. W. HILL, CARUTHERSVILLE, MO., PRESIDENT, SOUTHEAST MISSOURI COMPRESS CO.

Mr. HILL. My name is M. W. Hill, Caruthersville, Mo. I am president of the Southeast Missouri Compress Co., and also president of the Southeast Missouri Compress Association. We only have eight counties in southeast Missouri, and we have eight compresses, a compress for every county.

Senator MCKELLAR. Do you produce good staple cotton, Mr. Hill?

Mr. HILL. Yes, sir.

Senator MCKELLAR. I think it is as fine cotton as I ever saw, that grew down in Randolph County.

Mr. HILL. Yes, sir. I have been in the cotton business for 30 years, and our cotton all goes to Greenville, S. C., and Dan River, Va., an inch and one-sixteenth and an inch and one thirty-second. We have very little cotton below an inch.

All the 1939 loan cotton is sold. I paid as high as \$4 a bale equity last year on that cotton. Now, the cotton that went into the loan this year, about 8,000 bales, is practically all sold now. All that cotton went to Greenville, S. C., and Dan River, Va.

Mr. REED. Where are your compresses located, Mr. Hill?

Mr. HILL. Caruthersville, Mo., and Hayti are the chief plants. Caruthersville is about 7,500, and Hayti about 3,500 population.

Mr. REED. What is the capacity in bales?

Mr. HILL. 115,000 bales at the two plants.

Mr. REED. What are your present stocks?

Mr. HILL. The present stocks are 45,600 bales, of which 30,000 bales is Government-owned cotton.

Mr. REED. You heard statements made here with respect to this problem of reconcentration and competitive bids on this cotton?

Mr. HILL. Yes, sir.

Mr. REED. Do you concur in the statements made?

Mr. HILL. Very much, except one thing I notice they left out, and that is in the reconcentration of cotton there is a loss of 6 to 7 pounds per bale. That is simply because the bales are thrown into the boxcars, and the wind whipping through it, they shrink that much. I sent my own weigher over to Greenville, S. C., and had him weigh the cotton with his own scales, and I know that is a fact, that it actually loses that much.

Senator BANKHEAD. In other words, you go along the road behind a cotton truck, and the trees all along will be filled with cotton.

Mr. HILL. Yes, sir.

Senator BANKHEAD. Cotton that has blown off and pulled off the bales.

Senator ELLENDER. On the other hand, I believe we have got some evidence to show that when cotton is sent from the interior to the port it absorbs more moisture and weighs more.

Mr. HILL. We operate under Government supervision, and I would be glad to furnish tomorrow actual Government figures showing that cotton that has been concentrated and went through the ports has lost as high as 15 pounds per bale.

Senator MCKELLAR. But your experience shows that the average is about 6 pounds per bale?

Mr. HILL. Yes, sir.

Senator ELLENDER. Would not that same loss occur if you shipped it from your warehouse to the mill that used it, consumed it?

Mr. HILL. Exactly.

Senator ELLENDER. So it would not be exactly due to concentration?

Mr. HILL. Yes, sir; it is. If you ship it to some other place and then ship it back to the mill, you have lost 12 pounds. You have got two losses.

Senator ELLENDER. You could lose it all if you continued shipping, according to your view. That is all the questions I have.

Senator BANKHEAD. Thank you, Mr. Hill. Who is your next witness?

#### STATEMENT OF T. L. HARRIS, REPRESENTING THE SELMA COMPRESS CO., SELMA, ALA.

Mr. HARRIS. My name is T. L. Harris. I represent the Selma Compress Co., Selma, Ala.; also the Alabama Bond & Warehouse.

Mr. REED. Will you give some idea of the community in which you operate, and your facilities?

Mr. HARRIS. We have a population in Selma of approximately 20,000.

Mr. REED. And do you have a plant similar to it at some other point?

Mr. HARRIS. No, sir.

Senator BANKHEAD. You represent the Alabama Warehousemen's Association?

Mr. HARRIS. Yes, sir.

Mr. REED. Is Mr. Barnett president of your facilities?

Mr. HARRIS. Yes, sir.

Mr. REED. What is the capacity of your facility in bales sold?

Mr. HARRIS. 8,556.

Mr. REED. What is the present stock?

Mr. HARRIS. 27,000.

Mr. REED. What is the division of that as between Government-owned and Government-loan cotton?

Mr. HARRIS. Well, we have approximately 20,000 bales of Government-owned cotton, and 5,000 bales of Government-loan cotton.

Mr. REED. Have you heard the statements here with respect to the effect of this competitive-bid program on the rates that you charge for the handling of producers' cotton?

Mr. HARRIS. Yes; I have.

Mr. REED. Do you concur in those statements?

Mr. HARRIS. Absolutely.

Mr. REED. What is your insurance rate per bale per month?

Mr. HARRIS. About a cent and a half.

Mr. REED. I believe that is all.

Senator BANKHEAD. Are there any other questions? Thank you, Mr. Harris.

#### STATEMENT OF J. W. MURCHISON, PLAINVIEW, TEX.

Mr. MURCHISON. My name is J. W. Murchison, Plainview, Tex. I represent 5 corporations operating 9 compress plants and approximately 10 or 12 warehouse plants.

Mr. REED. Will you name those points and give us some idea of the size of them?

Mr. MURCHISON. You mean population or storage?

Mr. REED. Population and storage too.

Mr. MURCHISON. The compress plants are located at Pittsburg, Tex.—they are all in Texas—Pittsburg, Plainview, Littlefield, Brownfield, Lometa, Tahoka, Slaton, Russell, and Quanah. Warehouse points: Mount Pleasant, Gilmer, Athens, Crosbyton, Hale Center, Paducah, Sudan, Mule Shoe, Chillicothe, Quitaque, and Roaring Springs.

Mr. REED. Without going into the population, they are all small communities except Plainview?

Mr. MURCHISON. Yes; that is about the largest town we operate.

Mr. REED. Have you heard the statements made here with respect to this problem of competitive bids and restoring and reconcentrating Government cotton?

Mr. MURCHISON. Yes, sir.

Mr. REED. Do you concur in those statements?

Mr. MURCHISON. Yes, sir; fully.

Mr. REED. I believe that is all.

Senator BANKHEAD. That is all, Mr. Murchison. Thank you. Call the next witness.

Mr. REED. We have some witnesses that will be here in the morning, Mr. Chairman. We have exhausted our present list of witnesses.

Senator BANKHEAD. Will you be able to finish tomorrow morning?

Mr. REED. Yes; I think so, except we would like to have an opportunity to put one or two farmer witnesses on who could not get here till Monday. They had arranged to be here Monday, and then the meeting was postponed till Thursday, and we would like to reserve time for them.

Senator BANKHEAD. That will be all right, Mr. Reed. Now I understand, gentlemen, that everyone here who desires to be heard has been heard. We will meet tomorrow morning in this room at 10 o'clock. Mr. Reed says his witnesses are on their way and we do not want to inconvenience them. When we conclude tomorrow we will recess until next Thursday morning at 10 o'clock. As I said in the beginning we want to hear everybody who has anything of value to present, but we do not want long repetitions, because, as everybody understands, we are trying to get action on this matter at the earliest possible date.

We will stand in recess until tomorrow morning at 10 o'clock.

(Whereupon, at 4:25 p. m., the committee adjourned until 10 a. m., Saturday, January 25, 1941.)

# REGULATING THE WAREHOUSING OF COTTON HELD BY THE COMMODITY CREDIT CORPORATION

SATURDAY, JANUARY 25, 1941

UNITED STATES SENATE,  
COMMITTEE ON AGRICULTURE AND FORESTRY,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10 a. m., in the committee room, 324 Senate Office Building, Senator John H. Bankhead presiding.

Senator BANKHEAD. All right, Mr. Reed, call your first witness.

Mr. REED. Mr. Blackburn.

## STATEMENT OF N. C. BLACKBURN, TREASURER AND GENERAL MANAGER, UNION COMPRESS & WAREHOUSE CO., MEMPHIS, TENN.

Mr. BLACKBURN. My name is N. C. Blackburn. I am treasurer and general manager of the Union Compressing & Warehouse Co., with general offices in Memphis, Tenn., and operating plants in five States.

Our company is a corporation consisting of 441 stockholders, 25 percent of which are actual producers of cotton.

The locations of our plants are as follows:

Decatur, Ala., with a population of 16,640; this is a United States bonded warehouse with a capacity of 51,500 bales; Delhi, La., population 1,192, with a bonded capacity of 35,000 bales; Ferriday, La., population 2,891, bonded capacity 45,500; Greenwood, Miss., population 14,764, bonded capacity 45,000; Hope, Ark., population 7,500, bonded capacity 65,000; Memphis, Tenn., population 291,312, bonded capacity 90,000; Natchez, Miss., population 15,000, bonded capacity 18,000; Rayville, La., 2,415 population, bonded capacity 63,000; Rosedale, Miss., 2,523 population, 40,000 bales of capacity; Vicksburg, Miss., 24,283 population, bonded capacity, 35,000; Winnsboro, La., population 2,932, bonded capacity 87,500.

The total bonded capacity in these 11 plants is 575,500 bales, and since in some plants a considerable amount of that cotton is compressed, more cotton can be stored—

Senator BANKHEAD. What is the name of the company?

Mr. BLACKBURN. Union Compress & Warehouse Co.

Mr. REED. Do you have the present stocks? You have given the capacity; will you now give the stocks?

Mr. BLACKBURN. Do you mean the stock as of January 1?

Mr. REED. I would just give the totals.



Mr. BLACKBURN. 377,674 bales was the total capacity of these plants on January 1.

Mr. REED. Your stocks were what?

Mr. BLACKBURN. That was the stock, 377,674 on January 1.

Mr. REED. And what would you say the total capacity was?

Mr. BLACKBURN. The total bonded capacity was 575,500.

Mr. REED. Pardon me; go right ahead.

Mr. BLACKBURN. The average receipts of these 11 plants is 500,000 bales a year. The present stocks are approximately 100,000 bales today less than the stocks as of the same date last year. That is due to the heavy movement of cotton for various reasons from plants in the locality in which we operate, running from Alabama over to Arkansas.

Our 1934-35 and 1937-38 stocks amounted to 145,773 bales. 1938 through 1940, and these are all loan stocks, are 108,592. That makes a total of 254,365 bales Government-owned and Government loan cotton.

The farmer's cotton, free, which has not been placed under loan, because a considerable amount is being withdrawn daily, is 123,309 bales. That is all of the free cotton we have now of shippers, farmers, and other holders of cotton.

I wanted to bring out a situation, if permissible here. Senator, in the handling of cotton in our territory, particularly in Louisiana, where in 1937 we had an exceptionally large crop. We started off the season with a small stock on hand on August 1. The gins were running day and night, and in one of the plants, between four and five hundred bales were brought up to us at night and dumped on the plant. We made a protest to the civic club, and the farmers came to us in a body and requested we accept this cotton because cotton was going into loans so readily and they wanted to get the money immediately. That was in 1937.

That made it necessary—

Senator BANKHEAD (interposing). That was the big crop year.

Mr. BLACKBURN. Yes, sir.

Senator BANKHEAD. The biggest year in the history of the country, was it not?

Mr. BLACKBURN. That is right.

That made it necessary for us to immediately build some additional facilities to take care of the cotton. Our contract provided the cotton must be under cover and we had no alternative except to make those extensions, due to the demand of the farmers in that locality.

We explained the situation to them as clearly as we could—

Mr. REED (interposing). What investment did you make as a result of that demand of the producers in the community in Louisiana?

Mr. BLACKBURN. In Louisiana we made an investment, since the loan program, of a little over \$300,000. I should say that is the total investment; I do not have the actual dollars and cents but it is a fraction over \$300,000, and of that total of \$300,000 there was \$150,000 in Louisiana.

Mr. REED. Are any of those improvements you made now idle as a result of the movement of cotton out of your facilities?

Mr. BLACKBURN. Yes. We have three warehouses holding 15,000 bales. There was not a bale of cotton put in those warehouses this season because the stock was considerably less—

Senator ELLENDER (interposing). Was that due to short crop?

Mr. BLACKBURN. Yes.

Senator ELLENDER. The shortest in a long time?

Mr. BLACKBURN. That is right.

Mr. REED. In other words, due to the highly fluctuating production in 1937 as compared with normal production, you had to expend \$150,000 in Louisiana in order to accommodate the producers for facilities that are not now in use?

Mr. BLACKBURN. That is right. We have a situation where we have to be the bookkeeper for the producers in those communities. In the Mississippi Delta plants they have a more accurate record, but in some of our other plants the people come in at all times, even on Sundays, and ask us to come down to the plant and ascertain the status of their cotton; they do not know whether the Government owns it or whether they own it and they want to know whether they have any cotton left. That is a service we render to these producers. We feel that the warehouse industry is an important part, compressing and warehousing, in the marketing and servicing of cotton.

Mr. REED. I would like you to give the committee some idea of your handling costs. Do you have some figures on that, Mr. Blackburn?

Mr. BLACKBURN. Yes, sir. I thought I might be asked that question, and I talked with my office last night and got a few of these figures.

Our handling costs since 1932, since the loan program, the cost per bale for the handling of cotton, not including depreciation or general office overhead expense, but the plants' operating cost basis on number of bales received, shipped, and handled during the season, has increased from 78 cents to \$1.68 per bale.

Mr. REED. It was 78 cents per bale in what year?

Mr. BLACKBURN. 1932.

Mr. REED. And what was the other year?

Mr. BLACKBURN. 1939-40.

Mr. REED. And what was the cost per bale in that year?

Mr. BLACKBURN. \$1.68; using the same method of figuring the handling of the cotton.

Mr. REED. Were there any peculiar conditions in the 1939-40 season with respect to handling and rehandling of any of these Government or producer loan stocks?

Mr. BLACKBURN. Yes. During that season we were sampling barter cotton when they were getting a class on the 1934-35 cotton.

Mr. REED. About what percent of that increase, Mr. Blackburn, do you attribute to the wage-hour law which went into effect October 4, 1938; about how much of that do you attribute to that law?

Mr. BLACKBURN. Mr. Reed, our actual per bale handling cost has increased from 9 cents in 1932 to 21 cents in the year ending May 31, this past year.

Mr. REED. Some of that could be due to the rehandling as well as to the wage increase?

Mr. BLACKBURN. That is true in certain years. I have it by years here somewhere.

Mr. REED. I would like to give the committee some idea of the extent the increase is due to the wage-hour law, that is, from October 4, 1938, as compared with the period prior to that time.

Mr. BLACKBURN. We consider our costs have increased about 42 percent, so far, under the wage-and-hour law.

Mr. REED. 42 percent?

Mr. BLACKBURN. Yes.

Senator ELLENDER. For what is that?

Mr. BLACKBURN. Labor and clerical expenses under the wage-hour law.

Senator ELLENDER. You say that the increase per year per bale from 1932 to the present is from 78 cents to \$1.68?

Mr. BLACKBURN. Yes, sir.

Senator ELLENDER. And that the figure of \$1.68 does not include your office costs?

Mr. BLACKBURN. It does not include our general office figure; no, sir.

Senator ELLENDER. Exactly what do you mean by that; do you mean it does not include the costs at the central office?

Mr. BLACKBURN. Yes; it does not include our costs at Memphis; that is just the plant cost.

Senator ELLENDER. Does the figure of \$1.68 cover all of the costs at the plant?

Mr. BLACKBURN. Yes, sir.

Senator ELLENDER. How much additional would you add to cover these other costs?

Mr. BLACKBURN. I do not have those figures available, Senator, but that includes interest on indebtedness and also your official salaries and all of those things. I do not have those available here.

Senator ELLENDER. Could you give, for the committee, a break-down of the \$1.68?

Mr. BLACKBURN. Yes, sir. That includes your labor, your salaries, your office expense, your fuel cost for compressing the cotton, your water and light bills, your Social Security tax at the plant, your claims at the plant, your drayage and truckage accounts, your tractor accounts, your machinery operating account, and your repairs to property account. Those are the principal items that make it up.

Senator ELLENDER. Are you able to segregate the increase per bale for storage, that is, for getting the compressing? I understand the issue here is with respect to storage; is that not true?

Mr. BLACKBURN. That is true.

Senator ELLENDER. Have you any break-down as to the difference in the cost per bale from 1932 to the present for storage?

Mr. BLACKBURN. That is the reason I asked about the cost figures giving the basis of how the figures were arrived at for cotton which was received, compressed, and shipped.

Senator ELLENDER. Are you able to separate the increase in cost, if any, and I suppose there has been, of storage, forgetting the compressing and any other things connected with compressing, but simply relegating the figures, if you can, to the increase from 1932

or from any other year you desire, in the cost of handling cotton for storage purposes only, from that year 1932 up to the present?

Mr. BLACKBURN. I doubt if there is hardly a compress facility that could break that down for you, Senator, because the cotton had this cost intermingled with all of the other operations, such as re-sampling, reweighing, and so on, but we all realize we have had a tremendous increase in the cost of handling.

Senator ELLENDER. Would you be able to give an idea of how much of this \$1.68 is chargeable to compressing; just a percentage about how much that would be?

Mr. BLACKBURN. What it would cost for compressing a bale of cotton?

Senator ELLENDER. Yes. The rest of the cost, I assume, would go toward storage, would it not?

Mr. BLACKBURN. We consider 37 cents a bale for the actual compression, before investment on the machinery itself.

Senator ELLENDER. So that if you deduct about 30 cents per bale from the figure you have given of \$1.68 and the figure of 78 cents, you would then have the approximate cost—

Mr. BLACKBURN. No, sir, you would not, Senator, because the re-sampling and rehandling of it has brought conditions about and they have changed so materially from 1932 through 1939 it is almost impossible to get a break-down of that.

Senator ELLENDER. At that point, let me ask you this: When cotton is received by your warehouse, are you called upon to give samples of that cotton so that it can be graded by the Government or any other agency?

Mr. BLACKBURN. You mean when it is delivered to the warehouse?

Senator ELLENDER. Yes.

Mr. BLACKBURN. Every bale is sampled.

Senator ELLENDER. The cost of that sampling, that particular amount of expense, is included in the initial cost of 15 cents per bale per month?

Mr. BLACKBURN. That is right.

Senator ELLENDER. Suppose you are called upon to give more samples or do anything else to that cotton; are you not paid for that?

Mr. BLACKBURN. Yes, sir. If we have to go back to that cotton we get 10 cents a bale. We figured our average cost of resampling this season ran 28 cents a bale, for which we did not receive anything, but if anyone else had ordered the sample we would have received 10 cents a bale.

Senator ELLENDER. So, as a rule, warehousemen are paid extra for any other work they do to this cotton after this initial cost to which we have already referred?

Mr. BLACKBURN. The warehousemen receive 10 cents for rehandling and 10 cents for reweighing. We handle about 1 percent for reweighing, and we sample approximately 50 percent of it in our territory. Of course, those conditions vary from territory to territory.

Senator ELLENDER. Off the record.

(Discussion off the record.)

Mr. BLACKBURN. You asked me, Senator, the actual cost of compression, and the 37 cents I mentioned is just for the fuel and handling labor at the compress and does not include other expenses.

Senator ELLENDER. It does not take into account transportation?

Mr. BLACKBURN. No, sir. So far as the incidental cost of servicing into the warehouse and back to the warehouse for compression, that is not included.

Senator ELLENDER. Since you have opened up the question, I want to break this down so we can see the additional cost in actually storing cotton from 1931 to the present time.

Mr. BLACKBURN. It is almost a physical impossibility for any warehouse to do that, Senator, on account of the manner in which the industry has to operate.

Senator ELLENDER. It was testified to yesterday that, as a rule, cotton that was in the loan and in which the farmer had an equity, or cotton that was not in the loan, usually remained in your warehouse an average of 60 days to as much as 6 months.

Mr. BLACKBURN. That is right.

Senator ELLENDER. Is that about the average length of time cotton stays in the warehouse?

Mr. BLACKBURN. We have figured an average of 90 days that cotton would remain in our facilities. You can see from this report I just gave you, Senator, that we received up to January 1st of this year 365,000 bales of cotton in these facilities, which was received during the months of September 15 to January 1, and of that 365,000 bales we only have about 100,000 bales on hand today. So, as far as this season's crop is concerned, it has not averaged 60 days this year.

Senator ELLENDER. That is the point I want to bring out with the figures you have just given. So that if the average amount of time that you keep cotton that does not belong to the Government is not more than 90 days, that would mean that every bale of cotton that you take into storage, you have to sample it and in many cases prepare the papers for loans for the farmers who come here to store it, and for that service you get 45 cents per bale; is that correct?

Mr. BLACKBURN. That is right.

Senator ELLENDER. And also if it stays 90 days, an average of 90 days—I understand your books show that the average length of time a bale of cotton remains with you is 90 days?

Mr. BLACKBURN. Yes.

Senator ELLENDER. So that every bale of cotton that you handle that does not belong to the Government itself, you get about an average of 45 cents for that service?

Mr. BLACKBURN. We won't get that this year, but that is the average; yes, sir.

Senator ELLENDER. I know you will not get it this year because of the short crop, but next year you might get a little more than that, so it is going to average up, is it not?

Mr. BLACKBURN. That is right.

Senator ELLENDER. But for this 145,000 bales you say you have and the 108,000 bales that belong to the Government, you feel you could not maintain your establishment at the rate of 15 cents per bale, do you?

Mr. BLACKBURN. I think it would be impossible for our company to operate on any less, Senator.

Senator ELLENDER. What would be the least amount per bale per month that you could operate for?

Mr. REED. That is assuming he did not have—

Senator ELLENDER (interposing). Assuming you do not have this immobile cotton.

Mr. BLACKBURN. That is a very difficult question to answer, Senator, for the reason there are so many factors that enter into that. Our tariffs are based and issued August 1 of each year. Our stock on hand determines the tariff for the coming season, taking into account the expense we have ahead of us, or the approximate cost of operation. We take our stock on hand August 1 to determine our next oncoming tariff.

I think this will very forcefully bring that out. In the 1931-32 season we had on hand 91,000 bales of cotton in these facilities—

Senator ELLENDER (interposing). With a capacity of 575,000 bales?

Mr. BLACKBURN. No; it did not have a capacity of 575,000 bales at that particular time; in 1931-32 it was approximately 500,000 bales.

Senator ELLENDER. And you had on hand how many?

Mr. BLACKBURN. 91,147 bales.

Senator ELLENDER. And this year, with a capacity of 75,000 more, you have 377,000 bales of cotton, 254,000 bales of which is immobile cotton?

Mr. BLACKBURN. That is right.

Senator ELLENDER. So that as you have just indicated, unless you had on hand this immobile cotton, you would necessarily have to pay more for this cotton that moves within 90 days?

Mr. BLACKBURN. Yes, sir.

Senator ELLENDER. Now, it has been testified to by several witnesses that the cost would not be less than 25 cents a bale, and you say you do not know what it would be; would you say that is too much, or would it be less?

Mr. BLACKBURN. My estimate is it would not be less than 25 cents per bale.

Senator ELLENDER. It would not be less?

Mr. BLACKBURN. That is right.

Senator ELLENDER. So if a farmer who handles his cotton as he ordinarily would, instead of paying 45 cents, it would cost him 75 cents a bale for the 90-day average, and he would have to bear that burden?

Mr. BLACKBURN. That is right.

Senator ELLENDER. And the service which would be rendered for the 15-cent charge would be the same as the service which would be rendered for the 25-cent charge; is that right?

Mr. BLACKBURN. That is correct.

Senator McKELLAR. It would, therefore, cost the farmer the difference between 25 cents and the present rate of 15 cents for the first month, and 12½ cents for the second month?

Mr. BLACKBURN. Yes, sir.

Senator McKELLAR. Which would add how much—have you the figures there to show how much that alone would add without regard to the freight and sampling, how much that would add to the cost, per year, to the farmer?

Senator ELLENDER. It would be 30 cents per bale.

Mr. BLACKBURN. That would be 30 cents a bale, Senator, and we had an average of 500,000 bales of cotton annually.

Senator McKELLAR. If there were 6,000,000 bales of this Government cotton, how much would it be; it would be \$1,800,000, would it not?

Mr. BLACKBURN. Yes, sir.

Mr. REED. That 30 cents a bale, however, Mr. Blackburn, would apply on the entire production—

Senator ELLENDER (interposing). That is the point I desire to make.

Senator McKELLAR. I had in mind the figure the Department is now claiming of \$5,000 a day, which is certainly ridiculous.

Mr. REED. Mr. Blackburn, you have covered the question of increased tariff; do you have anything else? Have you made a statement about all of these facilities being operated under the Federal Warehouse Act?

Mr. BLACKBURN. We do operate under the United States Bonded Warehouse Act and all of our facilities are inspected regularly by Government inspectors to see that our scales are in proper order and that the farmers and the purchasers of the cotton are getting a square deal and fair weight. We have kept a very accurate record of our cotton; we check our plants bale for bale to determine the accuracy of all of our figures and for every bale of cotton in that facility there is a licensed warehouse receipt outstanding.

Mr. REED. Does that add to the value of the negotiable warehouse receipt to the purchaser?

Mr. BLACKBURN. It is a very valuable service to the purchaser. You have the Government examiner's report to show you have that bale of cotton in the facility. The Government checks the plant and that receipt is held by the Government or the cotton merchant, and he knows that bale is in the facility.

Mr. REED. It makes it easier for the purchaser to finance and handle his cotton.

Mr. BLACKBURN. That is right.

Mr. REED. Do you have anything else you want to mention, Mr. Blackburn?

Senator ELLENDER. There is one more question I would like to ask with respect to the cost. I wonder if you could tell the committee—let us exclude this additional cost because of the Wages and Hours Act—as I understand, back in 1932, before we had surplus cotton and when things were normal, we had a normal carry-over, and instead of having 377,000 bales as you now have, there were 90,000 or 100,000, or maybe less than that on hand; what was your charge then per bale?

Mr. REED. I wanted him to read that a while ago, Senator, but he did not get to do it.

Mr. BLACKBURN. We started off in the 1932 season with 91,000 bales on hand, and we had a tariff rate of 50 cents for the first month, 25 cents for the next 3 months and then 15 cents. That did not include insurance.

Senator ELLENDER. How much more, approximately, would that add?

Mr. BLACKBURN. In our facilities that averages  $1\frac{1}{2}$  cents per bale.

Senator ELLENDER. Per month?

Mr. BLACKBURN. Per month; yes, sir.

Senator ELLENDER. So that would be 18 cents more per bale you would have to add to this amount?

Mr. BLACKBURN.  $1\frac{1}{2}$  cents a bale.

Senator ELLENDER. That would be  $1\frac{1}{2}$  cents a year?

Mr. BLACKBURN. Yes, sir.

Senator McKELLAR. For insurance alone?

Mr. BLACKBURN. That is right. We are controlled by bureaus in our territory. When we enter into a C. C. C. contract, that is based on approximately the average value of cotton as of August 1. If you have a \$50 bale of cotton which is now costing  $1\frac{1}{2}$  cents a bale for insurance, with the possibility under world conditions as of today affecting the prices of commodities, they are very liable to increase, and if that goes to \$75 a bale, your cost goes to 3 cents a bale. So we go into that contract with an unknown quantity which we cannot change during the year. Under our current tariff we issue to producers, if abnormal conditions come along, we can increase our tariff to cover that, but we cannot on a fixed contract.

Senator ELLENDER. The question I desire to ask you, Mr. Blackburn, is this:

With the charge of 50 cents per bale which you had back in 1932 for the first month and 25 cents a bale for the next 3 months and 15 cents a bale for the remainder of the time, excluding this additional cost for labor because of the Wages and Hours Act, how did your revenue compare generally for that period to what it is now; would you be able to tell us that?

Mr. BLACKBURN. No, sir; I do not have those figures, but you will find they will run pretty close to the average in our company, Senator.

Senator ELLENDER. I wonder if you will be kind enough—I do not want to go into your business, but the point is I believe the committee might be interested in finding out that with this larger cost back in 1932 in comparison to the average cost today, that if you exclude the wage-and-hour increase, that your costs are about the same, and that, to my mind, would go to show that except for this immobile cotton on hand you would have to probably go back to your former charges, and if you did, it would be a greater burden on the farmer.

Mr. BLACKBURN. That is true. That could be broken down, Senator.

Senator ELLENDER. If you could prepare a little statement on that, I think the committee would like to have it.

Mr. BLACKBURN. You would have to arrive at that on the revenue per bale basis.

Mr. REED. I think that is very important. Could we do that?

Mr. BLACKBURN. I think so.

Mr. REED. We will try to do it by next Thursday.

Senator ELLENDER. Even if it is later than Thursday, we can put it in the record. It would not be necessary for the witness to be here to testify about it, I take it, Mr. Chairman?

Senator BANKHEAD. That is right.

Senator McKELLAR. We can get that and will be delighted to furnish it.

Senator ELLENDER. If you have it for two or three of these larger concerns and also for two or three of the smaller ones, we can place it in the testimony when we have the record made up.

Mr. BLACKBURN. We have that broken down in the office. I can get it by phone, but I do not have it available here.

Senator ELLENDER. There is no hurry about it, and since these hearings will remain open for possibly 10 days or a little longer,



in the meantime we can put that statement in the record and I think it would be a good comparison and would be very instructive.

Senator LUCAS. You testified as to the rate per bale back in 1932; how does that compare per bale in 1940, when you are dealing with the Commodity Credit Corporation?

Mr. BLACKBURN. 15 cents straight through per bale. Our contract with Commodity Credit is 12½ cents.

Senator LUCAS. What was the total that you received per year per bale back in 1932?

Mr. BLACKBURN. That was \$2.45 a bale that year.

Senator LUCAS. And what did you receive per bale last year?

Mr. BLACKBURN. \$1.80.

Senator LUCAS. \$1.90.

Mr. BLACKBURN. \$1.80.

Senator LUCAS. \$1.80?

Mr. BLACKBURN. Yes, sir.

Senator LUCAS. Let me ask you this further question: How does the total number of bales in 1932 compare with the total number of bales in 1940? Perhaps that has been answered, but I got in late.

Mr. BLACKBURN. We carried over that year 91,147 bales.

Mr. REED. That is 1932?

Mr. BLACKBURN. Yes.

Senator LUCAS. What did you carry over in 1940?

Mr. BLACKBURN. Our carry-over at August 1, 1939, was 359,000 bales.

Senator BANKHEAD. You say you carried over; you mean you have that amount on hand on August 1?

Mr. BLACKBURN. Of all classes of cotton.

Senator BANKHEAD. On hand August 1?

Mr. BLACKBURN. Yes, sir.

Senator BANKHEAD. But that does not mean you actually carried that amount over in storage, and I think that is what the Senator wants.

Mr. BLACKBURN. The receipts, with that carry-over, were 523,000 bales in 1932 and, in 1940, 478,000 bales.

Senator LUCAS. In other words, you carried 500,000 bales in 1932?

Mr. BLACKBURN. We did not carry it through that year; we handled that many bales but did not carry them through the year.

Senator ELLENDER. The average amount of time, exclusive of the 92,000 bales, was about 3 months.

Mr. BLACKBURN. In that particular case it was less than 60 days, Senator.

Senator LUCAS. Then there is no way you can determine exactly how long these bales will stay in the warehouse?

Mr. BLACKBURN. Yes, sir.

Senator LUCAS. And is that true of the bales over which the Commodity Credit Corporation has control?

Mr. BLACKBURN. No; they take the stock at the beginning and also the amount on hand at the end.

Senator LUCAS. You enter into a contract with them for the full year?

Mr. BLACKBURN. Yes, sir.

Senator LUCAS. Now, this question also may have been answered, but may I ask, Mr. Chairman, why this legislation is necessary? I

do not know a thing about it and I would like to know why it is necessary, just briefly.

Senator BANKHEAD. I am sure the Senator has noted the controversies we have had heretofore on this storage question; we have had it every year for 3 or 4 years. There is a contest now between the large port warehouses and the interior warehouses. The Commodity Credit Corporation has invited bids at the request, as I gather it, or at least, they have done it, to be made on a competitive basis for this cotton. Heretofore the rate has been fixed per month of storage and now they are inviting bids on a competitive basis, sealed bids, and the contest is between the interior warehouses who claim they cannot compete with the large port warehouses in the matter of storage rates and that the removal to the ports is a cost that will represent a net cost to the farmers and the Government itself for removing the cotton to places where it is not needed because there is no present requirement for export cotton. That is what has brought it about.

Senator LUCAS. I thank the Senator very much.

Let me ask this further question: Has there been any previous precedent in the removal of this cotton from the interior warehouses to the warehouses along the coast?

Senator BANKHEAD. Not on the scale contemplated here. They have from time to time moved Government cotton there. Congress has twice prohibited the Commodity Credit Corporation from moving cotton out of the locality where it is produced without the consent of the producer; this includes not only producers' cotton but in the main applies to Government-owned cotton, to which the previous prohibition did not apply, because at that time the Government did not own the cotton.

Senator LUCAS. May I ask one further question? Does this legislation freeze the cotton in the particular community where it is produced, from the standpoint of warehousing?

Senator BANKHEAD. Except under certain conditions.

Senator LUCAS. What are those conditions; when can they move this cotton after you store it?

Senator BANKHEAD. The object of this bill is to retain the present status; to warehouse cotton just as they are doing it now and just as it has been done during all of the time of these loans by the Government.

Senator LUCAS. That would still give them the authority, then, to move this cotton out?

Senator BANKHEAD. Yes; they would have that authority where the storage facilities are not adequate and where the warehouseman will not meet prevailing rates, and there are some other things. If you will get what is called and even referred to as the "Bankhead bill," passed in 1938, Senator, you will find the specific grounds on which the cotton may be moved without the consent of the producer.

Senator LUCAS. This is a bill to protect the fellow who is right on the ground with his warehouse against the fellow who might have a monopoly by virtue of being able to handle under the costs of the local warehouse?

Senator BANKHEAD. Yes. It is the belief of the interior warehouseman and all of their representatives in Congress in both Houses, as far as I can ascertain, that if this movement is put into operation it

will be oppressive and destructive of the interest of the local warehouse.

Senator LUCAS. It is your contention, Senator, from the statement you have made—

Senator BANKHEAD (interposing). If this movement goes as far as they anticipate it will go.

Senator LUCAS. And you believe from the standpoint of economy that the legislation is that you have in this bill will be as effective as if the cotton is moved out?

Senator BANKHEAD. It may cost the Commodity a little more money. It will evidently cost the farmers more money and the loss will be heaviest on them in the long run.

Senator LUCAS. Why is that, Senator? I am not a cotton man and do not know anything about it.

Senator BANKHEAD. The warehousemen testified here all day yesterday it will inevitably result in increasing the handling rate to the farmer.

Senator LUCAS. In other words, if you take the bulk of the cotton out, then you have to increase your rates on the farmer in order to keep your warehouse a going concern?

Senator BANKHEAD. That is right.

Senator MCKELLAR. That is exactly right. May I say to the Senator from Illinois that in addition to that, if this cotton, for instance, is taken from Memphis at the present time, and there is a good deal of it stored in Memphis and also in Cairo, in the Senator's State—if it is taken from Memphis and Cairo and sent to New Orleans, the cost of resampling the cotton, because whenever it goes into another warehouse it is resampled—and that probably runs from 10 to 20 cents a bale on samples alone.

Then there is the expense of hauling the cotton from Cairo or from Memphis to New Orleans and that has to be taken out, and it all comes out of the farmer; whenever you put an expense on a bale of cotton, that is putting an expense on the farmer, as the Senator no doubt understands, and if the Government owns it, then it is taken out of the bale of cotton that the Government owns. So, when you count up the freight and the loss which is naturally incurred by moving the cotton and sampling and handling of the cotton, instead of saving money to the Government, it is our contention that this new plan would cost the Government a great deal of money.

Senator ELLENDER. Mr. Chairman, it might be well to state at this point for the benefit of the Senator from Illinois, that there has been some evidence brought to the effect that whenever cotton is moved from the interior to the ports it is usually earmarked for export, and that this additional freight that would be paid from Cairo or Memphis to New Orleans therefore adds a value to the cotton and since it would have to be paid anyhow, there is not any loss involved.

Senator MCKELLAR. That is, if it is exported, but at the present time there is no export cotton, of course.

Senator ELLENDER. Of course, I do not know, but I understand there will be evidence produced to show that the amount of cotton that is brought to a port, that is, from the entire Southern States to the Atlantic and Pacific ports, that very little, if any, is reshipped into the interior; that whenever it is shipped into a port and freight is paid, it would have to be paid anyhow if the cotton were shipped

abroad. So, you cannot ordinarily add that as an excess cost since it would have to be paid at any rate.

Senator McKELLAR. Those figures will be brought out and have been brought out.

Senator ELLENDER. Yes.

Senator BANKHEAD. Of course, that is a minor contention here, Senator, but the thought must not be ignored that even conditions in the export of cotton are now altogether changed. There are now nearly 2,000,000 bales of cotton in port warehouses and there is no use for it; it is just lying there like it is in the interior, because the export business has disappeared, and if the export business is not recovered, then there will be a new charge for transportation, shipping that cotton back into the interior mills, or wherever it may be used in this country. So you are gambling on whether it will be exported when you put it into the port, and it may be we will never get our export business back.

Senator ELLENDER. In further answer to the question of the Senator from Illinois with respect to the freezing of this cotton, as I pointed out yesterday, if the bill is adopted as written, in my humble opinion it would have the effect of freezing the cotton where it is produced or, in the alternative, to the place where it is located when the contract is entered into; but Senator McKellar and Senator Bankhead suggested an amendment in order not to have that occur.

Senator BANKHEAD. The real object of that, Senator, is to preserve the status quo.

Senator McKELLAR. It is to preserve the present system of handling cotton. We do not want to hurt any port or anything else, but we want to preserve the present arrangement.

Mr. REED. Do you have anything further, Mr. Blackburn?

Senator AIKEN. I would like to ask a question.

Do your facilities compress most of the cotton that you store?

Mr. BLACKBURN. They compress all of the cotton excepting our Decatur, Ala., plant.

Senator AIKEN. Is that true of most of the facilities?

Mr. BLACKBURN. Yes, sir.

Senator AIKEN. Does the Government exercise control over the compressing charges or do you fix your own rates?

Mr. BLACKBURN. We make our tariff out and send it to the Federal Warehouse Department and if it is thought to be excessive or out of line, the Department has authority to correct conditions which are injurious to the farmer or otherwise under the Textile Warehousing Act.

Senator AIKEN. And that includes compressing charges?

Mr. BLACKBURN. Yes, sir.

Senator BANKHEAD. What proportion of warehousing facilities compress cotton; what proportion of the cotton is compressed?

Mr. BLACKBURN. In the Mississippi Valley area practically all of the cotton is compressed for shipping and the carload-rate structure is based on that. In the eastern belt, closer to the vicinity of the mills, a considerable part of the cotton goes out flat to the mills.

Senator ELLENDER. This bill affects warehousing only and does not affect compressing at all; is that not correct?

Mr. BLACKBURN. Yes, sir.

Mr. REED. Mr. Blackburn, you gave 1931 or 1932 your carryover for that year which was it?

Mr. BLACKBURN. 1932 was the one I gave.

Mr. REED. Will you give the intervening years and the rates, please?

Mr. BLACKBURN. The carry-over in 1932 was 91,000 bales and the tariff was 50 cents for the first month, 25 cents for the next 3 months, and then 15 cents a bale.

In 1933 the carry-over was 94,000 bales, with the same tariff.

In 1934 the carry-over was 85,000 bales, with a tariff of 25 cents a bale for the first month and 15 cents thereafter.

In 1935 the carry-over was 115,000 bales. The tariff was 40 cents for the first month, 25 cents for the next 2 months, and 15.

In 1936 the carry-over dropped back to 98,000 bales, with a tariff of 25 cents for the first month and 15 cents thereafter.

On August 1, 1937, our stocks on hand dropped to 49,000 bales of cotton in these facilities; that was the carry-over for that year. Our tariff was 25 cents for the first month, and the tariff following that year was 40 cents for the first month, 25 cents for the next 2 months, and then 20.

The 1937 crop was a big crop, and therefore our stocks began to go into loan and bank up. On January that same year we reduced our tariff back to 25 cents for the first 3 months and then 15. After the stock began to come back up, we had 49,000 carry-over, and it started to mount up, and we cut our charges in that same year. We did not include insurance during that year.

In the next year, we jumped to 359,000 carry-over, and it dropped to 15 cents, including insurance.

Mr. REED. That is what it is today?

Mr. BLACKBURN. Yes.

Senator McKELLAR. When was the 12½-cent rate for succeeding the first month?

Mr. BLACKBURN. The Commodity Credit rate?

Senator McKELLAR. The present rate.

Mr. BLACKBURN. The present rate, on August 1, 1939, they allowed 15 cents for the first 3 months and 12½ thereafter.

Senator McKELLAR. Now it is 15 cents for the first month and 12½ thereafter?

Mr. BLACKBURN. That is only when it is inducted into the loan on the new contract, but under the old contract it is 12½.

Senator LUCAS. May I ask the witness this question, Mr. Chairman? Do you believe this legislation will have a tendency to induce the people who live in these cotton communities to increase their warehouse facilities by building new warehouses there?

Mr. BLACKBURN. There is a condition of this kind with the amendment that has been introduced.

Senator LUCAS. Have any new warehouses been constructed in the last couple of years?

Mr. BLACKBURN. Yes, sir; in order to meet the demands of the farmers who want to get the bales in under loan and get their money.

Senator LUCAS. I can see something may be in this bill which would, assuming that Senator Bankheads' position is correct, and I do not doubt that it is, and that we will have no export cotton for a number

of years, I can see the possibility of some of these exporters along the coast practically going out of business, perhaps for lack of revenue from a storage standpoint, in the event this cotton was frozen in the community and warehouses were constructed time after time in order to meet the crops as they come along; I am assuming we will have more cotton, as Senator Bankhead thinks; but certainly, as your cotton crop increases, it does not seem to me that the interior fellow should sell any more cotton than the average he has had during the last few years, at the expense of the fellow on the coast who may be forced to go out of business for lack of revenue.

I am just thinking out loud and there may not be anything in that argument, but I want to present it, nevertheless.

Senator MCKELLAR. May I say as the author of the bill, as the Senator suggests, that is what the bill provides; to keep the situation as it is now.

Mr. BLACKBURN. It is to equalize the situation.

Senator BANKHEAD. Senator, the increase in the interior warehouses has already taken place. They have an excess of facilities now, a considerable excess; so I do not look for any additional construction of warehouses in the interior, whether this bill is passed or not; I do not see any need for any more if it is passed.

Senator ELLENDER. Mr. Chairman, since we have been talking about compressed cotton and noncompressed cotton, Mr. Taylor has handed me some figures on the difference in size, and it might be well to have those in the record.

Senator BANKHEAD. Let him testify.

#### STATEMENT OF R. L. TAYLOR, CHAIRMAN, BOARD OF DIRECTORS, FEDERAL COMPRESS & WAREHOUSE CO.

Senator MCKELLAR. Go right ahead, Mr. Taylor.

Mr. TAYLOR. My name is R. L. Taylor, and my address is Memphis, Tenn. I happen to be chairman of the board of directors of the Federal Compress & Warehouse Co.

Mr. REED. How long have you been in the compressing and warehousing of cotton, Mr. Taylor?

Mr. TAYLOR. Thirty-eight years.

Mr. REED. Do you have a list of the plants under your supervision and direction, together with the location and population of the community, so that the committee may see the communities in which your plants are located?

Mr. TAYLOR. We gave all of that information to Mr. Bennett, our traffic manager, who attends hearings of this kind and represents us. I could have brought you considerable detail, and since I have been listening, I feel sorry I did not.

Our fiscal year begins June 1 and ends May 31. At the end of each year for the past 25 years we have made up costs of operation for each year. It starts out with salaries, labor, fuel, taxes, insurance, and every detailed cost per bale—

Mr. REED (interposing). Pardon me, Mr. Taylor, but what I had in mind were the towns in which you operate compresses, together with the stock in each town. Do you have a statement of that so it will save the committee's time in reading it?

Mr. TAYLOR. We operate about 85 compress plants and, with the exception of 5, they all have compress machines in them. Those plants are located in Tennessee, Mississippi, Louisiana, Arkansas, Missouri, and one plant in Texas, at Texarkana—

Mr. REED (interposing). Do you have a statement giving a list of those, which shows the total stocks in each of them, for each of the years?

Mr. TAYLOR. I have something here that Mr. Bennett handed me this morning. I remember everything about these plants in round numbers pretty well. I am not as active in the company as I was a few years ago, but I still try to be active; but the list I have here starts out with Arkadelphia, Ark.—

Mr. REED (interposing). Excuse me, Mr. Taylor. Mr. Chairman, instead of reading it, I suggest we be allowed to put it into the record.

Senator BANKHEAD. Very well.

(The statement referred to is as follows:)

*Stock on hand, Nov. 30, 1940—Loan cotton*

Plant	1934-35	1937-38	1938-39	1939-40	1940-41 as of Jan. 3, 1941	Total
<b>Arkansas:</b>						
Arkadelphia.....			2,253		4,908	7,161
Ashdown.....		7,242	6,377	250	8,695	22,564
Blytheville.....	14,722	32,982	41,802	291	2,749	92,546
Cowway.....	4,146	7,286	5,339		8,893	25,644
Dumas.....					65	65
Earle.....	467		7,028		73	7,568
England.....			5,825		2,969	8,794
Eudora.....		5,065	8,073		63	13,201
Forrest City.....	1,009	11,896	11,714		544	25,163
Fort Smith.....	1,241	14,796	7,716		3,587	27,640
Helena.....		11,614	5,308		11	16,933
Hughes.....						
Lake Village.....						
Little Rock.....	13,976	42,683	13,352	71	12,097	82,179
Mænolia.....		12,163	4,052	46	10,690	26,951
Marianna.....		3,170	1,451	29	223	4,873
Marvell.....	226		14		27	267
McCrory.....					257	257
McGehee.....		9,610	4,587		114	14,311
Morrilton.....	891	9,247	8,163		3,951	22,252
Newport.....	3,486	12,519	3,780	21	1,501	21,307
Oseola.....			13,776		619	14,395
Pine Bluff.....	4,604	40,061	15,408		4,665	64,738
Portland.....			7,414		880	8,294
Russellville.....	1,504	10,283	2,889		2,525	17,201
Searcy.....			5,390		7,232	12,622
Truman.....		7,464	6,118	17	164	13,763
Walnut Ridge.....	5,645	18,593	4,071		1,037	29,346
West Memphis.....	1,911		18,031		429	20,371
Wynne.....						72
<b>Louisiana:</b>						
Lake Providence.....		5,646	4,787		42	10,475
Monroe.....	853	12,410	5,881		6,003	25,147
New Orleans.....	1,584	23,732	34		17	25,367
<b>Mississippi:</b>						
Amory.....		4,442	2,024		524	6,990
Belzoni.....		6,714	3,972	204	179	11,069
Booneville.....			4,755	141	2,309	7,205
Canton.....	255	6,652	14,967	127	1,224	23,225
Carthage.....					2,647	2,647
Clarksdale.....		20,810	7,474	85	153	28,522
Cleveland.....	14	5,258	8,593			13,865
Como.....	129	7,662	5,770		9	13,570
Corinth.....	765	29,990	4,794	178	2,152	37,879
Drew.....			9,429		48	9,477
Greenwood.....		9,036	5,106		32	14,174
Grenada.....	152	20,094	6,336	30	1,176	27,788
Holly Springs.....		16,162	10,033		794	26,989
Inverness.....		3,727	4,740		238	8,705
Jackson.....	961	30	9,996		2,357	13,526
Macon.....			2,557	13	170	2,740
Marks.....	63	6,945	9,479		99	16,566

Stock on hand, Nov. 30, 1940—Loan cotton—Continued

Plant	1934-35	1937-38	19 8-39	1939-40	1940 41 as of Jan. 3, 1941	Total
<b>Mississippi—Continued.</b>						
New Albany.....		20,866	13,252		882	35,000
Ripley.....					479	479
Ruleville.....			3,856			3,856
Shaw.....	61	2,671	2,193			4,925
Shelby.....			12,100		4	12,104
Tupelo.....	5,536	31,097	17,630		423	54,686
Tutwiler.....						
West Point.....	1,140	6,555	3,598		11,293	
<b>Tennessee:</b>						
Brownsville.....	291		22,836		1,876	25,003
Covington.....			9,750		210	9,960
Dyersburg.....		27,450	28,680		2,316	58,446
Jackson.....		26,497	9,836		3,236	39,569
Memphis (SM).....	56,155	54,005	20,326	62	1,112	131,660
Memphis (RS).....	9,696	16,062	2,782		131	28,671
Memphis (BA).....	1,483	30,363	9,188	7	285	41,326
Tiptonville.....			11,969		9	11,998
Ripley.....					458	458
<b>Texas:</b>						
Toarkana.....	256		5,069		31,475	36,800
Lopanto, Ark.....				115	309	424
Marked Tree, Ark.....		25,865	6,856		121	32,642
Aberdeen, Miss.....		3,033	4,483		2,108	9,624
Yazoo City, Miss.....		10,952	12,971	320	253	24,506
Portageville, Mo.....		9,292	13,161	1,516	1,729	25,698
Caruthersville, Mo.....		8,841	15,687	10	470	25,008
Hayti, Mo.....		4,188	5,346		428	9,960
Sikeston, Mo.....				38	1,451	1,489
Milan, Tenn.....		8,778	4,465		487	13,730
Jackson, Tenn.....		12,748	11,730		2,044	26,522
Total.....	133,242	735,027	578,642	3,733	151,817	1,602,461

Senator ELLENDER. You might give the total stock as of this year.

Mr. TAYLOR. Our total stock as of November 30, the loan cotton—

Senator ELLENDER (interposing). That is 1940?

Mr. TAYLOR. Yes, sir.

Senator ELLENDER. Loan cotton?

Mr. TAYLOR. Yes. That is 1,602,461 bales.

Mr. REED. That is all stocks located in the 85 plants in that many different communities?

Mr. TAYLOR. Yes, sir.

Mr. REED. In Arkansas, Tennessee, Mississippi, Louisiana, Missouri, and Texas?

Mr. TAYLOR. That is right.

Mr. REED. Give us just a brief description of the type of communities in which those facilities are located, dealing particularly with the size of them; that is, are they large towns or small towns, or are they interior towns, or on the coast?

Mr. TAYLOR. The smallest town is about 2,500 inhabitants, and that runs up to 10 or 15 thousand inhabitants, except, of course, New Orleans, Memphis, and Little Rock, which are larger.

Mr. REED. Mr. Taylor, have you read the statements that have been made here with respect to the effect upon the producers of cotton, of either reconcentrating these Government-owned stocks or reducing of the storage rate on that, and the bearing that would have on the charges that the company would have to make to the producer for marketing his cotton or inducing his cotton into the loan each year; have you read those statements?

Mr. TAYLOR. I have.



Mr. REED. Based upon your experience in the warehousing and handling of cotton, what is your judgment as to the effect of changing the Government's program of averaging the conditions and fixing the rate to that of obtaining competitive bids on the cotton?

Senator MCKELLAR. Government cotton?

Mr. REED. Government cotton; yes.

Mr. TAYLOR. There is no company that can operate without revenue. You have to have revenue in order to pay taxes, salaries, labor, and so on, and stay in business. The warehouses throughout the Mississippi Valley, and I believe all of the warehouse companies that usually make their tariffs and publish them about August 1 each year—I know we make our tariff for the coming year and it is based largely upon the cotton that is in storage at that time. Now, 2 years ago, I think it has been read here, the tariff charges through the Mississippi Valley were 25 cents a bale for the first month and 15 or 20 cents a bale thereafter per month, which did not include insurance. The tariff through the valley today is 15 cents per bale and it includes insurance, and insurance runs from 1 cent to 2½ cents per bale per month.

Mr. REED. At your plants?

Mr. TAYLOR. Yes. Of course, that is according to the construction of the plant itself, but the average is about 2 cents per bale.

In making the tariff, as I have said, our year ends with May and starts with June. On June 1, 1939, we first published this 15-cent tariff. It was based on the fact we had approximately 3,000,000 bales of loan cotton in storage at that time. The storage on that cotton is paid by the Government annually, during August of each year—

Senator LUCAS (interposing). May I ask a question, Mr. Chairman?

Senator BANKHEAD. Yes, Senator.

Senator LUCAS. How long have you been dealing with the Credit Commodity Corporation?

Mr. TAYLOR. Since their organization.

Senator LUCAS. I do not remember just when that was; how many years ago was that?

Mr. REED. I think it was in 1933, Senator, although it may have been prior to that.

Senator BANKHEAD. I think 1934 was when it was organized.

Senator LUCAS. Did you have all of these plants prior to 1934?

Mr. TAYLOR. We had practically all of them at that time; we have built only two plants since then.

Senator LUCAS. What has been your increase in the building of plants since that time?

Mr. TAYLOR. We spent quite a lot of money in repairing these plants and enlarging them and fixing them up to hold this loan cotton. The plants are all built under insurance specifications. The warehouse is allowed, or was allowed, 75,000 square feet, subject to 1 fire. That 75,000 square feet would hold 7,500 bales of flat cotton, the gin-bale cotton. That was all of the cotton we were allowed to put in without having the insurance rate increased to cover it.

So when the loan came along and our stocks began to pile up on us, we had to do something to take care of that additional cotton, and it costs lots of money to build one of these warehouses separate from the other, probably \$40,000 to \$50,000; so we conceived the idea

of dividing these 75,000-foot compartments in half and running a brick wall through the center and compressing the cotton, thereby reducing the density and storing 7,500 bales on either side of the wall, making the capacity 15,000. The floors that we had built to carry the 7,500 bales would not carry the 15,000, they would not take the weight, and we had to rebuild those floors and reduce the 10-foot-square base to a 5-foot-square base. The average of one of those brick walls was more than \$5,000, and the cost of fixing the floors was about \$2,500. Therefore, to convert one of those buildings into a 15,000-bale division instead of 7,000 cost us approximately \$7,500.

Senator LUCAS. Now, was this all done to meet the demand of the Government in connection with the loan?

Mr. TAYLOR. Absolutely. We had never had any use for that amount of space before; we had never had to compress cotton because our buildings would hold the maximum insurance limit without compression and without these division walls.

Senator LUCAS. 1933 was the first year of the Commodity loan; is that correct?

Senator BANKHEAD. I want to correct that, Senator. The first 10-cent loan was in 1933, and the Commodity Credit was organized to handle that first loan. I have refreshed my recollection since I made the statement.

Senator LUCAS. From 1933 to 1940 you have dealt and negotiated with the Government in connection with these loans on a satisfactory basis from year to year, without much question as to the possibility of the cotton being stored somewhere else; am I right about that?

Mr. TAYLOR. Yes; we have had a contract with the Government all of the time.

Senator LUCAS. Is this the first time the Government has stepped in during these 7 or 8 years and asked for competitive bids?

Mr. TAYLOR. Yes; it is the first time that they have asked for bids. The Government heretofore has fixed the rate from year to year on this cotton—

Senator LUCAS (interposing). They have negotiated direct with the warehouses in the various communities?

Mr. TAYLOR. Yes, sir.

Senator LUCAS. And now they throw this open to the whole country from the standpoint of competitive bidding?

Mr. TAYLOR. That is true, but it does not cover the cotton by years. For instance, the Government has cotton in there of the 1933-34 loan and they also have it on the 1937-38 loan, the 1938-39 loan and 1939-40 loan and 1940-41 loan. We take the position those bids are not competitive because you cannot compete on any year or on any of that cotton but you have to make a bid, under the notice as sent out, on all cotton.

Senator LUCAS. The point that seems to me to be somewhat interesting, Mr. Chairman, is the fact that, as I understand the testimony, you men in the South have expended a good deal of money to meet the demands of the Government in connection with the storing of this cotton, and as I understand it now, if this legislation should not be passed, you stand an opportunity to lose a good deal of your investment that you put in.

Mr. TAYLOR. So much of the cotton has moved already that we are only a little more than 50 percent of capacity now. Our capacity is 4,500,000 bales and we have in storage 2,400,000 bales.

Senator LUCAS. What is true of your plant I presume is true of other plants throughout that country; they all have that demand of the Government to meet?

Mr. TAYLOR. I think it is true throughout the Mississippi Valley. We operate in the Mississippi Valley and refer to that territory as the Mississippi Valley, but I suppose that is true of all compressing warehouses in that section.

Senator LUCAS. I apologize for interfering, Mr. Chairman.

Senator BANKHEAD. You may feel free to develop anything you want, Senator.

Senator ELLENDER. Mr. Taylor, in answer to a question by Senator Lucas you said that the bids that were made, or that the proposals for bids made by the Government, cover the cotton for the years 1934 on up to 1940?

Mr. TAYLOR. Yes, sir.

Senator ELLENDER. Why did you say that; what was in your mind?

Mr. TAYLOR. You could not bid on any one year; you have to take all of the cotton and bid on it, all of the cotton that the Government has taken title to.

Senator ELLENDER. What would be the advantage of bidding for 1 year or 2 years or 3 years? I thought because you mentioned that, you attached some significance to it; if the bids could be made for 1 year, would that be more beneficial than if it covered all of the years?

Mr. TAYLOR. I did not mean that at all. I mean you had to bid for all cotton in storage, whether the Government owned it or made a loan on it. Some of that cotton could not be moved and some of it could be moved. Suppose the rate of storage is 12½ cents per bale per month, including insurance and suppose you bid 12 cents per bale per month, you would have to bid on the cotton the Government owns as well as that which they do not own.

Senator ELLENDER. I understand that. If the bids were made so that a warehouseman could bid strictly for this immobile cotton, some way could be reached whereby you could probably put in a bid for that amount and put in a separate bid for the other cotton that is more mobile.

Mr. TAYLOR. That would be more competitive, I should think. Another thing, the compression on a bale of cotton is approximately 60 cents, or around 12 cents a hundred, and they put in the contract a provision that cotton had to be delivered at port warehouses and had to be compressed for a sum less than 60 cents. So the interior compresses could not deliver that cotton and compress it for 60 cents and deliver it to the ports. So that would give the port warehouse an advantage on that bid because the cotton comes to them already compressed.

Senator ELLENDER. So it would not be competitive bidding.

Mr. TAYLOR. That is right.

Senator MCKELLAR. The interior warehouse could not bid at all.

Mr. TAYLOR. No, sir.

Senator ELLENDER. Mr. Taylor, I notice from the statement you have submitted to the reporter showing the stocks of loan cotton on hand in all of these plants, that there is a total of 1,602,461 bales;

does that mean Government-owned cotton, or cotton in which the farmer has an equity and the Government has loaned money on it; is that it?

Mr. TAYLOR. Today that 1,600,000 bales, out of that, more than 200,000 bales have been taken out of the loan since November. We have only about 1,400,000 bales of Government cotton now. I was talking to a farmer the other day and he told me he had sold his cotton at a profit—

Senator ELLENDER (interposing). I notice the capacity of all plants is 4,500,000 bales, and that you now have on hand a total of Government cotton and other cotton of 2,400,000 bales, and that is as of November 30, 1940; is that correct?

Mr. TAYLOR. Yes, sir; it is a little less than that now.

Senator ELLENDER. Does that figure of 2,400,000 bales reflect a larger figure than you carried in the past, let us say, before the Government went into the business of loaning money on cotton?

Mr. TAYLOR. Yes; it is much larger than it was prior to 1933, I will say; it is smaller than it was this time last year by about 800,000 bales, but it is much larger than it was prior to the Government making loans.

Senator ELLENDER. Well, now, would you be able to say about how much cotton all of your warehouses carried or had on hand at the end of the year, say, prior to the time that the Government went into the business of loaning money on this cotton?

Mr. TAYLOR. It would not exceed 500,000 bales at the most.

Senator ELLENDER. Was that compressed or not?

Mr. TAYLOR. It was not; it was all in the hands of the farmer or buyer.

Senator ELLENDER. It was not compressed?

Mr. TAYLOR. No, sir.

Senator ELLENDER. I am going to ask you the same question I asked the preceding witness. If it were not for the fact you have on hand this large amount of Government cotton that is immobile and must stay there, would it not be necessary for you to increase the cost of storing the cotton that moves in and out during the year?

Mr. TAYLOR. Absolutely it would have to be raised for the reason that 1,400,000 bales of cotton there, we have approximately \$2,000,000 coming to us at the end of the year if the cotton stays there that long.

Senator ELLENDER. And it usually stays there, in comparison to the other, does it not?

Mr. TAYLOR. Yes.

Senator ELLENDER. And you can almost depend on that?

Mr. TAYLOR. We take that into consideration when we publish the tariff of 15 cents a bale a month.

Senator ELLENDER. What were your charges, approximately, before the Government went into the business of loaning money to the farmer on cotton?

Mr. TAYLOR. To go back before they started that, it was approximately 50 cents for the first month, 25 cents for the second, and 20 cents thereafter, and there was no insuring of cotton; no one issued an insured warehouse receipt.

Senator ELLENDER. What is the average length of time that you have kept cotton in the past, that is, before the Government loan went into effect?

Mr. TAYLOR. That varied. I used to be more active than I am in the business now.

Senator ELLENDER. You are pretty active now, Mr. Taylor; do not try to make excuses on that score.

Mr. TAYLOR. I am trying to see what my boy is going to do while I am living; I do not want to wait until I have to come back to see what he is doing and how he is running it. I am putting most of those things up to him; however, before there was a Government loan there were 38 percent of the cotton in our plants that went out in 30 days' time.

Senator ELLENDER. Thirty-eight percent?

Mr. TAYLOR. Went out.

Senator ELLENDER. Some gentleman here testified that the average throughout the year was about 90 days; would you agree with that?

Mr. TAYLOR. That is an average, but I do not think ours ever averaged that much before the Government loans.

Senator ELLENDER. In other words, if your cotton stayed 60 days on an average, that means that you, as a warehouseman, would have to handle that cotton, sample it, and store it for 2 months, and the price that the farmer had to pay for that service was 50 cents for the first month and 30 cents for the second month—

Mr. TAYLOR (interposing). Approximately 75 cents for 60 days; now he pays 30 cents for 60 days.

Senator ELLENDER. So it would be impossible according to your view for you to handle that cotton unless you had this Government cotton for 15 cents?

Mr. TAYLOR. Absolutely. You cannot render the service that you have to render at 15 cents a bale and make money; you have to have the Government backlog to carry on.

Senator ELLENDER. How does the Federal Compress Co. compare in size with the other compresses throughout the Nation; are you not one of the largest?

Mr. TAYLOR. We are supposed to be. It was organized in 1925. It was a merger of some 28 or 30 or 40 other corporations—

Senator ELLENDER (interposing). By the way, I do not want to pry into it, but did not the Federal Compress Co. get into trouble about monopolistic tendencies with the Federal authorities?

Mr. TAYLOR. Not until recently. We have never had any trouble with the law and we do not think we have ever violated any law, but about a year ago someone reported something to the Federal Trade Commission and they sent an investigator down and he came there in April or May of last year. We gave him all of our information and turned over our list of stockholders, records, and everything we had, and he then reported to his superiors, whoever they were. Then they sent an examiner down, and he came in November, and he took testimony with a couple of lawyers from the Federal Trade Commission all over the State. I was the first witness called in Memphis and they kept me on the stand 2 or 3 days, and then went to Clarksdale, Greenville, and Blytheville, Ark.—

Senator ELLENDER (interposing). I did not intend to go into the details.

Mr. TAYLOR. I think I should tell the story.

Senator BANKHEAD. I think it is fair to let the witness continue since the question has come up.

Senator MCKELLAR. I think the question is proper and I am glad the Senator asked it.

Mr. TAYLOR. They had the hearing at Little Rock and adjourned for Christmas. Then we got notice we were to meet again on January 10, but on the first of January we got further notice that the attorney for the Commission was sick and that it will probably be the middle of February before they again resume this hearing.

We are very anxious they resume it and get through with it because we have no fear of the result.

Senator ELLENDER. The point is, Mr. Taylor—

Senator BANKHEAD (interposing). Did Mr. Arnold, the "trust buster," start this investigation?

Mr. TAYLOR. No, sir; it is an investigation by the Federal Trade Commission.

Senator MCKELLAR. It is a different sort of investigation, Senator.

Senator ELLENDER. The facts remain that the charges you made in 1932 and from then on up, were about the charges which were made to the farmer by other concerns?

Mr. TAYLOR. They are about the same throughout the valley.

Senator ELLENDER. And that was brought out at these hearings, was it not?

Mr. TAYLOR. Yes, sir.

Senator MCKELLAR. May I ask right there, while you are talking about this organization, about how many stockholders have you, Mr. Taylor?

Mr. TAYLOR. About 2,800.

Senator MCKELLAR. Are any of them farmers?

Mr. TAYLOR. Oh, yes.

Senator MCKELLAR. About how many of them; have you had any investigation made as to that?

Mr. TAYLOR. Yes; there are probably 900 who are directly farmers, and I suppose fully half of them are interested in farming, more or less.

Senator MCKELLAR. Would you be good enough to have a list of them made and filed as part of this hearing?

Mr. TAYLOR. Mr. Bennett has the list right here.

Senator MCKELLAR. May I ask one other question inasmuch as this list will be in here; does it happen that Anderson, Clayton & Co. own any stock in your concern?

Mr. TAYLOR. Yes; they are one of our largest stockholders.

Senator MCKELLAR. One of your largest stockholders?

Mr. TAYLOR. Yes, sir.

Senator MCKELLAR. I just wanted to bring that out.

Mr. TAYLOR. They are also one of our good customers.

Senator ELLENDER. As I understand it, Anderson, Clayton & Co.—

Senator BANKHEAD (interposing). Senator, I do not think we should cumber up this printed record with this long list of stockholders.

Senator MCKELLAR. We would be very glad to have it in the record.

Senator BANKHEAD. I suggest it be filed here and left for the inspection of the committee or any member of the Senate.

Senator MCKELLAR. I want the committee to know we have nothing in the world to conceal.

Senator BANKHEAD. We will file it, but not print it in the hearing.

Senator ELLENDER. Since Senator McKellar has brought up the

subject, Mr. Taylor, you say Anderson, Clayton & Co. are your largest stockholder?

Mr. TAYLOR. No; they are not the largest stockholder but they are among the largest stockholders.

Senator ELLENDER. Of course you, in a measure, represent Anderson, Clayton & Co. as stockholders.

Mr. TAYLOR. I represent all of the 2,800 stockholders; yes, sir.

Senator ELLENDER. Is there any opposition from Anderson, Clayton & Co. to this bill?

Mr. TAYLOR. Not that I know of.

Senator ELLENDER. It has been alleged on several occasions that these large warehousemen, particularly Anderson, Clayton & Co., were fighting this bill; have you any knowledge of that?

Mr. TAYLOR. There is no fight between us and Anderson, Clayton & Co. Mr. Clayton was a director in our company until he came to Washington. He resigned his place then.

Senator ELLENDER. Have you any reason to believe from conversations you have heard, or anything else, that these large warehousemen are opposed to this bill, such as Anderson, Clayton?

Mr. TAYLOR. I know nothing except what I have seen in the papers.

Senator MCKELLAR. Since he has asked you for it, would you mind stating what you have seen?

Mr. TAYLOR. I have seen in the papers that the port warehouses—I do not know about Anderson, Clayton; they are one of the large port warehouses, but there are a great many other large port interests besides Anderson, Clayton—

Senator ELLENDER (interposing). You have a warehouse in New Orleans, do you not?

Mr. TAYLOR. Yes.

Senator ELLENDER. Are you familiar with the warehouse in New Orleans?

Mr. TAYLOR. Yes, sir.

Senator ELLENDER. Do you know who owns or controls the large warehouse in New Orleans?

Mr. TAYLOR. Anderson, Clayton has two warehouses there.

Senator ELLENDER. You do not know the State of Louisiana owns them?

Mr. TAYLOR. The State of Louisiana owns the largest one and handles more cotton than anybody else, but there are half a dozen others there.

Senator ELLENDER. Does the same thing prevail in Houston and Galveston?

Mr. TAYLOR. I am not familiar with Houston and Galveston; it has been many years since I was down there.

Senator ELLENDER. It has been stated in the newspapers, and you have indicated and I have heard on two or three occasions, that there was a big fight between certain interests on this bill, and if there is any evidence to show it, I would like to have it. If you know anything along that line, let us have it.

Mr. TAYLOR. No, sir; I do not know of anything along that line. This is my first trip up here in probably more than a year.

Senator MCKELLAR. May I ask a question, Senator Ellender?

Senator ELLENDER. Yes.

Senator McKELLAR. That is, would you let me interject one?

Senator ELLENDER. Certainly.

Senator McKELLAR. Mr. Taylor, as I understand it, you favor, generally, this bill?

Mr. TAYLOR. Yes, sir; I heartily favor it.

Senator McKELLAR. You think it is best for the farmer?

Mr. TAYLOR. Certainly it is best for the farmers; it will save them a lot of money.

Senator McKELLAR. And best for the warehousemen?

Mr. TAYLOR. Yes, sir.

Senator McKELLAR. And best for the cotton industry?

Mr. TAYLOR. There is no doubt about that in my mind.

Senator McKELLAR. This bill merely keeps the system you have had in vogue for a great many years and a system in which the Government and everybody else has concurred; is that true?

Mr. TAYLOR. That is true.

Senator McKELLAR. And if the plan that is suggested by Mr. Robbins, the head of the Commodity Credit Corporation, should be carried through, what would be the practical result of that; could the interior warehousemen afford to compete on those contracts?

Mr. TAYLOR. No, sir. The first thing I think it would do, it would raise the tariff to the farmer on all cotton he is now growing or may grow hereafter; it would take the cotton out of the interior to the ports and there is no export business now. I do not think any firm is moving any cotton for export; it will take the cotton out of the interior, where the farmer, on that cotton where the Government has not taken title, is now selling every day at a profit. As I started to say awhile ago, a farmer showed me where he had withdrawn some cotton and had got \$4.50 a bale out of it.

Mr. REED. Was that 1938 cotton?

Mr. TAYLOR. Yes. It would practically stop all of that. If the Government wants to keep the cotton it would be a good thing to move it because it would be out of the farmers' hands if you move it to the ports.

Senator McKELLAR. Talking about freezing, and using that term in the sense it is used in the cotton business, do you know, Mr. Taylor, of any better way to freeze Government cotton than to haul it down at great expense, sample it again, and put it in port warehouses at this time?

Mr. TAYLOR. That is the surest way to freeze it.

Senator McKELLAR. That is the surest way to freeze it?

Mr. TAYLOR. Yes, sir.

Senator McKELLAR. Can you imagine any better way to freeze it?

Mr. TAYLOR. No; it adds to the expense; I do not think you can move it for less than \$2.50 a bale down there.

Senator McKELLAR. It would take that much to transfer it?

Mr. TAYLOR. Yes. If you want to bring it back East, then you have lost the identity of the cotton; you have lost its premium value and have also incurred the expense of hauling it into and out of New Orleans. The cotton usually goes direct to the mills in Carolina and Georgia and the East. It is a sure way of freezing the cotton, as you express it, Senator, and of adding expense to it.

Senator McKELLAR. You have seen the published statement of the Secretary of Agriculture and Dr. Robbins, head of the Commodity



Credit Corporation, which says the Government is losing \$5,000 a day by not shipping this cotton and freezing it as you have described, in the coast ports?

Mr. TAYLOR. Yes, sir.

Senator McKELLAR. What do you think about that statement, Mr. Taylor?

Mr. TAYLOR. I do not know on what they base that. I do not know what offers they are getting from the ports to store this cotton; all I know is we are getting 12½ cents a bale at present and the ports are getting 12 cents; that is the rate at New Orleans; I do not know about any other ports, but the rate at the New Orleans ports is 12 cents a bale and in the interior it is 12½ cents.

Senator McKELLAR. Mr. Taylor, you have been in the business a long time. I do not know whether you have ever raised cotton or not, but I imagine you have.

Mr. TAYLOR. Yes; I was share-cropping when I was 20 years old.

Senator McKELLAR. Now, I want to ask you this question. For years, Congress has been trying, with almost every particle of its energy and its ability, to help the farmers along, as you know, and as everybody else in this country ought to know, whether they do or not.

Mr. TAYLOR. Absolutely.

Senator McKELLAR. Do you know of any better way to injure the farmers of the South who are raising cotton than for the plan that has been suggested by the Commodity Credit Corporation to go through?

Mr. TAYLOR. I do not know of any.

Senator ELLENDER. Mr. Taylor, do you have any idea of the capacity of these ports?

Mr. TAYLOR. No, sir.

Senator ELLENDER. To hear some of this testimony you would assume that the ports could take all of the cotton from the interior and ship it over there. In New Orleans you could not store more than 700,000 bales, could you?

Mr. TAYLOR. All told?

Senator ELLENDER. Yes. Now, this is the question I want to ask you: You have a warehouse in the city of New Orleans and it has been testified to that whenever cotton is shipped to a port it is usually earmarked for export?

Mr. TAYLOR. That is true.

Senator ELLENDER. Is that not true?

Mr. TAYLOR. Absolutely.

Senator ELLENDER. There is very little of that cotton which is sent to a port that is not shipped abroad.

Mr. TAYLOR. Practically all.

Senator ELLENDER. And has it not been the policy of the Government whenever they do ship cotton or store cotton at a port, it is done with the understanding that it is to be shipped abroad?

Mr. TAYLOR. It is earmarked cotton, just like the barter cotton all went to New Orleans from this section for export.

Senator McKELLAR. May I interject another question, Senator?

Senator ELLENDER. Yes.

Senator McKELLAR. As a cotton man, dealing with cotton all your life, with the present condition that no cotton, whether earmarked for export or not can now be exported, do you see any reason for filling up the warehouses with this cotton, the coast warehouses, with this cotton marked for export?

Mr. TAYLOR. I do not see any excuse for it. It is possible they may need something else besides cotton in the next year or two, those warehouses.

Senator McKELLAR. However that may be, certainly there is no need to put additional warehouses or additional cotton in those warehouses along the coast at this time when there is no demand for export cotton.

Mr. TAYLOR. None at all. Speaking for our own warehouse down there, we have only 60,000 bales storage capacity, and I think we have 45,000 bales there now.

Senator McKELLAR. And it is likely to remain there, is it not?

Mr. TAYLOR. Yes, like all of this Government cotton it will be there indefinitely, I assume. Most of the other warehouses are as full as we are.

Senator ELLENDER. Does that apply to the interior also, that you do not expect all of this Government cotton to move?

Mr. TAYLOR. No, sir.

Senator ELLENDER. It is probable that in the course of time, when the war is over, they may send that abroad.

Mr. TAYLOR. If we thought it was going to move, we would consider that in considering our tariff for next year, if we thought it was going to move out. The revenue would have to come from somewhere.

Senator McKELLAR. And it would come out of the farmer, would it not?

Mr. TAYLOR. That is right, Senator, it would come out of the farmer.

Senator BANKHEAD. Are there many large interior warehouses, such as at Atlanta?

Mr. TAYLOR. Atlanta has a whale of a lot of storage room, and Memphis, Little Rock also have a whale of a lot of storage room, and Blytheville, Ark., also has a whale of a lot of it. There is a lot of storage room in the interior. They all have available room now. I know there is not a warehouse in the interior that is full of cotton; I know there is not in our system.

Senator BANKHEAD. Does anyone else wish to ask a question?

Senator WILLIS. This question may not be relevant, but what is the probability of ultimate disposition of Government-owned cotton?

Senator BANKHEAD. Senator, if you could answer that for me, I would be indeed a happy man, but it is a horrible problem.

Senator WILLIS. How much are we taking on of this cotton in which the owner has an equity?

Senator BANKHEAD. This is a rough estimate, but it is from 2 to 3 million bales.

Senator WILLIS. And we have 6 million bales now.

Senator BANKHEAD. Off the record.

(Discussion off the record.)

Mr. REED. Mr. Brinkley.

**STATEMENT OF H. M. BRINKLEY, COTTON FARMER, ROUTE 2,  
HUGHES, ARK.**

Senator McKellar. State your name and business, Mr. Brinkley.

Mr. BRINKLEY. H. M. Brinkley. I am a cotton farmer. My address is Route 2, Hughes, Ark.

Senator McKellar. How far is that from Memphis, Tenn., Mr. Brinkley?

Mr. BRINKLEY. Thirty-six miles.

Senator McKellar. It is across the river from Memphis?

Mr. BRINKLEY. It is on the bank of the river, down the river from Memphis.

Senator McKellar. To what extent are you and have you been in the farming business?

Mr. BRINKLEY. Since 1916, with the exception of a little time spent in the service, about a year and a half.

Senator McKellar. Outside of being in the service in the first World War, you have been farming all your life?

Mr. BRINKLEY. Yes, sir.

Senator McKellar. What is the extent of your farming operation?

Mr. BRINKLEY. I own one plantation, on which I have a cotton allotment of 320 acres, and I run a large plantation on shares, on which I have a cotton allotment of enough to make 1,254 acres total. I cultivate 3,000 acres of land.

Senator McKellar. You cultivate 3,000 acres?

Mr. BRINKLEY. Yes, sir.

Senator Bankhead. Cotton land?

Mr. BRINKLEY. Yes; but our allotment is only 40 percent.

Senator Bankhead. That is under the Bankhead Act?

Mr. BRINKLEY. Yes, sir.

Senator McKellar. Mr. Brinkley, are you familiar with the charges made by the various warehouses in your vicinity?

Mr. BRINKLEY. Yes, sir; we have a flat rate of 15 cents per month. We take our cotton to the warehouse in our own trucks.

Senator McKellar. Where do you warehouse your cotton?

Mr. BRINKLEY. At West Memphis, Hughes, or Memphis, as the situation calls for, but the rate is all the same.

Senator McKellar. The rate is all the same?

Mr. BRINKLEY. Yes, sir. They unload our cotton, store it, sample it, and send our samples to our merchants, and it is sold, and they give us a negotiable receipt, and they insure it, all for 15 cents.

Senator McKellar. That is for the first month?

Mr. BRINKLEY. I am usually so hard pressed for money I usually sell my cotton before a month is up.

Senator McKellar. You sell your cotton right away?

Mr. BRINKLEY. Yes, sir.

Senator McKellar. As soon as it is possible to put it on the market, you sell it?

Mr. BRINKLEY. Yes.

Senator McKellar. That is an awfully good plan if you can keep it up.

Mr. BRINKLEY. Of course, if the demand is too slack, then I put it in the loan.

Senator BANKHEAD. You can sell it at a price above what you would get in the loan?

Mr. BRINKLEY. Yes, sir.

Senator MCKELLAR. Mr. Brinkley, have you read Senate bill 262?

Mr. BRINKLEY. I have not read the bill, Senator; I am not under oath, but still I want to tell the truth. I have discussed it, however, and think I am familiar with the things in it.

Senator MCKELLAR. Do you know of the plan attempted to be put into effect by the Commodity Credit Corporation of reconcentrating this cotton along the coast?

Mr. BRINKLEY. I would like to tell in my own words my experience.

Senator MCKELLAR. I wish you would.

Mr. BRINKLEY. I belong to an organization in Arkansas which is called the Farm Leaders. We have an organization for the purpose of dealing with problems peculiar to cotton, just like an association of surgeons like the members of the American Medical Association but still they would have their own surgeon's organization. We have our own cotton organization, which is called the Arkansas Cotton Council. The Agricultural Council of Arkansas—in the latter part of November word reached us that the Commodity Credit Corporation was calling for bids for the purpose of lowering the storage charges on Government-controlled cotton, and our board of directors had a meeting on it, and we were very lukewarm about it. We thought it was the compress people's fight. I personally have never owned a share of compress stock, and I have no close friends or business associates in the compress business; I am a farmer and nothing else. As I say, I was lukewarm at this meeting. Some of the other directors brought up the fact that anything that would affect the storage charges of cotton was of interest to our organization, and one director brought up the parallel that if the Post Office Department would call for bids, for lowest bids on transporting the mails from Arkansas to New York and Washington, they could probably get some very low bids for hauling the mail by truck, but it would be very detrimental to the railroads, and while we as an organization were opposed to the compresses on a lot of points and were also opposed to the railroads, still we would not want to see the carriage of mail taken away from the railroads; and for that reason we would not want to see this Government business taken away from our compresses, since we use the compresses in our vicinity in order to retain the identity of our cotton.

Senator MCKELLAR. What would be the effect of making this change in the compress law; what would be the effect on the farmers in your judgment?

Mr. BRINKLEY. Every farmer I have talked to is afraid of the change.

To go on with my story, if I may, Senator.

Senator MCKELLAR. Yes.

Mr. BRINKLEY. Two of us were sent up here to Washington in November to talk it over with Mr. Robbins and Mr. Wick, and they straightened us out on a great many points, but they did not convince us that our cotton in which we still had an equity should be taken away from our neighboring warehouses; they did tell us there was no intention of taking away the cotton in which the farmer still had an equity; Mr. Robbins told me that himself, and I may say I think Mr. Robbins is one of the most sincere, honest, high-class, and loyal Government

men, and I have always worked hand-in-hand with the Department of Agriculture and usually have seen eye to eye with them.

I think the first time I went over there, Senator McKellar sent me over in 1933, when the first triple A bill was passed, and I have been working with them ever since and have seen eye to eye with them on almost all points, but in this case I have not been able to see their viewpoint, because I know as a farmer I would not want my cotton stored in Mobile, New Orleans, or any other port. They tell me they are not going to store my cotton, but they might have to store the Government cotton. The only point on which I differ with Mr. Robbins is I would not want my cotton to go to New Orleans even if I could save from 2 to 5 cents a month, and I do not see why the Government should want to put its cotton down there; why could not the Government keep its cotton where it would be worth more to a mill that knows the cotton?

Senator BANKHEAD. In other words, based on your experience and prevailing market conditions, you realize the Government would lose in the sale value of its cotton if the cotton loses the identity of its location?

Mr. BRINKLEY. That is my firm belief, Senator Bankhead, and it is the only point on which I cannot see eye to eye with Mr. Robbins.

Senator BANKHEAD. In other words, the same reason that actuates the owners of cotton all up and down that area where they have established a premium in price, that same reason would have exactly the same effect on the Government?

Mr. BRINKLEY. That is it, Senator.

Senator BANKHEAD. And therefore on a very large quantity of cotton?

Mr. BRINKLEY. I feel that is true. They tell me the saving would be 1 or 2 cents per month.

Senator BANKHEAD. How do they know that; have the bids been opened?

Mr. BRINKLEY. I do not know, but even if it were 5 cents per month it would take  $9\frac{1}{3}$  years for the saving to amount to a cent a pound. The Cannon Mills will pay me half a cent a pound more for my cotton in Memphis than they will pay for an unknown brand of cotton stored in New Orleans. They know the land my cotton grows on. I do not believe my cotton should lose its identity.

I want to say I am not here to fight the Department of Agriculture because the men in the Department of Agriculture have done wonders for our business; they have helped up a great deal and they have stuck with us when the cotton merchants and others have tried to tear our program down.

Senator BANKHEAD. I agree with you 100 percent on that. I have been dealing with people in the Department of Agriculture from top to bottom, and this is the first difference I have had with them.

Mr. BRINKLEY. Some point may be brought out that it would pay to run these prices down and ship the cotton around, but I have not been able to see it yet. I might say I was convinced by Senator Bankhead on the original Bankhead bill; I was up here to fight that bill, but Senator Bankhead talked me out of it.

Senator BANKHEAD. I did a good job, did I not?

Mr. BRINKLEY. Yes, sir.

Senator MCKELLAR. Taking it as you understand it, Mr. Brinkley, do you see how the warehousemen can keep the same low rates they

have now if they have no Government cotton as a backlog, so to speak?

Mr. BRINKLEY. No, sir. I think the Government backlog gives the cause of our 15-cent storage rate. I am very firm in that belief.

Senator McKELLAR. Do you not think it would increase the cost to farmers like yourself in storage rates if this program was carried through?

Mr. BRINKLEY. I think it would. All farmers are afraid to death of something happening to our 15-cent storage rate.

Senator McKELLAR. You are entirely satisfied with it?

Mr. BRINKLEY. Yes, sir.

Senator McKELLAR. And you would like to keep it?

Mr. BRINKLEY. Yes.

Senator BANKHEAD. It is better than before?

Mr. BRINKLEY. I have paid as high as 40 cents. What this bill would do or would not do, I am not in a position to take a position. I can say I like the 15-cent storage rate and am afraid if anything happens to the Government cotton, the cotton in storage under Government control, it would hurt the 15-cent storage rate and I do not believe it would do the Government any good to carry this cotton to some other locality, even though they paid 5 cents per bale per month for it.

Senator ELLENDER. You say very little of your cotton goes into the loan?

Mr. BRINKLEY. I have most of the 1938 crop in the loan, but not this year.

Senator ELLENDER. You realize this bill does not affect cotton unless it is in the loan or unless the Government owns it?

Mr. BRINKLEY. That brings up another point. I was instructed by my board of directors to talk this thing through. I would not be up here today but for a press release in the Memphis Commercial Appeal stating that a delay in the taking of bids would cost farmers with cotton in the loan and taxpayers, \$5,000 a day. I took that to mean that cotton that I had in the loan in 1938, in which I think I have an equity now, was going to be kicked around and maybe end up in Lubbock, Tex., or Greensboro, N. C., and therefore the Cannon Mill would not give me half a cent premium on it. I do not believe Mr. White could keep up with that cotton over there. I know a great many farmers who grow cotton in other sections of the country are putting their cotton in the loan because the loan value is higher than the market price in their community, but my cotton has a higher market price than the loan value because of the locality in which it is grown.

Senator BANKHEAD. You are helping the Government by getting a better price so that your cotton does not have to go into the loan?

Mr. BRINKLEY. Innocently, I do; yes, Senator.

Senator BANKHEAD. It has that effect.

Mr. BRINKLEY. Now, when I got up here I was told that the cotton in which I still had an equity was not going to be considered in any transfer of location, but I still feel that if it is best for me to keep my cotton in my area of production, why is it not best for Dr. Robbins to keep the Government's cotton there and preserve its identity. That is the point I cannot see. Everything else we have talked about we are together on just like this [indicating], and I hate to be seen up here with a bunch of compressmen, because the compressman is like the old

railroad used to be, or like a Republican is in Mississippi; he is bad company.

Senator McKELLAR. Mr. Brinkley, you may be assured of one thing, and that is that the people on this committee are looking after the farmer's interests.

Mr. BRINKLEY. Senator, I think the people in the Department of Agriculture are doing their best to look after the farmer's interest, also, and if we differ on a point, I do not think that is anything unusual and we should not consider them as not looking after our interest.

Senator ELLENDER. The point I want to bring out is you realize that even though these bids would be made, or would be opened and the Commodity Credit Corporation would exercise its right under them, it would not really amount to your cotton being shipped to New Orleans or Houston or Galveston or anywhere else, because the local concerns may meet that price; you understand that, do you not?

Mr. BRINKLEY. I do not know what the result of the bids would be, but I want to bring out the point it should not be shipped. I am not contending it would be shipped.

Senator ELLENDER. You know that is possible.

Mr. BRINKLEY. Yes, sir.

Senator ELLENDER. And you know the way prices were brought down was along that same line.

Mr. BRINKLEY. I certainly believe the Commodity Credit Corporation is responsible for the 15-cent charge; I sincerely believe that.

Senator ELLENDER. They may be wrong in their method, I do not know, but what I think the Commodity Credit Corporation is now trying to do is to still lower that 15-cent rate, but as to whether or no it would inure to the benefit of the farmer in the long run, is something I am in doubt about and that is why I am trying to get down to the bottom of it and get all of the facts I can on the subject.

Senator BANKHEAD. You said there was one point you did not agree with Mr. Robbins about, Mr. Brinkley; as I gather from your testimony there are certainly two points on which you do not agree. You have emphasized time and again you are afraid it will increase your rate.

Mr. BRINKLEY. Yes. I have not talked with Mr. Robbins on that point—I believe there are two points. I might ask Dr. Robbins whether I remember right on that. Did we disagree on whether this taking of bids would endanger the farmer's 15-cent storage rate? I think it would endanger it.

Senator BANKHEAD. Let us not get into an argument with a witness who wants to testify later.

Mr. ROBBINS. I will be glad to answer it off the record, if you like.

Senator McKELLAR. Oh, no; it should be on the record.

Senator BANKHEAD. You will have time to go into it later. We want to be fair with Dr. Robbins.

Senator McKELLAR. Oh, sure.

Mr. BRINKLEY. I think this press release is one of the worst things that could have been put out; it is the worst thing since the press release in 1937, when we had gotten this surplus of cotton down, and Senator Bankhead and all of the other Senators and people in the administration had worked hard and gotten the surplus down, and a press release came out just before planting time, and we did not read anything else in the paper that day. That press release stated

the program had been a great success and the surplus had all been consumed and that cotton was headed for a price of 16 or 18 cents a pound; and we all know what happened in 1937.

Senator MCKELLAR. Mr. Brinkley, do you know who wrote that article?

Mr. BRINKLEY. I have been told that people who had been fighting the program were directly responsible for the press release in 1937, and I am wondering if the same interests could not be responsible for other misinformation in southern papers.

Senator BANKHEAD. We got the biggest crop in American history in that year.

Mr. BRINKLEY. We all wanted the 16 or 18 cents that was mentioned in the article.

Senator BANKHEAD. We got 18 or 12 million bales.

Mr. BRINKLEY. That makes the farmer a little scared of certain interests.

Senator MCKELLAR. I do not blame you.

Senator WILLIS. In a fair year, how much cotton do you produce, how many bales; what is your crop?

Mr. BRINKLEY. On my present acreage?

Senator WILLIS. Yes.

Mr. BRINKLEY. It would be a little over 11½ bales per acre on 1,265 acres.

Senator BANKHEAD. Which means your total number of bales would be about 1,500?

Senator MCKELLAR. You are a good farmer to raise that much cotton on that amount of land.

Senator ELLENDER. He has good land; that is the alluvial soil.

Senator MCKELLAR. It is better than any I have worked.

#### STATEMENT OF B. F. HARBERT, FARMER, ROBINSONVILLE, MISS.

Senator MCKELLAR. Give your name to the stenographer.

Mr. HARBERT. B. F. Harbert.

Senator MCKELLAR. And your address?

Mr. HARBERT. Robinsonville, Miss.

Senator MCKELLAR. What is your business, Mr. Harbert?

Mr. HARBERT. I am a farmer, Senator.

Senator MCKELLAR. State to the committee the extent of your farming, Mr. Harbert.

Mr. HARBERT. I farm about 3,700 acres of land—about a section and a half owned by me and the balance rented.

Senator MCKELLAR. About how many bales of cotton do you produce?

Senator BANKHEAD. What is your cotton acreage?

Mr. HARBERT. It is 1,603 for 1941.

Senator MCKELLAR. How much do you make in an average year on that?

Mr. HARBERT. My 5-year average is 550 pounds.

Senator MCKELLAR. To the acre?

Mr. HARBERT. Yes, sir.

Senator MCKELLAR. Of lint cotton?

Mr. HARBERT. Yes, sir.

Senator MCKELLAR. A little over a bale?



Mr. HARBERT. That is right.

Senator BANKHEAD. That would be about 1,600 bales?

Mr. HARBERT. Last year we made a bale and a third to the acre.

Senator BANKHEAD. That would be a little over 2,000 bales.

Mr. HARBERT. Yes, sir.

Senator McKELLAR. Mr. Harbert, you are familiar with this situation here; will you give us your views about it? I have not talked with you and do not know what your views are, but you are a farmer and we would like to have your views.

Mr. HARBERT. I am just fairly familiar with it, Senator.

Senator McKELLAR. Go ahead and tell us.

Mr. HARBERT. On short notice I was requested by the president of the Delta Council in Mississippi to come up and protest against the removal of this Government cotton from our local compresses and warehouses.

Senator McKELLAR. What reasons have you for protesting against the removal of this cotton from your local warehouses?

Mr. HARBERT. One reason I have is I believe that it will increase the rate when this cotton is removed. I believe when you decrease the baleage of our local presses, that the rate is bound to increase.

Senator BANKHEAD. You mean the storage rate?

Mr. HARBERT. Yes, sir.

Senator McKELLAR. Do you agree with Mr. Brinkley, whose testimony has just been taken, that the locality in which some cotton is raised gives that cotton an additional value?

Mr. HARBERT. Senator, that could be best explained, I think, by the firm that I ship my cotton to, for the last 10 or 11 years, made a sale of a large shipment of cotton to a mill, and that cotton was rejected. After rejecting the grade and staple on that cotton, this firm proved that there was no cause for rejection, and the mill admitted there was no cause for rejection on those grounds. Then he asked what was the cause, or for what reason they rejected it. They claimed that the cotton did not originate from that section, which this firm knew was not true. They paid a representative to dig into the matter, and after going into it very thoroughly they found that the cause was that the ginner of this cotton used some second-hand ties, and on these ties were some tag or some means of identification that indicated that that cotton did not come from the Mississippi Delta.

Senator McKELLAR. It indicated that it came from some other source?

Mr. HARBERT. That is right; they saw that tag on there and rejected that cotton.

Senator BANKHEAD. Although it was the same grade and staple?

Mr. HARBERT. Yes, sir.

Senator ELLENDER. They did not care about grade and staple but just wanted to be sure it was Delta?

Mr. HARBERT. Yes; but the ginner had bought these second-hand ties.

Senator ELLENDER. It would be very easy to fool them by getting cotton from some other place and putting marks on it to show it was made in the Delta?

Mr. HARBERT. It has been done.

Senator BANKHEAD. The mills give a premium value to the cotton produced in that locality, whether it justifies it or not; is that it?

Mr. HARBERT. Our cotton is superior in breaking strength and character; it has been proven repeatedly after the mills have run a test, but they do not buy the cotton on mill test or breakage-strength test.

Senator ELLENDER. In this particular case where the investigation was made as to that cotton and it was turned down, do you know whether or not they went through the regular procedure of testing that cotton and examining it?

Mr. HARBERT. No, sir.

Senator ELLENDER. You do not know that?

Mr. HARBERT. No, sir; he just did not want it.

Senator ELLENDER. Just because—

Mr. HARBERT. When he found it came from another section.

Senator ELLENDER. And he thought it came from the Delta?

Mr. HARBERT. He had paid a premium for Delta cotton.

Senator ELLENDER. And he really got Delta cotton?

Mr. HARBERT. He really got Delta cotton, and when the representative of this firm went there and showed him where this cotton was grown, the name of the grower, the original number of the bales, he had no trouble whatever in getting him to accept the cotton.

Senator McKELLAR. In your judgment, if this cotton was moved to various coast cities and held there in a warehouse and its identity necessarily lost, the Government would no longer have the advantage when it came to sell the cotton, of that premium that you speak of, would it?

Mr. HARBERT. I think it would be a disadvantage to the Government as well as the producer if he had any equity in the cotton.

Senator McKELLAR. What about the cost of shipping the cotton; for instance, where do you warehouse your cotton?

Mr. HARBERT. I warehouse it in Clarksdale.

Senator McKELLAR. Clarksdale, Miss.?

Mr. HARBERT. Yes; and sometimes in Memphis.

Senator McKELLAR. Clarksdale is about 70 miles south of Memphis?

Mr. HARBERT. Yes, sir.

Senator McKELLAR. It was reconcentrated in the middle of the year or rewarehoused in the middle of the year at some coastal warehouse, would that not be costly to the farmer, or the Government in case the Government owned it?

Mr. HARBERT. I think most of it is shipped to Carolina mills now, and I see no reason why it would not be a double expense to haul the cotton to the coast and then haul it back.

Senator McKELLAR. Another thing is, whenever cotton is moved, whether in the middle of the year or at any other time, from one warehouse to another, it is resampled, is it not?

Mr. HARBERT. Yes, sir.

Senator McKELLAR. And the farmer would lose as a result of that?

Mr. HARBERT. That is right.

Senator McKELLAR. And the Government would lose if it owned it?

Mr. HARBERT. Yes, sir. I had to pay a resampling charge on every bale of cotton I sold some years ago.

Senator ELLENDER. Mr. Harbert, you say you store your cotton at Memphis and Clarksdale?

Mr. HARBERT. Yes, sir.

Senator ELLENDER. Why?

Mr. HARBERT. For convenience, and because I want to retain the original source of the cotton where it is grown.

Senator ELLENDER. It is an advantage to do that?

Mr. HARBERT. Yes, sir.

Senator ELLENDER. At both places?

Mr. HARBERT. Yes, sir.

Senator ELLENDER. Are you aware of the fact if this bill passes as it is now written and you desire to get a Government loan, that you would be obligated to store your cotton in the vicinity of where it is grown; that you could not go to Memphis if it is nearer to Clarksdale?

Mr. HARBERT. I am 30 miles from Memphis and 60 miles from Clarksdale.

Senator ELLENDER. Have you any other facilities immediately around your farm where you could store your cotton?

Mr. HARBERT. No; we have not.

Senator ELLENDER. You have to go either to Clarksdale or to Memphis?

Mr. HARBERT. Yes. There would not be enough baleage around our immediate vicinity to warrant storage.

Senator ELLENDER. As I read this bill, any cotton that you borrow money on from the Government, the man nearest to where your plantation is would have the right to demand the storage.

Senator McKELLAR. No; under the terms of this bill, it says in the nearest locality to where it is produced or located, and if it is located at Memphis or Clarksdale—

Senator ELLENDER (interposing). But that is cotton for the years back; I am talking about future cotton.

Senator McKELLAR. I am willing to make it as clear as you want that we adopt the same plan we have now.

Senator ELLENDER. Since discussing the matter with you yesterday, Senator, I interpret the second clause to mean cotton produced in the past and not future cotton.

Senator McKELLAR. We will make it perfectly clear we do not want to change the present system.

Senator BANKHEAD. Of course you may work out those technical questions at any time.

Mr. REED. Mr. Chairman, the other witnesses would give testimony which would be more or less duplication or repetition—

Senator McKELLAR (interposing). I want to ask one further question. Mr. Harbert, you spoke of representing some council of farmers.

Senator ELLENDER. I think it was Mr. Brinkley who did that.

Senator McKELLAR. You said some sort of organization; what sort of organization do you belong to and what is it?

Mr. HARBERT. It is the Delta Council of Mississippi.

Senator McKELLAR. You represent the Council of Farmers of Mississippi?

Mr. HARBERT. Yes, sir; that is an organization of farmers.

Senator McKELLAR. Do you happen to belong to what is known as the Mississippi Long Staple Cotton Association?

Mr. HARBERT. I am a director in the Mississippi Cotton Cooperative Association.

Senator McKELLAR. The Delta Long Staple Cotton Cooperative Association?

Mr. HARBERT. Yes, sir

Senator ELLENDER. What is your membership?

Mr. HARBERT. I am a director in the association.

Senator ELLENDER. This council you speak of, what is it composed of?

Mr. HARBERT. It is composed of the farmers of the Delta.

Senator ELLENDER. The farmers of the Delta?

Mr. HARBERT. Yes.

Senator ELLENDER. Irrespective of the size of the farm?

Mr. HARBERT. That is right.

Senator ELLENDER. How many farmers are there in the locality where you operate, or where you have membership?

Mr. HARBERT. I am sorry, Senator, but I am not in a position to make an accurate statement on that.

Senator ELLENDER. What is the percentage of farmers in the locality that belong to the council?

Mr. HARBERT. At least three-fourths, I should say, of our farmers.

Senator BANKHEAD. Recently I received a printed brief from one of the associations down there in opposition to this removal program; was that the Mississippi Council?

Mr. HARBERT. Yes, sir.

Senator BANKHEAD. And that is the one you represent?

Mr. HARBERT. Yes.

Senator MCKELLAR. And they asked you to come here?

Mr. HARBERT. That is right.

Senator BANKHEAD. After consideration of the subject they prepared a written brief or statement in opposition to this program?

Mr. HARBERT. Yes, sir.

Senator MCKELLAR. Do you have a copy of it?

Senator BANKHEAD. I do not think it is necessary to put it in the record since I have a copy.

STATEMENT TO THE SENATE COMMITTEE ON AGRICULTURE BY B. F. HARBERT,  
ROBINSONVILLE, MISS.

I represent the Staple Cotton Cooperative Association, Greenwood, a marketing organization in which I am a director and also the Delta Council, in which organization I am also a director.

The Delta Council is a civic organization composed of commercial, industrial, and agricultural interests of the eighteen delta and part-delta counties in Mississippi. The council is supported in part by voluntary contributions in the form of dues by persons, firms, and corporations, and farmers of the delta and by appropriations by the board of supervisors of the several counties referred to. The council is, therefore, representative of the business interests of the area, which has a population of 600,000 people, 85 percent of whom are engaged in the production of long-staple cotton. Each year this area produces from three quarters to a million bales of cotton stapling from  $1\frac{1}{32}$  inches to  $1\frac{1}{4}$  inches in length.

Speaking as an individual cotton farmer and as a representative of a cotton-marketing organization which annually handles approximately 300,000 bales of long-staple cotton, and for the Delta Council, I wish to endorse the principles enunciated in the McKellar bill and urge its immediate passage.

We have studied carefully the "Invitation for Bids" proposed by the Commodity Credit Corporation and believe such a policy will, if allowed, result in a reconcentration of cotton that will adversely affect the welfare of the farmers and the area generally.

Our conclusions are stated after we have carefully analyzed the financial statements of the warehouses operating within the area, and studied the conditions respecting these operations. In our opinion the farmers of this area have benefited from the reduction in storage and compression rates over the

past 5 years, to the extent of approximately 70 cents a bale for every bale produced, or an aggregate of more than \$600,000. As explanation of this savings, we may point out that the rates prevailing before the Government loan program were generally 50 cents a bale, without insurance, for the first-month storage, and 25 cents for each additional month thereafter. Now the rates are 15 cents per bale with insurance for the first month and 15 cents for each month thereafter. Assuming each bale of farmer's cotton remained in the warehouse the average period of 3 months, the former charges for this period were \$1.00 whereas now they are \$0.45, or \$0.55 less for storage. Compression charges, however, have also been reduced 15 cents and insurance amounting to several cents has now been included in the storage charge, giving an aggregate saving of approximately 75 cents a bale.

This savings to the farmer, we know after studying the financial statements of the warehouses, has been made possible through the revenue from long-time storage of Government-loan cotton.

At the present time this revenue from Government storage makes the difference between profit and loss to many warehouses, since the revenue from the storage of farmers unmortgaged cotton at the new low rate is insufficient to meet higher operating expenses which have resulted from higher labor costs and increased taxes.

If these warehouses are deprived of the revenue from this long-time storage of Government-loan cotton, we are convinced it will be necessary to meet operating expenses to raise the rates to the farmers.

With the present income to the cotton farmer being considerably less than 60 percent of parity, any additional costs to him will be most burdensome.

Furthermore, we want to point out, from our study of warehousing conditions that we have found operating costs to vary considerably between different concerns. A policy of bidding for storage of these stocks will ultimately lead to the concentration of cotton in those warehouses which can operate for less. While such procedure may at first seem expedient, it must be remembered that it can also be most harmful, as it may tend to force out of business many warehouses who for various reasons have slightly higher operating costs, but who are performing a very real service to the farmer by providing convenient accommodations for his cotton in his own community. If these facilities are not available to the farmer, he will be seriously handicapped in the marketing of cotton.

We respectfully urge that C. C. contract with the warehouses in the various areas of the Cotton Belt for storage in a manner similar to that which has prevailed in the past, not establishing a throat-cutting and uneconomic storage fight between concerns and between areas.

To this end we urge the passage of the McKellar bill.

B. F. HARBERT.

Mr. REED. Mr. Chairman, the remaining witnesses' testimony would be repetition and I am not going to call any more witnesses, but I do want to put in the record a letter from Hohenberg & Co., of Selma, Ala.; they are one of the largest cotton merchants in the United States.

Senator BANKHEAD. They were in the cotton business when I was a boy.

Senator McKELLAR. I think they were in the cotton business in Selma before I was born; of course, that was when Senator Bankhead was a boy.

Mr. REED. I would like to quote one paragraph if I may:

With practically no exports now, and with little hope of there being any for quite some time, the way we view the situation is that cotton is really worth less to the merchant at the port than in the interior compresses.

Senator BANKHEAD. It may go into the record.

(The letter referred to is as follows:)

M. HOHENBERG & Co.,  
Selma, Ala., November 18, 1940.

Mr. L. A. WOLFE,  
Congress of Union, Union Miss.

DEAR SIR: With reference to our telephone conversation of today concerning the probable moving by the C. C. C. of loan stock from the interior compresses to

the port, we have given this matter considerable thought, and it is our opinion that it would be very unfortunate in the event this occurs.

With practically no exports now, and with little hope of there being any for quite some time, the way we view the situation is that cotton is really worth less to the merchant at the port than in the interior compresses. We refer in particular to those stocks now held in the interior compresses and warehouses in Mississippi, Alabama, and Georgia.

As you know, the October domestic consumption broke all records, and there doesn't appear to be any diminishing for some time to come. The majority of the cotton consumed is in the Southern States, and consequently it would be an economic waste to have to move the cotton from the interior to the port, when in all probability it would have to be moved back again.

While, of course, some cotton can be moved to New England by coastwise steamers, in all probability there will be enough cotton that will naturally go to the ports to supply those requirements.

Very truly yours,

(Signed) M. HOHENBERG & Co.

Mr. REED. We appreciate the opportunity to appear here and we understand the hearing will be recessed until Thursday because of the Cotton Council of Augusta, Ga., and I have been requested to extend to everyone present in the room an invitation to come to Augusta, Ga., because the National Cotton Council is quite a factor in the production, marketing, and distribution of cotton. It is cooperating with the Government in its producers' program and we hope everyone here will come to the National Cotton Council's meeting.

Senator BANKHEAD. The statement that the recess was until Thursday on account of the council is correct. Mr. Johnson telephoned me urgently requesting this postponement. He said there were so many members of the council who wanted to come here and were also due to go there, and so, in order to accommodate that large group of producers and others, the chairman postponed it until Thursday.

Senator McKELLAR. Mr. Chairman, before we adjourn, may I express the very earnest hope that we can speedily finish with the witnesses on our side and that those opposed to the bill can also speedily dispose of their witnesses. We have only a limited time in which to work, and I think we ought to do that work as speedily as possible.

Senator BANKHEAD. I want to express the thought that the plan carried out by Mr. Reed today of eliminating repetitions and duplications be carried forward at future meetings of the committee. There is no necessity for protracted statements duplicating matters that have already been put into the record by other witnesses. I hope that will be continued when we reassemble, not only by those in opposition to the bill but also by supporters of the bill.

We really hope to conclude these hearings next week. Beginning Thursday we will work as much as we can. Of course, we may have some interruption by reason of the sessions of the Senate, but not many, and if possible we want to finish next week. The chairman and members of the committee will appreciate the cooperation of the interested parties to that end.

The committee stands in recess until next Thursday at 10 o'clock.

(Whereupon, at 12:35 p. m., the committee adjourned until 10 a. m., Thursday, January 30, 1941.)

# REGULATING THE WAREHOUSING OF COTTON HELD BY THE COMMODITY CREDIT CORPORATION

THURSDAY, JANUARY 30, 1941

UNITED STATES SENATE,  
COMMITTEE ON AGRICULTURE AND FORESTRY,  
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment, in the committee room, 324 Senate Office Building, Senator Theodore G. Bilbo presiding.

Senator BILBO. The committee will be in order. Did you have a further statement, Mr. Reed?

## STATEMENT OF A. L. REED—Resumed

Mr. REED. I have some additional information that was requested. Senator Ellender requested that we prepare a statement of the volume of business and the cost, and we have prepared that from 1931-32 to date, and I would like to put this in the record.

(The paper referred to follows:)

*Statement showing relationship of taxes, wages, and salaries, and total operating expenses to bales received during 9-year period, 1931-32 to 1939-40, inclusive*

Season	Bales received	Taxes paid		Wages and salaries paid		Total operating expenses	
		Gross	Per bale	Gross	Per bale	Gross	Per bale
1931-32.....	6,593,400	\$1,179,702.83	\$0.1789	\$3,403,836.83	\$0.5162	\$6,810,077.39	\$1.0329
1932-33.....	6,331,891	864,611.42	.1365	3,121,188.43	.4929	6,386,367.18	1.0086
1933-34.....	6,838,724	789,176.95	.1154	3,266,976.87	.4777	6,914,974.55	1.0111
1934-35.....	4,827,151	1,008,395.56	.2089	3,083,147.50	.6387	6,660,380.44	1.3798
1935-36.....	6,283,241	878,553.73	.1398	3,604,180.07	.5736	8,246,305.73	1.3124
1936-37.....	7,670,287	1,072,620.74	.1398	4,142,799.40	.5401	8,639,364.92	1.1263
1937-38.....	10,094,506	1,102,671.49	.1092	4,831,454.40	.4766	10,286,423.97	1.0240
1938-39.....	6,984,382	1,247,857.03	.1787	5,636,812.98	.8071	11,342,232.12	1.6239
1939-40.....	8,887,295	1,915,693.23	.2156	6,420,500.59	.7224	13,363,075.66	1.5636
Total.....	64,510,877	10,059,282.96	.1559	37,510,897.08	.5815	78,659,201.96	1.2193

We have broken this down as to taxes, wages, salaries, and total operating costs, and it shows that as our volume has gone up, our costs have gone down, but the particular significance is the increase in costs beginning with 1938. There is where the wage-hour law became effective.

tive, and there was a tremendous jump in our costs per bale then.

Senator ELLENDER also asked for the revenue per bale, which we are preparing.

I just want to call attention to the tremendous jump in the cost per bale in 1938.

(Senator Bankhead took the Chair.)

Senator ELLENDER. You are still talking to the same exhibit?

Mr. REED. Yes. In 1938 the cost jumped to \$1.62, and remained at \$1.50 per bale in 1939 and 1940.

Senator MCKELLAR. And the 1937-38 went down to \$1.02?

Mr. REED. Yes, sir. In that year we had a volume of 10,000,000 bales. That was the year we raised over 18,000,000 bales.

Senator MCKELLAR. 1931, '32, '33, and '34 the operating expenses were at a reasonable rate.

Mr. REED. The significance is that in 1933 we handled 6,838,000 bales at \$1.01. Next year the volume dropped to 4,827,000 bales, and the cost went up to \$1.37.

Senator BANKHEAD. Let me ask you there, was that increase in operating expenses affected in any way by an increase in wages?

Mr. REED. Yes, sir; very much. The volume dropped 2,000,000 bales in 1 year, 1933 to 1934. In 1933-34 we handled 6,838,000 bales. In 1934-35 we handled 4,827,000 bales, and the cost went up about 36 cents a bale.

Senator ELLENDER. And these figures that you have at the extreme left of the page here indicates a number of bales of cotton that was handled by the warehouses that you represent?

Mr. REED. Yes, sir. That is about 60 percent of the crop.

Senator ELLENDER. What percentage of the warehousing facilities does that represent? Do you know?

Mr. REED. No, I do not.

Senator BANKHEAD. You mean in number?

Senator ELLENDER. In number, yes.

Senator MCKELLAR. It was not 60 percent of the 1939-40 crop, was it?

Mr. REED. For that year it is about 77 percent, but on a whole, Senator, for the 9 years, it is over 60 percent of the total crop.

Senator BANKHEAD. Distributed pretty well through the States?

Mr. REED. From North Carolina to New Mexico.

Senator BANKHEAD. That ought to be a good cross section.

Senator ELLENDER. According to these figures, then, Mr. Reed, let us take the season 1939-40, assuming that the Government paid 15 cents per bale, or \$1.80 per year, the warehousemen average about 30 cents per bale per year net?

Mr. REED. No, sir; that is not net. You see, we only have in there the total plant operating expenses. There are certain things with respect to return on investment that would be in addition to that.

Senator ELLENDER. You mean interest charges on bonds and things



like that ?

Mr. REED. Yes, sir.

Senator MCKELLAR. You speak of it being a cross section. You did not adopt the sampling process, did you ?

Mr. REED. No, sir; we took everybody that would answer.

Further answering your question, Senator Ellender, the 15 cents per bale does not necessarily mean \$1.80 in revenue. The average holding time, I think, would be about ten and a half months. You see, it comes in and goes out, and the average does not amount to that.

Senator ELLENDER. As a matter of fact, very little of the Government-owned cotton moves at the present time, does it ?

Mr. REED. Very little of the Government-owned cotton? No, sir, I am going to give a statement here showing 6,000 bales of Government-owned cotton shipped out of one point in Oklahoma.

Senator ELLENDER. I have received a letter from a gentleman who is editor of some cotton journal—you may have seen it—

Mr. REED (interposing). No, I did not see it. -

Senator ELLENDER (continuing): Showing that this 1934-35 cotton has been so long in the warehouses that the Government would have to sell it for almost \$90 a bale to break even.

Mr. REED. I do not know about that. I did not see that statement.

Senator ELLENDER. But, as a matter of fact, is it not true that most of this Government-owned cotton, in which the farmers have lost all equity, that there is very little of that sold, therefore, very little movement of it ?

Mr. REED. That is correct. While we are on that point I would like to file in the record an analysis of 6,832 bales of the 1934-35 Government-owned cotton that was moved from Oklahoma City, beginning in April, 1940, and extending down to January 2, 1941. I have shown the destinations to which this cotton moved, and I want to make this general statement with respect to it, that if it had been reconcentrated from Oklahoma City to any port location and reshipped to this destination it would have cost \$3 to \$4 a bale more to make delivery rather than where they did actually deliver it.

Senator ELLENDER. Do you know the circumstances under which the Government sold this cotton ?

Mr. REED. They turned that cotton over to the Federal Surplus Commodity Corporation.

Senator MCKELLAR. They bought all that cotton in Oklahoma City ?

Mr. REED. That is what they shipped from Oklahoma City. They shipped thousands of bales from all over the territory, Senator, into W. P. A. projects and things of that character.

Senator MCKELLAR. When was that done ?

Mr. REED. It has been done all during 1940, and this is an analysis of only one point, which I think is representative of all of them.

(The statement referred to follows:)

Statement showing disposition of 6,832 bales of 1934-35 Government cotton that were transferred from Commodity Credit Corporation to Federal Surplus Commodities Corporation while stored at Oklahoma City, Okla.

Date shipped	Number of bales	Destination
Apr. 14, 1940	27	Chandler, Okla.
Apr. 13, 1940	50	Marietta, Okla.
Apr. 9, 1940	13	Sapulpa, Okla.
Do.	13	Chandler, Okla.
Do.	9	McAlester, Okla.
Do.	10	Do.
Apr. 10, 1940	14	Do.
Apr. 11, 1940	15	Do.
Do.	15	Do.
Do.	15	Do.
Do.	13	Do.
Apr. 12, 1940	15	Do.
Do.	15	Do.
Apr. 15, 1940	101	Do.
Apr. 16, 1940	87	Do.
Apr. 17, 1940	120	Do.
Apr. 18, 1940	117	Do.
Apr. 19, 1940	20	Do.
Apr. 20, 1940	14	Do.
Apr. 22, 1940	25	Sapulpa, Okla.
Apr. 30, 1940	25	Duncan, Okla.
May 7, 1940	27	Sapulpa, Okla.
Do.	25	Duncan, Okla.
May 22, 1940	13	Claremore, Okla.
Do.	26	Wewoka, Okla.
May 24, 1940	52	Ardmore, Okla.
Do.	66	Purcell, Okla.
Do.	41	Chandler, Okla.
May 25, 1940	12	Waurika, Okla.
Do.	27	Marietta, Okla.
June 1, 1940	83	Pauls Valley, Okla.
Do.	25	Marietta, Okla.
Do.	26	McAlester, Okla.
June 4, 1940	40	Chickasha, Okla.
Do.	41	Wewoka, Okla.
Apr. 13, 1940	15	Carmargo, Okla.
Do.	30	McAlester, Okla.
June 4, 1940	54	Ardmore, Okla.
June 5, 1940	13	Holdenville, Okla.
Do.	14	Frederick, Okla.
Do.	14	Lawton, Okla.
June 10, 1940	14	Stillwater, Okla.
Do.	16	Marietta, Okla.
Do.	12	Claremore, Okla.
June 17, 1940	103	McAlester, Okla.
June 18, 1940	84	Do.
June 19, 1940	27	Walters, Okla.
Do.	41	Ravia, Okla.
Do.	13	Ada, Okla.
Do.	14	Guthrie, Okla.
Do.	55	Pauls Valley, Okla.
Do.	14	Frederick, Okla.
Do.	40	Sapulpa, Okla.
June 20, 1940	39	Purcell, Okla.
Do.	24	McAlester, Okla.
June 21, 1940	56	Do.
Do.	110	Atoka, Okla.
June 22, 1940	50	Ada, Okla.
Do.	26	Duncan, Okla.
Do.	68	Shawnee, Okla.
Do.	20	Durant, Okla.
Do.	3	Newkirk, Okla.
Do.	7	Buffalo, Okla.
Do.	12	Woodward, Okla.
Do.	15	Guthrie, Okla.
Do.	14	Lawton, Okla.
June 24, 1940	91	McAlester, Okla.
Do.	83	Oklmulgee, Okla.
Do.	28	Hugo, Okla.
Do.	30	Nowata, Okla.
Do.	15	Ravia, Okla.
Do.	13	Sulphur, Okla.
Do.	29	Norman, Okla.
Do.	15	Wilburton, Okla.
Do.	6	Ada, Okla.
Do.	5	Cordell, Okla.
Do.	14	Cheyenne, Okla.
Do.	14	Sayre, Okla.
Do.	11	Coalvate, Okla.
June 25, 1940	106	McAlester, Okla.

Statement showing disposition of 6,832 bales of 1934-35 Government cotton that were transferred from Commodity Credit Corporation to Federal Surplus Commodities Corporation while stored at Oklahoma City, Okla.—Continued

Date shipped	Number of bales	Destination
June 26, 1940	65	Eufaula, Okla.
Do	250	Idabel, Okla.
Do	34	McAlester, Okla.
June 27, 1940	14	Oklahoma City, Okla.
Do	45	McAlester, Okla.
Do	250	Ardmore, Okla.
June 28, 1940	8	McAlester, Okla.
Do	43	Perry, Okla.
Do	13	Claremore, Okla.
Do	26	Frederick, Okla.
Do	29	Tulsa, Okla.
Do	42	Chandler, Okla.
Do	7	Pawnee, Okla.
Do	13	Do.
Do	22	Vinita, Okla.
Do	10	Guthrie, Okla.
Do	53	Chickasha, Okla.
Do	14	Steigler, Okla.
Do	14	Wagoner, Okla.
Do	16	Bartlesville, Okla.
June 29, 1940	13	Greenwood, Ark.
Do	11	Grove, Okla.
Do	6	Sayre, Okla.
Do	10	Walters, Okla.
Do	8	Waurika, Okla.
Do	14	Stilwell, Okla.
Do	21	Shawnee, Okla.
Do	5	Guymon, Okla.
Do	22	Marietta, Okla.
July 2, 1940	10	Shawnee, Okla.
Do	40	Eireno, Okla.
Do	24	Guthrie, Okla.
Do	71	Woodward, Okla.
Do	306	Muskogee, Okla.
Do	139	Duncan, Okla.
Do	95	Weleetka, Okla.
July 3, 1940	16	McAlester, Okla.
Do	10	Oklahoma City, Okla.
Do	55	Springfield, Mo.
Do	198	Clinton, Okla.
Do	56	St. Joseph, Mo.
July 5, 1940	55	Jefferson City, Mo.
Do	198	Hugo, Okla.
Do	59	Dexter, Mo.
July 6, 1940	57	Moberly, Mo.
Do	54	Van Buren, Ark.
Do	18	Wagonner, Mont.
Do	44	Roundup, Mont.
Do	42	Great Falls, Mont.
Do	45	Katespell, Mont.
Do	6	Billings, Mont.
Do	5	Miles City, Mont.
Do	5	Plenty Wood, Mont.
Do	15	Sidney, Mont.
Do	165	Claremore, Okla.
July 12, 1940	26	Chandler, Okla.
Do	56	Pryor, Okla.
Do	27	Grove, Okla.
Do	14	Wewoka, Okla.
Do	14	Wagonner, Okla.
July 13, 1940	27	Muskogee, Okla.
Do	41	Talleguah, Okla.
Do	42	Antlers, Okla.
July 16, 1940	19	Hugo, Okla.
Do	25	Antlers, Okla.
July 17, 1940	20	Pauls Valley, Okla.
Do	4	Ardmore, Okla.
Do	14	Stillwater, Okla.
Do	9	Miami, Okla.
Do	4	Pawhuska, Okla.
Do	14	El Reno, Okla.
Do	7	Kinefisher, Okla.
Do	12	Wewoka, Okla.
Do	6	Sallisaw, Okla.
Do	5	Ravis, Okla.
Do	9	Sulphur, Okla.
July 25, 1940	12	Norman, Okla.
Do	14	Purocell, Okla.

Statement showing disposition of 6,832 bales of 1934-35 Government cotton that were transferred from Commodity Credit Corporation to Federal Surplus Commodities Corporation while stored at Oklahoma City, Okla.—Continued

Date shipped	Number of bales	Destination
July 26, 1940	12	Watonga, Okla.
Do	6	Enid, Okla.
Do	7	Medford, Okla.
Do	16	Fawnes, Okla.
Do	18	Stillwater, Okla.
Do	10	Perry, Okla.
Do	20	Kingfisher, Okla.
Do	20	Pauls Valley, Okla.
Do	14	Oklahoma City, Okla.
Do	3	Do
Do	10	Anadarko, Okla.
Do	26	Sapulpa, Okla.
July 30, 1940	90	Casper, Wyo.
Do	10	Sapulpa, Okla.
Do	78	Phoenix, Ariz.
Do	8	Hugo, Okla.
Aug. 15, 1940	2	Pauls Valley, Okla.
Sept. 30, 1940	25	McAlester, Okla.
Oct. 2, 1940	50	Do.
Oct. 4, 1940	50	Do.
Oct. 7, 1940	25	Do.
Oct. 8, 1940	25	Do.
Oct. 12, 1940	50	Do.
Oct. 18, 1940	25	Do.
Oct. 16, 1940	25	Do.
Oct. 19, 1940	8	Do.
Oct. 21, 1940	25	Do.
Oct. 22, 1940	12	Do.
Oct. 26, 1940	65	Do.
Oct. 28, 1940	27	Do.
Oct. 29, 1940	28	Do.
Jan. 2, 1941	10	Cheyenne, Okla.
Total	6,832	

## SUMMARY

1. The 6,832 bales were put in the Government loan in Oklahoma during season 1934-35.
2. 6,333 bales were transferred from Commodity Credit Corporation to Federal Surplus Commodities Corporation in February 1940 and 499 bales in May 1940.
3. All shipments were consigned to Agricultural Adjustment Administration agents at the destinations shown, except 1,534 bales were shipped to 15 destinations for account of the Oklahoma State Welfare Board.
4. 4,957 bales moved via railroad and 1,875 via trucks, and all moved uncompressed.

Senator ELLENDER. Mr. Reed, I believe that during the course of your testimony you testified that there were 4,800,000 bales of 1934-35-36-37-38 loan cotton in warehouses?

Mr. REED. In the interior.

Senator ELLENDER. In the interior. And I believe you were asked to give a break-down of that, and it was your contention that most of that cotton was stored in communities of 12,000 population or more.

Mr. REED. I said it averaged less than 12,000, yes.

Senator ELLENDER. Now, could you give a break-down as to the warehouses, let us say, like Federal or Union, that have this cotton in storage?

Mr. REED. The Government puts out a statement on that, Senator, and shows the name of the warehouse company that has the cotton. It is quite a voluminous document. I can get it for you.

Senator ELLENDER. I just thought if we could have a break-down of this 4,800,000 bales, showing exactly what warehouses it went to—I do not mean the particular one, but the ones belonging to a group, say, like the Federal or the Union or the others that controlled this.

Senator McKELLAR. Will not that printed document give you all the information you want on it?

Mr. REED. It will give you that. The Government's statement of the location of Government-owned and Government-loan cotton will show you the name of the warehouse company. Now, if you want me to make that I will be glad to do it, and submit it to you.

Senator ELLENDER. Of course, we do not have much time to dig into it.

Mr. REED. I think I could do it tonight.

Senator MCKELLAR. The witness says he is willing to do it.

Senator ELLENDER. If that can be put into the record in connection with his testimony, Senator, just to get all the facts together.

Senator MCKELLAR. It will not be a book or anything like that?

Senator ELLENDER. No; just a statement. In other words, so many for this group and so many for that group and so many for the other group.

Mr. REED. Would it serve your purpose if we took it and rearranged it so that it would be a statement by companies rather than by towns?

Senator ELLENDER. No; I do not want it divided by towns. I prefer just to have the groups. In other words, say the Federal Co., show how much they have as a whole. You do not have to say which of their units have so many bales, but just the company as a whole.

Mr. REED. I think it will be very interesting, and you are going to find that the majority of that cotton is in the hands of small companies. I think it would be good information for you to have.

Senator ELLENDER. Now, Mr. Reed, I note that in this statement, the column headed "Taxes paid," that for the year or season 1931-32, the amount was \$1,179,702.83. Then it drops down for the year 1933-34 to \$789,176.95.

Mr. REED. Yes, sir.

Senator ELLENDER. Can you give us the reasons for such a drop in taxes?

Mr. REED. No, sir; I cannot. I do not know what the reason for that may be.

Senator ELLENDER. I notice that for the year 1938-39, the taxes were \$1,247,857, and the following year they were \$1,915,693.

Mr. REED. Yes, sir.

Senator ELLENDER. Could you give us the reason for the difference between those 2 years?

Mr. REED. No, sir; I am not informed as to what has affected the taxes, Senator. This information, you understand, was collected by the industry and compiled for these facilities, and there may be a million different things that might affect that.

Senator ELLENDER. Now, with respect to the column headed "Wages and salaries," I notice in the year, or season, 1931-32, the amount was 0.5162 per bale.

Mr. REED. Yes, sir.

Senator ELLENDER. Then, down to 1933-34 it was 0.4777.

Senator STEWART. I do not follow that, Senator Ellender.

Senator ELLENDER. Under wages and salaries paid per bale, Senator, in the year 1932-33, the cost per bale was 0.5162. Then in 1933-34 it was 0.4777 per bale, and down to 1937-38 it was 47.86; for 1938-39 it was 0.8071, and for last year, that is the last season, it was 0.7224.

Mr. REED. Yes, sir.

Senator ELLENDER. What would cause the difference there?

Mr. REED. The difference, Senator, from 1938 on we know because we particularly went into that. That is due to the wage-hour increase in our cost of operation, and you will notice the abrupt jump in 1938. From 1931 to 1937 they are fairly uniform, reflecting the difference in volume; whereas, when you get to 1938 it takes a jump upward.

Senator ELLENDER. Well, the amount of cotton handled, of course, is reflected in the wages as well as the taxes, I notice.

Mr. REED. Yes, sir.

Senator ELLENDER. Now the last column, "Total operating expenses." Evidently that column includes not only the amount indicated under the column "Taxes paid" and "Wages and salaries," but some other?

Mr. REED. General office expenses.

Senator ELLENDER. Now, you say that in addition to the general office expenses there was some other expense?

Mr. REED. Yes, sir.

Senator ELLENDER. And that other expense is solely return on investment?

Mr. REED. That may be the only one. It is the only one I can think of that is not in there. I think that is the only one we have not included.

Senator ELLENDER. But these figures you would say reflect the entire expense except return on investment?

Mr. REED. I think that is correct.

Senator ELLENDER. All wear and tear and taxes?

Mr. REED. I am not sure whether it includes depreciation or not. I will try to find out and tell you. I think it does.

Senator ELLENDER. Thank you very much.

Mr. REED. Senator, you asked for the revenue per bale broken down as between the different services. Mr. Blackman is trying to do that. We cannot do it for all these companies, because different companies have different services, and he is going to try to take representative companies and break it down for you.

Senator ELLENDER. There is one more question that comes to my mind. I think we brought out by you, or probably by some other witness, that if it were not for this immobile cotton that is now in the warehouses, the charge per bale would have to be considerably in excess of what the farmers and the Government are now paying the warehousemen.

Mr. REED. Correct. I think that when this investigation was made we asked that specific question, and over 340 of them replied that they would have to increase their charges if the rates on the Government stock were reduced, or if it were reconcentrated.

Senator ELLENDER. And I believe that quite a few witnesses testified that the charge in the past was as high as 50 cents per bale for the first month or for the first 15 days; others had it at 30 cents, and I think some had it at 25 cents for the first month, and the last month 20 cents, if the cotton was kept in the warehouse for an average of, say, 60 or 90 days, which I understand is about the usual average that cotton remains in the warehouse.

Mr. REED. About 90 days.

Senator ELLENDER. Ninety days—that the cost to the farmer would vary from, I think it was 70 cents to as much as 90 cents per bale.

Mr. REED. That is correct. I think I figured it at 77.

Senator ELLENDER. Then in connection with all of that, you made a statement that the farmers at a certain period paid something like \$5,000,000. Do you remember that in your testimony?

Mr. REED. Yes.

Senator ELLENDER. How did you get that figure?

Mr. REED. That was figured on the difference in freight by shipping it from origin rather than from the concentration point.

Senator ELLENDER. In other words, shipped to and from the same places?

Mr. REED. No, sir. We figured on those States, Senator, that did not have reconcentration privileges at the ports. We left out, for instance, those States—and I gave the cities this morning—that do have reconcentration privileges by the ports. I gave you the figures on that. Now, I added to that those that do and that have this character of situation, where their freight bills may die and then they will lose all of that freight.

Senator ELLENDER. And then that would further increase the burden?

Mr. REED. Yes, sir.

Senator ELLENDER. In other words, when the statute of limitations is at an end and this floating agreement is not in effect, that would impose a further burden on that cotton?

Mr. REED. Yes, sir; after 34 months.

Senator ELLENDER. Thank you very much.

Have you any figures to show the number of bales per farmer that are in the loan?

Mr. REED. I can tell you how many per note; yes. On the 1938-39 cotton he brought in 7.4 bales per loan note; on the 1940-41, up to date, it has averaged slightly more than 4 bales per loan note.

Senator ELLENDER. Am I to understand that a loan note may be more than a farmer or represent a few farmers?

Mr. REED. No; it just represents one farmer, except in the case where the cooperatives have a collective note, and I have not included that in there.

Senator BANKHEAD. Now, suppose the farmer deposits more than once cotton in the loan, does he make more than one note?

Mr. REED. Yes, sir.

Senator BANKHEAD. Then your statement about so much per note means each farmer or each separate transaction?

Mr. REED. It means each separate transaction.

Senator BANKHEAD. Then, per farmer, your average may be seven, but a farmer may have a good deal more?

Mr. REED. Yes, sir.

Senator ELLENDER. Or a good deal less?

Mr. REED. Or a good deal less; yes. It does not show the production per farm.

Senator BANKHEAD. I thought probably the word "borrow" would be better than "note," because you are working out the average number in all notes, big and little—I mean by all farmers. But, anyway, your statement explains that you mean that that is an average for the number of borrowers.

Mr. REED. Yes, sir.

Senator ELLENDER. Mr. Reed, I would like to ask you a further question. Would you know the average period of time that a farmer leaves his cotton in storage in the Government loan?

Mr. REED. We made a test of that in 1939, Senator, on all loans and we included in it all Government loan and all Government-owned stock for 172 facilities. They were all compress companies, and the average time, taking all of the cotton that went in the loan, all of it that was withdrawn, and all that we had on hand, the average time was 10½ months, and that included 1934-35 cotton that had been on hand then about 5 years. You understand the producer comes down today sometimes and gets a note for the Government loan and takes it to the loan agency, and the day after tomorrow he decides he wants to sell.

Senator ELLENDER. If he can make \$4 or \$5 a bale he wants to sell?

Mr. REED. Yes, sir. We have some other figures here out of the information we have collected. Out of 386 interior plants involved in the figures we collected, those facilities were owned by 9,766 persons; 5,847 of that number were producers. That is, approximately 67 percent of the numbers interested in the interior facilities were producers of cotton.

I also have some figures showing the widely fluctuating character of the cotton storage business. I think that ought to be considered in connection with this map. You cannot fix a definite ratio of income to values in an industry where you have a widely fluctuating volume of business, because one day it is overtaxed to capacity, and the next time it has idle capacity. Out of 371 plants, on a 3-year average the maximum number of employees engaged in handling cotton at any one time, that is, at any one given period, was 18,107 persons. The minimum number engaged in handling cotton in that same 371 plants was 3,815. In other words, there was a fluctuation in the employment there from 18,000 to about 4,000. The volume, for instance, in 1937 was 18,000,000, and production in 1938 was 11,000,000. Those things have a direct bearing upon our ability to continue to operate.

I have some figures on the available capacity of interior points. This is for 393 interior plants. The stock on hand on December 1, 1940, was 6,539,065 bales. Of that number, 3,165,775 bales were compressed to standard density. Three million three hundred and seventy-three thousand two hundred and ninety bales were being stored in uncompressed or flat form.

The capacity of those 393 facilities without any further expenditures for insurance, improvements or anything, in standard density compressed bales is 10,442,271 bales; of uncompressed bales, 6,808,504 bales.

Based on 50 percent compressed and 50 percent uncompressed, we have available now, under present conditions, storage space for 2,700,000 bales of cotton. By improvements dealing primarily with insurance regulations, such as fire walls, sprinklers, and so forth, the capacity of uncompressed bales can be increased to 7,941,761 bales, and standard density compressed bales to 13,335,760 bales.

Now, I gave you the figures at the last hearing on the difference in freight from all States except New Mexico, Texas, and Louisiana. The difference on New Mexico cotton would be \$1.98 per bale; Texas, \$1.53 per bale, and Louisiana, 98 cents per bale.



Basing on the possible reconcentration of cotton, and eliminating the New England States, where it is doubtful whether there would be any reconcentration, but basing the figures on the reconcentration of cotton in Mississippi, Tennessee, Missouri, Arkansas, Louisiana, Texas, and Oklahoma, we have figured the additional cost on the stock on hand July 31, 1940, of 2,954,199 bales.

The difference in freight along would be \$4,904,433, and if we add to that the 10 cents receiving charge customarily made by the reconcentrating warehouse, the figure becomes 5,199,856 bales.

Senator STEWART. Do you mean bales or dollars?

Mr. REED. Dollars; \$5,199,856.

At this point I want to introduce in the record the railroad tariff—I just want to make reference to the fact that in the railroad tariff dealing with reconcentration and the concentration of cotton, all freight bills that are dated prior to September 28, 1938, are now dead, and all freight bills dated subsequent to February 28, 1938, will die automatically as they become 34 months of age. In other words, all cotton now that moves to the ports in February and March of 1938 is approaching the dead line with reference to the availability of those freight bills for re-shipping privileges.

Senator McKELLAR. In other words, it could no longer be floated, to use a railroad common expression?

Mr. REED. That is correct. They could no longer get a refund under transit out of that freight. In other words, that becomes dead freight.

Senator McKELLAR. It would have to be shipped new, without any reduction.

Mr. REED. Yes, sir.

Senator BANKHEAD. Shipping at the transit terminal rate?

Mr. REED. Correct.

Senator ELLENDER. Is there any way to renew that, Mr. Reed?

Mr. REED. No; because I understand the 34-month privilege was put in there because of the statute of limitations in the Interstate Commerce Act holding that after the 3 years it is dead. The Supreme Court has held that the railroads cannot legally spend it.

Senator ELLENDER. It cannot be done by waiver?

Mr. REED. No, sir. The Supreme Court has held that you cannot waive the statute of limitation with respect to the Interstate Commerce Act.

I want to introduce into the record a letter from the Commodity Credit Corporation, dated September 3, 1940, which states that the Commodity Credit Corporation would prefer to reconcentrate the cotton at interior points rather than have additional facilities constructed at interior points, or to lease additional space. I wish to submit that for the record.

(The letter referred to follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE,  
COMMODITY CREDIT CORPORATION,  
Washington, D. C., September 3, 1940.

TO THE WAREHOUSEMAN ADDRESSED:

With the heavy movement of 1940, crop cotton now approaching, all warehousemen should take such steps as are necessary to properly store the new-crop cotton.

Storage space for a substantial volume of cotton is available to Commodity Credit Corporation at some of the larger concentration points both in the interior

and at ports, at rates lower than the rates at nonconcentration points. With this space available, it is not necessary, except in a few instances, for warehousemen to build or lease additional space. Commodity Credit Corporation will cooperate with warehousemen and arrange to move cotton where it is necessary in order to provide adequate storage space for cotton. Warehousemen should communicate with Commodity Credit Corporation before building or leasing additional storage facilities.

If there is any question as to your ability to store cotton of the 1940 crop, you should immediately write to Commodity Credit Corporation and arrange to move a sufficient amount of the stocks now on storage to enable you to properly handle the season's business.

Very truly yours,

G. E. RATHELL,  
Director, Cotton Division.

I would also like to introduce in the record a schedule of charges under the contract submitted by the Cotton Concentration Co. of Galveston, Tex., which is the bid that was accepted by the Commodity Credit Corporation in October 1939.

(The paper referred to follows:)

*Schedule of charges under the contract submitted by the Cotton Concentration Co.*

Item 1: Receiving, weighing, tagging, sampling, issuing insured warehouse receipts (insurance to cover fire for market value as specified in your telegram) and placing in storage.	14 cents per bale.
Item 2: Storage per month or fraction thereof.....	9 cents per bale.
Item 3: Compression from flat to high density or from standard to high density.	30 cents per bale.
Item 4: Cotton received already high densities and where no compression is performed by the warehouse company, when necessary to deliver shipside.	12 cents per bale.
Item 5: Furnishing patches, including costs of application per pound at current market price.	
Item 6: Resampling.....	10 cents per bale.
Item 7: Reweighing.....	Do.
Item 8: Reconditioning damaged cotton, not including compression:	
(a) Where loss does not exceed 5 pounds.....	No charge.
(b) Where loss does exceed 5 pounds.....	40 cents per bale.
Item 9: Reconditioning cotton, including recompression.....	70 cents per bale.
Item 10: Brushing cotton.....	No charge.
Item 11: Drying cotton received wet but undamaged.....	Do.
Item 12: New half covers applied at time of compression.....	38 cents per half cover.
Item 13: New whole covers applied at time of compression.....	76 cents per bale.
Item 14: Picking out by tag number.....	No charge.
Item 15: Removing of tags.....	Do.
Item 16: Marking.....	5 cents per bale.
Item 17: Ranging for any purpose when requested to do so.....	10 cents per bale.

NOTE.—This charge does not apply on any cotton ordered resampled or reweighed as the items and charges listed above of 10 cents each cover the services of resampling and/or reweighing.

Senator McKELLAR. What company is that? Who runs it? Do you know?

Mr. REED. Yes, sir; it is local Galveston people.

Senator McKELLAR. It is not a national company?

Mr. REED. No, sir.

Senator McKELLAR. They have so many names, we have to look into them and watch them a little closely.

Senator BANKHEAD. Just one thing, Mr. Reed, to refresh my recollection. I remember when you appeared here recently you stated the

number of bales of cotton, Government cotton, in the ports at this time and the number in the interior warehouses.

Mr. REED. Yes, sir.

Senator BANKHEAD. Will you refresh my memory about that?

Mr. REED. I will get that figure. It is 1,475,000 bales at the ports, and the remainder of it in the interior, which is 4,800,000 something, I believe. But let me get the figures.

Senator BANKHEAD. You can give me that later.

Mr. REED. Of the Government stock disposal of 6,185,201 bales, of that quantity, 1,307,199 bales are located at ports, and 4,878,000 are located at interior origin.

Now, on the producers' 1938-39 stock, if you would like to have that.

Senator BANKHEAD. No; I do not care for it, unless you have the total.

Mr. REED. I have the total, 2,089,427 bales; 33,440 of those bales are located at ports, and 1,754,987 are located at interior points.

Senator STEWART. What is the total number of bales in all these storage houses, both at ports and the interior?

Senator BANKHEAD. You mean producers and Government combined?

Senator STEWART. All combined.

Mr. REED. I will give it to you in just a few minutes, Senator. It is a little over 8,000,000 bales.

Senator BANKHEAD. Will you call your next witness, Mr. Reed?

Mr. REED. Mr. Nichols.

#### STATEMENT OF S. R. NICHOLS, COTTON COMPRESS AND MERCHANTISING BUSINESS, LITTLE ROCK, ARK.

Senator McKELLAR. Would you state your name and residence to the committee, Mr. Nichols?

Mr. NICHOLS. S. R. Nichols, Little Rock, Ark.

Senator McKELLAR. What is your business?

Mr. NICHOLS. I am in the cotton compress and in the cotton merchandising business.

Senator McKELLAR. You are not in the storage business?

Mr. NICHOLS. Yes; storage and compress business.

Senator McKELLAR. Compress, storage, and merchandising?

Mr. NICHOLS. Yes, sir.

Senator McKELLAR. Now will you state what you want this committee to know about this bill?

Mr. NICHOLS. I want to concur in the statements that Mr. Reed has made previously, for the past several days. We feel that if we are denied the right to continue storing the backlog of Government-loan cotton and Government-owned cotton, we will be forced to increase the rate for subsequent crops, in order to make a living out of our business. We also feel that for the protection of the equity that farmers have in the Government-loan cotton it should remain stored at the point of production.

I have an example of that in a purchase and sale of cotton that I made last week. On Thursday, Friday, and Saturday of last week I bought approximately 5,000 bales of 1940 loan cotton. That is

cotton that was stored during the past fall, and which the farmers are now selling. I paid for that cotton \$6 and \$6.50 per bale over the loan value. That was approximately 10.20 cents per pound over the loan value. That was a price of approximately 10.20 to 10.30 on the local market.

The same quality of cotton, the same description, Middling 15/16th, was quoted on Saturday in New Orleans at 10.13.

Senator McKELLAR. What would have been the difference if it had been sold at New Orleans on the same day?

Mr. NICHOLS. The same cotton in New Orleans would have brought approximately 18 points, or \$1 a bale less than it brought in Arkansas.

Senator McKELLAR. The farmer would have just lost a dollar a bale?

Mr. NICHOLS. In addition to that he would have lost the freight for putting it in New Orleans.

Senator McKELLAR. What would be the freight?

Mr. NICHOLS. Approximately \$1.70 per bale.

Senator McKELLAR. So if that cotton had been in New Orleans instead of in Little Rock—

Mr. NICHOLS (interposing). In Arkansas points.

Senator McKELLAR. In Arkansas points, the difference would have been \$2.70 loss to the former.

Mr. NICHOLS. In addition to that, he would have had the expense of having it received, sampled, and weighed in the receiving warehouse at the port, had it been shipped there.

Senator BANKHEAD. What would that amount to?

Mr. NICHOLS. That would depend on their tariff, and that varies. I could not say exactly, but it would run perhaps 35 cents or more per bale.

Senator BANKHEAD. That would bring it up to about \$3 a bale?

Mr. NICHOLS. I think the farmer would lose at least \$3, had that particular cotton been moved to the port.

Senator McKELLAR. The sampling of the cotton alone—it would have to be sampled in New Orleans and sampled when it was sold, would it not?

Mr. NICHOLS. It probably would; yes, sir.

Senator McKELLAR. That would be about—there is about a pound and a half to a pound and three-quarters taken out in each sample?

Mr. NICHOLS. In almost every case; yes, sir.

Senator McKELLAR. So if it was a pound and a half, that would be 3 pounds, 30 cents a bale for sampling alone?

Mr. NICHOLS. Yes, sir.

Senator McKELLAR. Did you take out a sample when you sold it?

Mr. NICHOLS. We bought the cotton on the classification of the Government certificate. We did not require another sample to be drawn before we purchased the cotton.

Senator McKELLAR. In your judgment what would be the effect of moving all of this Government cotton to coast cities? Is there any demand for cotton in coast cities, any export demand?

Mr. NICHOLS. The export market seems to be completely dead. We have sold no cotton to exporters during the past year.

Senator McKELLAR. Where do you sell your cotton?

Mr. NICHOLS. Practically all of our cotton moves to domestic mills in South Carolina, Tennessee, and Georgia; some to New England.

Senator BANKHEAD. Do you know the total amount of exports up to date?

Mr. NICHOLS. I believe the last figure I have seen was something over 600,000 bales.

Senator MCKELLAR. Does that include such as was sent to one or two of the Government agencies?

Mr. NICHOLS. No; it does not.

Senator MCKELLAR. I think it is well to know that.

Senator ELLENDER. Mr. Nichols, whom do you represent? Whom do you work for? Do you work for yourself?

Mr. NICHOLS. I work principally for myself. My cotton business is my own. I have some associates in the compress business, but that is relatively small.

Senator ELLENDER. And you, I suppose, manage your compress as well as your warehouse business?

Mr. NICHOLS. Yes, sir.

Senator ELLENDER. What is it that would cause the same cotton, as I understood you, to sell for \$1 a bale less if moved to New Orleans?

Mr. NICHOLS. The reason in this particular case the cotton was sold to a mill that had been using Arkansas cotton for a great number of years. Each year they test cotton from other sections, and in past years have used cotton from other sections. They have found that Arkansas cotton, for some reason which they cannot exactly explain, has a better tensile strength for their particular purpose. They know by long experience that their mills run better and they get better breaking strength and lower operating costs when running on Arkansas cotton.

Senator ELLENDER. And if the purchaser of that cotton knew that the cotton that he was about to buy was from Arkansas, the fact that it moves to New Orleans would make him pay \$1 more for that cotton?

Mr. NICHOLS. I did not quite follow you there, Senator. You mean the same cotton?

Senator ELLENDER. The same cotton. That is the point I wanted to emphasize. In other words, if the purchaser of that cotton knew that Arkansas cotton was shipped into the city of New Orleans, do you mean to tell the committee that the mere fact that that cotton is in New Orleans would make it sell at \$1 a bale less?

Mr. NICHOLS. No, sir.

Senator ELLENDER. That is the impression you gave the committee.

Mr. NICHOLS. If the buyer could be fully assured that it is the same cotton, then I would see no reason why he should not pay it. But to move it there, you would incur a loss of \$1.70, which is irrecoverable.

Senator ELLENDER. I will ask Mr. Reed, would that be within the area you speak of?

Mr. REED. No; not Arkansas. There is only a small portion of Arkansas territory that can reconcentrate in New Orleans.

Mr. NICHOLS. I can give you a specific example there. It will cost 59 cents a hundred freight to move this cotton from Arkansas to South Carolina, where it will be consumed. It would cost 56 cents a hundred to move that cotton from New Orleans to South Carolina, and the cost of moving it from Arkansas to New Orleans would be \$1.70, which would be lost entirely.

Senator ELLENDER. Of course, I can well understand that if that same cotton was shipped from some Arkansas point to New Orleans, and thereafter sold to interior manufacturers, I can see the loss in freight, but I believe that evidence has been brought out that very seldom, if ever, does Commodity Credit move cotton to a port warehouse unless that cotton is earmarked and destined for foreign shipment. Is not that your experience, or is it?

Mr. NICHOLS. Our experience in past reconcentration has been that the cotton was removed entirely from the local market. I have never been able to run down and buy reconcentrated loan cotton that was moved to the port.

Senator BANKHEAD. You have difficulty in identifying it, do you not?

Mr. NICHOLS. Yes, sir.

Senator MCKELLAR. Who looks after the cotton after it gets to the port?

Mr. NICHOLS. It has been in the hands of the receiving port warehouse and the Commodity Credit Corporation, or whoever is designated to handle the cotton for them. After a long period of years it is virtually impossible to get anybody that is willing to make an affidavit that that cotton came from a certain locality.

Senator ELLENDER. Now you concede that a good deal of this Government cotton that is now in interior warehouses has lost its identity, do you not, as to production location?

Mr. NICHOLS. I would not say so. I think that most of it can be identified because it is sold right at the source of production. When cotton was first introduced to the loan it was never transported a long distance, because they put it into the nearest facility in order to save freight.

Senator ELLENDER. Well, a good deal of the 1934-35 cotton, as well as the 1937-38 cotton, I think it was testified that there is on hand today 6,100,000 bales, and surely that cotton has been shifted, I presume, from one place to another, so that it has lost its identity, has it not?

Mr. NICHOLS. My impression is that that cotton is still stored, in many cases in the identical warehouse that received it.

Senator MCKELLAR. The only time that it was ever reconcentrated or rewarehoused, as I recall—and I will ask you to correct me if I am wrong about it—was the time when the cotton cooperatives, the American Cooperative Association, came up here to Washington and got the Commodity Credit Corporation to allow them to reconcentrate the cotton or have supervision of the reconcentration of the cotton, and that was in 1935 or 1936, was it not?

Mr. NICHOLS. I believe that is correct.

Senator MCKELLAR. Did you ever hear of being rewarehoused at any other time?

Mr. NICHOLS. I do not recall any other time when any other cotton was moved.

Senator ELLENDER. Now, Mr. Nichols, I believe it has been testified that the greater portion of the cotton that is grown in Texas and Oklahoma is shipped to ports for foreign shipment. Am I right in that?

Mr. NICHOLS. I believe that has been the case, but I cannot speak from first-hand knowledge of the situation.

Senator ELLENDER. As a matter of fact, there is very little of that cotton when things are normal that is shipped to interior manufacturers, except probably a few bales when there may be some local mills

using it. What chance has that old cotton of being sold to local mills or to mills within the interior, in competition with the Arkansas cotton that you speak of that is so great, and some of the Louisiana cotton that I know is the greatest in the country. (Laughter.) And then I think you have some Mississippi cotton, Senator Bilbo, that is classed as superior to any other. (Laughter.)

Senator MCKELLAR. You do not want to leave out Tennessee.

Senator ELLENDER. I understand you have got more hill cotton in Tennessee. But anyhow, as a matter of fact, it is not true that old cotton that has been produced on the Texas hills, and which is not usually consumed by these mills, would not have a chance to compete against this newer cotton that is now being produced and that was produced and will be produced in the future? Is not that true?

Mr. NICHOLS. I think that cotton is usable in this country, but that is not the reason—

Senator ELLENDER (interposing). I understand it is usable, every pound of it can be used, no matter how short it is, but the point is that that cotton, that 1934-35 cotton and that 1937-38 cotton, a good deal of it, was produced in Texas and Oklahoma, which is now in storage, you know yourself it would have very little chance competing against this Arkansas cotton and this north Louisiana cotton and Mississippi Delta cotton, and other cotton, with our interior mills. Is not that true?

Mr. NICHOLS. Well, I would say that this year, my offhand impression is that more Texas and Oklahoma cotton has been sold and shipped to domestic mills than at any time in the past.

Senator ELLENDER. Well, I am talking about old cotton. Why do they not take the old cotton?

Mr. NICHOLS. They cannot take the old cotton because an act of Congress prohibits the sale of the old cotton until certain conditions exist.

Senator ELLENDER. The point I desire to make is—and I was coming to it—that this interior cotton, this 1934-35 cotton and 1937-38 cotton will, I believe, be eventually sold to foreign trade, in foreign trade. Do you not agree with that?

Mr. NICHOLS. That would depend entirely upon our ability to revive an export market which is definitely gone at the moment.

Senator ELLENDER. That is because of the war, of course. I hope that our country will come back to normalcy, and I think you will agree with me that it is bound to come within probably a few months or a few years—it may not come with the same vigor that we have had in the past, but I am sure that you realize it is going to come.

Mr. NICHOLS. Yes. However, our exports have been declining seriously since about 1932.

Senator ELLENDER. I understand that. But going back to the question that I asked you, do you not think that in all probability this cotton that is now on hand, that is owned by the Government, that has been in warehouses since 1934 and 1935, and then 1937-38 will eventually, most of it, be destined to foreign consumers, foreign markets?

Mr. NICHOLS. I would like to agree with you, but I really have serious doubts that we will ever be able to regain our export market to such an extent.

Senator ELLENDER. Is it your opinion, then, that our own people, our own mills, will have to consume, or will consume, all of this cotton, this enormous surplus we have on hand?

Senator BANKHEAD. I do not believe there is any possibility that we can dispose of that cotton in foreign markets. I agree with this gentleman that we are never going to get back our foreign cotton trade.

Senator ELLENDER. I understand that, Senator.

Senator BANKHEAD. I do not believe we will be able to sell 8 or 9 million bales of cotton, and I do not think we ought to deal with the present situation on that hypothetical basis.

Senator ELLENDER. That is exactly what I am trying to bring out now, and the point I am trying to make is simply this: We are talking about saving for the farmer. We are talking about saving for the Government, and it strikes me this way: That at least a large portion of cotton that is now located in the interior should certainly be permitted to be housed and warehoused where the Government will probably save from 5 cents to 6 cents a bale, and if you figure 5 or 6 cents a bale per month over a period of maybe 2 or 3 years, that is going to amount to something. Do you not agree with that?

Mr. NICHOLS. There would be a saving in storage, yes.

Senator ELLENDER. Probably a big saving.

Senator BANKHEAD. The question is, who would save it?

Senator ELLENDER. Who would save it?

Senator BANKHEAD. Yes.

Senator ELLENDER. Well, Senator, if the Federal Government owns 4,800 bales of cotton, and they are now paying 15 cents a bale for that per month, or 12½ cents per bale per month, and they could store some of that cotton at a port warehouse, and if it should take this cotton and earmark it for export, certainly the Government itself would save it if it could get storage facilities for 8½ to 9 cents a bale. I am sure you will agree with that.

Senator BANKHEAD. Yes, but I think you will agree that that simply results in the producer paying the amount the Government saves, and more.

Senator MCKELLAR. He would pay it in increased storage.

Senator ELLENDER. That is true, Senator. I agree with that. But there is another factor which I think will be brought out today or tomorrow, which I asked Mr. Reed when he was on the stand, I think, about the storage facilities at these port warehouses, and I believe that it can be shown that if all of the warehouses at the ports were filled to capacity, a thing which is not contemplated, it would probably require from 15 to 20 percent, or maybe 25 percent, of this Government-owned cotton that is now stored in the interior. Assuming that that is true, would you not feel that the interior warehouses could keep on in business under present conditions if there is a cut of 15 or 10 percent in the amount of Government cotton that they now have in storage?

Mr. NICHOLS. I think the interior warehouses as a whole are right down to the bone now, and any further reduction is going to have to be compensated for by whatever methods they can. I do not believe further reductions in revenue are possible and permits many warehouses to survive.



Senator ELLENDER. As I indicated here last year, I am of the impression—of course, there may be some other evidence brought in to change it, but I am of the impression that but for this backlog of immobile cotton the average warehouseman in the interior could not exist on such low rates. Of course, I do not know what evidence can be brought to offset that, but I may say to you that I was very much impressed with a good deal of the testimony that was brought out here last week through Mr. Reed.

Senator MCKELLAR. May I ask you a question, Senator?

Senator ELLENDER. I am not a witness, but I will be glad to answer if I can.

Senator MCKELLAR. But you are asking some very direct questions of the witness which are very important, and I just want to ask you this question: Do you think that this storage business will be taken from the interior and placed down on the coast, when we have no export market?

Senator ELLENDER. No, I do not believe that. I believe in living and let live, Senator.

Senator MCKELLAR. That is what we propose to do here.

Senator ELLENDER. I do not believe you do that under this bill. It is far from that.

Senator MCKELLAR. I am sorry you do not think so. I was in hopes that you were going to vote for it.

Senator ELLENDER. I am not going to vote for it as it is. I thought we might be able to get together, as you suggested, in some amendments that would not create what I would term, if this bill goes through, a real monopoly for the "ins." I cannot see it otherwise.

Senator MCKELLAR. We do not want a monopoly.

Senator ELLENDER. I know, but that is exactly what your bill is going to create.

Senator MCKELLAR. We are not going to pass any bill that creates a monopoly. We are against monopolies.

Senator ELLENDER. I understand that, but you take the position now that no cotton can be exported, and in the next breath you say in your bill that cotton is to be warehoused at the place of production.

Senator BANKHEAD. While you are on that point, Senator Ellender, I understand from the testimony that the Government owns about 6,000,000 bales of cotton, and that one-third of that is down in the ports. Do you not think that is a fair proportion as compared with all the interior warehouses?

Senator ELLENDER. But you have got in addition to that, Senator—how much is that, Mr. Reed, besides the 6,100,000 bales that the Government has an interest in through loans?

Senator BANKHEAD. But the only cotton available for reconcentration is Government cotton, and the ports have got a third of that now.

Senator STEWART. That would include this year's crop?

Senator BANKHEAD. That would include what is in storage now. The Government has got about one-third of the cotton in storage at the ports now.

Senator ELLENDER. Of course, it may be, Senator, as was brought out yesterday, that in that one-third that is in the ports today, one port or two ports has most of that.

Senator BANKHEAD. I brought that out in answer to your suggestion about a monopoly. They have at least one-third now that is not affected

in any way by this bill, if it passes without changing a letter in it. One-third of it is there now.

Senator ELLENDER. And if, perchance, in 2 weeks from now the war should end, they would have a demand for this cotton in foreign ports.

Senator BANKHEAD. We would all be so happy over that that we would not fuss about it at all.

Senator ELLENDER. But the law would be there, and I think somebody else would fuss if they tried to remove it.

Senator MCKELLAR. If there is a demand for it to be exported, this cotton will gravitate under this proposed law or under the present law, to the ports so it can be sold. There is no doubt about that in my mind.

Senator ELLENDER. But not for storage purposes.

Senator MCKELLAR. No, it will be for sale purposes. But you have got to store it before you can sell it.

Senator ELLENDER. But it may be put there simply for a day or 2 days or 3 days, just to permit the loading on the ship.

Senator MCKELLAR. But that does not apply—your proposal does not apply to farmers' cotton now. It just applies to Government cotton, Government-owned cotton. It cannot apply to former cotton.

Senator BANKHEAD. If there are no further questions, call your next witness, Mr. Reed.

Mr. REED. Mr. Barnett, of Alabama, who was not able to be here the other day, is here this morning.

#### STATEMENT OF J. B. BARNETT, MONROEVILLE, ALA.

Senator MCKELLAR. Will you give your full name and address, Mr. Barnett?

Mr. BARNETT. J. B. Barnett, Monroeville, Ala.

Senator MCKELLAR. Down in the sandy part of my former State?

Mr. BARNETT. Yes, sir; just 50 or 60 miles south of where they say you were born.

Senator MCKELLAR. Yes; just 60 miles. What is your business, Mr. Barnett?

Mr. BARNETT. I am in the warehouse business, and also in the banking business.

Senator MCKELLAR. Have you gone over this bill or are you familiar with it?

Mr. BARNETT. Yes; I have read the bill, Senator. I think it is a very good bill.

Senator MCKELLAR. Why do you think so? Will you go ahead and tell the committee? Did you hear the testimony or read the testimony of Mr. Reed?

Mr. BARNETT. No, sir; I was ill last week, Senator and was not here, I am sorry to say. I want to say that I do not expect to take very much time of the committee, because I think these gentlemen who have preceded me have covered the ground pretty fully. I represent a small warehouse in a small community.

Senator MCKELLAR. How large is your community?

Mr. BARNETT. Monroeville has less than 2,000 people. It is the county seat of Monroe County.

Senator MCKELLAR. And how many bales of cotton do you warehouse there?

Mr. BARNETT. We have a capacity of about 14,000 bales of cotton, and we have about 8,600 bales of the 1937 crop in storage.

Senator McKELLAR. Are you selling your cotton abroad these days?

Mr. BARNETT. Yes; our cotton is selling. You take the 1938 cotton, the farmers themselves have sold about 90 percent of the cotton we had in storage.

Senator McKELLAR. To what place? Where did they sell it?

Mr. BARNETT. To the mills.

Senator McKELLAR. But not export?

Mr. BARNETT. No, sir.

Senator McKELLAR. You are not selling any export cotton?

Mr. BARNETT. No, sir. I do not handle any cotton myself, Senator. We just warehouse cotton, and the buyers come there and buy cotton, and the cotton that has been sold there has been moving east.

Senator McKELLAR. Do you see any reason in the middle of the year like this to ship that cotton to Mobile or to Pensacola and rewarehouse it down there or keep it down there rather than in Monroeville?

Mr. BARNETT. No, sir. They are selling this 1940 crop right now every day out of my warehouse.

Senator McKELLAR. And if it was sent down to Mobile, would that interfere with the prompt selling of that cotton, in your judgment?

Mr. BARNETT. I will tell you what a warehouseman who owns a warehouse in Mobile and is also a cotton buyer, and his man bought some cotton up there and asked him whether he wanted to send it to Mobile and he says, "No, it is worth \$1 a bale more in Monroeville than it is in Mobile. Don't ship it down here."

Senator McKELLAR. And the purchaser of the cotton himself did not ship it down there?

Mr. BARNETT. No, sir.

Senator McKELLAR. Although he has a warehouse down there.

Mr. BARNETT. Yes, sir; he has a warehouse in Mobile, and he did not ship it down there. Now, warehouses like mine—I do not know how these other gentlemen are getting along, but we are losing money on all the cotton that we are taking in on the 1940 loan.

Senator McKELLAR. In other words, where the farmers come in and warehouse their cotton, they are getting it at a reduced rate?

Mr. BARNETT. Yes, sir.

Senator McKELLAR. Because of the Government cotton that you have?

Mr. BARNETT. Yes, sir. If we did not have this 8,600 bales of 1937 loan cotton to take care of the expense of operation, we would either have to increase our rates or go out of business, because we would lose money on it. This rate of 12½ cents a bale—we get 15 cents for it the first year, but you see that cotton has been in there only 4 or 5 months.

Senator McKELLAR. Is your warehouse an independent warehouse?

Mr. BARNETT. I own a very small part of it. It is owned by a stock company, most of whom are farmers. There are 71 stockholders in that little company.

Senator McKELLAR. All there in the town?

Mr. BARNETT. Yes; and practically all of them cotton growers, and it is their cotton that is in that warehouse.

Senator McKELLAR. And you are able to give those growers of cotton in your county a lower rate because of what is called the "backlog" of Government-owned cotton in your warehouse?

Mr. BARNETT. Yes, sir; if it were not for the revenue we get from this Government-owned cotton, we could not operate on the present scale. We started out at 25 cents a bale, and the Commodity Credit Corporation reduced it to 18 cents, then to 12½ cents.

Senator McKELLAR. Now, let us get down to brass tacks. Suppose the Commodity Credit Corporation has its way and rewarehouses this cotton in Mobile, would you then operate at the same rates to farmers?

Mr. BARNETT. No, sir; we could not.

Senator McKELLAR. You would have to raise the rates?

Mr. BARNETT. We would have to raise the rate or quit business, one or the other, because we are losing money on this 1938 cotton and 1940 cotton. We did not have any 1939 loan cotton.

Senator McKELLAR. Take the witness.

Senator ELLENDER. How long have you had this warehouse, Mr. Barnett?

Mr. BARNETT. It was built—we began to build in 1934, when the first Government loan program came on.

Senator ELLENDER. Has it been a losing proposition since that time?

Mr. BARNETT. No, sir; we have not lost any money, but we have got down—the rates have been so reduced now that it is very difficult to make any money, even with our house full of cotton.

Senator ELLENDER. When you said you are losing money, then, you did not mean that, did you?

Mr. BARNETT. Yes; I say we are losing money on these recent crops. For instance, on the 1938 crop we made no money, and the 1940 crop. We have no loan on 1939, insofar as that particular crop is concerned.

Senator ELLENDER. Do you mean so far as storage is concerned?

Mr. BARNETT. Yes. We are handling it at a rate that we cannot afford to handle it at. We cannot do it.

Senator ELLENDER. And it is your idea that except for this backlog you would have to charge at least 25 cents a bale for the first month?

Mr. BARNETT. I do not know just how far we would have to go, but we would have to get more than we are getting now. We can make some money at 25 cents a bale. That was the lowest, however, that we had ever had down in that country.

Senator ELLENDER. Would you say that the money you made at 25 cents would be considered a reasonable return on the investment?

Mr. BARNETT. Yes, sir; that would be good.

Senator ELLENDER. Of course, that is what I am anxious to see, that these warehouses get a reasonable return at all places.

Senator BANKHEAD. That rate was profitable, as I take it, because of the large increase in volume of cotton carried resulting from the loan plan?

Mr. BARNETT. That is correct. Without that we could not have carried cotton at that figure.

Senator ELLENDER. Did I understand you to say that you had in your warehouse today 6,000 bales of Government cotton?

Mr. BARNETT. I cannot give the exact figure, Senator, but I think it is about 8,500 bales. That is of the 1937 cotton.

Senator ELLENDER. You have 8,500 bales, and your capacity is 14,000?

Mr. BARNETT. About 14,000; yes.

Senator ELLENDER. How long do you usually keep cotton? In other words, let us say that all the farmers of your community put in their cotton in the warehouse, about how many months per year do you average per bale?

Mr. BARNETT. I would not be able to answer that question. I can say this to you, that in 1938 we took in about 3,500 bales of the loan cotton, and that was sold out until we have 212 bales of it on hand today. That is under the 1938 loan.

Senator ELLENDER. And how long did it take you to do that?

Mr. BARNETT. I sold it at different times. I would not be able to tell you exactly.

Senator ELLENDER. In other words, over a period of 2 years?

Mr. BARNETT. About a year. Most of it was sold in about a year. We have had about 212 bales on hand for about a year now.

Senator ELLENDER. So, out of the 3,500 bales of cotton that you took in the loan the first year—

Mr. BARNETT (interposing). 3,800.

Senator ELLENDER. Out of the 3,800, they got rid of all of it except 212 bales?

Mr. BARNETT. Yes; and they are now selling the 1940 crop, which has been in the warehouse about 4 months, and on that cotton we are going to lose money. We cannot take cotton in and weigh it and sample it and insure it and store it for 50 cents or 75 cents a bale for 4 or 5 months. But we are making a little clear money out of the 1937 cotton which is on hand, and if that is taken away, gentlemen, the warehouses have either got to increase their rates or go out of business.

Now, if it is a mere saving of a little money on storage, and the farmer left out of consideration entirely, these small warehouses situated as I am are the ones that are servicing the farmers. They are the agents of the Commodity Credit Corporation and are making available to the farmers the loans on cotton which you have provided for them, and without that they could not handle it.

Senator BANKHEAD. You handle cotton for the farmer?

Mr. BARNETT. Yes; we handle it for them.

Senator ELLENDER. There is no doubt that the interior warehouseman is performing a fine service for the farmer. There is no question about that. In fact, I know that from personal contact with warehousemen in my own State. Of this 8,500 bales of Government-owned cotton that you now have on hand, to what extent is this moving out?

Mr. BARNETT. None. It is not moving.

Senator ELLENDER. Have you had that particular amount, or that same amount since 1937?

Mr. BARNETT. I think that pretty much represents the amount we received of 1937 loan cotton.

Senator BANKHEAD. 1937, just to refresh your recollection, was the biggest crop in history.

Mr. BARNETT. We made about 19,000,000 bales that year, the biggest in the history of the United States.

Senator ELLENDER. Do you know the origin of the cotton that you have there?

Mr. BARNETT. Yes, sir; it was grown there in my county. Our town is in the geographical center of the county, and the cotton comes in there to us. There are some other warehouses in the county.

Senator MCKELLAR. Mr. Barnett, you say that you cannot warehouse this cotton for 15 cents the first month and 12½ cents thereafter, if this Government cotton should be removed. Do you know of any reason, or have you ever heard of any reason, where the Government would want to move it? What has the Commodity Credit Corporation got against you warehousemen? Have you been doing something you should not?

Mr. BARNETT. Our relations with the Commodity Credit Corporation have been pretty good. In fact, in 1934 I just filled up my houses and had them sprinkled, but before I knew it there were men down there ready to haul it all away from me, and they cleaned my houses clean, did not leave me a bale of cotton. I came up here and pleaded with them, but they just threw up their hands and said "We can't do anything about it."

Senator BANKHEAD. Where did they move it to?

Mr. BARNETT. They moved some of it to Selma and some to Mobile, 5,000 bales.

Senator MCKELLAR. Did you not give them good facilities there? Did they have any reason except just saying "This cotton will be moved," and moving it? Do you know of any other reason why they should have moved it?

Mr. BARRATT. No, sir; I do not. We were taking care of the cotton all right.

Senator MCKELLAR. You had not lost any cotton?

Mr. BARNETT. No, sir.

Senator MCKELLAR. It was all there?

Mr. BARNETT. Yes, sir.

Senator MCKELLAR. And it was properly warehoused?

Mr. BARNETT. When they removed it they reweighed it and they claimed it had lost an excess in weight, and I even paid the Commodity Credit Corporation in settlement of that excessive loss in weight. I do not think many of them did, but we did.

Senator ELLENDER. How many bales were involved?

Mr. BARNETT. About 5,000.

Senator MCKELLAR. They just took it all out and carried part of it to Selma and part of it to Mobile?

Mr. BARRETT. Yes, sir.

Senator ELLENDER. And did not give any reason?

Mr. BARNETT. No, sir; no reason. They just said they had already made arrangements, and I came up here and pleaded with them and they just said they could not do anything about it.

Senator BANKHEAD. Did they change the rate when they moved it?

Mr. BARRETT. Well, I do not know about that.

Senator ELLENDER. I believe the Commodity Credit Corporation representatives are here, and it might be very interesting to ask them to look up this particular case and be prepared to answer a few questions.

Senator MCKELLAR. We did everything in the world we could to stop it, but they overruled Congress then, just like they proposed to overrule us not long ago.

Now, I want to read you this. Did you get anything nice like this:

Storage space for a substantial volume of cotton is available to the Commodity Credit Corporation at some of the largest concentration points both in the interior and at Atlantic ports, at rates lower than the rates of nonconcentration points.

Did you get any letter like that before they took this cotton away from you in 1935?

Mr. BARNETT. No, sir.

Senator McKELLAR. They just took it out?

Mr. BARNETT. Yes, sir.

Senator McKELLAR. Who took it out?

Mr. BARNETT. Our facilities were pretty well filled up at that time, and the State warehouse people sent out a questionnaire, and I said if they wanted to move half of our cotton it would be all right for them to do it at that time. I told them they could do that, because the new crop was coming on, but when they started in they did not stop at half; they swept it clean. They never left me a thing, and I went nearly 2 years without any cotton.

Senator McKELLAR. Let us go back into that just a minute. It intrigues me a little, if I may use a word that I do not like to use. Who were the people that actually came and took the cotton? Did you know them?

Mr. BARNETT. No; they sent some people there.

Senator BANKHEAD. You are living in the past now.

Senator McKELLAR. I am living in the past for just a moment.

Mr. BARNETT. But first they made a contract with the American Cotton Cooperative Association. They entered into a contract for handling this cotton.

Senator McKELLAR. They had a contract for it?

Mr. BARNETT. Yes, sir.

Senator McKELLAR. And did you know that they received something like \$700,000 for overseeing and superintending the reconcentration of this cotton without let or hindrance?

Mr. BARNETT. I read a good deal about it but I never did know it.

Senator McKELLAR. And the Commodity Credit Corporation did not—

Senator BANKHEAD (interposing). We will be here all day if we go into that. That has all been settled now.

Senator McKELLAR. All right. We are much obliged to you, Mr. Barnett.

Senator BANKHEAD. I want to make a correction. Speaking from recollection I said there were 2,000,000 bales of Government cotton in the ports. I find I was in error; that the Government-owned cotton in the ports was 1,307,199 bales, about 21 percent.

#### STATEMENT OF L. T. BARRINGER, PRESIDENT OF L. T. BARRINGER & CO., MEMPHIS, TENN.

Senator McKELLAR. Mr. Barringer, will you please give your name and address for the record?

Mr. BARRINGER. My name is L. T. Barringer, I am president of L. T. Barringer & Co., cotton merchants, Memphis, Tenn.

Senator McKELLAR. You live in Memphis?

Mr. BARRINGER. Yes, sir.

Senator McKELLAR. Mr. Barringer, have you been here all during the hearings or is this the first time that you have been here?

Mr. BARRINGER. This is the first time I have been here for the hearing.

Senator McKELLAR. How long have you been in the cotton business?

Mr. BARRINGER. Some 21 years.

Senator McKELLAR. In what capacity, in what part of the cotton business are you in?

Mr. BARRINGER. In the merchandising, buying and selling.

Senator McKELLAR. Are you interested in any warehouse companies?

Mr. BARRINGER. No, sir.

Senator McKELLAR. Are you interested in any stock of any warehouse company?

Mr. BARRINGER. I do not own a dime's worth of stock.

Senator McKELLAR. You do not own a dime's worth of stock; you are interested, however, in the cotton business generally, and you are engaged in buying it and selling it?

Mr. BARRINGER. Yes, sir; and to give you a little idea of my familiarity with it, in the last 4 or 5 years I have handled approximately a million bales of cotton.

Senator McKELLAR. Where has that been sold, principally?

Mr. BARRINGER. It has been sold principally to domestic mills.

Senator McKELLAR. About what proportion? If you have not got the exact figures, about what proportion have you sold to domestic mills?

Mr. BARRINGER. Principally to domestic mills.

Senator McKELLAR. About what proportion have you exported?

Mr. BARRINGER. Senator, in the past 3 or 4 years I have not exported a bale. About 5 or 6 years ago—7 years ago I was exporting several thousands of bales each year, but business conditions got risky on the other side and I quit that and stayed with domestic business.

Senator McKELLAR. And you are now engaged in—

Mr. BARRINGER. Solely domestic.

Senator McKELLAR. Solely in selling to domestic mills?

Mr. BARRINGER. Yes, sir.

Senator McKELLAR. Principally where?

Mr. BARRINGER. Located in North and South Carolina, Georgia, and Alabama.

Senator McKELLAR. Now, let me ask you—

Mr. BARRINGER. In others words, southern mills.

Senator McKELLAR. Now, what have you got to say about the proposals in this bill?

Mr. BARRINGER. Well, I am in favor of your bill, S. 262.

Senator McKELLAR. Now, will you give your reasons why you are in favor of that, Mr. Barringer? While we are friends and come from the same place, I have not talked to you about it at all today or at any time?

Mr. BARRINGER. No, sir.

Senator McKELLAR. Go ahead, now tell us what your reasons are.

Mr. BARRINGER. I have not been in this fight for quite a while, but it is getting to the point where it looked to me like it was—as one of



the little fellows said just a little bit off center, for not placing value on cotton warehoused at the source or near the source of production.

Senator McKELLAR. Why?

Mr. BARRINGER. Because we place reliance more or less in the spinning qualities of the cotton. That is not only true of the breaking strength of the cotton, but also of the dyeing and bleaching qualities. A lot of people may not think the dyeing and bleaching qualities have much to do with the value of cotton, but it can make as much as \$5 per bale in the worth of it. If you know where a bale of cotton comes from, it is much easier to sell the mill that uses such if their machinery set-up and everything is working fine, if they come in and want to take some more of the same quality of cotton.

Senator McKELLAR. Let me ask you, you say you are a buyer and seller of cotton. That brings up a question that has not been emphasized here, what effect would it have on a cotton dealer, for the cotton, for instance, in the Memphis district to be rewarehoused in the coastal cities of Houston, New Orleans, Mobile, or Savannah; what effect would it have on the cotton dealers in Memphis? Could you sell as usual or what effect would it have on it?

Mr. BARRINGER. No, sir; it would hamper the selling facilities; those people would have to move their offices, or put branches in those other places, and do the best they could with the situation. It would hamper the farmer likewise, because he would lose a lot of the value of his cotton, first, by reason of not being located near where it is grown or produced, as you cannot keep up with the identity of it so much as you could if it were stored in the region where it was produced. I can illustrate that for you by telling you that the ports in rate hearing tried to trace the identity back to origin on several hundred bales of cotton. It took 72 man-hours to check up on the identity of just a few hundred bales of cotton—72 man-eating hours.

Senator McKELLAR. So that in your judgment the cotton dealers would have to have somebody at the ports, or where the cotton was stored, in order to keep up with it?

Mr. BARRINGER. If they are going to check into it.

Senator McKELLAR. What, in your judgment, would be the practical result of the storing of this cotton, if we should ever have an export market for it, if it was stored on the coast? Would they look for much of it really to the merchants of the interior or the cotton dealer in the interior, or would not those who are in control of the warehouses on the coast control that cotton, and sell it?

Mr. BARRINGER. It would naturally be, I think, the ones located at the port.

Senator McKELLAR. The ones located at the port. Do you know of any reason why the Government should undertake to take away the business of the interior warehouse, the interior dealers, the interior sellers, and the interior farmers, in behalf of those on the coast?

Mr. BARRINGER. No, sir; I do not.

Senator McKELLAR. Is there anything else you wish to say?

Mr. BARRINGER. I have got some other statements here.

Senator McKELLAR. All right.

Mr. BARRINGER. Here is a newspaper excerpt, I would like to make a part of this record. It has to do with the quality of cotton. This

was brought up by a question raised at the Triple A meeting at Little Rock, Ark., December 4, and it was brought out by—

Senator BANKHEAD. December 4 of what year?

Mr. BARRINGER. This past December.

Senator BANKHEAD. This past December?

Senator McKELLAR. 1940.

Mr. BARRINGER. 1940. It was brought out by Dr. Brennan, who is located in eastern Arkansas, with an experimental station. Here is what it says on the high priced cotton produced. Dr. Brennan specifically asks the reason why cotton from eastern Arkansas sold last season and the season before for from 11 to 12 cents a pound, when the general market was 9 to 10 cents a pound. L. T. Barringer, a cotton buyer of Memphis, said many producers in east Arkansas had improved their cotton in many mills desiring better grades. Now, there has been quite a bit of work done by the United States Government in one variety community; they have improved the cotton in these communities where this work has been carried on by using better seed, and so forth, when the cotton located at the source of production, you have confidence in it, to go ahead and buy that cotton, figuring that if you spun 100 bales in the last 2 or 3 weeks, that another 100 bales grown in a similar vicinity is going to give similar returns. Now, if you move this cotton all around, it is going to be hard to check into it and be absolutely sure of all those things.

Senator McKELLAR. Let me interrupt you long enough there to ask you when a department of the Government is encouraging the farmers, as it is doing, and very properly doing, to increase the tensile strength and the value for spinning purposes of their cotton, and where the farmers under the present system are getting an increased price, or premium, as you call it, for that sort of cotton, if we take that cotton now and throw it in hodge-podge, so to speak, and ship it all down to the coast, where it takes 70 man-hours to find 100 bales, what would be the effect of the Government teaching, it would be of no avail, would it not?

Mr. BARRINGER. Senator, that is the first question that hit me, if they are going to start that practice. It looks to me like the Commodity Credit Corporation intends to let the cotton farmers' entire economic life line come through a pill from up here, and put a label on it, without giving the farmer his option and taking away his own right, which are his economic life line—that is exactly what it looks like.

Senator McKELLAR. It would almost amount to this, that the "bumblebee" cotton, so-called, and the long-staple cotton, so-called, would be thrown in hodge-podge, and the purchaser of it would not know hardly what he was getting unless he examined the whole pile?

Mr. BARRINGER. When you commingle it, it makes it much meaner for the manufacturer to get his cotton into satisfactory form for spinning. It is not possible to have the same quality from the same territory year in and year out. However, where it is from the same vicinity and the same year cotton will spin alike. In other words, it is not commingled with that of other sections of different growth. Now, if it is left in the interior at or near source of production its identity can be maintained, and the value of such retained. It can cause a lot of confusion and expense if it goes into the spinning mills

where particular quality is desired requiring the best of spinning workmanship that is, including dyeing and bleaching processes. That is one way by which we fight competitive fibers, like rayon, acetates, and things of that nature, which are so greatly affecting cotton textile fabrics.

Now talking about "bumblebee" cotton, some people may have an idea that its value does not rank in price or requirements with certain qualities of cotton from some of the other sections of the country, but, due to the fact that it has splendid dyeing qualities, it may in numerous instances save the manufacturer one-half cent a pound in dyeing cost versus that of other qualities from other sections of the country. Although it may not be as high-priced cotton as other to the cotton spinner. At times though they will pay seemingly high price to get the right cotton which will do their work and save them one-half cent. Even though in terms of other values it seems out of line in price, naturally, they would rather have it than to take the loss in other ways. There is a lot of elements which enter into the merchandising and spinning of domestic cotton on which I think we should place a value. It carries traditions that has been built up through generations of experience. Now if we are going to tear down structures as now built up, it looks to me like it is going to throw away a lot of money and effort.

Senator ELLENDER. When you say the Government has spent money to make cotton uniform, they are not attempting this in Arkansas alone, they are doing that in other sections, are they not?

Mr. BARRINGER. Yes, sir.

Senator ELLENDER. They are not trying to make it so that Arkansas can be the sole beneficiary, or Mississippi, or Louisiana, but it is for the country as a whole?

Mr. BARRINGER. Take your Red River Valley, the cotton out of that territory has a special value to it.

Senator ELLENDER. With respect to which it would affect you as a cotton merchant, am I to understand that all the cotton you handle, that you purchase and sell, is stored in Memphis?

Mr. BARRINGER. No, sir.

Senator ELLENDER. You would sell cotton that you store in Galveston or that you store in Waco?

Mr. BARRINGER. Yes, sir.

Senator ELLENDER. Or that you stored in Mobile; is that not true?

Mr. BARRINGER. That is true.

Senator ELLENDER. How do you assume then that would affect you as a cotton merchant?

Mr. BARRINGER. The vast majority of the cotton that I handle comes from the interior, and I try to get it just as near the source of production as I possibly can. In other words, I make every effort that way.

Senator ELLENDER. Who is your biggest cotton purchaser so far as you are concerned—

Senator BANKHEAD. Wait a minute. Do you mean to go into his business? I don't think that is pertinent. That is a competitive matter in the trade.

Senator MCKELLAR. Some other competitor might—

Senator ELLENDER. All right, if it affects his business—of course I don't want it.

Mr. BARRINGER. I have got some that some of these other gentlemen around this room once had. I think some of them would like to get it back.

Senator WILLIS. In the sale of cotton if you get an order from a mill or purchaser, do they order a certain type of cotton that is raised in Arkansas, Tennessee, or Mississippi?

Mr. BARRINGER. Yes, sir. I have a lot of mills that will give me orders for cotton located in Arkansas only. If the cotton is even in Memphis, Tenn., I have a hard time proving to them that it is Arkansas cotton. If you take it to the port and lose the identity of that cotton you can see the proposition a fellow is up against in working that out.

Senator BANKHEAD. You have the same situation in Mississippi and Louisiana?

Mr. BARRINGER. That is true generally, but I do not have it made up. Just to show you how cotton from different sections has different values. It used to be that a bill of lading sold for a premium in some sections, particularly cotton of a superior quality, just by bill of lading origin. Well, the Europeans lost confidence in us on that, and we had to go around to other means because of trucking cotton from one section to the other in order to obtain favorable bill of lading origin, but it shows you that there is a value placed on cotton from different sections of growth that is recognized.

Senator McKELLAR. What are those names in the first list?

Mr. BARRINGER. Code words. This comes from the Howard Code Book, which is a universal code used by the domestic people and quite a few export people. I doubt if there is a cotton office that does a domestic business in the United States with mills that does not have a Howard Code Book. The reason I show it is so that you may know it is up to date. I think that code book was one published in—

Senator ELLENDER. 1927?

Mr. BARRINGER. If I remember rightly.

Senator ELLENDER. What is this document you hand me? It is entitled "Howard"—

Mr. BARRINGER. Excerpt from Howard Cotton Code.

Senator ELLENDER. What does that indicate?

Mr. BARRINGER. To particular growths of cottons, it describes where they are grown. The first column here represents the code word—you use the first word in the first column against the first word in the second column, and it transposes into term "any growth." The second word in the first column versus the second word in the second column translates into term "Alabama cotton."

Senator ELLENDER. In other words when a purchaser asks for "Tryst cotton" that means cotton grown in northern Alabama, is that it?

Mr. BARRINGER. That is what it would interpret. Now, the reason I put the code word in here is—as we use such in telegraphic communication. The reason was to show the various growths in the way that they are in the right-hand column, the second column is to show numerous growths. One would not think that there were so many growths of cotton possible in certain States. I would like to put that in as an exhibit if I may.

(The document referred to follows:)

## HOWARD COTTON CODE

Trypanos.....	Any growth.
Trypsino.....	Alabama cotton.
Tryst.....	North Alabama cotton.
Tryster.....	South Alabama cotton.
Tubarius.....	Central Alabama cotton.
Tubbeck.....	Arizona cotton.
Tuberated.....	Arizona Pima cotton.
Tubercular.....	Arizona upland cotton.
Tuberose.....	Arkansas cotton.
Tuberosity.....	North Arkansas cotton.
Tubesid.....	South Arkansas cotton.
Tubful.....	Central Arkansas cotton.
Tubicen.....	California cotton.
Tubicolat.....	Florida cotton.
Tubicorn.....	Georgia cotton.
Tubing.....	North Georgia cotton.
Tubster.....	South Georgia cotton.
Tubulary.....	Central Georgia cotton.
Tubulip.....	Louisiana cotton.
Tubulous.....	North Louisiana cotton.
Tuburcin.....	South Louisiana cotton.
Tucanad.....	Central Louisiana cotton.
Tucap.....	Mississippi cotton.
Tucarsy.....	North Mississippi cotton.
Tuceddo.....	South Mississippi cotton.
Tucelli.....	Central Mississippi cotton.
Tucenarl.....	Mississippi Delta cotton.
Tuceppus.....	Missouri cotton.
Tucette.....	North Carolina cotton.
Tucilix.....	Western North Carolina cotton.
Tucinoy.....	Eastern North Carolina cotton.
Tucomar.....	Southeastern North Carolina cotton.
Tucyle.....	Northeastern North Carolina cotton.
Tugboat.....	Oklahoma cotton.
Tugelma.....	East Oklahoma cotton.
Tugenno.....	West Oklahoma cotton.
Tugilph.....	Central Oklahoma cotton.
Tuition.....	South Carolina cotton.
Tulasi.....	South Carolina Piedmont section cotton.
Tulaver.....	Eastern South Carolina cotton.
Tulcert.....	Northeastern South Carolina cotton.
Tukhan.....	Southeastern South Carolina cotton.
Tulips.....	Tennessee cotton.
Tulivon.....	Western Tennessee cotton.
Tullant.....	Central Tennessee cotton.
Tulle.....	Texas cotton.
Tullibee.....	Central Texas cotton.
Tuloth.....	East Texas cotton.
Tuloyance.....	Northeast Texas cotton.
Tulucin.....	Southeast Texas cotton.
Tuledeck.....	North Texas cotton.
Tulumyx.....	Northwest Texas cotton.
Tumand.....	Southwest Texas cotton.
Tumarse.....	West Texas cotton.
Tumbalt.....	South Texas cotton.
Tumbeki.....	Texas Brazos River cotton.

Now, you take the State of Texas there—that is broken into many different qualities. You take cotton from the Red River Valley of north Texas, and in your own State, the Red River Valley of Louisiana, it carries a certain value to it that you just cannot get away from.

Another thing, cotton at the ports—the coastwise steamers are getting very arbitrary about their rates. If there is thought for a minute that they might ship much of this cotton to New England—New England can only consume 15 percent of the cotton consumed in the United States—now, if these rates are hiked a good part of the New England cotton that has moved to the ports will be returned to the all-rail route—it looks to me that moving scheme is going to do injury to the farmer—the farmer needs that backlog cotton, needs that which is Government controlled to help maintain the warehouse system throughout the interior, which is part of his real marketing system. The ports have never furnished a marketing system, I don't believe, because the farmers, generally speaking, market their cotton near the source of production rather than ship to the coast market except those adjacent thereto. As a taxpayer I would much rather see that cotton stay where it is with the reasonable rates that I think these people are publishing.

I deny and challenge the statement of the Secretary about this \$5,000 a day I have been reading in the newspapers all over the country—I don't know how it reached them so quickly, but it did particularly so about that \$5,000 per day cost or saving to the Government.

Now, the Government, if it is going to maintain the farmer's protection, it is going to cost so much money one way or the other I think that it is going to cost, instead of, say, \$5,000, if they move the cotton and comply with the wishes of the Commodity Credit Corporation, that it is going to really eat up all that \$5,000 and more too. I may be wrong about that a little, but I have been in the cotton business for 21 years, as I said, and I would say that I have handled in the past 4 or 5 years at least 1,000,000 bales of cotton. I have many thousands of bales right now in storage from Texas through Tennessee, and we are not reconcentrating that cotton at all; it is just staying right where it is.

Senator ELLENDER. Are you able to compete now with those low rates, those low storage and handling rates, and buy producer's cotton?

Mr. BARRINGER. I am able to compete, did you say?

Senator ELLENDER. Yes, sir.

Mr. BARRINGER. I am able to buy producer's cotton.

Senator ELLENDER. Do you calculate in your price to the producer the cost of handling it through to the warehouse?

Mr. BARRINGER. Yes, sir.

Senator ELLENDER. How do your rates today compare with what they were say 5 or 10 years ago?

Mr. BARRINGER. I would say, offhand, they must be—storage today is 15 cents, the producer when he sells takes that off what we pay him. The compression today runs from 12 to 13 cents per hundred-weight. Six or seven years ago compression cost me around 18 to 19 cents.

Senator ELLENDER. How do the handling and receiving charges today compare?

Mr. BARRINGER. Handling, the first month's charges were 50 cents per bale 10 years ago, whereas, today they come through for 15 cents, including insurance.

Senator ELLENDER. And you are buying on that basis producer's cotton?

Mr. BARRINGER. I am buying producer's cotton on that basis. I think if the producer cotton bears the burden mentioned that it gets right back to the producer. Another thing I would like to say is there are quite a few cotton equities today being bought in Texas by domestic mills. A lot of people are pessimistic about the consumption of cotton. I would not be surprised to see consumption built up before long to 10 million—maybe 11 million bales domestically. We may have a somewhat shorter crop this coming year, just as we had a short crop in 1934, about  $9\frac{1}{2}$  million bales. You may have to eat into this surplus for domestic mills. All of which go to show it is very improvident to talk about moving cotton even though we are sitting here with an overwhelming carryover, that we do not know where to jump from one minute to the next.

Senator WILLIS. About what is the premium range of cotton of different kinds?

Mr. BARRINGER. The premium on different kinds?

Senator WILLIS. Different rates and different places.

Mr. BARRINGER. You mean warehouse charges?

Senator WILLIS. You say it is more valuable where it is raised in certain regions, how high do you go?

Mr. BARRINGER. Senator, an inch and one-eighth cotton in some sections is worth as much as \$3, \$4, and \$5 a bale, versus  $1\frac{1}{8}$  inch grown in other sections.

Senator WILLIS. That is for a particular type and price?

Mr. BARRINGER. Yes, sir; and in some years they might pay for an inch and one-eighth cotton, if you take 2 years in comparison \$7 a bale. If you get your years mixed up, because the spinning value varies for different growing seasons—it sometimes happens that you have seasons where you are badly hurt unknowingly. In other words, cotton is a good deal like a human being, it is hard to figure out.

Senator WILLIS. And how about inch-and-one-half cotton?

Mr. BARRINGER. On inch-and-one-half cotton today the price of that cotton, I would say, is approximately 20, 21, or 22 cents per pound, on cotton grown on heavy soil, what we term Delta land.

Senator ELLENDER. What proportion of a crop is of that character?

Mr. BARRINGER. Of that real long cotton?

Senator BANKHEAD. Inch and one-half.

Mr. BARRINGER. This year I would say you would have more long cotton in Arizona. I would say they were growing 35,000 bales on Pima this year, however, that does not come into what you are talking about here in the Mississippi Valley, and I should say of that  $1\frac{1}{2}$ -inch cotton there would probably be 2,000 or 3,000 bales of  $1\frac{1}{2}$ -inch—that is very unusual.

Senator ELLENDER. You say you would get 22 cents a pound for that, but the production is very small in comparison with the other.

Mr. BARRINGER. Senator, you come down to  $1\frac{1}{8}$ -inch cotton, there are thousands of bales of that cotton, and that is, premium cotton, and the reason that these qualities have to be separated so finely is that now we are getting spinning machines which are set for high-speed production, as much as 25 percent, and as you go into the high-speed machine you really do have to watch your qualities.

Senator BANKHEAD. About that  $1\frac{1}{2}$ -inch cotton—I don't know why that is brought in—is there not a tariff of 7 cents per pound on it?

Mr. BARRINGER. No; that is cotton grown in this country. If you bring long-staple cotton into this country there is a tariff of 7 cents per pound.

Senator BANKHEAD. That 7-cent tariff is what protects them and gives you the higher price?

Mr. BARRINGER. Yes, sir.

Senator MCKELLAR. Egyptian cotton?

Mr. BARRINGER. Yes, sir.

Senator BANKHEAD. Practically no long-staple cotton is grown in Arizona.

Thank you very much; you may be excused.

#### STATEMENT OF W. C. RUSSELL, OF HAMLIN, TEX.

Senator BANKHEAD. Is this your last witness, how many do you have?

Mr. REED. This is the last.

Senator MCKELLAR. Will you please state for the record your name and address?

Mr. RUSSELL. My name is W. C. Russell, and my address is Hamlin, Tex.

Senator MCKELLAR. What is your business?

Mr. RUSSELL. I am in the banking business and warehouse business, and produce a little cotton when it rains out in west Texas.

Mr. REED. Have you read the statement I made in this record to the committee with respect to this bill?

Mr. RUSSELL. Yes, sir; partially.

Mr. REED. Do you concur in the previous testimony, and the testimony of Mr. Barnett, that you have just heard?

Mr. RUSSELL. Yes, sir; I do.

Mr. REED. I believe Mr. Russell's situation would be largely a duplication.

Senator BANKHEAD. I hope we can avoid duplications. We have quite a number of witnesses.

Senator MCKELLAR. Is there anything special that you want to say?

Mr. RUSSELL. Just this statement with reference to the cotton we handle. Now if that is moved out of the plant we stand to lose from 55 to 60 cents per bale on this year's crop. The only way we can absorb that loss is the income from the backlog cotton.

Senator MCKELLAR. It would put you out of business if the Commodity Credit Corporation plan of sending it down to the coast cities this year is carried out?

Mr. RUSSELL. Yes, sir. One other point, I think our farmers would get up in arms against that proposition, to take away from our interior warehouses—our farmers have consistently lost money where they have had their cotton out of there. In other words, they would have a bid for a certain quality and when they couldn't deliver that and the price would be down, they would lose 5, 6, or 7, whereas when it is stored locally, they know right off, and they accept a bid for it, the buyer gives his check for it and the deal is consummated.

Mr. REED. Have you had any instances in your territory where producers could not reclaim or repossess cotton located at the ports?

Mr. RUSSELL. Yes, sir; none this year, but many last year.



Senator ELLENDER. That loss of 50 or 60 cents a bale, that you mention—

Mr. RUSSELL. This year's cotton. In other words, we have 3 months' storage, which is 45 cents for our cotton and 3 months' handling charge which runs the loss per bale of cotton up to 50 to 60 cents.

Senator ELLENDER. How long have you been in business?

Mr. RUSSELL. Since 1937. We financed in 1937—our bank first financed the premium fee of these cotton warehousemen in order that they could get their crop moved, we not only gave money to the farmer to enable him to store his cotton, but we encouraged these men to go into the business.

Senator ELLENDER. Has your venture been paying?

Mr. RUSSELL. In most instances—there perhaps might have been bad management, but most of them have made some money.

Senator ELLENDER. Under this 15-cent rate?

Mr. RUSSELL. Yes, where the cotton is not moved and handled, but we could not think of handling cotton for 15 cents a bale. We are just taking that cotton now, that backlog, to take care of the loss we are making now.

Senator BANKHEAD. All right. Now, gentlemen, we will hear the witnesses on the other side. I have the list of witnesses furnished me. Mr. John C. White for the American Ports Cotton Compress and Warehouse Association is the first on the list.

Mr. WHITE. Senator, Mr. Marcel Garsaud of the Port Authority of New Orleans has asked to be allowed to testify, and we are very happy to permit him to do so.

#### STATEMENT OF MARCEL GARSAUD, GENERAL MANAGER OF THE BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS, LA.

Senator ELLENDER. Would you please give your name and position for the record?

Mr. GARSAUD. My name is Marcel Garsaud, and I hold the position of general manager of the board of commissioners of the port of New Orleans, an agency of the State of Louisiana, and opposition to Senate bill 262 was approved by the board at a meeting held in New Orleans on Friday, January 24, 1941. This board is a trustee of public funds, and represents the taxpayers of the State of Louisiana, large and small, including the farmer, the tradesman, the laborer, and the investor, and in a sense the cotton-producing farmers of Louisiana are stockholders of this corporation.

Senator BANKHEAD. That is as taxpayers, you mean, publicly owned?

Mr. GARSAUD. As taxpayers. The investment of the State of Louisiana in the port of New Orleans and different facilities aggregates some \$40,000,000, and the number of taxpayers interested in the proper administration of these properties number approximately 60,000. In addition, the views which I shall express are in full accord with the views of all the Gulf coast authorities from Brownsville, Tex., to New Orleans, La. In particular, I have been requested to act as spokesman for the following ports in addition to the port of New Orleans: Corpus Christi, Houston, and Lake Charles.

I shall attempt to confine my remarks to the fundamental principles involved in the consideration of this bill, and I shall endeavor to the

best of my ability, to present to this committee fair and impartial views of the Gulf ports. The Gulf ports are not concerned in any war between special interests, and we consider the interior warehouse industry as our friends. We feel that the facilities at the port are the facilities which have been erected at the expenditure of large sums of money to serve the interior, which after all is the hinterland upon which the various ports must depend for their existence and their continued growth.

Senator McKellar. Mr. Garsaud, may I interrupt you long enough to ask does the port authority itself own a warehouse facility?

Mr. Garsaud. I shall come to that, Senator, we do.

Senator McKellar. You do. Is it full or part full, or empty?

Mr. Garsaud. It is two-thirds empty.

Senator McKellar. Two-thirds empty, how long has that condition existed?

Mr. Garsaud. For at least the last year and one-half.

Senator McKellar. The last year and one-half. That is because of the loss of foreign markets, is it not?

Mr. Garsaud. No, sir.

Senator McKellar. It is not?

Mr. Garsaud. No, sir. I shall explain why in my testimony.

Senator McKellar. All right.

Mr. Garsaud. If, as has been testified this is but a continuation of old feud between special interests, I want to assure the committee, that certainly, as far as the ports I speak for are concerned, we have no such understanding. As we see it, the whole matter boils itself down to an effort to deal with an economic condition by legislation instead of permitting the old natural law of supply and demand to function.

Now, may it please the committee, Senate bill No. 262 is incompatible with the public interests and its passage is unjustified for at least three reasons.

First, whereas the bill appears to delegate authority to the Commodity Credit Corporation to do certain things, it is in reality a prohibitory bill restraining the Commodity Credit Corporation from doing the thing which in its judgment and discretion, the public administrators of the Corporation deem to the best public interest to do.

Second, the bill eliminates from the administration of the affairs of the Commodity Credit Corporation the principle of competitive bidding, which has been the established practice of Federal agencies since 1861.

Third, the bill alleges an intent to prevent monopolistic control and monopolistic tendencies, whereas, it would really perpetuate instead interior monopolistic control, centralized in a very few companies.

Referring to the three reasons cited above, the following comments may be made:

It would appear that the Commodity Credit Corporation has at present all the necessary authority to warehouse and store Government owned cotton, and cotton held as security for loans,

At any rate, the Commodity Credit Corporation does not seek any further authority.

The act would have the effect of seriously impairing the administration of the Commodity Credit Corporation and its problems concerning the handling of cotton would be complicated more than ever. The Commodity Credit Corporation, as a section of the Department of

Agriculture, can be relied upon to preserve for the cotton producing farmer all the benefits and rights to which he is entitled.

The act does not help the cotton producer. It is insisted that the Commodity Credit Corporation will move only Government-owned cotton. The retention of cotton in the interior, as mandated by the bill would eventually produce a congestion, in which event the storage rates would rise, and additional storage buildings in localities near where the cotton is produced would have to be constructed. This would be unwise and uneconomic, so long as there is available storage at the ports at reasonable rates. The rates which can be obtained for the storage of cotton at the Gulf port are such that the expense of transportation, and reconcentrating of this cotton would be offset in a relatively short period of time by the lower rates offered.

The Commodity Credit Corporation has calculated that the saving effected by the Government in its proposed readjustment of cotton storage would amount to a large sum of money. It is not for me or anyone else to question those figures, since none of us are fully cognizant of the bids received nor of the many other elements which of necessity must enter into such a calculation.

A close reading of the bill and a thorough study of its application is convincing that the only beneficiary upon the passage of this bill would be the large interior compresses, which are located at concentration points, and thereby control the movement of cotton, because of the large volume of that business, their centralized control and the territory of their warehouses, with a consequent lowered insurance rate. These large interior compresses are in a position to offer lower rates for storage than the smaller independents operating in the localities where the cotton is produced.

The removal from the interior and the reconcentration at the ports of Government-owned cotton, with due regard for the final destination for that cotton, would result in more available space in the interior for the new crop, and would eliminate the necessity of erecting new structures, or of again storing cotton in the open with its consequential weather damage.

Section 3 of the bill applies such limitations in the determination of reasonable rates by the Commodity Credit Corporation that the cost of storage to the Government and the cotton producer would unquestionably be higher, because the average rates for the years 1936 to 1940 are higher than the present 12½- to 15-cent rates. The rates that have been quoted to the Commodity Credit Corporation by the warehouses at the ports are not rates affected by the dislocations of foreign commerce, as alleged by the bill.

Senator McKELLAR. Mr. Garsaud, let me ask you this question at that point, if it would not trouble you.

Mr. GARSAUD. Not at all.

Senator McKELLAR. You say the rate that has been offered, the reduced rates that has been offered. What rates have been offered the Commodity Credit Corporation, and who offered them?

Mr. GARSAUD. By that statement I meant the rates which have been bid to the Commodity Credit Corporation in response to its call for bids.

Senator McKELLAR. You say they were reduced rates. By that I judge that you have seen them or you know what has been offered. Would you mind saying what has been offered?

Mr. GARSAUD. I have not seen the rates except my own.

Senator McKELLAR. Well, what did you mean when you said—

Mr. GARSAUD. What I said, Senator, was that the rates offered were not affected by the dislocation of foreign commerce.

Senator BANKHEAD. You would distinguish between seeing the rates and hearing the rates?

Mr. GARSAUD. I know that the rate which we have furnished—

Senator McKELLAR. Is it a secret?

Senator BANKHEAD. He said he had not seen it—he has not said that he had not heard them.

Mr. GARSAUD. I have not heard a single rate except my own rate.

Senator McKELLAR. Is that a secret rate, which you have submitted to the Government or is it one that you feel like that you should take the Committee on Agriculture of the Senate into your confidence and give it to them? Mr. Chairman, I believe that the same reasoning could be advanced—

Senator BANKHEAD. The Chair will not insist on his giving an answer.

Senator McKELLAR. If he does not want to take the committee into his confidence, why I shall not insist on it.

Senator BANKHEAD. Did you say the rates that have been offered—repeat that statement.

Senator ELLENDER. I don't think it is a question of taking the committee into his confidence.

Senator BANKHEAD. Senator McKellar does not insist on it.

You said reduced rates—

Mr. GARSAUD. So far as my own rates.

Senator BANKHEAD. Go back and read what you said.

Mr. GARSAUD. The rates that have been quoted to the Commodity Credit Corporation by the warehouses at the ports are not rates affected by the dislocations of foreign commerce as alleged by the bill. Now that statement is 100 percent correct, at least insofar as the rate quoted by the Board of Commissioners of the port of New Orleans is concerned.

Senator BANKHEAD. In other words, the accurate statement would be the rates that your board submitted, without referring to the rates of the others.

Senator ELLENDER. Well, it may be assumed that since Mr. Garsaud represents two or three other ports that he might have peculiar knowledge because of that fact.

Senator BANKHEAD. Without even having seen any of the other rates?

Senator ELLENDER. I say because of the fact that he represents several other ports, the chances are that the other ports may have given him that information.

Senator BANKHEAD. How do they compare?

Mr. GARSAUD. I am perfectly willing to supply that to the chairman of this committee. It makes no difference to me personally—

Senator BANKHEAD. Would you admit it if it did make a difference?

Mr. GARSAUD. Yes, sir; I would. I have promised this committee to give it a fair and impartial view as I see it. I am just as anxious as the committee to bring out all the facts.

Senator BANKHEAD. That is the reason I offered the suggestion.

Mr. GARSAUD. I accept your suggestion.

Senator BANKHEAD. Go ahead now.

Mr. GARSAUD. If the rates quoted by the port warehouses are lower than the interior warehouse rates, it is a direct result of competition. This condition is brought about by the fact that the interior warehouses have monopolized, and apparently desire to continue to monopolize the storage of cotton in the interior. The interior compresses have only themselves to blame for this condition, and you are seeking a legislative remedy to deal with an economic problem. In this connection it is well to point out that when we refer to interior compresses we chiefly refer to the controlling group composed of 4 or 5 large compresses in Louisiana. For instance, the concentration of cotton is influenced by 3 of the large compresses, and outside of New Orleans, those 3 compresses, as of November 30, 1940, stored 72 percent of the cotton held in Louisiana by the Commodity Credit Corporation; 6 other fairly large size compresses stored 22½ percent of such cotton; the remaining 11 small compresses stored only 5½ percent of such cotton.

While the argument that the principle of competitive bidding should not be made mandatory on a governmental bureau may have some merit, it is equally meritorious and sound to say that the principle of competitive bidding should never be prohibited by law. Federal administrative bodies should always have the right to bargain on a competitive basis. To do otherwise would soon place the Federal bureaus at the mercy of the trade. Furthermore, if noncompetitive bidding should be imposed upon the Commodity Credit Corporation, many other branches of the Federal Government would soon seek the same privilege, and this would result in the destruction of the very basic principles of Federal dealing with private industry.

Without any desire to make unpleasant comparisons, it is not out of place to compare the purport of item 3 of section 2 of the bill regarding monopolistic control, to the Teutonic tactics of propaganda just preceding the invasion of Norway, Denmark, Holland, and Belgium.

The truth of the matter is that if this bill should pass and thereby prevent reconcentration of cotton at the ports, then the interior interests sponsoring this bill will enjoy a monopoly of storage and warehousing of cotton. It is conceded that a monopolistic system is extremely unwise, unsound, and dangerous. By no stretch of the imagination, however, can it be shown that the reconcentration of cotton at the ports on the competitive bidding system can create or maintain any such monopoly. On the contrary it would assure a beneficial field of competition on a sound business basis, and the Commodity Credit Corporation can be trusted to maintain a fair and equitable balance as to storage rates, and location of cotton to various localities, so that it cannot be emphasized too strongly that Senate bill No. 262, far from presenting monopolistic control would be the very conceptive agent of such control in favor of the interior.

Now may it please the committee, since I expressed the views of the Gulf ports from Brownsville to Mobile, the time I take of the committee is really a saving of time. I would like to ask your indulgence for a few more brief moments in which to comment on some of the testimony that has been presented at this hearing and to explain to you briefly my conclusions on the question which is the crux of this whole subject. Will the farmer be damaged by the competitive system of bidding, and can the interior compresses retain

the present price of 15 cents per month storage rate if the present stock of Government-owned cotton is reduced by reconcentration to the ports. I would like to call to the attention of the committee that in my reading of the transcript of these many statements of the witnesses heretofore appearing as incompleting, some of the figures which they have advanced have not been broken down sufficiently to pass upon the accuracy of their figures with any degree of certainty. I want to add to this that this morning, I believe Mr. Reed has furnished more of a break-down than I could find in the original transcript.

Senator STEWART. Mr. Garsaud, you spoke of the reconcentration of Government-owned cotton just a few lines back in your manuscript.

Mr. GARSAUD. Yes, sir; Senator.

Senator STEWART. That is, by reconcentration, you say the movement of cotton from the interior warehouses to the port warehouses?

Mr. GARSAUD. Right there I want to place in the record our reply to some of the statements made as follows:

First. Cotton does not lose weight when reconcentrated at the ports. Experience has shown that a bale of cotton if any change in weight occurs, gains, instead of loses.

Second. It is entirely possible and practicable for the Commodity Credit Corporation to reconcentrate cotton at the ports in such proportions as to avoid a back haul to the mills. As far as New Orleans is concerned, there is no freight penalty to the southeastern mills for the cotton produced elsewhere in Louisiana, Oklahoma, North Texas, some of Southern Arkansas, and Mississippi, south of Jackson.

At this point I might add that cotton is also concentrated and reconcentrated at the port of New Orleans, at least for shipment to the New England mills, and I take it that we will all agree that the New England mills will continue to buy cotton, and it is more advantageous for certain territories, particularly the territories which I have just mentioned to ship via New Orleans coastwise steamer to New England, than all rail from interior points.

Senator ELLENDER. Have you figures showing the difference in the cost to the New England mills in shipping via New Orleans rather than via all rail?

Mr. GARSAUD. I have not with me. I can get them for you, Senator, but Mr. Reed is an expert in that line, and I think they can furnish you those figures quicker than I can. I am certainly willing to supply the figures on that.

Senator ELLENDER. I thought you had them since you made that assertion.

Mr. GARSAUD. The statement is based on the figures of what the rate is.

Third. In view of the consideration prayed for on behalf of the interior compresses, because of their large investment, it would seem just and proper for the committee to grant the prayer of the Gulf ports for equal consideration, in view of the large sums of money spent by them for the installation of facilities to serve the cotton producers, when that cotton is intended for export. The warehouses at the ports cannot be expected to be subjected to a system which retains cotton in the interior and thus renders that facility wholly or substantially idle during a national emergency, and at the same time

remain in a position to serve the interior and the cotton producer upon the resumption of the export movement.

Fourth. All Government-owned cotton has already been sampled, and the claim that it must be resampled if reconcentrated at the ports, could not have been made seriously.

Fifth. The suggestion that the interior warehouses were unable to file a proposal under the form submitted by the Commodity Credit Corporation, because of the stipulated charge of 15 cents per bale for delivery to shipside, is farfetched. It was never intended that the interior warehouses would be expected to absorb the freight charges from the interior to the ports. That particular stipulation of the proposal is applicable only to the port warehouses.

Sixth. The suggestion that the compressing charge stipulated in the proposal is too low is irrelevant, as most of the cotton in storage and owned by the Government has already been compressed to standard density.

Seventh. It has been stated that the interior warehouses cannot compete with the warehouses at the ports. No proof was advanced in support of that statement. We believe the interior warehouses can operate at lower cost than the port warehouses because of the more favorable building costs and the more favorable labor conditions. Some of the witnesses have testified that if cotton is reconcentrated at the ports, that cotton originating in certain territories, and particularly the Delta territory, would lose its premium value. Nothing of the sort can happen, because each bale of cotton stored at the ports is tagged and each warehouse receipt has reference to the original tag placed on the bale at the point of origin. The identity of Delta cotton at the ports can positively be maintained and such cotton would not lose its premium value.

Ninth. The consensus of the statements made by the witnesses supporting the bill is that if cotton is reconcentrated at the ports, the storage rate to the producer will have to be raised to 25 cents a bale instead of 15 cents as at present, or an increase of 10 cents per bale per month. Those witnesses have testified that the producer's cotton remains in storage an average of 90 days, and that the average number of bales per producer is 7 bales. Without in any way conceding at this time that the rate of storage would have to be increased if the Government-owned cotton is moved to the ports, and assuming for the sake of argument that such increase would take place, a simple calculation shows that the average farmer would have to pay in additional storage charges per year the sum of \$2.10 for his entire crop if the argument that the farmer desires to maintain his cotton within the locality where it is produced, is of any value, I submit that this privilege should be worth \$2.10 a year to the farmer on his entire crop. However, witnesses have failed to take into account and to credit against this additional charge to the farmer the saving which that same farmer would enjoy by the retention of the present 12½ cent rate, or by a lower rate for such cotton as that same farmer has in the loan. It is probably difficult to ascertain accurately the average number of bales which the average farmer has presently in the loan, or that may be in the future placed in the loan, but it probably would not be contested (I think Mr. Reed confirmed this this morning) that the average number of bales which the average farmer has presently in the loan is four bales, and this

number of bales may be increased from year to year as the average farmer places more cotton in the loan. Now then, assuming that the present rate of 12½ cents per month per bale applicable upon the loan cotton is maintained, it is calculated that with an average of four bales in the loan, the average farmer would save \$1.20. Assuming that the average farmer would desire to take advantage of such lower rates as the Commodity Credit Corporation may have been able to obtain through the competitive bidding system it can be set down that the saving to the average farmer may run as high as 6 cents per bale per month. This would effect a saving to the average farmer, based on that four-bale average in the loan, of \$2.88 per year; now these two figures of \$1.20 and \$2.88 may not be exactly correct, but certainly the saving to the average farmer is somewhere between those two figures, the average of which is \$2.04 a year.

Senator ELLENDER. That is, Mr. Garsaud, if that cotton were permitted to remain the entire year?

Mr. GARSAUD. Well, that is on the loan cotton; that cotton is there the entire year. Some of it has been there 3 or 4 years.

Senator ELLENDER. Not necessarily; there is quite a bit of evidence to the effect that a good deal of that loan cotton remains in storage from 60 to as much as 120 days, and the average for the entire period, including the 1934 cotton is 10½ months.

Senator BANKHEAD. That moves in and out.

Senator ELLENDER. Yes.

Mr. GARSAUD. My recollection is from the figures stated at the hearing that there is, from past loans, a little over 2,000,000 bales of cotton in which the farmer has an equity, and in the past season there were placed in the loans somewhere near 3,000,000 bales of cotton.

Senator ELLENDER. You recall—

Mr. GARSAUD. Five million in all, is it not?

Senator ELLENDER. You will recall there was a witness who testified this morning from a place near Mobile who said that they had 5,000 bales of loan cotton taken by his warehouse in 1938. There remains out of that so taken out only 212 bales. This would indicate that most of that loan cotton was taken out in 1938.

Mr. GARSAUD. I suppose you can cite specific instances where the average time that the cotton held as security for loans stayed in storage only 3 or 4 months; you can likewise find a specific instance where that cotton may have been in storage for 3 years. I am dealing with average storage. I have not seen any figures yet which have given us a time—given us the average time that the loan cotton still belonging to the farmer has been in storage. The nearest I have heard is this morning when Mr. Reed said that it was 10½ months.

Senator ELLENDER. Is that for all cotton, including Government-owned cotton?

Mr. GARSAUD. I didn't understand him to say all cotton.

Senator ELLENDER. Mr. Reed, I would like to have in the record—when you used the figure this morning of 10½ months, did you include in that all Government-owned cotton?

Mr. REED. Everything that has been in the loan since 1934-35 in the 172 interior facilities—not what they had in the loans—all they had on hand, the average revenue on that cotton was 10½ months.

Mr. GARSAUD. The 11,000,000 bales or the 6,000,000 bales?



Mr. REED. On the average. That was illustrative, however, of all of them, because it was representative of the whole.

Mr. GARSAUD. I am not prepared to accept a statement that was illustrative of the whole. What Mr. Reed testified to this morning was concerning 172 facilities. I think we should have—what I am talking about is the average of all facilities of the cotton in the loan throughout the South, not just the average 172 facilities, that may or may not be illustrative of the whole.

Senator ELLENDER. Then Mr. Reed, to get the facts, I want to get them right, your figures had only to do with the facilities that you are now representing?

Mr. REED. No, sir; they had to do with, not all of them—they only had to do with 172 of them.

Mr. GARSAUD. Which is about the number that you really represent?

Mr. REED. Well, I didn't represent them, except to make this statement.

Mr. GARSAUD. I think in the first part of your testimony you stated that you represented 370 facilities.

Mr. REED. To illustrate that point, these 341 facilities took in the loan of 1938, 4,351,000 bales of cotton; at the end of the year 1939, they only had on hand slightly more than 2,000,000 bales of cotton. In other words, some of it stayed in there just a few days. When you take your per bale average, you got to consider that which remains on hand. Well, of that which remains on hand, going back to the question of the Senator, it was 10½ months average holding time.

Senator ELLENDER. Well, Colonel, would it be possible to obtain the figures along the line submitted by Mr. Reed for the old crop?

Mr. GARSAUD. I think the best source of information on that would be the Commodity Credit Corporation.

Senator ELLENDER. I presume the Commodity Credit Agency is here listening to this, and if it is possible to obtain such figures I believe they might be relative and probably interesting to the committee.

Mr. GARSAUD. At any rate, Senator, we must deal with the credit figures, and whether the figures are those that I have given or other figures, the point that I am making is that there is a saving to the farmer who has cotton in the loan which the opposition has failed to take into account.

Senator ELLENDER. I am not questioning that, Colonel Garsaud.

Mr. GARSAUD. I am only putting in the record this figure, and if the figures are incorrect, there is a credit to be given against that charge of 10 cents per bale per month more.

Senator ELLENDER. What I had in mind was to ventilate to a certain extent the figures you gave there, so as to show to the committee that although there might be a difference as you point out there, still and all we have got to consider the fact that this particular cotton does not stay in the warehouse the entire period; that it is moved out, sometimes in a month, sometimes 60 days and other times 120 days. That is what I had in mind.

Mr. GARSAUD. Well, we have to consider the application of the figures that can be gotten up to ascertain just what that is, and then use that figure.

Senator ELLENDER. Do you think that it is possible to get that from the Commodity Credit Corporation?

Mr. GARSAUD. I am fairly sure that the Commodity Credit Corporation must have that information.

Senator ELLENDER. I imagine that might be very interesting.

Mr. GARSAUD. Tenth, the interior warehouses have testified that they cannot survive at the present rates of storage of  $12\frac{1}{2}$  cents for loan cotton, and 15 cents for producer's cotton, if the volume of cotton which they now have is taken away from them or substantially reduced. In this connection let me point out that the interior warehouses have failed to concede that it is utterly impossible to reconcentrate at the ports all the Government cotton now stored in the interior. I think the figures which I have here are not far from the exact status, namely the capacity of the port warehouses from Brownsville, Tex., to Mobile, Ala., is approximately 6,000,000 bales. The present stock on hand at these warehouses is approximately 3,500,000 bales, leaving available space of  $2\frac{1}{2}$  million bales. These port warehouses must handle a certain amount of export and producer's cotton, and for that purpose must reserve space for the next crop to take care of, let us say, three-quarters of a million bales, consequently, the number of bales which can be moved from the interior points to the port warehouses does not greatly exceed  $1\frac{1}{4}$  million bales, which is about 16 percent of the present volume of Government-owned and loan cotton in storage in the interior. I want to emphasize that, that it is my opinion that the Gulf ports cannot take more than 16 percent of the present storage in the interior.

Senator STEWART. You mean 16 percent of the bales of cotton that are in the interior warehouses, or 16 percent of the entire—

Mr. GARSAUD. 16 percent of the cotton now in the interior.

Senator STEWART. That would be about six times—about 8,000,000?

Mr. GARSAUD. It would be about  $1\frac{3}{4}$  million bales, that is on the 6,000,000, 16 percent.

Senator STEWART. Six times  $1\frac{3}{4}$  millions would be around 11,000,000 bales then stored in the interior?

Mr. GARSAUD. Yes, sir; there are just about 11,000,000—there are 6,000,000 owned by the Government and 5,000,000 held as security for the loan. There is a little over 11,000,000 Government-owned cotton, and loan cotton in the interior now at this date.

Senator BANKHEAD. How much cotton is there in this country?

Senator STEWART. I think I asked that question this morning and that there is only about 6,000,000—

Senator BANKHEAD. The figure as put in is that there are now 8,274,688 bales in our warehouses.

Senator MCKELLAR. Government-owned and Government-loan cotton.

Senator ELLENDER. 6,105,000 of which is Government owned.

Senator STEWART. Do you understand that the Government-owned cotton will be moved to the port warehouses?

Mr. GARSAUD. Is that my understanding?

Senator STEWART. I thought there was some provision of law against moving that for reconcentration.

Senator BANKHEAD. That does not apply to the Government owned. The present act does not apply to the Government-owned cotton.

Senator MCKELLAR. It applies to the loan cotton.

Senator BANKHEAD. This bill is intended to extend the present law, known as the Bankhead Act to the Government loan.

Mr. REED. That is the 1940-41 loan. It does not include the 40-41 loan which is now being rapidly sold in trade channels.

Senator ELLENDER. There is little over 11,000,000 bales, Senator, of Government-owned cotton and other cotton in which the farmers have an interest.

Senator BANKHEAD. How much of the 1940 crop is to be added to this 8,000,000?

Mr. REED. It is hard to tell. I would say there is somewhere around 2,000,000 bales of the 1941 cotton now still in the loan.

Senator BANKHEAD. How much of that cotton is not Government-loaned or Government-owned?

Mr. REED. These warehouses I speak for have a little over 2,000,000 bales of cotton not in the loan.

Senator BANKHEAD. So that would make about 13,000,000 bales of cotton in this country?

Mr. REED. I don't believe it would be that if you add it all together.

Senator BANKHEAD. You got 8,500,000, and you got about 2,000,000 more loan cotton, that brings it up to over 10,000,000 bales.

Mr. REED. Correct.

Senator BANKHEAD. How much free cotton is there?

Mr. REED. All we know of it is somewhat in excess of 2,500,000 bales.

Senator BANKHEAD. That makes it around 13,000,000 bales.

Mr. REED. I would say between 12,000,000 and 14,000,000 bales.

Senator BANKHEAD. That is a pretty wide spread.

Mr. JOHN C. WHITE. There are 11,000,000 bales in the interior points, and approximately 3,500,000 at the ports.

Senator BANKHEAD. Interior, how much?

Mr. WHITE. 11,000,000.

Senator ELLENDER. All types of cotton?

Senator BANKHEAD. And at the ports how much?

Mr. WHITE. 3,500,000.

Senator McKELLAR. That makes 14,500,000.

Senator BANKHEAD. It is now 12:30 and we will recess until 3 o'clock this afternoon.

(Whereupon at 12:30 p. m., the hearing recessed until 3 p. m., of this day.)

#### AFTER RECESS

(The committee reassembled at 3 p. m., pursuant to recess.)

Senator BANKHEAD. The committee will come to order. You may proceed, Colonel Garsaud.

#### STATEMENT OF MARCEL GARSAUD—Resumed

Mr. GARSAUD. In order to tie in the testimony that I am about to give with the testimony given prior to adjournment, I will go back just one sentence. I was saying this morning that consequently the number of bales which can be moved from interior points to the port warehouses does not greatly exceed one and three-quarter million bales, which is about 16 percent of the present volume of Government-owned and loan cotton in storage in the interior.

I do not believe that a competent operator can in good faith make the statement that a curtailment of his volume of business by 16 per cent would result in an increase of his rate to 66 $\frac{2}{3}$  percent, but in addition to that is it true that the interior contractors are unable to maintain a rate of 15 cents to the producer if they are deprived of their present stock or a substantial part thereof? The statement has been made by witnesses but no figures whatsoever have been given to substantiate that statement. If I were sitting on a commission to investigate the subject, or for that matter, if I were a member of this committee, such a statement would have no weight unless it were accompanied by a statement giving me certain information. I would want to know the amount of investment in the warehouse, its fixed charges, including all taxes. I would want to know the itemized cost of operation, the surplus in the treasury, if any, the reserve set aside for contingencies, and the dividends and profits which have been declared within the past few years. I would want to know something about their trade practices and the ratio of their storage capacity to the crop produced in their contingent territory. I would like to know what funds, if any, are reserved to maintain a war chest. I would want to know to what extent, if any, the rate-making policy of the railroads in the Mississippi Valley and the Southwest in respect to cotton has been influenced by the interior warehouse industry. I would like to inquire into the control, if any, which may be exercised by three or four large compresses over the smaller compresses.

Such data is always requested by rate-making bodies.

Senator BANKHEAD. Can you furnish it? You are an expert. Can you furnish the information you are asking about now?

Mr. GARSAUD. That is information I would like to know.

Senator BANKHEAD. Could you furnish it to the committee?

Mr. GARSAUD. I am asking the interior industry. I think they can furnish it. I cannot. I am not a part of that industry.

Senator ELLENDER. What Senator Bankhead had in mind, I think, is can you furnish it for your own?

Mr. GARSAUD. I certainly can. I can furnish it for the board of commissioners of the port of New Orleans.

Without this information you could not decide that the interior contractors are unable to maintain the storage rate of 15 cents if there is a decrease in their volume of business. I know of no better way to illustrate the fallacy of that statement by the interior compresses, as to their inability to survive, than to use the figures of their most experienced witness, Mr. Taylor, of the Federal Compress Co.

On page 233 of the testimony Mr. Taylor has estimated the cost of a warehouse to handle Government-owned and loan cotton at \$50,000. He has indicated that an additional \$7,500 might be needed for the strengthening of floors and the building of fire walls. That is allowing \$10,000 for this improvement, and using the figure \$60,000 as the cost of a warehouse to store, as Mr. Taylor states, 15,000 bales of cotton.

It is an accepted fact in investment circles that a charge of about 12 $\frac{1}{2}$  percent on the investment covers interest, amortization, depreciation, and taxes. Based on the cost estimated by Mr. Taylor, and the capacity of the particular warehouse illustrated by him, the fixed charges would amount to 4 cents per bale per month. Taking the present rate of 15 cents per month, this leaves a margin of 11 cents a bale for insurance on the building, maintenance, and profit.

Labor costs involving storage are compensated for in charges for other services performed by the warehouse, and on which the warehouse is entitled to and does receive a profit. Of course, the answer will be made that the producer cotton remains in storage an average of 90 days, and that these figures are based on an annual occupancy of 100 percent, total, but there are other factors to be considered, and the use of the annual occupancy figure is not unsound. For instance, if a warehouse handles only producers' cotton, the turn-over of a warehouse with a capacity of 15,000 bales will be at least 50,000 bales, and perhaps a great deal more.

If the warehouse retains Government-owned cotton or loan cotton to the extent of 80 percent of its present stock, it is evident that, based on the witness' figures, a storage rate of less than 12½ cents furnishes all the backlog that is necessary to retain the producers' rate of 15 cents for storage.

I respectfully submit, therefore, that far from proving the point of their inability to survive at a 15-cent rate, that statement has, on the contrary, opened up a field of exploration as to charges and profits which may, by closer and more accurate analysis, eventually prove that any rate higher than 15 cents would be unreasonable and unjustifiable, and an excess charge to the cotton farmer and producer.

Senator BANKHEAD. Now, Colonel, Senator McKellar wants to examine you, but he is a little late because he is attending another hearing.

Senator ELLENDER. May I ask a few questions, Mr. Chairman?

Senator BANKHEAD. I would rather you would wait until Senator McKellar get here.

Senator ELLENDER. Very well.

Senator BANKHEAD. You may proceed in your own way, Mr. White.

#### STATEMENT OF JOHN C. WHITE, COUNSEL, AMERICAN PORTS COTTON COMPRESS AND WAREHOUSE ASSOCIATION

Mr. WHITE. Mr. Chairman and gentlemen, my name is John C. White, and I am counsel for the American Ports Cotton Compress and Warehouse Association. Address, Washington, D. C.

The American Ports Cotton Compress and Warehouse Association is a trade association whose members are engaged in the handling, compression, and storing of cotton at various ports in the cotton-producing area from Norfolk, Va., along the Atlantic and Gulf coasts to and including San Pedro, Calif.

This association is opposed to the enactment of S. 262, believing it inimical to the best interests of the farmers, the Government, and the entire warehousing industry.

Senator ELLENDER. Mr. White, before you go into that, does your membership include State-owned port facilities, like the one Colonel Garsaud just described?

Mr. WHITE. Yes, it does, Senator, and I have here a list of the members of this association, and I would like to ask that it be placed in the record. It includes the Public Warehouse Co. at New Orleans among others.

Senator BANKHEAD. Does that constitute all the port warehouses?

Mr. WHITE. No, there are other port warehouses in addition.

Senator BANKHEAD. How many more?

Mr. WHITE. Well, I would have to get that information.

Senator BANKHEAD. I mean just generally speaking, without absolute accuracy.

Mr. WHITE. I should say this would constitute two-thirds of the industry.

Senator ELLENDER. Does your statement reflect the capacity of the ports, the amount of cotton they could store?

Mr. WHITE. Yes, it does.

Senator ELLENDER. This statement here?

Mr. WHITE. No, not that particular statement, but the remainder of my statement here.

Senator BANKHEAD. All right. It may go into the record.

(The paper referred to follows:)

*American ports—Cotton Compress and Warehouse Association, New Orleans, La., membership of the association as of Jan. 22, 1941*

Location	Member warehouse	Representative
Norfolk, Va.	Norfolk Warehouse Corporation	J. S. Jenkins, Jr., president.
Savannah, Ga.	Savannah Warehouse & Compress Co.	G. A. Gordon, president.
	Southeastern Compress & Warehouse Co.	Do.
	East Side Compress & Warehouse Co.	Do.
Pensacola, Fla.	Southeastern Compress & Warehouse Co.	Dupuy Bateman, Jr., president, Atlanta, Ga.
Mobile, Ala.	Mobile Warehousing Co.	E. H. Planck, president.
	Turner Terminal Co.	Horace Turner, president.
	Southeastern Compress & Warehouse Co.	Dupuy Bateman, Jr., president, Atlanta, Ga.
Gulfport, Miss.	Mississippi-Gulfport Compress & Warehouses, Inc.	Grenville Mellen, vice president and general manager.
New Orleans, La.	Barclay Compress Co.	A. G. Ball, secretary.
	Cotton Trade Warehouses, Inc.	C. A. Bertel, president.
	Federal Compress & Warehouse Co.	J. B. Roberts, superintendent.
	Independent Warehouse Co., Inc.	C. T. Tyler, superintendent.
	New Orleans Compress Co.	A. H. Mueller, vice president and general manager.
	Public Cotton Warehouse	R. O. Baumbach.
	Shippers Compress & Warehouse, Inc.	W. T. Dillon, manager.
	Shipside Storage Co., Inc.	E. L. Franks, superintendent.
Lake Charles, La.	Lake Charles Compress Co.	J. M. Johnson, Vice president, Houston, Tex.
Beaumont, Tex.	Beaumont Cotton Compress Co.	Roland Jones, Jr., Secretary-treasurer.
Galveston, Tex.	Cotton Concentration Co.	Leland Dennis, vice president and general manager.
	Southern Compress & Warehouse Co.	F. J. Herbelin, general superintendent.
	Texas City Cotton Terminal, Inc.	G. E. Drewery, president.
Houston, Tex.	Houston Compress Co.	J. M. Johnson, vice president.
	Gulf Compress Co.	Do.
	Terminal Warehouse Co.	Do.
	Manchester Terminal Corporation	R. Dow Ernst, president.
	Independent Compress Co.	T. M. Whittington.
	Port City Compress & Warehouse Co.	F. W. Schurnacher.
	Turning Basin Compress Co.	G. T. Christensen, manager.
	Ship Channel Compress Co.	W. E. Jesup, manager.
Corpus Christi, Tex.	Aranus Compress Co.	J. K. Cain, president.
	Port Compress Co.	Frank W. Crook, president.
Brownsville, Tex.	Brownsville Port Compress & Bonded Warehouses, Inc.	S. E. Walker, vice president.
San Pedro, Calif.	Western Compress Co.	J. C. Dellinger, president, Los Angeles, Calif.

E. H. LOCKENBERG,  
Secretary-Treasurer.

Mr. WHITE. The association is opposed to the enactment of S. 262, believing it inimical to the best interests of the farmers, the Government, and the entire cotton warehousing industry. They regard it as an amazing attempt to eliminate the competition of port compress and warehouse facilities for the storage of Government-owned cotton.

Aside from the utter unfairness of this bill to port facilities we see no reason why the cotton farmer and the United States Government should be deprived of the benefit of competition between interior and port facilities, and the resulting better service and reasonable rates.

This bill as drawn will effectively create a storage monopoly in the interior. References to competitive bidding are wholly meaningless, as other terms and conditions prescribed will completely and permanently eliminate actual competition in bids for the storage of cotton. Whether intentionally or not, these references to competitive bidding serve no purpose except to camouflage an effective prohibition of any competition in bidding.

Competitive bidding is limited to warehouses within a given "vicinity" but even then bids are permitted only if "reasonable" storage rates are not available within a given "vicinity."

The standard to be used in determining whether a storage rate is "reasonable" is the storage rates which were in effect during the years 1936-40 inclusive and as a result it appears that a rate of 18 cents to 20 cents will necessarily have to be regarded as "reasonable."

Surely any warehouse within a given vicinity, now storing cotton at 12½ to 15 cents, would be willing to store Government-owned or Government loan cotton at 18 cents to 20 cents, and would gladly make such rates available. The Government would then be in no position to request competitive bids because the legally prescribed "reasonable" rates would be available within every given "vicinity."

The resulting interior storage monopoly can only mean that both the cotton farmers and the Government will be forced by law to pay a substantially higher storage rate than the rates now in effect, or than the rates now available at port compress and warehouse facilities.

The argument of the Federal Compress Co. and its Mississippi Valley satellites, and of the Southwestern Compress and Warehouse Association, and their incidental affiliates, has been presented to you as if the interior facilities had a long-established and God-given right to store all the cotton produced.

Actually storage of cotton at interior points, other than the larger concentration centers, prior to the loan program was for extremely limited periods—not as much as 90 days on the average, as the head of the Federal Compress Co. testified last week.

In ordinary commercial usage cotton moved fairly rapidly through the interior presses and warehouses to the warehouses at ports, or interior concentration centers where it was stored in virtually fire-proof warehouses with extremely low insurance costs.

The interior presses derived a major part of their revenue from compression charges which were and are approximately 60 cents a bale for standard density and 75 cents for high density cotton. They still have this highly important source of revenue, though their testimony completely obscures this fact. That will cut a substantial hole in the costs testified to by Mr. Reed.

On this compression revenue, Mr. Chairman, I have here tariffs for the Federal Compress & Warehouse Co., which is certainly representative of the Mississippi Valley. There has been reference to the charge of 15 cents a bale the first month. This charge of 15 cents per bale, however, covers the first month's storage of flat cotton, and, in paren-

theses (if this company compresses the cotton). If it does not compress the cotton:

First month's storage of flat cotton, if the company does not compress the cotton, including receiving from railroads, trucks or wagons, receipting for, tagging, insuring against loss or damage by fire, as provided by rule 17, weighing and sampling on arrival, if desired, and delivered to cars or truck, per bale, 75 cents.

So that the Federal Compress Co. is assured of getting this 75 cents per bale if they do not get the compression of the flat cotton, or of getting the 15 cents per bale and a charge of 12 cents per hundred-weight, which is approximately 60 cents plus per bale if they do get the compression; and in addition a charge, I believe, of 5 cents for shipping the cotton by tag numbers, and cotton can only be shipped in that fashion.

So that in any case, when the cotton comes into the door of the Federal Compress Co., that company has a pretty sound assurance that it will get 80 cents per bale out of that bale of cotton.

Senator AIKEN. And that is for 1 month?

Mr. WHITE. For the first month. Of course, that includes, if they compress, the compression service, but if they do not compress it but ship it out flat, then they still would get the 75 cents per bale for the first month.

Senator BANKHEAD. Incidentally, very few of the warehouses in Alabama have compresses.

Mr. WHITE. I think that is a fact that this committee should carefully consider, too.

Senator RUSSELL. I am much impressed by what this witness has said, and some of the other witnesses I have heard—unfortunately I have not heard all of them—that this is considered as a fight between large interior warehouses and large warehouses at the ports. I am not concerned with either one of those directly. I think that either of them are large enough to take care of themselves, but I am very much interested in these smaller, independent warehouses that are scattered throughout my State, that have no facilities at all, and they have a very high insurance rate that is not paid by either the port warehouses or the large interior warehouses.

Senator BANKHEAD. I think that is where the fight is, and I think everybody else thinks so, including Mr. White.

Mr. WHITE. East of the Mississippi, Senator, you have the problem of the small warehouse. There is not so much of that west of that line. What this association is complaining most bitterly about is that you allow the situation of your small interior warehouses in the Southeast to affect also and control their competition with the other big interests, other big compress interests.

Senator BANKHEAD. It seems like the chief opposition has not been from the Southeast, but from Texas, Oklahoma and Arkansas, Mississippi, and Tennessee. Why do you think it is Southeastern? I will admit that everybody in the Southeast, practically, is one side of this fight.

Mr. WHITE. I did not say that the chief opposition to the bill came from the Southeast.

Senator RUSSELL. I understood you to say that the chief support came from the Mississippi Valley and the Southwest. As I view the



situation, the small warehouses in the Southeast do not compete in the Southwest.

Mr. WHITE. That is right, and what has happened is that the small interior warehousemen of the Southeast have held an umbrella over their big competitors of the Southwest and the Mississippi Valley.

Senator RUSSELL. But this gets beyond the question of warehousing. I happen to have been born and reared right in the middle of a cotton farm near a small town in northeast Georgia where they do not have even the larger plantations. It is a small farming area, and I know something about the value of these warehouses in the economic set-up and how it affects the lives of the farmers. If you put these little warehousemen out of business in these smaller towns, you have done a great injury to the farming interests, not only from the standpoint of storage charges, but from having from year to year continuing service there to the farmers, and I know these little warehouses cannot get along if you move all this cotton from them, without increasing their rates, and if they are put out of business there will not be any independents, and the big port warehouses and the big interior warehouses will come into this section and we will have monopoly, and eventually they can charge the farmer 75 cents a month or anything they want to on a bale of cotton. I am concerned about these small, independent warehouses, and I hope we can work out some amendment that will take care of them. I am not going to hold an umbrella over anybody. If it is based on number of bales or something like that, I will be perfectly willing to go along with it.

Mr. WHITE. I do have an approach to that question a little later in this statement, which I would like for you to consider.

Senator AIKEN. May I ask one question that may help me as I go along. Do the facilities, the warehouses, buy and sell cotton themselves? Do they buy cotton from the grower and store it in their own warehouses and then sell it?

Mr. WHITE. The larger compress companies and warehouses do not usually engage in the actual purchase and sale of cotton; however, the small warehouse about which Senator Russell has talked, quite often perform other functions than storage, among them the sale of cotton for the producers, and in some cases actual purchase and handling of cotton.

Senator AIKEN. But most of them act as an agency?

Senator RUSSELL. That is right.

Senator AIKEN. But some buy and sell themselves?

Mr. WHITE. Yes, sir. Of course, they do not buy and store and sell.

Senator BANKHEAD. They do not buy and hold, in other words?

Mr. WHITE. No, sir.

Senator BANKHEAD. They do not do that.

Mr. WHITE. One thing has happened on that of which I have heard some complaint by Commodity Credit Corporation officials, and that is the purchase of loan equities by warehousemen. Some warehousemen have adopted the plan of purchasing the loan equities with the assurance that that cotton would remain indefinitely in the loan, the farmer no longer having any interest in it. If a man could buy the loan equity at 50 cents and collect 25 cents a month per bale on that, he could be sure that it would remain in storage indefinitely because of his ownership of the equity.

Senator AIKEN. And is the cotton in the small southeastern facilities all compressed?

Mr. WHITE. No, sir; it is not.

Senator RUSSELL. They do not enjoy the benefits of this compression fee that he is referring to. That is what I am primarily concerned about.

Senator AIKEN. They are really in a very different position than these larger ones?

Senator RUSSELL. Entirely different.

Senator BANKHEAD. The large interests, large buyers, like Anderson and Clayton and that class, they arrange with the warehouses at various points to buy for them. I do not mean particularly Anderson and Clayton, but I do know the large buyers have arrangements of that sort. Usually when they buy cotton they do it for somebody else.

Mr. WHITE. I think they act either as agents or buy for immediate resale.

Senator ELLENDER. Could you answer this question, as to why it is you do not have very much compression in the southeastern part of the country?

Senator BANKHEAD. They have not got the money to buy compresses with.

Mr. WHITE. No; I think it is because compression was developed originally in connection with export commerce.

Senator RUSSELL. Undoubtedly, because all of the cotton growing in this section is used in the Carolina and Georgia mills, most of it, and they do not want it compressed.

Senator ELLENDER. That is what I wanted to bring out. And as a matter of fact a good deal of the cotton that is and has been grown in the southwest, the greater part of it was export business.

Mr. WHITE. That is right.

Senator ELLENDER. And that is why the compressing of cotton developed in that area.

Mr. WHITE. That is right. The flat loan program of 1933 and 1934 reversed this well established usage of movement of cotton through interior plants to concentration centers and ports for storage. It accumulated huge stocks at interior points and greatly reduced the volume of cotton available for handling by port and concentration center warehouses. It wasn't long before the interior presses began to talk about "their" cotton and began a useless expansion of storage space which will plague the entire industry when normal conditions return. This artificial situation which resulted in long-time interior point storage will last only so long as the loan program fixes the price of cotton.

When I was in the university I had a professor of whom I was very fond, who married a woman who owns a large ranch in Texas. The first year or two he talked about his wife's ranch. A couple of years later he was talking about "our ranch," and by the time I left the university he was talking about "my ranch." Well, this cotton has gone through the same evolution. First it was the producers' cotton, then Government cotton, and now it has become "our cotton," so far as the interior compresses are concerned. [Laughter.]

Senator BANKHEAD. That does not apply, I suppose, to the ports?

Mr. WHITE. No; we have not had it, Senator, so we have not been able to talk that way.

Senator BANKHEAD. But if you could only get in on it?

Mr. WHITE. Yes, sir. [Laughter.]

Senator ELLENDER. Mr. White, do you again discuss the question of compressing cotton, in your statement? If not, I would like to ask you this: What added advantage is there to the warehouseman who compresses cotton, except the saving of the space that may be afforded because of that compression?

Mr. WHITE. That and the revenue, of course, which he derives from the compression charge.

Senator ELLENDER. But the fact that he compresses the cotton enables him to put more cotton in the warehouse?

Mr. WHITE. Yes; as Mr. Taylor testified, he doubles the capacity of his warehouse by storing cotton in compressed form.

Senator ELLENDER. Is the farmer charged for this compressing of cotton?

Mr. WHITE. Yes.

Senator ELLENDER. How much? Do you know?

Mr. WHITE. He has to pay this charge, which is 12 cents per hundred weight, or 63 cents per bale, if the cotton is compressed.

Senator ELLENDER. If he does not choose to have his cotton compressed, is the rate for storage greater?

Mr. WHITE. In some compresses it is greater. There is sometimes a distinction between the rate charged for compressed cotton and the rate charged for uncompressed cotton, but in general these tariffs make no distinction.

Senator ELLENDER. Does the Commodity Credit Corporation make any distinction as to charges for compressed cotton as contrasted with charges for noncompressed cotton?

Mr. WHITE. I do not believe it does.

Senator ELLENDER. So that those warehouses that own compress machines are at a decided advantage over those who do not own compress machines?

Mr. WHITE. They do have the advantage you point out.

Senator ELLENDER. That is, they have the advantage of having the farmer or the owner of the cotton pay for the compression, and because it is compressed they can put more of that cotton in their warehouse?

Mr. WHITE. That is correct.

Senator ELLENDER. I am given to understand that another of the reasons why the cotton in the Southeast is not compressed is because the mills of that section do not like to buy compressed cotton. Is that your understanding?

Mr. WHITE. They prefer flat cotton. That is true. I could not say that they do not like to buy compressed cotton, but they certainly prefer it in standard form, or prefer it in flat form.

Senator ELLENDER. Do you know whether or not compressing cotton affects it any way?

Mr. WHITE. I do not think it affects the cotton in the final analysis, but I believe it does make some difference in the ease with which it is fluffed out in some preliminary processes.

Senator ELLENDER. It does not affect the quality of the cotton at all?

Mr. WHITE. No; although I think some mills have a definite prejudice against high-density cotton as compared to standard density, which is one form of compression.

Senator ELLENDER. Is there any saving in the freight rates as between compressed and noncompressed cotton?

Mr. WHITE. There is a very distinct saving. As a matter of fact, under the rate systems that are in effect, there is really very little choice in moving cotton in flat form—I mean the penalty on movement in flat form is so heavy that compression is forced, and the interior compress crowd and their interests are more responsible for that difference and the establishment of that situation than any other factor.

Senator ELLENDER. Are you familiar with the difference in charges?

Mr. WHITE. Not in detail; no.

Having tasted the heavy profits resulting from the addition of income from long-time loan cotton storage to their usual compression and turn-over revenue, the interior compresses, with a few exceptions, have surrendered any part of "their" cotton only if all the political pressure they could muster—and I will say it is considerable—was ineffective. Of course, the Federal Compress Co. gave its own consent, under the terms of the Bankhead act—I should make it clear that we are referring to the amendment which controls the movement of the loan cotton, in which the producer still has an interest—the Federal Compress Co. gave its own consent to the reconcentration of some of its cotton to its plants in the concentration centers at New Orleans and Memphis, and a few more far-seeing interior operators deliberately chose to permit the C. C. C. to move some of their cotton rather than to build additional facilities.

The port association believes that the interests of both port and interior warehousemen will be best served by the development of a program which most nearly fits into the normal pre-loan situation.

Actually there will likely be plenty of cotton for all as long as the European war lasts. The logical course then is to place in the concentration centers, such as Memphis, Atlanta, Birmingham, Augusta, and the ports at competitive rates—in facilities built expressly for low cost storage on a volume basis—the cotton which is likely to remain on hand for a considerable period and which under the present law can only be exported, and to encourage by proper methods and adequate remuneration the handling of new crop cotton in which producers still have an equity at interior plants and at smaller facilities which are best suited for that purpose.

I call your attention particularly, Senator Russell, to the suggestion that the cotton which is to remain on hand for a long period be placed where it can be stored most cheaply.

Senator BANKHEAD. How can you divide the cotton that way?

Mr. WHITE. We think it is divided in two ways, one by law, and—

Senator BANKHEAD (interposing). You mean the Government will finally own the farm loan?

Mr. WHITE. Yes, sir; and also by the fact, as I point out, this Government-owned cotton is very definitely frozen by legal enactment—by an amendment which Senator Smith drafted and I know had your strong support—which will not permit this cotton to be sold for less than what amounts to 17 or 15 cents per pound now; and in addition to that fact, some of this cotton in the 1934 holdings, for instance, has gone through a sifting process already, and the only place where that cotton can likely be marketed, or where I, frankly, think you will

permit it to be marketed, is in export commerce. I will explain why I think that in a moment.

Then as to the small warehouses which have direct producer relationship to encourage them by proper methods and adequate remuneration to handle the new crop cotton and that cotton in which producers still have an equity—

Senator RUSSELL (interposing). They will not have any if you just confine them to that, because under the present loan fixed by the Commodity Credit Corporation in relation to the market price there will not be a great deal of it. One little warehouseman, in my home town, by the name of R. L. Rogers, had about 1,800 bales of this producer cotton in his warehouse, but that has gone down to about 300 bales now, because he has sold it all out. Under your suggestion he would not have but 300 bales of cotton to store in his warehouse, and that would be constantly decreasing as they continue to sell the rest of it out.

Mr. WHITE. I may be mistaken, but it appears to me that his revenue and the revenue which he is entitled to comes from the particular character of service which he is best fitted to render there. I cannot see much reason why the Federal Government would want to encourage the storage of its cotton at a point where the insurance rates say, are as high as 6 cents per bale per month. On the other hand, I do think it is unfair for the small warehouse in the Southeast to have its charges put definitely on a basis so that if cotton moves out rapidly he does not get but 15 cents per month. He ought to have some additional remuneration if the cotton is not stored for a longer period which will protect him fully in performing the service which he is designed to render.

Senator RUSSELL. Unfortunately, I have to agree with you on that, because they have been very diligent in the last several years in forcing down storage rates, even on this shifting cotton, or whatever you term it. They have already brought the prices down—

Senator BANKHEAD (interposing). From 25 cents to 12½ cents.

Senator RUSSELL. To about 15 cents on short-term cotton, on this year's crop. While that all inures to the benefit of the producer and I have no complaint to make about that, but there is a certain separation point where you will break the little warehouseman and thereby do tremendous injury to the producer because he will not have the service of the warehouse.

Mr. WHITE. I think you have a different type of problem in that case, but I do believe that if that is a problem that has got to be worked out, it can be worked out in an entirely different fashion.

Senator ELLENDER. To my way of thinking, as was pointed out last week, that is the crux of this whole question. I do not believe any of us would want to cut the price of storing that cotton to the point where these interior warehouses would have no other alternative than to either get out of business or raise the price, and if they did raise the price, of course that would necessarily fall on the backs of the farmers, would it not?

Mr. WHITE. Yes, sir.

Senator ELLENDER. Now let me ask you this: Are you familiar enough with the cost of storage to tell us whether or not a warehouse located anywhere on the coast could handle cotton at, let us say, 10

cents a bale per month unless it was understood in advance that that cotton would become immobile, say, for 10 months or a year or 2 years?

Mr. WHITE. I would rather not try to answer that question, Senator. I am not sure.

Senator RUSSELL. I do not mind giving it as my opinion that some of them would handle it for a whole lot less than 10 cents a bale, just to be able to get it.

Senator ELLENDER. I understand that probably because these coastal warehouses are empty, some of them might be willing to take it for 6 cents a bale or 5 cents a bale, provided it was understood that the cotton would remain, or they had reasonable expectation that the cotton would remain for a year or so. But I believe that the committee would be interested in finding out from your witnesses, yourself, or anybody in the opposition, and let us write into the record their honest views as to whether or not it would be possible for those warehouses to handle cotton as cheaply as they are now bidding for it, if they had to take that cotton and move it, the same as the interior warehouses have to do, that is, as was brought out, some hold it 60 days, others a few months, and others 4 months. To my way of thinking that is the point in the case, as a lawyer would say.

Mr. WHITE. We will try to develop some testimony on that before we conclude.

Actually there is not sufficient space available in port and concentration centers to store all of the 6,200,000 bales of frozen Government-owned cotton. I am sorry to say that so far as I can see the available business is likely to overcrowd the entire industry during the next few years—sorry because of the effect on the American cotton industry other than warehousemen.

If the war doesn't end this year, another 3,000,000 bales will likely go into the loan next year, and again the next. Social considerations are likely to prevent any further material reduction of cotton production until we reach the conclusion that our foreign markets are definitely gone.

The outraged howl that arose from the organized interior interests when the C. C. C. asked them to bid to keep "their" cotton came as a distinct surprise to the port group. There was no such howl when the ports were compelled to bid against each other in the fall of 1939. No Senators or Congressmen leaped to their rescue. There was no such howl when the New England warehouses were compelled to bid against each other to store the 300,000 bales Congress directed be sent to them, after the last interior political campaign when they almost blocked the barter deal. No Senators or Congressmen leaped to their rescue. But propose to move a bale of cotton belonging to the Southwestern Compress and Warehouse Association and the Federal Compress Co. to the ports, and delegations pour into Washington using every device of misrepresentation and pressure in their well-stocked arsenal. They would show the Commodity Credit Corporation whether that corporation could take "their" cotton away from them. The port association makes no pretense of a purely detached interest in this matter, but because it likewise makes no pretense of political potency and because it is not in the habit of mixing actively in political campaigns, it realizes that its members only hope to stay in business depends upon the conduct of Government business on intelligent commercial principles rather than upon a political pressure basis.

As counsel for the American Ports Association I can tell you that many members of that association did not like the form in which they were compelled to bid; some members who have substantial stocks of Government and loan cotton didn't want to bid at all. Like the interior group they would have preferred to limit their bids to new cotton and maintain the present rates on their existing stocks.

Senator ELLENDER. At that point, why were they not anxious to bid? Might it not be because they had reached the saturation point in the charge that could be made for storing that cotton?

Mr. WHITE. They figured that by taking the stocks they had on hand, and probably what they felt they would have to bid, as compared to their existing rates, and this determined whether it was profitable for them to bid for more cotton or not.

Senator ELLENDER. New cotton?

Mr. WHITE. Yes. And obviously, if their return would probably be less under the new system, the idea of bidding was not too welcome, either to interior or to the port interests; it would be welcome neither to the port interests or to the interior interests who have the cotton.

Senator ELLENDER. You can see the force of having the question ventilated. That is the question I raised a while ago.

Mr. WHITE. Yes, sir.

Senator ELLENDER. And you are going to try to do that?

Mr. WHITE. Yes.

Senator BANKHEAD. Mr. White, do you know who prepared that form of bid?

Mr. WHITE. No, sir; I do not. If I could have made any suggestions, it certainly would have had some very distinct differences in it, but, so far as I know, no one outside of the Commodity Credit Corporation was consulted about it until they actually put it out. Now I happen to know that the National Association of Warehousemen has often asked to have some opportunity to consult with the Commodity Credit Corporation on matters of that kind, where they feel that there is a common interest among all concerned, but there was no such consultation in this case. I am sure both the interior people and the port people would have been happy to have made some suggestions in the actual form of those contracts.

Senator BANKHEAD. It is very confusing, if it is not in the form in which it is set up?

Mr. WHITE. I do not think you can say it is confusing to a man who understands the terminology of these warehouse companies.

Senator BANKHEAD. What about including cotton in here that belongs to the farmers, loan cotton? Do you not think they knew they could not move that?

Mr. WHITE. I am convinced they did.

Senator BANKHEAD. Why do you suppose they put it in the bid?

Mr. WHITE. I think that is the question they should be asked.

Senator BANKHEAD. Did not that make it confusing to the warehousemen?

Mr. WHITE. It may have.

Senator BANKHEAD. And they have sent bids in, both the ports and the others, with a statement of facts and position precedent that cannot be carried out.

Mr. WHITE. I would not say it cannot be carried out, that what they have obligated themselves to do cannot be carried out.

Senator BANKHEAD. It cannot be carried out under the Bankhead Act.

Mr. WHITE. Insofar as loan cotton is concerned, the port warehouse people were aware, and I presume the interior people were too, that after the bids were in, the Commodity Credit Corporation was compelled by law to look at the average rate and then give the interior warehousemen storing cotton at the present time the right to meet that average rate.

Senator BANKHEAD. Why do you suppose that? They did not leave anything open. They sent out for the best bids they could get, and seemed to indicate that they would consider or accept lower bids or anything else—"take it or leave it" as we present it to you. "If you can outbid all of your competitors, all right."

Mr. WHITE. So far as the port people are concerned, I advised them they could not hope to obtain any of the cotton in which there was a loan equity.

Senator BANKHEAD. Maybe the others did not have such good legal talent.

Mr. WHITE. Knowing Mr. Reed as well as I do, I am convinced they had better.

Senator BANKHEAD. I think you are both competent, but you were not available to the rank and file of the warehousemen, the ones that Senator Russell referred to, and that I am speaking of.

Mr. WHITE. I do not believe that the Commodity Credit Corporation would have moved any of the cotton. I am convinced that they could not have, or would not have, and I am sure they would have advised the interior warehouseman of his rights to meet that rate.

Senator BANKHEAD. You mean after the port warehouses underbid him, as everybody understands they would, the interior warehouseman would have to include farmer-owned cotton in his bid too, and the port warehouseman did not have any of that cotton, and the bid was to that extent favorable to the port people. The interior fellow has to put local cotton in his warehouse, and he is bidding on what he is going to have to charge for storage locally. Now what right did he have to suppose that the ports would underbid him substantially, and then the Commodity Credit would open it up again and say, "Come along now and see if you can underbid these fellows again. Come in on another basis. Get hold of your locally owned cotton and just bid on what the ports have got in mind they are bidding on."

Mr. WHITE. Senator, I think the terms of your amendment to that act are pretty well known among all warehousemen, small as well as large.

Senator BANKHEAD. Well, I do not know about that. I doubt it very seriously, the details of it. I forget some of this myself. I had to send out and get a copy of it when I was telling Senator Russell about it when I was down home. [Laughter.] Nobody could keep in mind all the details of these things. That is impossible, and we might as well admit it.

Senator ELLENDER. Mr. White, since your discussion of these bids and so forth, I wonder if it would interrupt you if I should ask you a question in respect to the point that was raised by Mr. Reed when he testified. I believe Mr. Reed stated that only the port warehouses could bid on these forms 55A2 and 55A3, because the contract forms



required the bidder to deliver the cotton to shipside at 15 cents. Do you agree with that interpretation?

Mr. WHITE. No, sir; I do not. That is, of course, a rather interesting point.

Senator ELLENDER. May I ask, did you discuss these forms in the early part of your statement? Because I do not want to encumber the record.

Mr. WHITE. Only briefly, but I do have one of those forms here before me, and my study of that point which Mr. Reed raised leads me to two conclusions: First, that by general trade customs, as Colonel Garsaud pointed out this morning, no one believed that these interior warehousemen are going to be required or asked to make shipside delivery of the cotton.

Senator BANKHEAD. Why do you suppose that was put in there?

Mr. WHITE. Because it was a sort of a shotgun affair, covering both port and interior facilities.

Senator BANKHEAD. Do you not think it looks on the face of it as though they had the bids fixed up for the ports?

Mr. WHITE. No, sir. As a matter of fact, I am going to point out why I think it was unfair to the ports.

Senator ELLENDER. Exactly what do you mean by "shipside?"

Mr. WHITE. Well, the shipside service which is covered by the tariffs of most all of these compresses at the port city means that the warehouse company will deliver that cotton to the ship's side, so that it can be loaded on the boat.

Senator ELLENDER. How can that occur in the interior?

Mr. WHITE. It cannot.

Senator ELLENDER. Then why put it in?

Mr. WHITE. Because this is a contract relating both to interior and port people. Now the warehouseman did assume some very definite obligations under this. He agreed he would store the cotton he had, continue to store it there. He agreed further that he would accept additional cotton such as the Commodity Credit Corporation might deliver to him. He then agreed that if he performed or rendered certain services, the charges would be as follows: He did not agree that he would make shipside delivery for that charge. There is no obligation on his part, but if he did perform that service, then he was committed to the 15-cent charge.

Senator ELLENDER. That could not affect the bid, then, unless you had in it the shipside service.

Mr. WHITE. That is right. Of course, if your warehouseman had in his tariff assumed generally to the public the obligation to make shipside delivery, then the Commodity Credit Corporation, like any other customer, could call on him to perform it. But the interior presses did not carry such an item.

Senator ELLENDER. And that shipside service did not go into effect until the cotton was actually shipped to the ports?

Mr. WHITE. That is right.

Senator ELLENDER. So that this 15-cent charge here was predicated on the cotton receiving that kind of service?

Mr. WHITE. That is right. And it was a limitation on the charge that the warehouseman could receive, rather than an obligation on the contractor to perform that service.

The port people felt, contrary to what Mr. Reed stated, that the form in which the bids were taken favored the interior warehousemen. Under the Bankhead law the port warehouse has no chance to get any loan cotton—i. e., cotton in which the producer still has an equity—if the interior warehouse, after notice, meets an average price available elsewhere.

This right of the present storer to retain the storage if he meets some average rate considerably higher than a particular bid is regarded as grossly unfair by members of this association, inasmuch as it gives their competitor a second look which is denied them. Most buyers would refuse to bid in an ordinary auction conducted on that basis. Nevertheless, that is a right Congress saw fit to give interior warehousemen, and one we have no doubt the C. C. C. will observe.

We do not regard the question of the status of the provisions of the Bankhead amendment controlling the movement of cotton in which the producer still has an equity as at issue here, but we don't want any member of this committee to keep the impression created by Mr. Reed that any provision of that amendment was of any great benefit to the port presses.

In effect, unless there is gross inefficiency, or gross violation of contract by the interior warehouse, the Bankhead amendment simply gives the interior warehouseman an option to let cotton move to the ports at his own election—without regard to the wishes of the producer owning the cotton.

Senator BANKHEAD. That is by not accepting reductions?

Mr. WHITE. That is right. Or if for any other reason that may influence him, he can tell the Commodity Credit Corporation to move the cotton.

Senator BANKHEAD. Well, I guess the port could get rid of the cotton too. You would not want to make it so that nobody could get rid of the cotton if they wanted to get it out?

Mr. WHITE. No; I would not. But you will notice, of course, that it does mean that the warehouseman and not the producer has the option. Of course, the producer also has the option in that he can give the necessary permission to the Commodity Credit Corporation, and the Corporation can move the cotton.

Senator BANKHEAD. He cannot move it, as I understand the Bankhead Act, without written consent of the producer, unless the warehousemen are unable or unwilling to meet space-storage conditions and meet the rates.

Mr. WHITE. Meet the average rate; yes.

Senator BANKHEAD. Up to that point the producer has absolute control.

Mr. WHITE. Under this act, Mr. Taylor reconcentrated some of the Federal cotton to his plants at Memphis and New Orleans, and some cotton has been moved from plants which preferred to see the cotton moved rather than to meet the average rates determined by the Commodity Credit Corporation. The ports are grateful for these crumbs but that's all they have been and since 1939 even those have been bestowed on a competitive-bidding basis among the port facilities.

Senator RUSSELL. Right there, Mr. White, where you say it has been on a competitive-bidding basis between the port facilities, your

list here shows the names, I believe, of 33 warehouses that are members of this association.

Mr. WHITE. Yes, sir.

Senator RUSSELL. Well, how many of them are independent warehouses and how many are affiliated with Anderson, Clayton?

Mr. WHITE. I will have to look at the list, Senator. I would say, while not entirely certain, that approximately 11 are controlled by Anderson, Clayton Co.

Senator BANKHEAD. You are the Washington attorney for the Anderson & Clayton firm?

Mr. WHITE. I am a member of the firm which is general counsel for Anderson, Clayton & Co. and many other clients.

Senator BANKHEAD. I don't doubt that; I just wanted to know your interests, that's all.

Mr. WHITE. Yes.

Senator RUSSELL. Are there any considerable number of them now affiliated with any other large cotton concern?

Mr. WHITE. Do you mean by that, cotton shippers?

Senator RUSSELL. Yes.

Mr. WHITE. I think not. Now, that is not entirely true either, because, for instance, there is the large Houston Ship Channel Compressing Co., which, I believe, has some connection with Alexander Sprunt, but in general I think most of them are purely warehouses.

Senator BANKHEAD. What percentage of the capacity on this list is affiliated with Anderson, Clayton?

Mr. WHITE. I do not know the figures on that, but we will be glad to make that clear for the record. As a matter of fact, we plan to do that a little later through another witness.

Senator ELLENDER. You mean of these warehouses?

Senator BANKHEAD. He says 11 of them, I believe, are affiliated. How many on this list?

Mr. WHITE. 33, I believe, I have not counted them.

Senator RUSSELL. Does Anderson & Clayton own the stock in such a way as will give them control absolutely?

Mr. WHITE. I simply do not know; they may own a few shares, but nothing that would give them any sort of control over the activities of the warehouses.

Senator ELLENDER. I think Mr. Taylor testified Mr. Clayton owned a block of stock in the Federal Compressing Co.?

Mr. WHITE. He did so testify.

Senator ELLENDER. I presume that Mr. Clayton and his company does have stock in other interior presses, and they own them individually, I mean he or his company.

Mr. WHITE. I think they have a few shares scattered around in various compresses.

Senator RUSSELL. There is one investment primarily in a lot of cotton warehouses. It seemed that all this competition you talk about boils itself down to competition between a lot of independents and a few groups of large warehousemen who are more or less interlocking or consolidated.

Mr. WHITE. I think, Senator, if you hear the rest of the testimony which we have prepared and will present here, you will have that picture fully cleared up.

Senator RUSSELL. Well, I have no controversy with you when I just ask you about the presses. Now, you have no particular reason for taking that cotton out of these little independent warehouses——

Senator BANKHEAD. Before we leave that statement you made, you stated the ports have got this cotton on a competitive basis.

Mr. WHITE. Yes, sir.

Senator BANKHEAD. Did you have bids for them?

Mr. WHITE. Yes, sir.

Senator BANKHEAD. The ports bid for the cotton?

Mr. WHITE. Yes, sir.

Senator BANKHEAD. Without letting the interiors have any chance at it?

Mr. WHITE. I think they bid, yes; certain concentration centers also bid for it.

Senator BANKHEAD. Just picked out a group of some ports and some interiors and said, "You can bid for this and nobody else can?"

Mr. WHITE. I do not know, Senator.

Senator BANKHEAD. You ought to know, Mr. White, representing all these people. I never heard it before.

Mr. WHITE. All I know is that they definitely made the port compresses bid for it. Instead of telling us you can have this at a certain rate, they made port facilities at various points bid for it, and the warehouse which made the lowest bid got the cotton.

Senator BANKHEAD. What is the margin between the low and the high on that?

Mr. WHITE. I do not think any figures were made public except the——

Senator BANKHEAD. Do you happen to know?

Mr. WHITE. Except the bids of those which were awarded the contract.

Senator BANKHEAD. What were they?

Mr. WHITE. They varied at the different ports. I do recall that there were some 9-cent rates.

Senator BANKHEAD. Any lower?

Mr. WHITE. I do not recall any lower; there may have been.

Senator BANKHEAD. How much cotton was bid off on that basis to the ports?

Mr. WHITE. Do you mean how much was actually moved to the ports?

Senator BANKHEAD. Yes?

Mr. WHITE. We can probably ascertain it, but I do not know.

Senator BANKHEAD. Was there any cotton from that 300,000 bales which according to the testimony here that did not go under the competitive bidding system?

Mr. WHITE. I think some of it went before that in the original concentration in 1935, and at that time I do not believe they did take competitive bids.

Senator BANKHEAD. Your understanding about this situation, when was that?

Mr. WHITE. 1935.

Senator BANKHEAD. When they had competitive bidding?

Mr. WHITE. No; in 1939, they made the port warehouses bid for the cotton which the interior did not want.

Senator BANKHEAD. And that ranged down as low as 9 cents?

Mr. WHITE. I believe it did.

Senator BANKHEAD. So of the cotton let to the lowest bidder, did they divide it after the bids were in in any way?

Mr. WHITE. They gave it only to the lowest bidder.

Senator BANKHEAD. Who got it?

Mr. WHITE. It varied in various ports.

Senator BANKHEAD. How many warehouses participated?

Mr. WHITE. I think practically all port warehouses participated in bidding in each port.

Senator BANKHEAD. I mean in the cotton?

Mr. WHITE. In each port area one warehouse participated in the cotton.

Senator BANKHEAD. In the distribution?

Mr. WHITE. Yes; in other words, the one that had the low bid got the cotton.

Senator BANKHEAD. The low bid, but the bids were confined to the ports only; New Orleans, the lowest bidder got some cotton; Houston, the lowest bidder would get some cotton, whether they were lower than the other or not?

Mr. WHITE. No; it was not quite that way, because, of course, they would move to the particular port cotton only which was tributary to that port, and they would not move cotton to Houston, which properly should move to New Orleans. As a matter of fact, every port warehouse, of course, when it filed its bid had no assurance it would get any cotton. It got cotton only if the Commodity Credit Corporation saw fit to move some.

Senator BANKHEAD. Was that a secret bid?

Mr. WHITE. Secret? In one sense. I think it was handled by telegraph. As a matter of fact they wired the companies and asked them to quote them rates.

Senator BANKHEAD. Quote the rates?

Mr. WHITE. Yes.

Senator BANKHEAD. If the New Orleans warehouse bid 9 cents and Houston bid  $9\frac{1}{2}$ , they would divide it and give Houston some of it, and New Orleans some of it?

Mr. WHITE. No; they would move to New Orleans the 9-cent cotton that was tributary to that port and move to Houston the  $9\frac{1}{2}$ -cent cotton—

Senator BANKHEAD. Whether it was tributary or not was determined by the port.

Mr. WHITE. The freight rates and the transit features and the other things going into that.

Senator BANKHEAD. You do not know how much?

Mr. WHITE. No. I am sure those figures can be obtained from the Commodity Credit Corporation.

Senator BANKHEAD. I thought possibly you might know. They just wanted to see how much you fellows would pay for cotton; they had no idea.

Mr. WHITE. Not exactly. We did give them some bids on cotton that the interior wanted to move.

Senator BANKHEAD. Cotton the interior wanted to move?

Mr. WHITE. Yes.

Senator BANKHEAD. And they wanted to see how much they would take it for?

Mr. WHITE. Yes.

Senator BANKHEAD. That was not comparable to the present program where they sent out an invitation to bid to everybody?

Mr. WHITE. It was comparable so far as the ports were concerned.

Senator BANKHEAD. I thought you said they wanted it.

Mr. WHITE. The proposition presented to the warehouses was to make a bid to obtain cotton for their facilities.

Senator BANKHEAD. That is the cotton which would naturally go to that port?

Mr. WHITE. Yes.

Senator ELLENDER. Mr. White, while you are on that subject, are you familiar with the law as to whether or not Commodity Credit Corporation is under an obligation to call for competitive bidding?

Mr. WHITE. Well, it is my opinion that they are required to call for competitive bidding by the wording of the statute relating to public contracts. I had intended to refer to that. It is section 5 of the U. S. C.A. (Code Annotated), title 51, section 3709, of the Revised Statutes, and this provides that:

Except as otherwise provided by law all purchases and contracts for supplies or services in any of the departments of the Government and purchases of Indian supplies, except for personal services, shall be made by advertising a sufficient time previously for proposals respecting the same, when the public exigencies do not require the immediate delivery of the articles, or performance of the service. When immediate delivery or performance is required by the public exigency, the articles or service required may be procured by open purchase or contract, at the places and in the manner in which such articles are usually bought and sold, or such services engaged, between individuals.

Now the Department was relieved from this provision by statute, in the case of purchases of less than \$50, and also in connection with certain uses of section 32 funds it was expressly relieved of the provisions of this statute.

Senator ELLENDER. As I understand, the Commodity Credit Corporation has not resorted or I may say followed the provisions of the statute in this connection.

Mr. WHITE. I think that is correct.

Senator BANKHEAD. Do you know whether they have been advised by the Solicitor for the Department that this law does not apply to the warehouse storage?

Mr. WHITE. I do not know.

Senator BANKHEAD. Do you not assume that they have had such advice?

Mr. WHITE. Well, I can make no assumption on that. They have gone ahead and asked for competitive bids, Senator.

Senator BANKHEAD. Yes; after 6 years. That same statute has been there for 20 years.

Mr. WHITE. Yes; but this statute was not effective, Senator, so long as the cotton is held as collateral, and did not belong to the Federal Government. Furthermore, I would construe your amendment, the Bankhead amendment, to modify this statute so far as cotton in which the producer itself had an equity is concerned.

Senator ELLENDER. In other words, it is your interpretation as a lawyer that as to the cotton that is actually owned by the Government in which the farmer has no interest, that it is incumbent upon

the Secretary of Agriculture to call for bids for the warehousing of this cotton?

Mr. WHITE. That is my opinion.

Senator ELLENDER. Would you say that the method by which the Commodity Credit Corporation is now attempting to do that would comply with this law?

Mr. WHITE. I think that it would.

Senator RUSSELL. You think that its present method of advertising is in accordance with the usual policies of the Department in advertising for bids?

Mr. WHITE. As I understand the Attorney General's opinion on that, he says the method of advertising is left very largely to the Department.

Senator RUSSELL. And the exigencies of whether or not they should call for bids at all are left very largely discretionary by that statute, too, are they not?

Mr. WHITE. Only, of course, where the delivery or performance is required—no; I think they have a definite limitation, so far as the exigencies are concerned.

Senator BANKHEAD. You would construe that as services, would you not?

Mr. WHITE. Yes, sir.

Senator BANKHEAD. Why would not that apply to every purchase that the Government makes—the hiring of people—

Mr. WHITE. Except for personal services. In other words, that is an express exception.

Senator BANKHEAD. Except personal services?

Mr. WHITE. Yes, sir.

Senator ELLENDER. If your interpretation of that statute is correct, then for the past 3 or 4 years, at least, the Commodity Credit Corporation has not been acting within the scope of the law.

Mr. WHITE. Since they took title to this cotton, although I cannot say that the statute would be applicable before they took title to the cotton.

Senator ELLENDER. I am saying 3 or 4 years, having in mind the transfer of quite a lot of this 1934-35, I think, cotton, in the hands of the Government, that is in full ownership to the Government. Now, as to that cotton then, the Commodity Credit Corporation would violate that law, would it not?

Mr. WHITE. Of course, they have had this additional point, which I think is to be considered, that under the Barter Act, they were, by act of Congress, prevented from delivering on the barter deal any cotton which was moved, and they could not very well take public bids, which would assume they would move some cotton, and then at the same time say, "Well, we cannot move it, because we are carrying on this barter deal."

Senator ELLENDER. The barter deal, as I remember it, covered 600,000 bales.

Mr. WHITE. It covered 600,000 bales of particular qualities. As a matter of fact the reason they resampled all their cotton was because they had very great difficulty in locating enough of the cotton of the particular qualities to move.

Senator BANKHEAD. Is it the contention of Anderson & Clayton that it would be the duty of the Commodity Credit Corporation, after advertising for the lowest bidder, if Anderson & Clayton bid the lowest price, they could move all of that cotton to Houston, Tex., from the South?

Mr. WHITE. No, sir.

Senator BANKHEAD. Why?

Mr. WHITE. Because it has to take into account so many of these other features—I think they have large discretion still, because they have to take in the railroad costs, and all the other costs of procuring the proper service in determining who is the lowest bidder. In other words, you cannot just look at the one price being offered for storage and decide on that basis.

Senator RUSSELL. You are a very good lawyer, Mr. White.

Mr. WHITE. Thank you, sir.

Senator RUSSELL. You are a crackerjack—you can read into that things which uphold your case, and you are a strict constructionist when it does not.

Mr. WHITE. Thank you, sir.

Senator RUSSELL. I am not saying that in any critical sense. I am saying it in a laudatory way.

Senator BANKHEAD. Go ahead.

Senator ELLENDER. I want to ask you one question with respect to that law. What gives the Commodity Credit Corporation the right to take into consideration all these features to which you are referring? Is that the law here, or is that something apart?

Mr. WHITE. Well, that, I would say, is involved in the determination of what is the lowest bid. In other words, they got to take into consideration the costs they face in determining who is the lowest bidder.

Senator ELLENDER. You think it is part of the fixed charges, like transportation and moving it, and handling it, and so forth?

Mr. WHITE. Yes, sir; I think it is. There is some difficulty in applying a general statute of this type to a situation of a particular type. On the other hand, I think Congress—

Senator ELLENDER. If the Commodity Credit Corporation had to take into consideration these various factors, would they not also have to consider the possibility of having to move that cotton to the new place where they are to store it?

Mr. WHITE. You mean under the present contracts?

Senator ELLENDER. In other words, suppose the port of Houston should bid say for one-half a million bales of cotton, would not the Commodity Credit Corporation have to almost determine definitely that that cotton was destined for shipment—foreign shipment? In other words, would not that become one of the factors?

Mr. WHITE. I would think they would have to take it into account. Of course here is a factor that is a little difficult to express in dollars and cents.

Senator RUSSELL. A consideration, of course, could be made for letting it to the lowest bidder in the vicinity where that cotton was located.

Mr. WHITE. So far as I can see, if they had written their bids up in that form and taken bids, I think they probably would have complied with the statute, just as I think this complies with the statute.



In other words, I do not think the form of the bid is dictated by the statute. I think its principle is set out in the statute, and it is up to them to fit it into the particular type of service they are buying. This statute has been on the books since 1861, and the Attorney General has stated that the object of public competitive bidding is designed to insure to the Government the advantage of competition in making its contracts. It also would have the effect in its full measure of relieving the members of Congress of pressure such as that involved here, and on other occasions, and interfering with the proper administrative handling of Government business. The surest way to end this present bickering over the storage of Government cotton is for Congress to extend the function of the executive agency which is charged with the handling of this matter.

Senator ELLENDER. One more question about competitive bidding, since there is a question as to whether or not the Department has asked for bids with respect to the Government-owned cotton, would not our evil be cured by simply repealing that feature of the law, insofar as it affects cotton?

Mr. WHITE. Well, frankly, my opinion is, I think it appears from some of the paragraphs in my statement that the industry itself has nothing very much to fear from the competitive bidding system, and that if the action of the Commodity Credit Corporation is upheld here, I do not believe we are going to have to worry about any of the things which have been put before you.

Senator BANKHEAD. You just get the cotton to the ports, and you will be satisfied and have nothing to fear?

Mr. WHITE. If the ports get a little additional cotton which I think frankly they are bound to get in any case, I think the ports are going to be satisfied, and the vacuum which has been created—

Senator BANKHEAD. Mr. White, you know as well as you know anything, the competitive basis, the competitive conditions, the ports can take all the cotton and they will do it.

Mr. WHITE. They cannot, because they do not have the capacity, for one thing.

Senator BANKHEAD. How much have they got?

Mr. WHITE. They cannot take more than  $2\frac{1}{2}$ —2,000,000 bales of cotton. There are 11,000,000 bales in the interior.

Senator BANKHEAD. They have the facilities, the ports and the interior, at various warehouses owned by the same interests, they have how much capacity?

Mr. WHITE. I am not sure about the interior.

Senator BANKHEAD. Well, they have large reconcentration warehouses in the interior, have they not?

Mr. WHITE. There are large warehouses, reconcentration warehouses in the interior.

Senator BANKHEAD. Owned by the same interests that largely own the port facilities? You know that is right.

Mr. WHITE. Anderson Clayton & Co. owns stock in the South-eastern Compressing Co., which has large facilities in the—

Senator BANKHEAD. That is right, in the interior. So they could bid for it at the port and take it all?

Mr. WHITE. No; I think I cannot agree with that last statement.

Senator RUSSELL. Pardon me, just a moment. It would be my suggestion, Mr. White, that you offer that statute for the record.

Senator **BANKHEAD**. Let me ask Mr. White one question before we leave this. This statute requires that all purchases and contracts for supplies or services in any of the departments of the Government—it does not say by the Government, but in any of the departments of the Government, and purchases of Indian supplies. Why, if the Government did buy Indian supplies, and it applies to things of that type, why did they especially put in there to purchase Indian supplies?

Mr. **WHITE**. I do not know, Senator.

Senator **BANKHEAD**. Does not that indicate to your mind that matters used in the field, like services in the field, were not intended to be included when specifying one type of services in the field to the exclusion of all others?

Mr. **WHITE**. I am quite sure it does not. This statute is generally applicable. While I have not considered that point, I am quite sure that would not be applicable here.

Senator **ELLENDER**. Mr. White, I think it has been contended by some of us, probably by myself, that if this competitive bidding is permitted, that it would sooner or later lead to cutthroat competition. What are your views on that? Do you care to insert them now?

Mr. **WHITE**. Let's see. I think I should just as well, because I did think that was a very pertinent question. Now, an industry like this cotton-compressing warehouse industry, which has a high percentage of fixed costs could be forced to cut its rates practically to a level of their out-of-pocket costs, if there is a real or artificial lack of business. I do not believe there will be any real lack of cotton for storage during the next few years, but if some artificial restriction was put into the law to prevent empty facilities at the port concentration centers from getting a fair amount of cotton, they will be forced to keep on reducing their rate and the whole industry will suffer. If this bill passes the result will be to force the port facilities to cut their own throats, while the interior warehouses continue to strangle the cotton and continue to build new facilities, increasing the capacity of the old facilities.

Another feature of the contracts submitted that favored the interior compresses was that they could bid to keep their cotton without agreeing to a 30-cent compression charge. In other words, Mr. Taylor could get 60 to 75 cents for this service on all the cotton in his plants, whereas, any port press filing a bid could only get 30 cents. True, Mr. Taylor will have already earned the 60 or 75-cent compression charge on most of the cotton, and he will get this accrued charge regardless of his bid. As a matter of fact, if he lost the bid and the cotton was moved, the cotton would still have to be compressed before it left his facility, and he would get his 60- or 75-cent charge even in that case.

Senator **ELLENDER**. Is it not a fact that on this compressed cotton the farmer saves something on the freight rates?

Mr. **WHITE**. I would say that it is, there are reduced charges, lower charges on compressed cotton than there are on flat cotton.

Senator **ELLENDER**. I am informed that the cost of compressing this cotton would average about 60 cents a bale, and the saving on freight would be as much as \$1 a bale, thereby making a profit for the farmer of 40 cents a bale, do you agree to that?

Mr. **WHITE**. I am not sure—I cannot say as to the profit figures, but undoubtedly the compression does save in the freight which has to

be paid therefor. Now the reason for that difference goes back to this same thing that the interior compresses have used all through the years to fight this as bitterly as they can, and have insisted on the railroad maintaining a system of rates which compels that very thing. In other words, the reason that dollar difference is in there is because the interior compresses have been making the railroads keep that there in order to give them the compression revenue.

Senator ELLENDER. With respect to the distance to which the cotton must be moved, the farmer, as a matter of fact, does benefit eventually by having compressed cotton in comparison with flat cotton?

Mr. WHITE. That is correct.

Senator ELLENDER. All right.

Mr. WHITE. The form of the bids gave every advantage to the interior crowd, but make no mistake, no form of actual honest to God competitive bidding will be satisfactory to the Federal Compress Co. or the Southwestern Compress & Warehouse Association.

Through every political and legal device known this interior crowd have for years sought to preserve local monopolies for the compression and handling of cotton.

Mr. REED. How do you know that?

Senator BANKHEAD. Go back and read that statement. I am recognizing this gentleman representing the opposite side. I think he should be allowed to ask you a question. I will let him ask the question.

Mr. WHITE. Senator, I am perfectly willing to answer any question. I don't want to get into a general controversy.

Through every political and legal device known—

Mr. REED. How do you know that?

Mr. WHITE. I will tell you. The Southwestern Compress & Warehouse Association throttled truck movement of cotton in Texas by a 7,000-pound load law until recently—

Senator BANKHEAD. Do you think that throws any light on this question, the bringing out hereof the fight between your crowd and the other crowd, as you call them, and the other matters charging unfair and improper motives?

Mr. WHITE. I think it is part of this picture, Senator.

Senator BANKHEAD. All right, if you think so, go ahead. If you are going into this sort of charges and specifications and accusations in the case, I guess there will be a good deal of it before we get through. If you want to open that up, it is all right with the chairman. If one can throw any more mud than the other, I will just give you gentlemen an opportunity to throw it at each other. As a lawyer I am against you. I don't want to be accused of being unfair, and I am leaning back the other way. If you want to start the mud throwing, if the other gentlemen want to take it up, it will be all right with the chairman. You are a lawyer and so is Mr. Reed, and you gentlemen ought to preserve the proprieties, without the chairman being called to rule on this question.

Senator ELLENDER. Now, is there not some kind of an investigation going on before the Federal Trade Commission with respect to the matters you referred to now, this so-called monopoly of the compressors?

Mr. WHITE. There is an investigation being conducted at the present time by the Federal Trade Commission on a complaint directed against the Federal Compress Co.

Senator ELLENDER. Well, do you know what is involved in this proceeding?

Mr. WHITE. This [indicating] is a copy of the complaint, and my only information with respect to it is what is contained in this complaint.

Senator ELLENDER. Does that document that you now have in your hands form the basis of this charge that you have just made?

Mr. WHITE. It does, it and the other points which I have pointed out and will point out.

Mr. REED. Do you mind telling the Senator whether or not the Federal Trade is acting on any testimony?

Mr. WHITE. I should say—and intended saying so before Mr. Bennett interrupted, that this complaint, as Mr. Taylor pointed out the other day, is now the subject of a special hearing. At the present time these are charges. They are not adjudications, and, of course, it should be made clear that they are only charges, and not the adjudicated action of the Federal Trade Commission.

Senator ELLENDER. Now, did you base your statement just now on the fact that they were charges? It strikes me as I understand the language that you just read, that you have made a direct charge. Now, if you based that statement on this—merely on these accusations, I am just wondering if you are justified in doing that?

Mr. WHITE. I did not base it solely on these accusations. I think it is all a part of the picture—this complaint and this action of theirs with respect to the truck loading laws in Texas, their action with respect to the insistence on the freight differential between compressed and flat cotton, that which compels the compression in the interior, and other actions of that sort are the bases for that statement.

Senator BANKHEAD. What value do you think that is to this committee, to sit here and listen to these charges that are involved in that controversy?

Mr. WHITE. Senator, that is just about all of that I have here.

Senator ELLENDER. Well, Senator, at that point I may say that I believe one of the issues of the bill, Senator McKellar stated that there was back of it this same fight between the two elements.

Senator BANKHEAD. That is all right. If you are going into specifications like this, it will mean that it may be necessary to have the other folks called in for reply and things of that sort.

Mr. REED. We are not aiming to do that. We are going to show Mr. White that these statements are inaccurate, that the Interstate Commerce Commission prescribed these rates between compressed and flat cotton.

Senator BANKHEAD. There is where you get when you go into irrelevant matters, when you run off after rabbits like that.

Mr. REED. In an investigation in which Mr. White's firm participated and knew all about it.

Senator BANKHEAD. Go ahead, Mr. White.

Mr. WHITE. Of course, they have attempted to obscure their own selfish purpose behind the farmers' overalls. The Southwestern Compress Association did this when they campaigned to drive the

cotton trucks off the Texas highways, though those very trucks saved Texas farmers as much as \$2 per bale on their cotton. This is relevant to the question whether or not they will raise their rates, or whether they are primarily concerned about the farmer when they speak about the moving of cotton compelling them to raise their rates to the farmer. When they threaten to raise their rates to the farmer if the C. C. C. storage rates are reduced, keep this in mind.

Except for the Mississippi Valley, on which all of the emphasis was placed before you, all the Government storage in the interior has not caused any reduction in rates to farmers; and as to the Mississippi Valley it was the combination of C. C. C. pressure, of congressional criticism, or inordinate profits, and perhaps preliminary Federal trade investigation of monopoly practices that resulted in bringing those rates into line with—not below—those prevailing elsewhere in the compress territory.

Certainly, the compresses which have their preloan period rates still in effect ought to be able to continue in operation. Nor is it very likely that even the Mississippi Valley operators will fold up if they lose part of their Government-owned stocks. Last summer I received a prospectus from a local Washington stockbroker regarding the status of the Federal Compress Co., the chief and controlling interest in the Mississippi Valley, which is very informative. These four paragraphs are particularly pertinent:

The company is the largest business of its kind in the country, having handled approximately 5,000,000 bales of cotton during the past year. The company performs an essential function in the movement of the cotton crop from the producer to the consumer.

The business is conducted strictly on a cash basis and inventory and credit losses are unknown.

The company since 1926 has retired a bonded indebtedness of approximately \$5,000,000, a preferred stock issue of approximately \$2,250,000, and has paid dividends each year on its common stock. In addition to the above, the storage capacity has been increased from approximately 1,500,000 bales in 1932 to over 4,200,000 bales.

I call particular attention to that fact, during this period they have increased their storage capacity from 1,500,000 bales to over 4,000,000.

Senator BANKHEAD. Are you going into Anderson & Clayton, on that, too?

Mr. WHITE. We will do that.

Senator BANKHEAD. And that big business?

Mr. WHITE. Yes, sir.

Senator BANKHEAD. When do you think the committee is going to get through with this?

Mr. WHITE. It will not take us very long to do that, I do not think, Senator.

The company sent to stockholders the following information as of December 31, 1939:

"We are pleased to report that 1939 has been our best year since our company was organized in 1925. With over 3,000,000 bales now in storage, we look forward to 1940 with assurance of another good year; \$1,000,000 in dividends was paid to stockholders during the past year. It is pleasing to the management to be free of debts of all kind."

Senator ELLENDER. How large an investment was that; do you know?

Mr. WHITE. If the chairman please, I would like to offer this circular for the record. It does show their balance—

Senator BANKHEAD. I am going to leave that to the committee. I have already indicated how I feel about this whole situation. If you are going into balance sheets, you are going to have Anderson & Clayton here and then you will have to figure out how much they made this year, and all those sort of side-line issues. I do not know what that has got to do with it anyway.

Mr. WHITE. This is the relevancy I attribute to it—

Senator BANKHEAD. What that has to do with this issue about these interior warehouses—

Senator ELLENDER. Senator, there is a question as to whether or not—

Senator BANKHEAD. If you think it ought to go in—

Senator ELLENDER. I do not see where it would harm anyone; I really do not.

Senator BANKHEAD. Put it in. I do not see where it will do any good.

Senator ELLENDER. It is a question as to whether or not these people could get lower—

Senator BANKHEAD. It is not a case for warehousing—

Senator ELLENDER. I understand that.

Senator BANKHEAD. How many warehouses are there all together?

Mr. REED. I will say there are somewhere around five or six thousand.

Senator BANKHEAD. We cannot try this case for the warehouse companies. It is absurd, as I see it, that the time of the committee should be wasted on this fight between the parties. I have got no feeling—I am not against Anderson, Clayton & Co., I have a very high respect for them, although I have met Mr. Clayton only once, and I think Mr. Clayton is a very fine man. I think that this committee is here for the benefit of the Senate. That is my viewpoint.

Senator ELLENDER. Some of these questions have been brought up before.

Senator BANKHEAD. Go ahead and put it in, Mr. Stenographer.  
(The document referred to follows:)

W. W. MACKALL & Co.

WASHINGTON, D. C.

FEDERAL COMPRESS & WAREHOUSE CO.

*Capitalization*

Bonds .....	None
Preferred stock .....	None
Common stock; shares .....	500,000

1. The company owns and operates approximately 75 cotton compress and warehouse properties in Tennessee, Arkansas, Missouri, Mississippi, Louisiana, and Texas.

2. The company is the largest business of its kind in the country, having handled approximately 5,000,000 bales of cotton during the past year. The company performs an essential function in the movement of the cotton crop from the producer to the consumer.

3. The business is conducted strictly on a cash basis and inventory and credit losses are unknown.

4. The company since 1926 has retired a bonded indebtedness of approximately \$5,000,000, a preferred stock issue of approximately \$2,250,000, and has paid dividends each year on its common stock. In addition to the above, the storage capacity has been increased from approximately 1,500,000 bales in 1932 to over 4,200,000 bales. Real estate, buildings, machinery, and equipment are

carried today at a depreciated value which is \$758,292.57 less than they were in the December 31, 1932, statement, although the storage capacity has been practically tripled and the condition of the properties is now far better than it was in 1932.

5. The company sent to stockholders the following information as of December 31, 1939:

"We are pleased to report that 1939 has been our best year since the company was organized in 1925. With over 3,000,000 bales now in storage, we look forward to 1940 with assurance of another good year; \$1,000,000 in dividends was paid to stockholders during the past year. It is pleasing to the management to be free of debts of all kinds."

6. The company's earnings record has been continuous throughout the depression, having never failed to earn the present regular dividend of \$1.60 per common share. Since 1926 the company has had an unbroken cash dividend record. In addition, the following extras have been paid: 4 percent stock dividend in 1927, 2 percent stock dividend in 1930, 11 percent stock dividend in 1934; rights were issued in 1936 with an average value of \$1.75 per share, 40 cents cash in 1937, and 40 cents cash in 1939.

7. Inasmuch as the company has now retired all indebtedness and apparently has adequate capacity, it is reasonable to anticipate larger dividend payments on the common stock.

	Dec. 31, 1939	Dec. 31, 1938
<b>Assets:</b>		
Cash in banks.....	\$840,351.65	\$214,963.84
Bills receivable.....	1,900.00	3,100.00
Expense bills.....	60,437.77	77,375.65
Inventory supplies.....	108,282.99	112,890.02
Stocks and bonds.....	575,859.63	801,675.17
Real estate.....	1,343,907.73	1,324,266.24
Buildings, machinery, and equipment.....	22,330,176.88	21,330,216.03
Total.....	25,260,916.65	23,864,486.95
<b>Liabilities:</b>		
Bills payable.....	None	950,000.00
Capital stock—common.....	12,500,000.00	12,500,000.00
Affiliated companies.....	42,679.17	30,024.79
Reserve for depreciation.....	9,771,504.06	9,174,858.61
Surplus.....	2,946,733.42	1,209,603.55
Total.....	25,260,916.65	23,864,486.95

Dividends paid 1939: \$2. Current price: About 37, to yield 5.40 percent.

We do not guarantee the statements and figures presented herein, but they are taken from sources we believe to be reliable. Offerings of securities issued within the past 12 months are made only when accompanied by prospectus.

Mr. WHITE. This circular bears upon the necessity contended for by the Federal officials to justify them in raising their rates to the farmers, if they lost any part of the loan backlog. That is why I am offering it.

Senator BANKHEAD. This is the biggest company in the United States?

Mr. WHITE. Yes.

Senator BANKHEAD. A large block of stock owned by your clients Anderson and Clayton?

Mr. WHITE. I would not say a large block of stock.

Senator BANKHEAD. How much do they own?

Mr. WHITE. Less than 5 percent.

Senator BANKHEAD. What is the total capitalization?

Mr. WHITE. \$12,500,000, I think the statement shows.

Senator BANKHEAD. Go ahead.

Mr. WHITE. On December 31, 1940, the Commodity Credit Corporation owned outright 6,185,201 bales of cotton, and had under loan

4,696,798 bales, or a total of 10,882,179 bales. Cotton going into the loan since December 31, 1940, has raised this figure above 11,000,000 bales.

I believe Senator Russell raised the question of how much unused capacity was available at port warehouses. An additional 2,000,000 will certainly well fill up the space available at the ports for dead storage. It is easy to see, therefore, that the bugaboo of loss of all their cotton backlog set up by the interior crowd does not exist. They must realize this. Maybe they think you won't. Inevitably they will have a substantial backlog of cotton, and note this, Mr. Taylor explained very carefully how they had doubled storage capacity by dividing compartments by fire walls and storing the cotton in compressed form, whereas, they formerly stored it flat. Mr. Reed in explaining rates as low as 8 cents at the ports explained that this very method made it so much cheaper that the port presses could afford to put in an 8-cent rate.

But even at its best this argument that rates to farmers will be raised if C. C. C. rates are reduced, amounts to urging that the Federal Government should subsidize certain interior presses and their insurance companies to the tune of some \$2,000,000 a year, to prevent their exacting exorbitant rates from the producers. If that is the real issue then, with that sum and by utilizing credit available at the Farm Credit Administration, the Government could very quickly build enough local farmer cooperative warehouses to give the farmer full protection. That course, however, would mean disaster to the interior compress crowd and that is another reason rates to farmers will not be raised.

Justification No. 2 for the enactment of legislation preserving their cotton to the organized interior interests is that it is an unwise business policy to move the cotton to the ports. From their assumed function as guardian of the farmer they now become guardians of the Commodity Credit Corporation. Obviously this is a question primarily for the Commodity Credit Corporation, which knows a great deal more about its purposes and its cotton than the warehousemen do.

If you are going to assume that the officials of the C. C. C. and the Department are a bunch of crooks and nincompoops, then they ought not to be trusted with any authority whatever. We do not think that they are and we do not believe that the interior warehousemen do either. We have no doubt that any reconcentration will be handled intelligently, taking into account present and future freight bills, transit privileges, and probable disposition of the cotton.

You probably do not suspect it from the testimony presented to date, but this crowd which is yelling so about the effect of moving cotton to the ports is very well aware that considerable space is available at interior concentration points in line of transit to southern mill territory also, and no sacrifice of freight whatever would be involved if cotton should be ultimately sold to southern mills. Mr. Taylor was quick to agree that the surest way to freeze the Government-owned cotton was to move it to the ports.

But don't overlook this fact. The cotton about which the controversy really exists—the Government-owned cotton, is already frozen. No abuse of administrative discretion in moving the cotton around did this. Congress passed an amendment—drafted by the



chairman of this committee—and ably sponsored by Senator Bankhead on the floor, which prohibited the sale of any cotton owned by the C. C. C. at less than the cost plus carrying charges and any parity payments made on it. Unless that sum can be realized, and it cannot at 16 or 17 cents per pound, this cotton under the present law can only be bartered with foreign governments. No domestic mill can touch it. Congress itself has definitely committed it to the export trade.

With the situation what it is, moreover, I do not believe any Senator from a cotton State will advocate its disposition in competition with new-crop cotton and loan cotton in which the farmer has an equity during the next few years. The Government is almost necessarily committed to holding it for disposition for export in a post-war world. That being true there will be no loss of freight, and there would be a great advantage in having it available in round lots of similar qualities for quick export when the dam created by the war is broken.

No resampling of cotton is necessary; it is already classed and there will be no actual loss of cotton from the bale in transit if it has been properly compressed and handled by the companies now storing it—unless they deliberately sabotage it, and no responsible warehouse company will do that. Furthermore, any premium value attached to the growth of a particular territory can be preserved without great difficulty. Delta cotton has often been reconcentrated in the Southeast at such points as Birmingham, Atlanta, Greenville, and Augusta, and retained its full value.

In the final analysis, however, this question is one which should be left to the C. C. C. officials and the Secretary of Agriculture unless they are crooked or incompetent, and if that be true they should be investigated and dismissed. As their December 31 statement shows, they control \$657,393,249.49 in outstanding loans; they own 6,185,201 bales of cotton, 176,010,969 bushels of corn, 90,746 tons of rubber, 331,262,918 pounds of tobacco, and small amounts of other grains. No fool or crook should be left with such authority.

Finally, there is the argument which the organized interior interests disclaim with fine impartiality on the witness stand, that this whole controversy results from an attempt by a big cotton exporter to destroy the small interior warehouseman. They do not take open responsibility for this argument, but when as much erroneous information appears in the Congressional Record as did in early December, after the visit of certain representatives of the Federal Compress Co. from Tennessee and Missouri to Washington, they might as well have signed the statements themselves.

At any rate the issue is here and we believe it should be considered openly and frankly. For that reason we will show just who the big interests in this game of cotton storage are, and you will find them among the chief proponents of this bill.

We fully believe the C. C. C. adopted this program as a method of saving the Government money and of providing adequate interior storage space for new-crop cotton. Insofar as port interests are concerned, and I think I can speak for all of them, the action of the C. C. C. in asking for bids this season was unsolicited and not 100-percent welcome; but, unless saving the Government money is a crime, their actions should have your strong support.

Mr. Chairman, we are sorry this committee must devote its time to this bill. We think the organized interior interests have done the entire industry a distinct disservice in attempting to get Congress to control administrative discretion as to the proper handling of Government-owned cotton at a time when there is most likely to be all the cotton the entire industry can handle. If their move is upheld by Congress it will prove tremendously costly to this industry in future years, and will impose useless costs upon the Commodity Credit Corporation and the Treasury at a time when all of its funds are vitally needed for national defense.

Senator AIKEN. You spoke of the possibility of cooperative warehouses, are there now any such in the South?

Mr. WHITE. I think there are a few in the South.

Senator BANKHEAD. Practically none.

Mr. WHITE. Very few.

Senator AIKEN. None of them are represented here that you know of?

Mr. WHITE. None that I know of.

Senator ALLEN. Therefore there are no costs available on cooperative storage?

Mr. WHITE. We have none.

Senator BANKHEAD. Mr. White, be here in the morning, please, for cross-examination.

We will now stand recessed until 10 o'clock tomorrow morning.

(Whereupon, at 4:45 p. m., the committee adjourned until 10 a. m., Friday, January 31, 1941.)

# REGULATING THE WAREHOUSING OF COTTON HELD BY THE COMMODITY CREDIT CORPORATION

FRIDAY, JANUARY 31, 1941

UNITED STATES SENATE,  
COMMITTEE ON AGRICULTURE AND FORESTRY,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10 a. m., in the committee room, 324 Senate Office Building, Senator Allen J. Ellender presiding.

Senator ELLENDER. The meeting will be in order.

Colonel Garsaud, will you kindly resume the stand sir?

## STATEMENT OF MARCEL GARSAUD—Resumed

Senator MCKELLAR. Colonel Garsaud, you have lived in New Orleans all of your life, have you not?

Mr. GARSAUD. Not all of my life, no sir.

Senator MCKELLAR. Not all of your life?

Mr. GARSAUD. No, sir.

Senator MCKELLAR. I judge from the French name you are probably of French extraction and that you had lived in Louisiana all of your life; but I am wrong about that?

Mr. GARSAUD. As a matter of fact, Senator, I am of French birth and am a naturalized American citizen. I came to this country at the age of 12 years.

Senator MCKELLAR. But you have lived in New Orleans since that time?

Mr. GARSAUD. No, sir.

Senator MCKELLAR. How long have you lived in New Orleans?

Mr. GARSAUD. I have lived there up until 1930.

Senator MCKELLAR. You lived in New Orleans until 1930?

Mr. GARSAUD. Yes.

Senator MCKELLAR. And then where did you live?

Mr. GARSAUD. Then I lived in Washington for about a year and a half, until about 1932, and then I lived in New Jersey.

Senator MCKELLAR. You lived in New Jersey for about how long?

Mr. GARSAUD. I lived in New York and New Jersey from 1932 until September of 1940.

Senator MCKELLAR. Until September, 1940?

Mr. GARSAUD. That is right, sir.

Senator MCKELLAR. And then you moved back—

Mr. GARSAUD (interposing). I moved back to New Orleans.

Senator MCKELLAR. You moved back to New Orleans in September 1940.

Mr. GARSAUD. I was called back to New Orleans; yes.

Senator MCKELLAR. You were called back?

Mr. GARSAUD. Yes, sir.

Senator MCKELLAR. Now, Colonel Garsaud, let me ask you have you ever engaged in farming?

Mr. GARSAUD. No.

Senator MCKELLAR. You have not engaged in the raising of cotton?

Mr. GARSAUD. I know nothing about farming.

Senator MCKELLAR. Have you ever been in the ginning business?

Mr. GARSAUD. No, sir.

Senator MCKELLAR. Before you became a member of this board, did you ever have any practical experience with the ginning of selling or buying or compressing or warehousing of cotton?

Mr. GARSAUD. I know nothing about farming, ginning, classing or selling cotton, but I do know about warehousing cotton.

Senator MCKELLAR. You know about warehousing?

Mr. GARSAUD. Yes, sir.

Senator MCKELLAR. How long have you been in the business of warehousing cotton?

Mr. GARSAUD. Well, I was general manager of the Board of Commissioners of the Port of New Orleans from May 1926, until October 1929, and in that capacity I supervised the operation of the public cotton warehouse at New Orleans, and I have been there since the early part of September 1940.

Senator MCKELLAR. So your experience is about 3 years, from 1926 to 1929, and then about—were those the years; did I get those years right?

Mr. GARSAUD. 1926 to 1929; yes, sir.

Senator MCKELLAR. And then you have been there since last fall?

Mr. GARSAUD. Yes, sir.

Senator MCKELLAR. What time was it you were called back?

Mr. GARSAUD. I was called back in the early part of September.

Senator MCKELLAR. That would be about 3½ years altogether, would it not?

Mr. GARSAUD. That would be 3½ years; yes.

Senator MCKELLAR. I see.

Mr. GARSAUD. Of course, that applies only to the public cotton warehouse?

Senator MCKELLAR. Only to the public cotton warehouse?

Mr. GARSAUD. Yes.

Senator MCKELLAR. Colonel Garsaud, were you ever engaged in private cotton warehousing?

Mr. GARSAUD. I have not been engaged in private cotton warehousing but I have been engaged in private warehousing.

Senator MCKELLAR. You have been engaged in private warehousing, but not of cotton?

Mr. GARSAUD. Yes, sir.

Senator MCKELLAR. Colonel Garsaud, did you initiate the project of the city warehousing the cotton? That is partly true, is it not, since the port warehouse is owned by the city?

Mr. GARSAUD. No; it is owned by the State.

Senator MCKELLAR. By the State?

Mr. GARSAUD. Yes.

Senator McKELLAR. Did you initiate that in New Orleans in 1926, or had it been initiated before?

Mr. GARSAUD. The public cotton warehouse in New Orleans was constructed about the year 1916 at the instance of the cotton producers and cotton merchants.

Senator McKELLAR. Of the producers and merchants?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. And you became connected with it in 1926?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. Now, do you know whether that was a successful venture on the part of the city or not?

Mr. GARSAUD. It was very successful for the 3 years I managed it.

Senator McKELLAR. It was successful?

Mr. GARSAUD. We made money in each year of the 3 years.

Senator McKELLAR. The city made money out of it?

Mr. GARSAUD. No; the State did.

Senator McKELLAR. Excuse me, I mean the State. The State made money those 3 years?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. After that, from 1929 until 1940, did you make money?

Mr. GARSAUD. Well, now, Senator, I am perfectly willing to answer that question, but I am afraid—

Senator McKELLAR. I am sure you are willing to answer.

Mr. GARSAUD. You are opening up a field—

Senator McKELLAR (interposing). No; I am not going to open up that field; I know all about it, but I just want you to answer if it was successful during those 10 years, or 11 years.

Mr. GARSAUD. By that do you mean—

Senator McKELLAR (interposing). Whether the State made money out of it like you did, as you say, from 1926 to 1929, when you managed it?

Mr. GARSAUD. No; it did not make any money in those years.

Senator McKELLAR. It made no money in those years?

Mr. GARSAUD. No, sir.

Senator McKELLAR. I am not going into the political side of it at all—

Senator ELLENDER (interposing). In that connection, Senator McKellar, it might be well to put into the record that up until 1929 we had, as you know, the boom all over the country, and our port facilities went down to nil after that, and of course I say those were some of the contributing factors to the losses sustained, and that not only applies to cotton warehousing in New Orleans but I believe the same thing could be shown as to quite a few businesses, if you want to go into those details.

Senator McKELLAR. I have no desire to go into that field at all, but I am just following Colonel Garsaud in his testimony given on yesterday, that part of it which I heard, and I want to ask him this:

As I understand it, the State warehouse at New Orleans had been a complete failure after you left, and you were sent for because of the record you had made in the 3 years that you had managed it, from 1926 to 1929.

Mr. GARSAUD. Well, of course, Senator, I cannot say what the motives were on the part of the gentlemen, or why they sent for me.

Senator McKELLAR. They did not tell you why they sent for you?

Mr. GARSAUD. No, sir; they did not.

Senator McKELLAR. The reason was something like the young lady's sweater; those were quite obvious, were they not?

Mr. GARSAUD. I took it as a compliment, but I did not ask them why, and they did not tell me why.

Senator McKELLAR. I think you should take it as a compliment, Colonel Garsaud.

Now, let me ask you, what is the capacity of the—I think you said you were speaking for all of the ports from Brownsville to Mobile?

Mr. GARSAUD. No, sir; I said that my views were in accord with those of all of the ports from Brownsville to New Orleans, but that I was not authorized to speak for all of the Gulf ports.

Senator McKELLAR. I somehow got the idea you were speaking for all of the Gulf ports.

Mr. GARSAUD. I express the views of all of the Gulf ports from Brownsville to New Orleans, but I said I was specifically asked to act as spokesman for the ports of Corpus Christi, Houston, and Lake Charles, in addition to New Orleans. By a telephone call I am also requested to speak for the warehouse company at Galveston.

Senator McKELLAR. Now, Colonel Garsaud, I would like to know what is the capacity of the New Orleans facilities, all of them, for uncompressed bales of cotton; what is that capacity?

Mr. GARSAUD. I do not remember the uncompressed capacity by memory, Senator, but I could give you that.

Senator McKELLAR. Just the best of your memory; about what is it?

Mr. GARSAUD. I think you know more about cotton than I do, Senator.

Senator McKELLAR. Oh, no.

Mr. GARSAUD. I will give you the capacity of the standard density bale.

Senator McKELLAR. Of what?

Mr. GARSAUD. The standard density bale.

Senator McKELLAR. I am going to ask you that, but you can give it now.

Mr. GARSAUD. That is 300,000 bales.

Senator McKELLAR. For all of it?

Mr. GARSAUD. Standard density.

Senator McKELLAR. Standard density?

Mr. GARSAUD. In round figures.

Senator McKELLAR. That is standard density compressed cotton?

Mr. GARSAUD. The capacity for standard density compressed cotton is about 300,000.

Senator McKELLAR. And the high density compressed bale is how much?

Mr. GARSAUD. That would probably be increased to 400,000 bales.

Senator McKELLAR. Four hundred thousand?

Mr. GARSAUD. That is right.

Senator McKELLAR. Now, could you estimate what would be the uncompressed bales; are you able to estimate from that?

Mr. GARSAUD. I would have to do it from memory, but I would say it would be around 150,000 or 160,000 bales of flat cotton.

Senator McKELLAR. One hundred and sixty thousand of flat cotton?

Mr. GARSAUD. One hundred and fifty to one hundred and sixty thousand; yes, sir.

Senator McKELLAR. How much cotton do you have in these facilities now, did you say?

Mr. GARSAUD. At the present time we have, in round figures, about 90,000 bales of Government loan cotton.

Senator McKELLAR. Is that uncompressed bales?

Mr. GARSAUD. That is standard compressed bales.

Senator McKELLAR. You have about 100,000 standard compressed bales?

Mr. GARSAUD. About 90,000.

Senator McKELLAR. Ninety thousand?

Mr. GARSAUD. Yes.

Senator McKELLAR. How many of—

Mr. GARSAUD (interposing). We have about 10,000 bales of producers' cotton.

Senator McKELLAR. And that is uncompressed bales?

Mr. GARSAUD. No, sir; that is compressed.

Senator AIKEN. Is that in the loan?

Mr. GARSAUD. No, sir.

Senator AIKEN. That is not going through the Government program?

Mr. GARSAUD. No, sir.

Senator WILLIS. How much of the Government cotton, did you say?

Mr. GARSAUD. In round figures, 90,000 bales.

Senator McKELLAR. And then the farmers have about 10,000?

Mr. GARSAUD. That may not be all farmers' cotton, but of what we call producers' cotton there is about 10,000 bales.

Senator McKELLAR. About 10,000?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. And that is compressed cotton, standard compressed?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. What about the high-density compressed cotton, how many bales do you have of that?

Mr. GARSAUD. I do not think we have any high-density.

Senator McKELLAR. Not any?

Mr. GARSAUD. No, sir.

Senator McKELLAR. You are speaking of the State facilities only now, are you not?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. What is the capacity of all of the New Orleans facilities for uncompressed bales?

Mr. GARSAUD. I am not sure I can give you those figures exactly from memory, Senator; but we have those figures. I think you will obtain those figures from other witnesses who will follow me.

Senator McKELLAR. Could you state what the capacity of all of the New Orleans facilities is for standard-density cotton?

Mr. GARSAUD. As I say, Senator, from memory, I could not—

Senator MCKELLAR (interposing). You could not give it on any of them?

Mr. GARSAUD. No. If I could testify on one, I could testify on the rest of them.

Senator MCKELLAR. What is the name of the company operating the facilities owned or controlled by Anderson, Clayton & Co. in New Orleans?

Mr. GARSAUD. As far as I know, they have two plants in New Orleans.

Senator MCKELLAR. You say Anderson, Clayton & Co. have two plants in New Orleans?

Mr. GARSAUD. I think it is two plants that they have; they have one at Shrewsbury—

Senator MCKELLAR (interposing). What company is that; what do they call that plant?

Mr. GARSAUD. I think they call it the New Orleans Compress Co., but I am not sure about that.

Senator MCKELLAR. Do you know what the capacity of that is?

Mr. GARSAUD. No; I do not.

Senator MCKELLAR. And what is the other one?

Mr. GARSAUD. We have one that we call the Alabo plant on the river front.

Senator MCKELLAR. The Alabo plant on the river front?

Mr. GARSAUD. Yes.

Senator MCKELLAR. And what is the capacity of that?

Mr. GARSAUD. I do not know, Senator.

Senator MCKELLAR. I mean is it a very large plant?

Mr. GARSAUD. It is a pretty good-sized plant.

Senator MCKELLAR. A pretty good-sized plant?

Mr. GARSAUD. Yes, sir.

Senator MCKELLAR. And is it filled with cotton now?

Mr. GARSAUD. Of course, I do not pry into Anderson, Clayton & Co.'s business, but they probably could tell you that, Senator.

Senator MCKELLAR. You know the firm of Anderson, Clayton & Co., cotton dealers, do you not; at least you have heard of that name, have you not?

Mr. GARSAUD. Oh, yes; I, of course, have heard of it, and I know Mr. Jack Johnson and one or two of their operators in New Orleans, but I do not know Mr. Clayton; I never met him in my life.

Senator MCKELLAR. But you do know about the operations of the firm?

Mr. GARSAUD. In a general way.

Senator MCKELLAR. Either general or special, you know it is a pretty good-sized little firm itself, is it not?

Mr. GARSAUD. I should say it is a big firm.

Senator MCKELLAR. Oh, it is?

Mr. GARSAUD. Yes, sir.

Senator MCKELLAR. Well, I should judge from some of the testimony I read yesterday that it was one of the little fellows that was complaining about a monopoly.

Mr. GARSAUD. You did not read that in my testimony, Senator.

(Senator Bankhead at this point resumed the chair.)

Senator MCKELLAR. Maybe not in your testimony, and I am glad you did not have anything to say about that, but I want to know how



you found out about it, who told you about it; do you not know as a businessman and public servant that the firm of Anderson, Clayton & Co. is probably the largest cotton firm in all the world and does more business than any cotton firm in all the world?

Mr. GARSAUD. My impression, Senator, is they are perhaps, I would not say the largest, but probably one of the largest cotton firms in the world, including all of their business, but I would not say they are the largest warehousing firm in the world.

warehousing, selling, buying, raising, producing, and compressing cotton; is not Anderson, Clayton & Co. one of the largest firms, if not the very largest, in all the world, so far as you know?

Mr. GARSAUD. As far as I know it is a very large and successful firm.

Senator BANKHEAD. Of course that does not answer the question.

Senator MCKELLAR. I suppose we can get it from other witnesses, but I am trying to get your idea of the size of that firm.

Mr. GARSAUD. Well, Senator, I would not say it is the largest firm in the world.

Senator MCKELLAR. What other one do you have in mind that might be a little larger in its operation than Anderson, Clayton & Co.?

Mr. GARSAUD. I have in mind the Federal Compress Co., and I think the other is the Southwestern Compress Co. of Texas, which are pretty large firms, too.

Senator MCKELLAR. Do you know the capital of those companies and the capital of Anderson, Clayton & Co.?

Mr. GARSAUD. No, sir; the only capital I know is what was read at the meeting on the Federal Compress Co., yesterday.

Senator MCKELLAR. Did any witness read—I was not here all of yesterday, unfortunately for me.

Mr. GARSAUD. And for me, too, Senator.

Senator MCKELLAR. Thank you, sir; you are very nice.

Now, is not Anderson, Clayton & Co. a little bit larger than the Federal Warehouse Co.?

Mr. GARSAUD. Frankly, Senator, my impression is, as to warehousing, it is not larger.

Senator MCKELLAR. But taking the whole business, there is no comparison between them, is there?

Mr. GARSAUD. Of course, Anderson, Clayton & Co. do merchandising of cotton, and taking that into account, the aggregate of their affairs may be larger than those of Federal.

Senator MCKELLAR. Do you know whether Anderson, Clayton & Co. is a producer of cotton in other countries besides the United States?

Mr. GARSAUD. I do not know that.

Senator BANKHEAD. You have never heard it?

Mr. GARSAUD. I have never heard it.

Senator MCKELLAR. Have you never heard that Anderson, Clayton & Co. were engaged in the production of cotton, directly or indirectly, in various countries in South America?

Mr. GARSAUD. No, sir; I have never heard of that.

Senator BANKHEAD. You never heard of it?

Mr. GARSAUD. No, sir.

Senator BANKHEAD. You never heard they were engaged in the operation of cotton farms or the preparation of cotton, ginning, and warehousing in Brazil?

Mr. GARSAUD. No, sir; not outside the United States.

Senator BANKHEAD. You never heard of that?

Mr. GARSAUD. No, sir.

Senator MCKELLAR. As I recall your testimony, Colonel Garsaud, you made the statement yesterday that three or four companies controlled the warehousing and storing of a majority of the cotton throughout the interior; what companies were those?

Mr. GARSAUD. The Federal Compress Co., the Union Compress Co., and their affiliates—

Senator MCKELLAR. What was the other?

Mr. GARSAUD. The other one, I think, is called the Southwestern Compress Co., but I am not sure about that.

Senator MCKELLAR. The Southwestern Co.?

Mr. GARSAUD. I think that is the name.

Senator AIKEN. Does Anderson, Clayton & Co. own part or all of these companies, or just the Federal?

Mr. GARSAUD. I do not think Anderson, Clayton & Co. own any of those three.

Senator MCKELLAR. Did you know Anderson, Clayton was one of the largest stockholders in the Federal, which you say is a monopoly?

Mr. GARSAUD. I heard it for the first time at this hearing, but I also heard they control a very small amount of stock.

Senator MCKELLAR. We have the number of shares already in the record, so there will not be any trouble about that and there is no need to follow that up.

Now, you say if Senate bill 262 is passed it would perpetuate a monopoly and that that monopoly would be in just a few companies; now, what are those companies?

Mr. GARSAUD. Those are the ones I have just mentioned.

Senator MCKELLAR. Those three?

Mr. GARSAUD. Yes.

Senator MCKELLAR. Why do you think it perpetuates that monopoly in those three companies when the bill provides in specific terms that "such contracts may be entered into without advertising and without competitive bidding," and that is just as they have always done; there has never been any competitive bidding until this attempt, and further providing "and if the corporation is unable to enter into satisfactory contracts at reasonable prices without advertising and competitive bidding, such contracts may be made pursuant to advertisement and competitive bidding." Did you read that in the bill?

Mr. GARSAUD. I certainly did.

Senator MCKELLAR. How could a monopoly be created when those bids have got to come from all over the entire country, from the ports as well as interior States and communities, and anyone can bid on that contract, why would it create a monopoly?

Mr. GARSAUD. Do you want me to answer that?

Senator MCKELLAR. Yes, sir.

Mr. GARSAUD. Because, in the interpretation of the act, the Commodity Credit Corporation could not, if it discharged its duty properly, consider one section of the act alone; it would have to consider the act as a whole.

Senator McKELLAR. Surely.

Mr. GARSAUD. And it would be governed as well by section 3; it would be governed by section 3 just as it would be governed by the section the Senator just read.

Senator McKELLAR. Surely.

Mr. GARSAUD. And in its determination of reasonable rates, the Commodity Credit Corporation would be governed by this clause:

In determining reasonable rates for the warehousing or storage of cotton for the purposes of this act, consideration shall be given to the rates for such services which have been in effect during the years 1936 and 1940, inclusive, and no consideration shall be given to unusually low rates at which facilities are available by reason of abnormal dislocations in foreign commerce.

Now, then, in my opinion, the Commodity Credit Corporation is so limited in its determination of reasonable rates that the result would be that they would have to take the reasonable rates offered by the interior warehouses under section 1 of the bill and would never get the competitive bidding unless—

Senator McKELLAR (interposing). Why?

Mr. GARSAUD. Let me finish my statement, please, sir.

Senator McKELLAR. Surely; go ahead.

Mr. GARSAUD. It would never get the competitive bidding unless the rates offered by the interior warehouses were higher than called for by section 3, or higher than the rates for service in 1936 to 1940, but the rates from 1936 to 1940 which would limit the Commodity Credit Corporation are higher than the present rate of 12½ cents.

Senator McKELLAR. Well, now, Colonel Garsaud—

Senator ELLENDER (interposing). If I may—

Senator McKELLAR (interposing). Just one minute, please, sir.

You will notice, Colonel Garsaud, that section 3 has not one single solitary word of reference to competitive bidding; that refers to the action of the Board in trying to obtain rates without advertising and without competitive bidding; competitive bidding is not referred to in that section at all, is it?

Mr. GARSAUD. No, sir; not in section 3.

Senator McKELLAR. It is not referred to in section 3?

Mr. GARSAUD. That is right.

Senator McKELLAR. Now in section 2, on the other hand, occur these words to the effect if the corporation is unable to enter into satisfactory contracts at reasonable rates, then it is done on the basis of competitive bidding. Now, why would they be hampered in the slightest degree if they did not get the rates which in their judgment were satisfactory or reasonable; why could they not advertise where all people—

Mr. GARSAUD (interposing). Because it is not left to the judgment of the Commodity Credit Corporation.

Senator McKELLAR. It is not left to the judgment of the Commodity Credit?

Mr. GARSAUD. No, sir.

Senator McKELLAR. Why not?

Mr. GARSAUD. It says "at reasonable rates."

Senator McKELLAR. But who passes on the reasonableness of the rates; does not the Commodity Credit Corporation pass on these rates?

Mr. GARSAUD. Yes; and in passing on those rates they would say "What are reasonable rates?" Then they would say "What does section 3 say?" Then they find it says that when we determine reasonable rates we shall calculate only on the rates of 1936 to 1940—

Senator BANKHEAD (interposing). That is not true.

Mr. GARSAUD. And we are prohibited from considering the rates which we have received in 1940.

Senator MCKELLAR. That is a nightmare, Colonel Garsaud; it is not in the act and it cannot be put in there for the purpose of this hearing?

Senator ELLENDER. Then, why not strike it out? If it is of no value, why not strike it out?

Senator MCKELLAR. Section 3 is of value in determining reasonable rates, for this reason—and I am going to ask you how much export business has been done at the ports in the last year.

Mr. GARSAUD. At all of the ports?

Senator MCKELLAR. We will take just your port; take New Orleans, which is one of the best of them all.

Mr. GARSAUD. I think we exported during 1940, possibly, including the border cotton, about 620,000 bales.

Senator BANKHEAD. Beginning and ending when?

Senator MCKELLAR. Yes; beginning and ending when?

Mr. GARSAUD. I said during the year 1940.

Senator BANKHEAD. I know you did, but do you mean the calendar year or the market year?

Mr. GARSAUD. I mean the calendar year.

Senator BANKHEAD. Of course, we do not figure it that way.

Mr. GARSAUD. I am only answering the question—

Senator MCKELLAR (interposing). I am going to elaborate my question so there cannot be any mistake about it, Colonel Garsaud; how much cotton is being exported now?

Mr. GARSAUD. None.

Senator MCKELLAR. None?

Mr. GARSAUD. Yes, sir.

Senator MCKELLAR. As long as that is true, then there is a lack of cotton going to the ports for export, is there not?

Mr. GARSAUD. There is nothing coming to the port for export.

Senator MCKELLAR. There is nothing coming to the port for export at the present time; is that right?

Mr. GARSAUD. That is right.

Senator MCKELLAR. Now the ports are farther from the domestic markets than are the interior points, are they not?

Mr. GARSAUD. Of course, that depends on the interior point and the market. We are not far from some of the southeastern mills.

Senator MCKELLAR. I know you are not, but let us take Tennessee, Arkansas, and north Mississippi cotton, with which I am very familiar. Of course, we are nearer to the South Carolina, Georgia, east Tennessee, and Virginia mills and we are also nearer to the north-eastern or New England mills than New Orleans is.

Mr. GARSAUD. Yes.

Senator MCKELLAR. Why would you want us to ship this cotton down to New Orleans and store it down there with the hope that

sometime either the export market would open or that we could sell it somewhere else?

Mr. GARSAUD. I have not asked for that cotton at all.

Senator MCKELLAR. You do not want that cotton?

Mr. GARSAUD. No, sir.

Senator MCKELLAR. What cotton do you want?

Mr. GARSAUD. I want cotton that is Government-owned and that is not going to any mill to which you are shipping your cotton.

Senator MCKELLAR. There is plenty of it going to the mills there every day now.

Mr. GARSAUD. Not of the Government-owned cotton we are seeking—

Senator MCKELLAR (interposing). You are just seeking Government-owned cotton?

Mr. GARSAUD. That is all of the cotton the Commodity Credit Corporation intends to move, as I understand it.

Senator MCKELLAR. Is it not true when there is an export field for cotton to be sold in, that your warehouses are usually filled?

Mr. GARSAUD. The warehouses have been filled, not only with cotton for export, but they have been filled with cotton for domestic consumption. We have shipped a great deal of cotton to the south-eastern and New England mills.

Senator MCKELLAR. Would you give us the figures of the amount that has been transported to domestic mills from New Orleans and the amount that has been exported for the last 3 years?

Mr. GARSAUD. I can get them.

Senator MCKELLAR. I would be very much obliged if you will.

Mr. GARSAUD. I will get those for you.

Senator MCKELLAR. Now you talk about competitive bidding. In this proposal that was issued there is a provision there for only 15 cents for transporting the cotton from the warehouse to the portside, is there not?

Mr. GARSAUD. That was in the proposal.

Senator MCKELLAR. It was in there?

Mr. GARSAUD. Yes.

Senator MCKELLAR. That would eliminate every interior warehouse at all, because, take those in Memphis, where I live, for instance, what is the freight rate from Memphis to New Orleans? I did know it but I have forgotten it for the moment.

Mr. GARSAUD. Some witness testified yesterday, I think, it was 56 cents.

Senator MCKELLAR. Fifty-six cents?

Mr. GARSAUD. I am not sure of that, but that is my recollection of it.

Senator MCKELLAR. Now how could a Memphis warehouse bid on cotton that they could only get 51 cents for delivering at the portside; that warehouseman would be out of luck, would he not?

Mr. GARSAUD. No, sir; he would not be out of luck.

Senator MCKELLAR. Why not?

Mr. GARSAUD. As a matter of fact, that would not estop any interior warehouse from bidding.

Senator MCKELLAR. It is in the provision, is it not?

Mr. GARSAUD. Yes; it is in the proposal.

Senator McKELLAR. Why would it not stop a man in the interior from bidding?

Mr. GARSAUD. I would like to answer that question.

Senator McKELLAR. All right.

Mr. GARSAUD. It is in the proposal because the proposal was made out as a form and applied to interior warehouses as well as port warehouses, and therefore it was necessary for the Commodity Credit Corporation to include an item of service in the proposal that the port warehouses could bid on, but the very insertion of that stipulation does not apply to interior warehouses; it is not a service of interior warehouses; it is not a service the interior warehouse is supposed to furnish, and that was made clear by a witness yesterday in your absence, Senator, that the 15 cents did not apply to the interior warehouses. As a matter of fact I know some interior warehouses have bid with that insertion in there; they have actually submitted a bid.

Senator McKELLAR. What interior warehouse has submitted a bid?

Mr. GARSAUD. I think a witness will testify later who has submitted a bid.

Senator McKELLAR. You have diverted my mind and, while I am at it, I might as well inquire into it. I asked you yesterday, Colonel Garsaud, how much you had bid on this cotton, and you did not reply to that question; of course, you had a right not to reply if you did not want to. Now, you say some other witness has made a bid from the interior?

Mr. GARSAUD. That is right.

Senator McKELLAR. And you say he will testify later?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. You also say there would be a saving on these bids of something like 6 cents, I believe you testified?

Mr. GARSAUD. I said it might reach that figure; I did not say it would be that much exactly.

Senator McKELLAR. It might reach that figure?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. And since you had bid yourself, you are evidently speaking with authority to that extent, at any rate. Now you are telling about other bids. How were these bids gotten up and how were they put out; were they just sent to some few and there were only certain ones who talked it over, or how were they put out; were they advertised?

Mr. GARSAUD. Of course, the Commodity Credit Corporation can answer that question better than I can.

Senator McKELLAR. But I would like to have you answer.

Mr. GARSAUD. I got my proposal.

Senator McKELLAR. You got your proposal?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. How?

Mr. GARSAUD. By mail.

Senator McKELLAR. By mail?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. Did you ever talk with any of them about it?

Mr. GARSAUD. About the proposal?

Senator McKELLAR. Yes, sir.

Mr. GARSAUD. I asked for an interpretation of one or two clauses in there in order to make my bid intelligently.

Senator MCKELLAR. With whom did you speak?

Mr. GARSAUD. With Mr. Rathel.

Senator MCKELLAR. Mr. Rathel?

Mr. GARSAUD. Yes, sir.

Senator MCKELLAR. Where did you see Mr. Rathel?

Mr. GARSAUD. In Washington.

Senator MCKELLAR. You came here to see him before you put your bid in, is that it?

Mr. GARSAUD. Yes, sir.

Senator ELLENDER. But that was after you got the proposal?

Mr. GARSAUD. No; in bidding on a proposal of that kind there is always, just like any other proposal, some clause that may not be clear to the bidder, and before the bidder puts his price he would like to know what that clause means.

Senator MCKELLAR. Do you not think an interior person, if he has hard common sense, or even if it was not so very hard, if he had an idea as to his own business, do you not think he would want to know whether delivery to the ship at portside with a 15-cent limitation on it—do you not think he would want to know whether it included freight from the interior place or not?

Mr. GARSAUD. That is the reason I think the interior warehouses who testified they could not bid did not use very good judgment, because, in my opinion, they should have asked the question, and they would have been told—

Senator MCKELLAR (interposing). How do you know they would have been told; have you been told? Have you been told by these gentlemen?

Mr. GARSAUD. I have not.

Senator MCKELLAR. How do you know they would have been told that the freight would have been excluded if they had asked that question?

Mr. GARSAUD. They at least would have been told something.

Senator MCKELLAR. I know, but you said they stood in their own light and should have asked the question, and that if they had asked the question they would have been told, from which, of course, I infer that you meant to say that in your judgment they would have been told that it did not include freight, and therefore they had a right to bid; is that not a correct inference from your statement?

Mr. GARSAUD. In my judgment, if they had asked the question I think they would have been told, but of course I cannot say what the Commodity Credit Corporation would have told them.

Senator ELLENDER. Did you have any difficulty in getting an interpretation of those clauses to which you referred?

Mr. GARSAUD. I did not.

Senator MCKELLAR. But the trouble about your opinion they would have been told that freight would have been excluded is that under the law and under this bidding, you do not pass upon such questions; the Commodity Credit Corporation passes on whether freight will be included or whether freight will be excluded, does it not?

Mr. GARSAUD. That is right.

Senator MCKELLAR. Now, when you spoke so certainly awhile ago about they would have been told if they had simply gone to the trouble

of asking the question and they could have then bid, I understood, and I got the impression very distinctly from your statement, that the Commodity Credit Corporation would have told them, the officers of the Commodity Credit Corporation, Mr. Robbins, or Mr. Rathel, they would have told them that freight was excluded, and I judged from the way you talked, that they had told you that; had they?

Mr. GARSAUD. I never asked that question.

Senator McKELLAR. Did they ever tell you that of their own motion?

Mr. GARSAUD. Not on that item, but I had no trouble in getting an interpretation of the clauses on which I was seeking an interpretation from them. Therefore, since they so readily answered my inquiry, I assume they would have answered equally frankly the inquiry of the interior warehousemen.

Senator McKELLAR. Do you think the interior warehousemen from western Texas and California, and even in Virginia where there is a little cotton raised, do you think they would have the money, like you did, to come up here? You came up at the expense of the State organization you work for, did you not?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. Did you think one of the gentlemen like the one who was on the stand yesterday who has a little warehouse that warehouses only 14,000 bales, do you think warehousemen like that would come up here and ask Mr. Rathel or Mr. Robbins for an interpretation, whether when they say they are not going to pay but 15 cents to put the cotton from the warehouse onto the ship do they mean to include freight; do you think they would have the money to do that?

Mr. GARSAUD. They could have wired.

Senator McKELLAR. They could have wired?

Mr. GARSAUD. Yes; and it would not have cost much.

Senator McKELLAR. Do you not think it would have been better for the Commodity Credit Corporation to have made their bid so plain that any fair-minded man could understand it and so that it would be absolutely fair to all bidders; do you not think that is the way the bids should be made; do you think it should be covert and that there should be intricate stipulations put in on the bidding that to the minds of most men would exclude some and include others?

Mr. GARSAUD. Are you through with the question, Senator?

Senator McKELLAR. I am.

Mr. GARSAUD. I do not think the Commodity Credit Corporation tried to cover anything; I do not think they tried to make it intricate at all. However, they might have made it a little clearer than it was.

Senator McKELLAR. You think they might have made it a little clearer?

Mr. GARSAUD. Yes.

Senator McKELLAR. Colonel Garsaud, have you been here for a day or two?

Mr. GARSAUD. I have been here since Thursday morning, Senator.

Senator McKELLAR. You have heard all of the interior warehousemen testify that in their judgment they could not have paid these charges with 15 cents and, therefore, they could not bid at all; did you not hear them testify to that?

Mr. GARSAUD. Yes; but—

Senator McKELLAR (interposing). You do not think they are telling the truth?



Mr. GARSAUD. They are too good friends of mine for me to think that way. I agree with their judgment they could not have paid the freight in a charge of 15 cents, but I disagree with their judgment they could not have bid; I think they are entirely wrong on that.

Senator McKELLAR. You think they are entirely wrong?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. Of course, that is a difference of opinion, and we will not go into that further.

Now, I want to ask you another question here, if you will, Colonel Garsaud. You said the Government would save 6 cents a bale by this proposal; how would it do that?

Mr. GARSAUD. I said it might reach 6 cents a bale. Senator, you were not here when I testified—

Senator McKELLAR (interposing). No; but I tried to ascertain as best I could from such memoranda as I had and such statements as were made of your testimony, but I was here for the most part of it. I want to know where you got your information about a saving of 6 cents a bale.

Mr. GARSAUD. Let me see just what I did say. Here is what I said, Senator; may I read it again?

Senator McKELLAR. I would be very happy to have you do so.

Mr. GARSAUD. I said:

Now, then, assuming that the present rate of 12½ cents per month per bale applicable upon loan cotton is maintained, it is calculated that with an average of four bales in the loan, the average farmer would save annually \$1.20. Assuming that the average farmer would desire to take advantage of such lower rates as the Commodity Credit Corporation has been able to obtain through the competitive bidding system, it can be set down that the saving to the average farmer may run as high as 6 cents per bale per month.

Senator McKELLAR. Now, I want to ask you the question a second time; would you mind telling the committee what would be saved if they accepted your bid?

Mr. GARSAUD. I would say this, Senator: If I answered that question it would be practically answering your question of yesterday from which I was excused from answering, but it is based on the assumption it would run, if the Commodity Credit Corporation has a bid as low as 9 cents, then, 9 from 15 is 6, and that would be the saving from the present 15-cent rate.

Senator BANKHEAD. How much is on 15 and how much on 12½?

Mr. GARSAUD. I am talking there not about the loan cotton, but the 15-cent rate these gentlemen have testified to here as the producers' rate.

Senator McKELLAR. Mr. Garsaud, do you know of your own knowledge that for many years, for the past 10 years, at least, and even longer than that, even as long as I have been in both Houses, which is a period of nearly 30 years and will be 30 years on the 4th of March, I believe, during all of that time you know the Government has been endeavoring to do for the farmers what they have been doing for manufacturers in this country, and aiding them in overcoming the low prices that they have had to undergo and in other ways helping them, do you not?

Mr. GARSAUD. And with which I am in full sympathy.

Senator McKELLAR. You know that has been done during all of these years?

Mr. GARSAUD. That is right.

Senator McKELLAR. And you know that since 1930 or 1931 that the Government has subsidized the farmers to a very great extent, the cotton farmers as well as the others, do you not?

Mr. GARSAUD. That is right.

Senator McKELLAR. And you know that right now, and during all of these years since 1931, that the Government has been trying to lessen the cost and make the farmer's return as large as possible; you know that, do you not?

Mr. GARSAUD. That is right.

Senator McKELLAR. Now, do you believe that interior warehouses without Government cotton, without this backlog of Government cotton, could afford to warehouse cotton for 9 cents a bale?

Mr. GARSAUD. I think that the interior warehouses could afford to maintain the farmer's prices at 15 cents in view of the fact that the Commodity Credit Corporation could not possibly move more than 20 percent of the present stock in the interior to the ports, leaving the interior warehouses about 80 percent as a backlog.

Senator McKELLAR. Do you know whether that is the purpose of the Commodity Credit Corporation?

Mr. GARSAUD. Whether it is the purpose or not makes no difference; it is a fact the ports could not take more than 20 percent of the cotton.

Senator McKELLAR. The ports could not take more than 20 percent.

Mr. GARSAUD. Yes; I testified to that yesterday.

Senator McKELLAR. Now, do you know that farmers, warehousemen, and cotton dealers from the interior have all testified that if this backlog of Government warehouse cotton is taken away from the interior warehouses and sent to the port warehouses that it means they must inevitably raise their rates to about 25 cents for the first month and 20 cents for the succeeding months; you know that, do you not?

Mr. GARSAUD. They have testified to that; yes.

Senator McKELLAR. You know about that testimony?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. You do not believe it is true?

Mr. GARSAUD. I think they are mistaken.

Senator McKELLAR. Assuming for the moment that that is true, are you in favor at this time, with the low prices and with no export market for cotton, are you in favor of increasing the warehouse charges on the farmers of the South?

Mr. GARSAUD. I am not; and that is the reason I did not want this bill passed.

Senator McKELLAR. You say how will this bill affect it other than to send the Government cotton to the ports, because there is a law prohibiting the Commodity Credit Corporation from sending cotton that farmers are interested in without the specific agreement in writing of the farmer and those agreements have not been had; there is a law against that; we had to pass two laws in order to make it effective; the first one was not effective, and we will probably have to pass another law in order to prevent this reconcentration of cotton, and I think we will; but, however that may be, how will this bill, in your opinion, hurt the farmers?

Mr. GARSAUD. Because I think the result of reconcentrating cotton, or keeping the cotton you have in the interior now, is going to remove a field of competition and is going to cause a congestion of storage in the interior, and the old law of supply and demand is going to come into effect and the interior warehouses are going to raise the rates to the farmers eventually.

Senator MCKELLAR. Eventually is a long time; when are the rates going to be increased on the farmer if the present system is kept in vogue?

Mr. GARSAUD. If none of that cotton is moved, it may take place next year.

Senator BANKHEAD. Let me ask a question.

Senator MCKELLAR. Yes; indeed.

Senator BANKHEAD. What is the total capacity at the ports?

Mr. GARSAUD. About 6,000,000 bales.

Senator BANKHEAD. And you have 1,300,000 there now, as I understand?

Mr. GARSAUD. No, Senator.

Senator BANKHEAD. That is what a witness testified.

Mr. GARSAUD. We have about 3,500,000 bales at the ports now.

Senator BANKHEAD. The 1,300,000 bales was Government cotton?

Mr. GARSAUD. Yes, sir.

Senator BANKHEAD. And you have how much there now?

Mr. GARSAUD. About 3,500,000 bales, all told.

Senator BANKHEAD. What is the total interior capacity, the capacity outside of the ports?

Mr. GARSAUD. The interior people will have to testify to that.

Senator BANKHEAD. You do not know?

Mr. GARSAUD. No, sir.

Senator BANKHEAD. So you now need only 2,500,000 bales to fill your capacity?

Mr. GARSAUD. No, sir; I said we could take care of about a million and a half or a million and three-quarters bales.

Senator MCKELLAR. You mean all of the facilities in New Orleans?

Mr. GARSAUD. No, sir.

Senator BANKHEAD. You mean all of the ports. He means if he put that amount in there they would be choked.

Senator MCKELLAR. I see.

Senator BANKHEAD. But you have no approximate information about the capacity of the interior warehouses, that is, all warehouses exclusive of the ports?

Mr. GARSAUD. I do not have the final figures; no, Senator.

Senator BANKHEAD. Have any of you that information; do you have it, Mr. Reed?

Mr. REED. I am sorry, but I did not hear you, Senator.

Senator BANKHEAD. Do you have information on the capacity of the interior warehouses?

Mr. REED. Yes, sir. Flat bales, 6,800,000; standard density, 10,200,000, and by certain insurance improvements of fire walls we could raise the standard density capacity to 13,000,000 bales.

Senator BANKHEAD. You have 6,800,000 of what kind of bales?

Mr. REED. Uncompressed bales.

Senator BANKHEAD. Assuming it was all uncompressed, with the compression capacity added to the uncompressed cotton, that would naturally stay uncompressed, what is the capacity?

Mr. REED. You mean—

Senator BANKHEAD (interposing). If you go along—

Mr. REED (interposing). Just like it is?

Senator BANKHEAD. Yes.

Mr. REED. It is about 50 percent compressed and 50 percent uncompressed. Therefore the capacity on that basis would be in the neighborhood of 8,100,000 bales.

Senator BANKHEAD. Eight million one hundred thousand?

Mr. REED. Yes, sir.

Senator BANKHEAD. If they had the same proportion of compressed cotton that they now have, that would be the total figure?

Mr. REED. Yes, sir.

Senator BANKHEAD. Now, what is the total storage now in the interior warehouses?

Mr. REED. I have that figure—I am speaking for 397, and not all of them.

Senator BANKHEAD. I am asking for the total. The witness has raised the question of capacity and I want the figures for the committee because I would rather have the figures than his opinion; he may be right, but I do not know.

Mr. GARSAUD. I am perfectly willing to accept Mr. Reed's figures.

Mr. REED. I do not have the figures for all facilities, and I do not believe that figure is available unless the Department has it.

Senator MCKELLAR. We will undertake to find out when we get to the Department.

Senator BANKHEAD. This witness has given an opinion that soon you would not have any facilities available, and I want the facts.

Mr. REED. There is plenty of room in the interior except in certain sections where there is an apparent complete use of capacity.

Senator MCKELLAR. How much room is there in the facilities you represent?

Mr. REED. For about 3,000,000 bales.

Senator MCKELLAR. In addition to what you now have?

Mr. REED. Yes, sir.

Mr. GARSAUD. I suggest when you get the capacity of all of the interior warehouses that you also get a rough estimate of what the next crop will be next July or August.

Senator BANKHEAD. How are you going to estimate next year's crop when it has not been planted?

Mr. GARSAUD. We can make a rough estimate.

Senator MCKELLAR. Let me finish, gentlemen—

Senator BANKHEAD (interposing). Mr. Robbins, can you have the Commodity Credit Corporation furnish us with the capacity of all warehouses? You have heard this colloquy; can the Commodity Credit Corporation furnish that later; that is, the total capacity of all interior warehouses? We have the capacity of the ports.

Mr. ROBBINS. Senator Bankhead, we should be pleased to give you whatever statistical data we have on the total capacity of warehouses that have stored Government-owned or Government-loan cotton.

Senator BANKHEAD. We will be glad to have that.

Mr. ROBBINS. That is not for all warehouses, but only those with which the Government has done business.

Senator BANKHEAD. All right.

Senator McKELLAR. Now, Mr. Garsaud, to go back to where I left off, do you believe the interior warehouse can handle cotton for the first year for 9 cents a bale per month, including insurance?

Mr. GARSAUD. I answered that question, Senator. I believe the warehouse could maintain the present rate of 15 cents to the farmer in view of the fact that only about 20 percent of their present stock can be moved to the ports, leaving them 80 percent of the backlog. My 9 cents that I figure is not the charge I said the interior could make. I said that was the saving the farmer might make—I mean what I said was there may be a saving of 6 cents a bale. I did not say the interior warehouse would make a charge of 9 cents.

Senator McKELLAR. I just wanted to get it clear. Do you believe the interior warehouse can handle the cotton in the second and subsequent years for 6 cents per bale per month including insurance?

Mr. GARSAUD. I did not say that.

Senator McKELLAR. Do you believe it?

Mr. GARSAUD. As I testified in the afternoon during your absence, Senator, before I can answer that question there are many things I would like to know about the interior warehouse; I would like to know other things besides just can they do it.

Senator McKELLAR. Do you know anything about the location premiums on cotton; do you know of that situation in regard to the sale of cotton whereby certain localities have a premium on their cotton, or get a premium; do you know about that?

Mr. GARSAUD. That is right.

Senator McKELLAR. That is true?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. If this cotton is sent to the ports, would that premium still remain?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. Now I want to ask you if before the Interstate Commerce Commission—did you appear there in a proceeding concerning the warehousing and transportation of cotton on behalf of New Orleans?

Mr. GARSAUD. I did not.

Senator McKELLAR. Do you know who did?

Mr. GARSAUD. I presume the joint traffic bureau appeared.

Senator McKELLAR. Do you know that at hearings before the Interstate Commerce Commission these cotton merchants from New Orleans contended it was not practical to identify the cotton as to its origin?

Mr. GARSAUD. Senator, they do not warehouse the cotton and I do, and I can identify the cotton.

Senator McKELLAR. You think they were wrong?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. You said the ports only wanted 16 percent of the total Government-owned and producer-pledged cotton—

Mr. GARSAUD (interposing). I did not say the ports wanted that; I said we could only take care of that.

Senator McKELLAR. You can only take care of that much?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. How much would that be in bales?

Mr. GARSAUD. About a million and a half or a million and three-quarters bales.

Senator MCKELLAR. Would that not amount to 36 percent of the 4,878,000 bales of Government cotton owned in the interior?

Mr. GARSAUD. I did not say 16 percent of the Government-owned cotton, but 16 percent of the present stock; which is it?

Senator BANKHEAD. Just the present stock.

Mr. GARSAUD. I think Mr. Reed's figures—

Senator MCKELLAR (interposing). That would be about 2,000,000 bales, would it not?

Senator BANKHEAD. He said a million and a half to a million and three-quarters.

Senator MCKELLAR. But he said 16 percent of 11,000,000 bales, and that would be 1,800,000 bales.

Let me ask you this: Do you think it would be advantageous for the interior farmers to order the Government to ship their cotton to the ports, where there is no export market for it at all, and keep it there in storage and paying the additional freight and paying for the sampling out of the cotton and paying for the port charges if it is put on a boat; do you think it would be cheaper to handle that cotton that way than in the interior warehouses, as has been done from the time this Government-owned cotton started?

Mr. GARSAUD. I do not think any cotton that is destined for mills to which it can move cheaper from the interior should be shipped to the ports, but there is a lot of cotton that can be shipped to the ports or southeastern mills and eventually for export, particularly the Government-owned stock, that should be put at the ports today in order to make room in the interior for the producers' cotton and the loan cotton of the farmer.

Senator MCKELLAR. And you would do that although it costs the Government more to move that cotton and you would do it although it will cost the farmer more to warehouse his cotton there than in the interior?

Mr. GARSAUD. I do not agree it would cost the Government more money. I think the Government will save money and I also think the farmer will save money.

Senator MCKELLAR. All right; do you know of any farmers who agree with you on that proposition?

Mr. GARSAUD. If I could get a bunch of these farmers in this room by myself and give them an analysis of it, I think some of them would change their minds.

Senator MCKELLAR. Do you think they have come up here and have tried to mislead the committee? They have all testified straight out to the contrary.

Mr. GARSAUD. I do not think they have tried to mislead the committee, but they do not have the full picture.

Senator BANKHEAD. He is very convincing.

Senator MCKELLAR. Yes, he is very convincing; but as far as I am concerned, I am still unconvinced.

Senator BANKHEAD. Are there any other questions?

Senator MCKELLAR. Will you wait one minute, please, sir? Mr. Reed, will you tell us whether the bid that has been asked for has ever been put in the record?

Mr. REED. I put in the forms that they sent out for the bids.

Senator MCKELLAR. You have put in the bid forms?

Mr. REED. Yes, sir.

Senator McKellar. But no bid itself has been put in?

Mr. Reed. No, sir.

Senator McKellar. But the forms asking for the bid are in the record?

Mr. Reed. Yes, sir.

Senator McKellar. All right; go ahead, Senator Ellender.

Senator Ellender. I want to ask Mr. Garsaud a few questions with respect to this competitive advertising that is provided for in section 1 of this bill.

As you will note, should the Commodity Credit Corporation not receive, or should be unable to obtain reasonable rates and facilities, then that section provides for competitive bidding.

Mr. Garsaud. That is right.

Senator Ellender. Now, is it not a fact that should competitive bidding be resorted to, again the Commodity Credit Corporation must be relegated to the provisions of section 2 in the bill?

Mr. Garsaud. Right.

Senator Ellender. How could it be argued that that is competitive bidding for all people engaged in warehousing, if as provided in section 2, "All cotton which is warehoused or stored under any contract or arrangement made by the Commodity Credit Corporation shall be warehoused or stored in the nearest locality to the place where it is produced, or to the place where it is located when such contract or arrangement is made, within which satisfactory facilities can be obtained at reasonable rates"; how can we argue, in view of the provisions of section 2, that there is true competitive bidding?

Mr. Garsaud. Well, my interpretation of that would be that the competitive bidding under section 1, if reasonable rates as determined by section 3 are not available to the Commodity Credit Corporation, that that competitive bidding would be restricted to the localities covered by section 2.

Senator Ellender. Well, now, you know as well as I do that there is no cotton grown within 125 or 150 miles of New Orleans, is there?

Mr. Garsaud. As far as the New Orleans warehouse is concerned, under section 2 we probably would not be in a position to bid.

Senator Ellender. Although I do not know how the conditions are around other ports, as I interpret section 2, which would have to be the matter taken into consideration in case of competitive bidding, that insofar as the cotton that is actually produced, only those warehouses located where it is produced will be eligible for this cotton, and as to this other cotton, if it is located at present warehouses within the interior, where facilities are now obtainable at reasonable rates, that, again, would exclude the city of New Orleans, would it not?

Mr. Garsaud. That is right.

Senator Ellender. Or, in fact, any other port, would it not?

Mr. Garsaud. I believe so; yes, sir.

Senator Ellender. Now, Mr. Garsaud, there is only one more question. Senator McKellar asked you about this and I would like to get a specific answer if you can give it. Before I ask you the question, let me say this preliminarily: There is no question but that the Commodity Credit Corporation has reduced these rates by contracts in the last 4 or 5 years, is there?

Mr. GARSAUD. Its administration of those affairs have had that result.

Senator ELLENDER. And there can be hardly any question but that if the Commodity Credit Corporation is able to obtain cheaper rates, that that would in effect have a tendency of reducing interior rates, would it not?

Mr. GARSAUD. It might and it might not.

Senator ELLENDER. I know, but is it not reasonable to believe that would be true, judging from their past performances?

Mr. GARSAUD. Well, it would have the tendency, just like in any other competitive field, to reduce the rate, but there may be a point at which the interior warehouse would not be able to reduce any more, or where the port warehouse would not be able to, for that matter.

Senator ELLENDER. That being true, Senator McKellar asked you a very pertinent question which I would like to have answered by you if you can. Suppose you were called upon in New Orleans to perform the same services as are now being performed by the interior warehouses, that is, to have the cotton graded, to have the notes executed, and attend to a large number of producers, rather than the one big operation, would it be possible for you to handle that cotton for 9 cents, or even 10 cents; that is, if you had to have in your warehouse, not this immobile cotton but both immobile and mobile cotton; could you handle any of that cotton, or the average of it, at as low as 9 or 10 cents a bale per month?

Mr. GARSAUD. Do you mean storage only?

Senator ELLENDER. Yes.

Mr. GARSAUD. You mean that as far as the public cotton warehouse is concerned?

Senator ELLENDER. Certainly.

Mr. GARSAUD. The tariffs of the public cotton warehouse are made annually, and many other factors are involved in making that public tariff other than what the warehouse can do as a warehouse; but if this warehouse should perform the same services at reasonable and compensatory rates, services besides storage, and by that I mean receiving, weighing, sampling, packing, and compressing, as the interior warehouse was getting from the producer, then I believe the storage rate, as a storage rate, could be done at from 10 to 12 cents.

Senator ELLENDER. And give all of that service to the farmer, such as preparing their notes—

Mr. GARSAUD (interposing). You must remember, Senator, we are talking about storage rates. Storage in itself involves practically no handling. Whatever handling of cotton is done, the warehouse must pay for those services and is entitled to a profit, and makes it. Therefore, the storage rate merely becomes a return on your investment.

Senator ELLENDER. You heard these warehousemen, or a good many of them, testify, and I believe you have read the record.

Mr. GARSAUD. Yes.

Senator ELLENDER. And assuming they are correct in their statement that the average length of time this cotton remains in the warehouse is about 90 days—

Mr. GARSAUD (interposing). That is the producers' cotton.

Senator ELLENDER. That is what I am talking about, the producers' cotton. Do you think that those warehousemen could handle the pro-



ducers' cotton as well as the Government on a 9-cent basis? In other words, that would mean about 27 cents per bale, if you can get 9 cents storage—27 cents to not only store the cotton but sample it, weigh it, and do everything that has to be done with it.

Senator MCKELLAR. Insure it.

Senator ELLENDER. Insure it, and do practically everything that has to be done?

Mr. GARSAUD. Well, I think the large interior warehouses that do it—I am not saying the small warehouses with small business can do it, but based on the figures that the most experienced witness gave, Mr. Taylor, as to investment, what a warehouse costs—I do not necessarily agree with the cost, but that is what he has testified to, about \$60,000—he could store for 10 cents.

Senator MCKELLAR. And perform all those services?

Mr. GARSAUD. He gets paid for the services.

Senator ELLENDER. Not according to the testimony.

Senator MCKELLAR. No; he has to insure the cotton.

Mr. GARSAUD. The owner has to pay for compressing. All the warehouseman does for the 15 cents today, he receives, samples, weighs, and stores it.

Senator MCKELLAR. Yes; and insures it.

Mr. GARSAUD. Of course the insurance.

Senator MCKELLAR. And moves it out when it is sold. He performs all those services.

Mr. GARSAUD. Moving and insurance is a matter that each warehouse must determine for itself and, as has been testified, the insurance is 2 or 3 cents a year a bale a month, and some of it is 5 or 6 cents a month.

Senator ELLENDER. You say that those larger interior warehouses could perform the service at 10 cents? That is your opinion?

Mr. GARSAUD. On the basis of Mr. Taylor's cost of the warehouse.

Senator ELLENDER. What about the vast number of other smaller warehouses located throughout the cotton area?

Mr. GARSAUD. I think the smaller warehouseman, who has probably paid more per square foot for his building than Mr. Taylor has estimated, who has a high insurance rate, could not do it at that price.

Senator ELLENDER. And if that were true, then what would happen to them? Would they either go out of business or be absorbed by these other larger ones, and in the long run would not that affect the farmer?

Mr. GARSAUD. Yes; it should. Nobody has said that the cotton is all going to be taken away from the small warehouseman, that I know of.

Senator MCKELLAR. It was done in 1934 and 1935.

Senator ELLENDER. It is not a question of taking it away, Colonel Garsaud, as I see it. It is the fact of establishing these lower rates that will probably have to be followed by these warehouses, because if you take the average farmer, if he learns that a certain warehouse is storing cotton for as low as 9 cents, and he is sent a bill for 15 cents or 20 cents, he will want to know why. It might be pretty hard to explain, and the probabilities are that rather than try to explain, they might come down. In other words, the tendency would be to

lower the rate so low that it strikes me it would reach the point where they could not operate unless they raise the rates, and if they do raise the rates, that would have the effect of forcing high rates to store and handle cotton, which, of course, the farmer would have to pay.

As Senator McKellar pointed out, I think the Government has gone a long way to try and reduce these expenses to the farmer and see to it that he obtains a reasonable return for his crop.

Mr. GARSAUD. Yes; but you are assuming the hypothetical case which is not going to take place. For instance, suppose a million and a half bales were moved from the interior to the port. That is all the port can take. That still leaves quite a backlog for the interior warehouses. Now the interior warehouses have a contract presently with the Commodity Credit Corporation, therefore the present rate is going to be maintained on the cotton that remains in storage with the interior warehouses.

Senator McKellar. How can you make that assumption, since you might put in a bid for 9 cents? Now might it not be argued that the Commodity Credit Corporation will go to some of these interior warehouses, where they might be able to take four or five thousand bales, and then force the movement of all the interior cotton that is now Government-owned at this low price of 8 cents or 9 cents?

Mr. GARSAUD. But they could not force the movement to the ports when they have already filled the ports.

Senator Ellender. But they might force the movement of cotton in the interior, so that these 9-cent rates would be obtained throughout that area. Do you not think so?

Mr. GARSAUD. No; I do not think they would do that. I do not think they could do it. They have gone now to the competitive system of bidding. They have got bids but I do not know what they are. I know what mine is. I assume that they can only move the bales that the port can take. When that is done, if they are going to lower the rates in the interior again, they are going to have to go to the interior and ask for competitive bidding in the interior, and all the interior people have to do is for each man to bid his own price. So that would only happen if some of the interior warehousemen themselves would bid a lower rate.

Senator Ellender. But this bidding that is taking place here is not related only to the ports, as I understand it, but is for all the cotton that is located in the interior.

Mr. GARSAUD. The interior warehousemen have testified that they could not bid, and they did not bid, so there is no bidding in the interior.

Senator McKellar. You said there was one.

Mr. GARSAUD. I know of one.

Senator McKellar. Who is that?

Mr. GARSAUD. He has testified.

Senator McKellar. Would you mind telling us what State he is from?

Mr. GARSAUD. He is from the State of Georgia.

Senator McKellar. What rates are you getting now?

Mr. GARSAUD. For storing cotton, 12 cents.

Senator McKellar. Twelve cents. You have got a contract with the Government?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. You are getting 12 cents now?

Mr. GARSAUD. Yes, sir.

Senator McKELLAR. When you made that contract did you think that was a reasonable contract and a fair contract?

Mr. GARSAUD. I did not make it.

Senator McKELLAR. Who made it?

Mr. GARSAUD. The former administration.

Senator McKELLAR. The former administration? You said that under that rate in that former administration—your port authority is called what?

Mr. GARSAUD. The Dock Board.

Senator McKELLAR. That they did not make any money, and they were getting 12 cents for this. Now you want to reduce the rate?

Mr. GARSAUD. Yes, Senator; but I also said in answer to your question that I did not like to explore that field.

Senator McKELLAR. Well, I will not ask you to explore that field, but I just want to call your attention to the fact that you yourself are now receiving 15 cents for the first month and 12 cents for the succeeding months, are you not, both from the farmers and from the Government?

Mr. GARSAUD. Yes. I might tell you, Senator, that I reduced the pay roll at that plant from \$18,000 a month to \$8,000 a month.

Senator McKELLAR. Well, that is a fine thing for your organization, but the men that got fired, it was a little hard on them, 10,000 of them turned out of employment. I do not know whether that is a good thing or not, Mr. Garsaud. I have my doubts about it.

Senator ELLENDER. Most of them are on relief now and the Federal Government is taking care of them.

Senator McKELLAR. I cannot bring myself to think that it is a good plan for an organization like yours, a public organization like yours, to discharge 10,000 employees and put them on relief. I have my doubts about the wisdom of that.

Mr. GARSAUD. We had to strike a balance.

Senator McKELLAR. I know you had to strike a balance. You have a budget, I suppose.

Senator BANKHEAD. He wants the interior boys put on relief. [Laughter.]

Senator McKELLAR. Do you think it would be a wise thing, you having put 10,000 of your employees on relief, do you think it would be a wise thing for all the compress and warehousemen in the country to put their people on relief, too?

Mr. GARSAUD. I did not say I put 10,000 men on relief.

Senator McKELLAR. You said you turned off 10,000.

Mr. GARSAUD. But Senator Ellender said they went on relief. I said I have reduced the pay roll from \$18,000 to \$8,000. I did not say anything about 10,000 men. I am talking about dollars.

Senator McKELLAR. I beg your pardon. Maybe you were right and I was wrong, and I want to correct it. How many men did you fire?

Senator WILLIS. Over how long a period was that? Was that a monthly pay roll?

Mr. GARSAUD. We reduced the pay roll, I think it was on November 1, from \$18,000 a month to \$8,000 a month. That is \$10,000 a month

saving for the taxpayers of the State of Louisiana. As I tried to explain to the Senator, we had to strike a balance between the individual who gets fired and the taxpayer who may be called upon if we do not operate economically.

Senator MCKELLAR. What is the average amount you pay these employees—how much a month? Could you give that?

Mr. GARSAUD. Yes. We have all sorts of rates, Senator. We have hourly men; we have monthly men; we pay some of them \$100 a month; we pay foremen \$150 a month; we pay our superintendents \$300 a month; we pay our mechanics 67 cents an hour; and so on.

Senator MCKELLAR. Did you fire any of your foremen and stenographers, or did you fire the plain man who does the work?

Mr. GARSAUD. I fired mostly the high-priced men.

Senator MCKELLAR. All right, sir. That is all.

Senator ELLENDER. Just one minute. The question has been raised, and in a measure it reflects to a certain extent on the administration of State affairs while I was a member of the State government—

Senator MCKELLAR (interposing). Let us not go into that.

Senator ELLENDER. Well, I want to ask Colonel Garsaud just one question, if he can answer it. How does the pay roll that is now prevailing compare with what it was when you were manager, before you left in 1929, and also, how does the business compare back in 1929 with conditions now?

Senator BANKHEAD. Do you mean 1929 or 1939?

Senator ELLENDER. Well, 1926 to 1929. In other words, Colonel Garsaud testified that he was manager of the port from 1926 to 1929, and he has been manager from September or November of 1940 to date. Now what I would like to have put into the record, if we can, is the comparative business that was done by the port during the time that he was in office, from 1926 to 1929, and also the comparative pay roll for those periods, and if he has not got those figures available I will be glad if he will put them in the record.

Senator MCKELLAR. All right. Let us have them put in the record.

Mr. GARSAUD. Very well.

Senator BANKHEAD. Now will you come back on the stand, Mr. White?

#### STATEMENT OF JOHN C. WHITE—Resumed

Senator MCKELLAR. Mr. White, are you a farmer or do you belong to the despised profession that I happen to be long to, a lawyer?

Mr. WHITE. I am in your bad state, Senator. I had some experience earlier raising cotton in Texas, but that has been a good while ago.

Senator MCKELLAR. Did you plant cotton?

Mr. WHITE. A little. Not much. I lived in a section of Texas where not much cotton was raised. They raised corn, cattle, and so on; and some cotton, but not much.

Senator MCKELLAR. Whom do you represent in this proceeding?

Mr. WHITE. American Ports Cotton Compress & Warehouse Association.

Senator MCKELLAR. Who owns the American Ports Cotton Compress & Warehouse Association?

Mr. WHITE. This association, of course, is a trade organization. It has numerous members, and we put that list of members in the record yesterday.

Senator McKELLAR. You have already put that in?

Mr. WHITE. Yes, sir.

Senator McKELLAR. You do not represent Anderson, Clayton & Co. as a cotton firm?

Mr. WHITE. Not in this proceeding.

Senator McKELLAR. Are you their general counsel here in the city of Washington?

Mr. WHITE. Well, I am a member of a law firm which has offices in Houston and here, and my firm does represent them.

Senator BANKHEAD. What is the name of the firm?

Mr. WHITE. Fulbright, Crooker, Freeman & White.

Senator McKELLAR. And how long have you represented the firm of Anderson, Clayton & Co., cotton buyers and cotton merchants in the city of Washington?

Mr. WHITE. Well, I have practiced law in Washington since 1927.

Senator McKELLAR. And you have been representing them since 1927?

Mr. WHITE. Yes, sir.

Senator McKELLAR. Thirteen or fourteen years?

Mr. WHITE. Yes.

Senator McKELLAR. What kind of business does a cotton firm have in Washington? Do they have lawsuits here?

Mr. WHITE. The chief business they have is, of course, income-tax proceedings. The other principal reason for our office here is in the practice of interstate commerce law before the Interstate Commerce Commission.

Senator McKELLAR. Do they have interstate law suits?

Mr. WHITE. They certainly have.

Senator McKELLAR. And income-tax suits?

Mr. WHITE. Unfortunately, both. Fortunately for me, probably.

Senator McKELLAR. Can you tell me where does the firm of Anderson, Clayton & Co. operate? Do they operate in any country besides the United States?

Mr. WHITE. They have offices, I think, in all cotton-buying countries, except those that may have been closed up by the war. They also have offices in most cotton-producing countries.

Senator McKELLAR. Are they producers of cotton in Brazil, in Peru and, I believe there is a very little in Argentina?

Mr. WHITE. I think 100,000 bales or so are raised there.

Senator McKELLAR. Have they plantations, cotton plantations in foreign countries?

Mr. WHITE. No, sir.

Senator McKELLAR. Counting subsidiaries and all?

Mr. WHITE. Yes, sir.

Senator McKELLAR. They have none?

Mr. WHITE. So far as I know, their only direct cotton raising activity is in west Texas, where they have one experimental plant where one of their subsidiaries produces a particular quality of seed they are trying to develop for general use.

Senator McKELLAR. But it is an international cotton buying and selling concern, is it not?

Mr. WHITE. It is an American concern.

Senator McKELLAR. I know, but they have offices in foreign countries?

Mr. WHITE. They sell domestic cotton, and they handle foreign cotton as well.

Senator McKELLAR. Now, let us see where they have foreign offices.

Senator BANKHEAD. In every foreign country producing cotton.

Senator McKELLAR. Do they have offices in Brazil?

Mr. WHITE. Yes, sir.

Senator McKELLAR. They have offices in Venezuela, do they?

Mr. WHITE. No, I believe not.

Senator McKELLAR. In Colombia?

Mr. WHITE. I think there is no cotton there.

Senator McKELLAR. In Peru?

Mr. WHITE. I am not sure, but I believe so. Yes; I think that is correct.

Senator McKELLAR. In Paraguay or Uruguay?

Mr. WHITE. No.

Senator McKELLAR. In Venezuela?

Mr. WHITE. No.

Senator McKELLAR. And do they have an office in Argentina?

Mr. WHITE. Yes, sir.

Senator McKELLAR. They also have offices in Egypt?

Mr. WHITE. In Egypt and in India.

Senator McKELLAR. They have warehouses along the ports, and these warehouses were built for their own cotton, were they not, largely?

Mr. WHITE. No; they were built to engage in the business of handling and warehousing cotton.

Senator McKELLAR. And that business in the ports has been a little slack lately, has it not?

Mr. WHITE. I would not say "lately." It has been slack since the flat loan program started in 1933.

Senator McKELLAR. Has it not been a good deal flatter since the present European war started?

Mr. WHITE. Not as to warehousing.

Senator McKELLAR. If not as to warehousing, what about the export market? You carry cotton to the ports for the purpose of exporting, do you not?

Mr. WHITE. You carry it there primarily for that purpose; yes. It also moves, of course, from the ports to interior places in line of transit. It can do that equally well.

Senator McKELLAR. It can do it, but you have to pay more freight when you do that, do you not?

Mr. WHITE. You do not move cotton to the port as to which you would have to pay more freight, but you can concentrate—all Texas cotton at Houston, I believe Mr. Reed testified, and I take his word for it, in line of transit to the southeastern mills.

Senator BANKHEAD. Gentlemen, I have an important engagement at 12 o'clock and I must leave at that time. Senator Ellender will preside. I have a letter here which I will put in after Mr. White's testimony, a letter from the Secretary of Agriculture in response to the resolution that the committee adopted, which I will read for the benefit of those present:

DEPARTMENT OF AGRICULTURE,  
Washington, January 31, 1941.

HON. E. D. SMITH,

*Chairman, Committee on Agriculture and Forestry, United States Senate.*

DEAR SENATOR SMITH: This is to advise you that the date for the acceptance of bids that have been received for the storage of Government stocks of cotton will be postponed from February 1, 1941, to not later than March 23, 1941, in accordance with the request for deferment set forth in a resolution adopted on January 23 by the Committee on Agriculture and Forestry.

This action is taken on the assumption that every effort will be made by the interested persons to expedite a consideration of S. 262.

Sincerely yours,

(Signed) CLAUDE R. WICKARD, *Secretary.*

In view of my statement I am going to ask Senator Ellender to take the chair, and we will agree that we will recess at 12 o'clock until 2:30 this afternoon.

Senator McKELLAR. Now, Mr. White, you realize, of course, that if you ship cotton from Arkansas, Tennessee, and northern Mississippi, down to New Orleans, and store it at New Orleans, and afterward manufacture it in Tennessee, South Carolina, and North Carolina mills, it would cost an additional amount? We all know that.

Mr. WHITE. If they moved it down there and back it would be utterly foolish.

Senator McKELLAR. Surely, it would be utterly foolish for them to do it. Now, I want to ask you how many bales of cotton, if you know, has Galveston now, of Government-owned and produced or pledged cotton?

Mr. WHITE. I would have to add it up, Senator. I do not have the total.

Senator McKELLAR. The total is 801,646 bales, is it not?

Mr. WHITE. In Galveston?

Senator McKELLAR. Yes.

Mr. WHITE. I would be surprised if it is that much.

Mr. REED. That is correct.

Mr. WHITE. As of what date?

Mr. REED. January 8, 1941.

Senator McKELLAR. Are you willing to accept those figures, or do you want to examine it further?

Mr. WHITE. If Mr. Reed says that is the figure, I am sure it is.

Senator McKELLAR. In Houston at the same date there was 673,941 bales?

Mr. WHITE. Yes?

Senator McKELLAR. How much more cotton do you figure for your firm, or whoever you represent, if any others?

Mr. WHITE. A million and a half to a million and three-quarter bales would pretty well cover it.

Senator McKELLAR. For those two places?

Mr. WHITE. No; for the whole group of ports.

Senator McKELLAR. How much more do you think Houston and Galveston ought to have?

Mr. WHITE. We have witnesses from those ports here, and they can answer that. I cannot.

Senator McKELLAR. Have not Anderson and Clayton—does not Anderson, Clayton & Co. own the Long Reach facilities?

Mr. WHITE. It is one of the two plants of the Houston Compress Co.

Senator McKELLAR. Is not that the largest plant in the world?

Mr. WHITE. I do not know, Senator. It may be.

Senator McKELLAR. And it was constructed purely as an export facility, was it not?

Mr. WHITE. No; it can be used for other purposes as well; for instance, in the shipment of cotton to the New England mills by coast-wise movement. It serves that purpose.

Senator McKELLAR. But it will not serve for cotton shipped to Carolina mills or Virginia mills or Tennessee mills or West Virginia mills or Georgia mills, would it?

Mr. WHITE. If it is Texas cotton, which, of course, is the principal cotton which is moved there. It would serve that purpose.

Senator McKELLAR. What is the capacity of that plant?

Mr. WHITE. I do not know; but we will put that in the record.

Senator McKELLAR. Is it not about 750,000 bales?

Mr. WHITE. I simply do not know, Senator, but we have a witness who will put that in.

Senator McKELLAR. And how many bales are in it now?

Mr. WHITE. I cannot answer that either, but we will also put that in.

Senator McKELLAR. Now, I asked you if it was not for export business, and you said it was also for domestic business. I want to ask you if it has not wharves for docking boats and conveyors for loading the boats directly from the warehouse?

Mr. WHITE. The Long Reach Plant also has wharf facilities.

Senator McKELLAR. Has it got those facilities for the railroads? It has not got facilities for loading cotton on cars?

Mr. WHITE. Yes; it has.

Senator McKELLAR. Those same facilities are used for both?

Mr. WHITE. They could be; yes.

Senator McKELLAR. But it is not used for both?

Mr. WHITE. Yes; I expect it is.

Senator McKELLAR. You suspect it? Now, let us ask, Mr. White, please do not let us suspect. There is too much suspicion going around the country already. I am afraid you suspicion that there is something improper in this bill, and I do not like such suspicion. Do you think it is fair—let us come down to just a question of fairness—that a particular warehouse—and I suggest it just as one of the many—that a particular warehouse was evidently built for the export trade, and now that export market has gone, do you think it is fair to force domestic cotton to be handled by beating down interior warehouse charges?

Mr. WHITE. I think there are a lot of different factors involved in that.

Senator McKELLAR. I am asking you whether you think it is fair now because you have got a big, empty, or very largely empty, warehouse down there that Anderson, Clayton & Co. have built primarily for its export trade, to come in here with the Commodity Credit Corporation and get them to open bids for the first time in its history that this cotton has been used as bait to take away the business that has been from time immemorial in the inland warehouses, so that



your warehouse down there can be built up? Do you think that is fair?

Mr. WHITE. I can say neither "yes" or "no" to that question, but I will say this, that I can say very definitely that if it is a good idea to reduce costs on Government handling of cotton, and if it is not a question of subsidizing some interior competition, I think it is wise Government policy to store cotton where it can be stored efficiently and at as low cost as possible.

Senator McKELLAR. Do you think it is a wise policy now—you have heard all this testimony—do you think it is a wise policy for the Government to single out its cotton, which is probably for long storage and therefore it costs less to store, and get rates that are lower for the Government, and bring about rates that are higher to the farmer? Do you think that is a good policy?

Mr. WHITE. I think if a farmer—

Senator McKELLAR (interposing). I am not talking about "if." I am talking about under that state of facts that I gave you, assuming that they are true, as has been testified here, do you think it is fair and just to raise the rates, the warehouse rates, on the farmer, so as to get lower rates for the Government on its cotton?

Mr. WHITE. Senator, I am sorry, but you did not hear all my statement yesterday.

Senator McKELLAR. I am awfully sorry, too. It was not my fault, but just my misfortune.

Mr. WHITE. But our position is that that is simply a bugaboo which has been raised.

Senator McKELLAR. Just a bugaboo?

Mr. WHITE. Yes.

Senator McKELLAR. Now, just one moment on that. There was a gentleman by the name of Barnett who came down from near my old home in Alabama, where I was born, and he said he had a warehouse down there in 1934 or 1935, where he had about 14,000 bales, or maybe it was a capacity of 14,000 bales, and the Commodity Credit Corporation that year reconcentrated—at that time they had a big word for it—I believe they are calling it "rewarehousing" now, but at that time they had a reconcentration of cotton, and Mr. Barnett testified that after that order went into effect to reconcentrate that cotton, one morning somebody came in—he had 5,000 bales left, and one morning some strangers walked in and hauled out the 5,000 bales that was in his little warehouse, and took half of it and sent it to Mobile and the other half went to Selma, and at no reduction of rate, as a matter of fact. Do you think that is wise? Do you believe in reconcentrating cotton in the middle of the season?

Mr. WHITE. Well, Senator, I would say I would reconcentrate my cotton whenever I could get a cheaper rate for it. In other words, I think ordinary business principles should govern the handling of Government cotton. Now, let me say this, I think that Mr. Barnett—as to the facts of the particular transaction I do not know, but I do think the small warehouse company of the type represented by Mr. Barnett has a particular problem. It does not have this compression revenue, and I think there is a serious problem there which both the Government and the Congress ought to consider, but that is not the problem that we have here.

Senator McKELLAR. Well, I am glad that you agree that there is some problem, even on the part of the small warehouseman.

Mr. WHITE. I say the problem is on the part of the small warehouseman.

Senator McKELLAR. Well, you admit that part. I want to ask you another question now. You know Mr. Clayton, of Anderson, Clayton & Co.?

Mr. WHITE. Yes, sir.

Senator McKELLAR. A very delightful gentleman. Did you know he has testified that this facility that you say was for both domestic and foreign cotton—that he has testified that it was built for the export trade?

Mr. WHITE. Well, certainly it was built for the export trade, because 90 percent of the cotton there moves export.

Senator BANKHEAD. But you said awhile ago that it was built for both export trade and domestic trade, as I remember it. We could turn back and read it.

Mr. WHITE. It was built for the export trade and domestic trade as well, primarily for export trade.

Senator McKELLAR. And when your employer, Mr. Taylor, testified that it was built for the export trade, he was just guilty of a lapsus linguae, was he?

Mr. WHITE. No, sir; he was not; 90 percent of the Texas cotton and Oklahoma cotton went to the export trade, and so it undoubtedly was the biggest factor in leading to the construction of the warehouse. I might say that if the export trade had not been there, in all probability the warehouse would not have been built. It would have been built at some other point. But it was built there to serve both purposes.

Senator McKELLAR. Well, I will let you and Mr. Clayton fuss over that. We will not go into it further.

Is it not a fact that that facility in Houston, and the other one there that Anderson, Clayton & Co., in whose interest you are here this morning—

Mr. WHITE (interposing). No, sir.

Senator McKELLAR. Wait a minute—Anderson, Clayton & Co., in whose interest you are here this morning, have capacity there to store an additional 800,000 bales because of the loss of their export trade?

Mr. WHITE. I think that is erroneous, but we will give you the exact figures by another witness.

Senator McKELLAR. I will thank you very much to give us the exact figures. Now you said, when I said in whose interest you are here, you say you are not here in the interest of Anderson, Clayton & Co.?

Mr. WHITE. I am representing the American Ports Compress & Warehouse Association.

Senator McKELLAR. Well, do they compose a very considerable part of that association?

Mr. WHITE. They are an important factor in it.

Senator McKELLAR. And you represent Anderson, Clayton as an organization, and have ever since you have been here?

Mr. WHITE. I also represent a number of other organizations, very respectable people whom you know.

Senator MCKELLAR. I congratulate you on your fine representation, but the fact remains that you represent Anderson, Clayton & Co., whose manifest interest is to have this cotton put at the ports, is it not?

Mr. WHITE. Not altogether.

Senator MCKELLAR. Is it not to their advantage?

Mr. WHITE. They would also like to see some of it go to southeastern interior plants.

Senator MCKELLAR. That is because they own southeastern interior plants; is it not?

Mr. WHITE. Yes, Senator; it is.

Senator MCKELLAR. They own those, and therefore your first concession is that the small warehousemen would be hurt by the port warehousing of Government cotton, and now you draw a little line around southeastern Georgia, is it not?

Mr. WHITE. It is in Georgia.

Senator MCKELLAR. Now you want to make another exception for southeastern Georgia, the interior part of the country known as southeastern Georgia, where Anderson, Clayton & Co. have warehouses?

Mr. WHITE. That is your testimony, not mine.

Senator MCKELLAR. I am asking you that question.

Senator ELLENDER. Just a minute, Senator. I think Mr. White ought to be permitted to answer the questions, and I would suggest, Mr. White, that you take this opportunity of testifying.

Mr. WHITE. Well, Senator, I was afraid your question carried the implication with it that I was representing solely the interests of Anderson, Clayton here, and that is one point we are going to make absolutely clear before this hearing is over.

Senator MCKELLAR. Make is clear right now. I would like to have you tell us how much of your time is for Anderson, Clayton & Co. and how much of your time as a witness is for the American Ports Cotton Compress & Warehouse Association?

Mr. WHITE. All of it is for the American Ports Cotton Warehouse Association.

Senator MCKELLAR. And none of it for Anderson, Clayton & Co.?

Mr. WHITE. Not directly; no, sir.

Senator MCKELLAR. You are simply acting as attorney for the Ports Association, and Anderson, Clayton happens to be a member of that association?

Mr. WHITE. That is correct.

Senator ELLENDER. To the same extent that Anderson, Clayton is a member of the Compress of the Federal Compress, and Mr. Reed testified in behalf of that association?

Mr. WHITE. That is right.

Senator MCKELLAR. Now, speaking of that, Anderson, Clayton & Co. are the largest stockholders, individual stockholders, as I have been informed, in the Federal Compress Co., which you say is a monopoly?

Mr. WHITE. Senator, does not that prove that I am not representing Anderson, Clayton?

Senator MCKELLAR. I do not think it does. I think that where Anderson, Clayton control, you are representing Anderson, Clayton, and where Anderson, Clayton does not control, although they are the

largest stockholders, as in the Federal Warehouse, you are against a monopoly in cotton that Anderson, Clayton does not control. That is the way it looks to me.

Mr. WHITE. But, Senator, I doubt whether they are the largest stockholder.

Senator McKELLAR. Well, we have got the amounts here, so it does not make any difference.

I want to ask you something else now. What is the capacity of all your facilities?

Mr. WHITE. We will put that in the record, Senator.

Senator McKELLAR. I want you to put in the uncompressed bales, the standard density compressed bales, and the high density compressed bales. Will you do that?

Mr. WHITE. If that can be obtained, we will.

Senator McKELLAR. I would like to have the space that is now being used, and the amount of it that can be used, to store Government-owned or loan cotton in Brownsville, Tex., Corpus Christi, Tex., Houston, Tex., Galveston, Tex., Beaumont, Tex., Lake Charles, La., New Orleans, La., Mobile, Ala., and Gulfport, Miss. Can you give me that?

Mr. WHITE. Will you give me the sheet so I can take those notations?

Senator McKELLAR. Yes, I will hand you a copy when I get through. You said that there were no warehouses without compression machinery west of the Alabama-Mississippi State line. Is that correct?

Mr. WHITE. I said they were not an important factor.

Senator McKELLAR. And they are not an important factor. You did not say there were none?

Mr. WHITE. No.

Senator McKELLAR. Well now, what could you call an important factor? You see, when I ask you this question you must consider this thing: A big concern like Anderson, Clayton probably would think that Mr. Barnett's compress was not an important factor, or Mr. Jones' compress was not an important factor, but what I want to know is—

Mr. WHITE (interposing). They are east of that line.

Senator McKELLAR. I know, but what ones are west of the line? Do you know of any?

Mr. WHITE. I think there are a very few in west Texas.

Senator McKELLAR. Is it not a fact that there are 396,050 bales of cotton stored in the interior warehouses of Texas, that do not have compression machinery?

Mr. WHITE. I do not know, Senator.

Senator McKELLAR. But if there is, that would be an immaterial matter to big dealers like Anderson, Clayton & Co.?

Mr. WHITE. Three hundred and ninety-six thousand bales is an awful lot of cotton.

Senator McKELLAR. Is it?

Mr. WHITE. The Federal plant in Memphis has more than that, or approximately that much.

Senator McKELLAR. Incidentally that cotton does not—I will ask you the question, does it include cotton from 1934 to 1939, and if it includes the 1940 and 41 loan cotton?

Mr. WHITE. Someone else compiled that figure, Senator. I do not know.

Senator McKELLAR. Now, as I read your testimony—I have got a part of it here—Senator Bankhead sent it to me last night—you said that section 3 of S. 262 requires an averaging of the rates from 1936 to 1940, and would require the C. C. C. to pay 18 to 20 cents per bale per month. You surely did not mean to make a statement like that, did you, Mr. White?

Mr. WHITE. I said the standard as set up was approximately 18 cents, and Mr. Reed agreed that that was the figure.

Senator McKELLAR. Mr. Reed agreed that that was the figure?

Mr. WHITE. Yes; that was the average of the rates.

Senator McKELLAR. This will be informal, but can we not ask Mr. Reed right now, do you agree to that figure, Mr. Reed?

Mr. REED. I did not agree that the bill established an average rate. I agreed that 18 cents was an average rate between 1936 and 1939.

Senator McKELLAR. But the bill does not establish any such figure.

Mr. WHITE. But the only purpose in there, Senator, would be to set up this standard of reasonableness, and I was making that point because if any warehouse is then willing to make an 18-cent rate, no competitive bidding will be permitted by your bill.

Senator McKELLAR. There is not a word in that section about competitive bidding in the first place, and in the next place, what hurts your concern or concerns—if I may use the plural—would hurt your concerns, is that it provides that this abnormal condition of the export market, where we are not selling any cotton abroad, should not be taken into consideration.

Mr. WHITE. Senator, I think that particular provision of your bill is meaningless.

Senator McKELLAR. If it is meaningless, why bother about it? Why testify about it?

Mr. WHITE. I did not testify about it.

Senator ELLENDER. Not the whole section 3?

Mr. WHITE. No. I said section 3; I believe it is section 2.

Senator McKELLAR. No; section 3 provides:

In determining reasonable rates for the warehousing or storage of cotton for the purposes of this act, consideration shall be given to the rates for such services which have been in effect during the years 1936 to 1940, inclusive, and no consideration shall be given to unusually low rates at which facilities are available by reason of abnormal dislocations in foreign commerce.

Mr. WHITE. Let me see it a minute.

Senator McKELLAR. Yes; look at it. [Handing S. 262 to Mr. White.]

Mr. WHITE. Yes; I did confuse that. I thought this "no consideration" was in the previous section. But I will say this, Senator, that this clause "and no consideration shall be given to unusually low rates at which facilities are available by reason of abnormal dislocations in foreign commerce" is meaningless. There are no facilities available by reason of abnormal dislocations in foreign commerce.

Senator McKELLAR. Well, if there are not, you think it does not hurt you then?

Mr. WHITE. No, sir.

Senator McKELLAR. You do not object to that section?

Mr. WHITE. No; that is perfectly all right. All we object to is the establishment of an 18-cent rate as a condition precedent for competitive bidding.

Senator McKELLAR. You did say in your testimony yesterday that it established an average rate, but there is no average rate established in that section. Will you read it again and see whether the word "average" appears in it or can be construed to appear in it? You are a lawyer. I am a lawyer.

Mr. WHITE. I should say that the natural interpretation of this would be to take an average rate, an average on some weighted basis. That is what I would do if I was doing it.

Senator McKELLAR. Well, I wrote it. It is my bill. It was not written by the cotton people or the warehouse people or anybody else. I wrote this bill myself and I think I know what it is, and it never had any such thing in it and I had no such intention.

Mr. WHITE. You have discovered, as I have, that the original intention of the author is not always carried out.

Senator McKELLAR. Yes; I have discovered that. And may I explain by saying to the committee that Senator Bankhead and I provided a bill, in his bill—and I believe it was in the Appropriations Committee, though I am not sure—but anyhow, we provided that they should not reconcentrate any of this cotton in which the farmer was interested, unless the written consent of the owner was obtained, and the next thing we knew, the Commodity Credit Corporation had a printed provision in the application for the loan, agreeing to the reconcentration of the cotton, and when we found that out, we put in the bill a provision that there must be, before there was any reconcentration of cotton that the farmer was interested in, a specific agreement in writing, separate and apart from the application, and under this bid that part of it is being disregarded, because there is a lot of the cotton asked for in the bid, in which the farmer still owns an interest, and as to which he has never signed such an agreement.

Now, I may ask you if you saw the proposals for bids before they went out?

Mr. WHITE. No, Senator.

Senator McKELLAR. Were you consulted by Mr. Robbins or Mr. Rathell, or did you talk to either one of them before the bids went out?

Mr. WHITE. Senator, I learned of this in the presence of the president of the National Cotton Compress and Warehouse Association, of which Mr. Reed and I are associate counsel. Mr. Beatty and I went together to see Mr. Rathell. We received at that time his bid proposal.

Senator McKELLAR. Was that before it was sent out or after?

Mr. WHITE. It was the day it was sent out.

Senator McKELLAR. The very day it was sent out?

Mr. WHITE. Yes, sir.

Senator McKELLAR. Was it changed any after you looked at it?

Mr. WHITE. No, Senator. I would have been very glad to have had it changed in some respects.

Senator McKELLAR. What was the occasion—now, here was the Commodity Credit Corporation asking for bids on the warehousing of cotton. What was the occasion of their sending for you or of your going to see them?

Mr. WHITE. The president of the National Cotton Compress and Warehouse Association was here. The press release came out that day, and we went down to get it.

Senator McKELLAR. Who was the president of the association?

Mr. WHITE. Mr. F. J. Beatty, of Charlotte, N. C.

Senator McKELLAR. Of this same aggregation of companies that you say you represent?

Mr. WHITE. No, sir.

Senator McKELLAR. Well, how did it happen?

Mr. WHITE. The National Cotton Compress and Warehouse Association is composed of the American ports interests, and of the interests which Mr. Reed represents, we are all together in one national association. Of course, we fight a lot, but we do try to get together on some things.

Senator McKELLAR. This is a fight between the ports and the interior, is it not?

Mr. WHITE. It is a fight between the ports and the large interests in the interior.

Senator McKELLAR. Why, you just told us awhile ago, you testified that it would be very hurtful to the small people in the interior.

Mr. WHITE. No; I did not say that.

Senator McKELLAR. You did not say that?

Mr. WHITE. No, sir. I said there was a problem.

Senator McKELLAR. You did say there was a problem.

Mr. WHITE. But I did not exclude the little warehouses. I did not say that the bid proposal would injure them.

Senator McKELLAR. You would not say that the bid proposal would injure them? Well, we will let the record decide it. I think you are wrong. However that may be, I will ask you another question. Did this bid that you saw—

Mr. WHITE (interposing). I did not see the bid, Senator. It was the public release that went out to everyone.

Senator McKELLAR. Did you see it when you went up there? Had it gone out when you went up there?

Mr. WHITE. It had been mailed out; yes.

Senator McKELLAR. Well, you have seen it, though?

Mr. WHITE. Yes; it is in this record.

Senator McKELLAR. Does it include both Government-owned and producer-pledged cotton?

Mr. WHITE. It does.

Senator McKELLAR. And it includes both Government-owned and producer-pledged cotton, whether the producer has signed an agreement that it can be reconcentrated or not, does it not?

Mr. WHITE. Yes. I pointed out yesterday that insofar as cotton in which the producer still has a loan interest is concerned, the port facilities certainly have no idea that that could be moved until after the Commodity Credit Corporation ascertained the average rates available, went back to the interior facilities and said: "Will you meet this average rate"—they do not have to pay any attention to

the abnormal rate. And if the man in the interior says: "Yes," we don't get any of that cotton.

Senator MCKELLAR. How do you know what was in the mind of the Commodity Credit Corporation? You are talking about like you did a little while ago—no; I believe I have you mixed up with another man.

Mr. WHITE. I have read the law, Senator.

Senator MCKELLAR. Well, it does not conform to the law, does it?

Mr. WHITE. It would not if they did not give the interior warehouseman, after notice, specifically after notice, the right to meet the bid, but if they give him that notice—

Senator MCKELLAR (interposing). Have you got the law here?

Mr. REED. Yes; I have it.

Senator MCKELLAR. Well, I have got another hearing at 2 o'clock this afternoon, which I am obliged to attend, so I will have to reexamine you later on.

Senator ELLENDER. How long will it take you?

Senator MCKELLAR. Ten or fifteen minutes, depending on the circumstances. But I have several other things to look after now, and I hope you will postpone it, and maybe tomorrow morning we can continue.

Senator ELLENDER. The committee will stand in recess until 2:30 this afternoon.

(Whereupon, at 12:15 p. m., a recess was taken until 2:30 p. m. this day.)

#### AFTER RECESS

(The committee reassembled at 2:30 p. m., pursuant to recess, Senator Allen J. Ellender presiding.)

Senator ELLENDER. The meeting will be in order.

Mr. White, Senator McKellar cannot be here this afternoon, and I understood him to say that he desired to further cross-examine you.

Mr. WHITE. That was my understanding, sir.

Senator ELLENDER. And if you have other witnesses, will you call them?

Mr. WHITE. Yes; I believe I will call Mr. Ernst as the next witness.

#### STATEMENT OF R. D. ERNST, PRESIDENT AND GENERAL MANAGER OF THE MANCHESTER TERMINAL CORPORATION, HOUSTON, TEX.

Senator ELLENDER. Mr. Ernst, will you identify yourself for the record?

Mr. ERNST. My name is R. D. Ernst, Houston, Tex. I am president and general manager of the Manchester Terminal Corporation. At this time I am also vice president of the American Ports Cotton Compress and Warehouse Association.

I might say in the beginning that I am opposed to Senate bill 262. I have been privileged to read a good portion of the record of several sessions of hearings held by your committee on Senate bill 262, and there is one important feature which I would like to be sure is clear to all members of this committee and all other parties who are directly at interest in this matter. It seems to me that in many sections



throughout the country, and I believe sometimes even here in Washington, the impression is oftentimes given, and likewise received, that the so-called ports interest is just one big outfit which controls cotton warehousing, compressing and kindred activities at all of these ports. The facts do not bear out any such idea or ideas.

Reference is often made to the Anderson-Clayton interests as being the one big monopolistic operator at the ports, and so here at this time it should prove helpful, it seems to me, that I call these facts to the attention of the committee, and I believe it might prove helpful for us to strip this bird of its imaginary plumage, and for all of us to understand a little more clearly that the Anderson-Clayton interests are not the ports, nor can they control the ports. They are important factors; yes. I hold no brief for that firm nor its port warehouse compress affiliates, nor the officials who manage and direct the policies of their port facilities. Many of them, as well as many of the port and interior operators, are my personal friends, but many of them are also the competitors of my company and a great number of other cotton warehousemen at port localities—and I admit they are tough competition, too.

There are a great many companies owning port facilities from Norfolk, Va., around to San Pedro, Calif., and many of them, like myself, rather resent the implication that the Anderson, Clayton interests run the entire port affairs in any one of the ports or localities where cotton is handled. If any person or group of persons have occasion, either warranted or unwarranted, to make attacks upon them, my company and a great many others like us in the port cities object strenuously to being crucified through the attacks on the Anderson, Clayton interests. That large firm or organization certainly has nothing to do with running my company nor a great number of other companies located at the ports. And I do not believe we can overlook the compresses and cotton warehouses of some very large and very important publicly owned facilities at the ports. The Anderson, Clayton interests do not even own or operate properties in the important cotton ports of Galveston, Texas City, Corpus Christi, Beaumont, nor Brownsville, Tex., nor Gulfport, Miss., nor Charleston, S. C., nor Wilmington, N. C., nor Norfolk, Va.

And I would like also to add in that connection that in the port cities where they do own facilities—

Senator ELLENDER (interposing). Will you name them?

Mr. ERNST. Yes; I think I can. Houston, Tex.; Lake Charles, La.; New Orleans, La.; Mobile, Ala.; Pensacola, Fla., and Savannah, Ga.

To continue, Mr. Chairman, in those cities where they do own facilities, or certainly in most of them—there may be some exceptions in one or two cases—there are also a number of other companies who own and operate properties.

Now, Mr. Chairman, if it pleases the committee, what I am trying to get over is that while we discussed these things, and as you gentlemen have probably heard, not only in this hearing but at other times, we get into these discussions and controversies and fights, if we want to use that term—I appeared for a long time as an individual with my own company, and I know that many other managers of companies who are members of the Ports Association, and all of us who operate at ports have fought it. I think probably sometimes when it is designed, and I think at other times it is very inno-

cent, but I daresay that many people throughout the interior, whether farmer, small banker, small warehouseman, or what not, he hears about the port interests, and somebody says, "Who is that? Well, it is Anderson, Clayton." So there we go and get into a discussion; the gun is pointed really toward one big outfit, Anderson, Clayton, and it is large and it does operate in a large way, but there are a lot of other people who in the aggregate are also large, and they are standing on the side lines, and sometimes a brick hits them that was intended to hit the other fellow, and that is what I was trying to get over clearly, that there are a lot of us here who are not here to hold any brief for Anderson, Clayton or anything that was had by anyone in their individual behalf or by anyone as against them. There are some other people in this picture at the ports besides that firm. Am I wrong in having the idea that that impression exists at times, Senator?

Senator ELLENDER. Well, I do not know. According to some testimony that was developed here, the "nigger in the woodpile" seems to be Anderson, Clayton.

But anyhow, you indicated that at the ports there is quite a bit of competition.

Mr. ERNST. There is no doubt about that, in my own city of Houston.

Senator ELLENDER. Would you be able to state for the committee, if you have the figures to indicate the ports wherein Anderson, Clayton have facilities, the comparative space that is owned in each port by Anderson, Clayton and these other warehouse organizations?

Mr. ERNST. I would be very glad to do that if I were able to, but I do not have that information. I would not like to venture a statement of that.

Senator ELLENDER. You are from Houston?

Mr. ERNST. Yes.

Senator ELLENDER. Well, let us say in Houston. Can you give us the comparative or the relative amount of warehousing that is owned or controlled by Anderson, Clayton in contrast to what is owned by private or other individuals?

Mr. ERNST. A hasty estimate would be that these several companies in Houston which they operate would probably compose, say, about 40 percent. That is just based on my general idea of the situation there.

Senator ELLENDER. In other words, Anderson, Clayton would control about 40 percent?

Mr. ERNST. As it stands today. Of course, that shifts. That would be my guess. And bear in mind, if you please, that at Houston, as was discussed this morning, they do have two good sized plants known as the Houston Compress Co., and then there are two companies which they manage. I may be a little high on the 40 percent. I am not sure, but that is about as good a guess as I could make.

(Senator Bankhead took the chair.)

Senator ELLENDER. As a matter of fact, is it not true that Anderson, Clayton & Co. have their largest facilities at Houston?

Mr. ERNST. You mean their largest individual facilities at one location?

Senator ELLENDER. Yes, one location.

Mr. ERNST. That I cannot answer of my own definite knowledge, but I would say certainly that the Houston facilities compare with any other points at which they do have one. I mean it would be very close to being the largest. I am not sure whether it is larger than some other points or not.

Senator ELLENDER. Do you know whether or not Anderson, Clayton & Co. have facilities in the interior of the States of Texas and Oklahoma and other cotton-producing States?

Mr. ERNST. If I may answer you by saying that it is my understanding that affiliates of that company, warehousemen—I think they do operate a couple of plants in the interior of Texas, and I should say they operate through the Southeastern Compress & Warehouse Co. a number of compress and warehouse plants throughout the southeastern area, both at ports and the interior.

Senator ELLENDER. Would it not be reasonable to assume then, that the same competition that exists at the ports between Anderson, Clayton & Co. and these other owners exist in the interior of the State?

Mr. ERNST. I would certainly say yes.

Senator ELLENDER. So that when it is said or insinuated that there is some kind of fight on and that the main axle is Anderson-Clayton, it is a little far-fetched?

Mr. ERNST. That is my thought, and that is why I wanted to make that statement which I did in opening.

Senator AIKEN. Do you think the bricks you spoke of are thrown at them primarily because of their size?

Mr. ERNST. Well, since I have always thought that size carries somewhat of a penalty, there is always somebody taking a potshot at you, and I think that is true, whether it be in cotton warehousing or what not.

Senator AIKEN. Is there a feeling that Anderson, Clayton & Co. has been attempting to acquire monopoly, or what would amount to monopoly, of the cotton warehousing business?

Mr. ERNST. May I ask you, Senator, when you say "Is there a feeling" you mean as to what particular area? Do you mean throughout the South?

Senator AIKEN. Throughout the cotton-growing areas.

Mr. ERNST. I would not say that that is true, Senator. That is not my impression.

Senator ELLENDER. What size facilities do you operate?

Mr. ERNST. We have a facility at our Manchester Terminal which is of appreciable size in itself. It has storage capacity of some 275,000 to 300,000 bales. It is a large plant.

Senator ELLENDER. Is that compressed cotton?

Mr. ERNST. That would be compressed cotton, yes.

Senator ELLENDER. What are your present charges for storing compressed cotton?

Mr. ERNST. You mean what rates do we charge in our public tariffs, not speaking about any loan cotton, that we have contracts with the Government on?

Senator ELLENDER. Well, if you have some with a particular rate and some with another rate, I would like to have that in the record.

Mr. ERNST. We have our normal rate during the season, which under our tariffs for the storage of cotton is 7 mills per bale per day, which

aggregates 21 cents per bale per month. The cotton shipper would pay that, and any casual cotton we had in which there was no loan program involved.

I might say this, if I may, that in that territory, with regard to farmers' cotton, cotton that is not necessarily going immediately into the loan, that at the port of Houston farmers' cotton comes into those warehouses and is received by these various warehouses and compresses—parenthetically, I would say that all companies do not cater to farmer business direct, but a number of them do.

Senator ELLENDER. Do you?

Mr. ERNST. Yes; to such an extent as we can get the farmer to give us cotton from our immediate area. I wanted to tell you what we do for him, if I may, looking at the services over a period of years. The cotton comes in and those companies permit the bale to come into their warehouses, and they weigh that bale and sample it, send the sample to such party or any cotton exchange that the farmer may direct, or he may take his sample himself. The farmer is getting in those particular warehouses in that particular locality a front turn service and a 30-day service really gratis, assuming that his bale is not sold within 30 days. If it is sold within a few days, the farmer sells it, and then whoever buys it takes on the charges. It then would go into the concentrator's account or the buyer's account.

Senator ELLENDER. But still the warehouseman gets that charge.

Mr. ERNST. From the purchaser.

Senator ELLENDER. That is what we are interested in. In other words, we are interested in finding out what the cost is and whether it is charged to the buyer and not to the farmer, because it is a custom there that may not prevail in other localities. Now, since you handle Government cotton in Houston, and also other cotton, will you not write into the record for us what your present tariffs are per bale per month for cotton when it first comes in, and thereafter for, say, the cotton that you have for the Government, for the cotton you have from the farmer, or any loan cotton, or any other way that you have it?

Mr. ERNST. I will be very glad to do that.

Senator ELLENDER. Let us start with No. 1 now.

Mr. ERNST. That will be cotton received from the farmer. I do not have a copy of my tariff with me. I will be glad to file a copy of my company's tariff in the record.

Senator ELLENDER. Do you know what it is?

Mr. ERNST. In a general way; yes, sir.

Senator ELLENDER. All right.

Mr. ERNST. If a bale of cotton comes in—I have already stated what we do for the farmer, but when we receive a bale of cotton for a shipper we weigh it, sample it, tag it, store it for 30 days, and deliver it ship-side, not including compression in this instance, for 50 cents.

Senator ELLENDER. That is for the first month?

Mr. ERNST. That is right. And thereafter—or in either case, storage is at the rate of 7 mills per day, or 21 cents per month. It is on a per diam basis.

Mr. REED. Did you include insurance?

Mr. ERNST. No insurance.

Senator ELLENDER. What will the insurance be, so as to give us the whole picture?

Mr. ERNST. I do not mean to answer you indirectly, but I will give you the information by putting it in front of you. The cotton to which that tariff usually applies would be cotton which we would not insure, but the shipper would insure under what is known as the insurer's feature of his marine policy. On our plant, which carries a low insurance rate and a high classification—which, after all, is the thing that makes the insurance rate low—that insurance would probably run about two-thirds to three-quarters of a cent per bale, using a \$50 bale.

Senator ELLENDER. Per month?

Mr. ERNST. Per month; yes, sir. Thank you for that correction. That would be about the same in the case of a bale which we might insure for the farmer or for the Government under the insured receipts, where we are so required.

If I may, I will take the next step in that tariff.

We perform the same service which I recited for the 50-cent charge and add compression to it. Our charge then becomes 85 cents.

Senator ELLENDER. For the first month?

Mr. ERNST. Yes, sir; that would include compression in that case.

Senator ELLENDER. Now, that cotton that is shipped to your warehouse and that is not connected in any way with the Government loan, just exactly how much cheaper could you handle that cotton, the cotton in the class you have just indicated, than you are now charging, and get a fair return on your investment?

Mr. ERNST. You mean from the standpoint of the handling?

Senator ELLENDER. Well, just performing the same service. In other words, could you perform the same service that you are now giving to this class of cotton owner for less than 50 cents for the first month, or 85 cents with compression, under present costs of operation?

Mr. ERNST. For all the things I have included there, and if you will keep those in mind, I would say that under existing circumstances we could not very well reduce that rate much. As a matter of fact, the rate is now considerably lower than it used to be.

Senator ELLENDER. In other words, if you were called upon by the Commodity Credit Corporation to handle loom cotton at, say, 15 cents, and give all of the services that you have now indicated, except compression, you could not do it for less than this 50-cent charge and get a reasonable return on your investment? Do I understand that to be the fact? I do not know whether you were here or not when that testimony was given, Mr. Ernst, but as I understand it—and I want to be corrected if I am wrong—I understand that the interior warehouseman today charges 15 cents per bale for the Government loan cotton. For that service they prepare the notes, have them signed, sample it, weigh it and store it for 15 cents.

Senator ELLENDER. For 15 cents?

Mr. ERNST. Yes. We do the same thing on Government loan cotton that comes to us for loan purposes.

Senator ELLENDER. Are you making a fair return on your investment at that figure?

Mr. ERNST. I think the figure is low enough on current cotton, the point being, Senator, that that cotton comes in a new loan program. It has not become dormant.

Senator ELLENDER. I understand. Now, as I understand it, this cotton that comes in the loan, let us say, for the first few months is

handled about in the same way as nonloan cotton, is it not? In other words, you perform the same services?

Mr. ERNST. That is true.

Senator ELLENDER. Except, probably, in the case of loan cotton you might be put to the additional trouble of getting the note fixed and all the correspondence?

Mr. ERNST. That is correct.

Senator ELLENDER. Now, you indicated just a few minutes ago that on this charge of 50 cents per month per bale for the first month, and thereafter 21 cents, with a charge of that kind you just about get a fair return on your investment?

Mr. ERNST. Yes, sir; the difference being, though, that on that business, Senator, that moves in under that 50-cent rate, 21-cent storage, that cotton as a rule does not stay there as long as cotton that might even come in under a 15-cent rate under the Government-loan program. One could be different from the other, depending entirely on the conditions.

Senator ELLENDER. I think there is evidence to show, and I am sure that quite a few warehousemen would probably be in the same fix as a warehouseman in Alabama who said that in 1938 he took 3,500 bales of cotton, or 5,000, I do not remember the exact figure, and in that period he had to actually turn that over so that at the end of the year he only had 295 bales, as I recall the figures, showing that the cotton had moved probably to the same extent as it would have moved had the cotton not been in the loan.

Mr. ERNST. I think as you have indicated, that the conditions in any year as related to a cotton shipment business and merchandising, or as related to the market conditions, would govern what would happen at any warehouse, whether it is in the interior, in Galveston or Houston, Tex., and there would be no set rule you could establish as to what would happen, and there would not be any 2 years that would be the same.

Senator ELLENDER. I think the evidence shows up to this point—and I have heard no contraction of it—that Government-owned cotton—I mean cotton on which the Government has a loan—usually stays in, on an average, of about 3 to 4 months. In other words, they take in a bunch of cotton this month, say, and for the first month they might sell half of it; the next month they might sell a little more of that, and the average time is from 60 to as much as 120 days. In fact, I am giving you the lowest and the highest.

Mr. ERNST. That would give an average of 90.

Senator ELLENDER. Now, take the Government-loan cotton in which the farmer still has an equity, could you handle that cotton profitably, that is, to give you a fair return on your investment, at 15 cents a bale?

Mr. ERNST. You are asking me about cotton that the Government owns?

Senator ELLENDER. No; cotton on which the Government has a loan and in which the farmer has an equity.

Mr. ERNST. If you could keep it at 15 cents?

Senator ELLENDER. If you could handle it for 15 cents at a profit?

Mr. ERNST. Assuming that this cotton would move out in 90 days, I do not think any warehouseman, no matter where he is located, would get rich on that.

Senator ELLENDER. But it is not a question of getting rich.

Mr. ERNST. All right, I will come back and state it another way. I will say I do not think he could make any money out of it. I would like to answer it that way.

Senator ELLENDER. Would you say further that this individual would not get a fair return on his investment? Would you go that far?

Mr. ERNST. I would hesitate to do so in a general statement, because there is such a variety of types of investment throughout the belt.

Senator ELLENDER. Let us take your case. You are familiar with your own business and you have indicated a while ago that for cotton that is not in the Government loan but that you handle for the shipper or for the farmer himself, you had a stipulated charge of 50 cents to cover practically the same service.

Mr. ERNST. Group of services, with the exception of the cost of moving the cotton from the warehouse to shipside.

Senator ELLENDER. And you have to charge 50 cents for that?

Mr. ERNST. That is right. And that cost of moving cotton from the warehouse to shipside, I would say is about a 15-cent cost, so it brings it back to a 15-cent rate, when you take shipside service and attempt to compare it with the other.

Senator ELLENDER. I understand. Is that shipside service performed at all times?

Mr. ERNST. Within that rate, yes; that is true.

Senator ELLENDER. Do you ever get a 50-cent charge when you are not put to the expense of this movement that gets the 15 cents?

Mr. ERNST. In our case the charge applies, or whether the cotton goes shipside, at the owner's option, or whether it is loaded onto railroad cars or trucks at our platform.

Senator ELLENDER. Suppose it does not go to shipside, will you charge the same?

Mr. ERNST. We charge the same.

Senator ELLENDER. Still 15 cents?

Mr. ERNST. No, 50 cents.

Senator ELLENDER. So that this charge is imposed, but the service for which it is paid may not be performed by you?

Mr. ERNST. That is true. The charge carries with it the right to all of the services.

Senator ELLENDER. Would you say that this charge of 50 cents per bale, as you have just indicated, is about the same charge that is now being made by your competitors for cotton of that description?

Mr. ERNST. Received by my competitor warehousemen you mean?

Senator ELLENDER. Around Houston.

Mr. ERNST. Yes, in that general neighborhood. They are not all the same. There are differences.

Senator ELLENDER. Now, you have given us the cotton in class No. 1, that is, cotton that the farmer ships in or that the shipper sends in for his own account. Now give us the No. 2 flat and the tariff, and what you do for the pay that you receive for taking care of that cotton.

Mr. ERNST. I am not sure, Senator, that I have in mind definitely what you refer to as the No. 2.

Senator ELLENDER. If you will recall, awhile ago I asked you whether or not the tariff on all of your cotton—that is in effect what I asked

you—whether or not the tariff that you charge for certain services performed, such as storage, and so forth, were the same, and you said you had a charge of a certain percentage or one end of it. Now you have described No. 1, wherein you charge 50 cents, and that applies to the cotton that is not in the Government loan.

Mr. ERNST. Yes, sir.

Senator ELLENDER. Now, what services do you perform for cotton that is in the Government loan, and what is the tariff per month?

Mr. ERNST. During the present year, under the current loan program, we get 15 cents a bale for receiving the farmer's bale, weighing, drawing the sample, delivering the sample so as to obtain a B. A. E. class, then signing the loan certificate, the warehouseman's certificate, storing that bale for 30 days, and handing the paper back to the farmer. In the case of our company we have never operated a loan agency, and as a general practice we do not complete loan papers in their fullest detail.

Senator ELLENDER. Of course, it is not obligatory.

Mr. ERNST. We do not do that as a general thing.

Senator ELLENDER. I understand that these interior warehousemen perform an additional service that is not obligatory.

Mr. ERNST. We do in some instances, where the farmer needs it.

Senator ELLENDER. So that the service that you perform for that Government loan cotton is virtually the same as the service you perform for this nonloan cotton?

Mr. ERNST. That is right.

Senator ELLENDER. Now, what other class?

Mr. ERNST. There is one other class that we will call third, if you like, and we will go back to the service that was performed on cotton which is a nonloan bale. We perform the exact services, with the option of shipside delivery included in the 50 cents, and compress the bale for an additional 35 cents, which makes 85 cents. If that is clear enough for the record. It is all-inclusive of the other charges.

Senator ELLENDER. You have already stated that. Of course, at this point I might state that for this service, of course, you are paid, and that by virtue of having that bale compressed you can store more cotton in the same size warehouse, and I think it was brought out yesterday that it is an advantage to have it compressed, in that the farmer, or whoever owns that cotton, would save on freight. Is that true?

Mr. ERNST. Yes. At the ports now, particularly in recent years, due to the freight-rate structure and things which have already been put into the record and which I will not repeat, the greater part of the cotton reaches port in compressed state. Not because we want it in a compressed state, but we cannot get it any other way, speaking generally. There is some uncompressed cotton that reaches the port, and which the port presses compress, but in the majority of cases that does not happen. Therefore the warehouses nowadays are largely in the warehousing business and not so much in the compressing business as they were some years ago. Does that answer the question?

Senator ELLENDER. Yes. Now, let us go to class No. 3.

Mr. ERNST. No; I thought I gave you No. 3, which included the compression. That is the end of it. That is all I have.



Senator ELLENDER. Well, how about this immobile cotton that is Government-owned, and in which the farmer has no interest at all, and that is the property of the Federal Government?

Mr. ERNST. Some of that cotton is in store at port warehouses at varying rates. I think there has already been some testimony put into the record along that line. I should say there is a fair percentage of that cotton that is in storage at port warehouses at the 12½-cent rate.

Senator ELLENDER. Let us take your own facility.

Mr. ERNST. In the case of our facility, cotton would be 12½-cent cotton. We have very little of the 1938, 1939, or 1940 cotton in our plant, which would be cotton in which the farmer still has an equity.

Senator ELLENDER. How much cotton have you now on hand in which the farmer has no equity?

Mr. ERNST. In our plant—are you speaking of loan cotton, Government-owned cotton, or just any kind of cotton?

Senator ELLENDER. Government-owned cotton in which the farmer has no equity, that belongs to Uncle Sam.

Mr. ERNST. That is the reason I asked that question, whether it belongs only to Uncle Sam or to other customers of ours. You are referring strictly to loan cotton?

Senator ELLENDER. To loan cotton.

Mr. ERNST. Uncle Sam's loan cotton or equity cotton?

Senator ELLENDER. Yes.

Mr. ERNST. I am taking this out of the air as a round figure—I will have it a little later in the testimony—but I think that the 1934-35 and 1937-38 cotton at our plant is in the neighborhood of 57,000 bales—that is my recollection—of what we call the "dead" cotton belonging to the Government. There might be more than that, because I think we run a little over 60,000 bales, and we have very little of the 1938-39.

If I may pursue that, Senator, I think I will have some exhibits which will bring out exactly what my company has, with your permission.

Senator ELLENDER. Well, the thing that I desire to bring out, Mr. Ernst, is simply this—your answer may be repetitious, but why is it that you have a different charge for cotton on which the farmer obtains a loan from the Government, and the cotton of a farmer who is not in the loan. In other words, the 50-cent charge and 15-cent charge. Why do you have two scales, in other words?

Mr. ERNST. Well, the 50-cent charge includes, of course, first, ship-side delivery, so if I take the 15 cents off of that, that brings it back to 35 cents.

Senator ELLENDER. Let us forget the 15 cents then. Why is it you have the 35 cents and 15 cents?

Mr. ERNST. Well, if you take a bale of cotton from a farmer, prepare the loan papers and put it in the loan, no matter what my tariff might be, if I take that bale, the certificate which I sign prescribes the maximum which I can receive for it. I think that would be the answer.

Senator ELLENDER. Would not another answer be that you cannot handle cotton for less than this 35 cents? In other words, if you were to handle all of the cotton, every bale that you have had in, let us say, the last 3 or 4 years, could you make money and get a reason-

able return on your investment at a 15-cent charge on all cotton that you get in there?

Mr. ERNST. If it stays there long enough; yes.

Senator ELLENDER. Of course, I grant that, but taking into consideration the fact—

Mr. ERNST (interposing). Ninety-day average.

Senator ELLENDER. Of course, if you or anybody else who is going to testify here has evidence to show that this cotton does not stay in storage for 90 days or that it stays in there for 6 months, or those figures are not correct, let us have them put in, but I am basing my inquiry on what is now in the record, and which up to this point has not been denied. Now, whether it be loan cotton or farmers' cotton or shippers' cotton, no matter what kind of cotton it is, could you handle it at 15 cents and obtain a fair return on your investment?

Mr. ERNST. Not and have it average 90 days; no, sir.

Senator ELLENDER. I am glad to hear that, because that corresponds, as I recall it, with the testimony of all these interior warehousemen, that they feel that the saturation point has been reached, and in many cases money has been lost, and if it were not for this Government cotton that forms the backlog, they would have to probably raise the price to as much as 25 cents, and in some cases 30 cents.

Mr. ERNST. Of course, Senator, in my case as I have recited it, and if it were true, or is true, that 90 days was the average on all of this cotton in any warehouse, I could only see a gross income from bales averaging 45 cents, and if those were the facts they could not get along at all. But it is also in the record, I believe, that that bale of cotton that our interior friends talk about as having averaged 90 days, and they could not live for 15 cents a month or 45 cents and pay insurance and so on. In the case of the majority of the operators, or I should say in the case of the operators of the warehouses which have the majority of this cotton, that might be true, but there are so many other things that add to that 45 cents that they can live, because in many of these cases—

Senator ELLENDER (interposing). Such as what?

Mr. ERNST. Compression.

Senator BANKHEAD. For the interior warehouses? The testimony shows that they do not have any compression.

Mr. ERNST. Is that so?

Senator ELLENDER. Plenty of them; yes.

Mr. ERNST. There is a good deal of cotton on which there is no compression.

Senator ELLENDER. I understand that all of the southeastern warehouses do not have compresses. There are two compresses, I think, in Alabama.

Mr. ERNST. If I may finish that statement, I wanted to say what you have said as applying to certain warehouses. Then, of course, there are companies, what we would term a large operator—and when I say "large" I do not mean great big outfits, but I mean companies which might have plants handling 25,000 bales, or of that much capacity, or 15,000—a great many of those companies, I think, have tariffs throughout the belt—I do not know so much about how it might be in the southeast, but I have a fair idea of tariffs probably in the Mississippi Valley, and certain tariffs in the western belt where those companies—I am not talking about the little warehouse now—

I would like to cover that in a moment—do get more than the 50 cents for the 90-day average, or 45 cents, because they either get compression or they get a charge for delivering the bale flat. Now, that applies to plants on this loan cotton, as I recall it, who have compress machines.

When you get into the little warehouseman group, the best I can say, either under what his local situation is or what his competition is, if it is true that the cotton should average with him only 90 days, I do not see how he could make much money by taking the bale in and performing all these services and have it go out, and the gross he gets out of the bale is 45 cents.

Senator ELLENDER. How much would you think he would have to get in order to receive a fair return on his investment?

Mr. ERNST. I wish I could answer that for you, sir, but I think it would be somewhat conjectural on my part.

Senator ELLENDER. You have been in the business a long time.

Mr. ERNST. I have been in the business a long time, but I have not operated a small warehouse in a small community where, as a warehouseman, I might also be interested in purchasing cotton, and I might also be interested in banking, and so forth, and the things would intermix.

Senator ELLENDER. You have been in the warehouse game, I presume, quite a while?

Mr. ERNST. I have been in it since 1910, 30 years.

Senator ELLENDER. You ought to know something about it.

Mr. ERNST. I don't claim to know anything about it yet, Senator.

Senator ELLENDER. Forget any banking connections, purchasing of cotton, compressing of cotton, and things of that kind, and let us relegate your facility to the storage only. How long would this cotton have to stay in your warehouse, if the charge is only 15 cents a month, so that you can get a fair return on your investment? As I have just pointed out, the testimony is that the average is 90 days, for which you would get 45 cents, and some cotton 120 days, for which you would get 60 cents.

Mr. ERNST. If you could average \$1 on your cotton you might come out.

Senator ELLENDER. In other words, it would have to stay in your warehouse 6 months?

Mr. ERNST. Yes. And I think there is some doubt about this foundation of the 90-day average. I heard Mr. Reed state this morning or yesterday, it seems to me in response to a question that you asked, Mr. Chairman, as to whether anybody knew the average length of time that all of this cotton had been in storage, and it seems to me the best he could calculate was 10 or 12 months.

Senator ELLENDER. Ten and a half months.

Mr. ERNST. Of course, you see a great deal of this cotton must be around more than 90 days or we wouldn't be worried about these enormous surpluses now in the warehouses. I feel you can't use that as a basis. I think Mr. Taylor, of Memphis, was one of the men I read in the record had made that statement.

Senator ELLENDER. But irrespective of what others have testified, it is your considered judgment that in order for you, as a warehouseman, to come out and get a fair and reasonable return on your invest-

ment, at 15 cents per bale per month that cotton would have to stay in your warehouse about  $6\frac{2}{3}$  months to get your dollar?

Mr. ERNST. If that were all you were going to get.

Senator ELLENDER. We are talking about storage now. We are trying to get a formula to fit not only the fellow who has a compress and who is able to handle it cheaper than someone else, I am thinking of the fellow in the interior who may have to pay as much as 7 or 8 cents for insurance alone. That is the man I want to see get a square deal in this thing, if possible, and make it so that he can at least make a living, and not go broke.

Mr. ERNST. You accepted my 6 months on the basis of a warehouseman who had no way to get anything on that cotton other than the 15 cents; he couldn't participate in compression, he couldn't participate in a delivery charge, or anything.

Senator ELLENDER. That is the description of the man I had in mind.

Mr. ERNST. Of course, we would naturally bear in mind that that would not be true of a company, group of companies, or any plant that had an opportunity to make additional revenue. In the case of my company, if that bale was bought by a shipper and he asked me to render additional services, and I did so and charged him for it, the 6 months would not apply in my case as to how long I would have to have that bale to get along.

Senator ELLENDER. You may continue. I am sorry I interrupted you.

Mr. ERNST. I think it was yesterday I noticed that some of the Senators were interested in knowing where the cotton now is. Of course, there have been some voluminous lists tabulated by the Commodity Credit Corporation covering all of these stocks, but we have studied where the cotton is and who has it, and we went to work and got some charts together which we feel give a rather graphic picture of this thing. To the extent that these charts will indicate the picture, we would like you gentlemen to have the benefit of them.

Senator BANKHEAD. Of course, you realize that charts and maps cannot go in the printed hearings.

Mr. ERNST. I did not know that. Would you like to have the benefit of seeing them?

Senator BANKHEAD. I have no objection, but the Printing Office will not carry charts or maps in the printed hearings.

Senator ELLENDER. Mr. Chairman, would it not be possible to get the Printing Committee to agree to try to have the Printing Office put a few of these charts in, if it can be done?

Senator BANKHEAD. I leave that to the Senator, if he will undertake to do that.

Senator ELLENDER. I will undertake to do that, if possible. You may have to change this chart, because, of course, you can't put any coloring in it; and, as I understand, you must use straight lines. You can't have a curve, in other words. If they are straight lines, there is a possibility the Government Printing Office can handle them. If you will change them according to that, I will see Senator Hayden and see if we can't put that in the record.

Mr. ERNST. Gentlemen, this first chart is prepared with a view to giving you a picture of how cotton stocks have averaged in each cotton season over a period of some 15 or 16 cotton-season years. This chart

is based upon figures compiled by the New York Cotton Exchange, and furnished us for this purpose. They are, of course, available to anyone.

Mr. WHITE. Do you have those figures, Mr. Ernst?

Mr. ERNST. Yes.

Mr. WHITE. I ask that they be printed in the record.

Senator BANKHEAD. All right.

(The statement referred to is as follows:)

*Season-average stocks of American cotton in warehouses*

[Statistics furnished by New York Cotton Exchange, New York, N. Y.]

August-July seasons	Number bales, interior	Number bales at ports	Total in warehouses
1925-26	2,599,000	1,066,000	3,665,000
1926-27	2,141,000	2,017,000	4,158,000
1927-28	1,913,000	1,727,000	3,640,000
1928-29	1,555,000	1,507,000	3,062,000
1929-30	2,152,000	1,878,000	4,030,000
1930-31	2,881,000	3,393,000	6,274,000
1931-32	4,159,000	4,069,000	8,248,000
1932-33	4,298,000	4,103,000	8,401,000
1933-34	4,549,000	3,300,000	7,849,000
1934-35	5,229,000	2,475,000	7,704,000
1935-36	4,425,000	2,208,000	6,633,000
1936-37	3,602,000	1,924,000	5,526,000
1937-38	7,041,000	2,731,000	9,772,000
1938-39	10,854,000	2,481,000	13,335,000
1939-40	9,578,000	2,718,000	12,296,000
1940-41 <sup>1</sup>	9,664,000	2,971,000	12,665,000

<sup>1</sup> Average of first 5 months of season; i. e., from Aug. 1, 1940, to Dec. 31, 1940, inclusive.

Mr. ERNST. You will notice that in the cotton seasons beginning with 1925-26 on up through the season 1932-33, there was sort of an even break between the amounts of cotton carried at interior points and port points.

Senator BANKHEAD. Right there I will ask you this: Up to that time more cotton was exported than consumed domestically, isn't that true?

Mr. ERNST. I think that is true, sir.

Up to the beginning of the period of Government loan programs, these stocks, as we have already indicated, ran about even, although at times they represented high figures and at other times low figures, depending on how fast cotton moved.

Moving over to the year 1934-35—and even 1933-34—the average during that year was moving upward at interior points, and beginning to move downward at port points.

Mr. WHITE. Was that the year the Government loan programs began?

Mr. ERNST. Yes; 1933-34. The next year the disparity is more pronounced. The average at interior points moves upward, and the average at port points moves downward.

In 1935-36 the relationship doesn't seem to change a great deal. In 1936-37 the relationship changed a little bit by a little lesser average having been maintained at interior points. However, in 1937-38, which was the year we had a large crop of cotton—

Senator BANKHEAD (interposing). The largest in history, wasn't it?

Mr. ERNST. Yes, sir; it was. In that year the stocks at interior points moved very high and became more than double what was then carried on an average at the port cities.

Senator BANKHEAD. In 1935-36 there were no Government loans, were there?

Mr. ERNST. Not as I recall.

Senator BANKHEAD. In 1937-38, the year of the big crop, there were Government loans?

Mr. ERNST. Yes.

Senator BANKHEAD. With a large part of the cotton going into loans?

Mr. ERNST. Yes.

In 1938-39 the relationship is that the interior stocks went considerably higher on an average throughout the season. The port stocks averaged less than the previous season.

In 1939-40 there was a decrease in average stocks at interior points, and a slight gain in port stocks.

Senator BANKHEAD. That was due, don't you think, to the export subsidy?

Mr. ERNST. That could have been true, sir.

Senator BANKHEAD. That represents the movements, does it not?

Mr. ERNST. No, sir. It represents the average stocks carried at interior warehouses and port warehouses. It does not represent the movements.

Senator BANKHEAD. You never carry more at the ports than necessary to take care of export requirements; isn't that true?

Mr. ERNST. I would not want to agree with you as regards all plants, even if I should agree as to some. I think the condition is different across the belt as related to ports. One warehouse might be created for a purpose and another for an entirely different purpose.

Senator BANKHEAD. I know you are an intelligent man, and I take you to be a fair man. Wasn't this system built up with interior warehouses intended to furnish the facilities for this cotton until it passed into the channels of trade, either acquired by buyers and moved out to domestic mills, or to ports for export purposes; and at the ports the facilities were intended to take care of cotton that was intended for export purposes?

Mr. ERNST. To take care of cotton intended for export purposes and also such domestic business as might pass through. We have had through rail-and-water rates from these ports to domestic points for years.

Senator BANKHEAD. Rates in transit?

Mr. ERNST. Yes.

Senator BANKHEAD. And that was done for the advantage of port warehouses?

Mr. ERNST. I wouldn't say that.

Senator BANKHEAD. What was it for, then?

Mr. ERNST. The port warehouses and merchants who do business with port warehouses. People who do business with port warehouses are not confined to those located at port cities. A great number of their best customers are not port-located firms. They may be in Memphis, or Dallas, or Waco, Tex., or Atlanta, Ga., but they are in the export business. They don't have to be located at the ports.

In the case of our own plant, we have a unique position. Though it is located at a port, it was built around and for the handling of a lot of cotton by a group of farmers. This particular Man-

chester Terminal Corporation handled cotton that moved from Oklahoma for a number of years. We lost the business because of competition—and it was fair competition—but for some 7 to 9 years we handled their cotton from Oklahoma in this plant, where it was graded, and so forth, and part of it moved domestically and part of it was exported.

Mr. WHITE. Did you hear the testimony of Mr. Taylor?

Mr. ERNST. No; I did not hear it, sir.

The last line on this, for 1940-41, covers the average of the first 5 months of the season, that is to say, from August 1, 1940, to December 31, 1940. While I cannot predict what those two columns will do, at present they show about the same relationship as 1939-40.

So that there may be no misunderstanding, these figures which these columns represent were compiled by using the amount of cotton on storage at interior points at the end of each month, or once a month; the 12 months were added together and then divided by 12, and that gave us the average interior stock. The same method was used in regard to the port stock.

Gentlemen, this next chart, I think, answers in a large degree the question that was asked yesterday as to where is this cotton. This circle has been made to represent the 100 percent of Government-owned cotton on hand, as per the tabulation of the Commodity Credit Corporation as of July 31, 1940.

I am sure that some of you will say, "Well, there is less cotton than that now in the Government-owned cotton." But those are the only figures which we have found available on the distribution of stocks by localities or companies. There have been some changes downward in connection with that cotton. The total we have had to use is 6,600,000-odd bales.

This was prepared for the purpose of trying to show you gentlemen the companies and affiliates who have these stocks. First of all, I would like to say that in this group (indicating) we have taken in 13 companies or groups of companies with their affiliates, and the smallest one is the San Joaquin Compress & Warehouse Co. and affiliates, with 57,817 bales. Therefore, in this other 50 percent of this more than 6,000,000 bales would be included any compress or warehouse plant, any little warehouse, or any larger type of warehouse, which had from 500 bales, 2,000 bales, 3,000 bales, 10,000 bales, 15,000 bales, up to about 50,000 bales.

If we went on indefinitely, there would be too much. This is designed to give you an idea where 50 percent is stored.

Senator ELLENDER. I note in that chart that 50 percent of the 6,627,869 bales are in storage in 13 individual companies—

Mr. ERNST (interposing). With chains and a group of affiliates.

Senator ELLENDER (continuing). And the other 50 percent would be in the hands of other warehouses scattered throughout the Cotton Belt and at the ports?

Mr. ERNST. That is right. This covers interior and ports. I would like to call your attention to the way this goes.

Senator ELLENDER. Will you read into the record for us at this point the names of these 13 companies and the percentage of each?

Mr. WHITE. Don't you have a sheet showing that recapitulation?

Mr. ERNST. Yes.

Mr. WHITE. We will put that in the record.

Senator ELLENDER. The stenographer can at this point insert the information for the record.

Mr. ERNST. I will run through those 13, if I may.

Senator BANKHEAD. I'm willing for you to do it, but I don't see any use in wasting the time if it is going to be inserted in the record. You may do so if you wish.

Mr. ERNST. Yes.

San Joaquin Compress & Warehouse Co. and affiliates, 57,817 bales, or 1 percent.

American Compress & Warehouse Co., 64,869 bales, or 1 percent.

Manchester Terminal Corporation, 65,163 bales, or 1 percent.

Mr. WHITE. Have they testified on the bill?

Mr. ERNST. Yes. Manchester Terminal Corporation is my own company. I testified in connection with that. We have 1 percent.

Public Cotton Warehouse of New Orleans has 72,025 bales, or 1 percent. They have testified.

Beaumont Cotton Compress Co. and affiliates—that includes several interior points—have 73,948 bales, or 1 percent.

Farmers & Merchants Compress & Warehouse Co., 94,697 bales of 2 percent. I believe Mr. Brooks testified in connection with that.

Shippers Compress & Warehouse Co. and Affiliates, 134,275 bales, or 3 percent.

Union Compress & Warehouse Co., 187,815 bales, or 3 percent. They have testified, I believe, through Mr. Blackburn. They have plants in Memphis and in the Mississippi Valley area.

Traders Compress Co. and Affiliates, 195,371 bales, of 3 percent. They operate plants in northwest Texas and have practically every plant that is in the State of Oklahoma.

Mr. WHITE. Did they have a witness testify?

Mr. ERNST. I believe a representative from Oleta, Okla., testified.

Texas Compress & Warehouse Co. and Affiliates, operating in west Texas largely, have 208,375 bales, or 3 percent.

Cotton Concentration Co. have 357,391 bales, or 5 percent. I am authorized to testify for them against the bill.

Mr. WHITE. Is that company owned by—

Mr. ERNST (interposing). It is not owned by Anderson, Clayton, if that is what you want to know. George Sealy is the president, and it is controlled entirely by the Sealy estate.

Anderson, Clayton & Co. interests, 640,260 bales, or 9 percent.

Federal Compress & Warehouse Co. and Affiliates, 1,189,365 bales, or 18 percent. I believe they have testified for the bill.

Going back to Anderson, Clayton & Co., I have not heard any testimony in their behalf.

Senator BANKHEAD. You list Anderson, Clayton & Co., 9 percent. They are opposed?

Mr. ERNST. Yes.

Senator BANKHEAD. And Cotton Concentration Co., 5 percent, opposed. That makes 14 percent.

Mr. ERNST. Yes.

Senator BANKHEAD. And yours is what?

Mr. ERNST. One percent.

Senator BANKHEAD. That makes 15 percent. Are any others opposed?



Mr. ERNST. Shippers Compress & Warehouse Co. and Affiliates, 3 percent.

Senator BANKHEAD. They are opposed?

Mr. WHITE. They will have a witness.

Senator BANKHEAD. They are 3 percent?

Mr. ERNST. Yes, sir.

Senator BANKHEAD. Eighteen percent out of 50 percent opposed. The others, I infer, are in favor of the bill.

Mr. ERNST. There is one other, the Public Cotton Warehouse, 1 percent. That would be 19 percent.

Senator ELLENDER. Mr. ERNST, I notice that Anderson, Clayton & Co. have, out of that 50 percent that you have just mentioned, 640,260 bales. Where is that cotton located, at the ports or in the interior?

Mr. ERNST. If it will please you, sir, I would like to show that. We have a statement that backs this up, and I also have another map that will show that very clearly.

Senator ELLENDER. The same thing might apply to this 19 percent. In other words, those you mentioned who are opposed to the bill, where is that percentage located?

Mr. ERNST. We will show that a little later.

Senator ELLENDER. All right.

Mr. ERNST. This is a drawn-down graph of what I have explained by individual companies and their affiliates. The 50 percent on this side shows that of the bales stored by the 13 interests on the chart I have just explained, 2,254,363 bales or 34 percent are at interior points, and 1,087,008 bales or 16 percent are at ports.

As to the other 50 percent of the whole, where I said the warehouses could have from a few hundred bales to 50,000 or 55,000 bales, 2,928,012 or 45 percent are stored at interior points; and 358,486 bales or 5 percent are stored at ports.

Senator ELLENDER. That is of Government-owned cotton?

Mr. ERNST. Yes.

Mr. WHITE. Read those figures into the record.

Mr. ERNST. To make it clear for the record as to the graph now before us, this is a continuation of the graph we have just considered.

Mr. WHITE. Which you marked No. 2?

Mr. ERNST. Yes; and which indicated the 13 larger interests with whom 50 percent of the Government-owned cotton was stored. The result of this is very clear, and indicates that at the interior points, in connection with those 13 interests, there are upward of 2,000,000 bales at the interior points and upward of 1,000,000 bales at the ports.

Senator ELLENDER. That refers to only 50 percent of that Government-owned cotton?

Mr. ERNST. Yes. That refers to the 50 percent of that cotton that is in the warehouses of those 13 interests.

Senator ELLENDER. Of that 50 percent, 34 percent is in the interior and 16 percent is at the ports?

Mr. ERNST. Yes.

On the other side of this there is shown that of the 50 percent stored by other interests, 45 percent is in the interior and 5 percent is at the ports, or 2,928,012 bales in the interior and 358,486 bales at the ports. That represents cotton located in warehouses of companies

or affiliates who have less than 50,000 bales, down to the smallest warehouseman who might have a few hundred bales.

Senator ELLENDER. To make a résumé of the entire picture of all the Government-owned cotton, 21 percent of it is now warehoused at the ports, and the remainder, or 79 percent, is warehoused in interior warehouses?

Mr. ERNST. That is exactly correct, sir.

Gentlemen, Chart 4 is gotten up in exactly the same form as chart 2. However, it is compiled so as to include not only Government-owned cotton of the seasons 1934-35 and 1937-38, but also to include Government-loan cottons of the season 1938-39 and the season 1939-40, in which the farmer still has an equity.

The picture shifts a little when you take in this additional cotton. In this case we have used the 12 larger companies and their affiliates. Without going through the detail I went through before with all the companies, I call attention to the fact that my company, by virtue of the fact we didn't have but some 60,000 bales, got shoved off this list. We didn't have enough to get into this list of 12. And one other company came into the picture here that was not in the other graph.

Senator ELLENDER. What company is that?

Mr. ERNST. I think it is the Memphis Compress & Storage Co. and affiliates.

Mr. WHITE. Has a representative of that company testified?

Mr. ERNST. Yes; for the bill.

Mr. WHITE. Can you show how much of that 50 percent is for the bill?

Mr. ERNST. I haven't calculated that, Mr. White. It appears that slightly over 90 percent here are for the bill.

Mr. WHITE. That adds up to 36 percent?

Mr. ERNST. Yes; that is right, because I am only dealing with 50 percent and not 100 percent.

There is one change in the percentage of the companies shown, and it so happens it is the Federal Compress & Warehouse Co. and affiliates, which, when you take in 1938-39, shows it has 20 percent of the whole.

On the left side, with the 50 percent as in the case of Chart No. 2, it includes companies who might have from 75,000 bales in their warehouses, or their various warehouses, down to the smallest warehouse that might have a few hundred bales.

Senator ELLENDER. As I indicated to you a while ago, I don't believe it will be possible to put in the printed record a chart in which you have curves, as the one before us. So that other members of the Senate who might be interested in the subject may have a clear picture of it, the chart that is now before us takes into consideration all Government cotton as of July 31, 1940, which is owned by the Government and in which farmers have an interest?

Mr. ERNST. Yes, sir; that is correct.

Senator ELLENDER. And that does not include—

Mr. ERNST (interposing). The current season.

Senator ELLENDER. And the 50 percent aggregates 4,502,438 bales. Of that amount, the chart indicates that 12 corporations have that amount in their respective warehouses in the following proportions:

Memphis Compress & Storage Co. and affiliate, 78,932 bales, or 1 percent.

Public Cotton Warehouse, 89,893 bales, or 1 percent.

San Joaquin Compress & Warehouse Co. and affiliates, 93,244 bales, or 1 percent.

Beaumont Cotton Compress Co. and affiliates, 95,640 bales, or 1 percent.

Farmers & Merchants Compress & Warehouse Co., 114,591 bales, or 1 percent.

Shippers Compress & Warehouse Co. and affiliates, 145,024 bales, or 2 percent.

Texas Compress & Warehouse Co. and affiliates, 256,753 bales, or 3 percent.

Union Compress & Warehouse Co., 272,147 bales, or 3 percent.

Traders Compress Co. and affiliates, 282,117 bales, or 3 percent.

Cotton Concentration Co., 475,688 bales, or 5 percent.

Anderson, Clayton & Co. interests, 804,969 bales, or 9 percent.

Federal Compress & Warehouse Co. and affiliates, 1,793,440 bales, or 20 percent.

And the remainder of that cotton, that is, the other 50 percent, is in the hands of those warehousemen who have from 75,000 bales on down?

Mr. ERNST. That is correct. I would like to correct you in one statement that you made regarding this. It is not 12 large warehouses in the other 50 percent, but it would be the plants of the 12 larger companies and their affiliates. There might be a number of warehouses involved in each case.

Mr. ALONZO BENNETT. Have you included the Tri-State Compress figures, at Memphis, owned by the MacFadden interests and the Anderson, Clayton interests jointly?

Mr. ERNST. I don't think that would show, I am not sure on that question. But we do have the information and can furnish it, if it is important, for the record.

Senator ELLENDER. Would the corporations Mr. Bennett refers to have less than 78,000 bales?

Mr. REED. They are affiliates of Anderson, Clayton & Co.

Mr. WHITE. I think you are mistaken. Anderson, Clayton owns a substantial interest, but it is controlled by MacFadden.

Mr. REED. Do you know how much they own of Southeast Missouri Compress?

Mr. WHITE. They operate that compress.

Mr. BENNETT. The Monroe Compress at Aberdeen, Miss.; do you know how their ownership runs?

Mr. WHITE. I have no idea.

Mr. ERNST. This chart No. 5 is put up in graphic form to show you, without naming the firms, the distribution of the 50 percent involving 12 companies at whose plants and affiliates there is stored the cottons owned by the Government out of the 1934-35 and 1937-38 crops, and the loan cottons of the years 1938-39 and 1939-40, in which latter case farmers have an equity.

These amounts combined become 8,717,296 bales, as taken from compilations of the Commodity Credit Corporation as of July 31, 1940.

Of these 12 companies and their affiliates who have 50 percent, 14 percent is at ports and 36 percent in the interior. That cotton is distributed, 1,251,228 bales at ports and 3,251,210 in the interior.

As regards the other 50 percent of the whole, involving various warehouses and ranging from 75,000 bales to a few hundred, the distribution is 3,634,000 at interior points, which is 44 percent of the whole, and 580,000 bales at the ports, or 6 percent of the whole.

Looking at the entire 100 percent, therefore, it will be seen that taking all these cottons into consideration, both Government-owned and farmer-equity cotton, excluding the present cotton season, the ports hold 20 percent and interior points 80 percent of the whole.

We have tried to give you the picture in this form. Of course there are sheets and sheets and sheets of paper on which the same information is contained, but certainly it has been helpful to us, in our own considerations and deliberations, to see the picture as we have tried to present it to you in these charts and graphs.

We have three maps, divided into three areas of the Cotton Belt of the Southern States, designed to show you just where this cotton is, by companies. We have used colors which, unless the chairman requests, I will not attempt to explain, because they speak for themselves. I will pick out one or two cases to show what our intent is.

Here are two companies shown in black, and where the black is shown anywhere in one of these locations, it would indicate that these two companies had plants there or affiliates there, and had Government-owned cotton there. It so happens that black applies to Cotton Concentration Co. and Manchester Terminal Corporation.

Mr. WHITE. Is there any connection between those two companies?

Mr. ERNST. None whatever.

You might take Traders Compress Co. I think that color is brown. That color shows where their plants are and where they control cotton.

There is one thing I would like to explain in passing. This map was prepared before we completed the graphs and decided whether to show 12 or 13 or 14 in those groups. The plants of the National Compress Co., who have 6 or 8 or 10 plants in Texas, were put on this map. In no case do they have as much as 50,000 or 55,000 bales. It was put on inadvertently, and we would rather not change it. That is as related to Texas and Oklahoma as well as California and Arizona.

Senator ELLENDER. What is your object in showing that? In other words, how would that help the committee?

Mr. ERNST. We had hoped it would be helpful to the committee because we felt that when you can see a certain area and know what companies or what groups of companies control the warehousing and have this cotton, it gives you a picture in your mind.

Senator ELLENDER. Isn't that in the nature of a duplication, because, after all, what you are desirous of showing, as I understand it, is a comparison of the cotton that is warehoused in the interior, in contrast to the cotton warehoused on the coast. What would the location have to do with it as to these interior warehouses? In other words, whether they have their warehouses in Texas, Oklahoma, Georgia, Louisiana, or the fine State of Tennessee, what difference does it make?

Mr. ERNST. I understood yesterday, Senator, that the committee did want to know where the cotton was. But now I understand you think the charts do show it in a different way. If you want me to put them on, I will do so.

Senator ELLENDER. Personally, I think we have in the record already a list of all those plants, and I really believe this is surplusage.

Mr. ERNST. There are only two more.

Mr. WHITE. This map No. 2, showing the locations of plants in the Mississippi Delta Region and the Mississippi Valley territory generally, shows of the companies predominating: Federal Compress & Warehouse Co.; Union Compress & Warehouse Co.; Anderson, Clayton & Co.; Public Cotton Warehouse; and Manchester Terminal Corporation, and their affiliates.

Senator ELLENDER. In that connection, what difference would it make if these compresses and warehouses were located, let us say, in other sections of the South rather than in the places indicated on the map?

Mr. WHITE. We think the concentration of companies in a given area is important, and this map does show a heavy concentration of Federal Compress & Warehouse Co., for instance.

Senator ELLENDER. In Memphis?

Mr. WHITE. And south of Memphis.

Senator ELLENDER. Mr. White, what importance do you attach to that fact?

Mr. WHITE. It bears on the question of who is storing this cotton at present, the size of the company, and its control.

Senator ELLENDER. You have given the actual figures in bales. Whether they have those bales stored in Tennessee or north Mississippi or Alabama, I am just wondering what the object is.

Mr. WHITE. What the map shows is already in the record in some form by showing the plants' location.

Mr. ERNST. Of course, it is true that the maps also show what any group of companies or a company might have in its warehouses or those of its affiliates at port and in the interior, together as well as separate.

This is a map of Alabama, Georgia, and South Carolina. The majority of the cotton is held by Anderson, Clayton & Co. interests, and one plant of Union Compress & Warehouse Co.

Senator ELLENDER (presiding). Are there any questions to be asked Mr. ERNST?

(No response.)

Senator ELLENDER. Mr. Reed?

Mr. REED. I have none.

Mr. WHITE. Mr. Johnson.

#### STATEMENT OF J. M. JOHNSON, PRESIDENT OF HOUSTON COMPRESS CO., HOUSTON, TEX.

Senator ELLENDER. Will you identify yourself for the record, please?

Mr. JOHNSON. My name is J. M. Johnson. I live in Houston, Tex. I am president of the Houston Compress Co., of Houston, Tex., and I am also connected with two other compresses and

warehouses in Houston, one in Lake Charles, La., and one in New Orleans, La., owned by Anderson, Clayton or in which they have a majority interest.

I appear before this committee as a representative in behalf of the American Ports Cotton Compress and Warehouse Association.

I have been in the cotton compress and warehouse business since 1922. My activities are largely confined to the Southwest, and my remarks relate generally to that territory. In this particular territory a fight—and I should call it a dog fight—has been going on for many years between the interior and port compress interest. I want to repeat, compress interest.

Before the first Government cotton-loan program in 1933, this fight was largely over compression allowances; but now it has, to a considerable extent at least, been extended to include the storage of loan cotton as well. I have always felt, and I still feel, that this fight between the two groups of the industry is a very foolish, harmful, and unnecessary procedure, and that a reasonable amount of common sense and fair play on the part of both groups could and would stop it without harming either side, the cotton producers, the Government, or the cotton trade.

Senator ELLENDER. Who is going to be the arbiter?

Mr. JOHNSON. Senator, I have made one attempt to try to correct the situation, and I believe for about 2 years we had a reasonable amount of peace and tranquility among the two groups in the Southwest.

Senator ELLENDER. Does that same situation prevail in any other section of the cotton-producing States?

Mr. JOHNSON. Not to the extent, I don't believe, Senator. I have to frankly admit that I give the largest part of my time to the Southwest. Of course in the Mississippi Valley a fight has been going on. I am not too familiar with it. I don't believe, though, it is to the extent that it has been in the Southwest.

Senator ELLENDER. When you say the Southwest, you mean Texas and Oklahoma?

Mr. JOHNSON. And New Mexico.

Senator ELLENDER. What is the basis of that fight? What is the trouble there?

Mr. JOHNSON. I might go back a little bit on it. At one time most of the interior presses were equipped with standard density presses. They secured the standard density compression of cotton mainly for railroad transportation purposes. The cotton, as a rule, then moved on to the port. If it was exported, it received a high density compression. The cotton that went to domestic areas went on without recompression at the ports. I imagine that, up until the time exports were restricted, probably 90 percent of the so-called Southwest crop was exported.

Senator AIKEN. What were the 2 years of comparative peace?

Mr. JOHNSON. I don't remember, Senator, but I think if I would say 1937 and 1938 it would be fairly accurate. Understand, please, that this difference between the two groups of the industry in the Southwest was not a fight over compress and warehouse charges as assessed by the two groups against their customers. It was largely a question of compression allowances. It didn't involve the question that one group was charging too low and another too high.

Mr. WHITE. What is the compression allowance?

Mr. JOHNSON. Under the present railroad structure compression allowances as they were originally known are pretty well out of the picture now, because we have carload rates, and I believe they are generally referred to now as differentials.

I am not sure of those 2 years, Senator, but I think in 1937 and 1938 we quit fighting each other. We usually had a case up before the Railroad Commission of Texas or before the Interstate Commerce Commission, but it certainly has been a costly procedure in the industry, extremely costly, and harmful.

Senator ELLENDER. Who were the sufferers?

Mr. JOHNSON. Both groups.

Senator ELLENDER. How did the farmer come out?

Mr. JOHNSON. I don't think he has necessarily been brought into it, in the sense I don't believe it has cost him any money one way or another.

Senator ELLENDER. What about the small warehouseman? How did he come out?

Mr. JOHNSON. I would like to bring that out, if you will let me proceed.

Senator ELLENDER. Proceed. If you prefer making a statement and then being examined, it is perfectly agreeable.

Mr. JOHNSON. Yes; I would rather that, please.

Senator ELLENDER. You may proceed.

Mr. JOHNSON. During these years of fight, the port group has been pretty consistent losers. The interior group usually won, and at the same time they quite often lost in the end, because as a rule after each victory they usually built additional compress facilities, until finally they had too many of them, and they still do.

I am still talking about compress facilities. Many interior operators in the Southwest, with whom I am personally acquainted and whom I consider as friends, agree with me on this. With the present reduced production of cotton this is especially true now.

Before the cotton-loan programs were started, the interior presses in the Southwest were to a considerable extent not very interested in the storage of cotton. They were interested in and made their money from the compression of cotton, and one Interstate Commerce Commission victory after another pretty well gave them a monopoly on that until the trucks came along; but they soon took care of the trucks with the 7,000-load-limit law.

After the compression of cotton, the interior operators were, as I have stated, as a rule, generally willing for it to go on to the ports for storage, and the port groups, by making large investments, provided necessary and adequate facilities, with low insurance rates, to efficiently handle and store a tremendous volume of cotton. These port facilities are not new facilities. They have been in existence for years. They have in the past and will in the future, if allowed, furnish an indispensable, efficient, and economical service, necessary for the proper marketing of United States cotton, both for export and domestic sale.

In 1933 the first cotton-loan program was put into effect, and about that time the interior-compress group began to get interested in the storage of cotton. They suddenly decided that compression alone was not enough for them, and that they must have storage income as well. They soon began to enlarge their plants—this time, however, for stor-

age purposes—and they saw to it, to the best of their ability, that the terms and conditions of loan programs made it extremely difficult for loan cotton to move to the ports for storage.

Bear in mind, this was back in 1933 and 1934. At that time there were very few small cotton warehouses in the Southwest; but soon we were to witness a building race between the interior-compress group and others who theretofore had not been in the compress or cotton-warehouse business. They had heard of the fabulous profits that were being made from the storage of loan cotton in the interior. The East Texas oil boom was pushed into the background, and the cotton-loan boom took over the front page. Lumber and galvanized iron became scarce. Prices went up. But little did that matter, as the \$1 per bale charge and the first-year storage income would pay for both land and warehouse. The farmers were paying the bill.

While all of this was going on in the interior, what was happening at the ports? Certainly they saw no boom. They did, however, see their earnings begin to fade away, and by 1936 red figures began to appear, and red figures face a majority of the port presses today. The interior compresses and warehouses, through their numerically superior strength, worked hard and were successful in keeping a large majority of the loan cotton away from the ports for storage. They were quite willing to increase the capacity of their own plants far beyond their normal requirements, and they did not raise one voice of objection, nor did any Member of Congress, when the Republicans added an amendment to the barter bill requiring that 300,000 bales of cotton be moved from the South to New England for storage purposes.

But they still continued to work as hard as ever to keep loan cotton from moving to the ports, except in the case of a few operators whose warehouses were full and who did not want to build additional space.

The port group has always and still do believe and subscribe to the policy of live and let live; but we do not feel that our interior friends—and I call them friends because many of them are my personal friends—have the same point of view.

Before the first loan program in 1933, both the interior and port facilities received a fair division of each year's cotton crop for handling and storage. But now, with the largest stocks of cotton available for storage in the history of the industry, the whole affair seems to be unbelievably off-balance, as the port group finds it impossible to hold a fair division of this cotton for storage. This is true even though the port group has consistently made available storage rates lower than those available at interior points. And please bear in mind that the port group has been attempting to secure a fair portion of the loan cotton for storage purposes long before the present European war. It is not a new effort on our part. The port group has never tried to secure the storage of all the loan stocks. We have only wanted a fair and reasonable share, and it is felt that this can be accomplished with fairness to both groups by moving only a part of the existing Government-owned stocks to the ports.

It seems to us that it would be a good idea to now move some, but not all, of the Government-owned interior stocks to the ports for storage, so that the interior compresses and the interior warehouses will have adequate space available near the point of production to store the farmers' 1941 cotton, a large part of which is sure to go into the 1941 loan.



We feel that the port compress and warehouse facilities have played an important part in making it possible for the cotton farmers and the Government to have the advantage of the storage rates presently in effect. It has already been stated to this committee that storage rates on loan cotton were at one time about twice as high as they are today. Had it not been for the competition of the port compress and warehouse facilities, we seriously doubt if the present rates would be in effect today, and the Government and the farmers would not have the advantage of the \$10,000,000 or more annual savings that have resulted from the present rates.

While Senate bill S. 262 does not mention the port warehouse and compress facilities by name, it is our opinion that the real object of the bill is to keep both Government-owned and Government-loan cotton away from the ports for storage, by making it impossible for the port compress and warehouse facilities to compete with similar facilities in the interior for the storage of such cotton.

Gentlemen, I had no idea of getting into a discussion of compress tariff generally. At this time I am talking in behalf of my own company. The other day, however, Mr. Reed, representing the proponents of this bill, had inserted into the record a copy of the Houston Compress Co. tariff effective August 1, 1940, and at the time he stated that it would cost the farmer 35 cents a bale to store cotton at our plant for the first month, and 21 cents per bale for each month thereafter.

I am very much afraid that Mr. Reed did not understand the tariff. I think he got his 35-cent figure from the note under item 3. Senator, this tariff is already in the record.

Mr. WHITE. Is it in the record, or were the two items simply put in?

Mr. JOHNSON. The first three items were put in, with the note following item 3. That note merely states that 35 cents of item 1 is due and payable upon receipt of the cotton. I would like to tell you what item 1 covers. In the first place, don't confuse it with the charge that the farmer pays at an interior press and warehouse. It isn't that at all. It is a complete round-turn service that brings a bale into the plant, covers weighing, sampling, handling of samples, and so forth, compression to standard density or high density, 30 days' storage—

Senator ELLENDER (interposing). You don't mean the 35-cent charge?

Mr. JOHNSON. No; I am talking of item 1.

Senator ELLENDER. But you said something about the 35-cent charge.

Mr. JOHNSON. I said that the note following item 3 says that 35 cents of item 1 is due and payable upon receipt of the cotton.

Senator ELLENDER. What is the total of item 1?

Mr. JOHNSON. 85 cents.

Senator ELLENDER. It is confusing, then, when you say 35 cents. And I might say in passing that that is in accord, I believe, with the testimony of Mr. Ernst.

Mr. JOHNSON. I am not entirely familiar with Mr. Ernst's tariff.

Senator AIKEN. You mean this charge of 35 cents is before they get anything out of their cotton?

Mr. JOHNSON. This item-1 charge takes the bale in and out of the plant; it is a complete round-turn service, including compression.

Senator ELLENDER. And it includes storage for 1 month?

Mr. JOHNSON. Yes.

Senator ELLENDER. And the entire cost for that service is 85 cents for the first month?

Mr. JOHNSON. Yes. Item 2 is identical in service with item 1, except that it does not include compression.

Senator ELLENDER. What is the charge?

Mr. JOHNSON. Fifty cents a bale, a difference of 35 cents. This is purely a matter of keeping books, to have all cotton on storage on the same tariff basis. It is a matter of bookkeeping.

Senator ELLENDER. But you do collect the 35 cents, don't you?

Mr. JOHNSON. We collect it at the time of arrival where item 1 is applicable.

I think there is considerable misunderstanding about the charge that the farmer pays. First, I would like to make this point: Our complete round-turn service, including compression, 30 days' storage, loading out, and insurance is 85 cents.

Senator ELLENDER. For the first month?

Mr. JOHNSON. Yes.

Senator ELLENDER. And thereafter?

Mr. JOHNSON. And thereafter it would be 21.7 cents per bale per month, but on a bale-per-day basis. That includes insurance.

Senator ELLENDER. In this regard, suppose a farmer should leave his cotton in your warehouse only 20 days. Would he still have to pay the 85 cents, or how much would he have to pay?

Mr. JOHNSON. That pretty well depends on the services performed.

Senator ELLENDER. Let us say he takes your service No. 1, which includes compression and moving in and out and taking a sample and weighing, and everything. Suppose he leaves his cotton in your warehouse 5 or 6 days or 20 days, what would the charge be?

Mr. JOHNSON. A farmer as a rule does not use that service. Merchants usually use that service. Now what is your question?

Senator ELLENDER. What would your charge be, under the No. 1 tariff as you have just indicated, should the merchant leave his cotton in your warehouse 20 days instead of a month?

Mr. JOHNSON. Eighty-five cents.

Senator ELLENDER. So that you have a minimum charge of 85 cents irrespective of the time it remains in your warehouse?

Mr. JOHNSON. If the compression service is performed.

Senator ELLENDER. I am relegating it to your first tariff. Would you mind another question on that?

Mr. JOHNSON. No; that is all right.

Senator ELLENDER. With respect to your other tariff, that is, where there is no compression, your initial charge, as I understand, is 50 cents?

Mr. JOHNSON. Yes. That is for receiving cotton that has already been compressed by someone else.

Senator ELLENDER. And that includes a 15-cent shipside charge; does it not?

Mr. JOHNSON. We include shipside in the 50-cent item and in the 85-cent item.

Senator ELLENDER. But whether you perform the ship-side service or not, the 15 cents is paid?

Mr. JOHNSON. Yes.

Senator ELLENDER. For this 50 cents you do the same thing as for the 85-cent service, except the compression?

Mr. JOHNSON. Yes.

Senator ELLENDER. And whether the cotton remains in your warehouse for a day or 5 days or 20 days or 30 days, the 50-cent charge is imposed?

Mr. JOHNSON. Yes.

Senator ELLENDER. All right.

Mr. JOHNSON. I want to explain that this 15-cent charge that you have heard so much about, certainly insofar as compresses are concerned, is misleading. In the case of the warehouse without a press, I think it is a different situation.

Senator ELLENDER. Will you explain why?

Mr. JOHNSON. I think I can do it as I go along, sir.

Bear in mind that you can bring a bale of cotton into our plant under this item 1, get the services I have mentioned, and get it out again, including shipside service, if you want it, and storage, if you want it, for 85 cents. This same service to farmers by the Farmers & Merchants Compress & Warehouse Co., which operates 10 compress plants in Texas and 1 in Oklahoma, would cost:

	<i>Cents</i>
Receiving, weighing, sampling, etc., including 15 days' storage and insurance.....	25
Compression.....	78
Additional 15 days' storage to make a total of 30 days' storage, at 6 mills per bale per day, including insurance.....	9

That comes to a total of \$1.12 per bale.

Senator ELLENDER. Is that an interior warehouse?

Mr. JOHNSON. Mr. Brooks testified as to that the other day. I present that to show that our tariff is not necessarily out of line.

Senator AIKEN. That is not Government cotton you are talking about, is it?

Mr. JOHNSON. I am talking about farmers' cotton at this time, because this tariff does not cover Government cotton.

Mr. Reed made the statement this morning that it is quite difficult to compare tariffs where the services are not identical. I am not sure that is exactly what he said, but I think that was his meaning. I want to agree it is a difficult job. When you compare an interior tariff with a port tariff you have a difficult situation, because the services are not necessarily the same. As a matter of fact, as a rule they are not the same.

I will be glad to leave this tariff with you for whatever it might be worth.

Senator ELLENDER. I would like to ask you a few questions as to the farmers' compress and warehouse tariffs to which you have just referred. Do they have their compresses and warehouses in the interior?

Mr. JOHNSON. Yes. They are all in the interior.

Senator ELLENDER. Are we to understand these interior compresses have a different charge to the farmer for cotton that goes into the loan and cotton that does not go into the loan?

Mr. JOHNSON. Some of them do and some of them don't.

Senator ELLENDER. To be frank, your testimony is the first I have heard that there is a difference. I mean, the impression I had from every witness who has testified heretofore was that the interior warehousemen were in a measure forced to charge this uniform tariff,

of 15 cents per bale, which included all the service which you perform for 50 cents except the shipside loading.

Mr. REED. The Southeast boys testified that on the producers' cotton they had a 25-cent charge. Mr. Brooks testified that this tariff has been amended so that his company has only the 15-cent rate.

Senator ELLENDER. Am I to understand that in many cases the interior warehousemen and compressmen have a different tariff for cotton that goes in the Government loan than for other cotton?

Mr. REED. Particularly in Southeastern States, where they do not have compression revenue. In the Mississippi Valley and West generally, the 15-cent rate applies.

Senator ELLENDER. There are a large number who do not get in excess of 15 cents?

Mr. REED. I would say the majority. None in the Mississippi Valley would.

Senator ELLENDER. Where are your warehouses located?

Mr. JOHNSON. Would you mind if I finish this, and then you can cross-examine me. I have some tariffs of presses in the Southwest before me. I would like permission to review these tariffs very briefly and leave them with the committee.

Senator ELLENDER. You can file them, but not for the purpose of having them printed in the record.

Mr. JOHNSON. That is satisfactory. I have two purposes in introducing these tariffs. One is to show that in the Southwest this handling item in the interior tariffs has to a certain extent been lower at the same time the tariffs in the Mississippi Valley were higher. And the second purpose as to why I want to introduce these tariffs is to show that in the Southwest the loan programs and these huge stocks of cotton have not affected the charge assessed against the farmer.

Senator ELLENDER. Are those tariffs present tariffs?

Mr. JOHNSON. Present and past.

Senator ELLENDER. The committee will stand in recess until tomorrow at 10 o'clock.

(Whereupon, at 5 p. m., the committee adjourned until 10 a. m., Saturday, February 1, 1941.)

# REGULATING THE WAREHOUSING OF COTTON HELD BY THE COMMODITY CREDIT CORPORATION

SATURDAY, FEBRUARY 1, 1941

UNITED STATES SENATE,  
COMMITTEE ON AGRICULTURE AND FORESTRY,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10 a. m., in the committee room, 324 Senate Office Building, Senator John H. Bankhead, presiding.

Senator BANKHEAD. Let us proceed.

## STATEMENT OF J. M. JOHNSON—Resumed

Senator MCKELLAR. You had something else you wanted to add?

Mr. JOHNSON. Yes, sir. I had finished my general statement.

Senator MCKELLAR. So I had heard.

Mr. JOHNSON. I have some tariffs of interior compresses in the Southwest I would like to refer to, and I have another statement—I said that my activities were confined to the Southwest, and my remarks related generally to that territory.

Senator MCKELLAR. Is that a copy of your remarks of yesterday? See, I did not hear them.

Mr. JOHNSON. They are just all torn to pieces.

Senator MCKELLAR. Has anybody got a copy of them?

Mr. JOHNSON. I did not follow any.

The purpose in introducing these tariffs of the interior compress facilities in the Southwest is to show that the huge loan stocks have really not influenced the rate that these compresses charge to the producer. I have here a tabulation that I have made that I would like to submit to the record, which is fairly short, and it will show that the Mississippi Valley tariff rates, as submitted by Mr. Reed and as now in the record, were as a rule, substantially higher, beginning with the period that Mr. Reed covered, of 1931-32 up until you get to the beginning of the 1939-40 season. For example, here are the tariffs of the Traders' Compress Co. I believe they operate 19 compresses in the State of Oklahoma. I consider this company to be one of the best-managed compress companies in the Southwest, at least, if not in the Cotton Belt. Mr. B. L. Anderson, of Fort Worth, is the head of this company, and these tariffs will show that starting with September of 1932 this charge against the farmers' cotton was 15 cents a bale; that charge remained constant on up to the current season, when I think it even included insurance. Commencing with 1939 it in effect reduced the charge slightly. Before

that they had been allowing 30 days' free storage, offsetting this insurance. They cut down the insurance to 15 days—one virtually offset the other—so you might say the tariff of this company has remained constant with these huge stocks of loan cotton. It was 15 cents before the loan program started; it is 15 cents today.

While these 15-cent tariffs were in existence in the Southwest, the Mississippi Valley tariffs were ranging from 50 cents on down to 25 cents, until the beginning of the 1939 season.

I believe that this is pretty conclusive evidence that the loan program has certainly not reduced the cost to the farmer in the Southwest, because the tariffs were already low.

Senator ELLENDER. How do you account for that?

Mr. JOHNSON. Well, Senator—

Senator ELLENDER (interposing). Is it that more cotton is handled, or just what?

Mr. JOHNSON. To the contrary, I would think not. The Mississippi Valley has always been a highly productive area, and I would not think so.

Senator ELLENDER. Can you not build facilities cheaper there because of the difference in rainfall and things like that? Is it not probably true that you can store cheaper?

Mr. JOHNSON. I would not think so.

Senator ELLENDER. You would not think so?

Mr. JOHNSON. No, sir; another set of tariffs, the Interstate Compress Co., of Vernon, Tex., will show that they have had a 15-cent rate available except for 1 year, and that is the year of 1936-37, when they had a 10-cent rate in—

Senator McKELLAR (interposing). That was the year of the big crop?

Mr. JOHNSON. No, sir; the year of the big crop was 1937-38.

Senator McKELLAR. I have always thought that—

Mr. JOHNSON (interposing). The Lubbock Compress Co. of Texas, had a 15-cent rate; the Farmers & Merchants Compress & Warehouse Co., of Texas, has had consistently a 25-cent rate. I am not arguing the measure of the rate necessarily. I am merely trying to show that the rates have remained constant with the loan program, that the storage and accumulation of such cotton has not affected the rate.

Mr. REED. Mr. Chairman, may I interrupt Mr. Johnson?

Senator BANKHEAD. Yes; go ahead.

Mr. REED. I know he does not want to make a misrepresentation of facts. I just want to point out that there is a charge for handling wagon cotton of 15 cents per bale; there is an additional charge of 10 cents for weighing—that is there was in 1932—going up to 25 cents a bale for receiving and weighing and 10 cents for sampling, and the one charge of 15 cents includes that, does it not?

Senator McKELLAR. Will you answer that question, please, sir?

Mr. REED. Also insurance?

Mr. JOHNSON. That is correct. For the 1932 tariff I accept that correction. In the case of 1933—

Senator ELLENDER (interposing). How about the others that you have testified to?

Mr. JOHNSON. I will go back and check on the others, Senator. In the case of 1933 the handling charge was 15 cents a bale, the weighing

was free. I see no mention of the sampling charge. I would like Mr. Reed to—

Mr. REED (interposing). I just know that they varied. If you will read my statement, Mr. Johnson, you will find I told the committee when I introduced them that they were not uniform and that they varied.

Mr. JOHNSON. I understand that, Mr. Reed. I am just trying to get into the record some of the interior tariffs that I think have a bearing on the argument that has been put forth, namely, that these huge stocks of loan cotton have reduced the rates paid by the farmers. I say, in the Southwest that is not the case because the rates were already lower than they were in the Mississippi Valley.

Mr. REED. I think that statement, Mr. Johnson, is true, that they were generally lower in the Mississippi Valley, but it is also true that they came down effective the 1939 season. I do not believe that the remainder that have not come down will stay where they are with all the other tariffs around them down to this 15-cent level.

Senator MCKELLAR. In order to shorten this, why can not these be put in the record?

Mr. JOHNSON. They are too long.

Senator MCKELLAR. I was going to say, let Mr. Reed examine them to see if there are any more incorrect statements as the first one—

Senator ELLENDER (interposing). I will take the Interstate Compress Co. For instance, it says here [reading]:

Handling:	<i>Cents per bale</i>
Concentrated cotton-----	15
Wagon cotton-----	15
Yard cotton-----	15
Weighing-----	10
Resampling-----	5

Mr. JOHNSON (interposing). Senator, I beg your pardon. Those tariffs are pretty hard to interpret unless you are familiar with the operation of the business itself. You cannot just look at that and figure out what it is going to cost to handle a bale of cotton.

Senator ELLENDER. I know. It strikes me it is plain enough. If a farmer, as I understand that schedule—let us take the Lubbock Compress Co.—

Mr. JOHNSON (interposing). It applies only to what is known as wagon cotton. That is the 15-cent charge right there that the farmer would pay.

Senator ELLENDER. That is for handling?

Mr. JOHNSON. Yes, sir.

Senator ELLENDER. Now, that tariff says [reading]:

Weighing by public weigher, but this company will collect the following fees for him: Concentrated and wagon cotton, 5 cents per bale—

Mr. JOHNSON (interposing). If the company weighs the cotton itself, why there is no charge.

Senator MCKELLAR (interposing). You have presented a tariff here, and if the tariff includes these other charges and they amount to 25 cents a bale, then they must be considered the same as what they are now—

Senator ELLENDER (interposing). It says:

Transit and yard cotton, 10 cents per bale; reweighing, 10 cents per bale—

and in the tariff schedule of the Interstate Compress Co. you have here free storage for 15 days. I imagine that is for the first 15 days; you would probably have to pay the 15 cents for handling and this weighing fee and resampling fee, which would aggregate 30 cents for 15 days, and thereafter you would resort to this 15-cents-per-bale charge for storage. Am I not right in that?

Mr. JOHNSON. Mr. Chairman, I accept Mr. Reed's correction for the tariff of 1932.

Senator MCKELLAR. What about this one Senator Ellender has read; do you accept that, too?

Mr. JOHNSON. Commencing with the 1933 tariff, which tariffs were put into effect before the first loan program was announced, which would be right here, Senator Ellender—it has the same tariff, weighing concentrated and wagon cotton first time free. Handling wagon cotton, 15 cents per bale. The correction will stand for the year of 1932-33.

Senator ELLENDER. What about resampling? I see there is a charge of 5 cents per bale.

Mr. JOHNSON. Senator, that applies only if the cotton is sampled a second time, which does not necessarily—

Senator ELLENDER (interposing). But that does not say so here. It says: "Resampling, 5 cents."

Mr. JOHNSON. See, it is sampled the first time for the 15 cents. If the buyer of that cotton later on wants that resampled—

Senator ELLENDER (interposing). Where does it say that the 15-cent charge covers the sampling?

Mr. JOHNSON. The custom of the trade includes the sampling, Senator.

Senator MCKELLAR. I think those records ought to go in the record. I do not see how, if there is a difference of opinion about them—they speak for themselves and they ought to go in the record.

Senator BANKHEAD. I think, if the fact is that there is some doubt as to what they are, I think they ought to go in.

Mr. WHITE. Mr. Chairman, we would like to put those in the record.

Senator BANKHEAD. Just file them with the clerk.

Mr. WHITE. We would like Mr. Johnson to explain his interpretation of them.

Senator MCKELLAR. All right; and then we can have the other side explain them.

Senator ELLENDER. In that way we can have the whole picture, both sides.

Senator BANKHEAD. Are you prepared to explain them when he gets through?

Mr. REED. Yes, sir. I explained, when I put that tariff in—that statement in—that the charges were not uniform over the belt. It is all in the record right now.

Mr. JOHNSON. Mr. Chairman, I thought it was understood that the tariffs were put in only for the Mississippi Valley, and I merely wanted to get these southwestern tariffs into the record.

Senator BANKHEAD. It is all right. Anything they want in, I am going to let in.

Senator MCKELLAR. We will put them in the record.



Mr. REED. We put in some testimony on the southeastern tariffs, and we put Mr. McElroy and one or two others with respect to the Southwest to show the difference.

Senator McKELLAR. Go ahead.

Mr. JOHNSON. I think that everyone here has a general impression, or at least they have the impression that when a bale of cotton goes into a press that it pays this 15-cent charge, or possibly 20-cent charge, or maybe even a 25-cent charge. That is the charge for coming in, you might say. These tariffs will all show that there is a charge for going out, whether that be in the form of requiring the compression service to be performed by the warehouse where the cotton is stored or a shipping charge where compression is not charged, and will run that around 50 cents a bale. In other words, the charge against the cotton is not necessarily 15 cents; it is 65 cents a bale now.

Senator AIKEN. I suppose the farmers all understand these charges pretty well?

Mr. JOHNSON. Senator, I do not think so. It is hard for almost anyone to understand them unless they just live with them, and it is an unusual procedure, I would say, to have an entrance charge and an exit charge that is not clearly understood by a lot of people, and I think that is just exactly what this is: That the charge is a round-time-service charge as to what it takes to get the cotton in and get it out; it is not only the in-coming charge that counts.

Senator ELLENDER. Now, with respect to those out-going charges, those charges are imposed only for the compression; are they not?

Mr. JOHNSON. No, Senator; that is not correct. Let us take one of these tariffs—those local concentrated cotton charges. The receiving charge by this particular compress—this is the Farmers' and Merchants' Compress & Warehouse Co. of Texas, is 25 cents—this is 1940-41 tariff—

Senator ELLENDER (interposing). Now what does that service include?

Mr. JOHNSON. That covers the receiving, weighing, sampling, 15 days' free storage, and possibly the handling of samples and the usual incidental services and insurance.

Senator ELLENDER. All right.

Mr. JOHNSON. That is the 25 cents. Now the next item, and it says there that this is (A) "In consideration of this Company receiving compression revenue," but look at the next item (B) "Receiving charge on flat" cotton—that means uncompressed cotton—

Senator ELLENDER (interposing). Yes.

Mr. JOHNSON. "Flat local concentrated cotton, if not compressed by this Company, 75 cents."

Senator ELLENDER. Well, does that mean to say that if I, as a farmer, were to ship flat cotton, that the charge would be 25 cents, and if the company where I bring my cotton compresses it then the usual charge is made for compressing it; but if I bring the compressed cotton there, they charge me for it anyhow? You do not mean that, do you?

Mr. JOHNSON. No; that is not right. If you bring flat cotton there they will charge you 25 cents; if you have it compressed they will charge you the compression charge, which is 15 cents per hundred pounds, or for a 500-pound bale, 75 cents, you pay for it. If

you bring flat cotton there and ship it out uncompressed you pay this charge right here, the 75 cents.

Senator ELLENDER. In other words, you are paid for a service you do not render?

Mr. JOHNSON. Well, I would not say that.

Senator ELLENDER. Well, you are, are you not? Why do you not say so then? It is a fact, is it not?

Senator BANKHEAD. That they pay the same thing whether it is compressed or not compressed; is that the idea?

Mr. JOHNSON. What is that?

Senator BANKHEAD. Is the aggregate amount charged the same, whether they compress it or whether they do not compress it?

Mr. JOHNSON. In this particular tariff, where the bale is received uncompressed, and shipped compressed, the total in-and-out charge, including 15 days' storage, is \$1.

Senator McKELLAR. Is that one of Anderson & Clayton's compresses?

Mr. JOHNSON. No, sir.

Senator McKELLAR. That is one that is not. Do you have the same sort of charges?

Mr. JOHNSON. We have a complete—Mr. Reed has already put our tariff into the record.

Mr. WHITE. Senator, we did explain that the other day.

Senator McKELLAR. Let him explain. I asked him if he had the same charges in his compress contract.

Mr. JOHNSON. Our tariffs are what we call a concentration tariff, and they are covered by items of this same tariff that relates to concentration—

Senator McKELLAR (interposing). What I am trying to ask—in your tariff do you provide so that you can add a 75-cent fee for compressing cotton whether you compress it or not? Now, that is a perfectly plain question. Just answer it "Yes" or "No."

Mr. JOHNSON. In our tariffs we provide for a complete round-turn service, in one item.

Senator McKELLAR. How much is that, and does it include compression?

Mr. JOHNSON. 85 cents a bale, where it includes compression.

Senator McKELLAR. Now, you have not answered my question. In the compresses that your company owns, do you provide the same, or substantially the same, kind of a charge that you have just read from this company—what is the name of it, Senator Ellender?

Senator ELLENDER. Farmers' and Merchants' Compress & Warehouse Co.

Senator McKELLAR. Do you provide for the same kind of contracts, which would include a round fee of about \$1, including the compression of cotton? Now, that is a question you can answer "Yes" or "No," and make any explanation you want to about it.

Mr. JOHNSON. I cannot answer it "Yes" or "No," Senator, because we have a varying practice.

Senator McKELLAR. Give me the varying practice. Some of them you do and some of them you do not. Let us have that.

Mr. JOHNSON. In our port tariff we do not.

Senator McKELLAR. In your port tariff you do not?

Mr. JOHNSON. We have two interior tariffs. Up until the beginning of the 1940-41 season, we did not.

Senator McKellar. Well, do you do it now?

Mr. JOHNSON. We do it now. I want to tell you why we do it now.

Senator McKellar. All right, now we are getting somewhere.

Mr. JOHNSON. We are doing it, against, you might say, our better judgment.

Senator McKellar. Oh, do not say that. Do not make the farmer the victim of something that is against your better judgment, for Heaven's sake.

Senator Bankhead. Did anybody coerce you into doing it? I want to know what that means. You say you are doing it against your better judgment. Were you coerced into it in any way?

Mr. JOHNSON. No; we were not forced into it.

Senator Bankhead. That was a vague remark, then?

Mr. JOHNSON. Well, we were up in the interior country.

Senator McKellar. Where in the interior country?

Mr. JOHNSON. At Wichita Falls, Tex., and Childress.

Senator McKellar. Tell us how your company was coerced up there in Texas?

Mr. JOHNSON. When the 1941 loan forms came out, they contained this clause, which I think is very interesting, and unique—we certainly were not interested in seeing it put in there.

All charges, except as stated below, including storage, insurance, receiving, tagging, weighing on arrival, sampling on arrival, storage of samples, picking out by tag numbers and loading into cars or trucks, will be at the rate of 15 cents per bale per month or fraction thereof.

Now that said, "Except as stated below." Now here is what is stated below—this is in the 1940-41 loan form—

Senator McKellar (interposing). Yes, sir.

Mr. JOHNSON (reading):

Compression charges and flat delivery charges on cotton moved from a warehouse operating compress facilities without payment of compression charges will be at the rate provided in the warehousemen's established tariff effective July 1, 1940.

Senator McKellar. Now what is that tariff effective July 1, 1940?

Mr. JOHNSON. It simply means this, Senator, that a warehouse without compress, that receives loan cotton and stores it—we will go back to this 90-day period—will collect 15 cents for 3 months, or a total of 45 cents. Now, that is the warehousemen without compress, such as Senator Bankhead has, for example, over in the State of Alabama. But what happens in the case of a warehouse with compress? He gets his 15 cents per bale for each month, making a total of 45 cents, and in addition he is entitled to receive his extra income that the warehouseman without compress does not get.

Senator McKellar. Now, what is the amount of that?

Senator Ellender (interposing). He performs a service there by compressing—

Mr. JOHNSON (interposing). It does not say that. It says this: "Compression charges and flat delivery charges." He does not have to perform a service if the bale is removed uncompressed, and he ships it just as the small warehouseman ships it, he gets 50 cents a bale more than the little warehouseman or a gross of 95 cents, as compared to the little warehouseman getting only 45 cents.

Senator McKellar. In other words, where you have a compress attached to your warehouse—and you have got many of these, I

believe—where you have got a compress attached you have a rate of 50 cents extra for compressing; if the compression is done you collect that, if the compressing is not done you still collect it?

Senator ELLENDER (interposing). That is right,

Mr. JOHNSON. Senator, if the compression is performed you collect the compression rate, which is 60 to 75 cents.

Senator McKELLAR. Oh!

Mr. JOHNSON. That is in addition to the 45 cents, now.

Senator McKELLAR. Yes.

Mr. JOHNSON. If you do not perform it, you collect only 50 cents.

Senator McKELLAR. Only 50 cents. You perform no duty whatsoever toward that cotton; you perform no service to that cotton, and yet you arbitrarily collect 50 cents a bale on it, or 50 cents a hundred, which is it?

Mr. JOHNSON. The point I am arguing is, where does that put the warehouseman without a compress?

Senator McKELLAR. If you ask me the question, I think it puts you in the place of doing a dishonest piece of business, if you are asking me that question.

Senator BANKHEAD. Do your warehouses have compresses?

Mr. JOHNSON. Yes, sir.

Senator BANKHEAD. All of them?

Mr. JOHNSON. Yes, sir.

Senator BANKHEAD. And you collect these charges without doing anything?

Mr. JOHNSON. Senator, we have had that in one of our tariffs—

Senator BANKHEAD (interposing). If the Commodity Credit wants to save money on this thing, that would be a mighty good place to save it.

Senator McKELLAR. I want to call the attention of the Commodity Credit Corporation of this charge without service.

Senator ELLENDER. Do all warehousemen who have compresses in connection with their warehouses do the same thing, are we to understand that?

Mr. JOHNSON. Well, Senator, I would not want to say all of them, but I think I would be safe in saying that a big majority of them—I am not familiar—

Senator McKELLAR (interposing). Could you give the names of those who deal like you do in a contract and make a charge for compression of 50 cents a bale, when you do not perform the service? What compresses are there? If there are such compresses they ought to be regulated by the Commodity Credit Corporation, and the Commodity Credit Corporation is not doing its duty unless it does regulate them.

Senator BANKHEAD. Is it the general practice of those who have compresses to make that charge, as Senator McKellar has stated?

Mr. JOHNSON. I would like to qualify my opening statement here by saying that all my time is really spent in the Southwest, and in the Southwest it is.

Senator BANKHEAD. The general practice?

Mr. JOHNSON. Yes, sir.

Mr. REED. And why was that?

Mr. JOHNSON. Mr. White, I believe the present tariff is in the record. It will show whether it is or is not.

Mr. REED. I think Mr. Johnson ought to tell you whether or not, in his opinion, they have ever collected any revenue on that 50-cent flat delivery charge.

Senator BANKHEAD. That is right, the very thing we would like to know. Have you collected anything?

Mr. JOHNSON. That is hard to say, Senator. We have not had that in our two interior points—I think we did not put it in there until our tariff of August 1, of this year; prior to that we did not have it.

Senator BANKHEAD. Have you collected anything under that?

Mr. JOHNSON. I do not know whether we have or not.

Senator MCKELLAR. Do you keep books over there at these two compresses?

Mr. JOHNSON. As a rule.

Senator MCKELLAR. Do you or do you not keep books?

Mr. JOHNSON. Yes, sir; we do.

Senator MCKELLAR. Can you not answer from your books, how much you received from the compression of cotton that you did not compress?

Mr. JOHNSON. Surely we could.

Senator MCKELLAR. Will you get the figures and submit them to this committee?

Mr. JOHNSON. I would like to state, Senator—

Senator MCKELLAR (interposing). I am asking you, will you do that—wait one moment—will you get the figures from your books and give them to this committee?

Mr. JOHNSON. I will be glad to, sir.

Senator MCKELLAR. All right.

Senator BANKHEAD. Do you know whether anybody else is collecting for compression, when they do not compress?

Mr. JOHNSON. Senator, I do not, but I know this, that the item is in the tariff, and that it works, insofar as this loan program is concerned, a severe hardship on the warehouse without compress.

Mr. WHITE. Mr. Johnson, what is the purpose of that?

Mr. JOHNSON. I know that to be a fact. I thought you would be interested, Senator, because over in your State, you have that situation on rather a large scale.

Senator BANKHEAD. Practically universal. The same way in Georgia.

Mr. JOHNSON. The only point I am trying to get over is that these small warehouses get 15 cents per bale per month on this loan cotton, whereas the compress company gets 15 cents per bale per month, and by an item provided in the loan provisions they are guaranteed additional income of one kind or another.

Senator BANKHEAD. Whether they render the service or not, just merely because they own a compress?

Mr. JOHNSON. Yes, sir. Now that is the only qualification. This statement reads, "Compress charges and flat delivery charges on cotton moving from a warehouse operating compress facilities."

Senator ELLENDER. Now, Mr. Johnson, as a matter of fact, taking the other view of it now, the other side, so as to get it before the committee, most of the cotton, or practically all of it in your section, is compressed, is it not?

Mr. JOHNSON. That was true, probably, Senator, up until this year. A substantial amount of cotton moved this year uncompressed.

Senator ELLENDER. Now is it not a benefit, as was pointed out yesterday or the day before, to have cotton compressed in that the freight rates are much lower than on flat cotton?

Mr. JOHNSON. That depends on the nature of the movement. The advantage where it is moved from southwestern points to certain mill points is more or less of a stand-off, you might say.

Senator ELLENDER. Exactly what do you mean by that?

Mr. JOHNSON. Well, the saving in freight is just about offset by the compression, and as density is a disadvantage at the mill, it really does not mean so much. That is not true all over the belt, but it is true under certain conditions.

Senator ELLENDER. In a case of that nature, where flat cotton is shipped by the warehouseman, who gets this 15-cent charge? Of course, the farmer would pay the 15-cent charge in that case?

Mr. JOHNSON. In the case of the warehouseman; yes, sir.

Senator ELLENDER. That is all?

Mr. JOHNSON. Yes, sir.

Senator ELLENDER. And depending upon where it goes, where the cotton would be shipped away, either for export or where compression would be prerequisite, to save on freight and so forth, that this compression is in a measure forced upon the farmer. Is that not true?

Mr. JOHNSON. Well, it is either forced upon him, or the flat delivery charge is, one or the other.

Senator ELLENDER. Now, if it is forced on him, as these tariffs would show, and the cotton is shipped away, say for export or to mills far from the point of production, the farmer usually saves on the freight by having his cotton compressed in contrast to having it shipped flat. Is that not true?

Mr. JOHNSON. I do not argue that point with you, Senator, but I do argue this point, that the facility had received income of a compression nature in that compression charge of 75 cents a bale—now to get back to this point that they have—the advantage over the small operating warehouse in the handling of this loan cotton. Now it is true they might perform the compression charge of 75 cents a bale, making their total charge, say it would be 45 cents for 3 months, plus 75 cents, which I believe would be \$1.20, whereas, the small warehouseman would only get 60 cents. My contention is that the small warehouseman in the handling of loan cotton is at a tremendous disadvantage.

Senator MCKELLAR. Mr. Johnson, let me ask you this question, under this rule, or whatever you call it—under this tariff, I believe you call it: If the Commodity Credit Corporation were to remove 1,000,000 bales of cotton now stored in the Memphis compress—I believe it was testified there were 1,000,000 bales there, we will assume it is 1,000,000 bales—take 1,000,000 bales of cotton and order it sent to New Orleans for restorage, then the warehouse at Memphis could, under these rules, put on a charge of 50 cents a bale on every bale of that cotton that was restored in New Orleans, could they not?

Mr. JOHNSON. If they had the compress there would be—

Senator McKELLAR (interposing). They could. I happen to know of one concern in Memphis that has probably that much on storage. If they could pick up one-half a million dollars in that easy way without doing any service, do you not think they would do it?

Mr. JOHNSON. I think, Senator, that the head of that company has already stated that most of their cotton was already compressed, so he performed a service.

Senator McKELLAR. I am talking about uncompressed cotton, because I imagine he has got somewhere in that neighborhood, but suppose it is 500,000 bales only that he has got uncompressed, and the Government moved that to New Orleans; in addition to the freight for carrying it to New Orleans, in addition to the sampling, and in addition to any other charges that might be made, you would have to get a 50-cent concealed fee, would you not?

Mr. JOHNSON. If it were shipped uncompressed, but—

Senator McKELLAR (interposing). I am talking about if it is shipped uncompressed. That would be true, would it not, that they could put on this concealed fee of 50 cents a bale?

Mr. JOHNSON. It is not concealed, Senator; it is in the tariff.

Senator McKELLAR. It is in the tariff. Suppose I am a farmer in Shelby County, and I bring in my cotton to your warehouse, do you suppose that I, or any other farmer, would know about that concealed fee? I did not even know it as a legislator; I did not even know it as a man of some information of long service; I did not know that was concealed in these contracts until you brought it out this morning. I do not think that ought to be in that contract, I do not care who put it in.

Senator AIKEN. Mr. Johnson, do you think that the C. C. C. would permit charges on Government cotton that had not been compressed? Did they give you any reason for thinking they would?

Mr. JOHNSON. Senator, there is on this old Government cotton—there has already been some settlement, payment or agreement of some sort worked out with the warehouses in certain areas on that very subject. That is all Government-owned cotton. Now I am sure that the corporation officials will be glad to tell you just what that arrangement is.

Senator McKELLAR. We would like to know—do you know whether there is such an agreement, and if so, who told you about it, and how do you happen to know about it?

Mr. JOHNSON. Well, there was a circular issued, Senator McKellar, setting forth the terms of it. It did not affect our interests, and I did not pay too much attention to it.

Senator McKELLAR. Well, you expressed it very clearly here. If you did not pay much attention to it, you have a very clear mind, I will say that for you.

Mr. JOHNSON. My recollection is, however, that some arrangement was worked out; the exact details of it I do not remember.

Senator McKELLAR. Some arrangement was worked out by which the concealed came out in the open?

Mr. JOHNSON. I beg your pardon, I do not call it concealed, because it is printed in the tariff; it is also possible that it is—

Senator McKELLAR (interposing). Let me look at that a moment to see how it is printed.

Senator **BANKHEAD**. In view of the question asked by the Senator from Vermont—of course, everybody knows my views on this bill, I am against the Department on it, but I think the Department is entitled to justice, and certainly entitled to it so far as I am concerned. I have just asked Mr. Reed about this, and he is the sole source of my information, and I am giving it to you for what it is worth. He says not a dime has been paid for services not rendered. I bring that out now. I asked him and he said that would be developed later, but I thought that right here, while we are on it, would be the best time, because I think it would be a horrible thing to leave an impression that any Government agency would countenance a thing like that.

Senator **ELLENDER**. The question I desired to ask you, is it not a fact that the reason for that which you have been talking about, to force this cotton to be compressed, is not that what they are trying to do, in other words, they say to the farmer, "Whether you compress or not it is going to cost you so much," and that in effect makes the cotton merchant and everybody else concerned compress his cotton?

Mr. **JOHNSON**. That is right.

Senator **ELLENDER**. And in so doing they get it back in freight savings, is that true?

Mr. **JOHNSON**. Senator, they get it back in freight reductions, if the difference in freight savings—but suppose you are going to ship to a point where the difference in freight does not save it?

Senator **ELLENDER**. I know, but in that case I would say that such cotton would not go to a compressor. Where they do not have compressors, of course, the only charge then would be the 15 cents, is that true?

Mr. **JOHNSON**. Of course, that is the practice, but it all depends on the practice in each locality. Quite often the farmer in some localities immediately takes his cotton to the press before he sells it and he puts it in a press and then sells it, then the compression, whatever it is, is charged against it.

Senator **ELLENDER**. Yes. What gives him the freight advantage?

Mr. **JOHNSON**. If he ships it in the direction that the freight will give him the advantage.

Senator **ELLENDER**. But as a matter of fact, are not the cases far and wide between where there is no advantage? For instance, in the southeast, where all the cotton mills are, I imagine the reason that there are no compresses there is because of the presence of those mills, and another thing the mills might prefer cotton that is not compressed, and whether the charge goes into more freight or compression, it does not make any difference, the cotton costs the same to the mills, and the farmer does not win or lose by that operation, but way out in the southwest, where we speak of, where we do not have mills, is not most of the cotton from those sections shipped to far points where it is an advantage to have the cotton compressed?

Mr. **JOHNSON**. In the majority of cases you are right.

Senator **ELLENDER**. Of course.

Mr. **JOHNSON**. But let us go back to this point now, from the viewpoint of the storage of this loan cotton, the presses have an advantage over the warehouses without presses.

Senator **ELLENDER**. Well, I do not deny that. I am sure that the Federal Compress, and the Union, and all these fellows have not been



gobbling presses here and there throughout the country for nothing. They have made a big business of it. I am not in any measure blaming them, but in between these, the little fellow, of course, must get a few crumbs if he can get them. That is usually the case.

Mr. JOHNSON. I have one more—

Senator BANKHEAD (interposing). Proceed; the time is getting short.

Mr. JOHNSON (continuing). Remark to make in closing my statement, and that is that much has been said about the high cost of doing business. I am very much of the opinion that congestion at these interior presses is to a very large extent responsible for the high cost of operation.

Senator McKELLAR. Is there any congestion at the interior presses?

Mr. JOHNSON. That is what I meant to say, Senator, that the interior people are complaining of the high cost, and I think a lot of it is attributable to congestion, that they have too much cotton on hand.

Senator McKELLAR. Do you know that is true? Do you not know that all the warehouses—you heard the testimony here of these interior warehousemen, they all say they have plenty of room.

Mr. JOHNSON. Yes; I have had a lot of them tell me that.

Senator McKELLAR. Have they not—

Mr. JOHNSON (interposing). Congestion of the plants has constantly increased their operating cost.

Senator McKELLAR. Now will you give me the name of your company and all of its affiliates?

Mr. JOHNSON. The Houston Compress Co., of Houston, Tex.—

Senator McKELLAR (interposing). All right.

Mr. JOHNSON. New Orleans Compress Co., of New Orleans, La.—

Senator McKELLAR (interposing). What others?

Mr. JOHNSON. Lake Charles Compress & Warehouse Co., of Lake Charles, La.; the Terminal Warehouse Co., of Houston, and the Gulf Compress Co., of Houston. Those are the ones that I am connected with, sir.

Senator McKELLAR. Do you have any at Mobile, Ala.?

Mr. JOHNSON. The Southeastern Compress & Warehouse Co. I am not connected with them. There is a witness who will testify regarding the Southeastern.

Senator McKELLAR. It was stated here the other day by someone that your company, Anderson, Clayton & Co., had recently bought a compress or warehouse at Mobile, Ala. Is that correct or incorrect?

Mr. JOHNSON. Mr. Bateman, who is the president of Southeastern, is present, and he will be glad to answer that question.

Senator McKELLAR. Mr. Bateman is not on the stand. You are a representative of Anderson, Clayton & Co. I am asking you whether or not Anderson, Clayton & Co. or its affiliate, any affiliate, has bought or acquired a warehouse at Mobile, Ala., very lately?

Mr. JOHNSON. Senator, I am not qualified to—

Senator McKELLAR (interposing). Do you know whether that is true or not?

Mr. JOHNSON. Yes, sir; it is true.

Senator McKELLAR. It is true. Then why did you not want to tell it yourself? Why did you want to have somebody else tell it?

Mr. JOHNSON. I am just trying to explain to you that the man who handled that deal is here.

Senator McKellar. I know he may be here, and we will talk to him later, but I am cross-examining you now.

Mr. JOHNSON. All right, sir.

Senator McKellar. You tell us that it is true that they bought it. How much did they pay for it, why did they buy it, a new one there, when there is no export cotton to be handled? You are an officer of Anderson, Clayton & Co., are you not?

Mr. JOHNSON. No, sir.

Senator McKellar. You are not?

Mr. JOHNSON. I am not, sir.

Senator McKellar. What is your position?

Mr. JOHNSON. I am an officer of the compress companies that I have named.

Senator McKellar. Not of Anderson, Clayton & Co.?

Mr. JOHNSON. I have no official connection.

Senator McKellar. Do you know of any reason why a new warehouse or any other warehouse should be bought in a port when there is no cotton to be sold abroad?

Mr. JOHNSON. Senator, as I say, I think there is another witness that can answer that more accurately than I can. If you want me to attempt it, I will be glad to make the effort.

Senator McKellar. I would like you to attempt it, because you seem to know something about it. I would like for you to attempt to make a stab at it anyhow.

Mr. JOHNSON. The Fidelity Warehouse Corporation, which was owned by Anderson, Clayton & Co., had a lease or a warehouse location on property belonging to the Alabama State Docks in Mobile. At the time that lease arrangement was worked out, which I believe was in 1931 or 1932, the State Docks had this vacant property, and it was very glad to see it put to use. The Fidelity built this warehouse there. As time went on, though, they extended their docks, enlarged them, and built new ones in that direction where this piece of property was located. As a matter of fact, the way it is today, the dock property almost encloses this property, and they found it to the point—they considered that it would be advantageous to have that property come back to the dock board for their use; they approached us on the subject, probably 6 months ago, and asked us to see if something could not be worked out. The negotiations went along for several months, and finally it was worked out that the Southeastern Compress & Warehouse Co., which is an affiliate of Anderson, Clayton & Co., or rather a subsidiary, acquired the property of the Warren Compress & Warehouse Co.

Senator McKellar. When was that?

Mr. JOHNSON. I do not remember the exact date.

Senator McKellar. Has it not been since these bids were announced by the Commodity Credit Corporation?

Mr. JOHNSON. I think it was acquired probably between the time that the bids forms were mailed out and the time that the bids were had.

Senator McKellar. Was it not in contemplation of warehousing of cotton at the port, reconcentrating the cotton at that port; was not that the reason for this purchase?

Mr. JOHNSON. No, Senator, it was not.

Senator McKELLAR. It was just a general purchase that happened at that time, at that particular time, was it?

Mr. JOHNSON. No, sir; it had been under negotiation for 6 months or more. As I said, the Alabama State docks had completely built up and expanded around this property the Fidelity owned.

Mr. WHITE. Was that surrendered, Mr. Johnson, I do not think you made that clear?

Mr. JOHNSON. That was surrendered back to the State dock property and they are using that property today for the storage of rubber and other commodities.

Senator McKELLAR. But not of cotton?

Mr. JOHNSON. Not of cotton.

Senator McKELLAR. All right. Was there any agreement between Anderson, Clayton & Co., and the dock facility, whatever its name was, that the dock facility would not use the warehouses they had there for the storage of cotton?

Mr. JOHNSON. Senator, I have not seen the agreement but I would not hesitate to say that the agreement contained no such provision.

Senator McKELLAR. No such provision. Was there a general understanding, or something of that kind, or why was the change made just at this time by the State dock facility, a change of the character of that facility to store rubber, and what was it?

Mr. JOHNSON. Senator, I had understood—

Senator McKELLAR (interposing). Rubber and something else?

Mr. JOHNSON. Senator, I had understood it would offer certain facilities to the United States Government for the storage of strategic materials and that they wanted this place for that purpose.

Senator McKELLAR. All right. Now Anderson, Clayton & Co., you say, owns the Southeastern Compress & Warehouse Co. Where is the location of that warehouse?

Mr. JOHNSON. They operate in several States.

Senator McKELLAR. Where do they operate, would you mind telling me?

Mr. WHITE. We will show you a map of it, Senator. We have it here.

Senator McKELLAR. I would like to have the names in the record, and of what association they are members.

Mr. JOHNSON. The American Ports Compress & Warehouse Association. Southeastern, are you asking about?

Senator McKELLAR. Southeastern Compress & Warehouse Co., and the others to which you have referred.

Mr. JOHNSON. They are all members of the same association.

Senator McKELLAR. The same thing. On the storage of farm cotton, what are their rates? You are a rate expert as shown here this morning.

Mr. JOHNSON. Which one?

Senator McKELLAR. Southeastern.

Mr. JOHNSON. I do not know.

Senator McKELLAR. You do not know what they are?

Mr. JOHNSON. No, sir.

Senator McKELLAR. Now, you know about these in Texas, upper Texas, and lower Texas, inner Texas, and port Texas, but this other affiliate, the southeastern affiliate, you do not know anything about that?

Mr. JOHNSON. Senator, I do not spend my time over there.

Senator McKELLAR. You do not spend your time over there, all right. I want to ask you about the facilities at Houston; what is the capacity of your facilities at Houston in uncompressed bales of cotton?

Mr. JOHNSON. We have never calculated it that way, Senator. It is not the custom or practice to consider uncompressed bales.

Senator McKELLAR. What is it in standard compressed bales?

Mr. JOHNSON. We have not had an occasion until the last year or two to consider by standard compressed bales; I do not believe we have ever converted the capacity to that. I can give it to you in high density.

Senator McKELLAR. Give me the high-density bales then. We will get it one way or another, if we keep on, I hope.

Mr. JOHNSON. The Houston Compress Co.?

Senator McKELLAR. Yes.

Mr. JOHNSON. It operates two plants in Houston.

Senator McKELLAR. Yes?

Mr. JOHNSON. One is known as the Long Reach Plant, which has a high-density capacity of 240,000 bales.

Senator McKELLAR. Two hundred and forty thousand at one of them; what is the other one?

Mr. JOHNSON. The Fifth Ward plant, 320,000 bales, or a total capacity of 560,000 bales.

Senator McKELLAR. Well, that is fine. Now take the one at New Orleans. What is the storage capacity of uncompressed bales there?

Mr. JOHNSON. I am sorry, I can only give you that in high density.

Senator McKELLAR. All right, give it to me in high density.

Mr. JOHNSON. A total of 395,000 bales.

Senator McKELLAR. Three hundred and ninety-five thousand; Lake Charles?

Mr. JOHNSON. High-density capacity, 67,500.

Senator McKELLAR. Sixty-seven thousand, five hundred. That is not the capacity for uncompressed bales?

Mr. JOHNSON. We have never calculated it.

Senator McKELLAR. Do you handle uncompressed bales there?

Mr. JOHNSON. As a rule, we handle some during the season; most of our cotton, though, is generally compressed. You see, Senator, a great deal of the cotton we handle has previously been compressed before it gets to us.

Senator McKELLAR. That is largely in Texas, is it not, and Oklahoma?

Mr. JOHNSON. Yes, sir; that is quite true.

Senator McKELLAR. And in Alabama?

Mr. JOHNSON. In New Orleans, too.

Senator McKELLAR. In New Orleans, too?

Mr. JOHNSON. Yes, sir.

Senator McKELLAR. Mobile, Ala., what is your capacity there?

Mr. JOHNSON. I do not know, Senator.

Senator McKELLAR. You do not know?

Mr. JOHNSON. No, sir.

Senator McKELLAR. Savannah, Ga.?

Mr. JOHNSON. I do not know.

Senator McKELLAR. Pensacola, Fla.?

Mr. JOHNSON. I do not know.

Senator McKELLAR. You have a gentleman here who will give that information?

Mr. JOHNSON. Yes, sir.

Senator McKELLAR. All right. Give the stocks owned or controlled by Anderson, Clayton & Co., that are now in the warehouse at Houston.

Mr. JOHNSON. I do not have that information, Senator.

Senator McKELLAR. Can you get it?

Mr. JOHNSON. I could get it. Do you mean stocks of cotton?

Senator McKELLAR. Yes, sir; stocks of cotton.

Mr. JOHNSON. Yes, sir.

Mr. WHITE. Which stocks do you mean?

Senator McKELLAR. Owned or controlled by the Anderson plant at your warehouse at Houston. How much do you own or control at the Lake Charles warehouse?

Mr. JOHNSON. I do not know, Senator. I do not have those figures available.

Senator McKELLAR. And at New Orleans, you do not have those?

Mr. JOHNSON. No, sir.

Senator McKELLAR. Who could tell us that? Is not a great concern like Anderson & Clayton, well known all over the world from Egypt to Rio de Janiero—

Mr. JOHNSON (interposing). The figures are available, yes, sir; they can be had.

Senator McKELLAR. Then will you get them and furnish them to us so that they can be made a part of the record?

Mr. JOHNSON. If it is the wish of the committee.

Senator McKELLAR. Mr. Chairman, can we have those figures?

Senator BANKHEAD. Yes, sir.

Senator McKELLAR. I would like also to have the stocks for 1930-31, 1931-32, 1932-33, 1933-34, 1934-35, 1935-36, 1936-37, 1937-38, 1938-39, 1939-40, and 1940-41, and have them put in the record in the same way.

Mr. WHITE. Could we not start with 1904?

Senator McKELLAR. No, sir; we chose to start in 1930-31.

Senator ELLENDER. What is the object, Senator?

Senator McKELLAR. We want to show—do I have to declare the purpose of this war right now?

Senator ELLENDER. It may be that we want to get somebody else in the net here.

Senator McKELLAR. We may want to. Do you know the high peak for your stocks of cotton; when did you have the most?

Mr. JOHNSON. I could only guess, Senator, I would think that it would be in 1932-33, but I am not sure.

Senator McKELLAR. Well now, do you export any cotton now?

Mr. JOHNSON. Well, I believe that we do a business in export.

Senator McKELLAR. Where do they export cotton, from Houston?

Mr. JOHNSON. There is some moving from Houston; yes, sir.

Senator McKELLAR. How much has been exported from Houston in the last 6 months, could you get that information?

Mr. JOHNSON. I could get it for you, Senator.

Senator McKELLAR. Could you also get the amount that has been exported from New Orleans in the last 6 months?

Mr. JOHNSON. Could the stenographer give me this information that I am to furnish?

Senator McKELLAR. Yes, sir; and at Lake Charles also, where you said you are familiar. Now do you want this committee to understand that cotton is being sold in export, even now?

Mr. JOHNSON. Why, Senator, not nearly to the extent that it has been in the past, you asked me—

Senator McKELLAR (interposing). Has it not substantially failed to move in export business?

Mr. JOHNSON. Well, it has been greatly decreased, there is no doubt about that.

Senator McKELLAR. Well, that is why I wanted these figures, if I am to declare my purpose. I want to show how it has decreased. I believe we have to show our war aims, so I am telling Senator Ellender right now, what we want to do is to show how the export business has decreased. Practically, you have very little export business now.

Mr. JOHNSON. Yes.

Senator ELLENDER. And because of that you think that these port warehousemen ought to be penalized?

Senator McKELLAR. Not at all, I do not want anybody penalized.

Senator ELLENDER. I cannot draw any other conclusion, Senator, interior people, exterior people, port people.

Senator AIKEN. Have the export sales increased in the last 2 or 3 months—export orders?

Mr. JOHNSON. Senator, the only thing I am connected with is the actual shipping of cotton, sales and orders I have no connection with. I am strictly in the warehouse business. So far as actual shipments, they have not increased.

Senator McKELLAR. When did Anderson, Clayton & Co. construct the Long Reach Plant at Houston?

Mr. JOHNSON. The construction started in 1933.

Senator McKELLAR. When was it opened?

Mr. JOHNSON. I beg your pardon, 1923.

Senator McKELLAR. When was it open for business?

Mr. JOHNSON. I believe it was open in the fall of 1923.

Senator McKELLAR. That plant was constructed at shipside, was it not?

Mr. JOHNSON. Yes, sir.

Senator McKELLAR. Does it have wharfage facilities for docking boats?

Mr. JOHNSON. Yes, sir.

Senator McKELLAR. What percentage of all cotton shipped at the Houston port by water is loaded on boats docked at the wharves of Anderson, Clayton & Co.?

Mr. JOHNSON. I do not know, Senator.

Senator McKELLAR. Could you get that information from 1930-31 to 1940-41, inclusive?

Mr. JOHNSON. I guess I could if it is relevant.

Senator McKELLAR. What revenue does the wharf company receive from boats docked at their wharves?

Mr. JOHNSON. They receive a dockage fee, I believe it is figured at 5 cents per gross ton, per day—

Senator McKELLAR (interposing.) Per day?

Mr. JOHNSON. Per ship.

Senator McKELLAR. Is it not a fact that Anderson, Clayton's cotton can be delivered to shipside from the Long Reach Plant cheaper than the cost from back of the waterfront warehouses in Houston?

Mr. JOHNSON. Well, the Interstate Commerce made a very thorough investigation of that, Senator, and I believe they set a rate of 8 cents a bale as being the cost of making that delivery. There is a very lengthy record with the Interstate Commerce on that subject.

Senator McKELLAR. What transportation facilities are owned or operated by Anderson, Clayton & Co., or by its affiliates?

Mr. JOHNSON. The only one I know of is River Terminals Corporation.

Senator McKELLAR. Where does that operate?

Mr. JOHNSON. I believe that it operates at certain points on the Washata River, certain points on the Mississippi River, and the Intracoastal Canal between New Orleans and Houston.

Senator McKELLAR. Do they make the same charge to the public for the transportation of cotton that they do for the transportation of Anderson & Clayton's cotton to New Orleans?

Mr. JOHNSON. Senator, I have no connection with that company; I cannot tell you.

Senator McKELLAR. Is there anybody here that represents that one?

Mr. JOHNSON. No, sir.

Senator McKELLAR. You do not know anybody that represents it?

Mr. JOHNSON. No, sir.

Senator McKELLAR. What is the general charge of draying and trucking companies for the delivery of cotton from the Houston warehouse to shipside?

Mr. JOHNSON. I believe that there are two rates in effect. There are several companies engaged in it; some of them charge 12 cents and the others 14 cents.

Senator McKELLAR. Is it not 15 cents per bale?

Mr. JOHNSON. I am not really positive about that, Senator. My impression is that it was 14, but I may be in error about that.

Senator McKELLAR. And your charge for the—I am trying to get the name of that shipside company of yours.

Mr. JOHNSON. The Long Reach Plant.

Senator McKELLAR. Long Reach Plant. Your charge at the Long Reach Plant is 15 cents per bale, is it not?

Mr. JOHNSON. What was that question, Senator?

Senator McKELLAR. Is not the charge of the Long Reach Plant 15 cents per bale?

Mr. JOHNSON. Charge for what, Senator?

Senator McKELLAR. For delivery of cotton from your warehouse to the ship.

Mr. JOHNSON. Oh, I would not say that it is, Senator. We have a round-turn service tariff, in and out, including delivery to shipside, of 85 cents a bale, including compression, or if the cotton is received already compressed, why, it is 50 cents a bale.

Senator McKELLAR. Fifty cents per bale?

Mr. JOHNSON. Yes, sir.

Senator McKELLAR. Do you know any reason why the forms 55-a-2 and 55-a-3 should have fixed therein this exact amount for the charge for delivery to shipside? It is not because that was what your charge was?

Mr. JOHNSON. No, sir; I do not believe so.

Senator McKELLAR. They knew what your cost was, did they not?

Mr. JOHNSON. Well, we have had a contract with the corporation way back several years ago, that provided for the 15-cent charge. Warehouses in Houston and Galveston had the same contract and had the same charges in them. I believe that charge originated, however, in the first Galveston contract of 1935, something like that.

Senator McKELLAR. Now, since you have built the—I still do not remember the name of your affiliate there—

Mr. JOHNSON. Long Reach—

Senator McKELLAR. Since you have established that Long Reach Plant, using the Long Reach machinery, you can just put the cotton in the ship very cheaply; is it not a fact that you can handle that cotton cheaper than any other port facility in Houston?

Mr. JOHNSON. To the contrary, Senator, I would say "no."

Senator McKELLAR. You would say "no"?

Mr. JOHNSON. Yes, sir.

Senator McKELLAR. Do you think it could be hauled or drayed down to the water's edge and dumped into the ship with other machinery cheaper than your Long Reach concern could do it?

Mr. JOHNSON. When you take into consideration, Senator, that there are other shipside plants in Houston—

Senator McKELLAR (interposing). None like this, however, are there?

Mr. JOHNSON. Well, there are other plants there.

Senator McKELLAR. There are other plants there, but they are not like this Long Reach plant?

Mr. JOHNSON. Well, I would say that they are equal to it from the viewpoint of economy in operation, if not better.

Senator McKELLAR. What does it cost you to deliver a bale of cotton from your plant to the ship?

Mr. JOHNSON. Why, Senator, I do not know what that individual service is costing.

Senator McKELLAR. You do not mean to tell me that a concern like Anderson, Clayton & Co. does not know the cost of handling cotton that way from the port to the ship, do you?

Mr. JOHNSON. We do not break down—

Senator McKELLAR (interposing). You do not break that down. You do not know whether you make any money on it at 15 cents or not?

Senator ELLENDER. You do not keep the detail of that, do you, any more than you would in trucking it from one room to another in your warehouse?

Senator McKELLAR. You do not know whether that is a cost-saving device or not?

Mr. JOHNSON. Senator, the Interstate Commerce Commission investigated that once, and they set down a rule that the cost was 8 cents.

Senator McKELLAR. The cost was 8 cents.

Mr. JOHNSON. Yes, sir.



Senator McKELLAR. Now that is the question that I asked you a while ago.

Mr. JOHNSON. I said that a while ago.

Senator McKELLAR. Did you? I did not understand it. I beg your pardon. If you said that I did not hear it. My hearing is not very good. Now, in other words, you would make 7 cents a bale on your handling of that cotton?

Mr. JOHNSON. How is that, Senator?

Senator McKELLAR. If it costs only 8 cents handling it to put it on the dock.

Mr. JOHNSON. We do not charge 15 cents, Senator. We have a complete tariff that covers a complete round-turn service, including unloading, sampling, weighing, handling of the samples, compression, 30-day storage, selection for shipping, marking, and delivery to shipside, and loading into cars for 85 cents a bale.

Senator McKELLAR. Eighty-five cents per bale.

Mr. JOHNSON. Now, for the same service, except where we do not perform the compression, where the cotton comes to us already compressed, the charge is 50 cents per bale. That is a complete in-and-out charge, including 30 days' storage.

Senator McKELLAR. Have you bid on this cotton that is to be restored—reconcentrated?

Mr. JOHNSON. Yes, sir.

Senator McKELLAR. You have put in a bid?

Mr. JOHNSON. Yes, sir.

Senator McKELLAR. You have got—because of your loss of export business you have got plenty of room down there, have you, along the coast?

Mr. JOHNSON. Well, Senator, we have got quite a bit of room.

Senator McKELLAR. Quite a bit of room?

Mr. JOHNSON. Yes, sir.

Senator McKELLAR. More than you have ever had, have you not?

Mr. JOHNSON. I would not want to definitely say that.

Senator McKELLAR. Well, say it indefinitely, if it is a fact, I do not care whether you say that definitely or indefinitely, if it is the fact.

Mr. JOHNSON. I do not know it to be a fact.

Senator McKELLAR. You do not know it to be a fact. Can you ascertain and see whether it is a fact? You have your own books; you know more about it than we do—than the committee does. Will you do that?

Mr. JOHNSON. If the committee requests it; yes.

Senator McKELLAR. Can he furnish that, Mr. Chairman?

Senator BANKHEAD. What is it you want?

Senator McKELLAR. I want to know whether he has got more room there than he has had in any year during the last 10 years, due to the loss of export trade.

Senator ELLENDER. You mean more vacancies?

Senator BANKHEAD. That is a very simple request. I will ask you to give it.

Senator ELLENDER. I want to ask you a question with reference to your written statement—we did not examine you when you made your first statement—you said something about some method that was used by these interior warehousemen that made it so that trucks could

handle no more than 7,000 pounds of cotton at one time, and you had in mind there something that was not plain to me—I do not suppose it is very plain in the record.

Mr. JOHNSON. Well, we have a most unusual truck law in Texas, Senator.

Senator ELLENDER. Who had that passed?

Mr. JOHNSON. The railroads, of course, were the ones that sponsored it, and they were given support by the interior compresses.

Senator ELLENDER. It was not to protect the roads?

Mr. JOHNSON. Well, Senator, I believe the law says that, but it has an unusual feature about it, when you sit down and study just the way it works, and that is that you can have a big truck weighing 20,000 pounds and still it can carry only 7,000, and you can have a little Chevrolet truck that will weigh, say only 4,000 pounds, and it can still carry 7,000. It is not the gross weight on the tire that counts, and that is the way that preserves the road.

Senator ELLENDER. Now, when you made that statement, however, you made it in connection with a charge of monopolistic tendencies of the interior warehousemen. Did you do that with respect to the storage of cotton or the compressing of cotton?

Mr. JOHNSON. The compressing of cotton.

Senator ELLENDER. The compressing of cotton?

Mr. JOHNSON. Yes, sir.

Senator ELLENDER. And when you referred to a fabulous profit in your statement, you, of course, also had in mind these compressing charges where it was in a measure forced on the farmer?

Mr. JOHNSON. The fabulous profit, Senator, was made in connection with the early days of the loan storage in Texas.

Senator ELLENDER. And that was before the Commodity Credit came into the picture?

Mr. JOHNSON. Well, I would not say that. The Commodity Credit Corporation handled the first loan.

Senator ELLENDER (presiding). Now, you made a charge as I remember it, simply a charge without further explanation, that a good deal of politics entered into this. Exactly what did you mean by that? Have you any evidence of any politics being played with any agency of Government whereby this cotton is stored in any particular warehouse in the interior?

Mr. JOHNSON. Not any particular warehouse in the interior, no; just stays in the interior.

Senator ELLENDER. Well, what is the basis for your charge?

Mr. JOHNSON. The basis of the charge is that the loan values were the same all over the belt when they first came out; that the loan values did not recognize a difference in value on account of location.

Senator ELLENDER. You mean they should have loaned more money to cotton stored in New Orleans or Houston, because there was an added advantage for freight rates, is that what you have in mind?

Mr. JOHNSON. Well, it is the customary trade practice; the zones are fairly well established, to expect a difference in value for cotton according to location. For example, the cotton over in the States near the mills usually has a certain value, usually has a higher value for similar grades. In the Southeast the farmer gets more for it. The first loan definitely penalized the producers in the Southwestern

States, it also penalized the producers along the coast in the Southwest.

Senator ELLENDER. Is there any other basis for your charge of politics than you have just stated?

Mr. JOHNSON. I think that is the main one. We felt all along that loans should be governed based on the location, and that it took from 1933 to 1939, I believe, to finally get around to the point where the farmers, and even some of the Congressmen and Senators recognized the merit of our position. They held a hearing up here in September of 1939, an open hearing, had representative bodies from all over the country, and it was finally settled at that meeting, and it took from 1933 up until 1939 to get the thing straightened out. I might say, Senator, that had that been done originally, I do not believe—I believe the ports would have had a sufficient amount of cotton at this time to have stopped all this squabbling back and forth.

Senator ELLENDER. Of course, I do not want to go into the question that Senator McKellar raised, about the fact that there is no shipment of cotton abroad. You still think that that is not the cause of our warehouses having no business?

Mr. JOHNSON. No, sir; I think it is a fact that we have not had what you could call an opportunity to participate in the storage of loan cotton until the differentials were established.

Senator ELLENDER. You heard Mr. Ernst testify yesterday, did you not?

Mr. JOHNSON. Yes, sir.

Senator ELLENDER. He testified, in effect, that it would be impossible for his warehouse to handle cotton at a 15-cent rate in the manner in which it is handled in the interior, perform the same services, and get a fair return on his investment. I presume you agree with that?

Mr. JOHNSON. Well, I would say on anything other than loan cotton, that certainly is correct.

Senator ELLENDER. Well, you do not have a different charge, do you, or do you have a different charge for loan cotton and merchant's cotton that is not in the loan, or farmer's cotton that is not in the loan?

Mr. JOHNSON. Well, Senator, we deal with it f. o. b. buyers and merchants. We handle practically no cotton for farmers.

Senator McKELLAR. Let us take the merchant's cotton then. Of course, I suppose you will agree to this, that whatever the merchant has to pay, you usually charge that back to the farmer?

Mr. JOHNSON. Yes; that is the rule.

Senator ELLENDER. You charge, I think, a 50-cent rate for the first month, and the service included in that 50 cents is 1 month's storage and a sampling of the bale and weighing of the cotton and putting it in your warehouse? Is that about your charge?

Mr. JOHNSON. That is correct. That applies on cotton that has already been compressed, and all we have to do is put it through a handling and storage operation.

Senator ELLENDER. In other words, you do the same service that is performed by these interior warehouses, wherein they get the 15 cents?

Mr. JOHNSON. In the case of the interior warehouse handling loan cotton, they get only the 15 cents.

Senator ELLENDER. And they perform the same service as you perform for the 50 cents?

Mr. JOHNSON. Except in the case of loan cotton, we handle it for 15 cents also, Senator.

Senator McKELLAR. In other words, as I understand you, you have one price for handling the dealer's cotton and another price for handling Government storage cotton?

Mr. JOHNSON. Yes, sir.

Senator McKELLAR. Well, do you think that is right?

Mr. JOHNSON. One is an average long-term storage, Senator, and I think where long-term storage is involved a reduced rate is justified.

Senator McKELLAR. If you happened to be a farmer instead of being one of the largest cotton merchants in the world—

Mr. JOHNSON (interposing). I am not a merchant, Senator.

Senator McKELLAR. Or interested in one of the largest cotton merchandising establishments in the world, do you not think you would like to get, if you could, a reasonable price, like 15 cents, for the handling of your cotton by a compress company?

Mr. JOHNSON. Of course, Senator, I would be glad to get the most reasonable price I could get, certainly; yes, sir.

Senator McKELLAR. Well, Mr. Johnson, I believe that the majority of the smaller warehousemen who testified here before this committee last week, including particularly those who did not have compresses, stated, in effect, that all, or practically all, interior warehousemen were forced, as it were, to handle all of this cotton at 15 cents a bale, whether it was in the loan or not. Assuming that that is true, could you handle cotton on that basis and obtain a fair return on your investment?

Mr. JOHNSON. On loan cotton; yes, sir; other cotton, no.

Senator McKELLAR. Why? What is the difference?

Mr. JOHNSON. One is long-term storage, Senator, and one is not.

Senator McKELLAR. Now, let me add a further qualification. The evidence further indicates that, except for this 1934-35 cotton and the 1937 cotton, I think it was, this loan cotton that has been put in, let us say, for 1938-39, and then 1940-41, is moving almost as rapidly as the usual cotton that is not put in the loan. Now, assuming that this loan cotton would remain in the warehouse for an average period of, let us say, 60 to 90 days, could you handle the cotton at 15 cents and obtain from that charge a reasonable return on your investment?

Mr. JOHNSON. I would not think so. But may I make this remark, Senator, that there is a considerable difference of opinion as to the average time that loan cotton stays in the loan. I wonder if we cannot in some way get some accurate information?

Senator ELLENDER. We are going to get that. I think we can get it from the Commodity Credit Corporation, or we will get it from somebody.

Mr. JOHNSON. I have heard 90 days discussed, and to me it just does not seem right to take it on an average. I will grant you that there have been some short loan years when 90 days was probably right.

Senator ELLENDER. Well, Mr. Ernst testified, as I recall, on yesterday that he felt that this 15-cents-per-bale cotton should remain in storage for a period of at least 6½ months in order to get a return of \$1 before he could see a fair profit on his investment. Would you be in a position to agree to that—that is, that you would have to get at least a dollar per bale on cotton to store it?

Mr. JOHNSON. I think I would have to study it a little bit, Senator.

Senator ELLENDER. That is all the questions I have.

Senator McKELLAR. Does Anderson, Clayton & Co. favor this re-concentration of cotton, as proposed by the Commodity Credit Corporation?

Mr. JOHNSON. Well, Senator, I cannot say that they do. I know that I do.

Senator McKELLAR. You do?

Mr. JOHNSON. Yes, sir.

Senator McKELLAR. Do you know of anybody connected with Anderson, Clayton & Co. that does not favor it?

Mr. JOHNSON. I do not believe I have heard any of them say that they did not.

Senator McKELLAR. They all favor it? You have talked about this matter with the Commodity Credit Corporation, have you not, with the officers of the Commodity Credit Corporation?

Mr. JOHNSON. Why, Senator, I think ever since Congressman Steagall made his speech in the House of Representatives when they were discussing the barter bill in July of 1939, in which he proceeded to pretty well hop on the corporation and tell them they ought to take bids, and what not, while we had been asking the Corporation why they did not do it.

Senator McKELLAR. Well now, the lines in this fight are perfectly plain. There are a good many million bales of cotton owned by the Government or controlled by the Government that are now in the interior warehouses, and you are anxious to get that cotton sent down to your warehouses along the coast in the ports. Is not that true?

Mr. JOHNSON. Well, only a small part of it.

Senator McKELLAR. Only a small part of it? Well, just state what small part of it you think you should have. Go to it. Would you be satisfied with 15 percent of it?

Mr. JOHNSON. Let me answer that in a different way. I believe that all of the port warehouses put together would be satisfied if they could get, let us say, a million and a half bales of this old Government-owned cotton.

Senator BANKHEAD. How much of the old Government-owned is there?

Mr. JOHNSON. Well, Mr. Reed had those figures, I think.

Senator BANKHEAD. You want to get a million and a half of it. I want to see how much there is all together.

Mr. JOHNSON. In the interior warehouses at this time there are 4,878,000, and at the ports 1,700,000 bales.

Senator McKELLAR. And you want a million and a half more?

Senator BANKHEAD. Out of the interior.

Senator McKELLAR. Out of the interior.

Mr. JOHNSON. The point I made yesterday was this—you were not here, Senator, and I was very scrry for that.

Senator McKELLAR. I was very sorry I could not be here, too, and hear your testimony.

Mr. JOHNSON. I wish I had the time to make the statement that I made over again, because—

Senator McKELLAR (interposing). It will not be necessary to do that, because I will read it in the record.

Mr. JOHNSON. I just wanted to get this thought over to you, and that is that these port facilities are not new. They have been there for years, and years, and years, and they have been performing an essential and necessary service in order to properly and economically market the United States cotton crop.

Senator MCKELLAR. Let me stop you there long enough to ask this: You have got port facilities in Buenos Aires, and Rio de Janeiro, and Lima, Peru, and in Cairo, Egypt, have you not?

Mr. JOHNSON. I understand they have facilities there.

Senator MCKELLAR. Your company has facilities there. Now, they would like to have a little more cotton in all those facilities. Are you running to the other governments, like you are running to this Government, to get more cotton?

Mr. JOHNSON. Well, Senator, I do not know what they are doing.

Senator MCKELLAR. All right, go ahead.

Mr. JOHNSON. My point is this; that before this loan program started, the interior facilities that existed at the time, and the port facilities that existed at the time, were getting a fair opportunity to get a reasonable amount of business, and the loans came along and caused an unbalancing of that situation.

Senator MCKELLAR. Did not the loss of export business come along and do a little unbalancing too?

Mr. JOHNSON. It certainly did.

Senator MCKELLAR. If you had been doing your regular export business—if the country had been doing its regular export business in cotton, then you might not have wanted this extra million and a half bales of the interior man's cotton, would you?

Mr. JOHNSON. We have been trying to get cotton at the ports, Senator, ever since the loan program in 1933. It is nothing new.

Senator MCKELLAR. It is just the old fight that you were about to succeed in accomplishing something when Congress got busy. We stopped it. Is that the idea?

Mr. JOHNSON. Well, I do not know, Senator.

Senator MCKELLAR. That is the plain English of it, is it not? I do not believe in beating around the bush. I do not believe in dealing in euphemisms. I think we ought to tell it just exactly like it is. Do you not think that this is a fight between the Port authorities and the interior warehousemen over cotton that the Government has in storage?

Mr. JOHNSON. I say it is a desire on the part of these port compresses and warehouses to secure a fair and reasonable amount of this cotton.

Senator MCKELLAR. And your idea is that what is fair and reasonable is about a million and a half more bales?

Mr. JOHNSON. I am just making a guess. But I just want to say, those facilities are not new. They have performed an important service in the merchandising of cotton, and they will do it in the future. They are essential facilities.

Senator MCKELLAR. Now, I have one other question. You said something about politics. Do you know whether the firm of Anderson, Clayton & Co., or any of its affiliates, including your own, contributed anything to a recent political campaign in this country, and if so how much?

Mr. JOHNSON. I do not know, sir.

Senator MCKELLAR. You do not know?

Mr. JOHNSON. No, sir.

Senator MCKELLAR. Did you contribute yourself?

Mr. JOHNSON. I do not recall whether I did or not.

Senator MCKELLAR. You do not recall whether you did or not? All right. That is all.

Mr. WHITE. Senator, I ask that the same question be asked of the other side.

Senator MCKELLAR. I will be very glad to do that. I am going to ask you now, my friend, if you will take the stand. I will ask Mr. White that right now. Did you contribute to either side in this controversy?

#### ADDITIONAL STATEMENT OF JOHN C. WHITE

Mr. WHITE. By "either side" what do you mean?

Senator MCKELLAR. In the last election. If so, which side. You asked that the question be asked of the others, and I am certainly asking it.

Mr. WHITE. Senator, as a good Democrat, I will have to confess I am sorry I did not.

Senator MCKELLAR. Well, you did not contribute to Mr. Roosevelt's campaign?

Mr. WHITE. No, sir.

Senator MCKELLAR. Even though you are a good Democrat. Well, did you contribute to the other side?

Mr. WHITE. No, sir.

Senator MCKELLAR. You did not contribute to either side? All right. Now, I want to ask you something else.

Mr. WHITE. I realize it is a bad confession to make.

Senator MCKELLAR. Yes, it is.

Senator WILLIS. Do you not think you ought to modify that term "good Democrat?" [Laughter.]

Senator MCKELLAR. Yes, I do. I think he ought to be on one side or the other.

When I stopped on yesterday I had gotten down in my memorandum to this question: What is the general charge of drayage and trucking companies for the delivery of cotton from the Houston warehouse to shipside?

Mr. WHITE. Senator, I would have to accept what Mr. Johnson said on that. I do not know.

Senator MCKELLAR. He said it was 15 cents a bale, was it not?

Mr. WHITE. No; I think he said he understood it was from 12 to 14 cents, that it varied with different companies.

Senator MCKELLAR. Well, your charge is 15 cents, isn't it?

Mr. WHITE. Are you confusing the charge the drayage company makes for the purpose, and some contract of a warehouse company reflected in their tariff for that delivery?

Senator MCKELLAR. Let me look here and see just a moment. You take that Long Reach facility down there. They can deliver it cheaper than anybody, the cost of it is less than anybody's, isn't it?

Mr. WHITE. Well, I should think not, just from some general knowledge I have on it.

Senator MCKELLAR. Why do you say that?

Mr. WHITE. There are other facilities that are located very conveniently to the wharves.

Senator MCKELLAR. But it would have to be hauled and handled, and this Long Reach concern—it was built for the purpose of saving costs, was it not?

Mr. WHITE. Yes, sir; but then you know things change. More modern improvements come in.

Senator MCKELLAR. Are there modern improvements down there?

Mr. WHITE. I expect there are better ways of handling cotton.

Senator MCKELLAR. Do you know of any such down there, or have you just got a suspicion of it?

Mr. WHITE. I have no suspicion, but I think I am talking about something I do not know too much about.

Senator MCKELLAR. I will not ask you about it, then, because I will admit you do not know about it.

Now, in this information for the press that the Department of Agriculture sent out when they asked for bids, I notice that it provides the cotton will be stored at the warehouse offering the lowest rates, and no bids may be revised after the last date for submission. What does that mean, in your judgment?

Mr. WHITE. I take it there are two points made in that statement. First that the—well, the second one I suppose is easier to deal with, so I will handle it first—that they will accept a bid only up to the date of the submission, and then someone cannot come along and revise his bid. Of course, that is a very usual provision. As a matter of fact, it would be astonishing if they would accept a revision of a bid after the date upon which bids would be filed.

Senator MCKELLAR. If they did, it would not be a bid, would it?

Mr. WHITE. No.

Senator MCKELLAR. It would not be a proper proposal, of course.

Mr. WHITE. No. I will say this, as I think I said yesterday, that so far as cotton covered by the loan is concerned, rather than that owned by the Government, they have to go back and give notice, and they cannot move the cotton if the interior warehouseman moves it. That, I would say, would not be a revision of the bid, but simply compliance with the provision of the law.

Senator MCKELLAR. Well, it says the cotton will be stored at the warehouse offering the lowest rates.

Mr. WHITE. That is the first part, and I take it that means the lowest rate, taking into consideration the closeness of movement and all the other factors which are necessarily involved in a determination of the lowest rate.

Senator MCKELLAR. Well, if a warehouseman at Memphis—take the Memphis warehouse—I know we have one there.

Mr. WHITE. Yes; I have heard of it.

Senator MCKELLAR. I am going to ask you about the big one you spoke about the other day, but I am not talking about the big one right now—the one that is called the Memphis Warehouse Co., that is owned by Mr. Mallory, or rather, his son—there is a rate there of 56 cents a bale on cotton, or 56 cents a hundred, is it not, on cotton to New Orleans? What is that, Mr. Reed?

Mr. REED. 34 cents a hundred.

Senator MCKELLAR. \$1.70 a bale. If the Memphis Warehouse Co. were to bid on this cotton, the first question it would have to deter-



mine would be, would it not, whether they could afford to agree to deliver that cotton to the port at 15 cents?

Mr. WHITE. No, sir; I think that undoubtedly they would have made inquiries, and probably did, and they would know perfectly well that they would not be required under that contract to make delivery to New Orleans. Take, for instance, the port warehouse at Houston. I suppose that under that same interpretation it could be asked to make delivery of that cotton to Savannah. The interpretation is just so contrary to any reasonable interpretation or to the custom of the trade, that I think they simply raised the point here to make the point.

Senator McKELLAR. Well, it is a very serious thing if they have to pay the freight in addition to 15 cents.

Mr. WHITE. Yes, sir.

Senator McKELLAR. For instance, Mr. Mallory, if he had a lot of cotton and he bid on it, and he suddenly found that he was out \$1.55 per bale, instead of getting anything at all, it might be a very serious thing for him. Ought he not to know about it?

Mr. WHITE. Yes; I understand. I believe Mr. Mallory testified that he had substantially over 100,000 bales of cotton.

Senator McKELLAR. And all that he would have lost would be \$155,000, even if he broke even on the 15 cents?

Mr. WHITE. Yes, sir.

Senator McKELLAR. So that no careful, prudent businessman would think of going into a proposition of that kind.

Mr. WHITE. Well, if he were concerned about that, he could have made certain inquiries.

Senator McKELLAR. He could have inquired, you think?

Mr. WHITE. I have no doubt, as a matter of fact, that some of his associates did.

Senator McKELLAR. Now, you are a lawyer, and I imagine a very good one.

Mr. WHITE. Thank you.

Senator McKELLAR. Suppose he had inquired, and Mr. Robbins had told him, "Oh, well, you need not consider that at all. You just bid on it." That would be Mr. Robbins' opinion, but the contract would speak for itself, would it not?

Mr. WHITE. Yes, sir.

Senator McKELLAR. And if it was brought in question it would go to the court and the court would have to determine what it would do.

Mr. WHITE. I do not know whether you read my statement on that, but I think that contract cannot be interpreted the way they are pointing out that it can. The warehouseman has not made a contract to make shipside delivery. He simply made a contract under this bid that if he makes shipside delivery, then his charge is limited to 15 cents. There is no obligation, however, to do it, unless he had that in his tariff, a 15-cent charge to deliver, and assumed the obligation generally, then he could have been required to do it. But only port facilities had that item, so the only people that were taking any real risk under your interpretation, or the interpretation that has been advanced, were those at the ports, who might have been required to make delivery to some other port.

Senator McKELLAR. Now, wait one minute. Just confidentially, between us two and those who happen to be sitting around here [laugh-

ter], and for the record, do you not know that the purpose of this whole proposal was to reconcentrate cotton at the ports?

Mr. WHITE. No, sir; I am convinced—

Senator McKELLAR (interposing). You think it was just a scheme to sort of adjust and make fair and perfect the warehousing of cotton?

Mr. WHITE. I do not think they had the interests of the industry particularly in mind when they asked for competitive bids.

Senator McKELLAR. You do not think they had the same view that Mr. Johnson expressed here, that they wanted about a million and a half bales of cotton that is not warehoused in the inland warehouses to go to the ports?

Mr. WHITE. I am sure the ports wanted that. They would have been delighted to have it, but unfortunately the Commodity Credit Corporation, which asked for the bids, did not have the same benevolent attitude toward the industry that the industry has toward itself.

Senator McKELLAR. Do you not think it would be a pretty benevolent act on the part of the Commodity Credit Corporation to take a million and a half bales of the farmers' cotton that is already stored in the interior, at a price that has been agreed upon by the Commodity Credit Corporation and the warehouse, and move a million and a half bales of it down to the ports? Do you not think that would be a pretty benevolent act on the part of the Commodity Credit Corporation toward the port warehouse?

Mr. WHITE. Not nearly so benevolent, Senator, as it will be if Congress passes this bill, resulting in the interior warehouses keeping it all.

Senator McKELLAR. Not necessarily keeping it all; merely keeping exactly what the trade under the contract of the Commodity Credit Corporation and the warehousemen keep there now.

Mr. WHITE. The contract, Senator, can be terminated at any time, or the cotton can be moved.

Senator McKELLAR. The Government always has that provision, but here, to change it in the middle of the season, to cost additional freight rates and to cost additional moving of the cotton and the sampling of the cotton, cannot possibly be defended.

Mr. WHITE. The contracts that have been mentioned have been in effect more than a year, and that has been unusual. The Commodity Credit Corporation has revised its contract approximately annually, and this contract was entered into, I believe, in October 1939.

Senator McKELLAR. Now, I want to ask you about something else.

Senator ELLENDER. Are you through answering that question?

Mr. WHITE. Yes, sir.

Senator McKELLAR. I want to ask him about something else now, if you do not mind. I want to look back at your testimony—I am sorry I did not hear it, but I saw a paragraph here where you were jumping on the Federal Compress Co.—I believe it is in Memphis.

Mr. WHITE. Its headquarters are there and it has a big plant there.

Senator McKELLAR. You were jumping onto the Federal Compress Corporation for being a trust, for being a monopoly, for being one of these octopuses. [Laughter.] I want to know how you compare the Federal Compress Co. with the firm of Anderson, Clayton & Co., whom you represent. Do you think that you are in a position—or do you not think you are in the position of the pot calling the kettle black [laughter], when the great firm of Anderson, Clayton & Co., having warehouses all over the world, having offices

all over the world, having business all over the world, the largest dealers in cotton in the world—do you not think it is a little like the pot calling the kettle black for you to get up on the stand here and tell this committee that a great octopus in Tennessee is going to ruin you and everybody else?

Mr. WHITE. Senator, that is your testimony.

Senator ELLENDER (presiding). The Chair will permit you to answer that question without interruption. Proceed.

Mr. WHITE. This is part of the answer to the question, Senator. [Producing a map of Arkansas, Tennessee, Mississippi, and Louisiana.]

The red dots on this map represent the Federal Compress Cos., and, as you will note, it has a rather heavy concentration in this area around Memphis.

Senator ELLENDER. Will you state for the record what parts of Arkansas, Tennessee, Mississippi, and Louisiana are shown on that map?

Mr. WHITE. The northern part of Mississippi, a couple of plants in northern Louisiana, and a heavy concentration of plants in eastern Arkansas and southeastern Missouri and on into Tennessee, being representatives of the Federal Compress Co.

Senator WILLIS. How many different plants?

Mr. WHITE. I believe it was testified they had 85 plants.

Senator ELLENDER. Eighty-five plants; yes.

Mr. WHITE. The blue plants are those of the Union Compress Co., which also has its headquarters in Memphis. The Memphis Compress & Storage Co. has one plant also at Wilson. But the Federal Compress Co., as is obvious from this map, does have fairly complete domination of the compressing and storage of cotton in this whole area.

Senator McKELLAR. We want that map to go into the record, Mr. White, not to be printed in the record, but we can have it for the use of the committee. Make it exhibit No. X.

Mr. WHITE. It has been referred to as map 2 in the earlier testimony.

Senator McKELLAR. Now, I wonder if you will be good enough to make me a map of the activities of Anderson, Clayton & Co., showing where they do business in each State and in each country of the world. Mark it as exhibit Y to your deposition, and model it along the same lines.

Mr. WHITE. We felt, Senator, that we should give you the complete story, so we have also prepared a map which shows certain other warehouse companies. [Producing a map.]

Senator McKELLAR. That is fine as far as it goes.

Mr. WHITE. Including Anderson, Clayton & Co. interests. You will notice this beautiful green here represents Anderson, Clayton & Co.

Senator McKELLAR. That is just Oklahoma and Texas.

Mr. WHITE. Well, we have another one. [Producing another map.]

Senator McKELLAR. That is fine.

Mr. WHITE. This shows the Childress and Wichita Falls plants of the Houston Compress Co., which Mr. Johnson testified about, and the Houston, Tex., plant, that represent its activities in the storage and handling of cotton in the State of Texas.

Senator ELLENDER. In other words, that map indicates that Anderson-Clayton have no compresses or warehouses in Oklahoma, and only one at Childress, one at Wichita Falls, and one at Houston, and one at Galveston?

Mr. WHITE. No; none at Galveston. Only Houston. It has more than one plant, as Mr. Johnson testified, at Houston.

Senator MCKELLAR. How many business offices have you in the State of Texas, Anderson, Clayton & Co.?

Mr. WHITE. Anderson, Clayton & Co. are not interested in warehousing except through these companies.

Senator MCKELLAR. I am not talking about warehousing now. I am talking about your making charges of a trust.

Mr. WHITE. No; I make no charges of a trust.

Senator MCKELLAR. I will read your language in just a minute here.

Senator ELLENDER. I do not believe there is any doubt about Anderson, Clayton being the largest, or among the largest, cotton factors, people who handle, buy and sell cotton.

Mr. WHITE. No, sir; there is not. The committee is quite well acquainted with that.

Senator ELLENDER. The question before the committee now is warehousing and compressing cotton.

Senator MCKELLAR. At the same time, having made a charge of a trust—of course, I have a notion that Mr. White, who represents Anderson, Clayton & Co., could tell us whether Anderson, Clayton is one of these poor, little, downtrodden, imposed-upon companies with a few thousand dollars of capital, or whether it has got more capital and more places of business and is more widely extended than the warehouse company that he charges with being a trust.

Mr. WHITE. It may be more widely extended, Senator, but it does not have the same domination of any area in the storage of cotton that the Federal Compress Co. does.

Senator MCKELLAR. That is your idea?

Mr. WHITE. That is my statement.

Senator ELLENDER. Now, will you continue with this map?

Mr. WHITE. This third map shows the location of the southeastern plants of the Southeastern Compress Co., the stock of which is controlled by Anderson, Clayton & Co.

Senator ELLENDER. According to that map, Anderson, Clayton & Co. interests have a plant at Mobile, at Montgomery, at Dotham, at Gunthersville, Attila, and Birmingham, Ala.; and in Cedartown, Rockmart, Tallapoosa, Atlanta, Athens, Augusta, and Savannah, Ga.; Greenville, S. C.; and Charleston and Raleigh, N. C.

Mr. WHITE. Yes, sir. Also I believe you missed Pensacola, Fla.

Senator ELLENDER. Yes; Pensacola.

Senator MCKELLAR. On the first map that you marked an exhibit, why were you not good enough to put down the independent or smaller warehouses?

Mr. WHITE. Senator, these maps were prepared in connection with Mr. Ernst's testimony yesterday, which you unfortunately did not hear.

Senator MCKELLAR. No; I am sorry I did not hear his testimony.

Mr. WHITE. He pointed out the 13 large interests which had this cotton about which the controversy rages, and these maps show the location of the plants of those 13 large interests.

Senator McKELLAR. I read from your statement:

The form of the bids gave every advantage to the interior crowd, but make no mistake, no form of actual, honest-to-God competitive bidding will be satisfactory to the Federal Compress Co. or the Southwestern Compress & Warehouse Association. Through every political and legal device known this interior crowd have for years sought to preserve local monopolies for the compression and handling of cotton.

Did you make that statement?

Mr. WHITE. Yes, sir.

Senator McKELLAR (reading):

The Southwestern Compress & Warehouse Association throttled truck movement of cotton in Texas by a 7,000-pound-load-law until recently.

Mr. WHITE. That is correct.

Senator McKELLAR. Well, it was testified here a while ago by Mr. Johnson that the railroads did that.

Mr. WHITE. It was a combination of railroads and the Southwestern Compress & Warehouse Association.

Senator ELLENDER. Mr. Johnson added that, too, Senator.

Senator McKELLAR. I did not hear your testimony.

Senator ELLENDER. Mr. Johnson added that.

Senator McKELLAR (reading):

The organized interior interests have sponsored and obtained laws, rules, and rate regulations compelling compression at the interior compress, and preventing shipment of flat cotton, and through flat-delivery charges and other practices they have sought to maintain complete local monopolies for cotton compressing, handling, and storage. If this bill passes, their dream will be realized.

Is that your opinion?

Mr. WHITE. Yes, sir.

Senator McKELLAR. And if it does not pass, the dream of Anderson, Clayton & Co. to store at least a million and a half bales of cotton now stored in the interior will be realized; will it not?

Mr. WHITE. Well, Senator, I cannot say about that, because Anderson, Clayton & Co. bid for the storage of cotton in some of their warehouses last year—

Senator McKELLAR (interposing). And did not get it?

Mr. WHITE. And other people got the contract.

Senator McKELLAR. Why was that?

Mr. WHITE. Because they bid lower.

Senator McKELLAR. I want to protect this little corporation that you represent. I do not think it is right, if they bid lower [laughter]. If they give a reason why they should have this business, why did they not get it? Who was to blame for that?

Mr. WHITE. As I said, Senator, they did not bid lower.

Senator McKELLAR. They did not bid lower?

Mr. WHITE. At some points they did bid lower, and at some points they did not.

Senator McKELLAR. Did you get some of it?

Mr. WHITE. Yes, sir; at points where they bid lower. Anderson, Clayton can get it if they bid the lower price, and that is the only way they can get it. This is the first offer, Senator, we have had of any assistance for obtaining cotton on any basis other than the pure commercial basis of lower cost.

Senator McKELLAR. If the Government is putting up a job on Anderson, Clayton & Co., you can bet I will help you right it, because I do not believe in putting up a job on any company, big or little.

Mr. WHITE. I am not asserting, Senator, that they are putting up a job on anybody, but I am asserting that whatever they get is on a purely commercial basis, bidding lower, offering more for it.

Senator MCKELLAR. Let me see if I understand you. If this cotton is put up for bidding and you bid on Government cotton alone, that you do not have to handle, that you do not have to bother about, you just put it in the warehouse and forget about it and just collect your charges every month—if that is put up to bid, you have so much space and you think that Anderson, Clayton will profit by it. Is not that true?

Mr. WHITE. I am sure that when they bid, they intended to make a price which would result in profit to themselves. Someone else may have calculated that they could handle it at a profit at somewhat less.

Senator MCKELLAR. And you do not believe in the system that has heretofore been established and is now in vogue, that the Government's cotton can be used as a backlog to reduce the cost of warehousing the farmer's cotton, do you?

Mr. WHITE. I do not believe that the interior compress interests need to stay on relief.

Senator MCKELLAR. You do not think they need—you call it "relief?"

Mr. WHITE. Yes, sir.

Senator MCKELLAR. You call what the Commodity Credit Corporation has been doing here for years simply giving relief to the interior cotton warehouses?

Mr. WHITE. What they have done, Senator, has not been altogether through their own wishes.

Senator MCKELLAR. Has not been through their own wishes? What do you know about their wishes?

Mr. WHITE. I have seen—

Senator MCKELLAR (interposing). Who expressed such a statement to you? Did Mr. Robbins, who is sitting there listening, did he say that he was doing this thing but it was not according to his wishes?

Mr. WHITE. I have seen what they have desired to do at various times interfered with by all sorts of political pressure, which unfortunately the ports are not able to bring.

Senator MCKELLAR. Do you mean to say that what Congress is now doing is political pressure?

Mr. WHITE. Well, there certainly is political pressure for it. What factors may determine what Congress may do is a different matter, but there is no doubt about it that there is all the political pressure being brought that can be brought on this bill.

Senator MCKELLAR. On that basis, you would say that any law that Congress passes is passed by political pressure, is it not?

Mr. WHITE. I think there are times when there is less political pressure and others when there is more political pressure. There is a little more here.

Senator MCKELLAR. Do you not think it is because a plan has been evolved here that will take millions of bales of cotton that are now being compressed in the interior concentration points, and move that cotton to ports? Is not that the reason?

Mr. WHITE. I am sure the interior people are bringing all the political pressure they can, because they are afraid they will lose the cotton.

Senator McKELLAR. Have you talked to Mr. Robbins about this thing frequently?

Mr. WHITE. About what thing?

Senator McKELLAR. This plan here of reconcentrating the cotton and transferring it from the interior to the ports.

Mr. WHITE. I should say that perhaps I have talked with him two or three times about it.

Senator McKELLAR. Did you agree with his views when he said he was doing it against his will? Did you say he was doing it against his will?

Mr. WHITE. Did you say Mr. Robbins?

Senator McKELLAR. Yes; I did.

Mr. WHITE. Well, go ahead. I think I misunderstood you.

Senator ELLENDER. I am just wondering where you got the idea that Mr. Robbins was carrying out the present plan, the one that is in vogue now, against his better judgment and wishes.

Mr. WHITE. Well, Senator, I had no such idea as that.

Senator McKELLAR. You had no such idea? Where did you get the statement that you made awhile ago?

Mr. WHITE. I never made such a statement. I think you are confusing Mr. Johnson's statement with mine.

Senator McKELLAR. No; you said just a moment ago that the authorities here were doing it against their better judgment, keeping it in vogue against their better judgment.

Mr. WHITE. This present system?

Senator McKELLAR. Yes; the present system. Did you say that?

Mr. WHITE. No, sir; I stated that they had at times had to modify what they apparently thought was a better plan of handling their cotton, in response to political pressure.

Senator McKELLAR. Political pressure? You think that whenever Congress interferes with what administrative officers want to do, that is political pressure, do you?

Mr. WHITE. I do not think it is always true. I think it sometimes is.

Senator McKELLAR. You think it is now? You think that this Congress is interfering with Mr. Robbins' plan of transferring this cotton from inland ports to the port warehouses, from interior warehouses to port warehouses—you think that that is exerting political pressure?

Mr. WHITE. Yes; I think it is.

Senator McKELLAR. And a Congress that will do anything like that, you think it is an unworthy Congress, do you not?

Mr. WHITE. No, sir; I cannot say that I do.

Senator McKELLAR. What do you think about it? I want to find out what your attitude about Congress is.

Senator ELLENDER. Well, Senator, if we are to go into all that detail, we might as well go into the details of the meeting of Senators and Congressmen with Secretary Wickard and Mr. Robbins some time ago about this thing.

Senator McKELLAR. Yes; and Mr. Wickard and Mr. Robbins treated Congressmen down there with perfect contempt and went ahead with their plans until they were asked by the Senate to withhold action.

Mr. WHITE. Well, Senator, of course, I have this to point out, too: I suppose that necessarily the attitude of the individual Senator is influenced by the interests of his individual State. If Memphis now were not tied in with these other compresses in the other States, the Memphis plants would be practically empty, just as the ports are, and the pressure would be on you to fight a bill of this type.

Senator McKELLAR. I wonder what you would think of a Congressman who would take this sort of an attitude: All the cotton men—I think when he talks about political pressure, we ought to have something to say about it—all the cotton men, or practically all of them—in my town are against this administration. I was for this administration, and I did not feel at all like taking their part, and the only reason under the sun that I was willing to do it was because of the innate injustice of what this Department of the Government was about to do. I want to let you know that it is not because of influence back home, because those very influences were on the other side. They were working for Willkie and I did not like it a bit—and you can keep that in the record.

Mr. WHITE. Well, Senator, I am not impugning your motives in this matter at all.

Senator McKELLAR. I am glad to have that statement from you, because it looked to me that you were not only impugning my motives but everybody else's.

Senator ELLENDER. I imagine what you had in mind is the political influence that is exerted back home by our constituents. I know that so far as I am concerned—I am speaking frankly—I am between the devil and the deep blue sea. [Laughter.]

Senator McKELLAR. That is an honest statement. [Laughter.] We are going to keep on talking about this thing until we get the truth.

Senator ELLENDER. There is no doubt about it, Senator, and I know you would agree with me, that you are sometimes influenced by what the folks back home think. [Laughter.]

Senator McKELLAR. I like them to agree with me.

Senator ELLENDER. Of course; I do too.

Senator McKELLAR. When I am right, and when I am wrong I like for them to tell me about it.

I am through with the witness.

Senator ELLENDER. The committee will stand in recess until 10 o'clock Monday morning, and for the benefit of all present, we will not sit on Tuesday and Wednesday, but after we sit Monday we will recess until Thursday of next week.

(Whereupon, at 12:15 p. m., the committee adjourned until 10 a. m., Monday, February 3, 1941.)



## REGULATING THE WAREHOUSING OF COTTON HELD BY THE COMMODITY CREDIT CORPORATION

MONDAY, FEBRUARY 3, 1941

UNITED STATES SENATE,  
COMMITTEE ON AGRICULTURE AND FORESTRY,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10 a. m., in the committee room, 324 Senate Office Building, Senator John H. Bankhead presiding.

Senator BANKHEAD. The committee will be in order. Gentlemen, I want to say to you what I said to Mr. White. We have devoted a great deal of time to this hearing. I have spent, as have Senator Ellender and several other Senators, about 5 days on this matter, and I hope you will avoid, as far as possible, duplication and repetition of what has already been said in this record. We do not need that. We are not going to foreclose anybody. We have had a perfectly free range here, but I am just appealing to witnesses now to avoid, as far as possible, time-taking, time-serving statements. We want to get through with these hearings as soon as possible, and I know the other members of the committee feel the same way about it.

How long do you think it will take you, Mr. White?

Mr. WHITE. I have four witnesses, and I think we can get through in an hour and a half.

Senator BANKHEAD. I hope we can get through by 12 o'clock today, and then we will have to recess, because other members of the committee, as well as myself, have other obligations tomorrow and the next day particularly. So we will take a recess for several days when we conclude today and when we meet again we will hear only the representatives of the Department. When we adjourn today it will be until next Monday, and the hearing then will be confined to the Department. I want everybody who has anything to say before we close to get it into the record today.

Mr. REED. We have a little rebuttal evidence, Mr. Chairman.

Senator BANKHEAD. How many witnesses have you, and how long will it take?

Mr. REED. Just Mr. Barnett. It will take just a few minutes.

Senator BANKHEAD. I think we can cooperate to that end. We will now hear Mr. Dillon. Will you state your full name and representation, Mr. Dillon?

**STATEMENT OF W. T. DILLON, NEW ORLEANS, LA., REPRESENTING  
THE NEW ORLEANS COMPRESS AND WAREHOUSE ASSOCIATION**

Mr. DILLON. Mr. Chairman and gentlemen, my name is W. T. Dillon. I am manager of the Shippers Compress & Warehouse Co., in New Orleans, president of the New Orleans Cotton Compress and Warehouse Association, also a member of the American Ports Association and the National Compress and Warehouse Association. I have been in the warehouse business for 42 years, and I want to say that our group of independent operators in the city of New Orleans are opposed to S. 262, for the reason that we feel that it will be destructive of our facilities as it is now written.

I want to bring out very forcibly too that the port of New Orleans has six independent operators whom I am representing, besides Anderson, Clayton, the Dock Board, the Federal, and others, and these six operators are small concerns and seem to have been lost sight of in this struggle, and it has seemed to me that the testimony has been that Anderson, Clayton is the one who operates all the port industries in the country. When they mention ports, it is Anderson, Clayton; when they mention Anderson, Clayton, it is the ports. That is not so as to New Orleans. We have six companies there, and Anderson, Clayton do not have a bit of interest, do not control one share of stock in these companies, and we resent that the punishment, if there is any coming, that would come to Anderson, Clayton, should also be visited upon us.

We have facilities there that represent investments of hundreds and hundreds of thousands of dollars. We have been in the game for years and we have served very faithfully all the years that our facilities were necessary, but now in this time of abnormal dislocation it looks like we are in a fix. We need cotton. We need something to keep our warehouses open, to keep our organizations intact, to keep our pay rolls going, or else, if we close our facilities, naturally we have got to lay off our crews and add to the unemployment situation.

Senator BANKHEAD. How much cotton have you now?

Mr. DILLON. In our place there, Government loan cotton—you mean in my facility?

Senator BANKHEAD. Yes.

Mr. DILLON. We have about 40,000 odd bales.

Senator ELLENDER. What is your capacity?

Mr. DILLON. Our capacity is in flat cotton about 65,000 bales. What we have in there, Senator, is compressed cotton, standard compressed cotton, 90 percent of it. It was reconcentrated in the 1934-35 loan.

Senator ELLENDER. How does the capacity of your group compare with other groups in New Orleans? In other words, what percentage of the total capacity, warehousing capacity, have you in New Orleans?

Mr. DILLON. Well, our group there, outside of myself—I have about 40 percent of my capacity; the balance do not have 10 percent of their capacity. Some of them have less than that, Senator. Some of them have just a few thousand bales.

Senator ELLENDER. Almost empty?

Mr. DILLON. Practically empty.

Senator ELLENDER. How many bales could your group store, in comparison with the others? In other words, what percentage of the whole could be stored in New Orleans controlled by your group?

Mr. DILLON. By our group I will say about 50 percent, about half of it, approximately.

Our group does not believe that any extra cost or burden will arise from a reconcentration of an amount of Government-owned cotton which will relieve the situation in New Orleans, and certainly any resampling will only be done at the request of the Commodity Credit Corporation, if that is necessary. As warehousemen we do not request and insist upon resampling of cotton for storage, and contrary to some of the statements, cotton does not change its grade nor staple, regardless of how long it is in storage, unless it possesses very abnormal qualities.

In the last year or two the Commodity Credit Corporation has created its own traffic department, and likewise utilizes the traffic men of the Department of Agriculture. This traffic department, combined with the classing and sales departments, has the necessary information as to what cotton is adaptable to certain mill wants, and you may rest assured all of this will be taken into consideration at the time of reconcentration and there will be no back haul that will amount to anything. These gentlemen who administer the C. C. C. will not move any cotton without anticipating its future disposal. That is our impression, and I think it is correct.

It is rather striking that, other than generalities, no one was able to cite any case but that of a few bales of low-grade F. S. C. C. mattress cotton returned from Beaumont to Marshall, and there seemed to be some doubt whether it was the original cotton. In fact, this reconcentration and reshipping to mills in New England has been the custom for years by individual operators. They have to sell this stuff to the mill in round lots and of a certain grade and staple. They do not always have that 100-bale lot right on hand, and naturally they have got to go out and buy the stuff, bring it to the Port of New Orleans, select it according to grade, and staple, and make up their shipment. It must be that they made something or were not out a whole lot, because they lasted in business, so they must have made enough to continue to operate.

The expansion of warehouse facilities in the interior, emphasized by some of the witnesses, was unnecessary and could have been avoided by sending some of this cotton to the ports in the previous loan years, and if that had been done it would have eliminated the necessity for legislation at this time. That is our opinion. And it would follow that with the crowding of these warehouses in the interior, naturally the cost of handling would go up, because in the efficient handling of cotton in any facility you have got to keep a certain amount of space for handling, and when that space has been eliminated through overcrowding, the costs have got to go up, are bound to go up, because efficient handling ceases when the plant is crowded.

So you can attribute some of the high cost of handling, not to labor only, but to the crowding of plants, because I know that was the case in the ports years ago, and it certainly applies no matter what locality it may be in.

We have high costs of labor. In fact, our labor has been higher than labor in the interior always. We always have to pay higher wages. We have got higher land values, and naturally, have got higher assessments and higher taxes. We have Social Security taxes, occupational license, and a myriad of other expenses, all part of the burden that we have to carry.

Our company in 1932-33 gave the cotton stabilization a reduced rate when rates were really high, and we handled their cotton for years and years. Our facilities were always at the disposal of the Government, regardless of whether they had been used or not, and we feel we are due some consideration, and cannot understand how a law can be enacted that will favor one group and leave out the balance of the industry.

Senator Lucas has summed up the situation very clearly. If this bill is enacted and the cotton is frozen in the interior, coast warehouses will be driven out of business, and if coast warehouses cannot take more than 1,500,000 to 2,000,000 bales, this removal, we feel, would be replaced by the next crop that is just a few months off, and the interior warehouses will more than fill their space with the new crop, which will be in the loan, because of the abnormal dislocation of export commerce due to the war.

The protection of the small warehouseman in the interior, we grant is necessary, but we also ask the protection of the small operators in the ports.

That is all I have, Mr. Chairman.

Senator BANKHEAD. Thank you, Mr. Dillon. Call your next witness, Mr. White.

Mr. WHITE. Mr. Turner.

#### **STATEMENT OF SELWYN TURNER, MOBILE, ALA., REPRESENTING THE AMERICAN PORTS COMPRESS AND WAREHOUSE ASSOCIATION**

Mr. TURNER. My name is Selwyn Turner. I am the manager of Turner's Terminal Co. at Mobile, and the representative of the American Ports Compress and Warehouse Association. I also represent those warehouses in Mobile who are members of this association.

Mobile at present has in storage about 40,000 bales of the total 11,000,000 bales now held or controlled by the Government. We wish to obtain a further stock of this cotton. For this reason we are opposed to Senate bill 262, because we feel it will prevent Mobile from competing for the storage of these Government-held stocks, as it calls for the cotton to be stored within the locality where it is grown.

Because of present conditions in Europe our exports of cotton have stopped, and it was from this source that the warehouses in Mobile derived their main operating revenue. For this reason, we are left with investments in compress and warehouse facilities that must be maintained, although curtailed in operation, until this export market is restored, which will surely be done after conditions are settled abroad.

Until that time, and because the warehouse facilities at Mobile have been useful to the farmers and interior warehouses in our ter-

ritory during the years when our export business was a dominant factor, we believe Mobile should be placed in a position to obtain for storage a share of Government-held cotton to sustain them until they will be needed again.

Out of the 11,000,000 bales of cotton held or controlled by the Government, the Government now holds title to 6,000,000 bales. This cotton under the Smith amendment cannot move in channels of trade until the market price is such as to return to the Government all of the money invested in it, which I understand would have to be around 16 cents a pound.

With domestic consumption around 8,000,000 bales, 8,000,000 would be the largest the industry has ever experienced, and with new crops coming on every year to more than fill our domestic requirements, it seems to us that Mobile—that a large part of the Government-held cotton can only be disposed of through export channels some time in the future. In view of this, and with the interior warehouses of Alabama alone holding over 900,000 bales of this cotton, a share of it could be moved to Mobile for storage without additional expense, as it would be the normal routing of cotton for export from Mobile.

I would also like to add here that cotton originating at some Mississippi points can be moved to Mobile in the line of transit for domestic mill consumption. It is only in this way that the facilities of Mobile can be sustained and maintained until the time that they will be needed again to serve the farmer's cotton in our territory in export trade.

Senator BANKHEAD. Mr. Turner, would you favor breaking down the rate structure on that interior cotton, just to enable the port of Mobile to get more cotton?

Mr. TURNER. Well, Senator, no; I do not want to see the rate broken down.

Senator BANKHEAD. You realize that this is really a rate fight, do you not, more than it is a place where the cotton is to go?

Mr. TURNER. Well, yes, Senator; but you take with us at Mobile, we feel that in former years we have been very useful to the farmers and to the interior warehouses in our territory.

Senator BANKHEAD. They have been useful to you too, have they not, supplying you with what you have got?

Mr. TURNER. Yes; but we have also tried—we have maintained the compress there in order that the cotton moving could move in there for compression for export trade.

Senator BANKHEAD. We appreciate all that, but you are asking now for a substantial reduction in the rates on 900,000 bales in order to give you 100,000 or something like that in Mobile.

Mr. TURNER. Of course, Senator, that is true, but with us at this particular time when the export trade is gone we need some cotton. We need some of this Government cotton to help us maintain the facilities, and of course the competitive-bidding feature was the only method at that time by which it looked like we could get any cotton.

Mr. WHITE. In other words, Mr. Turner, what you want is cotton to store?

Mr. TURNER. Yes. We do not want to hurt anybody, but we feel that we should have a share of this cotton.

Senator BANKHEAD. Frankly, Mr. Turner, I would like to see you and the other ports get a little cotton, but I think the saving ought to be made in the reduction which you people make, because you have got no expense in the transaction; the cotton just lies there in the warehouse, and I think the Commodity Credit Corporation would be justified in getting a substantial reduction over what the interior warehouses are getting. They are getting 15 cents a month, as I understand it, the first year, and then 12 cents. Maybe all of this cotton is on the 12-cent basis now.

Mr. TURNER. Yes; 12½ cents.

Senator BANKHEAD. Well, in order for the ports to get some increase—and I have no objection to the ports getting some fair and reasonable increase, but I do object to breaking down the structure of rates, a system that has been in existence for a long time, when it has been pretty clearly demonstrated here the difference is going to be passed back to the farmer, has got to be passed back to him. So I am not in accord with the port fight here and I am not in accord with the Commodity Credit Corporation fight, and I am not insisting on the interior keeping every bale they have got. That is the situation so far as I am concerned.

Mr. TURNER. Senator, I can appreciate very much the situation you are in, and, of course, naturally, I do not think we at Mobile are anxious to see the interior warehouses hurt—at least, I am not, and I know my plant is not.

Senator BANKHEAD. The program, as I get it, as advocated and announced by the Commodity Credit Corporation and on which you are bidding, necessarily forces an injury to help the ports. It forces a substantial injury to the interior warehouses.

Mr. TURNER. Of course, at the time the program came out as it did, it looked like that was the only real hope that we had of getting any cotton at the ports. Naturally, we need cotton. We need cotton in our facilities.

Senator BANKHEAD. How many warehouses has Mobile?

Mr. TURNER. There are four now, Senator.

Senator BANKHEAD. Who owns them?

Mr. TURNER. We own one, the Mobile Warehousing Co.

Senator BANKHEAD. What is your capacity?

Mr. TURNER. Thirty thousand bales compressed cotton, high-density cotton.

Senator BANKHEAD. What have you got there now?

Mr. TURNER. Six thousand, approximately.

Senator BANKHEAD. What is the next one?

Mr. TURNER. The next one is the Mobile Warehousing Co.

Senator BANKHEAD. Who owns that?

Mr. TURNER. That is owned by Mr. Belgraf. Mr. Plank is president of it, Ernest Plank, who is also president of our association.

Senator BANKHEAD. What is their capacity?

Mr. TURNER. He has a capacity of compressed cotton of about 32,000 bales, around there.

Senator BANKHEAD. And let us go back and get the capacity of flat cotton. Is all the cotton there compressed?

Mr. TURNER. No; Mr. Plank has on hand now around 10,000 bales, and I would say half of his cotton is flat cotton. He has held it flat. And at our plant we have a few bales of cotton we got in this year,

1940-41 cotton, flat. But what reconcentrated cotton we have got in is compressed.

Senator BANKHEAD. You get the same rate from the Government for storing cotton whether it is flat or compressed?

Mr. TURNER. That is true.

Senator BANKHEAD. And most of the cotton at the port is compressed?

Mr. TURNER. Yes, Senator; you may say that. Of course, the cotton that we received for concentration came to us to compress.

Senator BANKHEAD. Do you compress most of the cotton you get at Mobile?

Mr. TURNER. You mean most of the Government cotton?

Senator BANKHEAD. Yes.

Mr. TURNER. Well, no. If it comes in standard, and we store it standard, we do not then press it to high density. Of course, for us to take a maximum amount of cotton in Mobile, we would have to probably put it through high density compression.

Senator BANKHEAD. Where does your cotton move from to Mobile?

Mr. TURNER. Where will it move export to?

Senator BANKHEAD. No; I mean where does it come from?

Mr. TURNER. Usually the cotton that we have been getting for the last few years—is this Government cotton or regular cotton?

Senator BANKHEAD. I am talking about Government cotton now.

Mr. TURNER. The cotton that I got in my plant this fall came out of north Mississippi and out of Oklahoma. It was moved in there because the man in the interior wanted it moved.

Senator BANKHEAD. Now, you have named two houses, yours and the Mobile Warehousing Co. What are the others?

Senator AIKEN. How much has the other warehouse that you named?

Mr. TURNER. Belgraf? He has 30,000 capacity of high density.

Senator AIKEN. And do you know how much Government cotton they are storing now?

Mr. TURNER. Well, practically all his stock is Government cotton.

Senator AIKEN. You say you are storing 6,000 bales?

Mr. TURNER. Approximately.

Senator AIKEN. What percentage of that is high density and what percentage is flat?

Mr. TURNER. Well, Senator, I do not think any of it now is high density. I would say probably this 5,500 bales of it is standard density compression, and the rest of it is flat. Of that 6,500 bales I would say about 5,500 is standard compress and the rest of it is flat.

Senator BANKHEAD. Practically no interior cotton from south Mississippi or Alabama is compressed until it gets to the ports? Is that right?

Mr. TURNER. That is correct.

Senator BANKHEAD. They move this cotton from that area flat to the port?

Mr. TURNER. Yes; they have to. There is no compress in that area.

Senator BANKHEAD. When it comes to you, what do you do with it?

Mr. TURNER. We compress it.

Senator BANKHEAD. And charge the compression fee?

Mr. TURNER. Yes; if it was Government cotton we would charge the compression fee that the Commodity Credit Corporation permitted us to charge under the contract, 30 cents a bale.

Senator AIKEN. But it is only the fact that your facilities are partially used that permits you to make this same rate on the high density that you do on the flat bales?

Mr. TURNER. I did not get that, Senator.

Senator AIKEN. If you were using your storage at near capacity, you could not make the same rate on the compressed cotton that you do on the regular cotton?

Senator BANKHEAD. Compressed cotton takes up less space and ought to take a cheaper rate.

Senator AIKEN. They can store twice as much in the same space?

Senator BANKHEAD. Yes. That is the reason they can carry it cheaper than flat cotton.

Senator AIKEN. But if he was using most of his space, he could not make the same rate on the flat cotton that he does on the high density, could he? He would not feel like doing that?

Mr. TURNER. No, senator; of course not.

Senator BANKHEAD. He could not do it if he was crowded for space.

Senator AIKEN. Instead of 30,000 bales he would be storing 15,000 or 16,000, if it was all standard compression?

Senator BANKHEAD. If flat cotton is moved there he gets the compression fee, and then the same rate for storage that he would get if it was not compressed.

Now, let us get the next warehouse. You said there were four in Mobile. I am getting this for my own personal information.

Mr. TURNER. There is the Alabama State Docks Bonded Warehouse, and then the Southeastern.

Senator BANKHEAD. That is Anderson-Clayton?

Mr. TURNER. Yes.

Senator BANKHEAD. And State Docks sold a warehouse?

Mr. TURNER. That is correct.

Senator BANKHEAD. And then they have got one of their own?

Mr. TURNER. Anderson-Clayton?

Senator BANKHEAD. No; State.

Mr. TURNER. Yes; sure.

Senator BANKHEAD. They sold one and still have one?

Mr. TURNER. No; they did not sell one. They bought one. They bought one from Anderson-Clayton.

Senator BANKHEAD. Then Anderson-Clayton have none?

Mr. TURNER. No; Anderson-Clayton—I am trying to explain it. The Southeastern bought their plant from Mrs. Miller, from the Warrant Compress & Warehouse Co. That is the Southeastern plant that they have today.

Senator BANKHEAD. Southeastern is a Clayton organization?

Mr. TURNER. Correct.

Senator BANKHEAD. I had that in mind.

Mr. TURNER. Now, Fidelity was on the property of State Docks. The State leased that Fidelity Warehouse from Anderson-Clayton, and from the papers I understand they pay around \$100,000 to Clayton for that plant. And Clayton, of course, bought out Mrs. Miller.



Senator BANKHEAD. State Docks has one and Miller takes its place?

Mr. TURNER. Correct.

Senator BANKHEAD. That is, the one State has was already under lease?

Mr. TURNER. No; the one that they let State have, Anderson-Clayton, as I understand the proposition, owned the building, and they leased the ground to Mrs. Miller.

Senator BANKHEAD. What is the capacity of the State Warehouse?

Mr. TURNER. State now can hold, if they use their new plant that they have just acquired from Fidelity, they can store about 150,000 bales of high density cotton.

Senator BANKHEAD. They just bought it, just acquired it? There is no cotton in it?

Mr. TURNER. There was no cotton in that when they acquired it. It was an empty warehouse.

Senator BANKHEAD. Now, what is Clayton's capacity, Southeastern?

Mr. TURNER. Southeastern's capacity, I would say roughly is 70,000 bales of high density cotton. That is my idea of what that plant would hold.

Senator BANKHEAD. What have they got?

Mr. TURNER. They have now about 15,000.

Senator BANKHEAD. Are there any further questions? Thank you, Mr. Turner. Who is your next witness?

Mr. WHITE. Mr. Bateman.

#### STATEMENT OF DUPUY BATEMAN, ATLANTA, GA., PRESIDENT, SOUTHEASTERN COMPRESS & WAREHOUSE CO.

Mr. BATEMAN. Mr. Chairman and gentlemen of the committee, my name is Dupuy Bateman. I live in Atlanta, Ga., and am president of the Southeastern Compress & Warehouse Co., a corporation in which Anderson, Clayton & Co., owns approximately 90 percent of the capital stock.

Southeastern Compress & Warehouse Co. operates plants in 19 locations scattered through the States of Alabama, Florida, Georgia, North Carolina, and South Carolina—three of these locations are at ports, the remainder at interior points as per the following list:

Savannah, Ga.	Rockmart, Ga.
Pensacola, Fla.	Atlanta, Ga.
Mobile, Ala.	Macon, Ga.
Guntersville, Ala.	Albany, Ga.
Attalla, Ala.	Athens, Ga.
Birmingham, Ala.	Augusta, Ga.
Montgomery, Ala.	Greenville, S. C.
Dothan, Ala.	Charlotte, N. C.
Tallapoosa, Ga.	Raleigh, N. C.
Cedartown, Ga.	

I appear here in opposition to S. 262 because Southeastern Compress & Warehouse Co. wishes to compete for the storage of Government cotton and if allowed to do so we are willing to store it at rates generally lower than it is now being stored and we propose to make a profit in doing so.

This proposed legislation is unique in that it would, in my opinion, create that which it proposes to prevent, namely, monopolistic practices in the warehousing of cotton for the Government.

This opinion is confirmed in the report of the Secretary of Agriculture to this committee. Cotton warehousemen testifying last Friday and Saturday before this committee as proponents of this bill—

Mr. WHITE (interposing). You mean Friday a week ago, Mr. Bateman?

Mr. BATEMAN. Yes; Friday and Saturday a week ago. Testifying before this committee as proponents of this bill chiefly built their case on the claims:

(1) That low bidders were bidding very low because they had empty facilities.

(2) That if high bidders lost their stocks of Government-owned cotton to low bidders, resulting empty or partly empty facilities of the unsuccessful bidders would cause them to raise their storage and service charges to farmers and the cotton trade.

This testimony is contradictory in suggesting on the one hand that competition of empty facilities is responsible for lowering storage rates, and on the other hand that competition of empty storage facilities will not lower storage rates, but will actually raise storage and service charges to producers and the cotton trade.

Does not this suggest that monopolistic tendencies may be more prevalent among facilities which can repeal the law of supply and demand by raising rates when needing more business rather than among facilities which follow the usual course of offering lower rates when needing more business?

Before the Government took title to the 1934 and 1937 cotton, I can remember when most of these warehousemen now appearing as proponents of this bill said they would be ruined and the farmer would be injured when the storage rate on loan cotton after the first year was reduced below 25 cents per bale per month.

Then in 1939 shortly after the Government took title to the 1934 and 1937 cotton and reduced rates from 25 cents per bale per month to 15 cents per bale per month for the first year and from 18 cents per bale per month to 12½ cents per bale per month thereafter, again they said they could not live and that the farmer would suffer—that they would have to give up the cotton and that the Government could not find facilities in which to store the enormous amount of cotton that would have to be moved. But in the final analysis, only a trickle of cotton actually moved and savings of some \$10,000,000 per year accrued to taxpayers and cotton producers.

Senator STEWART. When was that? I did not get that date.

Mr. BATEMAN. That was in 1939.

Senator STEWART. Did you bid competitively then?

Mr. BATEMAN. Yes, sir.

Senator STEWART. What was your bid then?

Mr. BATEMAN. We bid rates that averaged about 10 cents.

Senator BANKHEAD. The competitive bids were only for port cotton, were they not? Did not the Government just announce the rates for interior cotton at 15 and 12?

Mr. BATEMAN. They announced a rate of 12½ cents in 1939, and said that anybody that was willing to take 12½ cents could keep their

cotton. But of course, there was some to be moved, and they took bids on that.

Senator BANKHEAD. Or what was left over?

Mr. BATEMAN. What was released by people that did not want it at 12½ cents. We bid for some of that cotton.

Senator ELLENDER. At that figure?

Mr. BATEMAN. At about 10 cents.

Senator AIKEN. Then they did not accept the lowest bid at that time?

Mr. BATEMAN. Yes, they accepted. We were the low bidders wherever we got the bid.

Senator ELLENDER. But you said they let those keep it who were willing to keep it at 12½ cents?

Mr. BATEMAN. That is right.

Senator BANKHEAD. They did not bid competitively except for cotton that nobody would have at that price.

Senator STEWART. You have some already that you kept at 12½ cents?

Mr. BATEMAN. No, sir; we had to reduce our rate.

Senator STEWART. And you bid 10 cents for all that you had stored?

Mr. BATEMAN. That is right. We had to lower the rate on the stocks we had.

Senator STEWART. What has become of that cotton?

Mr. BATEMAN. It is still in our plant.

Senator STEWART. That same cotton?

Mr. BATEMAN. Yes, sir.

Senator STEWART. How many bales of that do you now have, approximately?

Mr. BATEMAN. We have now in our facilities about 400,000 bales of cotton, Government-owned cotton.

Senator STEWART. Is that all from the 1939 bidding, acquired at that time?

Mr. BATEMAN. No; we only got about 150,000 bales on that bidding at all our plants.

Senator BANKHEAD. That is all Government-owned. Have you got any Government controlled under loan?

Mr. BATEMAN. Very few bales, Senator Bankhead. I think it is something like 25,000 bales.

Senator ELLENDER. You have that cotton stored in the plants indicated on the document you handed to us a while ago?

Mr. BATEMAN. Yes, sir.

Senator ELLENDER. What were your rates prior to the time that the Government came into the picture?

Mr. BATEMAN. You mean our tariff on the farmer's cotton?

Mr. ELLENDER. Yes; any cotton stored.

Senator BANKHEAD. That was all they had at that time, I think.

Mr. BATEMAN. That is right. I will be glad to go into these tares with you, Senator, if you wish to.

Senator ELLENDER. You went into it just now when you said that these rates prior to the time, 1939 or whatever period you fixed in your testimony—that the Government reduced it from 25 cents to 15 cents and from 18 cents to 12½ cents.

Mr. BATEMAN. On their cotton.

Senator ELLENDER. Did you have those same rates, that is, 25 and 18, prior to the time that competitive bidding came in?

Mr. BATEMAN. Prior to the time of any loans?

Senator ELLENDER. Yes.

Mr. BATEMAN. No, sir.

Senator ELLENDER. What were your tariffs then, or your rates?

Mr. BATEMAN. I think our tariffs were 35 cents for the first month, and 15 cents or 20 cents thereafter. That was a long while ago.

Senator ELLENDER. I may have misunderstood your statement there a while ago. I got the impression that you complained of the high rates that were charged to the farmers. Am I wrong in that? Did you not say that in your statement?

Mr. BATEMAN. I am not dealing here, Senator Ellender, only with Government-owned and Government-loan cotton.

Senator STEWART. As a matter of fact, there is not much other cotton, is there?

Mr. BATEMAN. Oh, yes; we have quite a lot of cotton in our plants stored.

Senator STEWART. You mean that is not in the loan or owned by the Government? I thought those bales were about as scarce as hen's teeth.

Mr. BATEMAN. Well, they are, relatively speaking.

Senator STEWART. Then you are dealing with practically all cotton when you deal with Government cotton?

Mr. BATEMAN. When you deal with Government-owned and Government-loan cotton, you are dealing with most of the cotton in storage; yes, sir.

Senator ELLENDER. When you fix a bid at 10 cents a bale on this cotton, as you have just indicated, how do you charge for cotton in which the farmer has an equity?

Mr. BATEMAN. The same rate.

Senator ELLENDER. And you take in cotton this year, this last crop, at 10 cents?

Mr. BATEMAN. No, sir; we get practically no cotton from the farmer to place in the loan—a few bales.

Senator ELLENDER. You buy cotton from the farmers and store it in your own warehouse?

Mr. BATEMAN. No; we do not buy a bale of cotton. The Southeastern Compress & Warehouse Co. does not buy any cotton.

Senator BANKHEAD. Anderson, Clayton buy it and put it in the warehouses?

Mr. BATEMAN. Yes, Senator, just like all cotton shippers, they buy cotton and place it in our warehouse. We are just public warehousemen.

Senator ELLENDER. Well, whose cotton do you store there, if you do not store the farmers' cotton and do not buy much of it?

Mr. BATEMAN. Our business is chiefly as a concentration plant. You see, there are thousands of these small warehouses in the Southeast, and the cotton man generally buys, or the cotton mill, buys cotton in these country warehouses, and they move it into our concentration facilities in order to get 100 bales together of even grade and staple.

Senator STEWART. Is there much mill-owned cotton in your warehouses now?

Mr. BATEMAN. Yes; one central cotton mill is our largest customer today.

Senator AIKEN. May I ask, you said, did you not, that you have now about 400,000 bales in storage? Did I understand you correctly?

Mr. BATEMAN. Of Government-owned cotton.

Senator AIKEN. And how much of that 400,000 bales is at ports and how much at interior warehouses?

Mr. BATEMAN. About 125,000 bales at our port plants, and the remaining 275,000, approximately, at interior plants.

Senator AIKEN. When you made your bid at 10 cents, did you specify at which warehouses—you could not specify, could you, at which warehouses it should be stored? Did that apply to all your facilities?

Mr. BATEMAN. Yes; all that we bid on, all the facilities that we bid on. At some of these plants where we did not want any of this cotton and had no stocks of Government cotton at all, we did not bid.

Senator AIKEN. You mean you made an individual bid for each facility that you owned, 19 of them, I think?

Mr. BATEMAN. That is right.

Senator BANKHEAD. How much cotton did you get at that time under the bid?

Mr. BATEMAN. About 150,000 bales.

Senator BANKHEAD. How much of it went to the ports?

Mr. BATEMAN. Practically none, Senator. I would say less than 10,000 bales. I believe less than 5,000 went to the ports.

Senator ELLENDER. What is your rate of storage on cotton that you have in your warehouses, other than the Government cotton?

Mr. BATEMAN. Senator, there is so much confusion in this testimony here, I would like to see if I cannot make a clear statement on that, of all these witnesses that have been up here. You cannot get a bale of cotton in and out of their plants for less than 50 cents a bale, ranging on up as high as 75, 80, and 85 cents.

Senator ELLENDER. Even the Government-owned cotton?

Mr. BATEMAN. I mean—you were speaking of the cotton owned by the farmer, not in the Government loan, and the Government has nothing to do with. You cannot get cotton in and out of these places at the prices that have been stated here. For instance, I charge you 15 cents to come in that door, but I charge you 65 cents to get out. You really have paid 80 cents to get in and out; have you not?

Senator ELLENDER. Surely.

Mr. BATEMAN. But if I charge you 35 cents to get in and 15 cents to get out, then you have actually paid less, have you not?

Senator ELLENDER. Well, of course. It is confusing, and I would like to have you clarify it, if you can.

Senator STEWART. You are trying to develop the thought right there, are you not?

Mr. BATEMAN. Yes, sir.

Senator STEWART. Let us let him pursue that, then.

Senator ELLENDER. Do you have it here in your statement?

Mr. BATEMAN. No; but I will be glad to give it.

Senator ELLENDER. Here is an individual who represents a concern that has facilities at the interior and also at the ports. Are the greater part of your facilities inland?

Mr. BATEMAN. Yes, sir.

Senator ELLENDER. I think it would be very beneficial to the committee if you could give us in detail—I think it ought to be in there, Senator Bankhead—full information about these charges, particularly the difference, if any, in the charges for cotton in which the Government itself has entire ownership, and which the Government has made loans on the cotton, and cotton that the Government has not anything to do with.

Mr. BATEMAN. Yes, sir.

Senator ELLENDER. I have heard the story four or five times, and I have not heard it the same way from any two witnesses. There has always been some charge to get in and some charge to get out, and I would like to have it straightened out.

Senator STEWART. There are three different kinds of cotton stored in your plant?

Mr. BATEMAN. Yes, sir.

Senator STEWART. Government-owned cotton, Government loan cotton, and non-Government cotton?

Mr. BATEMAN. That is right.

Senator STEWART. And that non-Government cotton is owned by the mills and others that have already bought up the cotton?

Mr. BATEMAN. Mills, shippers, and, in some instances, farmers.

Senator STEWART. But 90 percent of the cotton is either in the loan or owned by the Government, I believe—at least the largest percentage.

Mr. BATEMAN. A very large share of it; yes, sir.

Senator STEWART. Now, you started to develop the thought a minute ago along the line of Senator Ellender's suggestion.

Senator ELLENDER. Suppose you start with the various classes. It does not make much difference as to the order, but if you could start first with the Government-owned cotton, wherein the farmer does not have a thing to do with it. What is your rate and what do you do for the amount you charge, and so forth. Then, after that, get to the cotton on which the Government has loaned money, and third, the cotton belonging to mills or merchants or farmers.

Mr. BATEMAN. All right. The Government-owned cotton first. Our rate averages about 10 cents on all of that cotton.

Senator BANKHEAD. You are speaking of your cotton now?

Mr. BATEMAN. Yes, sir.

Senator ELLENDER. What service do you give for that 10 cents?

Mr. BATEMAN. Well, Senator, we give about the same—we give approximately the same service that the men give that get 12½ cents.

Senator ELLENDER. What is that? In other words, you have the cost of receiving?

Mr. BATEMAN. Receiving, weighing, sampling if desired.

Senator ELLENDER. And if it is not desired, or if it is desired later, do you charge for that, or is that included in the 10 cents?

Mr. BATEMAN. That is included in the 10 cents, if it is sampled on arrival.

Senator ELLENDER. That 10 cents is charged for the cotton coming in and going out? Am I right?

In other words, there is no charge to take the cotton out? When you say "10 cents" you mean that is the whole charge?

Mr. BATEMAN. 10 cents per bale per month is the storage rate.

Senator WILLIS. Does that include insurance?

Mr. BATEMAN. Yes, sir.

Senator BANKHEAD. That does not include handling out, does it?

Mr. BATEMAN. Yes, Senator, that includes handling out to locations where the compression is worth nothing.

Senator BANKHEAD. Now, you have brought up another phrase there, "where the compression is worth nothing." What do you mean by that?

Mr. BATEMAN. Well, if we have compressed the cotton, we collect whatever saving accrues to the shipper of the cotton.

Senator BANKHEAD. How can you save that?

Mr. BATEMAN. It is in the freight rate tariffs.

Senator BANKHEAD. You collect that from the Government?

Mr. BATEMAN. Well, the Government is rarely ever the shipper of the cotton, Senator Bankhead. If the Government shipped it and saved money on it, we would collect it, yes, just as is the practice in the Mississippi Valley and the Southwest, to collect their full compression charge on all cotton.

Senator BANKHEAD. Now, in answer to the question about what service you rendered, you say you put it in the warehouse, insure it. Now, what do you get when it is moved out?

Mr. BATEMAN. If there is a mill in the town where the cotton is located, we get nothing more. If it moves to Canada, we do.

Senator BANKHEAD. How many places are there where you have got mills in the town?

Mr. BATEMAN. There is a mill at Guntersville, I believe.

Mr. REED. Are you talking about Government-owned cotton?

Senator BANKHEAD. Yes, he is supposed to be.

Senator ELLENDER. That is No. 1, Government-owned cotton.

Senator BANKHEAD. That is all I am asking you about.

Mr. BATEMAN. There is a mill at Birmingham, one very near Montgomery, one at Tallapoosa, at Cedartown, Rockmart, Atlanta, Macon. I believe there is one in Albany, Athens, Augusta, Ga., and Greenville, S. C., and Charlotte and Raleigh, N. C.—every place on this list except Savannah, Pensacola, Mobile, and Dothan.

Senator BANKHEAD. Where the mills buy the cotton, you get nothing for moving it out?

Mr. BATEMAN. Well, anybody that buys cotton.

Senator BANKHEAD. Whether there is a mill there or not?

Mr. BATEMAN. If it is delivered to a mill where the compression is not worth anything to them, where they do not want it compressed.

Senator BANKHEAD. I am trying to get at what you get for moving cotton anywhere you move it. Just give us a statement on that now. You volunteered to furnish this statement, now furnish it. Give us what you get under different conditions. Are you holding back anything?

Mr. BATEMAN. No; not a thing.

Senator BANKHEAD. Do you understand me? Are you able to understand my question?

Mr. BATEMAN. Is it your impression that I am holding back something?

Senator BANKHEAD. You are waiting about answering, as though you did not understand me. I am not impugning your motives at all.

Mr. WHITE. If the cotton moves to a point in Canada—you started to say.

Senator BANKHEAD. Now just go ahead and list them. What are the different ways you move it out and what do you get for it, Mr. Bateman? I am trying to get your income.

Mr. BATEMAN. We get 10 cents per bale per month for each month it remains in storage.

Senator BANKHEAD. What else do you get?

Mr. BATEMAN. That is all we get except the compression, if it is worth anything.

Senator BANKHEAD. Thirty cents a bale?

Mr. BATEMAN. No; that is in the proposed contract. Our compression charge now is 50 cents a bale.

Senator BANKHEAD. You get 50 cents a bale? Then do you get anything else?

Mr. BATEMAN. No, sir; that is all. But we do not get the 50 cents if it is not worth anything to the purchaser.

Senator McKELLAR. Do you include insurance?

Mr. BATEMAN. Yes, sir.

Senator STEWART. What do you mean when you say you get 50 cents a bale for compression "if it is worth anything?"

Mr. BATEMAN. If there was a cotton mill located in the town from which we ship the cotton, the compression would be worth nothing. There is no spread in the rate. If it is moved 100 miles there is still no spread in the rate. It is worth nothing. If it is moved to Canada, for instance, there is a spread of 15 points in the rail rate between compressed and uncompressed cotton, and we would then collect 50 cents, our compression charge.

Senator RUSSELL. Mr. Bateman, I think we are all a little bit confused about this cotton and the charges you get by differentiating between the cotton to which the Government still has title, and cotton that is going to Canada.

In the case of cotton going to Canada, that is not Government cotton. Title has passed out of the hands of the Government before it goes to Canada, has it not?

Mr. BATEMAN. Well, the Government does not pay this compression charge.

Senator RUSSELL. That is what I am trying to get at.

Mr. BATEMAN. The buyer of the cotton pays it.

Senator RUSSELL. That is exactly what I am trying to get at. So the Government does not pay for this compression?

Mr. BATEMAN. No, sir.

Senator RUSSELL. Have you compressed any cotton for the Government so that you could increase your storage facilities?

Mr. BATEMAN. Yes, sir.

Senator RUSSELL. Who paid you for that?

Mr. BATEMAN. Nobody.

Senator STEWART. Unless you pick it up out of the man you sell it to.



Mr. BATEMAN. That is right. We only have the right to pick it up out of the man we sell it to.

Senator RUSSELL. So the Government then does not pay any compression charge?

Mr. BATEMAN. No, sir.

Senator RUSSELL. Does the 10-cent per bale per month average—does that cover all costs that are paid to you by the Commodity Credit Corporation?

Mr. BATEMAN. Yes.

Senator RUSSELL. Then this compression fee only accrues in the event the Commodity Credit Corporation sends the cotton to some one at some point that is far enough removed so that the freight rate will be affected by the compression?

Mr. BATEMAN. Yes, sir; that is it. If it is worth a nickel I get a nickel; if it is worth 50 cents, I get 50 cents.

Senator ELLENDER. Why does not the Government get the benefit of that difference? Why do you get it?

Senator RUSSELL. Because he compressed the cotton.

Senator ELLENDER. No; but this is cotton, as I understand, that is compressed, on which you get the 50 cents if it is shipped far away, and whether you compress it or not, you get the 50 cents. Am I right in that?

Mr. BATEMAN. No, sir; that is true out in the West. These big compress chains that have been up here testifying, they get 50 cents, 60 cents, 75 cents, whether they compress the cotton or not.

Senator ELLENDER. But in your case, suppose you get compressed cotton in your warehouse—

Mr. BATEMAN (interposing). Get it already compressed?

Senator ELLENDER. Already compressed. Now, you get storage from the Government at the rate of 10 cents per bale?

Mr. BATEMAN. That's right.

Senator ELLENDER. If that compressed cotton is shipped, let us say, to Canada, and there is a differential such that you can make this 50 cents, do you collect that 50 cents?

Mr. BATEMAN. No, sir; not unless we perform the compression service.

Senator ELLENDER. Does the same thing apply to cotton that you ship locally? Suppose you do compress it, do you get paid for it right then and there, whether it is shipped or not?

Mr. BATEMAN. If we compress the Government cotton in our plant and it is shipped locally, we get nothing.

Senator STEWART. Just 10 cents a month?

Mr. BATEMAN. Except the 10 cents receiving charge.

Senator ELLENDER. You do not get any fee for compressing the cotton then?

Mr. BATEMAN. No, sir.

Senator MCKELLAR. How much of your holdings in the warehouse is compressed and how much is not compressed?

Mr. BATEMAN. How much of our stock, Senator?

Senator MCKELLAR. Yes; how much of your stocks in all these towns where you say they have mills; like Guntersville, Birmingham, Montgomery, Tallapoosa, and so on, how much of that is compressed cotton?

Mr. BATEMAN. There is about 80 percent of it compressed, Senator McKellar. And I would like to add that in the compresses throughout the Mississippi Valley and the southwest, I believe that practically all of the cotton is compressed. I think Mr. Taylor testified here that practically all of his cotton is compressed.

Senator ELLENDER. Then you get a compression fee of 50 cents a bale on practically 80 percent of your cotton?

Mr. BATEMAN. No; not by any means. I doubt if the compression revenue from that cotton will average 25 cents a bale.

Senator BANKHEAD. If you do not get paid for it, why do you compress it?

Senator ELLENDER. That is what I would like to know.

Mr. BATEMAN. We compress it, just as Mr. Taylor of the Federal testified here, for the conservation of space.

Senator STEWART. Do you profit from that? Is it to your advantage to do that, whether you get paid for it or not—to compress it?

Mr. BATEMAN. Senator, it is a whole lot cheaper to compress a bale of cotton than to build space for a bale of cotton.

Senator BANKHEAD. That means when your capacity is exhausted? Compression is of no value unless your capacity is exhausted?

Mr. BATEMAN. There are two reasons for compressing it. One is if your capacity is exhausted. That is not our case, though. We generally compress our cotton so that the other cotton that we handle in our plants, we will have more space to handle it in, because the less congested you are, the cheaper your operations are.

Senator STEWART. You can store about twice as many bales when it is compressed, can you not?

Mr. BATEMAN. Not quite twice.

Senator STEWART. About 40 percent more?

Mr. BATEMAN. That is about right; yes, sir.

Senator STEWART. Do you think, then, that we have been getting gypped when we pay the warehouseman for compressing cotton? If it is to his advantage to compress it so that he can save space and enable him to store more bales of cotton, why should the Government or the farmer or anyone else pay the warehouseman for compressing cotton?

Mr. BATEMAN. Well, I think some of those things, Senator, are going to have to be corrected in these warehouse practices.

Senator STEWART. You mean by that that you think the time is coming when they should not charge for compression?

Mr. BATEMAN. No, sir; I do not say that. The compress has got to collect its compression charges, but I think we are going to see the time when these compresses are not going to be able to collect their full compression charge, whether or not they perform the service. I do not think that is right.

Senator BANKHEAD. Do you know anybody that does that? We had it up here the other day, and it was stated that nobody collected unless they compressed. Have you got proof that they do collect?

Mr. BATEMAN. It is in the tariff of the compress company.

Senator BANKHEAD. That does not mean that they pay it. I would like to get that information. The statement was made here by the representative of one of these companies that they did not collect anything unless they did the compressing.

Mr. BATEMAN. The Commodity Credit Corporation does not ship cotton, generally speaking. It is sold by them to some cotton firm. It is bought from the Commodity Credit Corporation.

Senator BANKHEAD. We are talking about what the Government pays now.

Senator STEWART. Still on No. 1?

Senator BANKHEAD. Do you claim that the Government pays for the compressing of any cotton that is not compressed? I understood your statement to mean that. You said it had to be collected. Do you claim that the Commodity Credit Corporation paid for the compressing of any cotton that was not compressed?

Mr. BATEMAN. I do not think they have had any occasion to pay for it.

Senator BANKHEAD. You said just a little while ago that the compressor people were paid for it.

Mr. BATEMAN. The tariff gives the compress company the right to collect for it.

Mr. WHITE. Does that compel compression, Mr. Bateman?

Mr. BATEMAN. It has the practical effect of compelling compression of the cotton in the plant in which it is stored. In other words, the purchaser of that cotton or the Commodity Credit Corporation, or whoever it might be, could not take the bale very well across the street, if this man's competitor was willing to compress it a little cheaper.

Senator BANKHEAD. Mr. Bateman, your statement implies that the compression is charged against the Commodity Credit Corporation, a Government agency, that they have been paying for compression when there was no compression. Now, did you mean that or did you not mean it?

Senator RUSSELL. I understood the witness to say the Government did not pay for any compression.

Senator BANKHEAD. No; he said they had collected it, that the Government was paying for it. He says now it is paid through the tariff, whether it is compressed or not.

Mr. BATEMAN. Senator, I merely mean that these flat delivery charges in these tariffs are wrong as they apply to everything. As you know, the Commodity Credit Corporation has not marketed any cotton.

Senator BANKHEAD. They have not paid for any that they did not have compressed, have they? If anybody has done it, it has been private buyers?

Mr. BATEMAN. That is correct.

Senator BANKHEAD. That is what I want to get.

Senator McKELLAR. Do you know of any instance of where private buyers have paid for compression where there had not been any compression?

Mr. BATEMAN. Private buyers have told me that they were forced to do it.

Senator McKELLAR. Whereabouts, and who were they? Let us run that down a little.

Mr. BATEMAN. Senator McKellar, one man in particular that I recall is Mr. Thornton Clark, of the firm of Clark & Kahn, Montgomery, Ala.

Senator McKELLAR. He told you that they had to pay—that his firm had to pay for compression when it was not compressed, under this tariff?

Mr. BATEMAN. The cotton was compressed.

Senator McKELLAR. Wait a minute. I am not asking that.

Senator McKELLAR. Did Mr. Clark tell you that he, as a farmer, had to pay for the compression of cotton when the cotton was not compressed? Just answer that yes or no.

Mr. BATEMAN. No, sir; but you are confusing the question.

Senator McKELLAR. Oh, no, I am not confusing the question. I asked you the question, and it is very plain. I asked you who it was told you he had to pay for compression when the compression was not done, and you told me Thornton Clark, of Montgomery, told you he had done it. When I ask you specifically, you say "no." Now, what do you mean for us to believe?

Mr. BATEMAN. Senator, you are insisting on asking a question like, "Have you stopped beating your wife? Answer, yes or no."

Senator ELLFENDER. Explain what you meant.

Senator McKELLAR. Explain what you meant. I would not have you do anything like that for anything in the world. I just asked you a plain question.

Mr. BATEMAN. I meant, Senator, that the compression was not worth anything to the shipper of the cotton.

Senator McKELLAR. Oh, but what we are talking about is the tariff provision which allows the compression—a man to charge compression fees when he does not compress the cotton, and you said that it was done and gave as your authority Mr. Thornton Clark, of Montgomery, Ala., who told you so. Now you are now saying that he did not tell you that but told you something else. What are the facts about it?

Mr. BATEMAN. Senator, what is the difference if the cotton was compressed or not, if the compression was worth nothing to him?

Mr. WHITE (interposing). And the fact that you were largely compelled to take it in compressed form, is that what you mean?

Mr. BATEMAN. Yes.

Senator McKELLAR. I do not understand you yet. You may have a language of your own or a meaning of your own, but I am unable to conceive what you mean. Then Mr. Clark did not tell you that he paid charges for compressing cotton that was not compressed?

Mr. BATEMAN. No, sir; he paid charges for cotton that was compressed, but the compression was worth nothing to him.

Senator McKELLAR. Why was it worth nothing to him?

Mr. BATEMAN. Because he trucked it to a mill very close by.

Senator McKELLAR. Do you know whether he ordered it compressed?

Mr. BATEMAN. No, sir. That was the point.

Senator McKELLAR. He did not order it compressed but it was compressed and he was charged for it, is that the idea?

Mr. BATEMAN. That is correct.

Senator BANKHEAD. The farmer's cotton?

Mr. BATEMAN. Yes, sir; or cotton in which the farmer had an interest.

Senator BANKHEAD. Did he compress it after he bought it from the farmer or before he bought it?

Mr. BATEMAN. Before he bought it.

Senator BANKHEAD. When he bought it then it was already compressed?

Mr. BATEMAN. My point, Senator Bankhead, is that the compression acted to the benefit of the warehouse, not to the benefit of the cotton shipper that purchased it.

Senator BANKHEAD. That would have given them space, would it not, whether it inured to anybody—

Mr. BATEMAN (interposing). That is right, but if the warehouse has a right to collect for it—

Senator STEWART (interposing). The question is whether or not he had been given any real benefit from the charge upon the compression?

Mr. BATEMAN. Yes, sir.

Senator STEWART. How would he have gotten the benefit?

Mr. BATEMAN. He would have gotten a benefit had he shipped the cotton to a far distant point where the difference in the rail rates was worth as much or more than the compression. But if he ships it close by, you see, there is absolutely no benefit to him.

Senator WILLIS. Would you agree to this, that compression is an economic advantage to the warehouse owner, and there should be no advantage accruing to him greater than to the owner of the cotton?

Mr. BATEMAN. No, sir; I would not make that statement. I think the warehouse is entitled to the charge for the compression to the extent that the compression is worth something—

Senator ELLENDER (interposing). In freight rates?

Mr. BATEMAN. In freight rates, but where it is worth nothing and the warehouse is presumably benefited by the compression, then I do not think the warehouse is entitled to anything.

Senator MCKELLAR. You have a record in all these—the various warehouses of yours, how many bales of cotton you have compressed, have you not?

Mr. BATEMAN. Yes, sir.

Senator MCKELLAR. Would you mind giving us the figures of how many you have collected on for compression? You can do that, can you not?

Mr. BATEMAN. Yes, sir.

Senator MCKELLAR. Will you furnish those figures for the record?

Mr. BATEMAN. I will be glad to furnish them. I would like to ask, Senator, that you ask all these other people that have testified here to furnish the same information.

Senator MCKELLAR. Very well, I will—

Senator BANKHEAD (interposing). I am not going to ask them—require them to do that unless you put a witness back on the stand; some of them may have gone home.

Senator MCKELLAR. You are testifying about your matters, about these various matters. What I am asking you to do—I do not think you ought to put a condition on it—all I am asking you to do is simply to give this committee the facts, whether you have gotten paid for the compressing of cotton that you have not done in your warehouse, or whether you have gotten paid for only a part of it, and if a part, what is it. That is very simple. You are willing to do that?

Mr. BATEMAN. Yes, sir.

Senator BANKHEAD. Did not the witness say they got paid 25 cents a bale on all bales?

Mr. BATEMAN. I said I thought it would average—some—

Senator BANKHEAD. Some you got paid for, and you did not get paid for others?

Senator ELLENDER (interposing). As I understand your testimony, if you do furnish the committee a statement it will show that you made no charge for compression except where the cotton was shipped so far that it was a benefit through the freight rates?

Mr. BATEMAN. Yes, sir.

Senator ELLENDER. Now I know this, that the record is abundant with testimony, as I recall it, where the charge was made for compression, whether or not there was a saving in freight rates. As a matter of fact, I asked that specific question of a witness and it was stated that the farmer or the shipper saved by having it compressed because of the lower freight rates. As a matter of fact, it is in the record that the saving was 40 cents per bale. Now it turns out that there is no advantage in the compression unless it is shipped as far as Canada—

Mr. BATEMAN (interposing). No; that is not right.

Senator ELLENDER. How far—about how close would it be?

Mr. BATEMAN. The compression becomes beneficial generally when you get up to around 350 to 400 miles, that is the full compression advantage; then it ranges down to nothing.

Senator ELLENDER. In other words, over 400 miles, if cotton is shipped over 400 miles from one point to another in the United States or anywhere else, then that will absorb the cost of the compression?

Mr. BATEMAN. That is generally true; yes, sir.

Senator ELLENDER. And if it is less than 400 miles, then—

Mr. BATEMAN (interposing). It will scale on down. You see, as your mileage drops, your saving drops.

Senator ELLENDER. As it increases, the saving comes in?

Mr. BATEMAN. That is right.

Senator McKELLAR. You testified from your recollection that about 80 percent of the cotton in your compresses here that you have testified about, has been compressed, and that you have collected on about 25 percent—

Mr. BATEMAN (interposing). No, sir; I did not make that statement.

Senator McKELLAR. Oh, you did not. Well, I misunderstood you then.

Mr. WHITE. Your statement was that, on that on which you had collected it would average about 25 cents.

Senator McKELLAR. He said a bale.

Mr. BATEMAN. You said I had collected on about 25 percent of it; that is your statement.

Senator McKELLAR. What did you mean, 25 cents a bale?

Senator BANKHEAD. Average.

Mr. BATEMAN. I said that in our experience on cotton moving out of our plants, that the average haul on it would be about such that the compression would be worth not over 25 cents per bale.

Senator McKELLAR. Well, you give us the figures and we will work out how much it is worth to you. You just give us the figures and we can fix that up.

Senator AIKEN. Mr. Bateman, for the benefit of some of us who do not know much about the handling of cotton, can you give us an estimate of the actual cost of compressing a bale of cotton, not counting overhead expenses, such as salaries of the corporation's officers, and so forth?

Senator BANKHEAD. I think that is a good question.

Senator AIKEN. That will help a whole lot if we know about what it costs in power and men to compress a bale.

Mr. BATEMAN. Senator, we have those cost figures available in the office and I will be glad to furnish them to the committee when I get home. It is hard to furnish that correctly, offhand.

Senator BANKHEAD. Do you know approximately what it would be, without being able to clearly state any specific ones?

Mr. BATEMAN. Just what would that include, Senator Bankhead?

Senator BANKHEAD. The same as the Senator included in his question.

Senator AIKEN. The labor, the men employed in the actual work of compressing, and the power which it would take. I presume there will be a lot of overhead on the machinery, and a lot of depreciation. I do not care about the compressor itself.

Senator BANKHEAD. You would include everything but the capital investment?

Senator AIKEN. Excluding the vice presidents' salaries and expenses of that nature.

Mr. BATEMAN. And taxes and depreciation, those items, eliminating those, just out-of-pocket costs?

Senator AIKEN. Just out-of-pocket costs.

Mr. BATEMAN. Labor, power, repairs, we will say?

Senator AIKEN. Yes; just as if they were owned by an individual in the neighborhood, rather than a corporation.

Mr. BATEMAN. I would say that the out-of-pocket expenses for compressing a bale of cotton would be roughly 25 cents a bale.

Senator AIKEN. How many men are there in the crew that work on this job?

Mr. BATEMAN. It varies as to the volume. If you are compressing in volume—

Senator AIKEN. How long does it take?

Mr. BATEMAN. About 18 to 20 men.

Senator AIKEN. How long does the operation itself take to compress a bale.

Mr. BATEMAN. Well, you should be able to compress 100 bales an hour.

Senator AIKEN. It is not taken apart, or is it? Is the standard bale or the flat bale taken apart before it is compressed?

Mr. BATEMAN. No; the bands are removed and it is placed in the pressing machine and compressed.

Senator AIKEN. Squeezed up? All the baling I know about is hay baling.

Senator MCKELLAR. Could you give the approximate cost, including the expense of every kind—

Senator BANKHEAD (interposing). Fairly chargeable to compression, you mean overhead, depreciation, interest?

Mr. BATEMAN. Senator, I do not know how you would arrive at such a figure, because of the volume. I mean, it is just a question of

how much of your overhead you are going to allocate to compression, how much to sampling, how much to storage, and so forth, and then there is the question of volume, as to how much cotton you are going to spread that overhead over. If you bring these overhead items into it, you get into a canebreak that you will never get out of.

Senator AIKEN. Do you compress some of this cotton that comes in in anticipation that the buyer will want it compressed?

Mr. BATEMAN. Yes, sir.

Senator AIKEN. Yes; that is right.

Senator MCKELLAR. When you compress it in anticipation that the buyer will want it compressed, when you sell it to him do you include the compressing charge?

Mr. BATEMAN. Only to the extent that it is worth something in the freight rates.

Senator MCKELLAR. And that will show in your statement that you are going to make for us?

Mr. BATEMAN. Yes, sir.

Senator MCKELLAR. It will, will it?

Mr. BATEMAN. Yes, sir.

Senator ELLENDER. Now, in justice to the witnesses who testified about charging for this compression, is not there this difference between the southeastern compressor and the southwestern, in that most of the cotton that is compressed in the southeastern part is usually—for instance, let us say, States like Texas and Oklahoma, the testimony is that 90 percent of it is destined for foreign shipment, and the charge would accrue to those only at the ports; whereas, in the southeastern part, the fact that you have so many mills in the towns where these facilities are located, that the compression would then inure to the benefit of the warehouseman?

Mr. BATEMAN. Generally that is true, and that is why we do not collect for that.

Senator ELLENDER. And that is really the difference then between the two localities, is it not, and that is what would cause the difference I have just indicated?

Mr. BATEMAN. That is correct.

Senator MCKELLAR. Now, may I ask you if there are not a good many mills within 100 miles of Savannah, Ga.—cotton mills?

Mr. BATEMAN. What is your question, Senator?

Senator MCKELLAR. If there are not a good many cotton mills, that manufacture cotton or that use cotton to manufacture goods, within 100 miles of Savannah, Ga.?

Mr. BATEMAN. No, sir.

Senator MCKELLAR. There are not. And there are in Guntersville, Ala.?

Mr. BATEMAN. Yes, sir.

Senator MCKELLAR. And at Attalia, Ala.?

Mr. BATEMAN. Yes, sir.

Senator MCKELLAR. Birmingham, Ala.?

Mr. BATEMAN. Yes, sir.

Senator MCKELLAR. And Montgomery, Ala.?

Mr. BATEMAN. Yes, sir.

Senator MCKELLAR. And Tallapoosa, Ga.?

Mr. BATEMAN. Yes, sir.



Senator McKELLAR. And Cedartown and Rockmart, Ga.?

Mr. BATEMAN. Yes, sir.

Senator McKELLAR. Atlanta, Ga.?

Mr. BATEMAN. Yes, sir.

Senator McKELLAR. Macon, Ga.?

Mr. BATEMAN. Yes, sir.

Senator McKELLAR. Albany, Ga.?

Mr. BATEMAN. Yes, sir.

Senator McKELLAR. Augusta, Ga.?

Mr. BATEMAN. Yes, sir.

Senator McKELLAR. Greenville, S. C.?

Mr. BATEMAN. Yes, sir.

Senator McKELLAR. Charlotte, N. C.?

Mr. BATEMAN. Yes, sir.

Senator McKELLAR. And Raleigh, N. C.?

Mr. BATEMAN. Yes, sir.

Senator McKELLAR. Now, there are only four places where you have compresses where they have to ship it more than 100 miles, that is Dotham, Ala.—I am wondering whether there are not mills within 100 miles of Dotham, Ala.—are there not?

Mr. BATEMAN. Some; yes, sir.

Senator McKELLAR. And I am not sure but what there are at Mobile and Pensacola, are there not, within 100 miles? You said you did not have to compress it if it was within 100 miles—

Senator ELLENDER. It did not pay to compress it.

Senator McKELLAR. It did not pay to compress it if it was within 100 miles. Now, there are mills within 100 miles of Mobile, Ala., and Pensacola, Fla. It has been some time since I have been down there, but I think I remember mills at Columbus, Ga., which is not very far from either Pensacola, Fla., or Mobile, Ala., and there are mills even closer than that, are there not?

Mr. BATEMAN. I do not think there are, but I think the point is irrelevant. Let us assume for the sake of argument that there are.

Senator McKELLAR. Then a compress in your neighborhood does not mean so much to you, does it—

Senator ELLENDER (interposing). Except to him.

Senator McKELLAR. Except to you.

Mr. BATEMAN. Well, Senator, you must realize that cotton does not always move to the nearest mill.

Senator McKELLAR. Not necessarily, but you said that as a rule it was unnecessary to compress it within the radius of 100 miles of towns—and you gave the towns where they use it. Now, of course, I know they will not always use it at the nearest mill, but within 100 miles radius you will find mills in any of the towns that you are in, in my judgment.

Mr. WHITE. Mr. Chairman, may Mr. Bateman finish his statement? I am keeping an eye on that 12 o'clock deadline.

Senator McKELLAR. I am willing for him to complete it. How far were you?

Senator ELLENDER. He gave those rates on Government-owned cotton at 10 cents; how about the No. 2 class, where the Government loaned the cotton—loaned on the cotton?

Mr. BATEMAN. I wonder if the Senators will let me finish my statement, and then I will stay here just as long as you want to question me.

Senator McKELLAR. We are not arguing about that. Senator Ellender has asked you a very proper question, what is your charge on the cotton which the farmers hold? Your charge, you say, for Government-owned cotton is 10 cents; now, what is your charge on the cotton that the farmer still has an interest in? That is easy to answer, because you certainly know it.

Mr. BATEMAN. I wonder if you will let me finish my statement.

Senator McKELLAR. I wonder if you will answer the question that Senator Ellender and I both have asked you? Have you got any reason for not doing it?

Mr. BATEMAN. No, sir; I will be glad to answer it for you, but I want to amplify my statement, that is what I mean.

Senator McKELLAR. You may amplify all you wish. Go ahead.

Mr. BATEMAN. Our usual charge for the cotton in which the farmer does or does not—you mean—

Senator ELLENDER (interposing). Government loan cotton, where the farmer still has an equity or interest, where it is still his cotton, he simply borrowed money on it.

Mr. BATEMAN. It is the same as the other.

Senator ELLENDER. Ten cents?

Mr. BATEMAN. That is right, except on the current season cotton, and there is just a little bit of that in the warehouse—I think in our plants 2,000 or 3,000 bales, but there we make the charge as per the warehouseman's certificate and waiver, but that is an insignificant part of our stocks.

Senator McKELLAR. What do you charge the third class, that is, the farmers themselves who bring cotton to you for warehousing? You warehouse that kind of cotton, too, do you not?

Mr. BATEMAN. Yes, sir.

Senator McKELLAR. What proportion of that cotton goes to your warehouse?

Mr. BATEMAN. Senator, to get a bale of flat cotton in and out of our plant, including 1 month's storage, is 50 cents.

Senator McKELLAR. I am asking you what do you charge the farmer, the producer?

Mr. BATEMAN. I just said 50 cents.

Senator McKELLAR. Fifty cents.

Mr. BATEMAN. Now let me amplify. You promised to let me amplify.

Senator McKELLAR. Surely.

Mr. BATEMAN. To get a bale of flat cotton in and out of the Federal Compress & Warehouse Co. costs 80 cents.

Senator McKELLAR. I am only concerned at the moment about yours. What do you want to amplify? You said you charged 50 cents a bale.

Mr. BATEMAN. I am trying to get the point over to this committee that this talk about 15-cent rates to the farmer, all this testimony that is put up here is not correct. I do not think you were in the room when I said to Senator Ellender, "If I charge you 15 cents to come in that door, Senator, and 65 cents to go out, you would be

worse off than if I charged you 35 cents to come in and 15 cents to go out."

Senator BANKHEAD (interposing). That is to go in and stay in.

Senator MCKELLAR. What do you charge the second month?

The first month you charge 50 cents; what do you charge the farmer the second month?

Mr. BATEMAN. Twenty cents.

Senator MCKELLAR. And each month thereafter 20 cents?

Mr. BATEMAN. Right.

Senator MCKELLAR. That is a good deal higher than you charge the Government, is it not?

Mr. BATEMAN. Yes, sir.

Senator BANKHEAD. If you did not charge higher here, could you afford to take this price from the Government, the price you are taking?

Mr. BATEMAN. Senator, I think competition governs what price you get.

Senator BANKHEAD. I did not ask you that. Now, please, sir, you are charging one price to some people and another price to the Government. I asked you if you did not get any more from the other people than you get from the Government, could you afford that?

Mr. BATEMAN. I might like to get more; I do not know whether I could.

Senator BANKHEAD. I did not ask you what you could get. I said could you make any money or stay in business without loss?

Mr. BATEMAN. If we lowered our rate to the farmer on his cotton?

Senator BANKHEAD. Put everybody's cotton on the same basis as you have the Government's cotton?

Mr. BATEMAN. We could stay in business.

Senator BANKHEAD. Without a loss?

Mr. BATEMAN. We might lose some money, I do not know. We would have to try it, but I am only making the point that if these other people who have been up here are getting more out of the other cotton—

Senator BANKHEAD. I do not think there is any argument about that.

Mr. BATEMAN. Than they are out of Government cotton.

Senator BANKHEAD. It certainly shows something is necessary all along the line in order to carry Government cotton at the rate they are carrying it, whoever is doing it, to my mind.

Mr. WHITE (interposing). Is that Government cotton cheaper to handle, Mr. Bateman?

Mr. BATEMAN. To get a bale in and out of your warehouse is not necessarily any cheaper, but the income per bale that you would eventually get on the whole is larger on the Government cotton than it is on the other cotton.

Senator BANKHEAD. The net, in other words.

Mr. BATEMAN. Well, Senator, you see these plants that are storing this 1934-35 cotton have collected probably more than \$10 a bale storage on that.

Senator BANKHEAD. Go ahead. I think we all agree that if you did not have the Government cotton you would have to charge the farmers more. Go ahead, that seems to be agreed by all around.

Mr. BATEMAN. I do not believe we could charge them more.

Senator BANKHEAD. You would have to.

Senator McKELLAR. You are doing it now.

Mr. BATEMAN. No; because there is as much competition—

Senator BANKHEAD (interposing). I do not see what that has to do with it.

Senator ELLENDER. Mr. Bateman, there are quite a few witnesses who testified—

Senator BANKHEAD. Let us not argue with him.

Senator ELLENDER (continuing). Here that this 15-cent charge was the same for Government cotton, whether it was Government owned or Government-loan, or farmer owned, and that is just the point we are trying to develop now—that to further reduce the 15-cent charge would mean, if you took the Government cotton away from them, they would have to charge more than 15 cents. That is the thing I am trying to verify.

Senator BANKHEAD. Go ahead.

Senator McKELLAR. Are we going to adjourn at 12 o'clock.

Senator BANKHEAD. I do not know.

Senator McKELLAR. Go ahead.

Mr. BATEMAN. And in the final analysis, only a trickle of cotton actually moved and savings of some \$10,000,000 a year accrued to taxpayers and cotton producers.

Senator McKELLAR. What page are you reading from?

Mr. BATEMAN. Page 3.

Senator McKELLAR. I see.

Mr. BATEMAN. Now they are here in the role of helping the farmer in support of a bill which seems to me to be designed to prevent competition between cotton warehousemen even at the concentration points where hundreds of thousands of bales are stored in one warehouse—to prevent competition at the expense of the taxpayer and the cotton farmer not only by preventing the Government from considering the rates of warehousemen willing to store such cotton at rates lower than those now in effect, but it actually would allow warehousemen to increase rates on Government-owned cotton and Government-loan cotton in which the producer has an equity to levels some 50 percent higher than rates now in effect by requiring C. C. C. to consider only "reasonable" rates and defining reasonable rates as those in effect from 1936 to 1940—a period when the average level of such storage rates was some 50 percent higher than at present. While not here under any pretense of being the benefactor of the cotton farmer, nevertheless, I cannot see anything detrimental to the interest of either the producer or the taxpayer in the policy we have pursued of consistently offering lower storage rates to the Government than the average which has prevailed in the cotton region. The competition of these lower storage rates has certainly enabled the Government to effect economies in the storage of its cotton and the loan cotton in which the producer has had an equity. I am here simply as a businessman—not pretending to befriend the farmer by charging high storage rates on loan cotton and Government-owned cotton.

Senator McKELLAR. You are here as a businessman. You represent—all these various warehouses are either owned or controlled by Anderson, Clayton & Co., are they not?

Mr. BATEMAN. I said in the beginning that Anderson, Clayton & Co. owned approximately 90 percent of the stock in the company of which I am the president.

Senator McKELLAR. I did not hear that, but that is my understanding. Now, you have—in addition to being a businessman, you represent Anderson, Clayton & Co., and you think it is to their interest, do you not, to stop this bill, if you can? Just answer that either “yes” or “no,” or anyway you want.

Mr. BATEMAN. I represent them; yes, sir; as a stockholder, just as Mr. Taylor said he represented them as a stockholder, but apparently our testimony conflicts.

Senator McKELLAR. Well, outside of that you are interested in having this cotton reconcentrated, and your firm, Anderson, Clayton & Co., is interested in it, too?

Mr. BATEMAN. I cannot state that, sir.

Senator McKELLAR. Well, your warehouses are or you would not be here, you would not be up here on expenses, would you, unless you were interested in it?

Mr. BATEMAN. I said I was interested in storing this cotton at lower rates, and I proposed to make a profit in doing so. I stated my motive.

Senator McKELLAR. Of charging the farmers 50 cents a bale for the first month and 20 cents a bale after that month, and charging the Government only 10 cents a bale for the long-storage cotton?

Mr. BATEMAN. Senator, you do not seem to get the point that our tariff is no higher than all these other big presses that have been up here as witnesses.

Senator BANKHEAD. Your tariff is equal with theirs, is it?

Mr. BATEMAN. They make it up, Senator. I mean, they charge you so much to get in and so much to get out, but the thing you are interested in is what is it going to cost you to go in and come out. On that basis, our tariff is not any higher than the others.

Senator McKELLAR. That your your contention, but the proof here before this committee is that these presses now—that is, the warehouses now, are charging 15 cents for the first month and 12½ cents for the other months; you testified that you charged the farmer 50 cents for the first month and 20 cents for the succeeding months, and to my mind that is a considerable difference in charge.

Mr. WHITE (interposing). Mr. Bateman, do you store cotton for farmers?

Mr. BATEMAN. Very little, but the point is the farmer can get out of our plant after he pays the 50 cents for nothing, but he has got to pay the Federal Compress & Warehouse Co. 65 cents.

Senator BANKHEAD. When he asked you if you stored cotton for farmers, do you mean right now or in the regular course of business?

Mr. WHITE. Regular course of business.

Senator BANKHEAD. You do very little of it. Your cotton at Guntersville, Ala., is farmers' cotton only, is it not?

Mr. BATEMAN. At our very small plants—I mean out of the total of cotton stored, they are very small plants.

Senator McKELLAR. You have quite a number, sir, that are small, Attalia, Ala.; Tallapoosa, Cedartown, and Rockmart, Ga. Macon, Ga., even, is a small plant; Attalia and Guntersville, Ala., are

small plants; and, as I remember, Athens, Ga., is not large nor is Augusta very large. Greenville, S. C., is that very large?

Mr. BATEMAN. Most of those are essentially concentration centers.

Senator BANKHEAD. Your statement then is that your warehouses are really concentration warehouses?

Mr. BATEMAN. That is correct.

Senator BANKHEAD. They are not the ordinary interior farmer facilities?

Mr. BATEMAN. That is right.

Senator MCKELLAR. All right. Go ahead.

Mr. BATEMAN. I am here simply as a businessman—not pretending to befriend the farmer by charging high storage rates on loan cotton and Government-owned cotton. The cotton farmer already has too many warehouse friends of that kind.

We oppose this legislation because we want free competition to remain in the cotton warehouse industry, but if Congress in the final analysis insists on subsidizing the cotton warehouse industry including large interests as well as small by in effect preventing the C. C. C. from moving cotton for the purpose of saving money on storage charges, then we want to simply be on record here that we are ready and willing to increase the rates on our existing stocks of Government owned and Government loan cotton to the maximum that Congress is willing to allow by legislation. We believe that such legislation will eventually destroy the industry, but if destruction via this route is inevitable, then we might as well enjoy the Government subsidy until the crash comes.

Much has been said by proponents of this bill relative to cotton losing some of its value when moved out of the locality in which it was grown and from such testimony one would gather that when a bale is moved it loses its identity and becomes, so to speak, as "a man without a country." I am unable to figure out how it can be so readily identified as long as it remains in the locality in which it is grown, but cannot be identified if moved to another town. But perhaps I did not quite understand the purpose of the testimony on this point and the witnesses meant that Mississippi and Arkansas Delta cotton carry premiums over like grade and staples produced in other localities, and meant when such Delta cotton is moved to other localities, it loses its identity as Delta cotton. But if Delta cotton stored in, say, Birmingham, Ala., cannot be identified as Delta cotton, then how could Oklahoma or Texas cotton be identified in Memphis, Tenn., as Oklahoma or Texas cotton. So if you cannot identify a bale of cotton when you move it, then I cannot understand why all Texas and Oklahoma cotton is not moved into Delta points and sold for the half-cent-per-pound premium which apparently a Delta bill of lading carries.

I want to say that year after year we have handled thousands of bales of cotton in our Birmingham and Montgomery, Ala., Atlanta and Augusta, Ga., Greenville, S. C., and Charlotte, N. C., plants that were concentrated there by cotton merchants out of Delta localities and later shipped to domestic mills. Some of such cotton has remained in storage in our plants for a year or longer. Doesn't it stand to reason that cotton merchants would have lost millions of dollars and consequently could not possibly have concentrated Delta

cotton into our plants if such Delta cotton immediately became worth one-half cent per pound less when moved out of the localities in which it was grown? Please understand I do not deny that cotton of the same grade and staple grown in some localities does carry a premium over that grown in other localities, but I do propose that it is fantastic and ridiculous to maintain that when a bale of cotton is moved from, say, Greenwood, Miss., to Atlanta, Ga., that it loses any premium it may have enjoyed by virtue of the locality in which it was grown. I also say it is fantastic and ridiculous to maintain that a bale of cotton concentrated from, say, Caruthersville, Mo., into Atlanta, Ga., loses 6 to 7 pounds per bale, because if this were so cotton merchants would never have concentrated cotton from Mississippi Valley locations into our facilities, as they always have.

While on the subject of moving cotton for concentration, I will state that I can understand why a producer in Hughes, Ark., would not like cotton in which he has an equity to be hauled to some remote locality without good and sufficient cause, nevertheless, I do not see any objection to moving Government-owned cotton, in which the farmer has no further equity, in reasonable quantities to both port and interior concentration points where cotton normally flows in concentration movements made by cotton merchants. The Government has over 6,000,000 bales of this Government-owned cotton, and from my knowledge of the cotton-warehouse industry, I do not believe that port and interior concentration points would take much over 2,000,000 additional bales at rates that would justify the concentration of such cotton. Bear in mind that this 2,000,000 bales would not all be moved to ports—part of it would move to interior concentration points normally used for years as concentration points by the cotton trade. Even should the ports receive a million and a half bales of this cotton, the relative percentage of stocks normally carried by ports would not be out of line as compared to the percentage of stocks normally carried by interior locations up to 1936.

The Department of Agriculture has personnel experienced in the handling of cotton and traffic problems, and they are no doubt capable of concentrating cotton to port and interior localities in a manner normally employed by the cotton trade—a manner that would increase the value of the cotton by the amount of the freight paid. It may as well be recognized that the Government has 11,000,000 bales on its hands with small chance of the domestic market ever consuming but a relatively small part of it. I believe that if any sound thinking businessman had all this cotton on hand with the prospect of keeping the majority of it on hand for a long, long time, and he could effect substantial savings in storage rates on a couple of million bales of it by moving it to port and interior concentration centers, he would not hesitate to do so and he would not lose any money in doing it.

I would like to point out to the committee that according to the C. C. C. report of Government cotton stocks on hand as of July 31, 1940, the city of Memphis, Tenn., had some 435,000 bales of Government cotton in storage there, 282,000 bales of which were located in one plant. How do you suppose these enormous stocks of cotton got into a concentration point like Memphis? Obviously, by being reconcentrated there.

Senator McKELLAR (interposing). One moment there, did you know that some 2,000,000 bales of cotton were grown within a radius of 150 miles of Memphis, Tenn.?

Mr. BATEMAN. Yes, sir.

Senator McKELLAR. Well then, can you wonder under such circumstances how 435,000 bales of cotton were stored there? Why is it not the most natural thing in the world that these farmers who raise that 2,000,000 bales within a radius of 150 miles should want to put it in a concentration point like Memphis?

Mr. BATEMAN. My experience is that the farmer generally puts it in the place nearest his home. Why should he bring it to Memphis, if he can put it in Hughes, Ark.?

Senator McKELLAR. That may be true. Memphis is a real cotton market; it is there, of course, because it is the largest city in that community—there are none others that are—and Memphis is considered a good market for cotton. Now here is cotton that is grown within 150—2,000,000 bales per year grown within a radius of 150 miles, and you, as I understand it, want to take that part that the Government has and move it to a place several hundred miles away.

Mr. BATEMAN. I do not insist you move it to the ports. If you were willing to take it 30 to 60 miles distant to Memphis, then I am willing to take these concentration points in the southeast.

Senator McKELLAR. In other words, you want the Government—paying no attention to the charges made to the farmers—to let you take care of this, because the Government cotton does not have to be handled as much as the other cotton, let it be stored at concentration points, is that right?

Mr. BATEMAN. Senator, I do not subscribe to the theory that when you need more business, why you raise your rates. I think business generally is just the opposite, when you want more business you can cut the rate and get more business.

Senator McKELLAR. Do you attempt to deny the statement that has been made that the rates to the farmers must be increased if the backlog of Government cotton is not established?

Mr. BATEMAN. I most certainly do deny that statement.

Senator McKELLAR. All right; we understand it. Go ahead.

Mr. BATEMAN. How do you suppose these enormous stocks of cotton got into a concentration point like Memphis? Obviously, by being reconcentrated there. Mr. Taylor and Mr. Mallory, of Memphis, testified here last Friday and Saturday as being opposed to reconcentration; yet it is not of record that they ever objected to cotton being reconcentrated into their enormous Memphis facilities. It apparently was all right with them for Government cotton to be moved into their facilities, but hey do not want cotton to be moved into any other facilities, and do not want to have to compete with others for the storage of their large stocks.

It was brought out last Friday and Saturday that a section of the Mississippi Valley does not have transit facilities to domestic mills via New Orleans. Well, I want this committee to know that this section of the Mississippi Valley certainly has transit to domestic mills via our plants in Birmingham, Ala., Atlanta and Augusta, Ga., and has transit to Carolina mills, via Greenville, S. C., and Charlotte, N. C. and even via Savannah, Ga. We are mighty anxious



to compete with these large operators in the Mississippi Valley for storage of Government cotton, and we hope Congress will not take that right away from us.

Senator BANKHEAD. Any further questions?

Senator McKELLAR. I have none.

Mr. REED. Mr. Chairman, Mr. Bateman has made a statement; may I ask him a few questions?

Senator BANKHEAD. Go ahead.

Mr. REED. Mr. Bateman, did you bid on Form 55-a-2 for reconcentration of cotton?

Mr. BATEMAN. Yes, sir.

Mr. REED. Will you tell the committee what you understood would result from the language which I will read to you from section 4, as follows:

The warehouseman shall not charge the holder of the warehouse receipt representing such cotton for services rendered during that period an amount in excess of that computed in accordance with this agreement.

Would that cover the services that are listed and enumerated in Form 55-a-2?

Mr. BATEMAN (reading):

The warehouseman shall not charge the holder of the warehouse receipt representing such cotton for services rendered during that period an amount in excess of that computed in accordance with this agreement.

What do you want to know about it, Mr. Reed?

Mr. REED. Would that cover the services that are enumerated here in the agreement, such as compression, delivery to shipside—

Mr. BATEMAN. If you perform those services, yes; it means that you cannot charge any more for such services.

Mr. REED. Does that not give the right to the holder of the receipt—the right to demand those services at those charges for 15 days after its arrival?

Mr. BATEMAN. Give him the right to demand them—I believe Mr. White testified here otherwise, on account of the beginning of that paragraph 2. I think that is an argument for the lawyers, not a layman.

Mr. REED. You testified, relative to your southeastern plant, that your average rate was 10 cents per month, including insurance, and that is all you received under the bid that covers reconcentration of cotton. I wish you would tell the committee whether or not you had an item in there of 10 cents per bale for receiving, which was in addition to the 10 cents' storage charge?

Mr. BATEMAN. Yes; we get a 10-cent receiving charge on all cotton concentrated into our plants, but I believe that our average storage rate is a little under 10, and that the receiving charge there would simply average it out.

Senator ELLENDER (interposing). Ten cents per bale per month?

Mr. BATEMAN. Ten cents.

Mr. REED. My copy of the bid says 10 cents on 150,000 bales for storage, in addition to 10 cents for receiving; is that correct or not?

Mr. BATEMAN. That is not correct, Mr. Reed.

Mr. REED. Will you furnish a copy of it, so that we may know?

Mr. WHITE (interposing). Will you furnish a copy of the bids for all your clients?

Mr. REED. Mine are already covered, Mr. White. They were announced by the Commodity Credit Corporation.

Now, also, I got the impression from the statement—so that I may clear this up—that you bid that 10 cents regardless of the quantity and regardless of the point where it was stored; is that true?

Mr. BATEMAN. How is that?

Mr. REED. I got the impression from your statement that you bid that low rate on storage of 10 cents per bale per month at all of these points, regardless of the quantity and regardless of the place or location; is that true?

Mr. BATEMAN. Regardless of the quantity, and regardless of that—

Mr. REED. Yes, sir; regardless of the quantity you have on hand, and regardless of the quantity you receive, that you bid 10 cents.

Mr. BATEMAN. No.

Mr. REED. And at those points where you do not have 150,000 bales your rate is not 10 cents per bale per month; is it?

Mr. BATEMAN. Mr. Reed, our rates, the highest rate on Government-owned cotton we have at any point is 11 cents.

Mr. REED. Then it is not correct—that does not accord with the way I got it. Do you know what is in your bid, Mr. Bateman?

Mr. BATEMAN. Yes; I know what is in the bid.

Mr. REED. I wonder if you would give the committee a copy of it.

Mr. BATEMAN. I do not have them with me, Mr. Reed.

Senator BANKHEAD. Did you have one bid or numerous bids?

Mr. BATEMAN. We bid separately on each location, Senator Bankhead.

Mr. WHITEHEAD (interposing). You are talking about just 1939 bids?

Mr. REED. I am talking about the ones he has been talking about, Mr. White. I cannot understand from his statement what he is charging anybody for anything.

Mr. WHITE. He is talking simply about the 1939 contracts.

Mr. REED. That is what I say. I do not know from his statement that he is charging no more than anybody else.

Mr. BATEMAN. The record speaks for itself, Mr. Reed, I think I testified a whole lot more clearly also than your witnesses have.

Mr. REED. I will say this: My witnesses knew what they were charging, and how much they were bidding on it. You ought to give us the benefit of those comparisons, so see what he is charging at each one of these points.

Senator BANKHEAD. Did you not agree to do that at Senator McKellar's request?

Mr. BATEMAN. I agreed to give him—

Senator BANKHEAD (interposing). No; not give him now—

Mr. BATEMAN. Give the committee—I beg your pardon—to give the committee what I have collected on this compression—

Mr. WHITE. Mr. Bateman may have no—

Senator BANKHEAD (interposing). If the witness does not give this information, when you come please bring a statement of the amount—

Mr. WHITE (interposing). Mr. Bateman is perfectly willing to furnish it.

Senator BANKHEAD. He seemed a little reluctant.

Mr. BATEMAN. I will be glad to furnish it, but I would like to ask the committee to get the amount of compression paid to all these compresses. Why not put that in the record, the amount of compression paid to all these compresses?

Senator BANKHEAD. I do not see that there is any use loading the record down with that.

Mr. BATEMAN. I think my statement will show that I have collected far, far less than anybody else.

Senator McKELLAR. It will show what it does show.

Mr. WHITE. You will not be able to make that comparison, Senator.

Mr. BATEMAN. You will not be able to make that comparison.

Senator BANKHEAD. That is all. Stand aside, sir.

Now we are going to recess until 2:30 this afternoon. We are going to finish this hearing except the Commodity Credit Corporation witnesses, who will be heard sometime at a date to be set next week. They will not be heard this week.

Senator McKELLAR. Could we not get through with the Commodity Credit Corporation? As I understood you, you said it was not going to take very long.

Senator BANKHEAD. I have to be away from here tomorrow and the day after tomorrow, down town. There is a meeting of the agricultural program. I cannot be here, and somebody else said they could not be here Wednesday, Thursday, and Friday.

Senator McKELLAR. The only think about it is, we have been allowed so little time by the Department of Agriculture; they have put a limit on us.

Senator BANKHEAD. Mr. Robbins can testify to the Department that we have been diligently at work here.

Senator McKELLAR. We have gotten a boss ourselves.

(Whereupon a recess was taken until 2:30 this afternoon.)

#### AFTER RECESS

(The committee reconvened at 2:30 p. m., pursuant to recess.)

Senator BANKHEAD. All right, gentlemen, we will be in order.

Mr. Barnett, come around please, sir. I understood you had some further statement to make, Mr. Barnett, and you may have the privilege of making that now.

#### FURTHER STATEMENT OF J. B. BARNETT, MONROEVILLE, ALA.

Mr. BARNETT. Mr. Chairman, I occupied a few minutes' time the other day, and I made the statement at that time that interior warehouses could not exist at the present rate of storage on cotton coming in unless they had some revenue from this Government-owned cotton, and I believe that all of the witnesses who have testified here, both for the ports and for the interior, have borne me out on that. Am I not correct in that?

Senator BANKHEAD. That has certainly been the trend of the evidence, although I would not say "all of it."

Mr. BARNETT. I wish to say in justice to the warehousemen of the Mississippi Valley and of the Southwest that came here and joined with the representatives of the Southeast, Alabama, Georgia, North Carolina, South Carolina, Virginia, and Florida, in an effort

to secure for the warehouses in the Southeast a larger rate of storage insurance than was allowed in the Southwest, because the warehouses, even though they had compresses in the Southeast, were not allowed the privilege of compressing the cotton, and the Commodity Credit Corporation informed us that the cotton mills did not want it compressed and that they could not permit us to compress it.

So, in lieu of the charge that the other compresses received, it decided it would be nothing but just that the warehouses and compresses in the Southeast be allowed a 25-cent receiving and delivery charge in addition to the per month storage and that there be allowed 20 cents a month for storage and insurance.

They went before the Commodity Credit Corporation with that proposition—

Senator BANKHEAD (interposing). Was that last fall?

Mr. BARNETT. That was last June; June 1940.

Senator BANKHEAD. In June?

Mr. BARNETT. Yes, sir. But we were not successful in getting that rate and so we have the 15-cent-a-month rate.

As I stated the other day, that cotton is beginning to move in some volume out of our warehouses and the total revenue we get on that cotton is 15 cents per bale. Now, most of that cotton began to come in in October, so we have had it about 4 months, and at the rate of 15 cents a month, that will give us 60 cents as the charge for everything, 50 cents a bale for all of the service rendered.

Senator MCKELLAR. It was testified here this morning that while that was the coming-in charge, that there was also a going-out charge of a good deal more; that it cost that much to come in, and then the warehouse charged more when it went out.

Mr. BARNETT. We are not allowed to charge anything on this Government-loan cotton except the 15 cents per month, which covers storage and insurance.

Senator BANKHEAD. That is for the first year.

Mr. BARNETT. Yes, sir.

Senator BANKHEAD. August 1 until—

Mr. BARNETT (interposing). To July 31 next year.

Senator BANKHEAD. July 31?

Mr. BARNETT. Yes, sir.

Senator BANKHEAD. Then, if you got it on the last day of February, you would not have but 4 months under the 15-cent-per-bale charge.

Mr. BARNETT. Yes.

Senator BANKHEAD. That is from the 1st of August to the last of July, regardless of when it was put in?

Mr. BARNETT. That is right.

Senator ELLENDER. I understood from a witness this morning that this additional charge on cotton going out did not affect the Government cotton but only the farmer's cotton or merchant's cotton; what have you to say to that?

Mr. BARNETT. That is correct. If cotton comes into our warehouse and is sold by the farmer, it goes right on out—

Senator ELLENDER (interposing). In other words, the charge that you make for cotton that is not in the loan, or cotton on which the Government has no interest in—I thought I understood you to

testify that the rate per bale was the same as that for Government cotton.

Mr. BARNETT. No, sir; it is 25 cents a month for that cotton. You see, the cotton that comes in there and is sold by the farmers usually does not stay in the warehouse more than 30 days, and, of course, it would be impossible—

Senator ELLENDER (interposing). And you charge 25 cents instead of the 15?

Mr. BARNETT. Yes; and that is the charge for the receiving, sampling, weighing, grading, and everything.

Senator ELLENDER. Does that cover the sampling, reweighing, and storage for the first month?

Mr. BARNETT. Yes, sir.

Senator ELLENDER. What is the charge in subsequent months.

Mr. BARNETT. It is 25 cents where the Government has nothing to do with it; 25 cents a month for storage and insurance.

Senator ELLENDER. I had misunderstood that. I was under the impression that the charge that the warehouseman made for the Government cotton, whether it was owned by the Government or whether it was cotton in which the Government had an interest, had loaned money on, or whether it was owned by the farmer and in which the Government had no interest, that the charges were the same.

Mr. BARNETT. No, sir. You see, Senator, the cotton farmer brings in that cotton and he either puts it in the loan or he sells it, and if he sells it, the buyer carries the cotton off.

Senator ELLENDER. And the farmer is charged the 25 cents per month?

Mr. BARNETT. Yes.

Senator ELLENDER. Is the merchant also charged the 25 cents per month on that cotton if he chooses to leave it in your warehouse?

Mr. BARNETT. No. They have a policy that covers it. If they buy the dead storage cotton, the rate is 20 cents, and they put on the receipt "Not insured at the request of the depositor." So, the cotton merchant takes that risk.

Senator AIKEN. You said you were engaged in banking as well as in the warehouse business?

Mr. BARNETT. Yes, sir.

Senator AIKEN. I have been wondering how the cotton farmer finances the growing of his crop; does he borrow on the crop before it is harvested at all?

Mr. BARNETT. Yes, Senator. Shortly after the War between the States, Alabama passed what is known as the crop-lien law, whereby a mortgage executed upon that crop after the 1st day of January conveys the legal title to the crop even though it is not even planted, much less made, and the farmer borrows on his mules, cattle, and crop from the local banks. However, in recent years, a great many of those loans are being made by Government agencies.

Senator AIKEN. The production credit?

Mr. BARNETT. Production credit, disaster loans, and farm security.

Senator AIKEN. About what rate of interest do they charge now in Alabama?

Mr. BARNETT. Do you mean the banks?

Senator AIKEN. Yes.

Mr. BARNETT. We charge mostly 8 percent per annum. That money is used by the farmer about 7 months, and he is charged 8 percent per annum.

Senator BANKHEAD. That is your legal rate of interest?

Mr. BARNETT. That is the legal rate and the contract rate.

Senator AIKEN. When he delivers the cotton to the warehouse, he repays the local agency that has financed him through the spring and summer?

Mr. BARNETT. Yes, sir.

Senator BANKHEAD. Mr. Barnett, there has been a decrease in the proportion of farm loans made by banks; has there not?

Mr. BARNETT. Yes, sir; it has decreased greatly.

Senator BANKHEAD. That is because of production credit?

Mr. BARNETT. Yes.

Senator MCKELLAR. And the seed-loan office?

Mr. BARNETT. Yes, sir.

Senator BANKHEAD. They have largely taken over the smaller farmer.

Mr. BARNETT. Yes, sir.

Senator MCKELLAR. Various agencies of the Government have taken that over.

Mr. BARNETT. Yes. I can speak about the loan from the standpoint of the banker as well. Every cotton loan that went into our bank last fall, and is being taken out now, represents an actual out-of-pocket amount of money on the part of that bank. The banker only gets 2 percent per annum, or about \$1 a bale if the loan stays in there a year, and you know what he will get if it stays in there a year, and you know what he will get if it stays there only 4 or 5 months; he gets only a few cents out of that loan, and he has to prepare the papers and see that all liens are released, and we have had to multiply our clerical force in the bank to render that service to the farmer.

Senator MCKELLAR. Do you think that is a good system for the farmer?

Mr. BARNETT. Yes, sir; I do.

Senator MCKELLAR. All right.

Mr. BARNETT. I think if we did not have it as a bottom for cotton prices, they would go down, down, down. I think it is a fine thing in my judgment.

Mr. REED. Mr. Barnett, getting back to this effort in June 1940, to obtain for the warehousemen who did not have compress machines the entire charge that would apply on nonloan cotton in local warehouses which did have compress machinery, I believe you stated the Southwest and the Mississippi Valley undertook to help you to accomplish that purpose?

Mr. BARNETT. Absolutely. They came here to Washington and we met them here and went before the Commodity Credit.

Mr. REED. That is, we appeared there through our representatives and stated we thought you should have a higher charge than we had?

Mr. BARNETT. Yes, sir.

Mr. REED. Did you see anything of Mr. Johnson, of Anderson, Clayton, helping you at that time?

Mr. BARNETT. No, sir. There was a meeting of the executive committee in New Orleans in June, at which I think all of the interests were represented, and it was attempted to bring all interests up here to Washington and confer with the Commodity Credit Corporation and see if something could not be worked out that would be fair to the ports, the interior, and everybody else. That attempt was made. I came up here myself, and Mr. Reed and Mr. Anderson from Fort Worth—I will not attempt to name all of them, but there was quite a group from the Southwest and the Mississippi Valley.

Senator MCKELLAR. But you did not get anywhere?

Mr. BARNETT. No, sir.

Mr. REED. There has been an effort, Mr. Barnett, to make this appear to be a fight between two great big compress interests; what do you think about that idea?

Mr. BARNETT. I do not know of any fight we have in Alabama between the compresses and the warehouses in the interior. We have a number of compresses at the interior as well as at the ports. My friendship for my port friends is just as fine as it is for these other gentlemen, and it was my hope something could be worked out that would meet their situation and at the same time not put us out of business.

Mr. REED. I take it when they said this was a dog fight, thereby admitting they were one of the dogs, you did not believe it even after they admitted it?

Mr. WHITE. Do you know whether Mr. Bateman came to Washington with a group from the Southeast and attempted to assist in getting an additional charge?

Mr. BARNETT. We all met at the Mayflower, but I did not see him.

Mr. WHITE. Was there not a subsequent meeting at which you were not present?

Mr. BARNETT. Yes; there might have been. I was here until the last day of June—

Mr. WHITE (interposing). A group from the Atlantic coast?

Mr. BARNETT. Yes. I think they had another meeting. I left to go to New York and was taken ill and was taken off the train at Philadelphia and stayed there for 6½ weeks, and I think they had some other meeting after I got here.

Mr. WHITE. I think that is correct.

Mr. REED. Thank you, Mr. Barnett.

Senator AIKEN. I have a question. Do you think it would be possible for the port warehousemen and the interior warehousemen and the Commodity Credit Corporation to get together on a division of this storage that would be fair to all and still not penalize the grower of the cotton?

Mr. BARNETT. Absolutely; I think we could, and I think it ought to be done.

Senator AIKEN. You think that would be the way to do it?

Mr. BARNETT. Yes. I do not think, as I said the other day, Senator, that the facilities of the small interior warehouses, which are the particular agencies that make available to the farmer this loan which is included in the 1938 Agricultural Act, should be destroyed; and if those facilities are destroyed by ruthless competition, then the agencies which the Government has to make this loan available will also be destroyed, and you might as well repeal that provision of your law and

deprive them of it because they are out there in touch with the farmers and take pains to take care of these loans. They gather the cotton up, bale by bale, as it drops out of the gin, and bring it to the warehouse and their loans are provided; the warehouse furnishes the receipt and the local bank makes the loan.

Senator ELLENDER. Do you know of your own knowledge or have you heard that some effort had been made in the past, recently, between the port warehousemen and the interior warehousemen so as to get together and try to settle those differences without having to come to Congress?

Mr. BARNETT. There was some talk of that, but just how far it went, Senator, I do not know. But I think this matter should have been settled around the table with all of the interests, the ports, the interior, and the Commodity Credit Corporation.

Senator ELLENDER. The reason I ask you that is I heard within the last few days that the two groups had practically agreed among themselves to settle their differences, whereby the port folks were to have a certain percentage of that cotton moved, but what happened to that agreement I do not know.

Mr. BARNETT. I did not know there was any agreement like that, Senator, but I know that is the sentiment in my section of the country, that if the ports have not got a sufficient amount of cotton, they would be willing to give up some of their cotton.

Senator MCKELLAR. What do the farmers say about it?

Mr. BARNETT. We do not want to make the rate ourselves.

Senator MCKELLAR. The farmers must be considered in this thing, too. I would not be willing for the port authorities and interior authorities to agree on a program unless the farmers were there.

Senator BANKHEAD. He is talking about the Government cotton.

Senator MCKELLAR. Do you mean the Government-owned cotton?

Mr. BARNETT. Yes.

Senator MCKELLAR. But you would not be able to do that without the consent of the farmer, either—

Senator BANKHEAD (interposing). Yes; they would.

Senator MCKELLAR. Of course you can; but if you did and raised the farmer's storage charge, it would be something I would not agree to.

Senator BANKHEAD. I would not agree to raising the storage, either,

Senator MCKELLAR. I understood the charge of 15 cents for all cotton, whether in the Government loan, or on which the Government had loaned money, or on which the Government had not loaned money, that that has nothing to do with it; that the rates are not the same; that since you now charge the 25-cent rate, I do not know the farmer would suffer there at all.

Senator AIKEN. Speaking of the farmer having representation, the Commodity Credit is supposed to have the welfare of the farmer in mind.

Senator BANKHEAD. Under the law that is true.

Mr. REED. You pointed out that this 25-cent charge was formerly, in years gone by, before the loan program and this back log of Government storage, was about a dollar?

Mr. BARNETT. Yes; the sampling and all of this service was pretty close to a dollar in the first month, and then dropped down.

Mr. REED. Thank you, sir.



## STATEMENT OF W. C. RUSSELL, HAMLIN, TEX.

Mr. RUSSELL. We saw in the paper where this meeting was to be held, and our warehousemen, who own about 60 or 65 small warehouses, asked me to come up here and inform them of what is going on.

I have heard all of the testimony about the dog fight between the little warehouses and the compress warehouses, and I would like to say that is not true in our section.

I would like to concur with Mr. Barnett in his statement about the small warehouse being the fountain head of this business. One thing the small warehouseman does that has not been brought out is that he furnishes the farmer money to operate on. It sometimes takes 30 days to get one of these loans through, and get all of the waivers signed and everything cleared up.

On the present loan our loss is from 50 to 60 cents a bale under the 15-cent rate. Of course, we have this back log to take care of that loss, but it is now 50 cents, 50 to 60, and as much as 70 cents in many instances.

Mr. REED. Mr. Russell, do you know of any effort on the part of the interior compresses to carry on a scrap with these little warehouses in the interior?

Mr. RUSSELL. None whatever. There is no such effort. We get our cotton and they get theirs, we have our own customers.

Mr. REED. The statement was made here there was not any warehouse of the type you represent west of the Alabama-Mississippi State line; what have you to say about that?

Mr. RUSSELL. That is untrue. There are probably 100 or 125 interior warehouses without compresses; there are 13 in my town.

Mr. WHITE. That is in west Texas?

Mr. RUSSELL. Yes.

Senator ELLENDER. Did you testify before, Mr. Russell?

Mr. RUSSELL. Yes, sir.

Senator ELLENDER. Were you not one of the gentlemen who answered a question that the charge of 15 cents per bale was the same for Government-owned cotton or for cotton that the Government had loaned money on and other cotton that was handled—

Mr. RUSSELL (interposing). No; I was not the one. We have a separate charge for farmers who accumulate their cotton before they put it in the loan. Many times a farmer will accumulate 100 bales without getting a loan.

Senator ELLENDER. And the 25-cent rate applies?

Mr. RUSSELL. That is 25 cents for receiving, and 25 cents a month for storing. He will accumulate that with a view of selling it, and if he does not sell it, then he puts it in the loan.

Mr. REED. I am going to clear that up, Senator.

Senator ELLENDER. I have a wrong impression from the record and from the witness. My impression is several witnesses testified that this 15-cent charge was made for all cotton.

Mr. REED. That is true.

Senator ELLENDER. Whether in the loan or not.

Mr. REED. In the majority of instances it is true.

Senator ELLENDER. But he says it is 25 cents.

Mr. REED. It is not true in his case and it was not true at Marshall, Tex.

Senator ELLENDER. Can we get for the record who charges it and who does not?

Mr. RUSSELL. Our expense for taking the bales into the warehouse is 38 cents.

Senator AIKEN. What is the financing charge; how does it happen that the warehousemen finance the cotton grower?

Mr. RUSSELL. The farmer will bring a bale of cotton to the warehouse and get money for his pickers and growers on that bale. On the basis of a 9-cent loan he can get \$45 a bale, and the warehouseman retains the ticket and advances him \$30 or \$35. This is done because many times it is as long as a month before he can get his loan completed.

Senator AIKEN. Do you make a finance charge for that?

Mr. RUSSELL. No, sir.

Senator AIKEN. None, whatever?

Mr. RUSSELL. No, sir; it is just a service to him. That is a connecting link between the small interior warehouseman and the farm program.

Senator BANKHEAD. It is also a point of competition as to who gives the best service.

Mr. RUSSELL. The farmers could not cooperate with the program unless they got money to handle their business.

Mr. REED. Thank you, Mr. Russell.

Senator BANKHEAD. Do you have any other witnesses, Mr. Reed?

Mr. WHITE. Do you have a shipping charge in addition to the receiving charge of 25 cents?

Mr. RUSSELL. We have to deliver this bale of cotton to the warehouse door. The truckman picks it up there, and I think he charges 12 or 15 cents to put it at the depot or compress.

Mr. WHITE. And if it stays 1 month, what would you get?

Mr. RUSSELL. We would get a 25-cent receiving charge and 25 cents for the first month, which would be 50 cents.

#### FURTHER STATEMENT OF A. L. REED

Mr. REED. Mr. Chairman, I want to get two or three things straight in here, and I do not want to take a lot of time. I am not going to make any effort whatever to reply to this so-called mud slinging, because I think that creates more heat than light.

The crux of this thing is the interest of Congress in the producer. I know you gentlemen can see my interest in it, because I represent interior compresses, and you can see the other fellow's interest in it; but there is not any reason why we cannot lay the facts on the table so that you can see the interest of the producer, regardless of what our interest may be.

Senator McKELLAR. I am very much interested in the farmers.

Mr. REED. There are certain factors which could have been placed in the record by the port people which would have given you some light on the interest of the producer in this controversy. Fact No. 1 would have been how much cotton did the producer put in a port warehouse, and how much was he able to repossess. We took 2,-

583,000 bales and showed you how much they put in and took out, and how much they could sell.

These port people tell you "The producer does not patronize us; if at all, very little," and even the southwestern compress, Mr. Bateman said, "We have but very little producer business."

Our opinion is the producer does not patronize the port warehouse because the deducts get him.

We are the agency that puts the cotton in the bale, and we have brought you the facts to show you the producer could take it out and could sell it at a profit.

Now, I want to get this flat-delivery thing straightened out, and if I may, I will take the time to tell you one little short story—

Senator BANKHEAD (interposing). Do not take any unnecessary time, Mr. Reed; I want to adjourn this thing.

Mr. REED. I am going to be through in a few minutes. The old lawyer's advice to the young lawyer, when he had a case that was weak on the facts and strong on the law, was to make an argument to the court; when you have a case that is weak on the law and strong on the facts, make the argument to the jury, and when you are weak on the facts and law both, just flounder around, and that is what they have been doing on this delivery business.

Senator MCKELLAR. And also confuse the other side.

Mr. REED. Yes. Mr. Bateman's stammering around about it discloses to me the truth of the Good Book when it say you cannot serve two masters; he is trying to talk about the cotton account of Anderson, Clayton and at the same represent a warehouse.

I think it is important for you to understand this compress business because the facts there will give you light as to the producer's interest in it.

Compression is as old as the production of cotton itself, almost. The first compress was erected at Savannah, Ga., in 1842, and the first one in the interior was erected at Cincinnati about 1870, to compress the Southeast cotton as it moved into the New England mills. We did not have any in the South then. Thereafter, the principle of compression spread over the entire South, as railroads were constructed in the South, and the railroads owned the compresses and had them in their warehouses and compressed the bales in order to get more of that cotton in their boxcar. That was known as railroad compression, as represented by the standard density bale. Gradually they began to make allowances to the shipper so that the shipper could get a differential on the compressed-cotton rate, and as a result of that allowance the compress business shifted from the railroads to private interests.

Now, here is the bale that comes out of the gin. Its size is 27 by 54 by 48, and it contains 69,984 cubic inches. That is the uncompressed bale.

This [indicating] is the standard-density bale, the original, compressed bale, and its size is 30 by 60 by 19 and it contains 34.2 cubic inches.

This [indicating] is the high-density bale—and these bales were all constructed to scale, except the length. This high-density bale measures 20 by 60 by 18 and contains 21.6 cubic inches.

Mr. WHITE. You said they were according to scale except what?

Mr. REED. Except the length. They may not be exactly to scale now, because they were made in 1932, but they were constructed to scale.

Senator ELLENDER. But they do have the same quantity of cotton?

Mr. REED. Yes; and were made to scale by micrometer.

The compress that compresses this bale [indicating] did not come into general use until about 1912. It was known as the high-density attachment. Prior to that time the railroad compression prevailed. This cotton was shipped on three bills of lading to Europe. I have made shipments from Waco, Tex., to Hamburg, Germany, and Manchester, England, on a through agreement with the railroad and steamship lines, and that bale moved straight through to Europe for warehousing.

Up until about 1912 it was all warehoused in the interior.

Then came the high-density attachment. The high-density attachments were first installed at the ports.

The interior would compress this bale at a cost of about a dollar a bale. It would move from the railroad to the port and the port warehouse would take possession of it and recompress it to high density. There was a difference in the steamship rate between standard density and high density, and the standard-density cotton had no value for export commerce because there was a difference of about a dollar a bale in the value of this bale [indicating] and this bale [indicating] for export commerce.

Now, that resulted in a duplicated cost to the producer in order to obtain the benefit of the real value of the bale. He had to pay the interior to compress to standard density and then the port took another toll to compress to high density. The operation of economics eliminating that duplicate cost, of course, resulted in the interior warehouseman installing high-density attachments and machinery.

As a result of that there developed the argument with Mr. Clayton in particular, and practically no one else, about the flat delivery charge. He wanted to take this bale of cotton out of the interior warehouse and compress it, to feed the compress that he owned at the port, because he had lost this duplicate compression to high density.

Now, the only person left that has any interest in this flat delivery business is the cotton shipper that owns a compress machine. He is the reason we put it in our tariff, to keep him from taking the stock out of our warehouse and taking it to his compress to compress. I can settle it for you in 2 minutes if Congress will put the cotton merchant out of the compress business; then we will not need a flat delivery charge in our tariff.

Mr. WHITE. May I ask how he could carry it to the ports?

Mr. REED. By barges and by trucks, Mr. White, and you know how he did it. He put the compress at Camden, Ark., out of business completely with his first barge line.

Senator McKELLAR. That was an Anderson, Clayton barge line?

Mr. REED. Yes, sir.

Senator McKELLAR. And they still have one?

Mr. REED. Yes; and they have enlarged it to New Orleans and Houston.

The cotton merchant who owns a compress is the only man who has ever been stewing around about this flat delivery charge. Take a look at this record. Mobile did not get excited about it; it was only

Mr. Johnson, Mr. White, and Mr. Bateman, and they were talking for Mr. Clayton's cotton account.

Mr. WHITE. That is absolutely untrue.

Mr. REED. That is what I think. You started this, my friend.

Mr. WHITE. I did not; you started it before the hearing started.

Senator BANKHEAD. We will not have any personalities.

Mr. REED. I will say if you take the cotton merchant out of the compress business we can take the flat delivery charge out of the tariff.

We want the privilege of filing in this record every cent of revenue we have collected on the flat delivery charge, and we want to show you who paid it. The Government has not paid it, and any statement that the flat delivery charge or compressing charge is paid by the producer before he can get a bale of cotton into or out of a warehouse, is utterly false and known to be false when it was made.

Senator McKELLAR. You say you have some figures you want to put in; do you want to put them in now?

Senator BANKHEAD. How long will you take?

Mr. REED. We could get it here by Monday.

Senator BANKHEAD. We are going to close this case on Friday. You can file it in the record on Monday, but we will have no hearing on Monday; we have other business in this Congress.

Mr. REED. I appreciate that.

Senator BANKHEAD. I will let you file it if you send it in.

Mr. REED. I will send it in.

Now, Mr. Bateman made the statement that at his compress in the South they could get the cotton out of the warehouse without compressing it. I have his tariff here dated August 1, 1940, and I wish to quote the following ([reading]):

Loading out plus this charge waived on bales compressed by this company-- including turning out, marking with one mark and one head brand of not more than five letters each, and loading to car or dray--

(a) Cotton uncompressed, 15 cents per bale.

(b) Cotton compressed, cotton linters, or cotton mill waste, 10 cents per bale.

Senator McKELLAR. That is the loading-out charge?

Mr. REED. Yes, sir. That is dated August 2, 1940. You will note he used 10 cents where he loaded out in carloads compressed, which we always do in the Southwest and Mississippi Valley, and therefore his loading-out charge is 25 cents per bale.

There [indicating] is the tariff; I do not think there is any doubt about it.

Senator McKELLAR. I think it would be wise to put it in the record.

Senator ELLENDER. You mean just that part referring to the charge?

Senator McKELLAR. Yes.

Senator BANKHEAD. All right.

Mr. REED. Mr. Johnson made the statement he could not get cotton out of the interior without compressing it, this loan cotton, and I have a statement which was circulated by the Houston Compress Co. with respect to the 1940-41 Government loan cotton in that

warehouse. Item 1 is "Compression performed by Houston Compress Co., per bale, 65 cents."

Now, here is a thing I want in the record:

For your information all 1940-41 loan cotton stored in our plant is now standard density, no patches, eight bands, same having been either compressed by us on arrival or compressed in the interior.

They did not mention they had to pay 65 cents before they could get that bale of cotton.

Mr. WHITE. Will you put the entire letter in the record?

Mr. REED. Yes.

Senator BANKHEAD. Put it in.

(The letter referred to is as follows:)

HOUSTON COMPRESS CO.,  
Houston, Tex., December 28, 1940.

GENTLEMEN: Relative to the charges to be assessed on 1940-41 Government loan cotton located in our plant.

On such cotton which is ordered shipped within 15 days from the release date, our charges will be in accordance with the Warehouseman's Certificate and Waiver on Commodity Credit Corporation Cotton Form A 1940-41.

On such cotton ordered shipped after 15 days from the release date, our charges will be in accordance with our published tariff, a copy of which is attached hereto for your convenience.

We follow the original paid freight bills on all rail cotton shipped to us under the 1940-41 Government loan program, and these bills will be made available to the party presenting warehouse receipts covering such cotton.

For your convenience we outline below charges applicable for the services mentioned on cotton handled within 15 days from the release date:

Compression performed by Houston Compress Company	65 cents per bale.
Compression performed in interior and paid for by Houston Compress Co. on basis of interior published tariff.	Amount shown in face of warehouse receipt.
Removing from loan storage	No charge. <sup>1</sup>
Marking (1 mark and 1 brand of not more than 5 letters each)	No charge. <sup>2</sup>
Loading to cars or trucks	No charge. <sup>3</sup>
Delivering to shipside or other local warehouse	15 cents per bale.
Reweighing, including ranging	10 cents per bale. <sup>4</sup>
Resampling, including ranging	10 cents per bale. <sup>5</sup>
Storage per bale per month or fraction thereof, including insurance.	15 cents per bale. <sup>6</sup>

<sup>1</sup> After 15 days from release date, per bale, 10 cents.

<sup>2</sup> After 15 days from release date, per bale, 5 cents.

<sup>3</sup> After 15 days from release date, per bale, 15 cents.

<sup>4</sup> After 15 days from release date, per bale, 18 cents.

<sup>5</sup> After 15 days from release date, storage only, per bale per day, 0.007 cent; per bale per month or fraction thereof, insurance only, 2 cents.

If a buyer so elects he may have 1940-41 "loan" cotton transferred and re-tagged into his own special stock and have such cotton handled under either item (1) or item (2) of our published tariff.

Such cotton will be accorded all the services mentioned under item (1) or item (2) including removing from "loan" storage, at the item (1) and item (2) rates.

For your information all 1940-41 "loan" cotton stored in our plant is now standard density, no patches, eight bands, same having been either compressed by us on arrival or compressed in the interior.

If any further information is desired, please advise.

Very truly yours,

C. T. FUQUA, Jr., Vice President.

Mr. REED. Also, I want to explain these notes in connection with the letter.

You know the Commodity Credit Corporation, very wisely, I think, and over my protest, required the compresses and warehouses to ex-

tend to the producers of bales of cotton, 15 days after it came out of the loan, so they could handle it and sell it; after that 15 days it becomes the producers' cotton.

In this letter he says there is no charge on this Government loan cotton for those 15 days, but after 15 days from date of release, the charge is 10 cents a bale.

Note 2, after it comes out of the loan, it is 5 cents a bale.

Note 3, after 15 days from release date, 15 cents per bale. That is in addition to compression, and the reweighing, including ranging, is 10 cents per bale.

The way I add this up, it costs the producer about 90 cents a bale before he gets through with it, and that may be one of the reasons they are not patronizing them.

Now, the effort to create that feeling that this is just a fight between two great big interests, is answered by the facts in the case. The statement at pages 400 to 403 inclusive of the record that there were no warehouses of consequence west of the Alabama-Mississippi State line, I want to give you the record in Texas.

The Texas stocks of Government-owned and Government-loan cotton up to 1939 were distributed as follows:

Interior compresses, 867,926 bales. That cotton is in the possession of 33 separate independent companies located in 79 communities.

Interior warehouses that do not have compress machinery, 396,050 bales. That is in the possession of 210 companies in 150 communities. I do not know whether there is any connection between them or not because I do not know all of them, but there are 210 of them in this record of the Commodity Credit Corporation and the cotton is located in 150 separate communities spread all over the State.

Combined, in the interior compressing warehouses and noncompressing warehouses, there are 1,263,976 bales located in 207 communities in Texas. That is an average of 6,106 bales per community.

Now, the port stocks at 5 port cities, as compared with 207 interior cities were 1,076,800 bales, and 960,313 bales in 2 cities, Galveston and Houston. Yet, Mr. White says for Anderson, Clayton, "We are grateful for these crumbs."

What he means are these crumbs in the interior, these 6,106 bales per community which contribute to our taxes and schools and give labor to people who work on the farms; that is the crumb they want; they say they just want 16 or 20 percent more, and of course 16 percent of that 1,900,000 bales in the port warehouses, while it might not mean much to them in the light of the size of the ports, it would mean something to each of these little interior communities.

Now, we came here and we did not start this argument between Anderson, Clayton and the interior. We did not even mention their names. I came here because the southwestern people felt they had been deprived of an opportunity to bid. We contended that the Commodity Credit Corporation had called for the bids so that they would average for the interior this big fat bale and this little bale and make us bid on the dead stock and live stock both.

Mr. Robbins is going to testify and I want him to tell you if we did not beg him to separate them and whether our representations to him were not if he would separate them we would be glad to give him competitive bids. There is a warehouse at Dallas, one of the

biggest in the country, that has a capacity of 100,000 bales of cotton, all concrete, fireproof, sprinkler, and the lowest insurance rate in the United States, with 7,000 bales of cotton in it that could not compete under these two forms; they just could not compete under them.

Now, we came here because we felt that the McKellar bill would give us an opportunity to compete and hold our stocks, and that is what we want to do, and we have said quite frankly if we are forced to compete for the handling of the dead stock, the compressed bale, differently from this one [indicating], we will bid low on this [indicating] but we are going to make a high charge on this one [indicating] and we will have to do it.

Senator MCKELLAR. When you say "this one," you mean the uncompressed bale?

Mr. REED. That is true.

Now, Senator Ellender, coming to your question about these charges being the same on both producers' and Government loan cotton, what I said at page 44 in connection with the Mississippi Valley was—

I do not want to convey the impression that these rates are identical all over the territory, because they are not.

Thereafter I put on witnesses for the territory east of the Mississippi Valley to show you what their charges were and how they had gone down. They are higher than the compress charges, and that is true in the West. Some of the compresses in the West have not yet come down to the 15-cent per bale for the producers' cotton, but do not worry, if it stays in the Mississippi Valley, in Oklahoma, and northeast Texas, everybody will be on it because they cannot keep off of it. It only started last year and it takes a little time for that thing to get these rates down. Mr. Brooks of the F. M. testified he had just changed his tariff about a week before that. You are right at the turning point in this thing. If you are going to force bidding on the desirable dead stock of compressed cotton, you are going to increase to the producer who makes this uncompressed bale the cost of receiving and handling his cotton. It is just as inevitable as daylight and darkness.

Senator BANKHEAD. Is that all, Mr. Reed?

Mr. REED. Let me give you one more thing.

Senator BANKHEAD. I am not unduly hurrying you.

Mr. REED. I have one or two corrections I want to make. I had to do this at noon and I had to jumble it up a little bit, but if you will give me a minute or two—

Senator BANKHEAD. All right.

Mr. REED. On the question of these bids and the suggestion here that we should ask the Commodity Credit Corporation to interpret them for us, we did just exactly that. We asked them about that 30 cents for compression. We asked could we bid with that in there and continue to collect our compression charge and we were told definitely "It is in the form when you bid on it." That was the information we got. Then we said can we separate these two and bid on the dead stock and handle our producers' cotton under the Bankhead Act, and we were told the Government cotton and the 1938 stock cannot be separated and that any change whatever in form will throw bids out.

Senator ELLENDER. Who signed the telegram?



Mr. REED. That was not a telegram. That was information I sent to our people in Texas after we had the conference with the Commodity Credit Corporation. I will give you the names—

Senator ELLENDER (interposing). You took it up with Commodity Credit Corporation?

Mr. REED. Yes.

Senator ELLENDER. And that was the information they gave you?

Mr. REED. Yes, sir.

Senator AIKEN. That was 2 years ago?

Mr. REED. No; that was November 30, 1940.

Senator AIKEN. What do you mean by 1938 cotton?

Mr. REED. The Government-loan cotton the producer had an equity in, which was covered by the Bankhead Act, but they put it in this call for bids.

(Discussion off the record.)

Senator BANKHEAD. That, in effect, as I understand it, said the bids must include the 1938 farmer-owned cotton with what?

Mr. REED. With the Government-owned cotton.

Senator BANKHEAD. The Government-owned cotton?

Mr. REED. Yes, sir. They said we could not separate it.

Senator BANKHEAD. They said you must put it all in, or none?

Mr. REED. Yes, sir.

Senator MCKELLAR. And that was directly in the teeth of the Bankhead law?

Mr. REED. Yes, sir.

Senator MCKELLAR. All right.

Mr. REED. We even went to Mr. Appleby and asked him if he would not require them to separate it—

Senator BANKHEAD (interposing). He is the Under-secretary of Agriculture?

Mr. REED. Yes, sir.

Senator BANKHEAD. And he declined to do it?

Mr. REED. Yes, sir.

Now, I want to refer to the statement that we forced this differential in freight rates. If you want to learn the history of that, you will find it in I. C. C. Docket 26235, 208 I. C. C., 677, decided May 8, 1935.

I think it would be helpful to the committee if it knew this loan program is not increasing the carry-over of cotton. One statement was made that in 1940-41 you are bound to get more cotton in the loan. The carry-over on December 31, 1939, was 14,579,000 bales. On December 31, 1940, with 2 loan programs combined, and 1 of them quite a substantial one, the carry-over was 15,046,000, and since that I am informed nearly that much has been sold—

Senator MCKELLAR. Nearly how much?

Mr. REED. The difference between the 2, or 500,000 bales.

Senator ELLENDER. Mr. Reed, if we cannot export and the present conditions continue, I suppose you will agree that there will be more carry-over, will you not?

Mr. REED. I was trying to establish that on December 31, 1940, that up until then there had only been 600,000 bales exported and the carry-over was not increased materially.

Senator ELLENDER. Yes; but we had a large export, if I recall, about 6 or 8 months ago, perhaps; is that not true, Senator Bankhead?

Senator BANKHEAD. Yes; under the influence of the export subsidies.

Senator ELLENDER. That is what decreased it.

Mr. REED. But I am talking about the period December 31, 1940, as compared with 1939.

Senator ELLENDER. You will no doubt admit that with our export market remaining as it is now and producing 13,000,000 more bales, you will see those figures rise.

Senator BANKHEAD. Inevitably.

Senator ELLENDER. Yes; there is no use arguing about that. Off the record.

(Discussion off the record.)

Mr. REED. Mr. White said he was sure the Commodity Credit Corporation would have advised any warehouseman that they would not move equity cotton that was included in the bid. That just begs the question. That is at record page 419—

Senator MCKELLAR (interposing). Did they not advise you they would not divide the bids?

Mr. REED. In other words, they included it in the bid and if we did not bid it down to the level of the dead stock, they would move it; that is the point; we could not hold it without bidding.

Mr. WHITE. They at least agreed to meet the average rate.

Mr. REED. You are wrong about that. The announcement was they would move it to the lowest bidder as rapidly as possible in line of transit.

Senator BANKHEAD. Go ahead.

Mr. REED. Mr. White said that of 33 members of the port association there were 11 controlled by Anderson, Clayton. I think it is 14, and that does not include the Kelley-Kane plants at Corpus Christi and Brownsville in which they are interested.

Senator MCKELLAR. Does it include the Federal warehouse in which Clayton owned such a large part?

Mr. REED. No, sir.

Senator ELLENDER. I was just whispering that.

Senator MCKELLAR. I believe in speaking out loud.

Senator ELLENDER. I thought Mr. Reed would read it and put it in.

Mr. REED. Mr. Garsaud said he could not determine whether we could increase our freight rates unless you have first, the amount of our investment, and that is in the record for a majority of the plants handling Government-loan cotton in the interior, enough to be thoroughly representative. I think it amounts to nearly \$60,000,000. Second, you could not do anything unless you knew our fixed charges. That can be determined by the figures on investment. We have given all of the taxes that bear on operating cost. He said you could not determine that question without an itemized cost of operation. We gave it to you for a period of 9 years. He said you ought to have our surplus and reserve.

We have not put that in, but surplus and reserves merely show how long we can go without going broke when we get below our cost.

He did not say anything about being forced to increase our rates. He also said you would have to have our dividends and profits for the past 2 years, but I do not see that would be helpful in determining what we should do in the future. He says you ought to know how much influence we have exerted on the railroads in order to keep that 15-cent rate in. I do not know what bearing that would have upon it.

The most unfair thing he did, and I think he did it unintentionally, was that he took the——

Senator BANKHEAD (interposing). I think Mr. Reed, what you are saying now is argumentative. This part of the hearing is for presentation of facts.

Senator MCKELLAR. If you will stop long enough, I want to ask a question.

Senator BANKHEAD. Eliminate the argument, because this is not the time for it.

Mr. REED. I apologize.

Senator MCKELLAR. Has the Commodity Credit Corporation ever advertised for bids to the wheat and corn warehousemen?

Mr. REED. My impression, Senator, is they have not.

Senator MCKELLAR. I have heard nothing of it.

Mr. REED. I should say further with reference to that, I do not believe they own any grain; I do not believe they have taken over any grain.

Senator MCKELLAR. They have not taken it over?

Mr. REED. No, sir.

Senator MCKELLAR. The Government owns an interest, do they not?

Senator BANKHEAD. Yes.

Mr. REED. But they have not taken title.

Senator MCKELLAR. It is not like the loan cotton?

Mr. REED. No, sir.

On this 15-cent charge for delivery at shipside, everybody that undertook to answer that must have misunderstood what I said, which was that the 15 cents did not apply if the bidder compressed the bale. That is the key to the effect of the 15-cent charge.

One other thing in connection with it, the Houston Compress plant cost of 8 cents delivered to shipside when compared to the 12 and 15 fixed in the form itself shows what the bidder under that form would have to charge.

I want to correct a statement made by Mr. Johnson about the Northwestern and trader tariffs. Supplement 1 to the schedule of charges in 1935 and 1936 raised the 15-cent charge of the Northwestern Compress Co. from 15 to 25 cents where it included insurance. Supplement 1 to the trader's compress tariff of the same date in 1935 raised it to 25 cents where it included insurance, and all of that came back down to 15 cents concurrently with the Mississippi Valley.

Senator MCKELLAR. Were those the two Anderson, Clayton compresses——

Mr. REED (interposing). No, sir; that is the traders in Oklahoma.

Senator MCKELLAR. Who are they owned by?

Mr. REED. Their stock is scattered all over the country.

Senator MCKELLAR. They are independent?

MR. REED. Yes. I do not know who owns them. I have only the record of the Commodity Credit Corporation by companies, and I have underscored members of Southwestern and there are about 33 of them, the members of the Southwestern Compress and Warehouse Association, and they have such a small amount of cotton when combined, I do not see how anyone could have the temerity to call it a trust. I have that list here and will give it to you for your information.

SENATOR BANKHEAD. We will not print it in the record.

MR. WHITE. Do you have the figures showing the amount of Government-owned cotton stored in the interior which is in compressed form?

MR. REED. I can give it to you for the 341 facilities.

MR. WHITE. Will you put that in the record?

MR. REED. It is already in there.

MR. WHITE. I have not had a chance to check it.

MR. REED. As to the southwestern territory my impression is all of the 1934-35 and 1937-38 cotton in compresses is compressed, but in the warehouses, is it not?

I would like to read this telegram into the record:

A. L. REED,

*Care Callaway & Reed, Dallas:*

Definitely no further postponement and bids must be received here by Tuesday noon. Must have separate bid for each corporation and every town must be specified. Government cotton and 38 stock cannot be separated. Any change whatever in form will throw bids out. We are protected on compression or flat delivery same as heretofore.

STANTON BROWN.

SENATOR BANKHEAD. The hearing in this matter is closed except as to representatives of the Commodity Credit Corporation who are invited to be here next Friday morning.

I want to ask Mr. Reed and Mr. White and the Senators who are here and Mr. Andrews, who represents the Commodity Credit Corporation, to remain, and everyone else to retire.

(Whereupon, at 3:40 p. m., the committee adjourned until 10 a. m., Friday, February 7, 1941.)

# REGULATING THE WAREHOUSING OF COTTON HELD BY THE COMMODITY CREDIT CORPORATION

TUESDAY, FEBRUARY 11, 1941

UNITED STATES SENATE,  
COMMITTEE ON AGRICULTURE AND FORESTRY,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10 a. m., in the committee room, 324 Senate Office Building, Senator John H. Bankhead presiding.

Senator BANKHEAD. Gentlemen, Dr. Robbins has requested that he be permitted to make a statement and then submit himself for examination. I think that is a fair request, and we will let him proceed until he finishes his statement.

## STATEMENT OF CARL B. ROBBINS, PRESIDENT OF COMMODITY CREDIT CORPORATION, UNITED STATES DEPARTMENT OF AGRICULTURE

Mr. ROBBINS. We are pleased to respond to the request of this committee and present some information from the Department of Agriculture which may be useful in a consideration of the questions raised by S. 262.

In view of the fact that the problems of warehousing cotton are somewhat complex, it is believed that the committee would prefer that we proceed by first giving some brief background material and then by describing in sequence the events that have occurred since November 8, 1940, the date on which bids were solicited for the storage of Government stocks of old-crop cotton.

The Commodity Credit Corporation was formed pursuant to the provisions of the National Industrial Recovery Act, under the President's Executive Order No. 6340, dated October 16, 1933. It was incorporated as an agency of the United States Government under the laws of the State of Delaware on October 17, 1933.

The Corporation's capital stock is owned by the United States Government and its chief function is to serve as the agency of the Government for making loans on surplus agricultural products.

Prior to July 1, 1939, the Commodity Credit Corporation was an independent agency of the Federal Government. On that date, however, the Corporation became part of the United States Department of Agriculture, and the exclusive voting rights of the Corporation's stock were vested in the Secretary of Agriculture under an Executive order of the President dated August 7, 1939. Except for certain legal technicalities attributable to the corporate form of organization, the

Corporation operates as a regularly established bureau of the Department of Agriculture under the control and supervision of the Secretary of Agriculture.

On August 17, 1939, the Secretary of Agriculture announced that in connection with the execution of the cotton-rubber-exchange agreement with Great Britain, the Government would acquire title to 6,940,000 bales of 1934 and 1937 cotton on which loans were past due and the principal and accrued carrying charges were in excess of the market value of the cotton. This announcement of August 17, 1939, is submitted for the record.

The Secretary of Agriculture announced today that the Commodity Credit Corporation has extended the maturity of its loans on 1938-crop cotton 1 year to July 31, 1940; that it has taken title to the remainder of the 1934-crop cotton under Government loans; and that, in order to acquire the necessary additional cotton for delivery under the cotton-rubber-exchange agreement with Great Britain, it will take title on September 1, 1939, to the 1937-crop cotton which is under Government loans.

The 1938-crop loans were made on 4,480,000 bales of cotton. These loans averaged 8.85 cents per pound; they were made on the basis of 8.3 cents for Middling  $\frac{7}{8}$ -inch cotton with adjustment in rates for higher and lower grades. At the present market prices many producers have an equity in the 1938-crop cotton on which the loans have been extended.

During recent weeks loans on approximately 400,000 bales of the 1938 crop have been repaid, and the cotton has been released.

The Commodity Credit Corporation has acquired title to the approximately 1,670,000 bales of 1934-crop cotton which were under Government loans. These loans were past due and the principal, plus accrued interest and carrying charges, was in excess of the market value of the cotton. Taking title to this 1934-loan cotton provides stocks from which shipments can be made of such bales as may qualify for delivery under the agreement with the British Government for the exchange of cotton for rubber.

It is anticipated that only a small part of this 1934-loan cotton will be found to be of the grade and staple which will meet the specifications for this transaction.

On September 1, 1939, the Commodity Credit Corporation will acquire, in a similar manner, title to the approximately 5,270,000 bales of 1937-crop cotton which are under Government loans. Cotton will be drawn from this stock to complete the delivery of the types of cotton required under the cotton-rubber-exchange agreement. The loans on the 1937-crop cotton are also past due and the principal, plus accrued interest and carrying charges, is in excess of the market value of the cotton.

Since Commodity Credit Corporation loans are of the nonrecourse type, the Corporation acquires title under the terms of producers' notes and loan agreements by crediting thereon the principal amount loaned, plus all accrued interest and charges.

The acquisition of title by the Government to the old loan stocks of 1934 and 1937 cotton automatically relieved that cotton of its former legal restrictions against being moved among warehouses.

The provisions of law which place legal restrictions on the movement of cotton, so long as title is held by the producer under a Government loan, are submitted for the record.

Section 383 (b) of the Agricultural Adjustment Act of 1938 is as follows:

Cotton held as security for any loan heretofore or hereafter made or arranged for by the Commodity Credit Corporation shall not hereafter be reconcentrated without the written consent of the producer or borrower.

These foregoing provisions of law are supplemented by Public, No. 660, Seventy-fifth Congress, which provides as follows:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in the administration of sec-*

tion 383 (b) of the Agricultural Adjustment Act of 1938 the written consent of the producer or borrower to the reconcentration of any cotton held as security for any loan heretofore or hereafter made or arranged for by the Commodity Credit Corporation shall not be deemed to have been given unless such consent shall have been given in an instrument made solely for that purpose.

Notwithstanding any provision of any loan agreement heretofore made, no cotton held under any such agreement as security for any such loan shall be moved from one warehouse to another unless the written consent of the producer or borrower shall have been obtained in a separate instrument given solely for that purpose, as required by this Act.

The giving of written consent for the reconstruction of cotton shall not be made a condition upon the making of any loan hereafter made or arranged for by the Commodity Credit Corporation: *Provided, however,* That in cases where there is congestion and lack of storage facilities, and the local warehouse certifies such fact and requests the Commodity Credit Corporation to move the cotton for reconcentration to some other point, or when the Commodity Credit Corporation determines such loan cotton is improperly warehoused and subject to damage, or if uninsured, or if any of the terms of the loan agreement are violated, or if carrying charges are substantially in excess of the average of carrying charges available elsewhere, and the local warehouse, after notice, declines to reduce such charges, such written consent as provided in this amendment need not be obtained; and consent to movement under any of the conditions of this proviso may be required in future loan agreements.

The rates for the storage, including insurance, of Government stocks of cotton generally in effect in 1939 were 25 cents per bale per month for the first season of storage and 18 cents per bale per month thereafter. A study of these storage rates indicated that they were somewhat excessive against farmers and the Government.

In addition, the fact that the Government had acquired title to nearly 7,000,000 bales of cotton which could be moved among warehouses without legal restriction, meant that the Government had become in a position to utilize competitive forces and bring about a reduction of storage rates to a more nearly reasonable level.

It was recognized, however, that under the conditions then existing, that is, with warehousemen accustomed to the existing high level of rates, it would not be possible to obtain an adequate reduction by making a solicitation for competitive bids until, as a first step, the basic level of rates had been reduced and warehousemen generally had become accustomed and adjusted to a revised structure of rates.

Consequently, and after consultation with warehousemen, the Department of Agriculture announced on October 19, 1939, that the maximum rate for the storage of old Government stocks of cotton would be 12½ cents per bale per month, effective November 1, 1939. This announcement is submitted for the record.

The Department of Agriculture announced today that, effective November 1, 1939, the maximum rate approved by Commodity Credit Corporation for storing and insuring cotton already under loan or held by the Government will be 12½ cents per bale per month.

Provisions of the contract submitted to the warehousemen on October 7 stipulated that the 12½-cent rate would become effective on August 1, 1939. After a conference with warehousemen and officials of the Commodity Credit Corporation, an understanding was reached that an addition would be made to the contract to provide for a rate of 15 cents per bale per month for the 3-month period August, September, and October 1939.

Another addition to the contract previously submitted will protect the investment of warehousemen in the compression of cotton, prior to October 15, normally shipped by rail under rates that make compression necessary. All rates include fire insurance for the full market value of the cotton.

Commodity Credit Corporation will execute acceptance of the contracts, and insert the additions described above, on October 25, and in any instance in which signed contracts are not received by the Corporation it will be necessary to move the cotton to warehouses at concentration points where lower rates are available.

Under the new-cotton-storage program a saving of approximately \$10,000,000 per year will be made for cotton producers and the Government in carrying charges. This does not include a saving to cotton producers of approximately \$2,250,000 on their 1938 loan cotton as a consequence of the reduction of the interest rate, recently announced, from 4 to 3 percent on Commodity Credit Corporation loans which will be effective November 1.

The maximum 12½-cent rate is applicable only to cotton from the 1938 and earlier crops.

A question has arisen before this committee as to whether the Commodity Credit Corporation is obliged under the provisions of section 3709 of the Revised Statutes to solicit competitive bids for warehousing services.

The legal situation is that the Corporation must solicit bids as required by section 3709, except in those instances in which an exemption is granted by the Secretary of Agriculture.

The Department looks upon the provisions of section 3709 as a great cornerstone in the efficient, economical, and fair conduct of public affairs, and in practice exemptions are granted from its requirements only when conditions indicate that a solicitation of competitive bids would not obtain the necessary results.

The technical legal situation on this question is set forth in an extract from an opinion by the Solicitor of the Department of Agriculture, rendered on October 14, 1939, which is submitted for the record.

In view of the revised bylaws of the Corporation, and the order of the Secretary of Agriculture to the effect that the business and operations of the Corporation shall be conducted pursuant to the procedures and regulations of the Department of Agriculture, it is believed that the Corporation has now become subject to section 3709 of the Revised Statutes.

It should be pointed out, however, that paragraph 2 of the Secretary's order authorized the establishment of exceptions to the procedures and regulations of the Department of Agriculture, when such exceptions have been approved by the Secretary of Agriculture.

In order to arrange for the storage, at the lowest available rates, of any Government-owned cotton which any local warehousemen might not care to store at the new 12½-cent maximum rate, bids were solicited from cotton warehousemen in those port and interior concentration points to which such cotton would be moved in the normal course of marketing.

Under this arrangement approximately 336,000 bales of cotton were moved and stored at an average rate of approximately 10.4 cents per bale per month.

A copy of the solicitation for these bids, which was sent to the individual warehousemen in the concentration points on October 13, 1939, is submitted for the record.

Commodity Credit Corporation is now making arrangements for the storage of such cotton as it is necessary to move to interior or port concentration points and is interested in obtaining offers from warehouses.

Any rate you offer is to be applicable to all Government-loan cotton regardless of whether it may be presently in storage or concentrated later. The rate should include storage and insurance for the market value of the cotton.

In addition to the storage and insurance rate, the offer should be accompanied by rates offered for all other items covered by your tariff and a copy of your



tariff listing such items. Any offer you may make should be forwarded in time to be received by Commodity Credit Corporation by noon Wednesday, October 18. It should be understood that the Corporation reserves the right to reject any or all offers.

Under the provisions of Public, No. 387, Seventy-sixth Congress, the Commodity Credit Corporation was directed to store a substantial quantity of cotton in New England. This requirement of law is submitted for the record.

The Commodity Credit Corporation is authorized and directed to transfer to warehouses in or near cotton manufacturing centers in New England not to exceed 300,000 bales of cotton, to which it now has title or may hereafter acquire title, having regard for the grades and staples customarily required by manufacturers in that area: *Provided*, That all necessary costs in connection with such transfer will not result in additional net cost to the Corporation.

In order to carry out the provisions of this law bids were requested for the storage of cotton in New England on February 10, 1940. Through this solicitation of bids, arrangements were made for the storage of 300,000 bales at rates ranging from 7 to 8 cents per bale per month, including insurance. The announcement of this request for bids is submitted for the record.

Warehousemen in or near New England cotton-manufacturing centers today were invited to place bids for storage of cotton held by Commodity Credit Corporation.

It is contemplated that up to 300,000 bales of cotton held by Commodity Credit Corporation will be stored in New England warehouses in accordance with the provisions of an act of August 11, 1939.

In order to be eligible, bids must be received by the Corporation before March 10, 1940. The results of the bidding will be announced as soon thereafter as practicable. Invitations for bids, a copy of the proposed contract, and provisions for surety bonds may be obtained by writing Commodity Credit Corporation, United States Department of Agriculture, Washington, D. C.

Upon the expiration of a year of storage at the 12½ cent maximum rate, in November 1940, the Department of Agriculture solicited bids for the storage of all Government stocks of cotton, except 1940 crop cotton which was then in the process of coming under loan.

This was done for the twofold purpose of obtaining warehousing services for the Government and farmers at the lowest available rates and relieving the congested storage situation in certain localities so as to provide producers with adequate storage facilities for the 1940 crop cotton at all local points.

The announcement of this solicitation for bids is submitted for the record:

Commodity Credit Corporation today invited warehousemen to submit bids for the storage of all cotton, except that from the 1940 crop which is now being harvested, either owned or held as security for loans by the Corporation.

Bids must be submitted prior to noon November 22, 1940, and the rates offered in bids accepted will be effective from December 1, 1940.

The invitations for bids are limited to warehouses located in the cotton-producing areas and ports adjacent thereto. Cotton stored in these areas is readily available for distribution to all domestic consuming centers and export markets without the loss of transportation expenses.

The cotton will be stored at the warehouses offering the lowest rates and no bids may be revised after the last date for submission. Any necessary movements of cotton will be made in line of transit to domestic mills or ports.

Officials of the Corporation pointed out that this solicitation of bids is being made for the twofold purpose of obtaining warehousing services for the Government and farmers at the lowest available rates and relieving the congested storage situation in certain localities so as to provide producers with adequate facilities for 1940 crop cotton at all local points.

Exclusive of the 1940 crop, the Commodity Credit Corporation holds title to approximately 6,500,000 bales of cotton and has under loan approximately 2,200,000 bales.

Copies of the invitation for bids may be obtained upon request to the Commodity Credit Corporation's office at Washington, D. C.

Soon after the foregoing announcement was made of the solicitation for bids, the Department of Agriculture was requested by several spokesmen for certain groups of warehousemen to postpone the date for receiving bids.

In order to comply with this request an announcement was made by the Department of Agriculture, on November 19, 1940, which deferred the date for the submission of bids from November 22 to December 3, 1940.

This announcement is submitted for the record:

Commodity Credit Corporation announced today that the time for submission of bids requested of warehousemen for the storage of cotton has been extended from November 22 to December 3, 1940. All other terms and conditions of the invitation for bids remain the same.

Under the extension, bids must be submitted prior to noon, December 3, 1940, and the rates offered in bids accepted will be effective from December 1, 1940.

Officials said that the extension was granted at the request of the warehousemen who said that the invitation for bids did not give sufficient time for submitting proposals.

On December 2, 1940, Senator McKellar introduced Senate Resolution No. 337, which was adopted, and which requested that the bids received by the Department of Agriculture for the storage of Government stocks of cotton not be accepted until the matter could be considered by the Congress.

Senate Resolution 337 is submitted for the record:

*Resolved*, That the Commodity Credit Corporation and the Department of Agriculture be, and they are hereby, requested not to ask for, or if already asked for, not to receive bids or make contracts for the reconcentration or re-warehousing of cotton in the Southern Cotton States until the matter can be taken up and considered by the Congress at its ensuing January session.

In order to conform to the request contained in Senate Resolution 337, the Secretary of Agriculture announced on December 16, 1940 that the acceptance of the competitive bids which had been received for the storage of Government stocks of cotton would be deferred from that date to February 1, 1941, so as to afford interested persons an opportunity to obtain a consideration of their views by the Congress.

The announcement of this action is submitted for the record:

The Department of Agriculture announced today that in order to conform to the request contained in Senate Resolution 337, of December 2, 1940, the date for the acceptance of the competitive bids which the Commodity Credit Corporation has received for the storage of Government stocks of cotton has been deferred from December 16, 1940 as set forth in the invitation for bids, to February 1, 1941, as described in the following letter:

THE VICE PRESIDENT,  
*United States Senate.*

DEAR MR. VICE PRESIDENT: Careful consideration has been given to Senate Resolution 337, of December 2, 1940, requesting that the competitive bids which the Commodity Credit Corporation has received for the storage of Government stocks of cotton not be accepted until there has been an opportunity for the Congress to consider the subject.

In order to conform to the request which is contained in Senate Resolution 337, announcement is being made today that the date for acceptance of the bids

has been deferred from December 16, 1940, as set forth in the invitation for bids, to February 1, 1941. This action will afford all persons an adequate opportunity to obtain a consideration of their views by the Congress.

Sincerely yours,

CLAUDE R. WICKARD, *Secretary.*

On January 9, 1941, Senator McKellar introduced S. 262, which is submitted for the record:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Commodity Credit Corporation is hereby authorized to enter into one-year contracts prior to August 1 in each year for the warehousing or storing, in accordance with the provisions contained in section 2 of this Act, of cotton heretofore or hereafter acquired by such Corporation and cotton held as security for loans heretofore or hereafter made or arranged for by such Corporation.*

Such contracts may be entered into without advertising and without competitive bidding; and, if the Corporation is unable to enter into satisfactory contracts at reasonable rates without advertising and competitive bidding, such contracts may be made pursuant to advertisement and competitive bidding.

In any such case advertisements for bids shall be published at least three times in a daily newspaper of general circulation in the vicinity, determined in accordance with the provisions of section 2 of this Act, in which the cotton should be warehoused or stored, and the contract shall be awarded to the lowest responsible bidder in such vicinity having satisfactory warehousing or storage facilities if the rates contained in his bid are reasonable.

SEC. 2. All cotton which is warehoused or stored under any contract or arrangement made by the Commodity Credit Corporation shall be warehoused or stored in the nearest locality to the place where it is produced, or to the place where it is located when such contract or arrangement is made, within which satisfactory facilities can be obtained at reasonable rates; it being the purpose of this Act to continue in effect the system of warehousing or storing such cotton in the cotton-producing States, near the places where such cotton is produced, in accordance with the system in effect during the year 1940, so as (1) to prevent unnecessary and uneconomical costs to farmers arising out of the sampling and resampling of their cotton, or arising out of warehousing or storing their cotton and rewarehousing or re-storing it in the same season, or arising out of transportation charges incurred in connection with rewarehousing, re-storing, or reconcentrating their cotton; (2) to prevent the removal of cotton to warehouses far distant from the homes of the farmers who own it, or have interests in it; and (3) to prevent monopolistic control and monopolistic tendencies with respect to the warehousing, storing, and reconcentration of cotton owned by farmers, or by the Government.

SEC. 3. In determining reasonable rates for the warehousing or storage of cotton for the purposes of this Act, consideration shall be given to the rates for such services which have been in effect during the years 1936 to 1940, inclusive, and no consideration shall be given to unusually low rates at which facilities are available by reason of abnormal dislocations in foreign commerce.

SEC. 4. All laws or parts of laws in conflict with or inconsistent with the provisions of this Act are hereby repealed to the extent of such conflict or inconsistency.

After an analysis had been made of the bids received for the storage of cotton, the Secretary of Agriculture addressed a letter to the Vice President, on January 15, 1941, setting forth the reduction of carrying charges, made against the Government and farmers, that could be obtained by acceptance of the bids.

That letter is submitted for the record:

Since I wrote you on December 16, 1940, with respect to Senate Resolution 337 of December 2, 1940, there has been an opportunity to analyze the competitive bids which the Commodity Credit Corporation has received from warehouses for the storage of Government stocks of cotton.

The analysis of bids shows that substantial reductions in carrying charges on the Government stocks of cotton have been offered. In fact, it has been determined that acceptance of the bids would result in a reduction of carrying charges made against the Government and farmers of approximately 15 percent,

or \$5,000 per day, after expiration of a brief initial period of less than 6 months, on the average, for the absorption of all supervision expense, handling cost, and possible unrecoverable transportation charges.

In my letter of December 16 we told you that the date for acceptance of bids had been deferred from December 16, 1940, to February 1, 1941, in response to the request in Senate Resolution 337 that we not receive bids or make contracts until the Congress could consider the matter.

As an executive department of government, we are now in the position of having been requested by one House of the Congress to defer, pending legislative consideration, administrative action which we feel is required in order to effect substantial savings for farmers and for the Government.

As previously indicated, our analysis of the bids shows that, on the most conservative estimates, we could save for farmers and the Government about 15 percent of the present carrying charges.

In view of the circumstances stated above, and of the statements contained in my letter of December 16, 1940, I want to make clear that I feel the public interest dictates that we proceed to accept bids on February 1 for the storage of cotton. At the same time I am aware that the Senate has gone on record requesting the Department not to accept bids until the Congress has had an opportunity to consider the matter.

This is to inform you of our administrative duty as we see it. I trust that unless we are specifically directed by Congress to pursue some other course of action you will understand our position in proceeding to accept bids on February 1, 1941, when the period of our deferment in response to Senate Resolution 337 will expire.

On January 22, 1941, the Secretary of Agriculture, at the request of this committee, rendered the following report on S. 262:

This is in reply to your request of January 13, 1941, for a report on S. 262, a bill for regulating the warehousing, storing, and reconcentration of cotton held by the Commodity Credit Corporation.

The principal provisions of this bill apparently would:

(1) Prohibit the Department of Agriculture from moving any cotton from the vicinity of the locality in which it was produced or is now stored; (2) compel the Department to enter into contracts for the storage of cotton without competitive bidding if "reasonable rates" as described in the bill were available through negotiation; and (3) prevent the Department, in the event that such "reasonable rates" were not available, from awarding a contract to the lowest of all bidders and compel its award to the lowest bidder in only the "vicinity" in which the cotton was produced or is now stored.

The bill provides that a determination of "reasonable rates" would have to be based upon a consideration of the rates "in effect during the years 1936-40, inclusive."

On the basis of our actual experience with restrictions on the movement of cotton, we believe that the provisions of this bill would create special monopolistic conditions in the warehousing of cotton and place unnecessary and excessive costs on farmers and the Government. Consequently, the provisions of the bill would seem to defeat its stated purpose to prevent monopoly and unnecessary costs to farmers.

These results could be expected because apparently (1) the Department would be prohibited from soliciting competitive bids so long as storage contracts were available at the increased costs indicated by the basis specified for the determination of "reasonable rates"; (2) the Department would have to determine "reasonable rates" on the basis of a consideration of the rates that were in effect for the years 1936-40, a period during which the average storage rates were more than 50 percent in excess of the rates now being charged farmers and the Government, which rates in turn are considerably higher than the rates warehousemen have offered in response to a recent solicitation for competitive bids; and (3) the Department would be prohibited from moving cotton from one locality to another and would be compelled to accept whatever offers were made by the warehouses of each individual locality, and there are a great many localities, having only one or two warehouses, within which competition for the storage of cotton is either negligible, or nonexistent.

The excess profits that many warehousemen made at the expense of farmers and the Government, when restrictions were effective on the movement of

cotton now owned by the Government, have demonstrated the conditions that could be expected under the restrictive provisions of S. 262.

Competition in the storage of cotton is destroyed and monopolistic conditions substituted whenever the possible movement of cotton is legally prohibited. There seems to be no reason to doubt that increased and excessive charges to farmers and the Government would result unavoidably under the provisions of this bill because it would deny those localities which normally store more cotton than they produce the right to enter into competition and to utilize their established facilities.

For instance, one of the first effects of the bill would be to prohibit the acceptance of the bids now in hand for the storage of some old-crop cotton at rates that would reduce the carrying charges to the Government and farmers by approximately 15 percent of \$5,000 per day.

In view of the fact that the apparent effects of S. 262 would unfortunately be to create special monopolistic conditions in the storage of cotton, and to burden farmers and the Government with increased and excessive storage costs, it is the opinion of the Department that this bill should not be enacted.

As required by Budget Bureau Circular No. 344, a copy of our proposed report was submitted to the Bureau of the Budget for clearance and, on January 22, the Assistant Director thereof advised that the enactment of the proposed legislation would not be in accord with the program of the President.

On January 23, 1941, this committee held a meeting for the consideration of S. 262, and adopted a resolution by Senator McKellar which requested the Secretary of Agriculture to announce a further postponement of the date for the acceptance of the bids.

The resolution is submitted for the record.

Whereas a difference has arisen about the amount of time that it will take to dispose of Senate bill 262, or any amendments or substitutes therefor; and

Whereas the Secretary of Agriculture has heretofore announced that he will take action on the bids that have been asked for for the warehousing of cotton; Now, therefore, be it

*Resolved*, That this committee requests the Secretary of Agriculture to hold the matter for 60 days from this date, in order that the two Houses of Congress may pass upon this bill. Of course, if it can be passed or defeated earlier, this resolution ends at that time.

On January 31, 1941, the Secretary of Agriculture, in order to comply with the foregoing request by this committee, announced that the date for acceptance of bids for storing Government stocks of cotton had been postponed from February 1, 1941, to not later than March 23, 1941.

This announcement is submitted for the record.

Secretary Claude R. Wickard announced today that in compliance with the request of the Senate Committee on Agriculture, which has Senate bill 262 under consideration, the date for acceptance of warehouse bids on storing Government-owned cotton has been extended from February 1, 1941, to "not later than March 23, 1941."

Secretary Wickard's letter to the Senate Committee on Agriculture follows:

"This is to advise you that the date for the acceptance of bids that have been received for the storage of Government stocks of cotton will be postponed from February 1, 1941, to not later than March 23, 1941, in accordance with the request for deferment set forth in a resolution adopted on January 23 by the Committee on Agriculture and Forestry.

"This action is taken on the assumption that every effort will be made by the interested persons to expedite a consideration of S. 262."

We believe that the basic question raised before this committee by S. 262 is whether the Department of Agriculture should be denied the legal right to move some of the Government stocks of cotton whenever such action may be required in order to protect farmers and taxpayers against unnecessary and excessive warehousing charges.

This basic question appears to have been discussed adequately in the report rendered to the committee by the Secretary of Agriculture on January 22, 1941.

One of the first results of the enactment of S. 262 would be to prevent the acceptance of the competitive bids now in hand by the Department of Agriculture for the storage of Government stocks of cotton.

Beginning on January 24, 1941, a group of representatives of concerns which own cotton-warehousing facilities at several interior points testified in support of the bill by addressing themselves primarily to this first potential result of S. 262.

In that testimony about six minor contentions and one major contention were made repeatedly against the acceptance of the bids now in hand by the Department of Agriculture.

In view of the fact that these arguments appear to be somewhat at variance with the actual situation that has come to our attention, we believe that with the permission of the committee it would be desirable to comment briefly on the contentions that were made.

Let us dispose of the minor contentions before giving attention to the major argument advanced to support S. 262.

First: The contention was made that the recent solicitation of bids for the storage of cotton violated the provisions of section 383 (b) of the Agricultural Adjustment Act of 1938, as amended by Public, No. 660, Seventy-fifth Congress, which have been submitted for the record. The solicitation of bids was, of course, approved by the Solicitor of the Department of Agriculture.

It may suffice to point out that there is no provision in this law which prohibits a solicitation of bids for the storage of cotton. In fact, a solicitation of bids is possibly the best, or even the only, method of determining the "average of carrying charges available elsewhere," as set forth in the law.

Second: The contention was made that interior warehousemen could not offer bids under the terms of the solicitation. Two arguments were repeatedly offered to support this contention.

In the first place it was alleged that the 15-cent shipside-delivery charge is for a service that could not be performed by interior warehousemen without incurring extremely large expenses in transporting cotton from distant interior points to the ports.

This contention is without basis because, among other reasons, the term "shipside delivery" is commonly used and understood by practically everyone in the cotton warehousing and shipping industry to describe a service that is rendered only by port warehouses. This contention must rest on the assumption that a Government contract is likely to be interpreted without regard to the usual meaning of the terms used, and also in such an unreasonable manner as to compel a warehouseman, for a 15-cent fee, to bear a cost of, say, \$1.50 or more for transporting a bale of cotton from a distant interior point to a port.

In the second place, it was alleged that in bidding, the interior warehousemen were required to include a "moving" stock of farmer-owned cotton stored under Government loan from the 1938 and 1939 crops, and that the ports would receive Government-owned cotton which was called "dead" storage.

The fact is that the old loan cotton cannot be considered as a moving stock as contrasted with the Government-owned cotton as dead storage.

The loan cotton included in the bids is composed of 2,010,000 bales from the 1938 crop, and 20,000 of 1939 loan cotton. It was well-known by all concerned that the movement of this cotton out of the loan would, of course, practically cease with the harvesting of the 1940 crop, which can be redeemed from the loan for considerably lower payments. And, of course, the repossessions of 1938-loan cotton naturally terminated for all practical purposes by November 1, 1940, at which time substantial quantities of 1940-crop cotton had become available in the market.

As a matter of fact, from that date to January 1, 1941, the withdrawals of 1938 cotton from the loan were less than 2,000 bales, or less than 1 bale for each 1,000 bales in the stock.

Furthermore, it may be noted that the movement of Government-owned stocks of cotton export outlets, such as occurred under the barter agreement with Great Britain for the exchange of cotton for rubber, means that such cotton may not be considered as absolutely dead storage.

Moreover, contrary to the conditions indicated by some of the testimony before this committee with respect to the former movement of 1938-crop loan cotton, the Department of Agriculture's records show that the average length of time such cotton has remained in storage has already exceeded 20 months.

Finally, it may be noted that not only is this contention lacking in any substantial basis but also that, as a matter of fact, bids for a large quantity of cotton were received from interior warehouses.

Third. The contention was made that any movement of Government-owned Delta cotton to the ports would result in the loss of identity of the location in which it was produced and hence in the loss of price premiums for such cotton.

Without giving any consideration to the question of the extent of the prevalence and the size of such price premiums, it may suffice to point out that the records maintained by the Department of Agriculture for all Government stocks of cotton, whether owned or under loan, show for each bale the point of origin.

Fourth. The contention was made that any movement of Government-owned cotton to save storage expense would result in a loss of weight in the cotton.

Presumably, such a contention refers to the fact that frequently there is a slight gain or loss of weight in the shipment of cotton. Such slight changes are inevitable. They are usually a consequence of changes in moisture content.

Fifth. The contention was made that any movement of Government-owned cotton to save storage expense would entail a cost for resampling.

The real situation is that no resampling would be required because the Department of Agriculture already has the samples and the class for all except a small number of bales of Government-owned cotton.

Sixth. The contention was made that much of the cotton to be moved into low-cost storage offered at the ports would be reshipped to interior points at a later date.

Such a statement seems to be based on the extreme position that Government-owned cotton stored at ports will not be exported.

The extremity of such opinion is indicated by the fact that it seems to rest on the assumption, first, that the Congress is likely to reduce the farmers' allotments for the production of cotton below the amount required for domestic consumption; and, second, that domestic consumption will exceed domestic production by an amount even greater than the very large surplus of Government-owned and Government-loan cotton that would remain in storage at interior points.

We come now to the major contention made to support S. 262. The contention made most emphatically and repeatedly by the representatives of interior warehousemen was their expression of opinion that, if some Government-owned cotton were moved into port storage, the interior warehousemen would raise the rates they charge on other cotton.

This deserves careful consideration because, if it were true, the situation would constitute a threat to the welfare of farmers. Moreover, if such a situation were to exist, it would indicate that the warehouses in question occupy a substantial degree of monopolistic position in the storage of cotton. A brief explanation will make this clear:

If some Government-owned cotton were moved from the warehouses operated by these gentlemen they would have left a larger supply of their basic service for sale, which is storage space; and, of course, everyone recognizes that under freely competitive conditions price declines as supply increases.

Briefly, we all know, as it is stated, that only a monopolist can reverse the law of supply and demand, and raise his price when the supply of what he is selling is increased.

If there were full and free competition among interior warehouses for the storage of cotton, storage rates could be expected to decline somewhat with an increase in the amount of storage space made available on the market.

The opinion expressed in the record, that if the vacant space in interior warehouses were increased the warehousemen would raise the rates they charge on other cotton, would seem on first sight to be contradicted by the opinion, which was also expressed in the record to support S. 262, that the port warehouses have offered reduced storage rates because of the existence of such vacant storage space.

In other words, the committee was told, in support of S. 262, that vacant space causes lower rates at the ports and higher rates in the interior.

Apparently these opinions could be reconciled only on the assumption that rates for the storage of cotton at interior points are determined under some degree of monopolistic conditions, and that the rates for the storage of cotton at ports are determined under more competitive conditions.

We find it difficult to believe that such contrasting conditions obtain between interior and port storage.

There are additional reasons to doubt that the opinion about inland storage rates expressed by the representatives of interior warehousemen would necessarily prove true, but at the same time it is not difficult to understand how they may have come to possess



the opinion that if some Government-owned cotton were moved into port storage they would raise the rates charged on cotton stored at interior points.

These warehousemen, and some others similarly situated, may in the past have occupied such a degree of monopolistic position in their individual localities that they still feel confident of an ability to raise storage rates so as to maintain the full level of their present incomes even though the quantity of cotton stored in their warehouses were somewhat reduced.

We believe, however, that in forming this opinion they may not have made adequate allowance for the options that have been made available to cotton producers under the present Government-loan program and for the present right of the Government to move the stocks of cotton it owns.

Today, for instance, cotton producers can place their cotton under loan and repossess it from the loan at very little expense or inconvenience; and, in addition, many cotton producers can, in view of the recent addition of location differentials to the loan program, store their cotton which is to be consumed at very distant points at different locations along the normal route of marketing without additional cost.

We believe that through these options and differentials in the cotton-loan program, and through the acquisition of title to a substantial stock of cotton which the Government can move without legal restriction, it has been possible to decrease appreciably such formerly large degree of monopolistic position in the storage of cotton as may have served as the basis for the opinion expressed by these warehousemen.

Consequently, it is believed that under present circumstances the Government is already in a position to afford farmers some protection against the reversion of storage charges to the higher levels that obtained a few years ago.

In addition, if the farmers and the Government were to find themselves confronted with a proof of the opinion expressed by these warehousemen, in the form of any demands for excessive storage rates, they could resort to one or more of the usual alternatives that are utilized to meet such situations.

It is not believed, therefore, that the savings in warehouse charges that could be obtained by accepting the bids which have been received would be offset in the other direction indicated by the testimony of the representatives of the interior warehouses.

Careful scrutiny needs to be given to the major contention of the representatives of the interior warehouses that, if some Government-owned cotton were moved into port storage, they would raise the rates they charge on other cotton.

If the monopolistic condition indicated by their contention actually exists, it would hardly seem appropriate as a remedy for the problem to enact new legislation that would grant them a still greater degree of monopoly and tie the hands of the Department of Agriculture so that it could not protect farmers in case the power of such increased monopoly were not exercised mercifully.

We submit for your consideration the observation that if the representatives of the interior warehousemen possess, and would use, the monopolistic powers their testimony indicates, the condition they describe would seem to call for some effective public regulation of cotton

warehousing rates charged farmers and not for a grant of still greater monopoly powers.

About the only effective public regulatory force that can be brought to bear on the situation today is found in the existing right of the Department of Agriculture to move Government-owned cotton without legal restriction.

An enactment of S. 262 in either its present form, or in any one of the numerous other forms into which it might be recast to place restrictions on the right of the Government to move its cotton, would deprive the Department of Agriculture of an ability to protect farmers and the Government against any unfair exercise of the monopolistic powers which the representatives of interior warehousemen have described at such great length in their testimony before this committee.

To summarize, it may be pointed out that we have carefully examined all the testimony that has been offered for the record to support S. 262, and that we have not been able to find that it contains any contention that will withstand analysis.

On the other hand, there are, as set forth in the report made by the Secretary of Agriculture, several basic objections to S. 262 from the standpoint of the public welfare.

In conclusion, probably one piece of information should be offered to the committee which was not developed in the testimony.

Reference is made to an unusual problem that arose for consideration last week when, in some attempts to reach a satisfactory agreement among themselves on this situation, representatives of interior and port, and large and small, warehouses met to consider various alternatives to the acceptance of the bids now in hand.

When the solicitation of bids was made, a few of the large interior warehouse organizations may have felt that they were confronted with a dilemma in which it was necessary to choose between either making bids that would reduce their rates and hold the cotton in question, or in not making competitive bids and taking a chance that in the end the Government would not be able to accept the bids of other warehousemen.

Of course, we do not know how they may have looked upon the situation, but the fact is that a few of the large interior warehousing organizations elected not to reduce their rates through the submission of bids. Now, it so happens that in some cases cotton stored by these organizations is in the most advantageous locations for movement to those ports where a substantial amount of storage space was offered at lower rates; and as a consequence, the majority of the cotton that would be moved through acceptance of the bids now in hand is presently stored with these large interior warehousing organizations.

If, under these conditions which have developed, a new solicitation of bids were made or some proration alternative were adopted, there almost certainly would be some transference of a loss of cotton from these large organizations, which did not submit competitive bids, to the moderate and small-size warehouses. Thus arose a problem of equity for which as well as for some other problem of undertaking to arrive at an alternative, no suggested solution could be found.

Naturally the Department of Agriculture would be pleased to supply the committee with any additional information that may be desired.

I thank you.

Senator BANKHEAD. Let me ask Dr. Robbins a few questions before I release him for questioning.

Doctor, have you had any meeting of the board of directors of the Commodity Credit Corporation to act on this subject?

Mr. ROBBINS. No, sir. The Commodity Credit Corporation, Senator Bankhead, functions as a Bureau of the Department of Agriculture. There is no need for a meeting of the board of directors except to approve an annual report, or take such other technical legal action as is required on account of the corporate form of organization.

Senator BANKHEAD. How many members of the board are there?

Mr. ROBBINS. There are 6.

Senator BANKHEAD. And who are they?

Mr. ROBBINS. The members of the board at the present time are Mr. Black, of the Farm Credit Administration; Mr. Hudson, of the National Defense Commission; Mr. Evans, of the Agricultural Adjustment Administration; Mr. Goodlow, who has recently become employed by the Reconstruction Finance Corporation; and myself.

Senator MCKELLAR. That is only 5; who is the other member of the board?

Senator AIKEN. Who is Mr. Hudson connected with?

Mr. ROBBINS. Mr. Hudson was formerly Assistant Administrator of the Agricultural Adjustment Administration and I believe he still holds that position, but most of his time is now being given to the work of the office of Mr. Chester Davis, the agricultural representative of the National Defense Commission.

There has not been a meeting of the board of directors of the Commodity Credit Corporation since about the first week after the Corporation became part of the Department of Agriculture, in the summer of 1939.

Senator BANKHEAD. There has been no meeting of the board of directors of the Corporation since that time?

Mr. ROBBINS. No, sir.

Senator BANKHEAD. So, you act on all matters coming before the Corporation, that is, matters of this character, as you see fit, without holding any meetings of the board at any time?

Mr. ROBBINS. It is true, Senator, that the board of directors is purely a legal formality.

Senator BANKHEAD. Why do you say that, Doctor? Is it because you treat it that way; is that the reason you say so?

Mr. ROBBINS. No, not for that reason, Senator; but because under the regulations governing the Corporation issued by the Secretary of Agriculture, it is set up to be operated as a regularly established Bureau of the Department; but I would like to emphasize the fact that action, such as the solicitation of bids, as in this instance, is not taken on the basis of the judgment of any one person, or even of any one part of the Department of Commerce. Such a determination represents an action by the Secretary of Agriculture, in which many persons and several parts of the Department have participated.

For instance, in a case of this kind, a docket would be prepared making the proposal that bids be solicited and giving the reasons for making the solicitation, and such other information that ought to be considered in making the final decision on the proposal, and that is merely approved by the head of the Corporation and it is

then submitted for the approval of the attorneys and the Solicitor of the Department; it then must be approved by the staff of the Budget officer, or the Director of Finance, and then it is sent to the office of the Secretary of Agriculture, where it is examined by the assistants to the Secretary, and finally it must be approved by the Secretary himself before any action can be taken.

Senator BANKHEAD. As I understand it, the board has had no meeting on this subject; you have had no meeting for approximately 2 years; is that correct?

Mr. ROBBINS. That is correct, Senator Bankhead.

Senator BANKHEAD. And you regard yourself as the head of this Bureau because you hold the title of President of the Commodity Credit Corporation?

Mr. ROBBINS. That is correct, Senator.

Senator BANKHEAD. Dr. Robbins, when did this movement originate to ship this cotton to the ports?

Mr. ROBBINS. Senator, I had not thought of the solicitation of bids as a movement to ship cotton to the ports; we had looked upon it as an effort to obtain a further reduction of the carrying charges on the Government stocks of cotton.

Senator BANKHEAD. But you expected to do that by shipping it to the ports, did you not, Doctor? I think that can be confessed or admitted, that that was your hope, your objective, and your belief, that that was the way you would get a substantial reduction, by shipping to the ports? Is that not so?

Mr. ROBBINS. I would like to point out that while much of the saving would come from a movement of cotton to lower-cost storage that has been offered at port points, still, by accepting these bids, the Department would obtain reduced rates on approximately 3,000,000 bales of cotton which would not be moved at all from the present locations.

Senator BANKHEAD. That is because of the threat of lower rates at the port; is that not correct?

Mr. ROBBINS. I believe that because of the working out of competitive forces, that is, that bids would be received which would reduce the present carrying charges on 2,970,000 bales of cotton without movement from their present locations.

Senator BANKHEAD. And that would be by the coercive power the cheap rates at the ports would provide; is that not correct?

Mr. ROBBINS. That would not be a complete statement of the situation, Senator Bankhead, because in bidding, the individual warehousemen are bidding in competition with other local warehousemen and with interior warehousemen at concentration points, as well as with the warehousemen at the ports.

Senator BANKHEAD. In your mind all of the time, though, you were using the leverage of the ports on the rest of the industry in pressing this movement?

Mr. ROBBINS. We were certainly availing ourselves, yes; Senator Bankhead, of the competitive forces of the ports, which was the largest competitive force, as well as the competitive forces that could be brought into play from the interior.

Senator BANKHEAD. What representatives of the ports first approached you about this movement?

Mr. ROBBINS. This proposal came to me from the Cotton Division of the Commodity Credit Corporation rather than from an outside source, Senator Bankhead.

Senator BANKHEAD. Well, who presented it to them, Doctor? You know what I am talking about; you know what I am trying to get from you.

Mr. ROBBINS. I really do not know that any individual had been pressing for a consideration of that alternative. There is here with me, Mr. Rathell, Director of the Commodity Credit Corporation's Cotton Division, and I would like to ask him, with your permission, whether any particular individual had urged the Cotton Division to propose that bids be solicited.

Senator BANKHEAD. All right.

Mr. RATHELL. In considering the storage problems, about October 1939 I believe, at a meeting held in the Department of Agriculture, there was some suggestion of competitive bids at that time made by various port—

Senator BANKHEAD (interposing). What time was that?

Mr. RATHELL. October 1939.

Senator BANKHEAD. And who were they?

Mr. RATHELL. Who were they?

Senator BANKHEAD. Yes.

Mr. RATHELL. I would have to look at the record to get that information.

Senator BANKHEAD. Surely you have some recollection of that, Mr. Rathell, have you not?

Mr. RATHELL. I think Mr. Johnson made a proposal of that type.

Senator BANKHEAD. What Mr. Johnson?

Mr. RATHELL. Mr. J. M. Johnson.

Senator BANKHEAD. And whom did he represent?

Mr. RATHELL. The Houston Compress Co. He proposed, in a discussion of storage charges at the time, competitive bidding. There was nothing done in connection with the proposal, because, as the statement of Dr. Robbins has pointed out, it was not thought that that was the best way of approaching the problem at that time.

The suggestion and the recommendation made by the Cotton Division in November of last year was based purely on a consideration of the problem of obtaining the best storage rates for this cotton, in order to carry the owned stocks of cotton and take care of cotton that had to be moved in order to relieve congestion at certain areas, and there was no suggestion in this proposal from anyone.

Senator BANKHEAD. In 1939, when Mr. Johnson—that was in 1939, in October?

Mr. RATHELL. Yes. Senator, if I may be permitted, I would like to go through the records and I do not have them with me here this morning—I would like to go through the record of those meetings in order to answer accurately the question.

Senator BANKHEAD. Just as far as you remember.

Mr. RATHELL. I just cannot answer as to any other person that I know of. I think it was generally proposed by the port interests.

Senator BANKHEAD. That is what you understood at the time?

Mr. RATHELL. Yes, sir.

Senator BANKHEAD. That is, that he was speaking for the port interests?

Mr. RATHELL. Yes, Mr. Johnson, of course, was with the port interests.

Senator BANKHEAD. And there were others there also representing the same interests?

Mr. RATHELL. Yes; there were representatives of all interests there at that time.

Senator BANKHEAD. How was that suggestion followed?

Mr. RATHELL. It was not followed at all at that time. At that time we offered contracts of 12½ cents a bale a month to all warehouses for the continued storage of cotton in stock at the time. We also at that time obtained contracts for reconcentration of cotton where it was necessary, on competitive bids.

Senator BANKHEAD. Let us go back a minute. What was Mr. Johnson's suggestion or proposal?

Mr. RATHELL. Senator, the whole proposal came about in connection with the discussion of the warehouse storage rates, at a meeting at which representatives of the warehouse interests, both interior and port, the farmer interests, cotton shippers, Commodity Credit Corporation, and bankers, and under discussion at that time as one of the subjects, was the question of cotton storage rates, whether they were reasonable and on what basis they might be handled.

Senator BANKHEAD. Did they represent that they would give you better rates?

Mr. RATHELL. Oh, yes; there was an indication at that time that competitive bids would have brought lower rates.

Senator BANKHEAD. When did you accept the idea they presented?

Mr. RATHELL. I do not know—I could say we accepted that idea at that time.

Senator BANKHEAD. Did they come back again?

Mr. RATHELL. No. That was worked out by a uniform contract at the 12½-cent rate, which was offered to all of the warehouses at that time.

Senator BANKHEAD. That was in 1939?

Mr. RATHELL. Yes, sir.

Senator BANKHEAD. And in 1940, what did you do?

Mr. RATHELL. In 1940 we went to the competitive bidding method.

Senator BANKHEAD. Was that for the entire field, or just for the ports?

Mr. RATHELL. In November 1940 we went to the competitive bidding method for the entire field.

Senator BANKHEAD. For the crop of 1940?

Mr. RATHELL. No; for all old cotton.

Senator BANKHEAD. Government cotton?

Mr. RATHELL. Government-owned and the old loan cotton.

Senator BANKHEAD. Did they apply to the 1940 crop?

Mr. RATHELL. No, sir; it did not.

Senator BANKHEAD. How did you adopt the rates for the 1940 crop?

Mr. RATHELL. Those rates were adopted after consultation with warehousemen.

Senator BANKHEAD. And without competitive bidding?

Mr. RATHELL. That is correct, without competitive bidding. Competitive bidding, of course, is not applicable to cotton going under the loan.

Senator BANKHEAD. That is all I want to ask you now. Are you going to testify later?

Mr. RATHELL. I had not intended to.

Senator ELLENDER. Mr. Rathell, as I understand, at this meeting to which you have just referred which was held in November 1939, all warehousemen, I presume, in the South were present or represented?

Mr. RATHELL. I think that would be true, Senator; I think every interest was represented.

Senator ELLENDER. Would you be able to furnish the record with the minutes of such meeting or any other evidence of it you have, showing who was present and what took place?

Mr. RATHELL. Yes, sir; I would be very glad to do so.

Senator ELLENDER. Mr. Chairman, I suggest since the question has been raised, Mr. Rathell furnish copies of the minutes so they may be inserted in the record at this point.

Senator BANKHEAD. Do that, Mr. Rathell.

Mr. RATHELL. Yes, sir.

Senator ELLENDER. Mr. Rathell, you said a moment ago that the suggestions that were offered by these persons who appeared in November were not acted upon because Dr. Robbins, or someone, did not think it proper, or something of that sort; just what did you mean by that, or did I misunderstand you?

Mr. RATHELL. May I explain that, Senator?

Senator ELLENDER. I wish you would.

Mr. RATHELL. At that time we were engaged in the delivery of cotton to the British Government in connection with the cotton-rubber exchange agreement. It was necessary to class the entire 6,000,000 bales of cotton in connection with that delivery and to select the particular qualities that the British Government had specified. Because of that delivery it was not possible to have a free movement of cotton. We could not have gone on a competitive basis because until after we had completed the selection of cotton for the British Government it would have been difficult to remove it. The enabling legislation of the cotton-rubber exchange agreement had restrictions which required the cotton be not moved before selection to the British Government.

Senator ELLENDER. You say when you sent out these bids in 1940 there were no suggestions from any source—

Mr. RATHELL (interposing). No, sir.

Senator ELLENDER. Other than from the Department itself?

Mr. RATHELL. That is correct.

Senator ELLENDER. You did use, of course, the suggestions that were made in 1939, probably, for what you did in 1940?

Mr. RATHELL. Senator, the question of storage and storage rates had been one that had had to be considered for 7 years, and more particularly in the later years, because of the mounting stocks of cotton, and naturally, in considering that, you have to explore every field and use those which seem to be the best in order to produce the lowest carrying charges and still be fair.

Senator ELLENDER. Who was it that determined this 12½-cent basic rate to which you have referred, the 12½-cents-per-month basic rate to which you have referred?

Mr. ROBBINS. That was determined by the Secretary of Agriculture.

Senator ELLENDER. You did not have anything to do with it?

Mr. RATHELL. Yes; as to recommendations.

Senator ELLENDER. Then I presume it was discussed in the Department and submitted to the Secretary for final action?

Mr. RATHELL. That is correct.

Senator MCKELLAR. Mr. Chairman, may I ask a question or two?

Senator BANKHEAD. Yes.

Senator MCKELLAR. You said Mr. Johnson and others were at this meeting of October 1939 when competitive bids were suggested or recommended?

Mr. RATHELL. Yes, sir.

Senator MCKELLAR. Was Mr. White at that meeting?

Mr. RATHELL. Senator, I will put into the record—

Senator MCKELLAR (interposing). Just one moment. What I am asking you now is just a simple question you can answer without the slightest difficulty; all I am asking you now is whether a gentleman by the name of Mr. White was present at that meeting and talked to you about this matter?

Mr. RATHELL. In October 1939?

Senator MCKELLAR. In October 1939 or thereabouts.

Mr. RATHELL. Senator, I believe he was, but I would like to look at the record in order to be positive.

Senator MCKELLAR. Now, I want to ask you if Mr. White did not prepare a brief on this subject and submit it to you?

Mr. RATHELL. On competitive bids?

Senator MCKELLAR. Yes; in regard to the warehousing of cotton.

Mr. RATHELL. He may have.

Senator MCKELLAR. Will you get that and make it part of your—

Mr. RATHELL (interposing). I am not positive about that, Senator.

Senator MCKELLAR. That is, you are not positive he did but you think he probably did?

Mr. RATHELL. He may have.

Senator MCKELLAR. You will look for that brief and obtain a copy of it for the committee's record?

Mr. RATHELL. Yes, sir.

Mr. ROBBINS. I recall, Senator McKellar, that a brief was received which had been prepared by Mr. White's office, I believe, holding that the Commodity Credit Corporation was obliged to request bids under the law.

The meeting to which reference has been made, I am sure, will be recalled by Senator Bankhead and Mr. Reed, who were both present; it will be recalled that that meeting was held in the auditorium of the Department of Agriculture.

Senator ELLENDER. Was that the meeting Mr. Rathell referred to?

Mr. ROBBINS. Yes, sir.

Senator MCKELLAR. Was another gentleman by the name of Mr. Bateman present?

Mr. RATHELL. Yes; Mr. Bateman was there.

Senator MCKELLAR. Now, since that meeting in 1939, have not these three gentlemen—Mr. J. M. Johnson, Mr. White, and Mr. Bateman—been quite active in this matter of your giving out competitive bids, asking for competitive bids?



Mr. RATHELL. I am quite sure each of the three gentlemen thought that was the proper method of storing cotton.

Senator MCKELLAR. I am sure they did, but I am asking you the simple question, Have they not been exceedingly active in furthering the competitive bidding idea?

Mr. RATHELL. I might answer that, Senator, to say that the proposal for competitive bids that was approved by the Department was wholly from within the Department, the recommendations.

Senator MCKELLAR. I am not asking you that at all. That is as far as possible from my question. My question is one of simple fact. What I am asking you is whether since 1939, when you say those three men were very much interested in competitive bids, have they not been exceedingly active, up to this good hour on Tuesday, February 11 at 11 minutes past 11, are not some of them in this room right now?

Mr. RATHELL. Yes, sir.

Senator MCKELLAR. And they have been very active?

Mr. RATHELL. Oh, yes.

Senator MCKELLAR. That is all for the moment.

Senator ELLENDER. Dr. Rathell, there is a question or two I would like to ask you in respect to the persons who were present at this meeting of September 1939. In answer to a question by Senator McKellar you stated that these three persons named by him kept on, as I gathered, trying to get you of the Department to procure competitive bidding. What did you mean by that? In other words, what part did they take? What method did they use in order to procure you or Dr. Robbins or anybody else to go into this competitive bidding?

Mr. RATHELL. I think they expressed the opinion, or at least that they thought, that through competitive bidding the cotton held by the Commodity Credit Corporation could be stored more economically.

Senator ELLENDER. Did they use any illegal means, or did they go outside of, let us say, proper business methods of handling the matter? Did they try to use coercion or any other improper methods to prevail on the Department to go into competitive bidding?

Mr. RATHELL. No; not at all.

Senator ELLENDER. Now, let us take the other side of the picture. Did those who might be affected by competitive bidding come in to you and argue that it should not be done?

Mr. RATHELL. No; I do not believe that they made any statements in that connection, as I recall.

Senator ELLENDER. How about later on, when the bids were actually called for? Was any action taken by the opposing forces, as I may say?

Mr. RATHELL. Well, I think the first information that we had definitely on it was when they came before the hearing.

Senator ELLENDER. The point that I wanted to bring out is that in any event did anybody attempt to coerce the Department into calling for these bids?

Mr. RATHELL. No, sir.

Senator MCKELLAR. Mr. Chairman, may I examine Dr. Robbins now?

Senator BANKHEAD. I have one or two more questions of Dr. Robbins.

Senator McKellar. I have no objection to any of you going ahead of me.

Senator Bankhead. Doctor, what is your objective in amount? You started out with the idea of saving a definite amount of money, did you not?

Mr. Robbins. Well, Senator, of course we could not anticipate how much in savings the bids would reveal before the solicitation was made, but now that the bids have been received—

Senator Bankhead (interposing). I am not talking about—

Mr. Robbins (interposing). We do anticipate a substantial saving would be made.

Senator Bankhead. Have you even indicated to the representatives of the ports, before the bids were received, about what amount you expected to save as a result of the bids?

Mr. Robbins. No; I do not recall having made any statement of an estimate to any representative of the ports. I do recall one or two Members of Congress discussed the matter with us and asked us for some rough estimates, which we furnished, of what might happen. However, figures of that kind, as you know, are quite unreliable because one cannot anticipate what a bidder is likely to do in the last analysis.

Senator Bankhead. You read into the record here, and emphasized it, the report of the Secretary on this bill. I will ask you if that report was not prepared in accordance with the usual custom, having been done in your Bureau and submitted to him for his signature, and represents your views, prepared for him?

Mr. Robbins. No; that would not be a true picture of the situation, Senator Bankhead.

Senator Bankhead. Did he, in fact, prepare the report?

Mr. Robbins. I should like to emphasize the fact that all important acts taken by the Department of Agriculture represent the net result of the work, not only of several individuals in a bureau, but of several bureaus, and in this instance—

Senator Bankhead (interposing). I asked you if the report was not prepared by subordinates for the Secretary to sign?

Mr. Robbins. This report was not prepared by the Commodity Credit Corporation in its final sense, at all.

Senator Bankhead. Who prepared it?

Mr. Robbins. The Corporation did prepare an original draft of the report, which then received the benefits of additional consideration of several other agencies of the Department and of many other people before it was transmitted, as all reports on legislation are, to the Bureau of the Budget, which, as you know, is in the office of the President, for final review.

Senator Bankhead. I am trying to get the purpose—

Mr. Robbins (interposing). The fact is the Commodity Credit Corporation prepared the first draft of the report and that several additions and changes were made.

Senator Bankhead. You mean that you and your subordinates—you have said there was no such corporation in practice; that it is really a bureau. It was prepared by you and your assistants in the Bureau, that is what you mean?

Mr. Robbins. The first draft; yes, sir; but several changes were made subsequently.

Senator BANKHEAD. Those changes were made before it got to the Secretary?

Mr. ROBBINS. Yes, sir.

Senator BANKHEAD. I have just one other question before I release you to the others. You stated a few days ago, as I understand, that the chances were 10,000 to 1 against passage of this bill; why did you make such a statement?

Mr. ROBBINS. I made no such statement, Senator Bankhead. Let me see what was said. I believe that at the conclusion of an executive meeting, Senator Aiken, of Vermont, was discussing with some representatives from various sides, this whole matter, and I asked Senator Aiken whether he thought this bill was likely to be approved forthwith, or whether it perhaps did not have a chance in a thousand of being approved, and Senator Aiken started to reply, and then thought better of it and said he felt he would not give his opinion.

In other words, I merely submitted a question as to whether it was likely to go through rapidly or whether it had very little chance.

Senator BANKHEAD. Or whether it had thousands of chances against it. Were you trying to convey by that the impression to others there was no chance of getting this bill through?

Mr. ROBBINS. No, sir.

Senator BANKHEAD. At a group assembled to reach a compromise or adjustment, was such a statement made to impress them they were wasting their time?

Mr. ROBBINS. No, indeed.

Senator BANKHEAD. Coming from a man in your position, that is, inside the Government circles, would not a question like that naturally tend to have that effect?

Mr. ROBBINS. No, Senator; and such an unfortunate interpretation could only be made by one who was concerned only with part of the question, that is, with one extreme. Really, I asked Senator Aiken what his opinion was between the two maximum extremes, of great likelihood of immediate passage, or no likelihood of immediate passage.

Senator BANKHEAD. You did not indicate anything at all in your statement, by the way you said it, about your views about the odds against the bill's passage?

Mr. ROBBINS. No, Senator Bankhead; I do not believe I made any statement as to an opinion of the likelihood of the adoption of S. 262.

Senator BANKHEAD. All right, sir. You may take the witness.

Senator McKELLAR. May I follow that up and then yield back?

Senator ELLENDER. Yes.

Senator McKELLAR. One of the gentlemen interested in this matter put it a little differently. Senator Aiken, of course, will remember what occurred, but this is the impression of the statement that was made by one of these gentlemen to me, that you said to Senator Aiken, "Why don't you tell the gentlemen here that this bill has not a chance in 10,000 to be passed?" Did you say that or not?

Senator AIKEN. No. A few words here and there are correct, as I remember it, but as we were breaking up, Dr. Robbins and interested parties on both sides were gathered around, and he suggested perhaps I might want to tell these men who were assembled what I thought the prospects would be of the bill becoming law, as I recall

it. I do not remember about the possibility of passage, but of its becoming law. I did start to answer and made reference to the letter which was received from the Secretary of Agriculture, and then, as Dr. Robbins says, I thought better of committing myself in any way or giving my opinion, and said I was going to wait until I had heard all of the story officially before this committee.

Senator BANKHEAD. Senator, did you get the impression that Dr. Robbins was indicating his views on the subject?

Senator AIKEN. I got the impression, Senator, that the Administration from the top must have approved that letter which was written to this committee by Mr. Wickard, and it did not—probably I should not express an opinion here—it did not seem to me that the administration would express disapproval of the bill as proposed, and then approve it in the event that it passed the Congress. That is the impression I got, but I think this is the first time I have expressed it.

Senator ELLENDER. That was not an expression by Dr. Robbins, was it?

Senator AIKEN. No, sir. He suggested that I might want to tell the committee what I thought.

Senator MCKELLAR. Did he say anything about the bill not having a chance in a thousand or ten thousand?

Senator AIKEN. I do not remember any ratio. I do not remember any bets being offered or taken.

Senator BANKHEAD. Senator, I did not get this information from anything you said.

Senator MCKELLAR. No; I did not either. I got it from another man.

Senator AIKEN. I have tried not to pass on anything.

Senator BANKHEAD. I did not get it from you at all.

Senator MCKELLAR. I want to ask one other question. I am going to ask Senator Stewart to send down to my office and get an Associated Press article that appeared several days ago. They will find it for you and send it. But I want to ask Dr. Robbins this question now: Did you or anyone in the Commodity Credit Corporation convey to the Associated Press reporter the information that it made no different—substantially—that it made no difference whether the bill passed or not, it would be vetoed by the President?

Mr. ROBBINS. Well, I can say without qualification that I have not conveyed any such information, and moreover, that I have no information that any Commodity Credit Corporation employees have conveyed any such information.

Senator MCKELLAR. I will present the article to you in a few moments. I read it rather hastily myself, but the impression I got from it was that the Department, or the Corporation, would see to it that the President would veto this measure if passed. You gave out no such information or any such interview with the Associated Press?

Mr. ROBBINS. I have no recollection of anything of that kind having come to my attention. It could have originated with any of them.

Senator MCKELLAR. You did not see the Associated Press article, the report that I have just been talking about, that was written after the proceedings started here?

Mr. ROBBINS. I do not recall any report stating that the President would veto S. 262, if that is what you are asking, in the event it was passed by Congress.

Senator AIKEN. I would say, Senator McKellar, that the Associated Press, or anybody else, might get that impression from reading that letter from Mr. Wickard to the committee.

Senator MCKELLAR. However that may be, I will leave that now and show what happened with the Associated Press article a little later.

I want to ask this general statement. Where were you reared as a youngster, Dr. Robbins?

Mr. ROBBINS. In New Jersey.

Senator MCKELLAR. How long did you live there before leaving New Jersey?

Mr. ROBBINS. I moved with my family, of course, to California in 1920.

Senator MCKELLAR. How old were you then, if it is not an improper question? I would not like for you to ask me the same question, because I am so much older than you are [laughter], but if it is not embarrassing to you, I would like to know how old you were.

Senator BANKHEAD. You are not obliged to answer [laughter].

Senator MCKELLAR. No; I will state beforehand you are not obliged to answer.

Mr. ROBBINS. I was 18 at the time.

Senator MCKELLAR. You were 18 at the time you moved to California. How long did you live in California?

Mr. ROBBINS. Until I left there to enter the Government service here.

Senator MCKELLAR. What year?

Mr. ROBBINS. In December 1935.

Senator MCKELLAR. You came here in December 1935, when you were 33 years old?

Mr. ROBBINS. That is correct.

Senator MCKELLAR. Do they raise cotton in the State of New Jersey?

Mr. ROBBINS. No; Senator.

Senator MCKELLAR. Do they raise cotton in that part of California in which you lived for 15 years?

Mr. ROBBINS. No; Senator.

Senator MCKELLAR. Have you ever been familiar with the raising, producing, cultivating, picking, ginning, baling, warehousing, or sale of cotton until you came to Washington in 1935?

Mr. ROBBINS. No; I had had no experience in any of the various branches of the cotton industry.

Senator MCKELLAR. Up until that time?

Mr. ROBBINS. That is right.

Senator MCKELLAR. Now, after you got to Washington in 1935, if I recall correctly—and I may be mistaken, and I do not want to misrepresent the matter in the slightest—you were head of the Sugar Division—you were either the head of or an employee in the Sugar Division of the Commodity Credit Corporation? Is that correct?

Mr. ROBBINS. No; that is not correct. However, Senator, if I could save time, let us stipulate, as the attorneys say, and agree

that I have very little knowledge about cotton, and such as I have is confined to a few bits of information about some of the economic aspects of cotton.

Senator MCKELLAR. Well, I want to be a little more specific than that. I want to know when you went into the Cotton Division of the Commodity Credit Corporation? When did you become active in that division, and in what capacity?

Mr. ROBBINS. I never was engaged in the Cotton Division of the Commodity Credit Corporation.

Senator MCKELLAR. And you are not now?

Mr. ROBBINS. That is true.

Senator MCKELLAR. When did you become President of the Commodity Credit Corporation?

Mr. ROBBINS. On August 17, 1939, as I recall.

Senator MCKELLAR. Up until August 17, 1939, your activities had not been in cotton at all, had they?

Mr. ROBBINS. Oh, yes; I had had occasion to do some economic work on cotton problems.

Senator BANKHEAD. You had done some economic work? Well, what I want to know is about the facts, from a practical standpoint. I try to be a very practical man myself, and I just want to know what practical work you had had. As I understood, you were not in the Cotton Division before you became President of the Corporation, were you?

Mr. ROBBINS. No, sir.

Senator MCKELLAR. Then your experience in cotton generally, including the warehousing of cotton, has all been since June 17, 1939, when you became President of the Corporation, except as to economic investigations?

Mr. ROBBINS. Well, really, Senator, I have not had much experience, as you put it, in the warehousing of cotton since that time.

Senator MCKELLAR. I am quite sure of that. I do not mean it offensively at all, but I am quite sure you have not had the experience, and that is why—I hope entirely properly—I am going into your past history. The cotton business, Doctor, is a business that cannot be learned in a year and 9 months or 8 months.

Mr. ROBBINS. I do not believe, Senator McKellar, that the cotton business can be learned in a lifetime.

Senator MCKELLAR. It is a very difficult matter. I have been in it all my life, and I know that I do not know much about it yet, and I doubt if a man can learn it in a year and 8 months.

Senator BANKHEAD. To save going into details, I assume that these statements you have made about your inexperience in cotton applies to wheat and corn and rice and tobacco, the chief staples handled by the Commodity Credit Corporation? Is that true?

Mr. ROBBINS. I suppose, Senator, that is quite true. The situation is that the Commodity Credit Corporation employs many experts on individual commodities and the separate fields of endeavor with respect to each commodity, but we do not have any man who would pose as an expert on all commodities, not even as an expert on all phases of cotton.

Senator MCKELLAR. Dr. Robbins, I would like to know how many bales of the 1940-41 cotton has the producer been able to repossess?

Mr. ROBBINS. I have here, Senator McKellar, our record up to February 7, 1941, which shows that the total repossessions were 84,596 bales.

Senator McKELLAR. And how many bales had been put in the loan?

Mr. ROBBINS. Two million nine hundred sixty-seven thousand four hundred and fifteen.

Senator McKELLAR. So nearly 3,000,000 bales have not been repossessed, in round numbers?

Mr. ROBBINS. That is approximately true.

Senator McKELLAR. Now, you spoke of the rates, that you hoped to reduce the rates, and were using the ports to that end. That may not be absolutely accurate, but that is substantially what you testified awhile ago. Are not the rates at the ports now higher on producers' cotton than they are at interior points?

Mr. ROBBINS. I could not say that that is true.

Senator McKELLAR. Could you ascertain and determine that?

Mr. ROBBINS. Much information on that subject was submitted for the record by various witnesses that appeared representing both the interior and the port warehouses.

Senator McKELLAR. So you do not have the figures as to whether the port rates are higher than the interior rates on producers' cotton?

Mr. ROBBINS. Well, the rates vary considerably, and that could only be determined accurately by a comparison of the individual tariff schedules of some few thousand warehouses.

Senator McKELLAR. Doctor, you are interested in the producers getting a fair rate for the warehousing of cotton, are you not? In other words, your purpose is not solely to get the cheapest rates possible on cotton held by the Government, owned by the Government, and not to get as low rates as possible for the producers, too? You would not want to separate the two and let the producers pay as much as might be assessed against them if the Government got its rate lowered on its cotton, would you?

Mr. ROBBINS. Well, of course, the primary interest, Senator, of the Department of Agriculture is the welfare of the American farmer.

Senator BANKHEAD. Right there may I ask, what interest has the American farmer got in this Government-owned cotton, or the storage rates on it? It does not belong to him. He has no equity in it. You have often mentioned that you are working for the farmer in this program. Has he got anything to do with that Government cotton? He has no equity left in it.

Mr. ROBBINS. It is true, Senator, that the great benefit of this solicitation of bids would be to reduce the cost of carrying on governmental operations.

Senator McKELLAR. But that does not apply to the farmer in this matter, except as it does to any other citizen in the country. Is not that so?

Mr. ROBBINS. Well, the farmers are taxpayers, of course, Senator McKellar.

Senator McKELLAR. Just like we lawyers and doctors and merchants and all others are taxpayers, who have money on which to pay taxes, but the farmers are no more interested in this Government cotton after all their interest has passed from them than any other citizen. Is not that so?

Mr. ROBBINS. Of course, Senator, you must be referring only to the expense that the Government incurs in handling it, because the farmers have an interest in its ultimate disposal.

Senator MCKELLAR. They have the same interest that any other citizen does, and you said that your desire was to help the farmers. Now, how can you help the farmers by taking the Government cotton, which will be put in a warehouse for quite a while, if by so doing the Government gets a cheaper rate and the farmer has to pay a higher rate?

Mr. ROBBINS. We do not believe that the testimony offered by some of the interior warehousemen would come to pass; that is, if they suddenly found that their supply of space was increased, they would raise the price on the space to farmers. They are in effect saying there that they can reverse the law of supply and demand. Now, the protection that can be afforded the farmers is to be found in the bargaining power, really, that the Commodity Credit Corporation can exercise for the Department of Agriculture in obtaining agreements for the storage of Government-owned cotton and Government-loan cotton simultaneously.

Senator MCKELLAR. And together?

Mr. ROBBINS. Yes, sir.

Senator MCKELLAR. Now, is it your contention—I am wondering if you do contend—you did not say anything about it in your testimony, and I am just wondering if you do not contend that by making these negotiated agreements with the warehousemen you have reduced the rates—since you have been the head of the Commodity Credit Corporation you have reduced the rates from 20 and 18 cents, as I recall, to 15 and 12½ cents. Is not that right?

Senator BANKHEAD. Twenty-five and eighteen.

Senator MCKELLAR. Twenty-five and eighteen cents; 25 cents for the first month and 18 for the succeeding months, down to 15 cents for the first year and 12½ cents after that. Have you not taken the farmer into consideration there, and for the most part got the rate reduced for the farmer and for the Government?

Mr. ROBBINS. Well, Senator McKellar, first let me make it clear that I deserve no personal credit for any reduction in the excessive rate that may have been brought about. That was an act of the whole Department of Agriculture, as all important actions taken by individual bureaus must be, but obviously the reductions that have been brought about, ranging from 30 to 40 percent, are of great value to the farmer.

Senator MCKELLAR. Now, having found that this method of reducing rates, namely, by using the Government cotton as a backlog, and requiring the same rates from the Government as you do from the farmer, has brought about a reduction in the rates of 30 to 40 percent, do you not think it would be manifestly in the interest of the farmer to continue your negotiations along that line, so that the Government cotton can be used to reduce the farmer's rates also?

Mr. ROBBINS. I do not understand your statement that the Government cotton be used to reduce the cost to the farmer. You mean that the Government's bargaining power should be left so it could be used freely in such manner as to help hold down the charges that



otherwise someone in a semimonopolistic position might make against the farmers?

Senator MCKELLAR. Yes; I mean that.

Mr. ROBBINS. Yes, sir; and that power would be foreclosed under the provisions of S. 262.

Senator MCKELLAR. Would it not be foreclosed, Doctor, if you submitted the Government-owned cotton independently and let it to the lowest bidder?

Mr. ROBBINS. We think not, Senator.

Senator MCKELLAR. Suppose you got bids from the port warehouses—we will take it that way—taking all the interior cotton, you propose the bids and they accept them, and they get it in here, say, at 8 cents; manifestly, when you receive those bids, accept those bids, you cannot use the Government cotton as a backlog in the interior, can you, at all?

Mr. ROBBINS. Well, it is not the lack of the supply of the commodity that makes the price low, it is the presence of the supply, and the commodity that these warehousemen have to sell the farmer is vacant storage space.

Senator MCKELLAR. But, Doctor, you misinterpreted my question, or I am unable to make myself plain. I do not know which. What I am asking you is, you say you are going to save \$5,000 a day, and in order to save \$5,000 a day you would have to get a bid on this cotton of very much lower than 12½ cents. That is true, is it not?

Mr. ROBBINS. Yes, sir.

Senator MCKELLAR. Now, let us suppose that you stored all the Government cotton at these warehouses at the ports. You would certainly have no backlog to help the farmers in keeping down their rates, would you? You would have nothing to negotiate with.

Mr. ROBBINS. Well, Senator, of course, as you know, there is no intent, or program, or possibility of moving all the cotton to the ports, but the thing that can be done to help the farmer is to see that adequate space is available where he would like it, at reasonable rates, and what I do not understand is the possible assumption in your mind that you are increasing the space available by keeping the cotton there.

Senator MCKELLAR. Oh, no; not at all. I am not talking about that. I am talking about this: If your one idea is to reduce the rates on Government-owned cotton, and you can find warehouses down in the ports to do it, it is your duty to give that cotton to those lowest bidders, and when you do it, you deprive yourself of any power of negotiation for the farmer-produced cotton that is in the hands of the farmer or that he has got an equity in. It is manifest, is it not?

Mr. ROBBINS. No; I am sorry, but I do not understand you, Senator.

Senator MCKELLAR. I am sorry you do not understand either, because it is so plain to me that it seems to me anybody could see it.

Mr. ROBBINS. Well, Senator, the difficulty is this: The farmer, of course, wants space at reasonable rates, and if you leave space there and increase the supply, it would seem that you have taken the first necessary step to protect the farmer, Senator.

Senator MCKELLAR. Well, I guess you do not understand it, and I cannot make myself plain, so I will go to another matter and maybe we can get along better.

Is it not a fact that some of the warehouses in 1939, March 1939, met here and advised your Corporation that the 25- and 18-cent rate on cotton could be reduced?

Mr. ROBBINS. That date was before the Commodity Credit Corporation became part of the Department of Agriculture, but I am advised that in the early summer of 1939 the Commodity Credit Corporation called a meeting of the warehousemen representatives from the various districts to discuss with them the problem of reducing storage prices.

Senator MCKELLAR. Now, you do not know whether they advised them to or not, whether they advised you that rates could be reduced? You did not know much about it at that time?

Mr. ROBBINS. The Commodity Credit Corporation, as I say, was not a part of the Department of Agriculture at that time; however, do I understand that you imply that the warehousemen voluntarily offered some reductions?

Senator MCKELLAR. They said that that rate, 25 for the first period and 18 for the second period, could be reduced.

Mr. ROBBINS. I believe they agreed that something would have to be done about the situation.

Senator MCKELLAR. Now, in your letter you talked about the \$5,000 a day that you were going to save for the Government if you were allowed to send this cotton to the warehouses, and I want to know what cotton have you included in your calculations of those savings?

Mr. ROBBINS. There are two classes of cotton on which the savings would be made, Senator.

Senator MCKELLAR. What are they?

Mr. ROBBINS. The cotton that would be moved, and the cotton that would remain where it is now stored.

Senator MCKELLAR. How did you arrive at the calculated saving on the cotton that would be moved, and how much of it was there to be moved, and how did you arrive at the savings on that which remained?

Mr. ROBBINS. Well, the savings, of course, are the difference between the rates now in effect and the lower rates that were bid.

Senator MCKELLAR. How much of that cotton was there, and how much would you save in that way?

Mr. ROBBINS. The amount of cotton that would be moved has not yet been determined by the Secretary of Agriculture, who must finally pass on that, but it is possible that the movement would be somewhere between the limits, say, of a million and a half bales and two and a half million bales, to give outside figures.

Senator MCKELLAR. About 2,000,000 bales, then on the average.

Mr. ROBBINS. And savings would be made by accepting the contract on approximately 3,000,000 bales to remain where it is now stored.

Senator MCKELLAR. How would you save that on the cotton that remains where it is now stored?

Mr. ROBBINS. Because the warehouses having that cotton offered to take it at reduced rates on that cotton.

Senator MCKELLAR. You expect to do two things: You expect to take the Government-owned cotton in which the farmer has no interest, and take somewhere between a million and a half and two

million and a half bales and move it to the ports, where you could get a lower bid. How much money would you save by that transaction, or about how much? How do you figure it? I want to find out how you get the \$5,000 a day.

Mr. ROBBINS. Well, the \$5,000 a day, Senator, represents the difference between the rates now being paid on the cotton that would be affected, and the rates which would be paid if these bids were accepted.

Senator ELLENDER. About how much would that be a bale?

Mr. ROBBINS. The final determination has not been made of the number of bales that would be moved, but I can give you, if you would like to have it—

Senator ELLENDER (interposing). I believe what Senator McKellar is driving at is that you made a specific assertion in your letter, and what he is trying to get is how did you reach that figure of \$5,000 a day?

Senator AIKEN. The 5,000,000 bales which you say would probably be moved at a saving of  $3\frac{1}{2}$  cents a bale would make approximately \$5,000 a day, would it not?

Senator ELLENDER. I suppose they want to get the weighted average of these bids, which would figure out about 9 cents.

Senator MCKELLAR. I want to get him to figure out how he gets \$5,000 a day. He said that of the Government-owned cotton, between one million and two million and a half bales would be moved. Now, I want to know what the saving on that would be, as estimated by the Department.

Mr. ROBBINS. On the cotton to be moved the saving would be, on the average, a little more than 4 cents a bale per month.

Senator MCKELLAR. Four cents per bale per month. Then how do you propose to save the remainder?

Mr. ROBBINS. The savings on cotton not to be moved would be approximately 2 cents per bale per month.

Senator MCKELLAR. How would you bring that about? By competitive bidding in the interior?

Mr. ROBBINS. No; bids have already been received under this solicitation for that cotton.

Senator MCKELLAR. And has anybody else bid? Who else besides the port warehouses have bid?

Mr. ROBBINS. By that you mean, How many bids were received from interior warehouses?

Senator MCKELLAR. Yes.

Mr. ROBBINS. Additional space at rates less than  $12\frac{1}{2}$  cents per bale per month was offered by interior warehouses for 636,000 bales, and bids received from interior warehouses offered reductions below  $12\frac{1}{2}$  cents per bale per month on 1,797,000 bales of cotton to remain in its present storage.

Senator MCKELLAR. Where did those bids come from; what part of the country?

Mr. ROBBINS. They were fairly well distributed.

Senator MCKELLAR. Did any come from the interior of Texas, say?

Mr. ROBBINS. Yes, Senator.

Senator MCKELLAR. How many came from there? How much reduction came from there?

Mr. ROBBINS. I do not have before me a summary of bids by States.

Senator MCKELLAR. Could you get that and put it in the record?

Mr. ROBBINS. Senator, there might be one consideration because of which you perhaps would not want to make a request, and that is, as you know, some of the warehousing organizations are very large, and if we were to be sent data broken down much below the general totals, it might be possible for their competitors to infer what they have bid.

Senator MCKELLAR. Well, the bidding is over. They are all in your Department now. The time for adding other bids has passed, and that would not affect it in the slightest, because you are not going to receive any more bids on this cotton, are you?

Mr. ROBBINS. That may be true, Senator, but we have not felt at liberty to disclose the bids prior to the time of their acceptance, because some of the individual bidders have requested that the bids be not made public until they are accepted.

Senator MCKELLAR. How many did you receive from the Mississippi Valley? That is a large portion of the cotton-raising country.

Mr. ROBBINS. You mean for the number of bales bid, Senator?

Senator MCKELLAR. Yes.

Mr. ROBBINS. Well, of all places, that is one that I could not give you the data on without making it pretty obvious what an individual concern has done.

Senator MCKELLAR. Well, I think this committee is entitled to have it made pretty obvious what is being done with the cotton.

Senator ELLENDER. I wonder if you could relate his answer to the amount of cotton and not to the rates that are charged?

Senator MCKELLAR. I am not asking for the rates. I am just asking for the number of bales that have been bid on by the Mississippi Valley interior warehouses.

Mr. ROBBINS. Senator, if you would like, of course, the Department of Agriculture will be pleased to show you all the bids in executive session.

Senator MCKELLAR. No; this is not my private matter at all. This is a public matter which I am undertaking to deal with for the public, and I would not want the Department to submit to me any information that the public is not entitled to. We are making an investigation of what you propose to do, and I have no question as to motives at all. All I want to do is to get the facts out here so that Congress can act, and I think those figures are very necessary. Can you not furnish them to the chairman of the committee and let us see them at any rate? I am opposed to secrecy in Government all along the line.

Mr. ROBBINS. I will be pleased to do that for you, Senator. As a matter of fact, the Department of Agriculture would not have any reason for not making the bids public at this time, except that some of the bidders made that request.

Senator ELLENDER. I personally think it would be unfair to those bidders to make public their rates.

Senator MCKELLAR. They can be submitted to the chairman of the committee. He says he is willing to do that.

Senator ELLENDER. Senator McKellar indicated that what he was interested in was as to the number of bales. I cannot for the life of me see how you could not answer that question publicly; that is, to give the number of bales that were bid for in Texas and the

Mississippi Valley or in the southeastern section, and cut out the rates.

Mr. ROBBINS. Senator Ellender, there are some States where one firm has virtually all the business. For instance, take Oklahoma. I believe one firm has all but a very small portion of the total storage there. And so it is with some areas in the Mississippi Valley.

Senator McKELLAR. What State in the Mississippi Valley does one concern own all the storage in?

Mr. ROBBINS. Well, there is a large cotton-producing area that touches on Missouri, Tennessee, Arkansas, and Mississippi, in which one warehousing organization owns perhaps more than half of the total warehousing facilities owned by all concerns in that area.

Senator McKELLAR. Do you know how much cotton is produced in that area? Do you know that more than 2,000,000 bales of cotton is produced within 150 miles of the city of Memphis?

Mr. ROBBINS. I know that is a concentrated production center for cotton, Senator.

Senator McKELLAR. Now, I want to ask the same question about the southeast territory. I would like to know how many bidders you had on that?

Mr. ROBBINS. I shall be pleased to supply that for the record.

Senator McKELLAR. Are any of the savings on the producer's loan cotton based on the removal of it from its present location, and if so, how much?

Mr. ROBBINS. No; that is, upon acceptance of these bids the Government would confine the movement of cotton to that which it owns.

Senator McKELLAR. Producer's loan cotton, though, is mentioned in the bids; is it not?

Mr. ROBBINS. That is true.

Senator McKELLAR. After you call for bids on Government-owned cotton and producer's loan cotton, and bids are received, how are you going to divide the sheep from the goats? How are you going to say that you will not receive any bids on the producer's loan cotton?

Mr. ROBBINS. Well, Senator, we would accept bids on producer-owned cotton under the Government loan, to remain in its present storage.

Senator McKELLAR. But not to be moved?

Mr. ROBBINS. Well, we would move the Government stocks first, and since they are approximately three times as great as the total quantity to be moved, there would be no occasion to move any producer-owned cotton.

Senator McKELLAR. Why did you include the producer's loan cotton in your bids?

Mr. ROBBINS. Because it was thought that such cotton should be stored at the same rates as the Government-owned cotton.

Senator McKELLAR. Did you know at the time you approved these bids that you were violating the law known as the Bankhead law, which, in substance, provides that no producer's loan cotton shall be moved without the written consent in a separate instrument of the producer?

Mr. ROBBINS. Well, Senator, I cannot understand what you may have in mind to indicate a belief that there has been any violation of the law to which you refer, because the law does not prohibit the solicitation of bids on grower-owned cotton.

Senator MCKELLAR. Well, it does on the removal of producer's loan cotton. Why advertise for bids for the removal of certain cotton, when the law of this Congress provides that you shall not move that particular class of cotton?

Mr. ROBBINS. This was not requested, Senator, for the movement of cotton, but for the storage of cotton, and the bids were received to reduce the carrying charges on this producer-owned cotton to which you refer, in many instances.

Senator MCKELLAR. But did you not advertise for bids on Government-owned cotton and producer's loan cotton in the same bid, and does not your bid show that?

Mr. ROBBINS. That is true.

Senator MCKELLAR. Now, that bid was to re-store or reconcentrate cotton, was it not?

Mr. ROBBINS. No, sir; I have tried to point out that the bids were both for new or additional space, and for cotton to remain where it is now stored.

Senator MCKELLAR. Have you a single bid on producer's loan cotton?

Mr. ROBBINS. Yes, sir.

Senator MCKELLAR. You have got the bids for it? Well, now, let us assume that you accept those bids to store cotton in New Orleans which is produced at Holly Springs, Miss., let us say, and that the producer has an equity in the cotton now in the warehouse at Holly Springs, Miss., you would have a perfect right to move it, would you not, under your bid?

Mr. ROBBINS. Not without obtaining the consent of the owner, as required by law.

Senator MCKELLAR. Then why did you advertise for bids now to remove this cotton, when you knew you could not move it, even if you received the most favorable bid, without getting the farmer's acceptance, permission, to move that cotton?

Mr. ROBBINS. Well, in the first place, Senator, we advertised for bids for storage, not for movement. In the second place, if conditions had developed as a consequence of the bids under which it would be advantageous to move some of the producer equity cotton, it might have been possible to have gone to the farmer and obtained his consent as, apparently, contemplated in the law.

Senator MCKELLAR. Is it not true that you have treated this question just precisely like you have treated your own Commodity Credit Corporation law? You have not called your board of directors together since you have been president of that Corporation. You have disregarded them, as you have testified. Now, did you not just disregard what Congress had to say about the producer's loan cotton in the same way?

Mr. ROBBINS. Might I answer both questions, Senator?

Senator MCKELLAR. Surely.

Mr. ROBBINS. On the first I would like your permission to insert in the record a memorandum issued by the Secretary as to the management of the Commodity Credit Corporation, which will make clear why there is no necessity for meetings of the board of directors except to conform to such technical requirements as are made of Delaware corporations.

Senator McKELLAR. Before you answer the next question I want to ask you right there, Do you think that the Secretary of Agriculture has got any more authority to violate the law than you have, or any other citizen has?

Mr. ROBBINS. I do not think that anyone has any authority to violate the law.

Senator McKELLAR. I do not think so either, yet you produce a memorandum now showing, as you say, that the Secretary of Agriculture has issued an order by which you need not call your Commodity Credit Corporation together except on matters that have never occurred yet, because you have never called them together, as you say.

Mr. ROBBINS. Well, there is no violation of law, Senator.

Senator McKELLAR. Well, it is a very great violation of law for you to act without your associates. It has been a long time since I have practiced much, but I have been a very active lawyer in my day and I think your action, your individual action in advertising for these bids is absolutely void. I do not think it is worth the paper it is written on.

Mr. ROBBINS. Well, Senator, the bylaws of the Corporation provide that the management of the Corporation is vested exclusively in the Secretary of Agriculture.

Senator McKELLAR. That may be, but your Corporation cannot act without the action of a majority of its incorporators. Is not your corporation organized and chartered under the laws of Delaware?

Mr. ROBBINS. That is true.

Senator McKELLAR. And are there any specific articles in the Corporation charter giving you authority to act as you are now acting?

Mr. ROBBINS. The arrangement is this, Senator, that under the bylaws of the Corporation the powers of the Corporation are vested exclusively in the Secretary of Agriculture.

Senator AIKEN. Without the authority of the board?

Mr. ROBBINS. As a matter of fact, he is also vested with the entire voting rights of the stock of the Corporation. The Secretary of Agriculture, being the sole stockholder and having been vested by the bylaws with exclusive managerial powers of the Corporation, merely issued a memorandum delegating certain of those responsibilities to the various individuals who are appointed as officers.

Senator ELLENDER. Is there any requirement that you know of, either under the act itself or the laws of Delaware, stating that you must meet yearly or every 6 months or anything along that line? Do you know whether or not that requirement has been complied with?

Mr. ROBBINS. I am certain that the Corporation has not violated any requirements of the laws of the State of Delaware, either through commission or omission.

Senator ELLENDER. Now, with respect to the bidding that Senator McKellar has been examining you on, as to producer's cotton, it is a fact that it is a law, the written law, that this cotton cannot be moved except upon obtaining the written consent of the producer of that cotton or the owner of it?

Mr. ROBBINS. And in addition, in case the warehouse where it is stored will not reduce rates to the average, as the law states, of the carrying charges available elsewhere, we would have no way, Senator, to find out what they are actually charging and carry out

the provisions of that law and determine the carrying charges available elsewhere except by making solicitation for bids.

Senator ELLENDER. That is what I wanted to make clear for the record; that when a bidder puts in his bid for the farmer's cotton he evidently was aware of what the law was; that is, that the consent of the farmer must first be obtained and, of course, when that was obtained the bid would be properly considered. Is that true?

Mr. ROBBINS. Yes, sir.

Senator BANKHEAD. Doctor, do you intend to use this present competitive bidding proposition as a basis to reduce the interior rates hereafter, because you can get cheaper rates at the ports?

Mr. ROBBINS. Well, there are no plans, to my knowledge, to do so, and, of course, one does not know what these conditions will be; but I cannot see at the moment that it will require more bidding at an early date, if that is what you have in mind.

Senator BANKHEAD. Yes. Now, is it your idea that rates at the ports should be accepted as the basis for comparing with other rates in the interior, or other interior rates? Do you understand the question?

Mr. ROBBINS. I believe I do, Senator Bankhead. I doubt that one could say that the rates should be different for warehousing in accordance with the location of the warehouse; that is, it might be possible to construct warehousing facilities up along the Mississippi River and operate them at a cost that would not be entirely unlike the costs incurred by providing warehousing facilities at the ports. However, to give a more complete answer to your question, Senator, you do have this situation: that most of the southwestern cotton and the port cotton is compressed either to standard or high density, and most of the southeastern cotton is in flat bales. Presumably there is a difference in the storage facilities required for those different bales. It might be possible to arrive at some differential based on the status of the compression of the bale, but I doubt that there would be much basis for a differential based on the location of the warehouse.

Senator BANKHEAD. Even though cotton in, say, South Carolina, was immediately adjacent to the mills, and you shipped it thousands of miles away to ports, just because you got an immediate saving in rent?

Mr. ROBBINS. That would not occur upon acceptance of these bids.

Senator BANKHEAD. If you use these ports as a basis for comparing rates, then I do not see how, with your views about it, you are going to get rid of or avoid filling up the ports till they will not hold any more, until you empty the interior warehouses, if the ports will hold it all. If it is simply a matter of dollars and cents saving and nothing else; if the economy of the country and the interest of the farmers and the communities in which the warehouse is located is to be totally excluded by a hard-hearted corporation, and you have no consideration except the dollars and cents involved in the rent, you cannot avoid shipping all this cotton to the ports if the ports will hold it.

Mr. ROBBINS. Well, several interior warehousemen have submitted bids lower than the port warehousemen.

Senator BANKHEAD. Their capacity is rather limited, is it not?

Mr. ROBBINS. The interior warehouses?

Senator BANKHEAD. Yes.

Mr. ROBBINS. No, sir.



Senator BANKHEAD. You mean they are owned by the big companies?

Mr. ROBBINS. The bids from the interior warehouses were scattered among both large and medium and small concerns.

Senator BANKHEAD. Well, the amount, though, was small if it was a small concern?

Mr. ROBBINS. Certainly.

Senator BANKHEAD. A minimum amount that did not involve really the volume of storage. Now, I want to find out if you have given any consideration at all to the capacity of the ports, their capacities as compared with the interior in the movement of, the proposed movement of two or three million bales of cotton? Are you preparing to start to fill up the ports if you can?

Mr. ROBBINS. No, Senator; the ports would not be filled if these bids were accepted.

Senator BANKHEAD. Do you know what the capacity of the ports is?

Mr. ROBBINS. No; no one does, Senator.

Senator BANKHEAD. Then how do you know but what you are filling them?

Mr. ROBBINS. The only indication that we have is this: The additional space that was bid by port warehouses at less than 12½ cents per bale per month, and that is 2,741,000 bales. That much cotton would not be moved to the ports. There would remain vacant space at the ports.

Senator BANKHEAD. But if you establish a precedent, what are you going to do next time? Do you know how much cotton is in the ports now?

Mr. ROBBINS. Yes, sir.

Senator BANKHEAD. I think I know, too. Let us see if our figures agree. I do not mean just Government cotton now. I mean all the cotton in the port warehouses.

Mr. ROBBINS. No, Senator; we have no accurate figures on that.

Senator BANKHEAD. If you will figure it I think you will find that you do have, because Mr. Rathell just filled them in on a sheet of paper that I have here, and if he has made a mistake, of course, it can be corrected, but I am assuming that he is right, and he keeps the figures and hands them to you, I assume.

Mr. ROBBINS. I must have misunderstood you. I thought you were referring to privately owned cotton.

Senator BANKHEAD. No; all combined. The amount of cotton in the port warehouses now paying rent or storage. These are the figures I have:

	<i>Bales</i>
Government-owned cotton.....	1,553,000
Cotton under Government loan.....	705,000
Other cotton—cotton that the Government does not control.....	1,092,587

That is as of January 1.

Senator AIKEN. Your figure was 705,000 for cotton under Government loan?

Senator BANKHEAD. Yes; loan cotton.

Senator AIKEN. Mine is 405,000.

Senator BANKHEAD. Mr. Rathell furnished me these figures.

Senator AIKEN. I secured these the other day.

Mr. ROBBINS. Our records show that at the ports—

Senator AIKEN (interposing). I beg pardon. It is 300,000 on the new loan and 405,000 on the old loan. That agrees with your figure.

Senator BANKHEAD. That is 4,183,000 bales, according to my figures.

Senator McKELLAR. If the capacity of these warehouses, as Dr. Robbins has said, is about 3,000,000 bales, how can you put that much cotton in them?

Mr. ROBBINS. That was not the capacity but the additional vacant space that was bid, Senator.

Senator BANKHEAD. This is occupied space that I have given you now, 4,183,000 bales, and his figures, I think, probably cover not only uncompressed cotton but his estimate on what he has, and he gave me the capacity of the port at 4,500,000 bales. That may be based largely upon flat bales rather than compressed bales, but anyhow it shows that they have got 60 percent on capacity more cotton now stored in their warehouses. On the other hand, the interior capacity, as given by Mr. Rathell, is 15,700,000 bales. So the port capacity is reaching its limit and the interior capacity is not half its limit.

Senator McKELLAR. How much of the interior space is now taken up, Mr. Rathell? What capacity have they there for storage?

Mr. RATHELL. Senator, I only have figures on the Government-owned and the loan cotton.

Senator McKELLAR. Well, you gave Senator Bankhead a figure of 15,700,000 capacity for all.

Senator BANKHEAD. That is the interior warehouses.

Senator McKELLAR. How much of that space would you estimate to be now vacant?

Mr. RATHELL. Senator, the Government-owned and loan cotton is 8,911,000 bales in the interior warehouses.

Senator BANKHEAD. You might just deduct that, deduct what is at the ports. There is 2,200,000 at the ports, so we take that from 8,853,000, and that leaves 6,653,000 interior, as against 4,183,000 at the ports.

Senator ELLENDER. And in the port figures here you have other cotton Senator. You have got to add to that the entire cotton in the country, and I understand that is between 13,000,000 and 14,000,000 bales.

Mr. WHITE. I think that figure as to cotton at the ports must be erroneous. You will recall I put in a figure of three and a half million total stocks at ports, which was taken from the New York Cotton Exchange reports.

Senator AIKEN. I have different figures yet.

Senator ELLENDER. As I understand it, there are about 15,000,000 bales in the country. Now, if you deduct 4,193,000 from that figure it would leave at the interior warehouses in the neighborhood of 11,000,000 bales.

Mr. WHITE. The correct figure at the ports is three and a half million. That includes private and all stocks at ports, according to the latest report I saw.

Senator ELLENDER. That would be about 70 percent of their capacity.

Senator AIKEN. The Government-owned and loan cotton at the ports, according to the figures from the Department, is 2,258,000 bales.

Mr. ROBBINS. Twenty percent of the total Government stocks is now stored at ports and 80 percent in the interior warehouses.

Senator BANKHEAD. We will recess now until 2 this afternoon.

(Whereupon, at 12:30 p. m., the committee recessed until 2 p. m. this day.)

## AFTER RECESS

(The committee reconvened at 2:30 p. m., pursuant to recess.)

Senator McKELLAR. Mr. Chairman, while we are waiting, I want to ask unanimous consent to put in a letter and some figures that were sent to me by Mr. Bennett, who was one of the witnesses that testified, and these figures were to be sent in and to come after Dr. Robbins' testimony.

Senator BANKHEAD. All right.

## STATEMENT OF DR. CARL B. ROBBINS—Resumed

Senator McKELLAR. Dr. Robbins, the first question I want to ask you is: Is it not an accepted principle of economics that as volume goes up cost goes down?

Mr. ROBBINS. Yes; as a general rule, Senator McKellar, the cost of production of industrial products decreases up to a certain point with increase in volume. However, some industries are subject to so-called decreasing rather than increasing returns.

Senator McKELLAR. Are not warehousing one of those industries, you would think?

Mr. ROBBINS. I believe everyone recognizes that warehousing is an industry in which the profit increases with the volume of the percentage of the capacity utilized.

Senator McKELLAR. Well, that is the same thing as volume goes up the cost goes down, do you not think?

Mr. ROBBINS. Yes; you can compute—the unit cost per bale stored per month would be lower.

Senator McKELLAR. Doctor, did you know that the Interstate Commerce Commission had made an examination and had reported that the loading of cotton at the shipside cost just about 8 cents per bale?

Mr. ROBBINS. No, sir; I am not aware of that report.

Senator McKELLAR. Well, there is such a report, and it is in this record. Your present contract with the companies at the ports provides for loading cotton at 12 cents a bale, does it not?

Mr. ROBBINS. The current contract is at the rate of 15 cents per bale.

Senator McKELLAR. Would you look at it and see when it was changed from 12 to 15 cents; it was since these bids were published, was it not?

Mr. ROBBINS. The bids as published provide 15 cents charge for delivery at shipside.

Senator McKELLAR. Yes; I know; but what I am asking is, right now, you have contracts with a number of port companies in which they deliver the cotton at shipside for 12 cents?

Mr. ROBBINS. I believe that the majority of the contracts are 15 cents, Senator. I will have to check on that.

Senator McKELLAR. Will you check on that and give us the figures?

Senator BANKHEAD. Some one way and some the other.

Senator McKELLAR. I am quite sure you have a great many contracts, or possibly all of them that now provide for 12 cents. Now, my question is—

Senator BANKHEAD (interposing). Do you have any?

Mr. ROBBINS. I do not recall. I will be very glad to put a list on the record of all the port contracts.

Senator McKELLAR. Now, Doctor, why, if the cost of the work of transferring cotton from the port to shipside is 8 cents, and if your corporation had contracts a short time ago at 12 cents, why did you put 15 cents as the minimum for shipside loading in your advertisement for bids?

Mr. ROBBINS. Senator McKellar, perhaps a bit of explanation is necessary.

Senator McKELLAR. Yes; I think it is.

Mr. ROBBINS. Most of the existing contracts with the port warehouses were obtained as a result of the solicitation for bids in which these various warehouses specified different fees for different services. In some cases shipside delivery may have been higher than other; in some cases the receiving charge may have been higher than others, and, of course, the selection was made on the basis of the over-all or total charge incurred. It was my understanding that the rate specified for compression for shipside delivery in this solicitation of bids corresponded to the lowest rates for this service that had been received upon the previous solicitation of bids.

Senator McKELLAR. Well, that does not quite answer the question. The question is, if the cost of delivery from warehouse to portside is 8 cents, and your corporation had made contracts generally to deliver this cotton at shipside for 12 cents, why, under the name of heaven, did you raise that cost and specify it in the bids that 15 cents would be paid?

Mr. ROBBINS. I am not at all certain that the situation you have outlined may actually be the case. Possibly it is. It was my understanding that the rates specified in this attempt to develop a uniform storage contract for individual services were the minimum that had been bid upon a prior solicitation of bids.

Senator McKELLAR. Well, then, let us approach it from another angle. If the cost of that delivery from warehouse to portside was 8 cents, that would give the contractor 7 cents a bale profit, would it not?

Mr. ROBBINS. Yes, sir; if the cost were 8.

Senator McKELLAR. If the cost were 8 cents, and we are assuming that for the present, and the price paid was 15 cents, that would give the contractor to begin with a 7-cent profit. Now, if you wish to save money for the Government, why did you raise the price from the 12 cents that you have been paying for this service to a minimum of 15 cents?

Mr. ROBBINS. Well, as I told you, my advice was that the rate we had fixed was the lowest that had been offered under previous solicitation of bids.

Senator AIKEN. How does that 15 cents compare with the cost of loading the cars at the interior points—or how does the cost com-

pare? I do not care whether it is 15 cents or 8 cents, or whatever it is.

Mr. ROBBINS. Well, Senator Aiken, as you know the word "cost" is used by different people to mean different things. I have no idea what Senator McKellar has in mind. I might illustrate some of the difficulties in agreeing as to what cost is, if you would like, by outlining the problems, for instance of the determination of the cost of storing cotton.

Senator MCKELLAR. If you have no idea—am I interrupting, Senator Aiken?

Senator AIKEN. No; go ahead.

Senator MCKELLAR. If you have no idea of what I am after, I am going to tell you, because I am trying to make my language perfectly plain. With a 7-cent leeway or profit to be made out of the simple act of transferring the cotton, especially by the improved machinery owned at some of the ports by Anderson, Clayton & Co., if they are assured of a profit of 7 cents a bale on that simple thing, they could afford to bid less for concentrating cotton, could they not? Just answer my question, and then explain, please.

Mr. ROBBINS. Well, in order to answer, and I want to if it is possible, might I ask you what items are included, and what assumptions are made in this estimated 8-cent cost? For instance, does that include any allowance for overhead expenses of the organization, and does it assume that this machinery to which you referred would be used more or less constantly or only rarely?

Senator MCKELLAR. It does this: The Interstate Commerce Commission some time ago examined the question of the cost, and they reported, according to the evidence that is already in this record, and we put it in the other day, that it costs 8 cents a bale to delivery this cotton from the warehouse to the shipside. Now, you have the very strange provision that the cost shall not exceed 15 cents. By those very terms in your advertisement for bids there is a profit to the bidder on that item of 7 cents. Naturally, the bidder under those circumstances could bid a less price, if he was making 7 cents a bale on every bale delivered.

Mr. ROBBINS. But can you tell me which items of expense you have not included in that 8 cents, and upon what item it is based, because the result would depend on such factors.

Mr. REED. It was Mr. Johnson's response to your question.

Senator MCKELLAR. Mr. Johnson, of Anderson, Clayton & Co., made this statement, page 662, of the record:

Well, the Interstate Commerce made a very thorough investigation of that, Senator, and I believe they set a rate of 8 cents a bale as being the cost of making that delivery. There is a very lengthy record with the Interstate Commerce on that subject.

Now, Mr. Johnson is connected with Anderson, Clayton & Co.; he is superintendent of their warehouses, or president of one of their warehouses—or one of their organizations of warehouses, maybe would be better—and I take it that he knew what the cost of loading that cotton was. At any rate he so testified. If that was the cost, and if you made an agreement or contract of 15 cents a bale, it is absolutely certain that Anderson, Clayton & Co. will make 7 cents a bale on every bale of cotton that is transferred from the warehouse to shipside.

Senator AIKEN. That is, assuming that Mr. Johnson is——

Senator McKellar (interposing). Mr. Johnson's testimony is correct.

Mr. Robbins. Mr. Johnson is right here in the room. Let us ask him what the report shows.

Senator McKellar. Very well, Mr. Johnson, have you got the report?

Mr. Johnson. I might add that—

Senator McKellar. Let me ask you another question before you add.

Mr. Johnson. Yes, sir.

Mr. White. Mr. Chairman, may Mr. Johnson complete his answer?

Senator McKellar. If that is going to be the case, we will just excuse you for the present. I do not like to be dictated to. We have had enough dictation around here now. I want to ask you another thing. You spoke of a plan of yours to build some warehouses in the Mississippi Valley—

Senator Ellender (interposing). Senator, before you go into another subject, may I ask a question about this 15 cents?

Senator McKellar. Surely.

Senator Ellender. Doctor, why was it necessary for you to fix this 15-cent charge? Why did you do that? What was back of your mind? Did you fix that as a maximum or what?

Mr. Robbins. These rates specified are maximum amounts to be paid, or the tariff, whichever is lower, but it was desirable, Senator Ellender, in soliciting bids to have all the variables reduced to the number of one, and consequently a form was made up which specified rates for all services except the storage rate per month per bale, so that when the bids were received, by merely comparing that one factor we could readily determine which was the lower bid, and the extent of the difference in them.

Senator Ellender. Am I to understand that if a person who handled cotton desired to bid less than 15 cents, he could not have bid?

Mr. Robbins. A person could bid on that contract as low as he would have liked. However, the contract—

Senator Ellender (interposing). I mean this item of 15 cents.

Mr. Robbins. Bids were not solicited on that item. Bids were solicited on what charge would be made for storage, assuming that the warehouseman received the rate specified for these collateral services. In that way the whole complexity of the tariff schedule was reduced to one figure.

Senator Ellender. Yes; everybody then would be in the same category; that is, he would receive that 15-cent charge and could lower or up his storage rate to the point that he desired.

Mr. Robbins. That is true, to 6 cents, if he liked.

Senator McKellar. Now, Senator Ellender, I think the bid itself, in the first place, is the best evidence, and in the next place it will answer your question and my question, and absolutely clean up the matter. I read from page 1 of Form 55 A-2. "Rates for storage and other services rendered by warehousemen with respect to cotton shall be as follows," and then comes 1, 2, and so on, down to 8, and 8 is as follows: "Item No. 8. Delivery to shipside where cotton compression is not performed by the warehouseman, per bale, 15 cents." That is the figure, and just as Mr. Robbins testified to you, that was not a part of the bid, however; that was a fixed rate that whoever bid—

Senator Ellender (interposing). Would receive.

Senator MCKELLAR. Would receive, and therefore, if Mr. Johnson was correct in his testimony that the cost of it was 8 cents a bale, whoever took a contract here would have a profit to begin with of 7 cents a bale on transferring it to shipside.

Senator ELLENDER. Well, in that connection I am just wondering if the cost of drayage that is usually considered shipside service was included in this 8-cent rate to which Senator McKellar referred.

Mr. ROBBINS. Well, it would seem that on the basis of the brief reference made in the report it is practically impossible to determine what Mr. Johnson may have had in there.

Senator ELLENDER. Because in that connection, I may say this, that insofar as the city of New Orleans is concerned, what is considered shipside service would also include drayage, and the charge for drayage and all incidental expenses incurred to put a bale of cotton on the ship would amount to about 25 cents per bale, so I imagine that this 15-cent rate that you have fixed in the contract there is probably an average rate?

Mr. ROBBINS. That represents the rate, the lowest rate, that was bid for that service at the prior solicitation of bids.

Senator MCKELLAR. Now, Doctor Robbins, I want to ask you about the building of Government warehouses for the warehousing of cotton in the Mississippi Valley. I believe you stated that that is under consideration?

Mr. ROBBINS. No, Senator; I made no such statement.

Senator MCKELLAR. What did you say about that then, if I am mistaken? I understood you to testify this morning that you had under consideration the building of the Government warehouses in the Mississippi Valley, or the locating, possibly, of warehouses in that territory?

Mr. ROBBINS. You will find no such statement on the record, Senator.

Senator MCKELLAR. You have no desire to build warehouses, or plans?

Mr. ROBBINS. Senator, it is the policy of the Department of Agriculture that, insofar as possible always to utilize, rather than replace or encroach upon, the established normal services of the business.

Senator MCKELLAR. Yes; I am glad of that. I think that is good.

Senator AIKEN. That was brought out by another witness.

Senator MCKELLAR. Well, of course, I do not recall what you stated about the warehousing of it. We will look up the record after a while. I may have been mistaken about it, I do not know, but what I want to ask you now is, suppose you came to the conclusion that the Government ought to build warehouses in the Mississippi Valley to compete with what you call a trust, I believe, or something of that nature, would you build them without regard to the Congress, or would you feel like it was necessary to come before the Congress and ask for an appropriation for that purpose?

Mr. ROBBINS. Senator, for the record, may I point out that your reference to a trust existing in the storage of cotton in the Mississippi Valley is not my statement?

Senator MCKELLAR. I am glad to hear that, Doctor. Now may I ask—

Mr. ROBBINS (interposing). Now, I know of no plan for the building of Government warehouses in the Mississippi Valley or any other place in the Cotton Belt.

Senator McKELLAR. All right, sir; that is all I want to ask about that. Now I want to ask you, did you say here the other day, I believe the last time in which these conflicting interests tried to get together, that if you went on the stand in this case, all negotiations would be off, and the bill would be defeated, or words to that intent?

Mr. ROBBINS. No, sir.

Senator McKELLAR. You did not. That is all I want to ask you about that. Now, the next thing I want to ask about, who is the bidder in the Southeast territory who had all the space that was needed, to whom, I believe, you referred this morning?

Mr. ROBBINS. I do not understand your question.

Senator McKELLAR. As I recall your testimony you stated that there were bidders in the Southeast that had all the space that was necessary to reconcentrate this cotton?

Mr. ROBBINS. I do not recall having made any such statement.

Senator McKELLAR. You do not recall that, yes. Is there any money invested by the Government in freight bills that are no longer available for transit of cotton now located at the ports?

Mr. ROBBINS. I suppose, Senator, that you are referring to the transit privilege.

Senator McKELLAR. Yes, sir. What we used to call the floating privilege. Go ahead.

Mr. ROBBINS. Yes, sir, Senator; some of that cotton has remained in storage long enough so that the transit rights are no longer available.

Senator McKELLAR. How much loss has the Government sustained by reason of the loss of transit privileges which were given by the railroads or other transportation facilities that are now out of date?

Mr. ROBBINS. The expiration of transit rights, Senator McKellar, is not a loss to the Government on cotton that has been shipped to the ports and will eventually be exported.

Senator McKELLAR. Well, you are acquainted with the principle in cotton, at all events, that the freight comes out of the cotton, are you not?

Mr. ROBBINS. Yes, sir.

Senator McKELLAR. Well, now, if, for instance, cotton has been transported from Memphis to New Orleans, and more than the time limit has passed, if it is sold in Virginia or in New England for manufacture, the transit right has gone, has it not?

Mr. ROBBINS. That is correct, but the—

Senator McKELLAR. So that if the Government resells that cotton in Virginia or in New England, or elsewhere, if it has to pay that greater freight rate, it comes out of either the price or out of the cotton?

Mr. ROBBINS. Oh, Senator, do you assume that the Government is going to sell its Government-owned stocks in competition with new crops the farmers are going to produce for the domestic market?

Senator McKELLAR. I am very much in hopes one of these days normal conditions will be resumed, and that this cotton will be "paid out" so to speak, to the consuming public like it was several years ago when we disposed of a very large portion of it, and that owing



to the curtailment of cotton production, that that can be done without injury to the Government or to the producer.

Mr. ROBBINS. Are you not referring to the likelihood of some possible domestic consumption of cotton remaining unloaded; but, on the other hand, do you believe that the Government-owned cotton at the ports will not be exported eventually?

Senator McKELLAR. Well, I hope it will, but at the present time it does not look very encouraging, I will say that.

Mr. ROBBINS. I imagine that practically every disinterested opinion from the cotton industry you could obtain on that point would be in complete agreement with you, but it is true there would be no loss to the Government.

Senator McKELLAR. Well, I think every additional charge you put on Government cotton is a loss to the Government, whether it is a loss in freight or whether it is paying additional freight, or whether it is sampling it, or whether it is storing it, or reconcentrating it, or storing it where it will be farthest from the spinner; I think every bit of it comes out of the Government, and when the people who own the cotton, the cotton producer, the cotton people who have it, do they not lose that charge, if you want to know my opinion. I want to know how many bales of cotton were received in the 1938-39 loan?

Mr. ROBBINS. 4,481,926 bales.

Senator McKELLAR. How much was repossessed by the producer or owner and sold?

Mr. ROBBINS. To the first of this year 2,471,898 bales.

Senator McKELLAR. How many bales are now in the 38-39 loan?

Mr. ROBBINS. 2,010,028 bales as of the latest date of our record.

Senator McKELLAR. Two million how much?

Mr. ROBBINS. Ten thousand and twenty-eight bales.

Senator McKELLAR. Does the producer still have an equity in that cotton?

Mr. ROBBINS. No, sir.

Senator McKELLAR. He has no equity in the 1938-39 loan cotton?

Mr. ROBBINS. No, sir; not in the sense that he has any right that is of value, that he can realize upon. In order for him to have that the market price would have to be above the production cost.

Senator McKELLAR. But you never closed out the interest of the producer in that cotton; that is not Government-owned cotton.

Mr. ROBBINS. The Government technically may hold title; I do not know what you would say about that, Senator McKellar, because the Government does hold the warehouse receipts, and I suppose—

Senator McKELLAR. It is reclaimed cotton?

Mr. ROBBINS. Has title to the cotton; but the grower has the theoretical right of redemption. However, there is a little over 3,000,000 bales of 1940 crop cotton under the loan which can be redeemed by growers at much less than the 1938 crop cotton; consequently, if the grower were to have the opportunity to redeem his loan cotton, he would exercise it with respect to the 1940 crop cotton, for which the cost of redemption is lower.

Senator McKELLAR. If he were the same producer; but many producers—

Mr. ROBBINS (interposing). Well, presumably the withdrawals of 1940 crop cotton would proceed as the market price raised substantially above the total loan amount plus accumulated carrying charges, and

that would put such a supply on the market, presumably, as to hold down the price and practically foreclose the redemption of 1938 crop.

Senator MCKELLAR. But it has not actually been done yet?

Mr. ROBBINS. Well, the actual circumstance is this: That when the 1940 crop came on the market and began to move into the loan, withdrawals of the 1938 crop practically ceased, as we have just outlined them. As, for instance, the total withdrawals between November 1, 1940, and January 1, 1941, of 1938 crop cotton were at the rate of less than 1 bale per 1,000 bales of total stocks.

Senator AIKEN. But according to the figures you have just given us there has been about 20,000 bales withdrawn since February 1. You said there were 2,010,000 on hand now of the 1938-39 crop, and there were 2,031,000 on hand February 1; that would mean that the last few days it had been moving more rapidly?

Mr. ROBBINS. No, sir; there has been practically no withdrawals of 1938 cotton. Let me see if I cannot reconcile my figures for you.

Senator AIKEN. I think the figures you gave us last week—I know you just said 2,010,000 on hand.

Mr. ROBBINS. The difference of 20,000 bales in the two figures that you have mentioned is 20,000 bales of cotton from the 1939 crop.

Senator AIKEN. I see.

Senator MCKELLAR. That is what I was asking you about, the 1938-39 crop.

Mr. ROBBINS. There are two crops, Senator.

Senator MCKELLAR. 1938-39?

Mr. ROBBINS. Yes, sir; that 2,000,000—

Senator MCKELLAR (interposing). We always speak of the 1938-39 crops as the one beginning—of course, you not being familiar with cotton—

Mr. ROBBINS. (Laughing.)

Senator MCKELLAR. The 1938-39 crop begins about the 15th of July down in Texas, and it runs all through the remainder—I want to explain this because I think you ought to know it—it runs all through the remainder of 1938 and up until about July 15, 1939. Now, when you get up to about Memphis, Tenn., the 1938-39 crop would begin about August 15 to September 1, and would run the remainder of that year and then back around to August 15 or September 1. In Memphis it varies somewhat—but the 1938-39 loan is for those dates, for the year, and is divided in the latter part of—the second half of 1938, and the first half of 1939.

Mr. ROBBINS. The difference seems to be in the use—the more or less confused use of the period from August 1 of any one year to July 31 of the succeeding year as the marketing season for cotton. We, for convenience, and to avoid confusion refer to these loans by stating the year in which the crop was produced.

Senator MCKELLAR. Well, did you call—did you include that cotton in your bid call?

Mr. ROBBINS. Yes, sir.

Senator MCKELLAR. You did. Well, let me see what else I have here and then I will—now you say that you are going to save \$5,000 a day or about \$1,800,000, I believe, in round numbers. Are you in favor of the Government saving this at the expense of the farmer?

Mr. ROBBINS. It would not be at the expenses of the farmer, Senator McKellar.

Senator MCKELLAR. Well, you heard the testimony, you were here, I am sure, quite a while, while the testimony was being taken and if the testimony of these various witnesses, practical cotton men, men who have been in the business all their lives, surrounded by it, lived with it, you heard that testimony, that it would increase the cost of warehousing to the farmer. If they are right then your plans would be at the expenses of the farmer to that extent, would they not?

Mr. ROBBINS. Well, of course, Senator, as you know they were interested parties who testified.

Senator MCKELLAR. Of course, but a man can tell the truth, even if he is interested.

Mr. ROBBINS. And the record contains statements of equally experienced persons directly to the contrary, which were made by those who happened to be interested on the other side of the picture.

Senator MCKELLAR. Who were they that testified; could you give us the names of those that testified that the cotton would—that the sending of this cotton down to the ports would not increase the cost of storage to the farmer? Which witnesses, I do not recall them myself.

Mr. ROBBINS. I believe, for instance, Mr. Bateman from Atlanta, Ga., gave such testimony.

Senator MCKELLAR. Is Mr. Bateman an employee of Anderson, Clayton & Co., who want this cotton?

Mr. ROBBINS. I believe that he is, Senator.

Senator MCKELLAR. Now, who else testified?

Mr. ROBBINS. Well, a search of the record would reveal that. I do not know how many persons testified that the cost to farmers would be increased, or that the cost to farmers would be decreased. However—

Senator MCKELLAR. At any rate this is the only one that you remember, that is, Mr. Bateman?

Mr. ROBBINS. Well, I would not want to guess at it. I do not remember clearly which individuals testified.

Senator MCKELLAR. Yes, sir.

Senator BANKHEAD. You have repeatedly spoken of \$5,000 a day, and you have got it in your letter to the Secretary. Now you say that you expect to save on these bids an average of 4 cents a bale per month?

Mr. ROBBINS. More than 4, between 4 and 4¼ on the cotton that might be moved, and a full 2 cents on the cotton that remained where now stored.

Senator BANKHEAD. You mean to cut the rate on all cotton where it is 2 cents; is that what you mean?

Mr. ROBBINS. No, sir, Senator, only on the 2,970,000 bales of cotton for which bids are received at less than 12½ cents per bale per month storage, and remain where they are now stored. Much of that cotton is already stored at the ports and by accepting the bid we obtain a reduction on that cotton now in storage, as well as on the additional storage.

Senator BANKHEAD. Cotton now in storage in the interior, but supposing the bid is the same as now and it is not moved; there is no

saving on that type of cotton, is there? You do not figure 2 cents a bale on all cotton, do you, even though the bid may be 12 cents?

Mr. ROBBINS. I am figuring an average of 2 cents a bale, on the 2,970,000 bales, on which total bids those from the interior account for 1,797,000 bales.

Senator BANKHEAD. Well, you mean without moving them, you are going to save that much?

Mr. ROBBINS. That is correct, Senator Bankhead.

Senator BANKHEAD. By leaving it right where it is?

Mr. ROBBINS. That is correct.

Senator BANKHEAD. On the bids which you have—

Mr. ROBBINS. That is correct.

Senator BANKHEAD. From the interior warehouses?

Mr. ROBBINS. Briefly, by moving say about 2,000,000 bales, you would obtain for the Government savings on 5,000,000 bales.

Senator BANKHEAD. I do not get it unless you get a reduction in the bids to that extent.

Mr. ROBBINS. We have some—

Senator BANKHEAD. You have 3,000,000 bales at 4 cents, that is only 48 cents a bale per year, and that averages 4,000 a day if you remove, say, as much as 3,000,000 bales; if you move 2,000,000 bales, you have not got a saving of but about \$2,500 instead of \$5,000.

Mr. ROBBINS. Then add to the saving of between 4 and 4½ cents per bale per month on a little over 2,000,000 bales, add the saving of 2 cents per bale per month on approximately 3,000,000 bales that would not be moved, and the net result is, as the Secretary stated approximately \$5,000 per day.

Senator BANKHEAD. Well, you have not got but 6,200,000 bales of cotton the Government owns.

Mr. ROBBINS. That is correct.

Senator BANKHEAD. You have got 2,000,000 already of them—2,250,000 of them at the ports already?

Mr. ROBBINS. Yes, sir.

Senator BANKHEAD. All right. That does not give you but 4,000,000 bales left. Now are you going to move it all? You are figuring on 5,000,000 bales; you have not but 4,000,000 altogether left?

Mr. ROBBINS. Perhaps I had better try to explain the details—

Senator BANKHEAD. Just forget any statement—wait a minute, Doctor, I want to follow this—

Mr. ROBBINS. Now, the bids that have been received—

Senator BANKHEAD. I want to follow that figure as I have it here. I think it is right. You have just got 6,000,000 bales left. That is what I am trying to ask, in removing the Government cotton, you are talking now about saving \$5,000 a day, are you going to move it all?

Mr. ROBBINS. No.

Senator BANKHEAD. Where are you going to put it?

Mr. ROBBINS. Bids were solicited from a maximum of 8,200,000 bales; bids were received for lower rates on 6,373,000.

Senator BANKHEAD. Why are you bidding on 8,000,000 bales when you do not own but 6,000,000?

Mr. ROBBINS. Because it was desired to effectuate whatever agreements were readily available on the 1938-39 crop cotton as well as on the old 1934-37.

Senator BANKHEAD. You were not figuring on moving that, were you, without the written consent of the owner?

Mr. ROBBINS. No, indeed.

Senator BANKHEAD. You would be violating the law if you did that, and I know you were not figuring on doing that.

Mr. ROBBINS. No, indeed.

Senator BANKHEAD. Therefore, you cannot be including it?

Mr. ROBBINS. Oh, yes.

Senator BANKHEAD. The law prohibits you from including it.

Mr. ROBBINS. No, sir.

Senator BANKHEAD. Without the written consent of the owner.

Mr. ROBBINS. Not included without getting it.

Senator BANKHEAD. Why, if you cannot move it, why invite bids?

Mr. ROBBINS. To obtain the decreased rate we got from the ports.

Senator BANKHEAD. From the ports, you cannot move it down there if you did?

Mr. ROBBINS. No; from the interior points.

Senator BANKHEAD. You mean they bid against each other for it?

Mr. ROBBINS. Yes, sir.

Senator BANKHEAD. You figured on moving practically all of it that way. You have not got but 4,000,000 now left; 4,000,000 is all you have got to move to the ports to get a reduction, anyway you mean you would figure on moving 2,500,000 to the ports—how much to the ports?

Mr. ROBBINS. Oh, I think that 2,000,000 would be an ample figure to discuss.

Senator BANKHEAD. Two million. You figure on moving 2,000,000 around, swapping from one warehouse to another?

Mr. ROBBINS. That would be the movement, and the reduction would be obtained, however, on an additional 3,000,000.

Senator BANKHEAD. You have not got 3,000,000; you have not got them; where are you going to get the reductions on it when you do not own it?

Senator McKELLAR. And you are prohibited from moving it?

Mr. ROBBINS. Senator, under the law that we referred to there is nothing to prohibit the Government from undertaking to obtain reductions in carrying charges. As a matter of fact, the law states that the cotton shall not be moved except with the consent of the grower, unless the warehouseman who has it at the time refuses, after due notice, to reduce his rate to, as the law states, "the carrying charges available elsewhere." How could you administer that law except by determining what rates are available elsewhere?

Senator BANKHEAD. Would you undertake to do that every 30 days in a year?

Mr. ROBBINS. No.

Senator BANKHEAD. Or every 6 months in a year?

Mr. ROBBINS. No.

Senator BANKHEAD. You have a contract, have you not, have you not let the contract already to the 1939 cotton and the 1940 cotton; have they not got it under yearly contract?

Mr. ROBBINS. The cotton is under contract and the bids were not requested, Senator Bankhead, until the expiration of the full calendar year from the time the 12½-cent rate became effective, which was November 1939. These bids were requested in November 1940.

Senator BANKHEAD. That is on interior farmer-owned cotton—loaned cotton?

Mr. ROBBINS. That is the maximum rate for all cotton for their first reason whether farmer-owned or Government-owned.

Senator BANKHEAD. You are talking about 2,000,000 bales of Government-owned cotton; you have 2,000,000 already down there; say you moved 2,000,000 more, that makes four; then you have 2,000,000 more cotton which would make four; you are talking about making a profit on 5,000,000.

Mr. ROBBINS. That is right, because there would be a saving on much of the Government-loaned cotton—the 1938 crop that would remain where it is now stored at interior points.

Senator BANKHEAD. Now suppose you have not got bids in the interior for it?

Mr. ROBBINS. We have, Senator.

Senator BANKHEAD. You have got bids for all the cotton in the interior, have you?

Mr. ROBBINS. No, sir; we have received total bids for 6,347,000 bales out of the 8,200,000 bales on which bids were solicited.

Senator BANKHEAD. Well, under this program you will not give them a chance, as the law requires, to reduce. It has been stated here that these bids would be accepted or rejected; you would either accept the bid or you would move the cotton?

Mr. ROBBINS. No.

Senator BANKHEAD. What are you going to do; are you going to give them a chance to reopen the bid?

Mr. ROBBINS. Senator, the situation is that it would not seem advisable to go to the administrative expense that would be necessary to move any of the cotton for which growers still retain a right of redemption because the amount of cotton necessary to move in order to obtain the economies available is far less than the quantity of cotton that the Government already owns in desirable positions for movement.

Senator BANKHEAD. If you take that position, then you cannot—and you have not got the 4,000,000 more to be saved—let me ask you this question without any argument: You are talking about 5,000,000 bales, and of course, with the cotton you already got at the port you cannot have over four; now you say you are going to include farmer-owned cotton, and you have already taken all they have—now did you figure on moving any of that farmer-owned cotton without going back to them and giving them an opportunity to meet any rate that you say is the average prevailing rate?

Mr. ROBBINS. No, indeed, Senator Bankhead.

Senator BANKHEAD. Then you are not going to reject the bids without giving them another chance? That is not the idea—I have heard it stated here all the way through that it is “take it or leave it.” Is that the program?

Mr. ROBBINS. I am afraid that there must be some misunderstanding, because there is no intent or plan or need, in fact, it would be inadvisable to go to the administrative expense of getting the farmer to consent to moving loan cotton when the Government cotton can be moved in far larger quantities than are necessary to avail ourselves of the saving.

Senator BANKHEAD. I agree with that. That would eliminate the subject of Government-owned cotton from your saving, would it not, unless you are going to move it?

Mr. ROBBINS. No, indeed; because here is what happens. The owners, when these bids were solicited, voluntarily offered to reduce the rates they are now charging on this farmer-owned cotton which is not to be moved.

Senator BANKHEAD. Does that include bids on any cotton moved to them, or does that say "on Government-owned"; I am talking about farmer-owned now, not Government-owned cotton.

Mr. ROBBINS. That is what I am talking about, Senator.

Senator BANKHEAD. If you move 2,000,000 to the ports—you have not got but 4,000,000 Government-owned, you cannot save on it but once.

Mr. ROBBINS. That is right.

Senator BANKHEAD. You cannot get the 3 cents or 4 cents on any cotton save that which would not be moved—What figure have you got; 2 cents?

Mr. ROBBINS. That is right; about 2 cents would be saved on cotton which would not be moved.

Senator BANKHEAD. Interior cotton?

Mr. ROBBINS. Of which there is about 3,000,000 bales.

Senator BANKHEAD. All right; then you have 4 cents you are saving on cotton that goes to the port?

Mr. ROBBINS. It would average more than 4 cents per bale.

Senator BANKHEAD. Well, not 5.

Mr. ROBBINS. No.

Senator BANKHEAD. How much more than 4;  $4\frac{1}{4}$  I believe you stated this morning?

Mr. ROBBINS. That would be approximately correct.

Senator BANKHEAD. That is on 2,000,000 bales; you have not got over two interior cotton, have you?

Mr. ROBBINS. Of the reductions in storage rates, the cotton that would not have to be moved, 1,173,000 bales, are now at the ports, and 1,797,000 bales are now at interior points.

Senator AIKEN. May I ask a clarifying question right here?

Senator BANKHEAD. I am in need of several clarifying ones, Senator.

Senator AIKEN. If you ask for bids of warehousemen in one State—we will say they bid 10 cents, which is a reduction of  $2\frac{1}{2}$  cents per month per bale, and the warehousemen of a certain other State did not bid at all, then it would be apparently up to the producers of that State where no warehousemen bid to determine or decide whether their cotton should stay there at  $12\frac{1}{2}$  cents or be removed to some other State where the bid was 10 cents? It would be optional with the grower, would it not?

Mr. ROBBINS. It could not be moved, Senator Aiken, if I understand your question correctly, under the law without the consent of the producer, unless the warehouse where it was stored, after having been given notice, refused to reduce its rate to the average of the rates available elsewhere.

Senator BANKHEAD. At the ports, for instance?

Mr. ROBBINS. The law simply says "elsewhere."

Senator AIKEN. It might result in the farmers of one State having to pay 30 cents a year, or 2 or 3 cents per bale per month, more for storage than the farmers of another State, instead of the uniform rate which they pay now.

Mr. ROBBINS. Actually there never has been any movement under these circumstances required by the law of farmer-owned cotton.

Senator AIKEN. Here is what I would like to know: If the farmers of all but two or three States could get their storage now under the bids for 10 cents, you would not object to the warehousemen of another State 500 miles distant reducing their rates to 10 cents, even though they had not bid, if the farmers that have cotton in there preferred to keep it there?

Mr. ROBBINS. As a matter of fact, under the law, Senator Aiken, you would have to give the other warehousemen the opportunity to meet this lower average available elsewhere.

Senator AIKEN. That, in effect, would amount to another permit to bid, would it not?

Mr. ROBBINS. No; that would, in effect, assure him the ability to bid before the cotton would be moved.

Senator MCKELLAR. Mr. Chairman—

Senator BANKHEAD. You are changing your bid call, but—

Senator AIKEN (interposing). I think, in effect, it would amount to an opportunity to bid.

Senator BANKHEAD. That is understood.

Senator MCKELLAR. As I understand, Dr. Robbins, you testified that on part of this cotton the Government owns you would save 4 cents a bale, and on another part of it, if he can sell it legally, he would save about 2 cents a bale. Now, if you pay Anderson, Clayton & Co., who will warehouse this cotton 15 cents a bale for putting it over to the shipside, and they make a profit of 7 cents, where will the Government save a dime? They lose more than the 15-cent flat rate for taking out these long steel arrangements and picking up the cotton and putting it in the ship, if it cost 8 cents, and it is offered 15 cents—I mean, gets 15 cents for it—the Government will lose more than they will gain out of that change of cotton; is not that so?

Mr. ROBBINS. I do not see how you arrive at the conclusion that the Government would be losing money there, Senator, unless you could determine that those shipside-delivery services had been available to the Government at this 8 cents of so-called cost that we have discussed. I wonder if we could not give Mr. Johnson another opportunity to try to clear that up?

Senator MCKELLAR. Before we do that I just want to say this: We examined Mr. Johnson and he, for reasons of his own, stated that the cost as shown by the Interstate Commerce Commission for delivering this cotton from the warehouse to the shipside was 8 cents. If that evidence was correct, the contractors will get 15 cents a bale for that service, and there is a 7-cent spread there. That is more than the spread that you are talking about saving, 7 cents a bale on the same cotton, and you are going to save  $4\frac{1}{4}$  cents on part of it and 2 cents on the other part.

Senator ELLENDER. On the other hand, Senator McKellar, I know that insofar as the city of New Orleans is concerned—and that would include the State-owned warehouses and the independents in New Orleans—this shipside-service fee of 15 cents would not cover all the



cost. It costs them about 25 cents a bale to move it from the cars, or wherever it is, to the warehouses. And another thing that we must consider is that this cotton is shipped to a firm that has the advantages that you refer to, that is, these big steel cranes that are right on the water and the railroad.

Senator MCKELLAR. That is right.

Senator ELLENDER. Of course, all that cost money in comparison to the other fellow over here who has not got it.

Senator MCKELLAR. But the estimated cost of those people who are running those machines is 8 cents a bale. How are you going to get around that testimony?

Senator ELLENDER. And here is something else. You must not forget that this charge of 15 cents is made only once. The cotton may remain there for 5 years and the 15-cent charge is made but once, whereas the charge for storage is by the month, 12 months in the year, at so much a month, and over a period of 5 years, if you spread that 7 cents that you speak of, it will go down to a minimum.

Senator MCKELLAR. Well, it will not go down to a minimum, but it would reduce it slightly.

Senator ELLENDER. But the thing is, though, Senator McKellar, in all justice to everybody concerned, it is not everybody that can have facilities like Mr. Clayton has.

Senator MCKELLAR. I imagine that they feel the same way, and for that reason it is the Government's duty to turn over all this cotton from the interior to them, so that they can use their facilities to their own advantage.

Senator ELLENDER. Well, I would not think that way about it.

Senator MCKELLAR. Well, maybe not, but it strikes me this way: That, as Mr. Robbins clearly pointed out, this amount of 15 cents is in the nature of an average charge. It may cost some of those other fellows 25 cents, or 18 cents, and maybe others 30 cents.

Senator AIKEN. It would make a decided difference whether the cotton is drayed 200 yards or 3 miles.

Senator ELLENDER. Certainly. And all of those things must be taken into consideration, and I presume that the Department figured that a 15-cent rate was the average of the structure.

Mr. ROBBINS. That was based, Senator McKellar, on the lowest fee that somebody spent for that particular service in any of the bids that might be submitted.

Senator ELLENDER. Has anybody ever bid as low as 8 cents?

Mr. ROBBINS. No, sir; 15 cents has been the lowest bid, as I understand it, on shipside delivery.

Senator ELLENDER. And that is why you took that figure 15 cents?

Mr. ROBBINS. That is correct.

Senator BANKHEAD. Gentlemen, there are two facts here that I have not been able to get, and I wish somebody in the Department would see if they cannot get it for me. One is the amount of all the cotton in this country, that is, in warehouses—that is, all cotton exclusive of what is in the mills. I just want the total in warehouses in the ports and the interior. No one has been able to get me those figures.

Mr. ROBBINS. Well, Senator, we have the figures right here for all Government-owned and Government-loan cotton, but you want included in that all privately owned cotton?

Senator BANKHEAD. All cotton in warehouses in the United States.

Mr. ROBBINS. We shall be pleased to give you the best estimate available on that.

Senator BANKHEAD. The next thing I have not been able to get satisfactorily is the port capacity. I have got an estimate given me by Mr. Rathell for both the carrier and the ports. He was not certain about whether these estimates, as I understand it, were based upon compress cotton or flat cotton, or how much of each, so I do not know whether these figures are correct or not. I think Mr. Rathell might tell us that.

Mr. RATHELL. I am not certain about it, Senator.

Senator BANKHEAD. Those are two facts that I would like to have.

Mr. RATHELL. We can verify it.

Senator BANKHEAD. Suppose you verify it and phone it to me.

Mr. RATHELL. I will do the best I can. The figures that we gave you were based on questionnaires that we sent to the warehouse people.

Senator BANKHEAD. If you have got any way to verify it, I wish you would do so.

Mr. RATHELL. Our information is incomplete in that I have been unable to find anyone who has total capacity figures.

Senator BANKHEAD. Have you any questions that you would like to ask the witness, Senator Aiken?

Senator AIKEN. Just two or three questions to clear up certain things in my own mind.

Dr. Robbins, I believe you stated that on July 1, 1939, the Commodity Credit Corporation took over from the R. F. C. 6,940,000 bales of cotton. Is that what you testified?

Mr. ROBBINS. No; took title to that much cotton, which was under loan from 1934 and 1937.

Senator AIKEN. You now have 6,200,000 bales; 740,000 bales have been disposed of since July 1, 1939. What have you done with that?

Mr. ROBBINS. Nearly all of that was disposed of to the British Government under the cotton-rubber-exchange agreement.

Senator AIKEN. You do not have the exact figures on that?

Mr. ROBBINS. Yes, sir.

Senator BANKHEAD. Has all that cotton been exported?

Mr. ROBBINS. Slightly more than 600,000 of the total was delivered under the barter agreement.

Senator BANKHEAD. That has been exported—removed from the warehouses?

Mr. ROBBINS. Most of it has been shipped from the United States. Some of it for which shipping bottoms were not available is still here, but title has been vested in the British Government.

Senator AIKEN. Would you give me that estimated figure again?

Mr. ROBBINS. Approximately 600,000 bales have been delivered to the British Government under the cotton-rubber-exchange agreement.

Senator BANKHEAD. Approximately how much of that 600,000 is still in warehouses in this country?

Mr. ROBBINS. About 125,000.

Senator BANKHEAD. That is all for export?

Mr. ROBBINS. Yes, sir.

Senator AIKEN. What was done with the other 140,000 bales?

Mr. ROBBINS. I believe you have left there only about 70,000 in your figures, have you not, Senator?

Senator AIKEN. There was 740,000 difference between the amount you took over and the amount on hand. You say about 600,000 was traded to Britain. That leaves 140,000 to be accounted for.

Mr. ROBBINS. I would be glad to supply that information for the record. We do not have the data here, but the balance between the total decrease in Government ownership and the amount delivered to the British Government is largely accounted for by an exchange program that was adopted when there was a shortage of cotton in the market. We made that cotton available to meet the deficiency, in order to maintain both export and domestic consumption of that cotton.

Senator AIKEN. Have there been any losses of cotton to the Government from fire or other causes?

Mr. ROBBINS. Yes, sir; there have been some fire losses, but they are covered by insurance.

Senator AIKEN. Do you know the amount that has been lost by fire?

Mr. ROBBINS. We would be pleased to supply the exact number of bales for the record.

Senator AIKEN. If you can do that, I would live to have it, or losses from any other causes. Are there other losses?

Mr. ROBBINS. Such losses have been negligible. For what period would you like us to make that calculation to include in the record—for the past year or for the entire life of the Corporation?

Senator AIKEN. That is for 2 years.

Mr. ROBBINS. We will be pleased to do that, Senator.

Senator AIKEN. I am asking this because it was brought out here, either in the formal hearing or informally, that contracts had been at times rather easily secured; and it was intimated that some had got contracts for storing cotton before they had any boards to build a roof over the cotton. I was wondering if you know anything about any such instance.

Mr. ROBBINS. Well, reference might have been made to situations which developed in certain localities from time to time. For instance, last fall there was a period when the warehouses in west Texas could not accommodate the volume of cotton that had been delivered to them by farmers, and a substantial quantity at one time—70,000 bales of cotton—was standing out in the open.

Senator AIKEN. What method does the Department use in keeping track of this cotton in inventorying and seeing that it is kept under proper conditions?

Mr. ROBBINS. Well, in the first place, of course, complete and detailed records are kept for the cotton. That is done on a punch-card system; and, in the second place, the Department employs inspectors who visit the various warehouses from time to time to check on the amount of cotton in storage and its condition.

Senator AIKEN. About how often do they make these inspections?

Mr. ROBBINS. There has been such a wide variation in the periods between inspection that I hesitate to venture a guess as to an average number, a month intervening between visits by our inspectors.

Senator AIKEN. Do you recall whether the number of bales found always corresponds to the number that you expected to find, or the records?

Mr. ROBBINS. There is very little difficulty encountered by the Government from disappearance of cotton, and, of course, the warehouse is under bond, which protects the Government against any loss in such instances.

Senator AIKEN. I understand that after the Department of Agriculture took the cotton-loan program over, you then required separate loans to be made on each grade of cotton that a farmer delivered to the warehouse. Is that correct, that the different grades could not be lumped?

Mr. ROBBINS. Yes, sir; the loan rates as made effective took into account differences between irrigated and rain-grown cotton, differences in grade, differences in staple length, and differences in location.

Senator AIKEN. What was the reason for that method?

Mr. ROBBINS. In order, Senator Aiken, to develop a schedule of loan rates that would be equitable to all farmers, by giving each the same percentage of the actual value of the cotton placed under loan.

Senator AIKEN. Now, you have stored 300,000 bales in New England.

Senator BANKHEAD. Mr. Martin in the House offered an amendment requiring them to do that.

Senator AIKEN. Was the amount of 300,000 bales specified by law?

Senator BANKHEAD. Yes; that is my recollection, that 300,000 bales were specified in the Martin amendment.

Mr. ROBBINS. Three hundred thousand bales, Senator Bankhead, is referred to in the law, but not as a minimum or the amount to be stored, but it says "up to 300,000." Now, it seems that the intent of Congress was that we should store 300,000 there, so bids were solicited for storage of that quantity of cotton, and we have been able to move already into New England storage approximately 277,000 bales.

Senator AIKEN. Do you have the record of where that cotton is stored and with whom?

Mr. ROBBINS. We would be glad to insert in the record the names of the warehouses concerned, and their locations.

Senator AIKEN. And has that been moving out of storage after it reached New England?

Mr. ROBBINS. No, sir; none of that cotton has been moved.

Senator AIKEN. What is the purpose of storing it up there?

Senator BANKHEAD. That is the law.

Senator AIKEN. Well, I will not ask you to interpret the intent of the law.

Senator BANKHEAD. As long as the law requires it, that is all he could answer.

Senator ELLENDER. They had a lot of empty warehouses up there, I suppose and they wanted to get in some cotton.

Senator AIKEN. I suppose that had something to do with it.

Senator ELLENDER. I know it had.

Senator BANKHEAD. We did not resist it. They said "Give us some of that cotton," and we did not resist.

Senator AIKEN. They did not want you to get all of it.

Senator BANKHEAD. Yes; and we agreed. There was no fight about it.

Senator ELLENDER. I wonder if you could also include the rate that the Government is paying per month, or whatever contract you have with those warehouses?

Mr. ROBBINS. Yes, sir. The low rate is 7 cents per bale per month, and the highest rate in New England is 8 cents per bale per month.

Senator AIKEN. You have not heard any complaint from those storing it in New England but what they are getting by all right?

Mr. ROBBINS. We have had inquiries indicating that they would like additional quantities, Senator.

Senator BANKHEAD. They must just put it in there and keep it there to give it shelter, like the ports down here.

Mr. ROBBINS. Yes, sir.

Senator AIKEN. You would not be surprised if you learned that they had made 75 cents on the dollar the first year on the cost of the warehouse, would you?

Mr. ROBBINS. We have been very much aware that some extraordinarily large profits have been made on the storage of cotton, and I think you will find that this is merely another effort to keep those rates down somewhere near a reasonable level.

Senator AIKEN. One witness a week or so ago, I think it was, stated that the interior warehousemen could not raise their prices above a certain level, because if they did the Government would either construct warehouses or there would be cooperative warehouses built.

Senator BANKHEAD. You say there are no Government-owned warehouses, Federal Government-owned warehouses storing cotton now?

Mr. ROBBINS. That is correct, Senator.

Senator AIKEN. Are there any cooperatively owned warehouses?

Mr. ROBBINS. There are a few, yes, sir; owned by farmer cooperative associations.

Senator AIKEN. Where are they located?

Mr. ROBBINS. We would be glad to put in the record a statement on the warehouses, all the warehouses owned by cooperatives, and their locations, if you would like to have that.

Senator AIKEN. Are you storing any cotton with them?

Mr. ROBBINS. Yes, sir.

Senator AIKEN. And do you know what the financial records of those cooperatives have been? Have they been getting by, making a profit?

Mr. ROBBINS. We have not made an investigation to determine what profit the cooperatively operated warehouses may have made on cotton.

Senator AIKEN. Have you any record showing the cost of storing cotton, say, 10,000 bales or 50,000 bales in a facility, so that you know what an operator would have to get to make a reasonable profit?

Mr. ROBBINS. Senator, estimates have been made, but we are back again to the word "cost." That is the most debatable thing. Let me give an illustration of the difficulty of setting rates on the so-called "cost" of rendering the service.

Cost is not a fixed, definite, and absolute thing that can be determined readily. Its determination involves the making of many arbitrary assumptions by those who make the computations. For instance, in the case of a warehouse, one of the principal items of cost is depreciation on the warehouse itself. Now, in order to calculate the depreciation it is necessary to set up a basis of valuation of the warehouse, and you would have to choose between some original total cost, original cost less depreciation, a market value for the

property, or, say, an estimated cost of reproduction. Then, after that has been done, an arbitrary estimate would have to be made as to the life of the property. Then, having done that, it would be necessary to make an arbitrary selection of the method of computing depreciation. Would it be the straight-line method? Would it be the use method? Would it be the sinking-fund method? And then, having done that and found some arbitrary method for depreciation, you would have to consider overhead and what is the cost of overhead. Of course, that includes some items like personal salaries, that are just about what the warehouseman would like to make them, and then having computed some arbitrary cost for different warehouses, you find quite a variation, and in order to find an average cost you have to decide arbitrarily between what kind of average. Would it be an arithmetic mean or weighted average or median or geometric mean? Just what would you do? And then after you get all through and decide that this is the average cost on the part of all those arbitrary decisions, you are up against this: Somebody says, "I would like to perform that service for the Government, and I will do it at less than that average that you have found, and I will make money out of it." Well, Congress has faced that problem, as we have faced it, and in effect Congress has said, by adopting section 3709 of the Revised Statutes, that it is nearly impossible to determine what is a fair rate for such a service, and that you shall act on the basis of whatever rates are made available through soliciting bids.

Senator AIKEN. Just one more question. Does the Department intend, or would it be its policy to use the bid system as a medium for securing storage at less than cost, or does that require a complicated or qualified answer, too?

Mr. ROBBINS. I am confident, Senator Aiken, that you would find it is the desire of the Department to see these services rendered at some price that would give a fair profit to the warehouseman and would constitute a fair rate. There would be no desire to use competitive pressure to an extreme and force rates down to the point that many persons were losing money. On the other hand, there is a desire to be less free, to protect farmers and taxpayers against excessive monopoly charges that are likely to result whenever there are legal prohibitions based on the power of the Government to move its cotton.

Senator AIKEN. And, realizing that there are at least 2,000 small warehouses in the Southeast, especially, storing from 500 to 5,000 bales each, that are of vital importance to the community, it would not be your intention to do anything that would possibly eliminate the services of those warehouses to the community, would it?

Mr. ROBBINS. No, indeed, Senator Aiken. As a matter of fact, acceptance of the bids will have very little effect on any of the small warehouses that you refer to in the Southeast.

Senator AIKEN. Will you furnish for the record an accounting for that 790,000 bales difference between what you received or took title to, and what you have at the present time, and also a list of the dispositions?

Mr. ROBBINS. We shall be pleased, Senator Aiken, to supply all that information for the record.

Senator BANKHEAD. Have you any questions, Senator Ellender?

Senator ELLENDER. Just a few. I am not going to ask very many.

Dr. Robbins, you will give us an estimate, as I understand it, of all the storage facilities that we call the inland warehouses?

Mr. ROBBINS. Well, Senator, we are going to try to make that up, but let me tell you what we are up against. The only information we have is that derived from the questionnaire that we sent out, asking individual warehousemen to give us their storage capacity as they rated it, and also the amount of cotton in storage.

Senator ELLENDER. That will be fairly accurate; will it not?

Mr. ROBBINS. I am sorry to say that it will not, because we found in some instances the warehouseman may have thought that the Government was contemplating taking away some of his cotton because he was overcrowded, and they gave us a bale-storage capacity which we figured out from the volume of the plant was as much as 250 percent in excess of what they could have handled.

Senator ELLENDER. Well, we have some figures in the record already; and, if you will, furnish what you can in order to show the warehousing that is denoted as port warehousing and interior warehousing.

Mr. ROBBINS. We would be pleased to do that.

Senator ELLENDER. And No. 2 give us an estimate of all of the cotton that is now in this country, stored in these various warehouses.

Mr. ROBBINS. Yes, sir. That is already submitted for the record, the full details on the Government stock, and we will add to that our estimates of the privately owned stocks.

Senator ELLENDER. And also an estimate of where that cotton is located at present; that is, show the amount that is at the port and the amount that is in the interior.

Mr. ROBBINS. We will be pleased to do so.

Senator ELLENDER. One more question, Doctor. There has been quite a bit of testimony introduced here with respect to the effect of removing the cotton from the interior, which forms that backlog that Senator McKellar spoke about. If it is removed, it would have a tendency to force the interior warehouseman to raise his storage rate, and if he has to, of course, the farmers will have to bear the brunt of that increased price. Have you made a study of that so as to tell the committee if that will be necessary? In other words, I would like to have it more specifically. You referred to it in your main presentation, but it was more argumentative than anything else. It was just a statement, and I would like for you to elaborate on that just a little. In other words, it has been testified here by many witnesses that in charging the farmers a flat 15-cent rate in order to store the cotton and handle it for the first month, and then thereafter charge the 12½ cents a bale, that they have reached the saturation point; they cannot do it any cheaper than that.

Mr. ROBBINS. Was there any evidence at all placed in the record about the earnings that remained?

Senator ELLENDER. Some. There is quite a bit of evidence on that score, but I remember several witnesses testifying to the effect—some of them were warehousemen—that this 15-cent charge that was made by them, and that was in a measure forced upon them, is about as low as they can charge, and at the same time get a fair return on their investment.

Mr. ROBBINS. Well, Senator, it is not unusual that such statements would appear in the record, because when we brought about a reduc-

tion to that 15-cent charge from the 25-cent charge for the same service that was in effect a year and a half ago, many delegations of warehouse representatives came here and appeared in the hearings down before the Department and asserted that "We face bankruptcy," and all that sort of thing. But it did not happen, and we certainly do not believe that the movement of a small quantity of cotton out of a few interior points, which will make more space available in that market, increase the supply of storage made available to farmers for the storage of cotton, will result in increasing the price of storage.

Senator ELLENDER. In connection with the argument advanced by those who stated that the 15-cent rate is just about as low as it can be, they take the position that this Government-loan cotton, as well as cotton that is usually stored there by the trade, remains in storage for an average of about 90 days, or some put it as much as 120 days. Have you any figures to give to the committee as to the average time that this Government-loan cotton has remained with the warehousemen?

Mr. ROBBINS. Yes, sir; we can give you some data on that. I was present at the sessions, Senator Ellender, and I was surprised at the effort made to compare entirely unlike operations; that is, the storage of privately owned stocks of cotton over a period of 60, 90, or 120 days, which is an entirely different service from that rendered typically in the storage of Government-loan cotton. For instance, the 1934 cotton remains still, in large part, in the loan, so that instead of the period having been 90 days, it has been more than 6 years.

In the case of the 1937 cotton, a great deal of that is still in the loan.

Senator ELLENDER. You mean that the farmer has?

Mr. ROBBINS. No; it is loan cotton. The farmer no longer has title to it.

Now, in the case of 1938 cotton, in which the farmer still has the right of redemption, the average period up to now that that has remained in the loan has been 20½ months.

Senator ELLENDER. Per bale? Each bale has averaged about that time?

Mr. ROBBINS. That is the average for the 1937 crop cotton. Now, some of the testimony that I heard placed in the record on that was quite inaccurate.

Senator ELLENDER. Are you prepared to show by figures that the cotton on which the Government loaned money, let us say, for 1938, 1939, and up to the present time, has remained with the warehouseman on an average of more than 90 days or 120 days, as has been testified to by many witnesses?

Mr. ROBBINS. Yes, sir.

Senator ELLENDER. Are you able to give us what the average is for the cotton in all of these various loans?

Mr. ROBBINS. We cannot give the final figures, because the cotton has not been withdrawn, and the final time has not terminated.

Senator ELLENDER. Up to date, then?

Mr. ROBBINS. I would be glad to give you now this information. For the 1938 loan cotton the average time remaining in storage, up to January 31, 1941, was 20.5 months; 2,010,000 bales, or 45 percent of the



4,482,000 bales which went in the loan, still remains in the loan as of January 31, 1941.

If we take only the first year's storage up to July 1, 1939, the average time that cotton remained in storage was 9 months. For the 1939 loan cotton, which amounted to only 26,000 bales, the average length of time cotton remained in the loan, up to January 31, 1941, was 10.9 months, 20,630 bales, or 79 percent. Twenty-six thousand bales which went in the loan still remain in the loan on January 31, 1941.

Senator AIKEN. Then the average length of time may turn out to be nearer 3 years than 3 months?

Mr. ROBBINS. Oh, yes. And even on the very newest crop cotton, some of which is still under the loan, that is, 1940 crop cotton, the average time is already more than 90 days.

Senator AIKEN. Do you think the producer knows pretty well whether he is going to move that cotton or is not, and if he is, if he does not go through the loan, perhaps 90 days would be the average length of time of cotton that does not go through the loan?

Mr. ROBBINS. We do not have any information on cotton that does not come under the loan, Senator Aiken.

Senator AIKEN. But that would be a far shorter period of time that it would remain in storage.

Mr. ROBBINS. Most certainly it would, Senator.

Senator ELLENDER. Mr. Reed has handed to me a part of the record of this proceeding, where I am quoted as saying:

Mr. Reed, with respect to the point I attempted to develop a few minutes ago, prior to the time that the Government had this enormous surplus of cotton to handle, usually the warehouse had kept the cotton on hand from 2 to 3 months?

Mr. REED. The average was 3 months. That was found to be the fact.

Mr. REED. That was not the Government loan, and here is my answer to your question, and the Government-loan answer was not 90 days. As I told you on page 287, the only test we had made was in 1939, of 10½ months on that year's crop, which corresponds with what he just said.

Senator ELLENDER. Now, Mr. Reed, that may be your testimony, but I recollect this statement distinctly, and it is in the record somewhere; and if I am wrong, I want to correct it now. I do not want to misquote anything.

Mr. REED. There is no place in the record, Senator where any witness said the Government-loan cotton was only on hand for 90 days—no place. Mr. Taylor's testimony related to 60 and 90 days on other than Government-loan cotton. That is the only one I know of, and I have already abstracted this record.

Senator ELLENDER. So that the questions that I have suggested here to Mr. Robbins are incorrect in respect to the 90 days?

Mr. REED. Yes, sir. We only undertook to say that the producer's cotton, where he marketed his cotton, would be 90 days; that his holding time was approximately 90 days. Now, the Government-loan cotton we said was the thing that enabled us to give him the rate of 45 cents for that 90 days, which enabled us to market his cotton.

Senator ELLENDER. You mean the Government-owned cotton?

Mr. REED. And loan cotton, both.

Senator ELLENDER. Both together?

Mr. REED. Yes, sir.

Senator ELLENDER. Well, I did not understand it that way, and I am going to look up the record for my own satisfaction.

Mr. REED. I have abstracted it, if you would like to see it. You developed that yourself, Senator. Your questions brought that out.

Senator ELLENDER. Well, that is the thing that I desired to explore there.

Senator AIKEN. I would like to amend my request for the statement of losses sustained to 3 years rather than 2 years.

Mr. ROBBINS. We will be pleased to do that.

Senator MCKELLAR. May I include the losses on the freight, where the rates on storage in transit have been lost?

Senator ELLENDER. The data that you have just given us with respect to the cotton on which the Government loaned money, shows an average of 20 months, as I understand it.

Mr. ROBBINS. Already for 20½ months—that is shown already for the 1938 crop cotton.

Senator ELLENDER. That is not the cotton that the Government owns now. It is just the 1938-39-40 crop?

Mr. ROBBINS. That is correct. Those crops are subject to redemption on certificates by the producers.

Senator ELLENDER. Mr. Robbins, do you recollect what the rates for the farmers were before the Government came into the picture, for the farmers, the producers, the owners of the cotton? In other words, the point I want to bring out, or the fact that I want to bring out, is to what extent has the Government reduced storage rates up to this time?

Mr. ROBBINS. I doubt, Senator Ellender, that a comparison between the rates in effect before the institution of Government-loan programs on cotton and the rates now in effect on Government-loan and Government-owned cotton would be very significant, because it would be a comparison of unlike things. This large stock of Government cotton remains under loan so much longer than is or has been the typical case for privately owned cotton, that a comparison would have very little value.

Senator ELLENDER. Well, you attribute the lower rates, then, to the fact that you have this immobile cotton on hand, that is, that the warehousemen have this immobile cotton on hand?

Mr. ROBBINS. I should say that the present rates can probably be explained by two principal factors. One is that there is a large stock of cotton that remains in storage for a very long period of time. The second is that the Government being the owner of a large amount of cotton, and still not being under any legal restrictions as to its movement, is in a position to employ competitive quarters in the storage of cotton that tends to keep storage rates down to something like a reasonable level.

Senator ELLENDER. The next question I desire to ask you is: If that is the factor, the enormous amount of Government cotton being stored, I am just wondering what is going to become of these interior warehousemen who are going to lose—who may lose the cotton by you moving it? It strikes me that they will have to do one of two things, either go out of business or they will have to raise their rates. I do not see how they can escape that.

Mr. ROBBINS. No, Senator Ellender; there has been, I think, vast exaggeration in the record of the actual circumstances. As a matter of fact, probably the total movement of cotton that would occur upon acceptance of these bids would be less than 20 percent of the total quantity owned and under loan to the Government at the present time; moreover, no showing has been made by way of a summary of income and profit to indicate that this movement would cause any loss anywhere. And finally, it may be pointed out that if a free play of competition can be kept in the cotton storage situation, then the fact that a little more space has been made available for farmers, the fact that the supply of space has been increased should tend to prevent an increase in rates, and rather tend to keep rates lower.

Senator ELLENDER. One more question and I am through. You have apparently—when I say “you” I mean the Commodity Credit Corporation—has apparently succeeded in getting rates decreased considerably to what they were in the past, I presume by contracts entered into mutually. Why can you not follow the same procedure in the future, since under the law, as pointed out here, you do not have to advertise, and why do you not keep on the same procedure and try to maintain these lower rates as you have decreased them in the past? Is it possible that you can continue along the same lines as you have heretofore followed?

Mr. ROBBINS. Well, Senator Ellender, the record up to date is that one reduction in rates was made by what you might call a “negotiation” process, and two other reductions in rates have been brought about through solicitations for bids prior to the solicitation which has been discussed here today.

Senator ELLENDER. When you decreased your rates from, say, 25 cents or whatever the rate was, to the present rate, did you not go from one warehouseman to another and say: “I can get it done by this warehouseman at so much. What will you do about it?” Did you go about it that way.

Mr. ROBBINS. We had long conferences with the warehouses before that action was taken, I would like to emphasize, by the Department of Agriculture and not just by one of its bureaus, the Commodity Credit Corporation, and finally an announcement was made by the Department that the rates would be on new-crop cotton 15 cents per bale per month, including insurance or the tariff, whichever was less. Then we solicited competitive bids from both interior and port concentration points for the storage of any cotton which any warehouseman might not be willing to store at this maximum rate that we had fixed. Briefly, it took the combined arrangement to bring about the reduction.

Senator ELLENDER. You mean bidding and this negotiated contract?

Mr. ROBBINS. Yes, sir.

Senator MCKELLAR. Will you give the average length of time that the producer's loan cotton which has been repossessed was stored? I do not suppose you have that. I would be glad if you would put it in the record.

Mr. ROBBINS. We will be pleased to do that, Senator McKellar.

Senator MCKELLAR. I have here a letter from Mr. Bennett, vice president of the Federal Compress & Warehouse Co., dated February 10, 1941, in which he encloses two copies of their answers to the com-

plaint filed against his company by the Federal Trade Commission, also their amended complaint. I want to put these in the record.

(The papers referred to follow:)

FEDERAL COMPRESS & WAREHOUSE CO.,  
Memphis, Tenn., February 10, 1941.

Senator K. D. McKellar,  
Senate Office Building, Washington, D. C.

DEAR SENATOR: As per telegram today, we herewith enclose two copies each of our answers to the complaint filed against us by the Federal Trade Commission, as well as their amended complaint. Mr. Taylor is very anxious to have them placed in the record, since John White placed therein copy of the Federal Trade Commission complaint in the record. The extra copy is for your files.

At the beginning of the proposed compromise Mr. Robbins furnished a statement showing number of bales on hand in Government owned and Government loan in which the farmer still has an equity with the exception of the present season, 1940-41, the statement showing number of sales on hand in each State separated by ports and interior. We thought you should have this as the latest information, and herewith enclose two copies of same.

You will remember there were 300,000 bales to be reconcentrated into New England. On this statement it is to be noted that out of this figure there has already been moved and stored in Massachusetts 102,621, and Rhode Island 13,824, or a total of 116,445 bales.

As information, the 300,000 bales were divided:

Mississippi Valley -----	252,400
Southwest -----	44,360
Ports -----	3,150
Total -----	300,000

Shipments from the ports are divided as follows:

Gulfport, Miss -----	500
New Orleans, La -----	1,950
Lake Charles, La -----	100
Galveston, Tex -----	300
Houston, Tex -----	300
Total -----	3,150

With the above 3,150 bales shipped from the ports would leave from the Mississippi Valley and Southwest 296,850 bales. Deducting from this figure the Massachusetts and Rhode Island cotton of 116,445 bales would leave 180,405 bales of this cotton yet to be shipped and will come out of the interior figures of the Mississippi Valley and Southwest (by far the largest majority out of the Mississippi Valley) as shown on the enclosed statement.

We call your particular attention to the large amount out of the Mississippi Valley and the small amount out of all the ports. Out of the Mississippi Valley figure there were 60,000 bales shipped from Memphis.

With best wishes.

Respectfully,

ALONZO BENNETT,  
Vice President.

In the Matter of Federal Compress & Warehouse Company, a corporation; Valley Gin Company, now Valley Credit Company, a corporation; Mississippi Valley Gin Company, a corporation; Tensas Parish Gin Company, a corporation; Madison Parish Gin Company, Inc.; R. L. Taylor, individually and as Chairman of the Board of Directors of Federal Compress & Warehouse Company; Binford Hester, individually and as President of Federal Compress & Warehouse Company; E. F. Wade, individually and as Vice President of Federal Compress & Warehouse Company; Winston E. Cheairs, individually and as Vice President of Federal Compress & Warehouse Company; W. Dennis Brown, an individual; and Fred Schneider, an individual. Docket No. 4090. United States of America before Federal Trade Commission

## ANSWER OF CERTAIN DEFENDANTS

Come now the respondents, Federal Compress & Warehouse Company, a corporation; Valley Gin Company, a corporation; Mississippi Valley Gin Company, a corporation; Tensas Parish Gin Company, a corporation; Madison Parish Gin Company, Inc.; R. L. Taylor, individually and as Chairman of the Board of Directors of Federal Compress & Warehouse Company; Binford Hester, individually and as President of Federal Compress & Warehouse Company; E. F. Wade, individually and as Vice President of Federal Compress & Warehouse Company; and Winston E. Cheairs, individually and as Vice President of Federal Compress & Warehouse Company, and for joint and several answer to the complaint filed herein against them, say:

The Federal Trade Commission does not have jurisdiction of the matters and things set forth in said complaint, because (a) none of these respondents are engaged in interstate commerce; (b) the acts, matters, and things set forth in said complaint do not affect or have any direct relation to interstate commerce; (c) the acts, matters, and things set forth in said complaint are not to the interest of the public; and, therefore, said acts, matters, and things set forth in said complaint do not constitute a violation of the Federal Trade Commission Act.

The Federal Compress & Warehouse Company admits that it is a corporation organized and existing under the laws of the State of Delaware, with its principal office and place of business located at 81 Monroe Avenue in the City of Memphis, Tennessee, and admits that it is engaged in the business of compressing and storing cotton, but denies that it is engaged in the sale of jute or burlap bagging and steel bands or ties for use in compressing cotton, or otherwise.

It admits that it owns and operates eighty compress plants located in the States of Arkansas, Louisiana, Tennessee, Mississippi, and Texas, but denies that through the means of subsidiary corporations owned or controlled by it, directly or indirectly through the respondent, R. L. Taylor, it is also engaged in the business of ginning cotton in the States of Mississippi, Louisiana, and Arkansas.

The Federal Compress & Warehouse Company denies that it causes the cotton compressed by it or any jute or burlap bagging and steel bands or ties to be transported from the States in which the respective compress plants are located to the purchasers thereof located at various points in the several States of the United States other than the States of the origin of such shipments and in foreign countries. It denies that there has been, and now is, a course of interstate and foreign commerce in said jute or burlap bagging and steel bands or ties between it and the purchasers of any such products located throughout the several States of the United States and in foreign countries.

The Federal Compress & Warehouse Company admits that it has been in competition with other corporations, partnerships, and individuals engaged in the compressing and storing of cotton, but denies that it has been and now is in competition with anyone in the sale of jute or burlap bagging and steel bands or ties used in connection therewith in interstate and foreign commerce, or otherwise.

The corporate status and residence of the respondents is admitted as alleged in Paragraph Two of the complaint, except that Valley Gin Company is now, by change of name, Valley Credit Company.

The respondents named in Paragraph Two of the complaint are engaged in the ginning of cotton and the operation of cotton gins, and the Valley Gin Company is engaged in the financing of cotton gins and the issuing of cotton-production loans. The allegation that all of the respondent cotton gins named in Paragraph Two of the complaint are owned or controlled by the Federal Compress & Warehouse Company, either directly or indirectly through the respondent, R. L. Taylor, is denied.

The residence and official capacity of each of the individual defendants as alleged in Paragraph Three of the complaint is admitted.

It is admitted that in the course of the production and marketing of cotton from the planter to the ultimate user thereof, cotton, after it is picked, is transported to a cotton gin to be ginned, and that the seed is separated from the cotton at the gin, but said cotton is not loosely packed into bales but is tightly packed and wrapped with jute or burlap bagging, held in place by means of steel bands or ties. Much of the cotton so ginned is transported to compress plants for the

purpose of compressing it into a tightly packed bale of smaller size. The allegation that compression of cotton is for the purpose of adding additional bagging and ties or bands is denied, and it is denied that the compression of cotton and the adding thereto of additional bagging and ties is a necessary step in the transportation in interstate commerce of cotton from the planter to the ultimate user thereof.

Each and every allegation contained in Paragraph Five of the complaint is emphatically denied by each respondent joining in the answer.

Each and every allegation contained in Paragraph Six and every subparagraph thereof is emphatically denied by each of the respondents joining in this answer.

It is admitted that R. L. Taylor, Binford Hester, E. F. Wade, and Winston E. Cheairs are now and have been officers of the respondent, Federal Compress & Warehouse Company, and as such officers have been in charge of the activities of the Federal Compress & Warehouse Company together with other officers and Directors of said Company, but it is denied that they have participated in the activities set out in Paragraph Six of the complaint.

All of the allegations contained in Paragraph Eight of the complaint are denied.

All of the allegations contained in Paragraph Nine of the complaint are denied.

Further answering, these respondents aver that the matters, acts, and things alleged in the complaint are not to the interest of the public, and do not come within the purview of the Federal Trade Commission Act; that they are informed and believe, and therefore aver upon such information and belief, that complaint was made to the Federal Trade Commission, and was made by or on behalf of a vindictive competitor, and that the information furnished to the Commission in support of said complaint was furnished by or on behalf of said vindictive competitor, not in the interest of the public, but solely for selfish purposes and to gratify his own selfish and vindictive purposes, and that the entire matter grows out of a local competitive situation in which said competitor has resorted to unfair methods of competition, by reason of all of which it is averred that the Federal Trade Commission should not take jurisdiction over said controversy.

Respondents aver that there is no reason or cause whatsoever why an order should be entered by the Commission requiring them or any of them to cease and desist from the matters and things alleged in said complaint.

All allegations contained in said complaint, not hereinabove expressly admitted or denied, are here and now denied seriatim.

And now having fully answered, these respondents pray that the complaint filed herein against them and the entire proceeding in this cause against them be dismissed.

Respectfully submitted.

HERBERT GANNAWAY,  
LOWELL W. TAYLOR,  
*Attorneys for Respondents.*

In the Matter of Federal Compress & Warehouse Company et al. Docket No. 4090.  
United States of America before Federal Trade Commission

#### ANSWER OF CERTAIN DEFENDANTS

Come now the respondents, Federal Compress & Warehouse Company, a corporation, Valley Credit Company, a corporation, Mississippi Valley Gin Company, a corporation, Texas Parish Gin Company, a corporation, Madison Parish Gin Company, Inc., R. L. Taylor, individually and as Chairman of the Board of Directors of Federal Compress & Warehouse Company, Binford Hester, individually and as President of Federal Compress & Warehouse Company, E. F. Wade, individually and as Vice President of Federal Compress & Warehouse Company, and Winston E. Cheairs, individually and as Vice President of Federal Compress & Warehouse Company, and, without waiving the motion to strike heretofore filed, but expressly relying thereon, for joint and several answers to the Amended Complaint filed herein against them, say:

They rely upon each and everything contained in the answer filed herein by them to the original complaint as fully as if each and every statement and denial

contained therein were set forth verbatim in this answer. And they rely upon the answers and denials contained in said answer as a full and complete answer to all of the allegations contained in the original complaint which have been reiterated in the Amended Complaint.

And now by way of answer to the additional allegations contained in said Amended Complaint, they say:

They deny that the Federal Compress & Warehouse Company through the means of subsidiary corporations, owned or controlled by it either directly or indirectly through the respondent R. L. Taylor, is engaged in making crop production loans to cotton planters as alleged in paragraph one of the Amended Complaint.

The Valley Credit Company admits that it is engaged in the financing of cotton gins to the extent that it extends credit and makes loans to those operating cotton gins, and admits that it is engaged in the negotiating and making of crop production loans.

The allegation contained in paragraph two of the original complaint and of the Amended Complaint that all of the respondents named and described in those paragraphs are owned or controlled by the Federal Compress & Warehouse Company, either directly or indirectly through R. L. Taylor, is denied.

All of the allegations contained in sub-paragraph nine or paragraph seven of the Amended Complaint are denied.

All of the allegations contained in paragraph eight of the Amended Complaint are denied.

All allegations contained in said Amended Complaint not expressly admitted or denied in the original answer or in this answer, are here and now denied seriatim.

And now having fully answered, these respondents pray that the original and Amended Complaint filed herein against them, and that the entire proceedings in this cause filed herein against them, be dismissed.

Respectfully submitted.

\_\_\_\_\_  
\_\_\_\_\_  
*Attorneys for Respondents.*

	1934-35		1937-38		1938-39		1939-40		State totals <sup>1</sup>		Total 1934 and 1937 stocks
	Ports	Interior	Ports	Interior	Ports	Interior	Ports	Interior	Ports	Interior	
Alabama.....	20,310	148,455	14,162	693,000	10,872	57,769	20	597	45,384	899,762	875,945
Arizona.....				24,861		62,342		256		87,469	24,861
Arkansas.....		85,010		397,274		282,500		896		795,890	482,284
California.....	5,152	255	130,710	37,612	51,855	95,240	223	119	187,940	133,166	173,699
Florida.....	1,903		176						2,139		2,139
Georgia.....	83,401	224,929	12,829	434,758	149	36,157		1,443	96,439	607,287	765,977
Illinois.....		1,147		21						1,168	1,168
Louisiana.....	143,768	6,612	121,506	177,300	60,184	96,168	46	258	325,504	280,428	449,276
Massachusetts.....		8,245		94,376						102,621	102,621
Mississippi.....	17,959	23,882	10,650	458,191	22,146	306,867		4,208	50,765	796,149	610,982
Missouri.....		559		63,794		55,695		138		120,159	64,363
New Mexico.....				36,432		34,076				70,508	36,432
North Carolina.....	3,624	74,444	2,148	115,809	37	5,449		5,471	5,809	201,233	196,085
Oklahoma.....		24,138		67,278		80,232		1,574		173,222	91,416
Rhode Island.....		25		13,790						13,824	13,824
South Carolina.....	8,995	79,956	13,086	230,426	680	7,316	15	738	22,776	318,436	332,463
Tennessee.....		110,369		269,562		195,271		263		546,466	379,931
Texas.....	249,643	53,935	691,647	684,247	257,394	318,010	1,287	3,534	1,199,971	1,059,726	1,679,472
Virginia.....	16,539	1,944		5,055		16			21,201	6,099	27,284
Total.....	551,414	842,976	1,001,680	3,803,945	403,333	1,607,005	1,591	19,493	1,857,918	6,273,419	

<sup>1</sup> Combined State totals, 8,231,337.

Source: Cotton Division, Commodity Credit Corporation, Jan. 22, 1941, as of Nov. 30, 1940.



Senator ELLENDER (presiding). The committee will stand adjourned until 10 o'clock next Thursday morning.

(Whereupon, at 4:15 p. m., the committee adjourned until 10 a. m., Thursday, February 13, 1941.)