

STATEMENT OF W. E. HAMILTON, CHIEF ECONOMIST, AMERICAN
FARM BUREAU FEDERATION

Mr. HAMILTON. Well, I would make the comment that since we have a supply and demand estimates report which is issued on a regular basis, after any new development such as a crop report, or a stocks report, the situation is much better than it used to be.

I'm not quite as sure, as Mr. Frazier is, that the Department can escape criticism if they put out information hurriedly and make mistakes.

Mr. CORDARO. OK.

Mr. JOHNSON. May I make a comment there?

We are constantly making an interpretation of these USDA reports of our own, our crops, our big regional grain terminals, those in the Twin Cities, I'm sure have a battery of people who are constantly looking at the market forces that they have right before them all the time. We have a national secretary who has some competence in the area of analytical work—Robert G. Lewis and Bob does an interpretive analysis once in a while in which he takes some issue with the USDA report based on information that he may have picked up.

Mr. FRAZIER. That gentleman sat right here and told us how and why he was able to make the projections.

Mr. JOHNSON. He said he was doing just exactly what you said the USDA should do. Further we have all kinds of reporting service letters around that do attempt to update, and bring *more* current data to farmers and the Department.

I'm not really arguing with the basic premise that we need to cut the time of USDA reporting. I think obviously there is room for improvement.

Mr. HAMILTON. We do need to cut the time from when a report is mentioned until it reaches the desk out in the country. Sometimes you get these reports in a day or two, and at other times it may be 2 weeks. Now, this may be partly due to delays in the printing office as was mentioned earlier or the postal service; but delivery is often slow.

Mr. DADDARIO. The point you just made is quite interesting. The reason I asked the question was that I thought there was a correlary relationship between what Milling and Baking News had to say and Mr. Frazier's suggestion—that somehow they can work through this process and come to certain conclusions which they did publish. But because for some reason it wasn't made generally available or understood, some people believed it, other people did not, and there were a lot of conflicting activities that went on during that period of time. If I understand Mr. Frazier's point to be that if you could somehow regularize that so the people would know what it was and give it wide distribution, that more people might be accurate. Although you make the point that more people could be wrong too, more people might be right because they would develop an ability to deal with it as you went on.

It's something like reporting intelligence under very tight circumstances. The people who are the boldest and who develop the capa-

bility usually are much more right than others. People keep looking to them constantly for the information by which the corporate develop tactics and strategy.

Mr. FRAZIER. Yes.

Mr. JOHNSON. Now, every farmer himself is somewhat of an arm-chair forecaster. He goes out and wets his finger and puts it up in the wind, and he—

Mr. DADDARIO. And it's to those people Mr. Frazier is appealing, because they do have the capability, and they will be able to judge where it's right and where it's wrong.

Mr. JOHNSON. I think one of the things I agree with Chuck on, if I understood what he's saying, instead of having to wait, for the fancy type from the Government Printing Office, in a properly stapled, publication of some kind, we would do just as well with some mimeograph sheets.

Mr. FRAZIER. No, no, let me be sure I'm understood properly. I'm not saying, you know, run down with this crop report at 9 o'clock at night and pass it out on 14th Street—that's not the problem area I'm trying to address. The Government Printing Office has another problem, and I'm not worrying about that.

I'm worrying about the fact that attaches are constantly writing reports, and people in FAS have a certain feel in intelligence for what's shaping up in Western Europe, and there are a number of individuals that know very well what's happening in the wheat crop in Australia and Canada. This year we've heard a lot of conversation about soybeans in Brazil and the statements that are made. Impressions created about the Japanese interest in soybeans in Brazil depends "almost entirely on the speaker and his point of view."

My point is that material of that type along with our own crop reporting information and our own supply and demand type of work, could be well drawn together and someone could put his neck out a little bit and say, look, if these things happen, this is going toward a tighter supply and a higher or lower market price, and put it out.

Mr. DADDARIO. Mr. Johnson, maybe this will be helpful. I think this discussion is important because we run into in other areas as we do our work in assessments. It's an additional step that is a preceding step. Rather than to eliminate that as you go to a final step. You have to take that step anyway, don't you?

Mr. FRAZIER. That's right.

Mr. JOHNSON. That's providing, I would say, more flexibility in terms of the reporting procedure.

Mr. DADDARIO. And because you proceed further you can judge how you've done.

Mr. JOHNSON. That's right. And I think Chuck made this point very well, but it has to be kept in mind that this type of information when it's put out by a Government agency, it has to be done in such a way that everybody has an even start, and that this information becomes public information. It should be known when it's going to be released. The press should stand behind that "white line" and every one over at the Department of Agriculture when those crop estimates are made. Currently, the reporters stand behind the white line, and at 3 o'clock some USDA staffer hands them a piece of paper and they walk across the white line to a telephone. Now, that procedure

is sound and it gives everybody an even chance to take advantage of the intelligence if you want to call it that, the information that's available.

Mr. HAMILTON. Well, I think the Department of Agriculture basically does as Mr. Frazier suggested, but perhaps they don't do it to the degree that he would like. They publish estimates, they publish projections, and they change the terminology as the basis for these figures becomes more firm, and they do frequently put out new reports. We have had several reports this year on the Russian wheat crop, but there was some confusion due to the fact that there apparently were reports from other agencies which were substantially lower than the USDA'S estimate.

Mr. JOHNSON. I might say that I'm happy to be able to report here that the Department of Agriculture is more accurate than the Central Intelligence Agency. That gives me hope in the future. ,

Mr. CORDARO. Mr. Hamilton, I noticed that in your statement, you commented on the recommendations, findings, and conclusions of our Food Advisory Committee's report.

We would appreciate it if you would summarize your comments for us now.

Mr. HAMILTON. Well, Mr. Cordaro, I realize it's late, and I don't want to take unnecessary time, but if you wish, I can summarize my statement, or if you prefer, I will submit to questions on the basis of your having read the statement.

Mr. CORDARO. Well, could you just give us a minute or two so that other people have some information ?

Mr. HAMILTON. Well, to give the others the flavor of my statement, I would like to say that I did not receive -your report until late yesterday evening, so I've had only a limited opportunity to study it, and even less time to confer with my associates in the Farm Bureau and like the Government, the Farm Bureau does have a clearance procedure. As a consequence my statement is a rather preliminary reaction from the standpoint of a person who uses Government statistics, but who does not profess to be an expert. With some reservations I think that most of the recommendations developed by the Food Advisory Committee are acceptable to me.

I would, however, like to stress the complexity of the subject, and the difficulty of satisfying the people who want better agriculture data. The very nature of agriculture makes it difficult and costly to collect reliable data, and this, of course, is much more difficult in less developed countries.

Most agriculture statistics are estimates, and you have to recognize that all estimates are subject, to a margin of error. but the big problem is that the factors affecting these estimates constantly change. We've already had some discussion of this problem.

A report, can be quickly outdated by developments subsequent to the date on which the survey was made, and I agree with Quentin West, that certain types of forecasts, for example, a forecast on the pig crop may cause farmers to reassess their plans. The very fact that the report was made, may prevent, the estimate from being right, because it stimulates adjustments and that's one of the functions of these reports.

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On the whole I think the Department of Agriculture and its statistical agencies do an excellent job. We're all aware that they make errors, but given the difficulty of the job some errors are to be expected. And while I'm certainly in favor of improvements, I think the Department's batting average is very good, and I'm also impressed with the fact that a bad estimate attracts a great deal more attention than dozens of good ones. I never hear anyone say anything about the fact that a forecast was right, but I hear a lot about the ones that were wrong.

In evaluating proposals for improvements we have to consider the difficulty of the job, what is possible and the relationship of probable costs to the probable benefits. I believe this is known as cost effectiveness.

And then we should always remember, as has already been noted in a little different context, that any projection or analysis which can be outdated by unforeseen events may fall to be a prediction of the future.

I think this is pretty well illustrated by what happened in 1972. Many of the events which combined to make the sales to the Soviet Union look like a bad deal for the United States happened not only after the grain was sold, but over a period of months. I have cited some of these developments here, and if I had had more time to research the timing of other events that I'm familiar with, I would have included them. There was an extremely extraordinary combination of events following the 1972 Russian sales which combined to tighten supplies and raise commodity prices.

And I don't think it should be surprising that in the words of the Advisory Committee, "The economic models and supply and demand equations which had performed satisfactorily in the more stable conditions of the fifties and sixties had little value in light of the changes which occurred in the domestic and world markets when the size of the 1972 world grain crop became known."

I'm not familiar with these models and equations, but I am sure that they almost certainly reflect observations based on periods during which exporting countries had large surpluses; exchange rates for major currencies were more or less fixed; and some of the large potential importers, including the Soviet Union and the PRC, were more likely to tighten their belts than to buy large quantities of grain in the world market.

Now, I come to the recommendations in the Food Advisory Committee's report. The idea of increasing the analytical capability of the staffs of the Congressional Committees on Agriculture and the Congressional Research Service has obvious merit. Certainly you need capable staff members to serve the Members of Congress.

It seems to me, however, that this increase in analytical capabilities should be used primarily to analyze information produced by research and statistical agencies such as the ERS and the land grant universities rather than to do original research. Regardless of the quality of the research that might be done on the Hill, it would be hard for a political body such as the Congress to avoid suspicion that at least some of its researchers were selected for their opinions rather than their analytical capabilities.

I would like to say that I favor Recommendation No. 2 which calls for Congress to develop closer liaison with executive agencies and the land grant universities.

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I also support Recommendation No. 3 which calls for the Secretary of Agriculture to establish a Statistical Review Committee, and I would add that this committee should include some representation from farm organizations.

I have a little section that deals with the desirability and the feasibility of integrating the staff and activities of the Agricultural Census into the Statistical Reporting Service. Certainly this should be explored, and coordination improved. I think, however, there are some questions that need to be asked.

- For example, I would raise a question with regard to the effect the separation of the Census of Agriculture from the Census Bureau might have on the coordination of agricultural data with other national statistical series produced by the Department of Commerce. And I
- * I would raise a question as to whether the burden of producing detailed county statistical reports would impair the ability of SRS to reduce high quality national estimates on a timely basis. County data can tie up a computer and this is one of the reasons, as I understand it, that the publication of data was so slow after the 1969 census. It was a problem of getting time on the computer and the sheer mass of data that had to be produced.

Improvement of the information collection capability of the FAS certainly is a desirable objective, but we shouldn't expect too much of our agricultural attaches. We should expect attaches to be well qualified observers, but we should recognize that no individual or small group of people can provide complete statistical reports from a foreign country of any size on the basis of personal observations.

The attaches necessarily depend on host governments for much of their information. The improvement of information on foreign agriculture is highly dependent on the improvement of foreign agricultural information systems, and increased international cooperation.

I certainly would not favor the suggestion that attache reports be sent, directly to FAO at the same time they are sent to Washington. I absolve the Food Advisory Committee from having made this suggestion but it was in some of the papers that I read in preparing my statement.

My objection is that I feel such a procedure could lead to serious problems between the attaches and their host governments, and it might cause attaches to be less forthright than they otherwise would be. I think they can feel some security in reporting to--Washington but not in reporting to FAO. I am afraid the reports would be channeled back to the host governments and this could cause problems.

- m I agree that responsibility for statistical and analytical work should be kept separate from responsibility for operating programs. And I agree with the statement made by a previous witness that chairmanship of the interagency commodity estimate committees should be provided by the agency that has the responsibility for the estimates and assessments of the situation and outlook," rather than by an operating agency.

Since the Food and Nutrition Service is an operating agency, I question the portion of recommendation No. 8 which recommends that this service expand its program evaluation studies.

I am not sure that the improvement of agricultural information requires a consolidation of the economic intelligence activities of FAS and ERS. As the gentleman from the Department said, they do work

together now. Consolidation may be a good idea; but with the limited knowledge I have I do not want to tell the Secretary how to run the Agriculture Department this afternoon. I do agree that FAS and ERS should be coordinated and that they should work together, and I think they do now.

I would agree that some agricultural data series are obsolete. This is well illustrated by the Food Advisory Committee's discussion of broiler prices. Broilers are not priced at the farm level in the sense that this series reports. The Farm Bureau has long been aware of this particular problem, and has recommended that USDA initiate a series of reports on contract payments to broiler growers.

I think Dr. Paarlberg said that they also need to review some of the concepts in the farm income series. I could go on and on, but time is short.

Thank you very much.

Mr. CORDARO. Thank you, Mr. Hamilton.

Dr. Wilcox, do you have any questions?

I should say that Senator Humphrey is always reminding us that Dr. Wilcox could probably forget in 15 minutes more than we young staff people will ever learn in agriculture. OTA has a high respect and regard for Dr. Wilcox and we appreciate the help that he's given us in the preparation of the hearings and our assessment report.

Mr. HAMILTON. I'd like to report that I have known Dr. Wilcox since I was a student at Iowa State back in the early 1930's and Dr. Wilcox was a very young professor there. He was one of my first economics professors. I don't know whether he accepts any responsibility for my views, but I have been associated with him for a long time.

Mr. JOHNSON. Let me say that I don't guess I'm as old as Gene Hamilton because I was in school-Gene, you say you were in school when?

Mr. HAMILTON. Early 1930's.

Mr. JOHNSON. Gene, I thought you were younger than I am. I have known Dr. Wilcox since I've been in Washington with the Farmer's Union. I guess that's 21 years, and one of the things I learned even before I was dry behind the ears, about 20 years ago, if you wanted to get anything done on the Capitol Hill you first had to get Walter's signature on a letter with "Library of Congress" written across the top of it. He's been very helpful to me on many occasions.

He never would compromise his stubborn objective streak, however. He always was honest and objective and Walter we are very happy to know that you're associated with this group.

Dr. WILCOX. I didn't realize that Gene had been a student of mine.

Mr. JOHNSON. He's kind of giving-your age away, isn't he?

Dr. WILCOX. Yes. They know it around here.

Having listened to you and other witnesses, and thinking of the conversations I had with other people, it seems that due to the current world food situation and recent supply problems, much more attention has been given to putting out reports on various items. USDA publishes statistics about so many supply and demand situations. We have quarterly situation outlook reports on wheat at one time and feed grains at another time. Perhaps what would be more useful is a monthly report on the world agriculture situation and outlook. Then the other reports would relate to it in some organized way. This would

assure better organization among the various reports and place more emphasis on the senior staff preparing the monthly reports that contain the very latest information.

The SRS has a very regularized procedure for getting out reports. The trade knows it and the trade depends on it. Maybe that's what we need to go through in the rest of our economic intelligence reporting. That's what I've been hearing from various people. We're really producing too many numbers now, and not enough analysis.

Mr. FRAZIER. I think you have expressed very well another side of that many sided little thing I was trying to deal with a moment ago. There's a need for appraisal, a wrapup believe the newsmen would call it, the need to draw together some of these things. Quite frankly, our business people do not have time to do this, and organizations large enough to have a whole staff devoted to economic analysis and projections, they have got a regular means of absorbing and using this material. There are a lot of highly involved individuals and an awful lot of money committed out therein the count by people who do not have access to that type of information, and they need some form of drawing this together. I think that is what I'm trying to plead for.

Mr. HAMILTON. I think that it's less true today that it was 3 years ago. What Walter says was certainly true 3 years ago. These reports were published on a regular schedule and some of them were not very frequent. A crop report would be issued, and major changes made in the estimate of production, or major changes would occur in export demands, and it might be 2 or 3 months before a situation report would come out with revised supply-and-demand estimates.

In the meantime different people made their own estimates. Now, that situation has been improved, by the supply-demand estimates which are issued promptly after major changes in basic information. I think this new publication is intended to do a part of what has been suggested here. Now, it may not do it adequately; it's experimental, at least we haven't had it very long, but I think it is something to work on. I also think that the Department realizes that the old type situation reports were not doing the job. To take a horrible example, I think the Sugar Situation was only issued once a year, and trying to get anything current on sugar is still difficult.

Mr. JOHNSON. I have another one in this connection. Walter, you mentioned the release procedures over there. and it seems that you get more press coverage of the crop board information that's released across that white line at 3 o'clock on August 11, or whenever, than you do if you just get a regular commodity situation report mailed out once every so often.

And we turn our heads more to those types of situations where the Department releases data. Is it because we have more confidence in it, or is it because of the procedure where ever body meets each other there at the white line? I don't really know. Maybe there's an element of both involved, but anyway I think we could dramatize the importance of numbers that would get the press involved.

We need the media. I might add we get out all the economic data we can through several avenues in the Farmers Union, including our Washington Newsletter, but certainly we need the media too. We need a wide use of the information coming out of the Department by the people, and any way you could attract the media to use that informa-

tion as a part of the educational process I think we ought to examine.

Senator Humphrey mentioned that earlier today.

Mr. DADDARIO. Walter, you are saying something here that could be very important. It strikes me that what you're saying is not just a way to get better information out in a timely manner, but that conditions have changed so that the structure through which you get the information perhaps ought to be adjusted in order to meet these changed circumstances.

Dr. WILCOX. Yes. It has been indicated that the structure of the Government was set up at an earlier date and hasn't changed as much - as it should have. We need this board to review world data just as we review other data. The witnesses today said it is done in an informal way. As long as it's informal and no one is responsible for it, it's not as valuable as one board with responsibility for the U.S. and world situation. World information is as important as domestic information, and it ought to be given a higher priority.

Mr. HAMILTON. We are on the world market now to a greater extent than in any other period with which I am familiar. I just haven't studied the 19th century, but you are right, world information is becoming increasingly important because we are in a world market to an extent that we haven't been in the past.

Mr. DE SIMONE. There's a very interesting graph in this issue of the Agricultural Outlook which dramatizes that. Mr. Hamilton, this perhaps can be made part of the record. It shows the share of exports of major U.S. crops; that is, the percentage of U.S. production that becomes export's. It's really startling for me as a layman to see that we had exported most of "our wheat and most of our rice. This is terribly important to the economy. Producers and consumers should be aware of this information.

Mr. JOHNSON. I might say that I have great difficulty interpreting the USDA reporting currently of the exports. I have not mastered the system and the procedures used by the Department. I also feel that the time lag too creates quite a problem, and there's just got to be some better way to do it.

Mr. HAMILTON. Well, I would like to comment that the reports on export sales are in a sense raw, unevaluated data. I don't pay too much attention to them. I have a lot more confidence in the USDA's estimates which use these reports as raw material and I like to have the USDA tell me what their experts in the Department think is going to happen.

In an earlier day this type of raw data would not have been published, and would only have been made available to USDA for evaluation. I recognize in the present situation people are going to insist that the export sales report be published and it's probably useful to some people who are in the trade.

My feeling is that for the average user, the Department's estimates are more valuable, more reliable, and the Department does publish its own estimates, in a column adjacent to the undelivered export sales. So we have the information both ways, and you can use it any way you want to.

Mr. CORDARO. Unless Mr. Daddario, Mr. De Simone or Dr. Wilcox has anything to ask, I'd like to thank you. I would also like to add the Office of Technology Assessment is just now starting to get our food

activities going . You can rest assured that we will be calling on you more frequently and asking you to assist us in our activities.

Thank you very much.

Mr. FRAZIER. Thank you.

Mr. JOHNSON. Thank you.

Mr. HAMILTON. Thank you, sir.

[The following letter was received from Mr. Frazier:]

NATIONAL FARMERS ORGANIZATION,
Washington, D. C., September 29, 1975.

Hon. HUBERT H. HUMPHREY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HUMPHREY: We appreciate very much your invitation to participate in the panel with other representatives of farm organizations to comment on the handling of data in public reporting by the Department of Agriculture as such work relates to food and nutrition.

First, let me compliment you on undertaking this challenging assignment. Despite the controversies that have developed over food supplies and prices in the last three years and the vicissitudes related to the political handling of some of these issues, there are many very capable people in USDA who provide a wide range of commendable services. I am confident that they are able to keep the country better informed and possibly reduce the public confusion and the controversy surrounding this whole subject area.

My suggestions touch on three matters of concern:

TIMELY DATA

It is quite possible that responsible administrators do not now have access to timely information on consumer food preferences and developing *trends* in the public's purchasing habits. Some type of continuing survey that would supply appropriate data on a weekly or monthly basis could be very helpful.

By the same token, those of us in farming who have faced rapidly rising costs of production since 1972 often believe that the costs of farm input items incorporated in the USDA reporting system are out-of-date when they are used. Without going into great detail, I believe it is fair to assume that a substantial part of this data comes from industry sources. If these sources are not biased, they are at least reluctant to disclose the bad news to the government. Again, if resources were so arranged that USDA personnel could be well advised on prices actually paid by farm and ranch operators, the judgments to be made both in the executive branch and in legislative considerations might more accurately reflect the actual farm situation.

WORLD CROP REPORTING

Mr. Harkness' recommendation for a world crop reporting board is constructive. Although we have some reservations about the possibility of requiring or eliciting responsible estimates from the representatives of sovereign nations, the prospects of coordinating such crop reporting efforts with estimates of quantities to be moved annually in foreign trade are of such significance that an effort along this line should be made.

One note of caution is offered for your consideration. If one should undertake to follow the broad suggestions under Food Assessments in the annual report of OTS and also to implement the recommendations outlined in the report of the Food Advisory Committee, substantial resources would be committed and it is possible that the rewards would not be commensurate with the increased cash outlays for such widespread efforts. It is suggested that a small number of individuals who are capable of the task be asked to establish priorities that would more clearly promise a payoff in the form of better data and more intelligent decisions relating to our national policy on food and agriculture.

COORDINATION AND RELEASE OF ESTIMATES

It should be emphasized that there are many individuals in positions of responsibility in our organization as well as a number of well-educated farmers and ranchers, who must make crop decisions at various times in the year relating to financial commitments on production items, determine when to sell and estimate

what price they may expect on their commodities after harvest. Under the current structure, international organizations, institutional economists and a few of those on the Government payroll who are concerned with these data may have time to comb through Situation Reports, Crop Reports, the supply and demand estimates and the press release type of statements made occasionally at the cabinet officer level. Most of us, however, do not have the time or the capability to adequately predict what will happen both in market prices and production item costs.

The problem is further complicated by the fact that a large proportion of our crops now move in international trade. In most nations of the world this trading is supervise? and handled or otherwise controlled by the central government. I think it is a fair analysis to assume that international traders with contacts in those governments and our own government representatives are the only ones who are equipped to be well informed in a timely manner.

So the suggestion is this—that the Executive Branch assume the responsibility, perhaps at subcabinet level, to produce summary reviews and speculative comments on new crop prospects, purchasing intentions and the political pressures involved in other countries. This type of issuance on a particular commodity would make available to the public the 'best guess' on markets and prices based on information gained through intelligence sources and other information-gathering services available only through the government. This type of opinion is occasionally reflected now in very brief press release statements forthcoming from the Secretary of Agriculture, but such statements generally relate only to small isolated events, such as a possible purchase by one or another nation, one which constitutes only a portion of our total market.

What I have in mind would be entirely separate from the regular crop reports or other types of estimates that are issued periodically. Those are published with supporting tables of data to allow for discussion in the normal bureaucratic manner.

The only people capable of offering the opinions or projections on a speculative basis such as I suggest, other than the personnel in a few large international corporations, are in government. They could be of real service by sharing their best guesses with the rest of us. Of course, those of us outside government would have to realize that these estimated projections of demand and price on major commodities would be highly speculative; we would have to be willing to accept them at face value without any guarantees of certitude. Even under those circumstances, however, we would have more information upon which to base our operating decisions.

It is hoped that these comments will be helpful to you and your staff. If we may be helpful in the future, please don't hesitate to call on us.

With best regards,

Sincerely,

CHARLES L. FRAZIER,
Director, Washington Staff.

[Whereupon, at 5:25 p.m., the meeting was adjourned, to reconvene December 10, 1975, at 9:30 a.m.]