

## ALLOCATION AND INVENTORY CONTROL OF GRAIN FOR THE PRODUCTION OF ETHYL ALCOHOL

FEBRUARY 11 (legislative day, FEBRUARY 2), 1948.—Ordered to be printed

MR. SPARKMAN, from the Joint Committee on the Economic Report,  
submitted the following

### REPORT

[Pursuant to Public Law 304, 79th Cong.]

The Joint Committee on the Economic Report, to whom was referred the President's message of January 29, 1948, requesting allocation and inventory control of grain for the production of ethyl alcohol at least until October 31, 1948, having considered the same pursuant to section 6 (b) of Public Law 395, Eightieth Congress, hereby recommends that Congress enact the legislation necessary to accomplish that purpose.

The committee has given careful consideration to the President's message and held hearings on February 5 and 6 on the proposal it contained. At these hearings Government officials, representatives of the distilling industry, and others appeared and testified.

#### GENERAL STATEMENT

It appears from the President's message and the testimony at these hearings that the grain situation in most European countries continues grave as a result of the devastation brought about by the war and extremely unfavorable weather conditions. While recent reports of the International Emergency Food Committee indicate an improved outlook for the next harvest this same source made clear that no substantial relief may be expected before the new wheat crop this summer and corn crop this fall.

It is estimated that the United States should endeavor to export at least 500,000,000 bushels of wheat from the crop harvested in 1947. A study of the available grain supplies in the United States as compared with the essential domestic and export requirements indicates that there can be no relaxation in our efforts to conserve grain. Although the domestic wheat crop in 1947 was 212,000,000 bushels

greater than the domestic wheat crop in 1946, the current domestic and foreign demands are so great that, after providing for the carry-over of reserve stocks of wheat as of June 30, 1948, of 150,000,000 bushels required by law, only 450,000,000 bushels of wheat will be available for export in the absence of further conservation measures. The corn crop in 1947 was 850,000,000 bushels less than in 1946. Other feed grains remained approximately the same and as a result feed grains are in extremely short supply. The amount of wheat which will be available for export will depend to a considerable extent upon the supplies of other grains available for feed, for if other grains are not available for feed, farmers will find it necessary to feed greater quantities of wheat to livestock.

The saving from allocation and inventory control of the distilling industry, estimated at 30,000,000 bushels of whole grain a year (22,000,000 bushels through October 31, 1948), will make a material contribution to the supply of grain available for essential domestic and export requirements.

The Department of Agriculture has made exhaustive efforts to effectuate a voluntary agreement with the distilling industry. The committee heard testimony from all segments of the industry and is convinced that because various parts of the industry advocate different methods of allocation, there is no possibility of the industry entering into an effective voluntary agreement.

The operation of the distilling industry without restriction would result in diversion of grain to this nonessential use to the detriment of farmers, consumers, and other essential businesses who are being requested to reduce their use of grain. In furtherance of a broad program for the conservation of grain, efforts are being made under the authority of Public Law No. 395, to obtain the cooperation of all grain-using industries in the conservation of grain. If the distillers who have been unable to agree on voluntary conservation are permitted to use grain without restriction, it is difficult to see how any other group could be expected to carry out grain conservation measures.

Curtailed production of ethyl alcohol from grain for beverage use as distilled and neutral spirits will not impose a hardship on the industry. For 22 months during the war period the industry maintained sales without any distillation whatsoever. Its current stocks of alcohol, both whiskeys and neutral spirits, will permit the industry to meet its market requirements with ample margin. The distilling industry as of June 30, 1947, had stocks of whisky of 484,000,000 tax gallons. The stocks of whisky at present are approximately equal in quantity to the stocks normally on hand before the war, and, due to greatly increased sales of blended whisky as compared with straight whisky, present stocks of whisky represent a 6-year supply even at last year's high rate of consumption.

Representatives of the Department of Agriculture have testified that, if the proposed controls are established, the grain will be allocated so as to assure the greatest possible employment (1) by preventing large distillers from shutting down some plants through the consolidation of quotas, and (2) by giving every distilling plant a minimum monthly quota which will enable all plants to operate. A very small percentage of the employees of distillers are engaged in the actual distillation operations, the vast majority being engaged in the bottling,

sales, and other operations of these companies which are not affected, under present conditions, by a reduction or discontinuance of distilling operations.

Claims have been made that the food value of distillers feeds is so great there ought to be no curtailment in their supply. There is conflicting opinion on this point. The committee is convinced the matter is not of controlling importance because of the ready availability of other protein feeds.

In compliance with section 6 (a) of Public Law 395 the President has submitted to the committee a procedure for the administration of the proposed measure, including a formula for the allocation of grain to distillers. The determination whether the formula should be included in the statute or left to the discretion of the administering agency is more properly made by the legislative committees then by the Joint Committee on the Economic Report, whose primary function is to pass on the over-all economic aspects of the problem. The committee does recognize the necessity of including reasonable grain inventory limitations to eliminate unjustified stock piling of grain by ethyl alcohol producers. It further recommends to the study of appropriate committees the lifting of the requirement that the source of neutral spirits used in beverages be stated on the label, to encourage the use of nongrain sources for alcohol.

#### CONCLUSIONS

The committee is convinced that the shortage of grain is sufficiently evident to warrant restricting nonessential users. That, with the present large stocks of whisky, no more than a minimum addition in stocks could be justified at the present time; and that the situation cannot be solved by voluntary agreements under the provisions of Public Law 395. While the distillery industry uses corn grain primarily, it is our expectation that limitations would save an equivalent amount of wheat for human consumption.

Section 4 (b) of Public Law 395 revived and reenacted title III of the Second War Powers Act, 1942, with respect to the use of grain for production of distilled spirits or neutral spirits for beverage purposes. The same manufacturing process is required in connection with the production of distilled spirits or neutral spirits for beverage purposes and of ethyl alcohol from grain for industrial purposes. Since the alcohol used as neutral spirits is interchangeable with industrial grain alcohol, the committee considers integrated control of all alcohol from grain essential to prevent diversion of industrial alcohol to beverage uses. It is likewise desirable to establish inventory control in order to prevent unrestricted buying of grain by ethyl-alcohol producers, which would in part nullify the purposes of the proposed measure.

Further, the power of the President to limit exports of grain should be so used that distilleries in other countries, including Canada, shall be subject at least to the same general degree of restriction as distilleries in the United States.

The committee therefore recommends that legislation to this effect be prepared and enacted.