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Agriculture Series

ASSISTANT SECRETARY CLARENCE PALMBY

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INTERVIEW

Q: This is Ray Ioanes interviewing our colleague, Clarence Palmby, for the FAS [Foreign Agricultural Service] Historical Project, in cooperation with the Department of State's Foreign Affairs Oral History Program. Clarence, let's begin this interview by learning how you came to work in the U. S. Government, especially beginning with your early days in Minnesota on your family farm.

PALMBY: Ray, rural life back when I was a youngster was great at developing leaders and potential leaders, because volunteer work was so prevalent at that time. I must say that in my 40 years [in agriculture] I volunteered many times for many projects and gained name recognition. One thing led to another. It led through high school to the University of Minnesota, and to my early years as a farmer in Blue Earth County, Minnesota. Each position brought additional opportunities. I found that, as I met new people, whether they were professional people or had lesser distinctions, somehow or other I gained a great deal by meeting a broader selection of people. I will say that the University of Minnesota and its leaders were always very kind to me. I could name some people...

Q: Would you do that?

PALMBY: The one person at the University of Minnesota that perhaps was most helpful [to me] was Dr. O. B. Jessness, who was head of [the Department of] Agricultural Economics at that time. The story about that is very interesting. I was an NYA [National Youth Administration] student, which means that I had a job making \$25 per month, at the rate of \$0.35 an hour. I was assigned to the Department of Agricultural Economics [at the university]. I must say that this was at my request. I was assigned a position where I read to a blind instructor in the Department of Agricultural Economics. His name was Percy M. Lowe. I suspect that I read enough books to him to fill a pretty good-sized room.

Q: And you learned something in the process.

PALMBY: Yes. I gained more than the government gained, I think, from the work I did, but it was a very broadening experience. The thing about Mr. Lowe was that he would always say, "Stop there. Let's discuss what that means."

Q: Shouldn't we come back to Dr. Jessness, because a lot of us knew him very well.

PALMBY: I was most fortunate because when I worked for Instructor Lowe, his office was close to that of Dr. Jessness. It was not uncommon for Dr. Jessness to invite me into his office after working hours. As an undergraduate, I considered that a great honor. To make it rather simple, for the rest of my working life--and as long as Dr. Jessness lived--he took a great interest in my career. In the meantime, he was, of course, highly influential in having me appointed chairman of the (Minnesota) State Production and Marketing Administration by Secretary of Agriculture Benson. I think that Dr. Jessness "graded" me as I went along. From time to time I would receive a phone call from him.

He always asked me, "What are you doing now?" I felt honored that he treated me this way.

Q: That's very interesting. Clarence, let's go back just a minute. I know that you came from a farm background in Minnesota. I assume that you, your father, and those who came before you in your family produced grain and livestock. I know that you are married and that you had some children. Give us a couple of minutes on that.

PALMBY: I grew up on the farm in Blue Earth County, which I later bought from my father. It was a typical grain and livestock producing farm. It was rather typical for a corn producing region. Incidentally, I graduated from a small high school in Garden City, Minnesota. The girl that I admired at that time, and whom I later married, also graduated from Garden City High School. We both went to the University of Minnesota. I figured that I personally was most fortunate. What's more, we enjoyed each other's company as well as the class work on the campus. We both received degrees [from the University of Minnesota] in 1940. She received her degree in Home Economics, and I received mine in Agricultural Economics.

I had already made arrangements to begin farming--and had been farming part time, really, during my last year or two at the university.

Q: On the family farm?

PALMBY: On the family farm. My father wanted to retire from farming, and I was the only one in the family who was really interested in carrying on with that kind of farming operation. I worked on the farm and gradually added to its size.

Q: During that time did any numbers stick out in your mind, for example--corn yields per acre, hog feeding ratios, or anything like that?

PALMBY: Yes, there are two observations which I would like to make about that time. Corn yields per acre--and this was in the late 1930's--really went up from the high 30 [bushels] and then to the 40's. About the time that I started to work on the farm in earnest in 1950, we felt quite good if we got 60 bushels per acre of corn. Of course, that figure is now nearly three times as high. The reason for this has been improved technology.

The other thing that I wanted to mention, and which contributed a great deal, was the use of fertilizer, improved varieties of hybrid seed corn, and, frankly, improved drainage. This didn't always mean installing drain tiles. In some cases it involved what I call "land shaping." So with improved technology, improved tilling of the soil through water control and the handling of water, there was what I call a "small miracle" in increased yields. The increase was to such a degree that we could hold down expenses and achieve prosperity in that area.

Q: I take it that when you talk about livestock, you're talking about beef or are you talking about beef and pork?

PALMBY: In my case I'm talking about hogs and cattle, pork and beef. We were already increasing the size of our herds and, to a degree, were beginning to use land that was not necessarily productive for grains. That was already under way. The county in which I lived was really not a "dairy county." However, there was a considerable output of dairy products there. Production was mainly of beef and pork.

Q: Clarence, as you moved ahead with your farming operation--and you've already talked a bit about moving up the scale in terms of government--you referred to Professor Jessness. I seem to remember that you once told me that there were other people who helped you along.

PALMBY: The number of such people who come to mind is legion. I often think of the risks that these people took in asking me to take a job. I would have to mention Secretary of Agriculture Ezra Taft Benson, whom I met in February, 1953. Upon the advice and recommendation of Senator Edward Thye he appointed me chairman of the Minnesota Production and Marketing Administration on March 9, 1953, which was, incidentally, the first committee appointment that he made in the nation. I was flattered by that. I also hasten to add that another gentleman at that time who was particularly influential and impressed me was the Director of Agricultural Extension in Minnesota, Paul Miller. By the way, Miller was appointed by President Eisenhower as a Governor of the Federal Reserve Board. However, unfortunately, he served less than 30 days before he died. I felt bad about that.

Those two men, in particular, stand out from those who helped me. The number, as I say, is legion, but I would have to mention some other people who were very helpful. [There was] August Andresen, who for a two year period, 1952-1954, was Chairman of the House of Representatives Committee on Agriculture. He was very helpful. Then, there was Senator Hubert Humphrey [Democrat, Minnesota], who was a minority party representative for a short time. I quickly learned that the way to avoid being on different sides with him was to keep him informed as to what we were doing. I developed a very fine, personal relationship with Senator Humphrey.

I could mention the names of other members of the Minnesota delegation in the House of Representatives. They were all very helpful to me, particularly my own Congressman at that time, Joseph P. O'Hara. I mention this, Ray, because, as I was on the State Committee of the Production and Marketing Administration, this was a "political" assignment. As you know, the state committeemen were appointed by the Secretary of Agriculture, while the county and community committeemen were elected. When I first "chaired" a meeting of the Minnesota State Production and Marketing Committee, meeting with the county and community committees, I was somewhat flabbergasted when I looked at that audience, although I knew many of them. Most of those county committeemen were old enough to be my grandfathers. They had served since the

beginning of the AAA -- Agriculture Adjustment Act in 1933. There had never been a change in many of the counties.

I worked very hard to learn the first names of all of them. This took some doing, but, generally, it's possible. I think that we had some good times together. What was particularly interesting is that we made a decision--or Secretary of Agriculture Benson made a decision--that it would be well for the county committeemen and the state committeemen to work part time as a board of directors, rather than just sit in their offices. Some of these old, "die hard," county committeemen were taken aback a bit [at this suggestion]. However, over a period of time it was well received. That was a constructive move, because it allowed or paved the way for county employees to become true civil servants and a part of the competitive, civil service system. Previously, that was not possible. They were employees of the county committee.

In my view that was very constructive, but, as you might expect, it was not necessarily well received by those who had been around for a long time.

The same is true of state committees. After six months as state chairman, where I worked full time, it became possible to treat it as a part time job. I enjoyed this very much because I wanted to continue to operate my farm. That was a national policy.

Q: You were a "playing" manager, in effect.

PALMBY: Correct. A "playing" manager, like a baseball manager who also plays shortstop.

Q: How about that!

PALMBY: Yeah, I liked that. I have to give Secretary of Agriculture Benson high marks for being bold and taking that initiative. I think that it resulted in better operations in the state and county committees. The steps that are being taken today, I'm sure, are going to continue to consolidate and streamline operations at the county and state level.

Q: I think that you consider these are things that should be done.

PALMBY: Absolutely. You must remember that the percentage of any county's population living on farms, even in the most rural county in the nation, has gone down and down. The needs for many of these services are less. To an extent they go to fewer and fewer people. So I think that we cannot consolidate too many of these services to a focal point.

Q: I would think that the "fewer people" that you mention are producers who, in this age, are technically and, perhaps, maybe even economically better able to operate than [they were] three or four decades ago.

PALMBY: Ray, it sounds to me, as I have occasionally visited my farm friends, that sophistication is not only a matter of the degree to which they are well educated. They are managers. As Secretary of Agriculture Hardin once said to me, "They know what a million dollars look like." It's true.

Q: All right. We have you now, moving into the national arena.

PALMBY: Yes.

Q: We have you as state chairman, we have the election of 1952, the advent of President Eisenhower, and the appointment of Secretary Benson. You moved into a position in Washington, D.C. When was that?

PALMBY: In 1956 Secretary Benson asked me to come to Washington to serve in the agency which was then known as the Commodity Stabilization Service [CSS], the new name for the Production and Marketing Administration. He appointed me Associate Director of the Grain Division. I must say that the Grain Division of CSS at the time was loaded down with "surplus grain."

Q: Well, it was also an area with a lot of influence.

PALMBY: Shall I continue with this?

Q: Yes, I think you should.

PALMBY: I served as Associate Director [of the Grain Division] nearly a year. Then I was appointed Director and served in that capacity, I think, for 12 to 14 months. I was then named Deputy Administrator of the Commodity Stabilization Service. Some 15 months after that I was named Associate Administrator [of the CSS]. I was fortunate over the misfortunes of some other people, due to one death and the tightening up top caused by some people leaving. So there was almost no limit to how far one could go at that time. This is unusual in the federal service.

I became Associate Administrator [of the CSS] in December, 1959. At that time the Administrator, Walter Berger was not in particularly good health and quite often was not in the office, due to his illness. In 1960 it was my lot that I handled the testimony before five investigatory committees in Congress. My wife often said me, "Clarence, we didn't come to Washington for this." I said, "Well, somehow or other, I think that it's educating both of us." I learned how to get bruised but found it an interesting experience.

I'll never forget some of those investigatory hearings. It is worth remembering that several Democratic Senators at the time were running for the Presidency. Each one of them had something in mind to investigate.

Q: You're getting a little ahead of us.

PALMBY: Okay.

Q: There are several things I want to go into specifically. However, at this point, could you "set the stage?" You started to when you talked about the Grain Division being a power house. But set the stage by describing the situation on the farms--the question of stocks, leading to surpluses. What was the situation on the farms--inventories in particular at that time?

PALMBY: When I became Director of the Grain Division--and, really, before that, as Associate Director, for the first time in my life I realized the monstrous task that the Commodity Credit Corporation [CCC] had in administering the CCC price support loan program. The CCC ended up by taking title to the commodities, whether corn, wheat, or other grains--cotton, or anything else. It's just like putting a commodity in a warehouse, which has limited space. If you're obligated to take more, you just keep pushing the back of the warehouse further back to make more room. It was almost an exercise in futility at that time, because the Commodity Credit Corporation--and we in CSS--were obligating more and more funds and taking title to more and more commodities. The agency was then responsible for maintaining quality in storing the commodities and finally disposing of them. In many cases disposal was impossible.

I want to pay tribute, really, to Secretary Benson and others, at that time. I realized, when I became Chairman of the CSS in Minnesota, that there was a large quantity of surplus grain in the state, both normally, involving corn and wheat, but many other grains, such as barley, flax, and oats. It was a real problem for us in the county and in the state. Then I found that making sure that the quality of the stocks was maintained was much more difficult at the national level. Also, there was a shortage of what I called "good administrative procedures" to check on compliance. There were many "games" being played with government-owned or Commodity Credit Corporation grain. That brought out a requirement, from the standpoint of the administrators, that was sometimes mind-boggling. I found it very trying at times because our procedures were not quite what they ought to have been, not only for commercial houses but also in on-farm storage facilities. We found ourselves in many situations where we were in potential "legal" difficulties.

I am struck to recall that, over a period of time, Secretary Benson impressed upon us that grain is food. If it's going to cost us more and more money, we are going to maintain quality because, according to Secretary Benson, "I am reporting to the President and the people of this nation that we are maintaining [the quality of] the commodities owned by the United States Government."

I was very happy with that comment because I found that the people who did the work out in the country understood, when they were told that they were responsible for quality and maintaining quality. That made our job a little bit less worrisome because, even though we were spending money, at least we knew what our goal was.

Q: In that period, even before you [entered federal government service], were there substantial changes in the farm program? I'm talking about the time before Public Law 480 really "hit" and became effective. Were there some things you remember that were done to try to reduce the size of this problem and keep it from growing larger, year after year?

PALMBY: There were really many things that were done. This was mainly a process of trial and error. You may remember that the "Soil Bank" concept was introduced in that period of time. The purpose of the "Soil Bank" was what it suggests. That is, to "bank" the soil rather than "bank" the commodities [produced from the soil] and to pay the farmers, really, for not producing, while following good, conservation practices on the soil itself. That's really the essence of the "Soil Bank." That is one thing. Another thing was a fairly large program to help farmers build better storage facilities. This was called the "Farm Facility Loan Program." That was more or less successful, as it resulted in more and better facilities being built on the farms. There also was a program, financed by the Commodity Credit Corporation, of making loans to commercial people, to build commercial warehouses and guarantee a [profitable] return over different periods of time. Again, that was more or less successful. However, over that period of time, because of this endeavor and because of the overall goal of maintaining quality, we made great inroads, really, in improving the quality of government-owned grain.

I must say that the ultimate example here was that the Commodity Credit Corporation developed contracts for unused "Liberty" ships [World War II ships that had been mothballed] and stored grain in several areas of the nation, including the Pacific Northwest and the East Coast, on the James River [near Norfolk, VA]. Contrary to what many people thought at the time, even after storage for several years in those vessels, there was very little grain loss. However, this program was costly. From the standpoint of the overall welfare of the producers, as long as all that grain was in surplus supply, it set a price "cap" for producers. To that extent the level, or the loan weight, became a highly debated [question]. There were two schools of thought. One was that producers should be given a higher loan rate so that their income would go up. The other school of thought was that this would simply pave the way for greater government involvement and higher government cost. And so the argument went on.

Q: That sounds to me very much like the old, 1933 program. This said that, if we give the farmer more, we can cut his production by simply cutting his allotment. There was that option.

PALMBY: Yes, it's a replay [of that argument]. It was really a continuation of that 1933 policy. To put it very simply, it didn't work, because as the loan rate was increased and the producer knew that his income would go up, due to that loan rate, whether he received a loan from the Commodity Credit Corporation or it had that impact on the market. In any case, there were greater government expenditures. The producers actually produced more on their "allotment acres." So this did not cut overall production. The fact is that [this program] increased it. So the obligations of the government continued to go up, but farm

income did not go up. That really was the essence of the "great debate" all through Secretary Benson's period in office [in the 1950's].

At that time Secretary Benson said, "Well, don't blame me. I didn't get everything that I wanted. I didn't want to have to increase 'loan rates.'" At that time we used the term, "percentage of parity," which, I think, is pretty well understood. "Parity" is a word used in relation to the cost of production of items which the farmer must pay for, compared to former years--particularly the "golden year" of 1914--a long time ago.

So that "great debate" went on through the Benson years.

Q: Over the years I learned a lot about the domestic farm program. I was in PMA [Production and Marketing Administration?] for a while, after I came back from Europe. It seems to me that all during the period [of the 1950's], after it was realized that putting prices up, even with soil conservation measures, would not do the job, Secretary Benson or Secretary Butts--or whoever was Secretary of Agriculture--did their very best to try to make sure that the price in the marketplace was not subject to continual price increases. Therefore, they worked very hard to get more common sense into the level of price supports. It seems to me that that process started at that time. This comes close to the thesis which, I know, you and I both share. That is, the market price ought to be as close to the world price as you can get it.

PALMBY: In fact, Ray, the [market price really] was the world price. I hasten to add that we in the Commodity Credit Corporation made many experiments at that time because, as you know, we were not particularly competitive in world markets with wheat, unless we paid an export subsidy.

Jumping to another commodity, corn, we were hurting producers if the Commodity Credit Corporation sold directly for export--which was done for a while. That denied the producers the favorable impact of any export movement. So we found ourselves in a very "solid" or "frozen" situation.

In 1956 we started what we called the "payment in kind" program for wheat, whereby the Commodity Credit Corporation subsidized the export of wheat but paid the subsidy in the form of Commodity Credit Corporation wheat stocks. That was the origin of the "PIK" (Payment in Kind) program. [I remember that at that time] I was on the Board of Directors of the Commodity Credit Corporation, which also included Secretary Benson. The purpose of the "PIK" program was to limit government "dumping" of Commodity Credit Corporation stocks and to allow the producer to supply some of the wheat going into exports. In this case the exports were mostly of wheat because the subsidy was only paid in the form of commodities owned by the Commodity Credit Corporation.

The same kind of program was put into effect in 1958 for corn and coarse grains generally. I think that both of those programs [wheat and corn] proved a point. That is, something must be left as a disposal program for the Commodity Credit Corporation.

That was the payment of the subsidy in grain owned by the government. The rest of the grain stock was disposed of on the free market. This program certainly did have an impact. Generally, though, the two programs were quite well received. They continued on for several years.

Q: I think that you've discussed that point about as far as you wanted to. We were about to get into the question of Public Law 480, the reason for its existence, and your experience in dealing with this program during those years.

PALMBY: Ray, my understanding of Public Law 480 is twofold, really. First--and I have to mention this first, even though it's not really related to the policy questions we were talking about--Public Law 480 was an experiment in the humanities which worked.

Q: I wasn't aware of that.

PALMBY: I think that it was one of the prouder moments for our nation, when the surpluses of food which we had in this country were funneled through programs under which the food went into the stomachs of people who really needed it. The cost to the United States was not all that great.

Of course, the second point about Public Law 480 is a little selfish--perhaps the most selfish from the point of view of an agriculturist. But that is our role as leaders in agriculture. That is, constantly to attempt to develop trends in consumption that are in the interest of our nation. Public Law 480 contributed heavily to that.

I guess that that leaves an opening which is a little philosophical on my part. That is, programs sponsored by taxpayers' money should always be developed in a way which is constructive to the recipients--in this case the countries that needed our food. It should also be kept in mind that there should be a way to terminate that program. In my 40 years in the field of public agricultural programs, since 1954, we've seen the Public Law 480 program accelerate rapidly. It accounted for quite a percentage of our [agricultural] exports. I won't name all of the countries, but there is a large number of them which gained by having a Public Law 480 agreement. I think that Public Law 480 is now near its last gasp, because its mission has been fulfilled. I have nothing but warm feelings for what happened under that authority, over a 40 year period.

Q: Clarence, would you like to comment on some of the things which were done under that program which you thought were particularly useful? For example, the invention of "multi-year" agreements. It seems to me that one of the purposes of the PL 480 program was that hopefully, in time, with the use of our commodities, we would have developed an appetite which would be sustained after the program is ended. I'm thinking here, in particular, of the years after the PL 480 program ended in India and India's needs for wheat. Did we get any benefit out of programs which we helped to build?

PALMBY: Well, I'm going to sound like a "do-gooder" here. You mentioned India. This was a case where both sides benefited. We had surpluses--wheat is a good example--on our hands and had the "know how" to produce more. India was in dire need of food. Yet they developed a taste for wheat, which they needed. That can best be illustrated by the fact that when the PL 480 program was reduced, their purchases for dollars in the United States increased. That was really the role of market development under the PL 480 program. I would say that that was a classic example of what happens when the intention of the law is carried out. In addition to that, I think that it was a very constructive, foreign policy tool.

Q: A related point has to do with what you said about the PL 480 program helping to develop markets for the food supplied under it. At that time you were heavily involved in the "Cooperative Market Development Program." As a matter of fact, you had a unique role. You were one of the "Four Wise Men" who helped us get that program started. The other three were: Jack Hutson, Reed Dunn, and Joe Parker. You were the fourth one. Anybody who has studied this program would say, "These were the guys who helped us get this program going." You got it started, and then you got to operate it. Would you like to talk about that?

PALMBY: I thank you for your comments, Ray. I might also make some comments on the U. S. Feed Grains Council, an organization which I headed during most of the decade of the 1960's.

Q: What was that?

PALMBY: It was an unique opportunity for me at that time. Our nation had a great surplus of feed grains, particularly grain sorghum and corn. It just happens that those are the best feed grains in the world, from the standpoint of energy and fiber. The end products of utilizing corn and wheat generally go through the sow, the cow, or the hen.

Q: I like that expression in your book--the sow, the cow, and the hen--and the ewe and the moo.

PALMBY: So as I often said, even though quite often I was meeting with grain people, their greatest interest ought to be in the sow, the cow, and the hen. That idea kind of took hold. There's where the opportunity was--to develop a permanent market for the produce from our farms, and it worked. Most notable of the countries affected was, perhaps, Japan.

I'd like to go back to a heartbreaking, or "heart touching" incident in Japan. My second trip to Japan as the head of the U.S. Feed Grains Council was to attempt to set up some projects. The leader of their agricultural industry, a Mr. Emori, who was an officer of Mitsubishi at that time, asked me if he could help in any way. I said, "Yes, you could. I would like to have the opportunity, here in the feed business, to go to visit the family of one of your producers. Let me visit their home and just observe the extent to which they

are producing eggs and poultry. It was my thought at that time that the best avenue for Japan to increase its imports of agricultural commodities was, of course, corn and sorghum. They could quickly--again, using my example--expand their number of hens or their egg consumption because the Japanese like eggs. Mr. Emori thought about this. The next day he phoned and said, "I've made arrangements for you to go out into the country. We'll take you out there. You're going to spend the night in a little town. Early the next morning you're going to have breakfast with a farm family."

This was very constructive. I'll never forget the experience because this was a young Japanese farmer. His wife was also young, and they had two children. As I remember it, they were three and six year old girls. I ate with them. Maybe Mr. Emori set this up, but I don't think so, because it seemed so natural. We had rice cakes. But here is the striking thing. Those two little girls were each given half of a boiled egg. The mother, through an interpreter, said, "We can't really afford more than one egg for the two children."

That led me to look at the Japanese distribution system. I learned, first hand, how terribly cumbersome the "Mom and Pop" stores in Japan were. I was more convinced than ever that each one of those very charming little girls would love to have had a full egg each. I know that later on, they did.

Q: Because you worked out a market development program.

PALMBY: That's correct. It developed very rapidly. Egg consumption in Japan went up first and, right along with that, feed consumption went up rather rapidly. This was followed later by broiler chickens, because they were having some problems with breeding stock.

Q: Would you continue with your discussion of your experience with broiler chickens in Japan?

PALMBY: Broiler chicken production in Japan, and the rate at which it developed, really is a fascinating story. In the early 1960's you would go into a shop that sold chicken meat. I looked at the chicken that was available. I quickly saw that it came from so-called "broilers," which were really Leghorn Cockrels. This means that these were males from laying stock hens. They did not have those great, expanded breasts and thighs which a modern broiler chicken has. What astounded me was the rapidity with which all of the American [chicken] breeders of any size quickly saw what was happening. They developed their own connections in Japan. At first they exported broilers. Northwest Airlines was very helpful with this because they were originally shipped out of the State of Washington, for the most part. They went directly to Japan. Then, later on, the movement of baby chick broilers was expanded to such an extent that the breeders in the United States themselves exported eggs to be hatched. Then the U. S. breeders exported what they called "grandparent stock." These chickens were raised in Japan, and the Japanese broiler chicken industry was on the way.

Q: So the reader doesn't get confused, this was also done under a specific program.

PALMBY: This was a program.

Q: Which you helped implement in Japan?

PALMBY: Yes. Of course, we flew literally hundreds of [Japanese] feed formulators to Oklahoma State University and to Iowa State University for short courses during the summer months. We gave them a short-course study in feed formulation, using computers. [The Japanese] loved to use computers to formulate [chicken] rations. Most of those rations were for broiler chickens. That is what really caused the production [of chicken] in Japan to multiply almost overnight.

Q: Something needs to be said at this point. There were very few Americans who could have operated such a program in Japan, without getting some criticism from fellow promoters of feeds for American broilers, hogs, or pork. Secondly, I hope that, at some point, since you had so much to do with it, you would comment about the export of swine from the U.S. to Yamanashi [prefecture].

PALMBY: Sure, I'd be delighted. As you know, that really, in many ways, was the ground breaker, at least from the standpoint of paving the way for communications and working together. [We sought] to prove to the Japanese that we were interested in their welfare. Believe me, their food industry was in terrible shape at that time, following World War II.

So a few people in Iowa, headed most prominently by Walter Goeppinger, put together the idea of shipping some breeding stock from Iowa to Yamanashi, Prefecture. Then, to round out the program, you must remember that Japan at that time was a "have not" nation. Foreign exchange was very tight. The people in Iowa met with me. I was in government at that time. They asked the question, "Is there any way that you in the Commodity Credit Corporation can assist us to find some tonnage of corn to round out our project?" I took the matter up with the Board of Directors of the Commodity Credit Corporation and quickly got approval to supply 60,000 tons of corn. I'm told that that was very helpful in getting that project under way.

I frankly never did see very many of our breeding stock after that but I did not travel out in the rural areas [of Japan] as much as I should have done. At that time I was not involved very much in the larger animal programs. I was dealing with poultry feed. However, in later years I often said, and I'll repeat it again, "The Japanese developed the hen, then the sow, and then they came back to broilers. They developed them in that order." I'm convinced that that first little project there moved up the production of pork and hog production generally in Japan.

Q: Let me assure you that, from other sources, as well as my own investigations, we know that the breeding stock--the particular breeds that were sent over--have multiplied in use and are very popular. The relationship between the Governor of Iowa and the Governor

of Yamanashi Prefecture continues to be strong today. I will also add that we got help from the [U. S.] Air Force, because they supplied the planes to carry the breeding stock to Yamanashi.

PALMBY: Ray, I guess that I had forgotten that.

Q: It was a big, big deal, and you helped to start it. But you still have not answered my other point. My other point was that there is competition going on between our people who grow the corn and those who say, "We want you to export pork from this country." As I say, there are very few people, except Clarence Palmby, who could have faced the criticism which we in the government faced in taking action to promote [Japanese] home production of things that we also were producing for export. I think that you did the right thing.

PALMBY: Well, yes. Ray, there was always something that was a little bothersome. I called it more of a foreign program, in reality, though I do not want to belittle the proponents of either side of this question. I remember very well when Senator Hubert Humphrey phoned me one day on behalf of the egg processors in Minnesota and elsewhere. They told him that our work there [in Japan] was going to cost them their egg market. I believe he was right. I said, "Senator, I believe that you're right, but I would like to have the opportunity to meet with your people who are hurting, because I'm in favor of meeting these questions head on." Senator Humphrey set up a meeting.

At the meeting I explained why we were doing this. I tried to tell them that the Japanese are probably more sensitive to food tastes than even we in this country are. I said that the future was limited for selling processed eggs in Japan. We were now taking advantage of an opportunity to tie that market down from now on. I said that we could supply the raw materials. I pointed out that the American people were also supplying the breeding stock. That "grandfather" breeding stock program was huge. It was completely financed by private enterprise. I never heard anything more from the Minnesota egg processors.

Q: I think that one day, when we have more time, we will dig into this question. My conclusion would be that, even in the short run, it would appear to me that this kind of promotion would harm our exports. In the long run, assuming that the world is moving to "reasonable" protection at the borders, if we had the right to sell our products in the Japanese market, then we would probably increase our sales. This is because, as consumption goes up, the market will be bigger, and the Japanese will say, "Well, we are as efficient as anybody else, so there's room for both products, from both countries of origin, in the market." I think that that is what we will find.

PALMBY: Ray, to strengthen that point, I have spent enough time in Japan and similar areas that, when I come home, I always am a bit depressed because of their very cumbersome distribution system. The cost of food to their consumers, in relation to what it really should be, is exorbitant. I predict that at some point the Japanese leaders will have to face up to that problem. However, I guess that I'm going pretty far afield.

Q: No, you're not, because one of the problems at present, in my own experience with the Japanese, is that their system of control of supply and price within the system--for example, for mixed feed --[keeps prices high]. I'll say it right out loud. The "Zenkoren" has the power to fix the amount of mixed feed that can be produced by the people within their system. They do so with the consent of the Japanese Government. Until a system is introduced where competitors can come in to offer the same product, maybe not part of it, like all systems, consumption in Japan will be held down, and prices will be higher. This is because the cost of doing that will be passed on to the consumer.

PALMBY: Ray, to provide further support for what you just said, just recently a major feed company in the United States finally closed shop in Japan because of that controlled system. It's kind of heartbreaking, in a way.

Q: In my experience--and I might as well repeat it now--I had knowledge of an example of that, in 1973, which I think that you will find very interesting. I'll tell you about it after this interview.

Well, Clarence, the next item on the agenda is the work you did to open up our trade with the countries of Eastern Europe, and especially the Soviet Union. But before we come to that, I was struck by what you had to say about the recommendations made by the National Advisory Commission on Food and Fiber, some time after you took that action to open up trade. Would you want to comment on those recommendations at this point?

PALMBY: I'd be delighted to do that. Those recommendations, as I recall, were made in 1967 to then President Lyndon Johnson. Before going into those recommendations, it's almost a novel, in a way, as to the timing. I think that good timing [is essential] to have a National Commission appointed to make recommendations, although I've said at times that a National Commission is set up to duck the questions. In this instance I do not think that that was the case. I think that the Commission was organized and appointed by the President to make a serious effort to research policies having to do with agriculture.

In the background we have just been talking about the expansion of food sales of one kind or another to Japan. We might broaden that a bit to say that all through this time, other commodities were also experiencing a growing market in Japan, not the least of which were soybeans, along with the grains. Incidentally, I should say that wheat would have done much, much better had Japan provided duty free entry. I have to make a "kind" comment here about Japan's policy, leaving aside the Commission report. In the early 1960's Japan allowed duty free entry of corn, free of foreign exchange allocations. This was a great bonanza for the corn producers of the United States. This was followed, two or three years later, by freeing up foreign exchange allocations and duty free entry of grain sorghum in Japan, which quickly became the largest consumer of grain sorghum outside of the United States. This was part of the stage which was set at the time the National Commission started its deliberations.

I was extremely interested in the proceedings of that Commission because, put very simply, the exporters and producers of grain and other agricultural commodities had a vested interest in what the Commission would recommend. I know that there were differences of opinion in the Commission, because several of the members of the Commission would stop by my office. Some of them would make quite heated comments, which is not a bad thing in itself. Finally, I was impressed by recommendations of the Commission. The one that impressed me the most was that they recommended that the United States move toward a system that recognized world commodity prices. Did I put that about right?

Q: Yes, you wanted "market-oriented," rather than "market enhancing" price supports.

PALMBY: Good term. The Commission fought long and hard over this but it came up with the right recommendation, in my opinion. This recommendation has had a lasting impact on U. S. agriculture.

Q: There are two other subjects in the outline you gave me. One of them is obviously something you would favor, and I would, too. That is, we should continue our efforts to build markets abroad for American agriculture.

PALMBY: I shouldn't forget that one, should I?

Q: I know, but that is very interesting. I know that you favor it because I read your book, and particularly the section where you expressed concern about "deficiency payments" at one point. As time went by, with your experience, you said, "Well, maybe that's not a bad idea." That is in the National Commission report.

PALMBY: Ray, I went back to serve in the government, under the Nixon administration, developing farm legislation. At one evening session, which was an open, "free for all," I was accused of insisting that all administrators who reported to me should read the report of the National Commission and use it as their "Bible." I could not help responding that I had asked them to read the Commission report. However, I didn't want anyone to confuse what was in the Commission report with what I do with my Bible. I think that that comment amused the audience.

The Commission report was timely, not only because I thought that it was generally sound, but it strengthened the hands of legislators and those of us who were working in the agricultural field. It strengthened the overall policy which had been developing...

Q: Just a word about "deficiency payments." You told me that "deficiency payments" are a way of helping farmers, without disturbing the market price. The payments can be administered that way.

PALMBY: Yes. Let's discuss "deficiency payments." You must remember that, going way back, when the great debate on agricultural policy was just beginning, following

World War II, there was really an open conflict between the American Farm Bureau Federation and the Farmers' Union, which, at that time, was generally financed by the Grain Terminal Association [GTA] of St. Paul, Minn. Mr. Thatcher was the head of that. There were two schools of thought. One school of thought was supported by the Farmers' Union and the GTA generally. They favored "deficiency payments," but they also favored high price supports. So the two concepts just never met.

Q: They clashed.

PALMBY: Allan Kline, who was President of the American Farm Bureau Federation, did not support "deficiency payments." He believed in attempting to move toward a free market economy.

So the outcome was--and we now were in the Nixon years--that we did not put forward a President Nixon or Secretary of Agriculture Hardin policy. Rather, a few of us met--I think for over 26 evenings--with the members of the House of Representatives Agriculture Committee which, at that time, was chaired by Congressman Poage of Texas. Out of these discussions developed an attitude of embracing "deficiency payments" and a general agreement that price supports should be relatively lower so that we could move toward a free market economy, which was recommended by the National Commission.

While the period of six to nine months during which we developed that policy and program was very trying, and I say that it was trying in a sense of friendliness and not confrontation, we developed legislation built around that type of policy. It was interesting, when that legislation was signed by President Nixon, to note that nobody particularly liked that program. As you'd expect, the Farmers' Union/GTA thought that it was terrible because we had recommended lower price supports.

Q: So did the Farm Bureau Federation.

PALMBY: The Farm Bureau did not support the program at all. I say, in all candor, that many Farm Bureau members did favor it, but it was the national policy of the organization to oppose "deficiency payments." I understood that. But this concept was accepted and enacted into law. To a degree, it's been in effect ever since.

Q: It really has.

PALMBY: I would add one thing more that was in the back of my mind at the time, at least. "Deficiency payments" had a high profile, because everybody could see a budget. I did not mind thinking that, over a period of years, there would be real pressure to reduce these "deficiency payments." That would still be another source of momentum to move us toward a "free market price" or a "world market price." And all during this time world market prices were coming closer to our domestic prices. We are close to that now. I was comfortable with this trend, because I thought that it would give us maximum pressure

against our competitors. I thought that we should take our chances on being able to compete with them. I still feel that way.

Q: Very good. All I can say about it is that "deficiency payments" use market prices as a barometer. Accepting these payments depends on the margin between the two. If the margin is fairly narrow, good. If the margin for the target is set too high for political reasons, then it is terrible.

PALMBY: Ray, I guess that we will shortly talk a bit about the socialist countries or those with centrally controlled economies.

Q: Yes.

PALMBY: I mention that at this point because we will be moving toward such a discussion rather shortly. What has now happened in the world gives great credence and, I think, illustrates that this movement toward what I call "world prices" was something that was in the making, and we're going to see more of it.

Q: Clarence, we were discussing the role you played in opening up trade with the Soviet Union, [Communist] China, and the eastern countries generally. I'd like to ask you to tell us what you did.

PALMBY: Ray, it's a fascinating story, in a way. Shortly after Nixon became President, in January, 1969--it may have been a few weeks or a couple of months afterwards--a sub-cabinet, informal group was established to explore and search out what would happen to U. S. export, and, to some extent, import possibilities under such a policy. In fact, the agency which you headed at that time participated and then, a bit later, it particularly considered wheat, coarse grains, tobacco, as I recall, and cotton. The thrust of our findings was that under that policy it would really not be decisive because it would be impossible to predict with any great certainty how a country like China, and Russia, would act if they had free access to our commodities. I remember one point particularly, which always bothered me. In this case I'm going to mention agencies because this has been a sore point with me, in a way.

For instance, the Central Intelligence Agency, the CIA, made the comment over and over again that, with regard to the Soviet Union, in no 12-month period should we ever expect the Soviet Union to spend more than \$50 million for U. S. farm products. Their rationale was that the Soviets don't have more in the way of resources and that they simply will not go into debt. I wasn't critical of the CIA representatives and I'm not critical of them today. I understand their rationale and their process of reasoning.

Maybe one of the [more] interesting things concerned [Communist] China. That was, that there seemed to be an attitude, particularly prevailing in the Foreign Agricultural Service [FAS], that there might be a growing market for cotton, particularly from time to time. That point always impressed me because we were trying to develop a national policy.

Regarding the [Sino-Soviet] Bloc countries everybody participating in this sub-cabinet level committee discussions was a bit confused and uncertain about what would happen. This was because who could say [what would happen], if we began to trade with "have not" countries, such as the Bloc countries were at that time, because they simply did not have foreign exchange. So the discussion went on.

A few years earlier, when I was head of the Feed Grains Council, I spent some time in Czechoslovakia. I was enthralled with that country. By the way, I was there at the time [1968] when they were trying to break out of the Communist world.

Q: An interesting time!

PALMBY: Yes. I visited their leading broiler [chicken] operation. I don't think that I ever saw agricultural leaders who were so anxious to get their hands on everything from the United States--especially broiler breeding stock. I could see why, because as I visited their operation, they were slaughtering broilers. A pretty good-sized broiler would come along the line, followed by one which weighed half as much. There was a lack of uniformity. The operator of the plant spoke excellent English. He almost had tears in his eyes. He said, "Oh, I would give anything if I could get my hands on some of those great, male chickens you have." He meant, at that time, the Vantress variety. I've lost touch with that situation, but I think that they're still a good breed of chicken. That experience impressed me. I thought of it when I participated in this sub-cabinet level committee meeting about normalizing economic relations [with eastern Bloc countries].

However, to continue with the story, when the committee finally made its rather loose but basically rather good recommendations to the President for his consideration or that of whoever else he wished to refer them to, we had reached pretty much unanimous agreement among the participants in these discussions. Among the participants, the Department of Defense was a little slow to come along--and I understand why. CIA was also a little slow to agree. However, there was a sense that the United States would gain by normalizing economic relations [with the eastern Bloc countries]. [It was agreed] that there would not be any great opportunity for the United States to increase its foreign exchange earnings. However, access to a growing and big market would inevitably benefit everybody.

That was more or less the key to those recommendations at that time. Then, as you know, in June, 1971, [President Nixon] took the giant step of announcing that the United States would normalize [economic] relations with the countries I just referred to. Of course, I was delighted at this, though a bit uncertain as to what had happened.

Q: Are you ready to move on to specific items?

PALMBY: Yes, please do. One question mark at this time in agriculture was the condition of the grain crop in the Soviet Union. Would the Soviets, or would they not want to buy wheat? We were aware that they had had a very bad season. So, shortly after

this, we had a new Secretary of Agriculture, Earl Butz. Secretary Butz and I went to the Soviet Union and visited with their Minister of Agriculture and other people. We offered them a GSM-4 foreign credit package. They turned it down flat, which was no surprise to us because we had been told by our own foreign policy people, including the State Department, that the Soviets would not be inclined to take on a debt to the United States to buy food. While the Agricultural Counselor from the USDA had in his pocket a proposal for a GSM-4 agreement, we never took it out of the briefcase.

Q: Wait, I'm not sure I understood what you just said, Clarence. You were getting ready to define what you meant by the "normalization" of economic relations with the Bloc countries. Would you start there?

PALMBY: Okay. There was a great deal of discussion, dating back to the period before Nixon became President and continuing through the first two years of his administration, on the possibility of normalizing trade with the "socialist" countries. What that meant, in very simple terms, was whether President Nixon and the United States in general "normalize" trade by allowing our commodities and other items to go to those countries free of the Export Administration Act or, putting it in plainer terms, free of an export license. In other words, we would grant them access to our markets like other countries of the world.

Q: I understand that. You probably had a major role, more than anyone else in the United States Department of Agriculture, in bringing about the relaxation that led to that situation.

PALMBY: Well, I did, because the situation developed just as I had suggested that it would. That is, stir the pot, and the administration itself would consider what the impact would be of normalizing trade [with the eastern Bloc countries].

Q: Now, Clarence, another subject dear to our hearts is our relations and negotiations with the Common Market. It seems to me that when this problem began to emerge in 1957, following the signing of the Treaty of Rome [which set up the Common Market], during the administration of President Eisenhower, the Department of Agriculture, even at that point, recognized the threat that the Common Market might present to our trade. It moved to try to counter this threat. As you know, at that time, the State Department position was, "Don't do anything to upset negotiations among the Six [countries which originally signed the Treaty of Rome]." Do you have any thoughts about what we did right and what we did wrong in that connection?

PALMBY: First of all, I want to say that it seemed to me and, I think, to most of us in the United States Department of Agriculture, from Secretary Benson on down, that the objective of our foreign policy goals at the time was to support the establishment of a Common Market in Europe, regardless of the economic cost to the United States. I felt that this was true then and I'm sure that this is still correct.

The cost [to the United States from the establishment of the Common Market in Europe] was a threat to what I considered anything "normal" in the sense of price determination.

Q: I think that we need to get down to some of the specifics that brought our concern to the fore. You may remember that we had a huge trade with the Dutch before the Common Market was formed. The Dutch are the originators of the "variable levy" system [for calculating tariffs]. That system was built on the premise that the end products which they wanted to export, which were essentially pork, poultry, and dairy products, had to meet world price competition, especially from the Danes, New Zealand, and Australia. So those "variable levies" did not provide much protection [to the Netherlands] because they were very low. The major vehicle chosen by the Common Market, when it became a single economic institution, was to impose a "variable levy" system on all of the import trade in most of the products turned out by Common Market countries. It seems to me that that was one of your major concerns at that time.

PALMBY: That system was "freezing us out" of the European market. You recall, Ray, that the percentage increase [of the "variable levy"], year after year, was almost astronomical. As an agriculturist at the time, in government and as head of the Feed Grains Council, I felt hopelessly inadequate because we simply could not get any support from the State Department, the agency which was our foreign policy spokesman, in asking the Common Market countries to slow down in imposing price increases.

Q: The first negotiations were held in Geneva, beginning in 1960 and extending into 1961, at which the Common Market presented its program for the rest of the world. This was the so-called "Twenty Four Six Round." I know that the Department of Agriculture took the position that that was the time to try to keep this system from going into effect at high price levels. Do you remember that?

PALMBY: I recall it very well. Our reason--at least in my opinion--was that the time to point out the defects of the new policy and where it could lead should have been aired at that time. We in the United States had found that once a system of price supports is put into place, at a high level, then there is pressure to increase it further. The difference between our country and the countries belonging to the Common Market is that their problem is multiplied because they have so many more individual interests [to satisfy].

Q: I think that you also will recall that at that time, when the Europeans were talking about their system, they pointed out that we were able to sell corn at harvest time for 90 cents a bushel. In Europe comparable grain prices would have to be twice as high to give them protection. It just seems to me that you and many other people in the administration believed that this was going to be a problem that was going to kill our trade [in agricultural commodities], if we let this happen.

PALMBY: Yes, I remember those views very well, and, of course, we were correct regarding them.

Q: I still am amazed at what those extremely high prices did to stimulate production in countries like France, Germany, and even in the U.K., in time.

PALMBY: Yes. Even in the U.K., because the U.K. had been our biggest corn market for many, many years. Our market just disappeared.

Q: At the time that we were in this battle together, Clarence, the Common Market, including the U. K., constituted one-half of our world trade in feed grains and one-third of our trade in wheat. Anybody looking at the question would conclude from those numbers that this is an area of vital trade interest to American agriculture. I'm not sure whether we didn't present the facts right or whether the cards were stacked against us from the beginning. The fact that the [Common Market] system went unchecked into higher levels of protection was not easy to accept.

PALMBY: Very simply, Ray, there were goals that went far beyond our trade interests. Whether these goals were right, only history can tell. There were foreign policy goals which were not related to our trade interests.

Q: However, Clarence, I think that you could say that you had no choice but to continue negotiating. Even though the last agreement made a start, we still have a long way to go to realize our potential of getting our fair share of that market.

PALMBY: We should continue and must continue, because the consumers in Europe are no different from consumers here [in the U. S.] or any place else in the world. They're certainly not happy about paying excessive prices for food just to maintain some policy over and above their economic interest.

Q: And in the United States, it seems to me, we're in the same position. We are now engaged in a process where, if we are to reduce prices as proposed, in order to support the farmers, we must then continue that same battle with respect to our customers, including the Common Market [or the European Union, as it is now called].

PALMBY: Ray, I'm rather optimistic about our being able to continue that policy in the United States. Maybe it's consistent with what really happened years ago. As the programs that we had grew more costly and the profile became higher, the resistance to continued increases and the pressure to lower the cost of maintaining those artificial prices overcame everything else. I was always of the opinion that the same thing would happen in Europe and I still have some optimism about it.

Q: Therefore, we must continue the fight.

PALMBY: Absolutely.

Q: Clarence, another thing that struck me very much in looking at what we would do in an interview of this kind is your role in "marrying" the functions of the CCC and our old outfit, the FAS, as the principal export instrument for the American farmer.

PALMBY: From the early days my thought, even before I was in the government--and that goes back to when I was farming in the 1940's and early 1950's--was that the role of the Commodity Credit Corporation was to guarantee some price level for agricultural commodities, with very little or no attention given to removing or disposing of those commodities. Or I could put it another way. The Commodity Credit Corporation during that long period of time opened the "front door" to bring in commodities but closed the "back door" solidly. So those commodities stayed in place, with deterioration and all of those problems that go with it at present. Finally it turned out that the GSM-4 program was developed to use the Commodity Credit Corporation for funds. In fact, that's the very program we offered to the Soviet Union years later. That was looking at the disposal or market development side. In my opinion, that rounded out the program.

Q: In fact, we still have a long way to go with this question of how we expand our trade around the world with talk about additions to NAFTA [North American Free Trade Association], additions to a Free Trade Area for the Pacific, and free trade with the European Union, excluding agriculture. What are your thoughts on these subjects?

PALMBY: Let me hasten to say that I believe in world trade and shudder at the thought of an expansion of regionalism. If we never believe otherwise, all we have to do is to re-live the development of the European Union and consider the problems that it caused us on a regional basis.

Specifically with regard to NAFTA, that is a regional scheme. However, if what we have done so far with Mexico, Canada, and the United States is our foreign policy, we'll try to make it work. I saw recently in some publications here in the United States and overseas that the next nation we will invite to join NAFTA after Chile, presumably, may be New Zealand. I cannot see any justification for New Zealand's belonging to a North American Free Trade Association. I love the New Zealanders. We love to do business with them--but that is regionalism "plus." It is favoritism, and that gives me real problems.

Q: Can you visualize a Pacific Rim trading group emerging if those nations are invited at the same time to join a variation of NAFTA? Can you see any value to a separate agreement for the Pacific Rim, which has also been talked about?

PALMBY: I know.

Q: If New Zealand is asked to join an arrangement with North America.

PALMBY: Well, if we now talk about becoming a part of a Pacific Rim trading group, we will just multiply our problems. The great United States--and I mean that in all sincerity--has been the leader in what you might call "worldism" in trade.

Q: Right, with the MFN [Most Favored Nation] concept.

PALMBY: That concept has served us well. There may be people who think it hasn't, but it has served the world well.

Q: The same point comes up with respect to the Common Market, or European Union, itself. There was a statement recently by a U.S. State Department spokesman that we are examining, I think together with our British colleagues, the possibility of a Free Trade arrangement between the United States and the European Union, excluding agriculture.

PALMBY: All I can say is that I hope we examine this idea for a couple of centuries and then look at it. That is just about what it deserves.

Q: Then, Clarence, we have the matter of the recent article in the press about the CIA getting into the act in the negotiations on the recently concluded GATT [General Agreement on Tariffs and Trade] agreement. The CIA reportedly tried to get information about the French position on the final negotiations with respect to agriculture. Apparently, this effort wasn't very professional because they were "caught in the act," and five [CIA people] reportedly were asked to leave France. I would have thought that this would not be something proper for the CIA to do. I was concerned when it came out that it was being done for us [the Department of Agriculture]. But it wasn't. It was done for the Office of the U.S. Trade Representative [USTR]. Does this make sense to you?

PALMBY: No. I would like to see the activities of the CIA "cleaned up," and I mean really "cleaned up."

Q: The problem here is that it is common, in negotiations of this kind, for our agricultural people in Paris to talk with their [French] colleagues and try to exchange honest views. But we don't look at this as "espionage" of any kind. We look at it as the normal give and take of negotiations. This kind of report creates a suspicion which, I think, we don't deserve.

PALMBY: I agree.

Q: Now, the last thing that I would like to give you is something positive to talk about. Do you remember that, many years ago, we celebrated our first, billion dollar market?

PALMBY: I sure do. With Japan.

Q: What do you have to say about where we have gone since that time?

PALMBY: Well, we can say now that our market in Japan is now ten times greater than that.

Q: Say that again. Ten times greater!

PALMBY: Ten times greater than it was when I was Assistant Secretary [of Agriculture]-a little over 20 years ago. I think that this is an example of how "Most Favored Nation" world trade operates and should operate. I know that, at the present time, we have some problems with Japan, or at least, we have some differences of opinion. I would hope that they [the Japanese] would take seriously a greater liberalization [of their domestic market] and give their own citizens a break--to supply them with commodities and industrial items that are closer to an international price, rather than the domestic price in Japan.

Q: Very good. I'd like to go on just a bit with that, if you're ready.

PALMBY: Sure.

Q: It seems to me that the natural climate for trade expansion with Japan is completely different than our [trade] relations with Europe. Our market development programs [in Japan] were undertaken with the consent of the Government of Japan. For example, the movement to encourage wheat consumption--frankly, away from rice--was done with the Government of Japan's consent. The work [to expand the market] in soybeans was done with the Japanese Government's consent. The work when you were in the Feed Grains Council had the support of the Japanese Government. It seems to me that our efforts there [in Japan] on trade expansion "fit" the policies of the government we were working with.

PALMBY: Let me give you one personal experience. There were several reasons why I became well acquainted with one particular Japanese prime minister. It was Prime Minister Sato. Twice, during his term of office, he asked me to breakfast with him to give him my views on the progress that they were making in the livestock and poultry industry. That, in my opinion, represents the ultimate in trust, in market development, and trust in what they might be doing. I give him very high marks, because he was interested and he knew what was going on.

Q: To demonstrate our interest in the market in Japan--I think that this was done in the 1960's--we developed a problem with wheat smut.

PALMBY: Yes.

Q: At that time, after a shipment of Oregon white wheat to the port--and without the knowledge of even the port inspectors--smut developed on the wheat before it arrived in Japan. [Representatives of] the Japanese Government came to us and said, "We regret to say and we are embarrassed that our importers were sold goods which were not 'up to snuff.' We decided that we should make a gesture to Japan to share the responsibility. So a program was set up under which the Japanese traders, the American traders, and the Department of Agriculture, through the offices of the CCC [Commodity Credit

Corporation], gave them--gave them--a shipment of wheat representing the difference in the value between what they sold as feed in the first shipment and what the new shipment cost.

They [the Japanese] went to Canada, which had developed the same smut problem. Canada gave them nothing. It seemed to me that the Canadian action was not the way to treat a good customer. The Canadians said, "We're sorry, but when the product left our port, it was okay."

PALMBY: Sure, the Japanese remembered what we did. And it had an effect on them.

Q: It certainly worked. Forgive me for making that kind of comment, but it seemed to me that it fit the subject that we were talking about. And now I think that we're ready for the last subject on our agenda. This concerns your experience with the Farm Act of 1971. I understand that in your activities at that time you learned the value of personal contact and communication.

PALMBY: It happened that during that period of time Secretary of Agriculture Hardin asked me to "shepherd" the draft Farm Act through Congress. He gave me that assignment because most of the provisions of that act had to do with the operations of the Commodity Credit Corporation, the Foreign Agricultural Service, and the Agricultural Stabilization Service. As a consequence, as I observed the way the bill was working its way through Congress, even though Secretary Hardin and several of us were meeting weekly with the leaders of the House of Representatives Agricultural Committee--and most of the members of the House Agricultural Committee, in fact--I was disappointed and concerned that we were not making enough progress. Of course, I was deeply interested in securing some meaningful provisions.

In conversation with my wife we came to the conclusion that we would give a dinner party in our home--this is getting very human here. We invited Senator Young, whose wife had died and who had recently remarried, in addition to some members of the Senate and the House Agricultural Committees. When I discussed this with Secretary Hardin, he concurred and agreed to attend as well. So we had a little dinner party. What was meaningful about it was that I was impressed that some very senior members of Congress said, and these were their words, "We never talk with one another." I believe that, too, by the way.

In addition to Senator Young we invited Senator Ellender [Democrat, Louisiana], the Chairman of the Senate Agricultural Committee at that time, who was a very senior figure; Senator Aiken [Republican, Vermont], a member of the Senate Agricultural Committee; and then we had Rep. Bob Poage [Democrat, Texas], the Chairman of the House Agricultural Committee; and Rep. Page Belcher, the ranking Republican member of the committee from Oklahoma. By the way, we had several foreign visitors there. We wanted to show them how we handle these things in the United States. We had the Deputy Chiefs of Mission from the Canadian and Australian Embassies. This gave it a

little bit of atmosphere. As a result of that evening Senator Ellender and Rep. Bob Poage, who, of course, were the Chairmen of the two Committees, sat down and talked together.

At that time I made the proposal that they delete "producer marketing quotas" for cotton, which had been a "pet idea" of Senator Ellender. I detected no resistance on his part, although later on he did express some concern to me, but he supported it. We obtained his agreement, in my opinion, because, in a very informal atmosphere, we learned to trust one another.

I think that in our system that is an example of communications at its best. By the way, the DCM's from Canada and Australia said that they had never participated in anything like that before. I thought it was interesting. It worked.

Q: Wasn't your son, Tom Palmby, there at the time?

PALMBY: Yes, my son Tom was there, and there were several Marines from the Marine Base at Quantico, VA. I assigned my son, Tom, and a few others to each one of the legislators to be sure that they were comfortable. One human interest thing that I remember was that, as the party wore on, the guest of honor, Senator Young, approached my wife and said, "Tell me. As a Senator, I've never been honored this way. But it's time that the party should break up. Am I expected to leave first or is Secretary Hardin?" And Janet said, "I think that you are." She said, "I'll get Clarence, and he'll take you to your car." I only mention that because I think that it illustrates the progress we made that night in communicating. That's what it's all about--that human trust. I had developed a pattern through regularly calling on Senators, particularly the Chairman of the Senate Agricultural Committee and the ranking Republican Senator on the Committee, and the Chairman and ranking Republican member of the House Agricultural Committee, just to be sure that we were continuing to talk to each other.

One other human interest matter that I would like to mention is that Senator Melcher from Montana, who formerly had been in the House of Representatives from Montana, was one of the biggest critics of me and others in the administration. I always kind of enjoyed his "prickly" statements. It happened that I was in the Senate Office Building long after I had left government service and was an officer of Continental Grain Company. We in Continental and some lawyers had been to a hearing. We still had a bit of time on our hands. As we were about to leave the Senate Office Building, I saw Senator Melcher go into his office.

We waved at one another. I followed him into his office, where we talked for about 10 minutes. The Chief Counsel of Continental Grain Company asked me if I would come back out and talk to him. He said, "He's not a friend of yours. Why did you see him?" I said, "I saw him because I wanted to talk with him." I said, "Listen, under all these caustic statements, he's a fine person. Now, I'll wager with you that he will phone me before the week is over, and we will have another chat." He did. Many people in the executive

branch of the government should learn that you can't make progress if you don't communicate.

Q: That is very well said. One last point. Education. Farmers. You can say, "I've done my job. I produced the commodities." Didn't you have a major role in bringing the farmer into the stream so that he understood what it took to expand our exports?

PALMBY: I certainly did. I'm still working on it today. In this country, as you know, going back at least to the Depression in the 1930's, which is a long time ago, there are many pockets of deep feeling that the middle man or the processor is gouging the producer. I expect that there is still some of that feeling left.

Q: There is.

PALMBY: But I found out, particularly in running the Feed Grains Council, and really in the government programs as well, that it's still the same old thing. If you have a problem with someone, even if you think he's your enemy, talk about it with him. The principal leaders will share figures with each other and get to know one another. I think that the Cooperator Program in market development has done a great deal to educate or make different groups realize the problems that each group has. Talk about these problems. I've found that most people are willing to talk about them. I think that the feeling today is much better. There is still feeling out there, across the land, that, "I don't like that group because they take us 'to the cleaners'" or something like that. I expect that we will always have some of that. However, first of all, it has happened in the Cooperative Market Development Program. As you know, the Foreign Agricultural Service has made great contributions to that. Then maybe there is the fact that producer groups themselves have participated in some processing and some merchandising. I welcome that. If there's so much fun in it, let's all get into the pool together.

I think that there has been some progress made in this connection, but we will always have some feeling that, "I want to hate him." But the attitude is much better than it has been.

Q: Finally, Clarence, we thank you for joining us in this effort. It is part of a recording for historical and training purposes. As we interview more and more people, I think that we will develop a valuable resource for the education of those who follow. Thank you again for joining us.

PALMBY: Thank you.

End of interview