

One, referred to as the "agricultural commodities exemption," now section 203(b) (6) of the act, exempts from economic regulation by the Commission "motor vehicles used in carrying property consisting of ordinary livestock, fish—including shellfish—or agricultural—including horticultural—commodities—not including manufactured products thereof."

The other exemption, referred to as the "cooperative association motor vehicle" exemption, now section 203(b) (5) of the act and the subject of the bills before your subcommittee today, exempts from economic regulation "motor vehicles controlled and operated by a cooperative association as defined in the Agricultural Marketing Act, approved June 15, 1929, as amended, or by a federation of such cooperative associations."

Just two requirements, the motor vehicles have to be owned and controlled by the cooperative association and the cooperative association must meet the requirements of the Agricultural Marketing Act, which is the same definition to qualify for loans from the banks for cooperatives under the farm credit system.

The Interstate Commerce Commission in 1935 unsuccessfully opposed the inclusion of these exemptions in the Motor Carrier act and through the years has sought to give a very narrow and strict interpretation to their scope.

It should be made clear that the railroad industry and the regulated motor carriers all through the years have been very vigorous supporters of that position, restrictive interpretations of these exemptions by the Interstate Commerce Commission.

In the 1940's and 1950's, there was much costly litigation in the courts and in administrative proceedings before the Commission as to when an agricultural commodity loses its character as such and becomes a manufactured product.

Three glaring examples. The Commission took the position that nuts in the shell were an agricultural commodity but after you shell them, they become a manufactured product and no longer are an agricultural commodity. We had the same situation with respect to redried tobacco. It was held by the Commission that the redrying of tobacco changed it from being an agricultural commodity.

There was a big controversy over poultry. If you cut the head and legs off poultry and defeather it, it is no longer a product of agriculture; it becomes a manufactured product. So held the Commission. There was a lot of costly litigation and proceedings before the Commission all through the 1940's and 1950's to try to get that straightened out.

Finally, Congress took action in the Transportation Act of 1958 and clarified this exemption to prescribe with particularity named commodities which would be considered exempt and those which would be regarded as nonexempt under section 203(b) (6). Since that time, there has been little difficulty in administering and complying with this exemption.

In the late 1950's and early 1960's, the Commission turned its attention to the cooperative association motor vehicle exemption and sought to limit the transportation by qualified cooperatives to "farm products, farm supplies, or other farm related traffic." The Commission, however, has been deterred in that effort by the decision of the Ninth Circuit Court of Appeals in 1965 in the Northwest case (*Northwest Agricul-*