



# NEWS from

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Statement by Senator Bob Dole

before the *submitted to*

Subcommittee on Agricultural Production,  
Marketing and Stabilization of Prices

on

The Dairy Situation

September 30, 1974

Mr. Chairman, the hearings we are now conducting have a great significance for Kansas and the entire country. Events of the last few months have created conditions within the dairy industry which are of deep and direct concern to every dairy farmer in Kansas and other states as well. These same events should be of concern to consumers of milk and dairy products as well since they concern the continued availability of adequate supplies of these foods and the prices for them.

Almost two years ago, I introduced S. 622 which would have increased the dairy price support level for the 1973-74 marketing year to 85 percent of parity. I introduced that bill because I was firmly convinced that such action was necessary to maintain a sound and viable dairy industry in this country.

### Squeeze on Dairy Farmers

Today, the problem is more critical. The need is greater. Many of us have used and heard the term "cost-price squeeze" so often that it may have lost some of its meaning. But in visiting with Kansas dairy farmers today, it has a real meaning. In dollars and cents, there are few, if any, farmers in this country today who are not operating at loss levels. By this I mean that they are not receiving a return great enough to cover their costs for feed, for hired labor, for the other variable costs of production to say nothing of any return for their own labor, management or investment.

The farm price of milk has made its sharpest drop in history in recent months. Last March, it stood at a peak of \$8.94 per hundredweight. By July, it was down to \$7.57. The price decline for those farmers producing manufacturing milk has been even steeper. Manufacturing milk prices in the U. S. dropped from \$8.14 a hundredweight in February to \$6.32 in July.

### Rising Feed Costs

Balanced against this drop in income is a cost picture that is bleak indeed. Feed represents the largest cost of producing milk -- probably about one-half of the total cost for most producers. The milk-feed ratio has always been considered a reasonably reliable measure of the profitability of dairying. This ratio simply expresses the pounds of concentrate ration equal in value to a pound of milk. Most farmers tell me that a ratio of 1.5 marks the break even point. A ratio of 1.7 or better is considered necessary for a reasonable level of profitability. The milk-feed ratio dropped below 1.7 in late 1972 and hasn't been that high since. Last month, according to USDA, it dropped to 1.1 -- the lowest since 1947. In many producing areas around the country, the ratio actually stands at less than 1. Simply put, 100 pounds of feed in these areas is worth more than 100 pounds of milk.

Other costs have shot upward at record rates. Farm equipment is running about 25 percent higher than a year ago. Labor is hard to get and wage rates are up about 15 percent. Fuel costs are more than 50 percent higher and some are predicting further sharp increases in the next year.

Our Committee has held a number of hearings on the cost and availability of major farm input items so we are all fully aware of the serious nature of this



side of the problem. What we have to do today is explore in some depth the seriousness of the impact of these cost increases, coupled with a loss of income on a major segment of agriculture.

Myself, I am convinced of this. It was because of this conviction in 1973 that I sponsored S. 622 and worked to obtain the increase in the minimum price support level that was finally included in the Agriculture and Consumer Protection Act of 1973. Unfortunately, the 80 percent of parity minimum we wrote into the law last year is not enough to assure a reasonable price level if price supports are set at the minimum, as has been the case. Even so, the 80 percent level is more than 40 cents a hundredweight above the 75 percent of parity minimum level that could have been established if we had not acted.

#### Action Needed

This is still not satisfactory. First, dairy farmers are losing money on every pound of milk they market today. They will not continue -- they cannot continue -- this for long. That is why I have joined in sponsoring Senate Resolution 384, which is pending before the Committee.

This resolution calls for the use of existing authorities to take three actions: (1) increase the dairy price support level to 90 percent of parity; (2) establish a floor under the basic formula price used in determining the Class I milk price in Federal milk market orders; and (3) issuance of a statement by the Administration clearly abandoning the use of extra-quota imports of dairy products for the purpose of reducing prices.

These actions can be taken now. They must be taken if we are to maintain the level of milk production in this country.

Looking ahead, there is another related matter that we must consider. The 30 percent of parity minimum for the dairy price support program that we wrote into the 1973 Farm Bill expires March 31, 1975. We must begin right now to consider action to extend this. Senator Talmadge indicated last week that he would be holding hearings early next year to take a look at the 1973 Act. High on the list of things that must be taken care of at that time is at least an extension of that minimum. Personally, in view of the seriousness of the current situation, I feel we should be looking at a level higher than the 80 percent.

#### Consumers Affected

Unfortunately, there are too many people who view this as a farm problem. We should know better by now. This spring's wet planting season was at first viewed as a farm problem. This summer's drought was first viewed as a farm problem. We know better now. The level of production on the farms and ranches of this country is a concern of the consumer as well as the producer. Reduced production, for whatever reason, has its ultimate impact on the consumer.

For too long, much of the legislation coming before this Committee has been viewed as farm legislation. It is more than that -- much more -- and I hope people are beginning to realize it. But it is essential legislation. The people of this nation have come to expect adequate supplies of food at reasonable prices. This is as it should be. But the only way we can be certain of meeting that demand is by making certain the producers of that food can realize a sufficient return to permit them to stay in business.

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