



NEWS from U.S. Senator Bob Dole

(R. Kans.)

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STATEMENT BY SENATOR BOB DOLE
BEFORE THE
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
OCTOBER 8, 1974

THE RUSSIAN GRAIN SALE

Mr. Chairman, I thank you for this opportunity to testify on an issue that greatly concerns thousands of Kansas farmers. I know they are concerned, because more than a hundred have called me to express their concern. And they are extremely angry. What are they angry about?

Last year, the Cost of Living Council imposed a price freeze on beef at the strong urging and support of leading Members of Congress. By that action, the Government nearly broke the livestock industry. Cattlemen in Kansas and all across the nation are still struggling to stay in business. This year, it appears to many Kansans that the Government is trying to break the farmers by slapping on export controls. That is how most farmers see the Government's action of holding the sale of 90 million bushels of corn and 35 million bushels of wheat to the Russians. I told President Ford this Sunday on the telephone and repeated it to Secretary Butz yesterday. I told them that Kansas farmers cannot, under any circumstances, afford export controls and the tremendous crash in the market that would follow.

NO EXPORT CONTROLS

There will undoubtedly be many who will take advantage of the uncertainty of this situation to say that our system of government and our free market economy are inadequate to meet the needs of the people. These detractors will undoubtedly say that we need stronger government and stronger control. And by so doing, those misguided "Big Government" advocates will try to saddle us with the same kind of inefficient, bureaucratic, over-controlled system that the Russians and many other nations have who come to us to buy grain and food.

I have said to the President, and I want to reiterate to my colleagues in Congress, that strong export controls will be an unmitigated disaster to farmers. Just with the freeze on two single sales, the Russians alone, and the guidelines set forth to exporters yesterday, the futures market crashed down the limit. I say that export controls or stronger measures than have been taken will drive every farmer in Kansas and around the country out of business. We had a taste of export controls two years ago and the effect was clear. Prices in the market hit rock bottom and farmers suffered as a result.

SKYROCKETING EXPENSES

Since that time, the price of fertilizer has more than tripled. The price of equipment has skyrocketed. Every farm expense that a farmer pays has risen sharply. In light of this, export controls would destroy Kansas agriculture and American farmers.

Farmers in Kansas and every other State respond to a profit incentive. In the past year, farmers went all out to produce the largest crop possible. This year, they are again making every effort to plant fence to fence. I say to my colleagues

-2-

who would seek stronger government, export controls and price controls as a solution to inflation that the best solution to inflation is a strong incentive to expand production. Farmers are responding to that incentive today. But to establish export controls or strong control measures will destroy that incentive and may destroy American agriculture with it.

Kansas farmers grow wheat, corn and feed grains to sell. They obviously cannot stay in business if they cannot sell their product for a fair profit. At the same time, the consumers of this country need assurances that a foreign country will not come into our market and buy up all our food. In my opinion, the action taken by the President and Secretary Butz has been successful in meeting both conditions. The guidelines set forth by the Secretary yesterday will hopefully permit the strong foreign demand for our farm products to be expressed in a strong market. At the same time, the monitoring system will prevent any country from obtaining a disproportionate share of our food products and will prevent our own country from losing the necessary food supplies for our consumption.

QUESTIONABLE MOTIVES

In my opinion, the attempted purchases by the Soviet Union last week show one thing -- namely, even in this age of Detente, you have to keep both eyes open when you are dealing with the Russians. It is my understanding that the Soviet Union last week was attempting to purchase a greater quantity of grain than they were able to contract for. Such purchases could have precipitated an economic and political crisis in this country. The prompt action of President Ford and Secretary Butz in preventing this situation is commendable. It has become apparent that precautionary measures are necessary to prevent countries like the Soviet Union from attempting this again and I believe the guidelines set forth by Secretary Butz will be adequate in accomplishing this.

The 1974 crop of corn and feed grain has been plagued with numerous problems. Last spring, it was beset by planting delays due to excessive moisture. The late planting was followed by a severe drought over much of the country. Now many States have been hit with an early frost. There is a great deal of uncertainty as to the total output expected from the Fall crop. In view of this uncertainty, the delay of sales to the Russians and to others of our customers is justified.

But I challenge any advocate of stronger measures, such as export controls, to tell me how this country will get its supply of food if farmers are forced out of business by a crash in the market. It is difficult enough trying to make a living in agriculture as it is now. Farmers all over the country are plagued by a shortage of fertilizer. They are plagued by the inability to purchase farm equipment. They cannot find parts for their equipment when it breaks down. They are faced with shortages of scores of small but essential items they use every day, such as antifreeze, truck and tractor tires and many others. And as I indicated before, when these materials can be found, the price is inflated, double, triple or even more from only a few months ago.

I say to any advocate of export controls or such measures that we should also have export controls on fertilizer, steel products, plastic materials, farm chemicals and every other industrial product that is used by farmers.

My point is that we should be fair. If farmers are forced to suffer through export controls, then labor, business and every other part of the American economy should also be subjected to export controls.

NO SCAPEGOAT FOR INFLATION

The American farmer must not and will not be the scapegoat for inflation. Many advocates of stiffer control measures and bigger government may feel that the best way to stop inflation is to force farmers to pay for inflationary increases in labor and business prices with lower food prices. This approach is totally unacceptable. I strongly oppose export controls that would break the price to farmers and have stated to the President and Secretary Butz that farmers will not pay for inflation through depression level food prices.

-3-

And so I would hope that export controls can be avoided. Instead, the guidelines set forth yesterday can provide an effective degree of monitoring.

GUIDELINES, NOT CONTROLS

The Secretary met with the exporting companies in Washington yesterday and set forth guidelines that will not set export controls but should hopefully permit the strong foreign demand for our farm products to be expressed in the market. Under the guidelines, as I understand, exporters have been requested to contact USDA by telephone before completing any contracts of 50,000 tons or more or any week of sales amounting to 100,000 tons or more. USDA has indicated that approval will be given immediately in most cases and that in no case would any decision be held longer than 24 hours.

The purpose of these guidelines is to prevent any country from getting a disproportionate share of our grain.

Since foreign buyers will recognize that the amount of grain available is not without limits, they should be encouraged to get into the market and make their needs known. This should permit the economy of Kansas and the nation to benefit from the strong foreign demand. But under no circumstances can we afford export controls.

CONTROLS PREVENTED

The freeze on the Russian sale by President Ford will permit a temporary delay in this sale until we can see the outcome of the 1974 harvest. I expect that he has also successfully stemmed off a Congressional effort to pass a rigid export control bill. Without his action, the pressure for controls on exports would have been such that a majority in the Senate might have shut off all exports in a week's time with hastily contrived and politically motivated legislation.

This action will protect cattlemen and the livestock industry in Kansas by preventing a drastic rise in feed grain prices. The action will protect Kansas farmers by giving them an opportunity to benefit from any higher prices subsequent to the sale of grain to the Russians.

It is my understanding that the President opposes export controls and that his action does not indicate any desire to initiate export controls. On the contrary, the effect of his action is to prevent export controls.

So I would hope that the President will go ahead with the sale of wheat to the Russians, and have urged him to do so. The vast bulk of the wheat harvest is in with the exception of some summer wheat. With the uncertainty about the corn and feed grain crop, I believe the President's action was prudent and I support it. But the 35 million bushels of wheat sought by the Russians is a drop in the bucket and the nation can only stand to gain from the sale.

IMPORTANCE OF EXPORTS

And farm exports are vitally important to the entire nation. Last year, farm exports effectively offset our tremendous oil bill. This year, farm exports have done much the same, in spite of the tremendous increase in higher prices. Farm exports are important in keeping our purchasing power abroad strong and keeping our balance of trade in the black. Farm exports have created thousands of jobs in the transportation industry, in processing businesses and in all aspects of agribusiness.

Export controls would destroy this vitally important part of our economy. And I say again, export controls would, in all likelihood, destroy the miracle of American agriculture.

The world demand for American farm products is there. There is no reason why Russians and our traditional customers cannot purchase our grain and depend upon it. We have worked for many years to develop our exporting position in the world market. We cannot afford to destroy it now with stronger measures like export controls. If we can avoid export controls, the market that nose dived yesterday and which will probably nose dive today will come back. It will be beneficial for the economy in Kansas and in the entire nation as well.

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successful in meeting both conditions. The guidelines set forth by the Secretary yesterday will hopefully permit the strong foreign demand for our farm products to be expressed in a strong market. At the same time, the monitoring system will prevent any country from obtaining a disproportionate share of our food products and will prevent our own country from losing the necessary food supplies for our own consumption.

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