



NEWS from
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SOME ISSUES AFFECTING CATTLE FEEDERS

REMARKS BY SENATOR BOB DOLE

BEFORE THE COLORADO CATTLE FEEDERS ASSOCIATION

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It is an amazing phenomenon of our times - our well fed times - that so few people recognize how strong a factor - both for our nutrition and as a reserve - there lies in the livestock sector of our farm economy. Cattle are food reserves that can convert otherwise unusable forage resources into food energy for human consumption.

Livestock are front and center when it comes to the utilization of our fed grains and soybeans. Over 150 million tons of grain and protein meal will be consumed by livestock in the U.S. - the equivalent of over 100 million acres.

Livestock production is not only a market for about one-third of the acreage harvested in the U.S., but, and this is most important - it is, it has been, and will continue to provide good food. Remember this and remember it well, as affluence grows around the world - as it surely will - people will eat more meat.

As I look ahead here in the U.S. - say through the end of this century - the demand for meat and meat products in our diets is likely to increase at a steady rather than spectacular rate.

Our population growth has slowed and is likely to increase only another 40 million people by the year 2000. Also, our meat eating habits are already well established.

I believe that the greatest rate of growth in meat eating will come from other countries from here on out.

Livestock Production Hub of Agricultural System

Meat eating overseas, particularly the eating of more grain fed beef will climb. I must state strongly that the growth of the livestock industry (and livestock feeding) is here to stay. We do not hear the voices urging us to eat one less hamburger these days. Overseas, even in the Less Developed Countries where peoples' incomes are just beginning to reach the point that meat eating is a dietary option, the only concern is how to provide more meat for consumers, not less. In the developed countries, the trend toward eating more meat is even clearer.

The Soviet's attempt to put more emphasis on agricultural production, and more specifically to provide their consumers with more meat is well known - as is the disastrous story of what happened to their 1975 grain crops. I won't reiterate those facts, but I would point out that even during that year's short crops, cattle numbers were kept high. They are still increasing cattle numbers trying to keep up with demand.

Their commitment toward more meat production remains firm. In their latest five-year plan (1976-80) they are devoting 27 percent of their total capital investment to improvements in agriculture, much of it in highly specialized, large, livestock production units.

The point to remember is: Whether people are communist or capitalist or in between, they still like to eat meat - and will eat just about as much of it as they can afford to buy.

This story can be told over and over again around the world. Meat eating and the livestock industry are not only here to stay. It will continue to become the most dramatic growth segment of agriculture in more and more countries.

Livestock production is at the hub of the world's agricultural system. It is a food reserve of untold value, and is demanded by consumers.

Your Big Brother In Washington

I recognize that one thing that keeps livestock producers going in difficult times is their basic philosophy that economic and weather problems eventually correct themselves. But, as Dick McDougal of the National Cattlemen' Association pointed out recently, there is one thing that does not seem to change - and this is the effects of the evergrowing, more burdensome Federal Government.

It used to be that cattlemen and others were relatively safe from the problems caused by government when those of us in the Congress were not in session - as now. If we weren't in session, we couldn't pass another law. You were free to pursue your full potential to create and maintain jobs and provide products to the public at reasonable prices - all with an opportunity for entrepreneurs like you to earn a reasonable profit on your investments.

But now, the problem is not just with Congress. We now have increasing numbers of people in the Administration who really like to experiment with policies that affect your business and your lives. They no longer see the role of government as that of a referee in a free society and a free economy. They think their decisions are better than those made collectively by society and by the marketplace, and they are determined to exert their will on our society. That is why you see more and more frightening initiatives coming from the Administration.

One of the most frightening things we face is the new "social planning" philosophy which dominates much of the USDA and other Federal agencies. Carried to the extreme, this means Washington could some day be telling all of the public what to eat, and could be telling farmers and ranchers what they can produce, where, in what amounts, and at what prices. No longer would a competitive market determine how resources are allocated or how much you can earn.

A Sensible Policy Approach Needed

It is clear to me that some people in this Administration are laying out a blueprint for a controlled food economy. They would deny this, but their plans could not be implemented without controls which eventually would stifle more of the free enterprise system and freedom of choice among the public. Some officials now say Americans must have a national "nutrition policy", which in turn will determine "food policy", which in turn will determine agricultural policies.

I am for the idea of getting more sound nutrition information to the public so individual decisions can be made based on that information. In fact, I am convinced that the Senate report on "Dietary Goals" can serve a useful purpose in calling more attention to the fact that good health depends on sound food habits.

Incidentally, I am pleased that the second edition of the "Dietary Goals" report coming out soon deletes the recommendation that people "eat less meat". It makes clear that it is not meant to recommend a reduction in intake of nutritious protein foods such as feed, poultry, and dairy food.

Unfortunately, we do not now have adequate information on what we actually do eat. Information about our current level of food intake, including fat, is arrived at from U.S.D.A. food disappearance data. As the "Dietary Goals" report makes clear, this is not the most accurate approach, but it is the best baseline data available. We must recognize that there still is a great controversy, even among reputable scientists, as to the relationship between diet and killer diseases like heart disease and cancer. We obviously need much more research and information in this entire area, and one of your jobs and mine is to help see that research is done and dietary guidelines are based on sound, impartial information.

Those of us in government have a responsibility to call attention to dietary problems - like too many calories and obesity - but health is too important to be left largely to politicians and bureaucrats and taken away from objective scientists and health professionals. It would be a mistake to establish a "national nutrition policy" without more definitive information, plus appropriate input from food producers, food processors and consumers.

Watch Out For The Activists

We are seeing other potential problems, too, for your industry because of government activists whose policies would needlessly interfere with the food economy and ultimately hurt the consumer. One example is the proposal to make changes in the beef grading system - not in the basic grading standards but in certain procedures. We need to study these proposals to make sure they would not seriously damage your industry - without providing any real benefit to the public.

The suggestion that nitrites be banned from use in cured meats may not be based on sound evidence, and, if it is not, it could needlessly hurt the livestock business while conceivably causing more, not less, health risk to the public.

The proposed ban on feed use of antibiotics, and the proposed requirement that all feed additives be sold only with a veterinarian's prescription are additional examples of federal proposals where personal opinions should give way to science and demonstrated safety problems.

And then you have the situation where some people want to take meat inspection out of USDA and put it into what many consider the worst run department in Washington - the Department of Health, Education and Welfare. I do not favor such a proposal and many of my Congressional colleagues will not go along with that idea either.

I am very pleased to see that, at this conference, you are emphasizing the value of the new beef grading system - including improvement of the ratio between red meat and fat in beef carcasses. By improving this ratio, you obviously can eliminate the cost of putting excess fat on animals, and then the added cost of trimming the fat off again. You will be producing a more desirable product, more economically - thereby improving your returns while also providing the consumer satisfaction necessary to keep beef in strong demand for this nutritious meat.

Demand For Less Fat

Regardless of what we might think about the "Dietary Goals" report prepared by the staff of the Senate Select Committee on Nutrition - of which I was a member - there is clear evidence that there will be increasing demand for beef with less trimmable fat. It is pretty clear that consumers in this country will eat what they want to eat - not necessarily what farmers and ranchers want to produce. But that is as it should be if we really believe in the free enterprise system and in the concept of freedom of choice. Those in agriculture who will earn the best returns over the long term will be those who produce and market products that people really want.

Who knows? By more nearly meeting consumer desires for various types of beef, perhaps per capita production of beef over the long term can average higher, not lower, than we now think.

At any rate, I am pleased to see that those of you who in the recent bad years stuck with your belief in the free enterprise system and may finally be seeing a profit light at the end of the tunnel - after four years of financial losses most of the time - during the liquidation phase of the cattle cycle. With supplies getting into better balance with demand, and with your costs in better balance with cattle prices, perhaps you can look forward to considerably better times during the next few years. If we don't have too much interference with the free enterprise system, and assuming consumer demand for beef holds up well, we hope you will be able to recover your previous losses and show a profit.

Access to Beef Export Markets Vital

Now, let me mention another subject of importance to you - and that is agricultural exports - in particular, beef exports. Obviously, we need more exports in order to help overcome our trade deficit as well as to improve farm incomes. However, the Administration is not aggressive enough in overcoming trade barriers and opening markets for livestock products. The National Cattlemen's Association and the Meat Export Federation are rightly insisting that we gain better access for our products in Japan and Europe. With the Meat Import Law, we guarantee a certain measure of access to our markets. Our trading partners should reciprocate.

For example, in our multinational trade negotiations, we should adopt the principle of "fives". That means beef exporters should have access to at least 5 percent of each national market, or 5 pounds per capita, whichever is greater. And that amount of access should be gained over a period of 5 years.

Right now, there are surpluses and uneconomic prices for feed as well as food grains. Those surpluses would be eliminated and U.S. grain, as well as livestock producers, would benefit if we just had a better opportunity to meet the growing demands for red meat overseas. Raising per capita consumption of meat by only a few pounds in Japan and Europe and certain other countries would mean a much healthier grain and livestock economy in the U.S., would improve our balance of trade and would strengthen the farm sector of our economy.

The National Cattlemen's Association and the Meat Export Federation have been pushing for a 1978 beef import quota to Japan of 10,000 tons. This is no more than fair in view of the tremendous surplus which Japan has in its trade with the U.S. Most Japanese cannot afford beef at the prices they must pay in that country. Consumption can be raised significantly there with a more equitable beef import policy. Press accounts report that an accord has been reached with the Japanese and the hotel, restaurant, institutional and general quota is increased to 10,000 tons. Assuming a price of \$2.25 per pound, this represents about \$50 million in increased beef exports to Japan. I am hopeful that this is a first step in a meaningful breakthrough for access to this important market.

Panama Canal

The Panama Canal issue is important to all Americans, but it is especially important to those engaged in any aspect of agricultural activity. This is because the Canal route is so vital to both domestic and international shipments of agriculture products, and plays a key role in our ability to compete with foreign producers.

In 1976, for example, one out of every 5 tons of U.S. farm products in trade moved through the Panama Canal. Much of this was corn, soybeans, and sorghum, headed for Asian markets. If for some reason we were unable to utilize this economical shipping route - or if Canal tolls are substantially raised - it would effect our ability to compete for those markets with Canadian and Australian exporters. At the same time, shipments from the West Coast to Europe, and to the East Coast rely heavily upon use of the Canal.

If these shipments had to be re-routed around Cape Horn, for any reason, it would almost double transportation costs.

American farmers and rural communities have a great interest in the continued stable, dependable operation of the Canal. That is one reason why I feel so strongly that we should not just give up this vital waterway resource without going over all Treaty provisions with a fine-toothed comb.

I have studied the proposed Panama Canal Treaties, and found them full of loopholes and vague provisions that can only cause problems in the future. For that reason, I have introduced a number of Amendments to the Treaties, which I intend to insist upon when the Panama Canal debate starts in the Senate. My Amendments not only clarify and strengthen American's defense rights over the Canal, but substantially reduce the Treaty's "pay-away plan" for Panama which would result in higher and higher toll rates in the years ahead.

Unless some very substantial changes are made in the proposed Treaties, I do not expect them to be approved by the Senate, nor would I vote for approval.

Energy

The Administration states the success of its first year on the passage of its energy plan. A great deal of time during 1977 was involved in the deliberations on a new National Energy Policy. However, Congress is still struggling with the energy package. It is indeed unfortunate that no satisfactory energy plan has been agreed upon.

The President wants to federally regulate utilities, roll back the prices of intrastate natural gas, and in the name of energy conservation, impose \$125 billion in new taxes upon the American people. There was a time when I referred to the Energy Tax Bill as the largest single tax increase in American history. But, the newly enacted Social Security Tax Bill - more than \$227 million in new taxes during the next 10 years - makes the Energy Tax Bill only the second largest tax increase in our country's history.

In my opinion, the Energy Bill will not solve our energy problem. It will generate a tremendous amount of revenues for the Federal Government. If the United States is to break-up the OPEC cartel and insure energy supplies at an affordable price, we must provide the necessary financial incentives to develop new and traditional domestic energy resources. Until we address the conservation and supply side of the energy equation, we will continue to be dependent on imported petroleum.

Inflation and Economy

A national energy program is just one of the many policies which will determine the future of the American economy. It has been widely reported that the Administration in the next 10 days will propose a tax cut in the neighborhood of \$25 billion. In the context of the recently enacted tax increases, proposed tax increases and our current rate of inflation, it is evident that the Carter tax cut may be too little and in the wrong places.

Inflation at a current rate of 6-6 1/2 percent is still the number one "tax" problem for all Americans. The Congressional Budget Office calculates that even if the United States has only a 4 1/2 inflation rate in 1979, taxes generated by inflation would rise from \$24 billion in 1978 to \$150 billion in 1982.

Americans are tired of just making ends meet. Until we can control the rate of inflation, Americans will continue to feel the ever-growing "tax" crunch caused by this pernicious factor in our economy.

Family Farm-Carryover Basis

During the last Congress, there was an attempt to initiate some form of estate tax relief for the family farm. In the Tax Reform Act of 1976, the Congress raised the exempt amount that could be passed through to an estate tax free, increased the marital deduction, and instituted special estate valuation for qualified farm properties.

However, in enacting these liberalizing features, the Congress also enacted a provision by the innocuous name "carryover basis". I believe that this change in the law presents a great threat to the continuation of the American family farm.

Let me give you an example. Suppose you expanded your farm operation today with the intent of passing on an efficient farming operation to your son. Let us say you paid \$1,000 per acre and you die 40 years from now when that land is valued at \$5,000 per acre. Under the old law, you would receive a stepped-up tax basis for the property and if sold for \$5,000 an acre your son would not have to pay any Federal income tax. Under the new law - carryover basis - your son could end up paying taxes on \$4,000 an acre. With this tax load, your son would be forced to sell a good portion of the family farm just to pay the estate taxes.

The example I have given you is simplified. The law is so complicated that even the best trained tax lawyers and accountants have difficulty figuring out how it works. However, the effects of carryover basis should not be minimized. I have introduced two bills in the Senate to eradicate the ill effects of the law.

Unfortunately, the Administration has come out strongly opposing my proposals. Despite this opposition, I think that at least in the Senate there is a chance to pass legislation correcting the problem.

These are some of the issues of importance to you that will be debated in the Congress in the upcoming session. I always welcome your ideas, your good judgment, and your support in obtaining legislation which will mean a fuller and richer life for the people of rural America. There is much to be done to strengthen existing legislation and to develop new laws - and then to get them implemented in a timely and effective manner. We cannot let up; not if we expect to have a prosperous agriculture, a healthy rural America and a strong Nation.