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NEWS from

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FOOD AND AGRICULTURE POLICIES AND PROGRAMS
COMMENTS BY SENATOR BOB DOLE
BEFORE THE 28th ANNUAL CONVENTION OF
THE ASSOCIATION OF WHEAT GROWERS
WICHITA, KANSAS, JANUARY 17, 1978

It is indeed a pleasure to be with you at your 28th annual meeting. Twenty-eight years of service to the wheat growers of this nation have resulted in major accomplishments. I certainly have found it really gratifying to work with your leaders at the state and national levels. Wendell Ebright, President of the Kansas Association of Wheat Growers, and Tom Ostrander, past President and Chairman of this convention, have been most helpful and cooperative in providing useful input to the legislative process. Jerry Rees, the National Association's Executive Vice President, who, as you know, is on the scene in Washington, was invaluable in working with my staff in developing the Agriculture Act of 1977.

Kansas City Farm Strike Hearings

Yesterday, I conducted a field hearing for the Senate Agriculture Committee in Kansas City.

At my request, the Senate Agriculture Committee agreed to hold field hearings so that farmers and others concerned with the farm crisis could communicate with us. We sought new ideas that might be incorporated in existing farm legislation to strengthen the farmers' economic position.

I wish that more of my Congressional colleagues - especially those from the urban areas who are not in frequent touch with farmers - could have been present to hear our farmers speak of their problems which are more and more becoming the problems of all America.

Since we cannot have a healthy national economy without a healthy agricultural economy, all Americans, particularly consumers, have a vital interest in the issues of concern to farmers.

I want to point out that I do not endorse a "farm strike", a strike of any kind for that matter. I did not support the "meat boycott" by consumers in 1973. Neither did I support the soybean "export embargo" in 1973 nor the grain "export moratorium" in 1975. I do, however, feel that we have a real responsibility to do what is feasible in helping farmers everywhere achieve a fair share of the national income. Their basic goal is a fair share of the national income. Such a goal is not unreasonable and would be equitable.

International Wheat Agreement

The Administration's proposal for an International Wheat Agreement appear doomed to failure. Earlier, I was encouraged at reports of the preparatory meetings in which the U.S. Delegate, Dr. Dale Hathaway, presented firm positions on two major issues that the European Community insisted upon including, as a price for agreeing to a negotiating session of the International Wheat Council. These firm positions were: (1) No rigid minimum and maximum pricing provisions, and (2) No inclusion of feedgrains in the agreement. However, these positions are no longer firm.

On December 19, 1977, Secretary Bob Bergland met with Finn Olav Gundelach, Commission Vice President responsible for agriculture and fisheries, European Community, and appeared to agree to include feedgrains in the negotiation of an international commodity agreement on wheat. There has been no announcement of what the U.S. gains from this concession to the E.C., but the disadvantages

are quite apparent. It seems this Administration is dedicated first of all to international commodity agreements at any price. One of the major issues that U.S. agriculture needs to have resolved in the multilateral trade negotiations in Geneva is market access, especially for feedgrains.

The European Community (E.C.) Delegate to the preparatory meetings made it clear that they did not intend to have to pay for concessions in the wheat agreement and then again at Geneva in the Multilateral Trade Negotiations (MTN's). With the U.S. now capitulating by including feedgrains in the negotiations of a new wheat agreement in Geneva, I fear that U.S. agriculture will gain practically nothing from these G.A.T.T. negotiations. The result will be the same as in 1967 when U.S. agriculture was short changed in the Kennedy round of the G.A.T.T. negotiations. The result was an International Grains Arrangement as the answer to world agricultural trade problems. Wheat farmers know what a disaster that agreement was, and in my view, U.S. agriculture deserves better.

The U.S. position in the upcoming wheat agreement negotiations should be the same as that expressed at the preparatory meetings. It is better to have a simple extension of the present International Wheat Agreement than to negotiate an agreement that ends up like the one in 1967. The Administration should apply the lessons of history.

Lock and Dam 26

There is an issue of interest to every grain producer that will be taken up by the new Congress. It is H.R. 8309 - a bill which authorizes a new Lock and Dam 26 at Alton, Illinois, on the Mississippi River. At the same time, the bill provides for a fuel tax of 6 cents per gallon on the fuel burned by the barge lines. Make no mistake about it, that increased cost will have to immediately be passed on to the shipper and that means a corresponding reduction in the price paid to the farmer for his grain.

What is being done is a basic change in the U.S. policy - unchanged since the beginning of this republic - an "export tax" for the use of our navigable waters. The technique that is being used is to withhold approval of the lock and dam - through which more tonnage moves than the Panama Canal - unless this is done.

What we are really looking at, for the first time in the History of this Nation, is an export tax on farm products. This legislation merely puts the barge lines in the position of a Federal tax collector on your products. Also, obviously, there will be an increase in the cost of barging fertilizer and fuel. The cost-price squeeze will increase its pressure on you and reduce net farm income.

There will be an attempt in January to increase the tax from 6 cents per gallon to a higher figure, one as high as 42 cents per gallon. Another proposal would levy a tax not to exceed one percent of the value of the cargo plus the transportation. That doesn't sound like much until you put your pencil to it. It means that \$8 beans could have a tax, or a reduction to the farmer of 8 cents per bushel.

Any attempt to increase the fuel tax beyond 6 cents per gallon must be defeated. I urge you to let your Congressmen and Senators know of your feeling.

Wheat and Wheat Foods Research and Nutrition Education Act

The new farm bill contains the Wheat and Wheat Foods Research and Nutrition Education Act. I am pleased to have had an opportunity to work with the wheat industry leadership in obtaining this provision which - at no cost to the Government - authorizes a cooperative program of research and nutrition education among growers, processors, end-product manufacturers and consumers.

The Wheat Foods Council, which will administer research generated by an industry sponsored end-product assessment, will be a unifying factor among the three industry segments. Instead of a haphazard research effort, the industry now has a chance to coordinate research on wheat and wheat products. The end results should be immeasurably better than those of the past.

Energy and the Farmer

One of the important issues remaining for further consideration by the new Congress is energy legislation. This matter is, of course, of tremendous importance to farmers. Priority use of natural gas for agricultural purposes - after home heating, and protection of life, health, and property - is of real interest to you as wheat growers. A high priority on eating equates with a high priority on the use of energy for agricultural purposes.

Another issue of clear importance in an industry as basic as the production of food is the absolute essentiality of an adequate energy supply. As is true for so many things, a balance must be struck. We need a national policy that balances the need to hold down prices against the need to insure adequate supplies.

The Administration proposal would extend natural gas controls to the one sector where an adequate supply has been available. That is the intrastate market. It would expand the regulatory program in a way to decrease production rather than reducing regulations in a way to increase production.

I also want to mention the President's energy tax program. The Administration's energy tax program was designed to inflict billions of dollars of new taxes on both the consumer and the businessman. The centerpiece of the program is the so-called crude oil equalization tax. This tax is opposed by such diverse groups as the U.S. Chamber of Commerce, the Consumer Federation of America, the AFL-CIO, the NAACP, and, of course, the Oil and Gas Industry. When fully in place, this tax would raise between \$15-\$17 billion per year for the Federal Treasury. In effect, it will cost the American taxpayer \$47 to save a barrel of oil through the crude oil equalization tax when the world market price of oil is less than \$14 a barrel.

There was a time when I referred to the energy tax bill as the largest single tax increase in America's peace time history. But, the newly enacted social security tax bill - more than \$227 billion in new taxes during the next 10 years - makes the energy tax bill only the second largest tax increase in our country's history. As farmers, you understand the need to have access to adequate energy supplies. If the United States is to solve its energy problem, we must provide the necessary financial incentives to develop new and traditional energy resources. It is unfortunate that the Administration has not addressed this issue.

Gasahol

I know that many of you - if not all - are interested in the possibilities of production of ethyl or methyl alcohol from farm commodities for use as an energy source. In the past, with low priced energy, this idea was not feasible. With increased fuel prices and prospects for higher energy prices in the future we need to devote some resources to research on the production and use of alcohol for blending with gasoline.

I was one of the supporters of the provision in the farm bill to carry out research on the gasahol idea and to establish pilot plants to produce alcohol from agricultural products. My amendment to the energy bill, providing a 4-cent gallon tax exemption on fuel containing at least 10 percent alcohol production, would, if passed, also be an incentive for alcohol production to meet our energy needs. This provision is now before the Senate Energy Tax Conference Committee.

Stimulation of Agri-Exports Needed

Farmers are caught in a vicious cost-price squeeze. We are facing the most serious farm situation that has confronted our Nation since the days of the Great Depression. In terms of current dollars, farm income was \$33.3 billion in 1973. Since then it has suffered a drastic decline. In 1977, it will likely be only \$20 billion - off \$13.3 billion. In other words, farm income was only 60 percent of what it was just four years ago, and this must be viewed against constantly rising cost for production inputs. It is obvious that farmers are not currently realizing a fair share of the national income. Farmers are not getting a fair shake. They have every reason to be distressed and in an angry mood.

The best way for farmers to elude the cost-price squeeze trap they are in is for the Administration to substantially step up export efforts for agricultural commodities.

World trade in wheat and coarse grains this marketing year (July-June) is estimated at 149.5 million metric tons, up from 144.5 million metric tons last season. Throughout the marketing year, thus far, there has been a lively world grain trade - even better than last year. We need to increase our share of that trade. To do so, it is imperative that we have a more aggressive export policy. For example, the People's Republic of China has purchased 9 million tons of wheat this year. It was all supplied by Canada, Australia and Argentina. We did not sell them a single grain. I sponsored legislation - and so did Senator Humphrey - that would have made CCC credits available to make us more competitive in that market. That legislation received only "equivocations" from the Administration.

It is not enough for the Administration to claim that it is "export oriented" or to claim "sensitivity" to the farmers' plight or to the needs of hungry people overseas. The Administration's "sympathy" needs to be translated into "action."

The Congress has given the Executive Branch many authorities - including a new farm bill in 1977 - which, if used wisely and in a timely fashion, will increase agricultural exports and incomes. The Carter Administration has not been innovative in stimulating exports. As a matter of fact, those things they have done to facilitate exports have often been late and then only in response to Congressional pressure. This was the case in getting more funds for CCC credit and in getting P.L. 480 programming underway for the current fiscal year.

I urge the Carter Administration to set a national goal of \$30 billion in farm exports by 1980 and to take appropriate actions to make it become a reality. The Administration has another chance in the New Year to help farmers overcome their problems, and by so doing, they will help our balance of trade, which is in such sad shape that the value of the dollar in the world's money market has been declining, requiring interventions to "prop it up."

Your Help Needed

As we go into a new legislative session there is still much to be done to improve farm legislation. Those of us who are active in this area need your ideas, your support and that of your leaders. As I indicated at the outset of my remarks, I had that support during the development of the Food and Agriculture Act of 1977. Without this help, it would not have been possible to get the administration's proposed target price for wheat moved up from \$2.47 per bushel to \$2.90 for the 1977 crop or from \$2.60 to \$3.00 per bushel for 1978.

For 1977 alone, this difference between the Administration's proposed target price and the figure that we were able to get over threat of veto means approximately \$774 million to U.S. wheat growers. For Kansas growers it means about \$192 million for 1977 that would not have been realized had the Administration's proposal been accepted.

Time after time I have exerted leadership to get some things done to move exports, but the Administration has acted slowly and reluctantly when farmers still own the crop. I appreciate your support in these efforts.

Again, I remind you 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.

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There is an old Chinese proverb that states, "The well-being of a people is like a tree and agriculture is its root."

Until a relatively few years ago, there would have been little disagreement, if any, over the statement that agriculture is our most basic industry.

Almost instinctively, people agreed with this Chinese proverb. Today, many Americans hold quite a different concept. Only about 4 percent of our people now live on farms. Only one person is on a farm today for every three that were there 40 years ago. Some people say, "Agriculture is a declining industry - a dwindling influence in national and world affairs." And the unspoken corollary is that the nation no longer needs to pay much attention to the well-being of U.S. farmers.

They could not be more wrong - on both counts.

U.S. agriculture is growing in importance, not declining. Not only is it still the keystone of American abundance, its role in the world has never been so vital as now. Never has there been more reason for attention to the needs and problems of our farmers and our rural people.

I pledge to you that I will continue to remind all Americans of the debt that all of us owe American agriculture and of its importance to the future well-being of our Nation and the world.

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