



NEWS from U.S. Senator Bob Dole

(R.—Kans.)

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PREPARED TEXT OF REMARKS OF SENATOR BOB DOLE (R-KAN)
AMERICAN COTTON SHIPPERS ASSOCIATION
DALLAS, TEXAS
FRIDAY, MAY 6, 1977

Shippers of cotton are an integral part of the agribusiness structure in the United States. You deserve the commendation of all Americans for the tremendous job you do moving large quantities of cotton abroad. It isn't necessary to remind you that American agriculture has experienced profound changes in our lifetime.

As recently as 40 years ago, one out of four of our people lived on a farm. Throughout rural America, agriculture was the primary employer. Most of our national leaders had a rural background. But today, it is quite different.

Less than four percent of our people now live on farms. There are fewer than two persons on farms today for every five who were there 40 years ago.

Consequently, there is a tendency to consider agriculture a declining industry -- a dwindling influence in national and world affairs.

They could not be more wrong -- on all counts.

Growing Importance of Agriculture

U.S. agriculture is growing in importance, and agribusiness is the indispensable link that moves commodities from the farm to the consumer. Agriculture is the keystone of American abundance. It is our economic trump card. Its significance in world affairs has never been so vital as it is now. Our agriculture has made, and continues to make, contributions of major importance to our economy.

For America's agriculture and its agribusiness counterpart are fulfilling an increasingly indispensable part in the national interest. The Secretaries of State and Treasury and the Council of Economic Advisers are as concerned with farm affairs these days as the Secretary of Agriculture.

Today, many government agencies are studying reports of drought in China. The weather in Australia and Canada is of interest. How the European Economic Community stockpiles and disposes of surplus dry milk is of international significance. The weather in the Soviet Union and the rice outlook in Asia take on worldwide economic importance. Each has a direct impact on the world agricultural supply-demand balance; hence, on U.S. farm exports.

Farm Policy Important

Agriculture has become so important that farm policy is really made at the highest levels of government. For agriculture has become central to the success of U.S. foreign economic policy. Economic strength is one of the major factors in our foreign policy. Agriculture contributes to our economic strength in a major way. Our foreign policy makers cannot help but be interested in what is happening on our farms.

Exports of food and fiber account for \$1 out of every \$5 earned in trade with foreign countries -- ten to twelve billion dollars a year. Agricultural trade surpluses are essential to our country's balance of trade, and therefore the value of the dollar.

Nearly one out of three acres of U.S. cropland is devoted to production for foreign consumers. One-third of our gross income from crops is derived from exports.

Cotton Still Big Export Crop

While cotton is no longer the nation's number one export commodity as it was back in the late fifties and early sixties, it still ranks very high, averaging \$1.1 billion a year in export earnings over the last four years. I'm told it may exceed \$1.5 billion this year.

If cotton did nothing else for our country, this export income alone would fully justify the government providing the cotton industry with an encouraging environment.

We may eventually be successful in reducing our degree of dependence on imports of foreign oil. I hope so. I believe we can wean ourselves away from our dependence on foreign energy sources by taking the necessary economic steps that will encourage optimum production of oil and natural gas at home. Agricultural producers -- as all Americans -- have a vital stake in reliable sources of energy and stable prices and market conditions. Until we come closer to that goal, the dollar volume of energy imports will continue to be large. They will require strong export earnings to pay for them. We simply cannot and must not allow anything to interfere with our nation's agricultural exports.

There are some potent threats on the horizon or even closer. Several bills have been introduced in both the House and Senate that include export licensing and provisions for limiting exports. They and many of their sponsors apparently believe agricultural prices can be controlled by turning the export value. As you well know, any benefit to the consumer from such a scheme would be fleeting. Needed production in this country would be inhibited. Our customers abroad would write us off as an undependable source of raw materials. We would eventually wind up with little or no export market and high prices here at home as part of the bitter pill.

No International Cotton Agreements

In his speech to the U.N., President Carter said the United States would be willing to consider the negotiation of agreements to stabilize commodity prices, including the establishment of a common funding arrangement for financing buffer stocks where they are a part of individual negotiated agreements. You cotton people have never had an international cotton agreement, but we wheat people have. We know from bitter experience that the United States and its farmers and traders come out on the short end in this sort of deal. We want no more of it. I am opposed to international commodity agreements and world buffer stock schemes.

The cotton industry's suggestion for allowing limited imports when prices reach a high level trigger point, and offering growers an extended loan except when the special import quotas are in effect, appeals to me. That seems to be minimal interference with the market -- an objective we all seek. Yet it promises to take some of the heat off runaway prices in either direction, and should enable cotton to compete more effectively. More importantly, it gives you that alternative you need when the export control and buffer stock people raise their clamor. As you know, both the Senate and House Agriculture Committees have approved the legislation.

I can well imagine the difficulty cotton people must have had agreeing on the details of such a proposal. It would be surprising if some industry people weren't a bit unhappy with one part or another of the plan. But then, I doubt I've ever voted for a bill that I couldn't have improved on if I'd just had my way. The ability of people of good will to reach reasonable promises, however, is the key to constructive legislation.

There is another aspect of government agricultural export policy that I want to mention briefly. Cotton people took the lead two decades ago in establishing export market development programs in cooperation with government under P.L. 480. In the early days, we were able to pay for these programs by utilizing foreign currencies which had little use any other way. In those days, too, we had surpluses of nearly everything.

P.L. 480 has been used successfully to assist cotton exports during periods of slack demand and low prices. A number of countries have graduated from Title I programs to commercial customers. Over the last six fiscal years 2.2 million bales of cotton valued at about \$400 million were shipped abroad under the P.L. 480 program.

Keep P.L. 480 Available

Although commercial demand this marketing year has been so strong that very little cotton was made available by the CCC Board for programming, it is important that P.L. 480 be kept available as a marketing tool when needed.

Producing for a big export market is the best assurance that our domestic customers will have adequate supplies.

In competing for export markets, other agricultural nations have such natural advantages as cheap labor. But we have one advantage I hope we'll never stop using, and that's a good supply of credit.

CCC credits have been and are invaluable in helping U.S. cotton compete in world markets. This marketing tool can be extremely useful as countries develop their economies as an intermediate step between P.L. 480 sales and cash sales. CCC interest rates are above the cost of money to

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the U.S. Treasury. Consequently, this is an export assistance program that is not a drain on the U.S. Treasury.

Export-Import bank loans do not cost the government. It is regrettable that the Ex-Im bank appears to be deemphasizing export assistance to agricultural commodities. I understand that the \$80 million in Ex-Im bank credits for cotton which Japan has received annually for the last 27 years may not be made available this year. These credits have helped keep Japan as our number one customer for cotton down through the years. The credits are secure and at interest rates above the cost of money to the U.S. Treasury.

I believe Ex-Im should do a greater percentage of their financing for agricultural commodities, not less.

China Policy

As you know, there were no sales of U.S. cotton to China for a quarter of a century until the 1972-73 marketing year when 585,000 bales were sold. In the 1973-74 marketing year, sales increased to 898,000 bales valued at nearly \$189 million. Sales to the PRC were even good the following marketing year when 307,000 bales of U.S. cotton were exported to that market. In 1975-76, cotton exports to the PRC dwindled to only 9,000 bales and there have been no exports this year, even though the Chinese are "shopping" world cotton markets.

I would like both a good political climate and the appropriate marketing tools to keep U.S. cotton in that market. Consequently, I have introduced legislation which would make CCC credits available to nonmarket economies, such as the PRC.

I'd like to make one further comment about the farm bill passed by the Senate Agriculture Committee Wednesday morning. I'm delighted to see cotton interests continuing to support the market-oriented government farm policy established seven years ago and improved upon in 1973 under the Republican Administration of those years. Your loan proposal has also been approved by both Agriculture Committees, and contains some refinements which further remove the loan rate calculation from the political arena. This is all to the good. I fully support the below-market loan concept for cotton embodied in it.

In this round of farm legislation, the cotton industry has done well. You were united, you came, you told your story simply and forcefully, and I believe you'll get what you deserve.

I am confident that the farm bill which Congress passes and the President signs into law will be fair to all segments of American agriculture. If we are to retain this vital economic strength, we can afford no less. The trade negotiations that are underway in Geneva are equally important. Trade expansion has a significant role to play in promoting international cooperation. For trade among nations weaves a seamless web of interdependence across national frontiers. A prosperous, productive American agriculture can be the key to a wider prosperity -- not only among consumers at home, but among many foreign peoples who need and want to buy what we can produce most efficiently.

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