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STATEMENT OF SENATOR BOB DOLE

THE FARM CRISIS IS DEEPENING

MR. DOLE. Mr. President, I am afraid that the plight of U.S. farmers, especially wheat and feed grain producers, who find themselves caught in a vicious cost-price squeeze is not fully understood by most Americans--except for those whose livelihoods are in some way affected directly by farming or related enterprises.

While wheat farmers have seen the items comprising their cost of production escalate, they have seen the price of wheat plunge from around \$4.00 per bushel to less than \$2.00, which is about \$1.00 below the cost of production for most farmers.

You find out rather quickly how serious the situation is for the grain farmers and for the rural communities dependent on their income by talking with bankers, implement dealers, grain dealers, and farmers in grain producing areas such as my State of Kansas.

--COMMENTS FROM KANSAS--

I would like to share with you some of the comments I have heard from back in Kansas. From grain dealers I am hearing these comments:

Farmers Cooperative Association, Parsons, Kansas, Dean Walker

"Farmers are having a real problem recovering their cost of production. commodity prices are just too low. Soybeans have dropped \$3.00 in the last two weeks. The whole market needs a little bit of stability. Fuel, taxes, machinery, fertilizer--everything is up price-wise for the farmer, but the price is pretty low. The outcome is that many farmers who are now out on a limb with mortgages on their property and high interest payments are going to be bankrupt very soon. We (cooperatives) have a high number of accounts receivable--higher than we have ever had, and I am a little bit worried about getting it back. I can't see the market getting better the way it is right now. I have been in the grain business since 1939, and the last couple of years have been the shakiest I have ever been through. It is a vicious circle--unions strike for higher wages and companies then have to raise their prices on goods produced and thus the cost of living goes up. Then the unions strike for higher wages and it starts over again. While this is going on, the farmers are out in the fields producing. They have to pay the higher price for the machinery and everything because the unions have forced the prices up, but their commodity is just given away."

Fort Scott Grain & Feed Company, Inc., Fort Scott, Kansas, Jack Prather

"When the farmers make money, we do, and they aren't making money. Because the prices are so low, the farmers in this area aren't going to produce wheat next year. Because the prices are so low, they are going to plant fall crops instead, such as soybeans and sorghum. Because they are going to plant fall crops, they are going to inflate the fall market and that will lower the price on beans and sorghum and increase the problems all the way around. Elevators are closing all over the State. The reason is because they are not making money, and they are not making money because the farmers are not making money and that goes back to the top of the argument."

AGCO, Inc., Russell, Kansas, Loren Dinkel

The farm economy is very bad. Some are paying a little to the bank and none to the grain dealer or visa versa--cannot pay both. There isn't enough money in the farmer's hand to go around. The farmer doesn't need more credit--he has had too much already. What he needs is a profit."

Garden City Co-op, Garden City, Kansas, Harley Foulks, Manager

"We all know that the farm problem will have a domino effect on the rest of the economy in our agricultural areas. I think it will spread from farm areas to industrial areas if something is not done."

Implement dealers who are among the first to feel the effects of a farm depression have made these comments:

Mahoney Implement Company, Russell, Kansas, Tim Mahoney

"This is one of the most depressed economic times we've ever seen. There is no way things can continue as they are--we can't last. We need to have foreign grain sales or immediate government help--not in six months--but now. We won't last six more months."

Western Kansas Manufacturers, Inc., Herb Greenstreet, Executive Secretary

Since 1975, tractor sales in nine wheat producing states declined 15.5 percent. A survey of Kansas implement dealers showed a 17.7 percent decrease in dollar volume and a 35.9 percent decrease in employment since 1975. In the first quarter of the year, combine sales were off 27.7 percent and tractor sales were off 27.3 percent. We don't see anything better in the next two to three years for farm equipment manufacturers."

Farm Implement Dealer, Garden City, Kansas, Cecil O'Brate

"The ripple effect of the declining farm economy is being felt by implement dealers. One of my stores which sold 40 tractors last year has sold only 6 this year."

The Emporia Gazette of Emporia, Kansas, carried the following interesting statement on July 8, 1977, in it's "60 Years Ago" column:

"The first wheat of the 1917 crop has been sold to the Soden's mill by Ed Collins of the Fowler neighborhood. It brought \$2.00 a bushel."

Here we are sixty years later and the Ed Collins's cannot get \$2.00 for a bushel of wheat.

--KANSAS BANK SURVEY--

My Colleague, Congressman Sebelius, recently surveyed the Kansas Bankers Association. Survey returns from over 300 Kansas banks showed that 45 percent of Kansas farmers are in "serious trouble" and indicates that 86 percent of the State's wheat producers will lose money this year because of the current farm crisis. Those farmers in "serious trouble" included 8.7 percent of farm bank customers who cannot repay current debts and 36.2 percent of farm customers who have gone through major refinancing of their assets.

--PRICE COMPARISONS--INAUGURATION DAY VERSUS CURRENT--

I would like to compare some cash prices for farm crops carried in the Wall Street Journal on Inauguration Day, January 20, 1977, with those quoted in the same paper on Tuesday, July 12, 1977:

<u>Farm Commodity</u>	<u>Jan. 20 1977</u>	<u>July 12 1977</u>	<u>Decline Since Jan. 20 1977</u>
Wheat, No. 2 ord hard KC bu	\$2.70 3/4	\$2.34 1/2	\$ .36 per bu
Wheat, No. 2 soft red Chgo bu	2.73 1/2	2.20 1/2	.53 per bu
Milo, No. 2 KC cwt	4.10	3.30	.80 per cwt
Corn, No. 2 yellow Chgo bu	2.59	2.07 1/4	.51 3/4 per bu
Oats, No. 2 milling Mpls Bu	1.82	1.20	.62 per bu
Rye, No. 2 Mpls bu	2.90	2.15	.75 per bu
Barley, top qlty Mpls bu	3.35	2.50	.85 per bu
Soybeans, No. 1 yellow Chgo bu	7.15 1/2	5.93	1.22 per bu
Flaxseed, Mpls bu	7.50	5.15	2.35 per bu
Sugar, cane raw NY lb	.1155	.0964	.02 per lb
Cotton, 1 1/16 in mid Memphis lb	.6565	.6040	.05 1/4 per lb

The public was led to believe that the Carter Administration would get the "economy moving." Well, it has not happened for producers of crops.

All of the grain crops, soybeans, sugar, and cotton have suffered drastic declines in the prices producers received for their products while their costs have increased substantially.

This week, in hearings on problems of international trade before the Subcommittee on International Trade of the Senate Finance Committee, Tom Smith, a witness for American Cotton (AMCOT), which is the sales arm of four major U.S. cotton marketing cooperatives, testified that cotton prices are down \$100 per bale from prices received earlier in the marketing year.

In the first five months of the Carter Administration, wheat is down 53¢ per bushel, soybeans are off \$1.22 per bushel, flaxseed is down \$2.35 per bushel. Sugar prices are also down.

These declines in prices have not been addressed by any innovative ideas or programs of the new administration that I have seen during their first five months in office.

I see the Canadians outselling us in world markets, including China. I hear threats of a veto if target prices are high enough for a farmer to recover his cost of production.

--HEARING ON INTERNATIONAL TRADE--

On Wednesday, July 13, 1977, we held a hearing in the Subcommittee on International Trade of the Senate Committee on Finance on the problems of international trade. Witnesses included Secretary Bergland and representatives of various commodity groups. I detected a strong sentiment for greater use of CCC credits to make U.S. farm products more competitive in world markets. Secretary Bergland confirmed that the CCC "makes a profit" on the CCC credit program. I believe that this program, which does not affect the taxpayers' pocketbooks, should be used more vigorously to facilitate exports, and I invite the administration's support of legislation which I have proposed to expand its use in world markets where it is now prohibited.

--ADMINISTRATION SHOULD REASSESS POSITION--

To help alleviate the distress in rural America caused by slack demand and falling prices, I hope the administration will reassess its position concerning its acceptance of the farm support levels in the Senate farm bill.

We attempted in that bill to do two things regarding needed support for farm commodities. First, we set the loan level for commodities at a point that would permit U.S. grain to remain competitive in world markets; and second, we felt that the target or income supplement price should be high enough to enable farmers to recover, on the average, their cost of production--not a guaranteed profit, but merely production costs.

This seems fair not only to the farmers who take their chances against the vagaries of weather, insects and disease, but, also, to the consumers who have a vital interest in maintaining a viable farm economy that can deliver to the tables of America and the world a stable supply of food at reasonable prices.

Thus, these principles were embodied in the Senate farm bill and they resulted in a wheat target price of \$2.90 per bushel in 1977 and \$3.10 in 1978. I urge my Colleagues in the House to increase their target levels to conform with those of the Senate. 25¢ per bushel, which is the difference between the House and Senate target prices for 1977, equates to a possible \$100 million in my State of Kansas and \$500 million nationally in potential farm income.

It is my contention, and my colleagues have concurred with their votes on the floor of the Senate, that farmers deserve to recover their cost of production, as represented in the Senate figures. To compromise on these figures would be, in essence, "picking the farmers' pockets."

--SENATE FARM BILL EQUITABLE AND FAIR--

This Senator believes that the Senate farm bill is equitable and fair to the farmer, the consumer, and the taxpayer. I do not see how President Carter could veto this legislation without losing credibility. After all, it has been less than a year since, as a candidate, he said: "If I am elected, we will make sure that our crop support prices are at least equal to the cost of production. That will not guarantee a profit--no real farmer wants that--but it will give the determined farmer a chance to stay in business...."

--FARM CRISIS NOT A LOCALIZED PROBLEM--

The Dallas Federal Reserve Bank in its June economic report shows that the farm income problem is not localized in any one state. Farm debt, which increased \$11 billion in 1976 and stood at \$100 billion at the start of 1977, is continuing "with a large increase expected again this year." The report says that financial problems are greatest for borrowers in the Midwest and Southwest who are "having difficulty servicing their debts" as a result of the cost-price squeeze caused by higher production costs and lower farm prices.

I should like to conclude my statement with some quotes from people affected by the farm crisis in states other than Kansas. Depressed prices are spreading from wheat to feed grains to the detriment of the farm economy in many states. I would like to share these comments from feed grain areas:

--COMMENTS FROM CORN BELT--

Demeter, Inc., Fowler, Indiana, Don Brouillette

"We have the worst of two worlds in this local area--low prices and drought. With \$1.90 corn and no rain, the corn farmer cannot do anything but lose on his crop. Soybeans could still provide him some income.

We have had some farmers undercapitalized, and I would guess that some will bite the dust in the next couple of years unless something is done to keep them in farming.

A local implement dealer that has been in business about seven years told me that last week was the first week since he has been in business he hasn't sold a single piece of equipment--not even a small insignificant sale.

The price levels in the Senate bill would help farmers stay in farming. It looks like a fair way to correct the situation until exports return.

Farmers are going to put most of their harvest under loan this year, and this will make prices climb so that higher loan levels will be more workable."

Farmers Union Co-op Association, Greenwood, Nebraska, John Jones, Manager

"It's beginning to get critical. You get the tune from the farmer that they are 'losing faith in the government'." The price of grain is down. Last year they got fifty, sixty to seventy bushels of wheat per acre and got by, but this year if they didn't get at least forty to fifty bushels of wheat per acre, and many didn't, they cannot make their cost of production.

This increase in target prices and deficiency payments is essential to keep the farmer going, and, with some production controls next year, they ought to make it until increased exports and better prices return."

National Bank of Monticello, Monticello, Illinois, C.N. Finson

"Farmers last year were in good shape. They are now getting \$1.84 per bushel for corn which is well below the cost of production. They are holding corn. Looks like another good production year and price won't come back because of large supply. There is no profit in it. Beginning to feel pressure on cash flow--operating costs, taxes, and cost of living. The farmers in the biggest bind are the ones who have made land purchases. Banks can refinance without much difficulty. Concern about the farm bill is the loan levels. Farmers feel they will be priced out of world market."

Farmers State Bank, Trimont, Minnesota, Leslie Peterson

"Beginning to run into increased problems with cash flow. Corn is selling at \$1.78 to \$1.80 per bushel. Farmers refuse to sell at \$2.00 a bushel. Will

have some problems handling 15 to 20 percent of farmers. I am concerned over farm bill deficiency payments and feel they are extremely important. Old allotments are out of date and need to be based on current planting and production levels. Farmers need to know what payments will be in order to plan ahead.

Farmers Elevator Company, Bondurant, Iowa, Norman Havel, Manager

"We have given farmers the idea we need full production through statements from government officials and increased prices from increased exports. Supply and demand is still the best process, but this year there is a good supply of grain throughout the world and this has resulted in decreased exports and depressed prices. Now we must cut production.

We're going to have some failures due to lack of moisture in Iowa, but there is no incentive to cut back production if the loan level is only \$1.48 per bushel for corn.

If the loan level for corn can be increased to \$2.00 per bushel as is provided in the Senate-passed bill, our farmers will be willing to cut production and take their chances on increased exports in the future. Most of our people are going to make it through this year, but it is going to be critical. We need this increased loan and reduced production in order to avoid a repeated and far more critical situation in 1978."

These comments are from the people most affected by declining grain prices. They deserve a better response to their problems than they are getting from the administration.

If the House and Senate farm bill go to conference with the low target levels now in the House bill for wheat, this Senator does not plan to accede to target levels below those now in the Senate bill. If this means a veto by the President, then he can explain to the farmers of America why he feels they should not recover their cost of production as he promised as a candidate for the Office he now holds.