News from Senator

BOB DOLE

(R - Kansas) SH 141 Hart Building, Washington, D.C. 20510

FOR IMMEDIATE RELEASE:
MONDAY, JULY 18, 1983

CONTACT: WALT RIKER
(202)224-6521

REMARKS BY SENATOR BOB DOLE
NATIONAL CORN GROWERS ASSOCIATION
SPRINGFIELD, ILLINOIS
"STRAIGHT TALK TO FARMERS"

There's been a lot of talk back in Washington, and some out in the country-side, about how the Administration is zeroing in on farm programs for more budget cuts. About how the Office of Management and Budget has taken over the Department of Agriculture and is out to scrap target prices, loan rates, the Dairy Program and just about every other part of the farm safety net.

I'm here today to tell you directly that this talk is nothing but political rhetoric. A lot of members of Congress are planning to get elected and reelected by accusing the Administration of trying to gut farm programs. Farmers deserve better than that. They deserve to get the straight story.

The story is that farm programs are in serious trouble, but not of the Administration's making. Farm program costs are simply out of control. They are not going to self-correct, but they very well might self-destruct. Unless some of us in Congress from farm states and farm districts show responsibility and leadership in making the necessary corrections, the future of farm legislation will be extremely bleak. But before we look over the cliff, let's look back for a moment.

IMPROVEMENTS SINCE 1981 FARM BILL

First, look back two short years to when we wrote the 1981 farm bill and you'll see a significant improvement in the economic conditions for American farmers. When the Reagan Administration took over, inflation was running at an alarming 13 percent, interest rates were topping 21 percent, and farm prices were reeling from the Soviet grain embargo. There isn't a person in this room who would want to go back to those days. All of us remember that when this Administration took office, budget deficits were already on the rise, fueled by the carefree and careless spending of the past two decades. But then came 1980: a clear mandate -- a landslide in fact -- to put our financial house in order.

Take a good look at what the Administration and a strong bipartisan coalition in Congress has accomplished for farmers in the past two years. We have cut the growth of federal spending by half. We enacted the largest tax cut in history, some $750 billion over five years. Some provisions went too far and some were corrected last year. Others may need more work. But in large part it was sound legislation.

Look at the three-year 25 percent tax cut. Look at indexing, the taxpayer's surest protection against being pushed into higher tax brackets by inflation. Look at the estate and gift tax provisions of that law. Many here today will benefit from being able to pass their life's work on to their spouse without massive inheritance taxes. How many have children who will benefit from the $600,000 inheritance tax exemption that takes full effect in 1987? How many families will be able to hold on to family farms because the expansion of current use valuation will protect them from having to liquidate farmland to pay federal estate taxes? There are also improvements in accelerated depreciation, allowing famers to write off their equipment over five years.

Look at some of the overall improvements in the nation's economy that have restored hope to many farmers. Inflation, the greatest thief, after an irresponsible Congress, is down from that 13 percent to about four percent. The prime interest rate is down from 21½ percent to 10½ percent. Your cost of money may not have declined ten or eleven points, but it is down at least four or five. This isn't enough. More reductions in spending growth need to be made. But it's a major improvement over where we were in 1981.

We've also gone through a major recession that is only now beginning to turn around. I know that the results aren't nationwide -- the unemployment rate here in Illinois went up four-tenths of a percentage in June while the national level fell one-tenth to 10 percent. But the overall economy is improving, and the benefits will be felt in the farm sector if we can keep interest rates from going back up to 15 or 16 percent.

FARM SPENDING -- PART OF THE PROBLEM

That's the good news. The bad news is that the cost of farm programs is one of the major contributors to the massive federal deficits that are now encouraging the return of higher interest rates. And the cost is growing.

This past March, Jack Parsons invited me to address tha Lousia County Corn Growers Association in Morning Sun, Iowa. I will repeat now what I said then: that farmers need to face up to the fact that the cost of agricultural programs has grown faster than any other sector -- including defense. After averaging between $3 and $4 billion during the 70's, federal outlays for commodity credit corporation programs rose to $6 billion in fiscal year 1981, and then doubled to $12 billion in 1982. When I was in Morning Sun, this year's cost was estimated at $18 billion. Now, just four months later, the price tag is more than $21 billion. No wonder the USDA budget is the third largest in Washington.

Take a look at a breakdown of the $21 billion compared to just last year. Direct, non-recoverable outlays are up from $2.2 billion to $5 billion. This includes an increase from $1.2 billion to $2.6 billion in deficiency payments, $1.3 billion for the paid diversion program, and a $300 million increase in producer storage payments.

Under recoverable outlays, net lending for commodity loans and storage facility loans rose from $6.8 billion to $8.9 billion. Throw in another $2.1 billion for the dairy program, about the same as in 1982. Then all other programs increased over $3.5 billion.

On top of these regular program costs, add the book value of commodities to be distributed under the PIK program this year -- another $12 billion. Payments to farmers in 1983 may have the dubious distinction of exceeding net farm income.

POTENTIAL BACKLASH

These expensive facts have not gone unnoticed by non-agricultural interests and non-farm members of Congress. In fact, urban Congressmen are already indicating that, if the Agriculture Committees in the House and the Senate are unable to get a handle on farm costs, they will take an active role in the next farm bill debate.

The unchecked growth of Ag programs has not escaped the attention of the news media, either. As the costs skyrocket, so does the media's interest judging by the stories lately on the PIK Program and the $21 billion price tag for this year's federal farm package. I think you'll agree this is not the kind of publicity farmers want, or deserve.

As you know, there has been a strong base of support among urban Americans for farmers and their determined efforts under difficult economic conditions. Various surveys have even revealed that industrial workers understand the problem of having farm exports undercut by foreign production and export subsidies.

However, the need to find ways to make further reductions in all federal spending programs has put agriculture in the spotlight this year. How can we address the soaring cost of Medicare -- a program that is important and needs to be protected -- if farm spending is on a four-year binge? How can we reform costly defense contracting practices if we can't correct the target price program?

We have been watching Congress duck all the hard choices since January. We have seen the development of a budget resolution that calls for $73 billion in new taxes over the next three years, but would permit $9 billion in new spending programs in FY 84 alone. Even if this new spending is not enacted, the projected reduction in non-defense outlays will amount to only $400 million for next year.

Under these conditions, farm programs costs are in for increasing scrutiny. Some farm groups felt that the 1981 Farm Bill didn't provide enough price and income protection. But some felt the other way. The target price concept survived by only one vote in the Senate Agriculture Committee, and by only two votes on the Senate floor. In fact, the entire farm bill squeaked through by two votes in the House. There is no guarantee that the votes needed to pass a new four-year measure will be there in 1985. If we don't face up to reality, farmers and those who depend on farming could be in real trouble.

THE TARGET PRICE FREEZE PROPOSAL

As you know, the Administration's proposal to freeze target prices at 1983 levels for the 1984 and 1985 crops of wheat, feed-grains, cotton and rice will be debated in the Senate later this week. The House Agriculture Committee has deferred, or ducked, action on the freeze, and there will be no action unless the Senate acts. The time remaining before the August recess is short, and it will be too late after that with the details of the 1984 wheat program to be announced no later than August 15.

The legislation would save an estimated $369 million in advance deficiency payments in FY-84, about $1.2 billion in FY-85, and just over $2.0 billion in FY-86; a total of $3.6 billion. In addition, Senator Jepsen of Iowa and Senator Huddleston of Kentucky have included language that would use $600 million in export credits for farm products, to be repaid into a $1.0 billion agricultural export credit revolving fund.

Several of my colleagues in the Senate from farm states have indicated that they intend to hold the bill up, either through a filibuster or through other procedural tactics. They intend to argue that the 1981 farm bill provisions represent a covenant between government and farmers that cannot be broken. They will claim that the freeze would take nearly $4.0 billion out of the farmers' pocket. They will suggest that the freeze would be the first step in some OMB plan to unravel farm programs prior to 1985.

These charges will be made in the name of protecting the long-term interest of the American farmer, but in my view, they represent an extremely short-sighted view of our current economic situation. I have always believed that the two greatest enemies of the farmer are inflation and high interest rates. We are now facing budget deficits of from $600 to $700 billion over the next three years. If Congress doesn't meet its responsibilities head-on and bring deficit spending under control, we are going to be right back in the mess we had in 1981 with double-digit inflation and 15 or 20 percent interest rates. If that happens, it won't really matter whether target prices are 15 or 17 cents more or less.

The target price freeze proposal is sound and responsibile legislation. If passed, it will help fend off criticism of farm program costs long after its opponents discover that farmers can get along quite well without an increase in the current levels.

The National Corn Growers have endorsed the legislation, and I received a telegram from your Washington office on Friday to that effect. I can only say that your support is important and will be needed in the next few weeks.

I know also that you are particularly interested in the current negotiations on a new long-term agreement on farm trade with the Soviet Union, and in establishing the export credit revolving fund authorized in the 1981 Farm Bill. In closing I would like to make a few remarks on these two initiatives.

As you know, the LTA talks will enter a third round in Vienna next week. The Russians have a strong hand due to the outlook for good grain crops in both countries this year. A few weeks ago, I invited the chief U.S. negotiator, Bob Lighthizer, to brief several Midwest farm-state Senators on where the negotiations stand. He indicated that the U.S. will continue to press for an appreciable increase in the minimum grain purchase requirement by the USSR, but that progress may be slow. Considering the time it took to bring the two sides together, and the other difficult issues, such as arms control, that are being concurrently discussed, a satisfactory agreement can be achieved if we are willing to give the process enough time.

On the export credit issue, I mentioned that Senators Jepsen and Huddleston sponsored an amendment to the target price proposal that would put the revolving fund in business. Last week, I contacted several Administration officials to indicate my support for this initiative as an important commitment to agriculture's long-term growth. I hope that the Corn Growers and other organizations will work to see that funding for exports remains in the legislation if it passes the Senate and is sent to the House.

Finally, I know that you also support an amendment to the Export Administration Act sponsored by both Illinois Senators Dixon and Percy that would limit any selective foreign policy embargo on agricultural exports to 60 days unless Congress passes a joint resolution authorizing an extension. I just want to take this occasion to add myself as a co-sponsor of this initiative as an important step toward restoring the reputation of the U.S. as a reliable supplier.

Let me conclude by thanking the Association for inviting me to participate in this anniversary program. I am optimistic that we can sustain the recovery, if Congress will make the hard choices before -- not after -- the '84 elections.

I am still convinced that there are enough of us in Congress -- Republicans and Democrats -- who can do the right thing if we have the continued support of groups such as the Corn Growers, who are committed to fiscal responsibility. Your voice is a responsible one -- it will be heard.

Thank you very much.

-30-