Introductory Remarks

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FIFTH ANNUAL FARGO FARM FORUM
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"THE SUGAR ACT AND OTHER FARM LEGISLATION IN THE 89th CONGRESS"
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(Introductory Remarks)

Chairman Horrall, Senator Young and my colleague Mark Andrews, it is a privilege to participate in the Fifth Annual Farm Forum and to discuss prospective farm legislation with emphasis on Sugar Legislation. I am honored to be substituting for the real expert in this field, the Honorable Catherine May, who could not be present due to a conflict in schedule.

THE 89th CONGRESS

The 89th Congress, now in the process of organization, will be an important one to U. S. farmers. Actions taken in this Congress will, for better or worse, affect our national scene for many years. When the New Frontier started there were some 4 million farms in this nation. With the advent of the Great Society there were about 3-1/2 million. Present Washington thinking being mysteriously revealed by the Administration, would indicate the future calls for a farm economy of only a million farms.

Let me illustrate it this way -- look at the person on your right.. then at the person on your left...... those two folks may not be coming to meetings like this under the Great Society.

In the past several weeks the Administration's farm proposals have been taking shape. First, there was the Budget Bureau Director's statement in the Saturday Review; next, the budget message calling for cuts in ACP, Soil Conservation, agricultural research, meat and poultry inspection expenditure and slashes in the costs of commodity programs.

Yesterday, Feb 4, the President sent his farm message to Congress. Here in essence is what it said: "Progress is never free of problems. Agricultural progress has made price and income support programs increasingly necessary and increasingly difficult.

"The basic need for farm programs arises from the farmer's economic isolation and his enormous capacity to produce. We have today at least 50 million acres more cropland than is required to produce all of the food and fiber that we can consume plus all we can export. Without programs to guide production, new crop surpluses would be inevitable. Even relatively small surplus can depress prices below cost of production levels.

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"Our programs should: provide efficient family farmers an opportunity to earn parity of income......assist those small farmers who have little chance to enlarge their operations but whose age, physical handicap, or lack of education, prevent their shifting to other employment.... assist those farm families who seek to enlarge their productive resources in order to obtain a decent living and have the opportunity and capacity to do so.

"We must also continue to tie domestic farm policies to our inter-

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national trade objectives by pricing our products for export at competitive world levels and by relating our production to the longer-term demands of world markets.

"Our objective must be for the farmer to get improved income out of the market place, with less cost to the government."

The issues raised by the scheduled termination of the wheat and feed grains program, the cotton program, and the Wool Act in 1965 must be resolved.

With them in mind, "Why," you may ask, "would any Secretary of Agriculture want to intentionally disrupt market prices?" The reason is simple, even if not sound. He wants to make economic life as miserable as possible for those farmers who ~~don't~~ do not participate in his programs. He does this in order to get the highest possible sign-up in his program so he can tell everybody how "popular" it is.

That may indeed be a short-term political solution, but it's made at the expense of every grain farmer in America, both cooperators and non-cooperators.

We sought to prevent the Secretary of Agriculture from selling surplus government grain for less than 15 percent above the current CCC loan level plus carrying charges. Present law allows unrestricted government grain sales into the domestic market at only 5 percent above the loan level. Secretary Freeman has recently gone even further in the direction of lower farm prices and has dropped both the feed grain and wheat loan levels another nickle a bushel below that in effect for 1964.

Interestingly enough, farmers and farm organizations the nation over, many with diverse opinions on other aspects of the farm program, have agreed this proposal is a sound one.

Common sense dictates that a higher CCC release price would strengthen market prices and raise farm income from grains.

The major farm organizations in my home State of Kansas have agreed this is a good idea.

Last year even the Democrats on the Wheat Subcommittee in the House of Representatives felt that an increase in the realease price would increase farm income...but not Orville Freeman and efforts to add the amendment were sidetracked.

I was among those in the last Congress who opposed the present cotton program and today it appears obvious the present cotton program just isn't working. Another million bales have been added to the surplus (total near 12.5 million bales) and many millions of more dollars, ($543 million), -- total cost about $800 million,) have been spent on expensive subsidies to textile mills and almost everybody else in the cotton business, <u>except cotton farmers</u>.

In my opinion Congress will support an extension of the 1954 Wool Act. This program has broad farmer support and is needed to keep our domestic producers in a competitive position with large-scale imports. I would expect that this program would be extended without too much difficulty.

I briefly mention these major commodity programs to you, because

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sugar legislation is tied in with them.

- PROSPECTS for Sugar Leg -

With the pressure for the consideration of wheat, wool, feed grains, and cotton legislation, there will be a tendency to delay sugar legislation in 1965. You may have noted the President's farm message yesterday did not contain any reference to sugar legislation. No group of farmers has received less consideration from the Administration than the American sugar beet producer.

Let's take a look at the record.

In the summer of 1963, amidst a market showing a 40-year high in domestic sugar prices, the Secretary of Agriculture asked U. S. sugar producers to expand their production. He promised in return that there would be no acreage restrictions on domestic production through the 1965 crop. The Department of Agriculture officially announced this. Yet last fall, the Secretary reversed himself and announced the imposition of acreage restrictions for the 1965 crop.

On January 31, 1964, President Johnson submitted to Congress his recommendations on agricultural legislation for the Second Session of the 88th Congress. Among other things he made the following recommendations concerning sugar which appear at page 4 of House Document No. 210, 88th Congress, 2nd Session:

"4. SUGAR.---- The rise in sugar prices in 1963 reflected a reduction in world supplies. The Cuban crop was about one-half the pre-Castro level. Europe had two poor sugarbeet crops. But the fears voiced last year proved that the

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United States would be unable to obtain sufficient sugar proved groundless. Action by the Department of Agriculture assured sugar users an adequate supply and helped halt the price increase that attended heavy buying in anticipation of shortages.

"However, the experience of the past year -- and the fact that foreign sugar quotas expire at the end of 1964 -- highlight the need for some action at this Session of Congress to assure ample supplies of sugar to consumers at fair prices.

"I recommend the removal of marketing restrictions on the sale of domestically produced sugar during the calendar year 1964. This legislation will relieve the pressure on world market supplies at a time when these supplies are short.

"The effectiveness of our present arrangements for foreign sugar procurement are under intesive study. On the basis of thi this study I shall -- early in this Session -- make recommendations for remedial legislation."

As can be clearly seen, the President advocated the removal of marketing restrictions on the sale of domestic ally produced sugar during 1964.

He also said recommendations would be made early in 1964 for remedial legislation on the procurement of foreign sugar.

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What, however, have been the results?

An executive communication carrying the necessary legislative language to allow the marketing of sugar produced domestically in 1963 and 1964 was submitted to Congress on December 30, 1963. The Administration however, did not press for any action on this recommendation.

Some 31 sugar bills were introduced in the House during the last Session and referred to the Committee on Agriculture. Seven of these bills were introduced by members of the Committee on Agriculture as early as March 19, 1964, but the Administration failed in the 88th Congress to give the Committee either its own recommendations or its comments on the 31 bills pending in the Committee.

In the meantime, the Committee on Agriculture tried to reconcile the divergent views within the sugar industry in an effort to work out legislation to extend the provisions of the Act which expired last year. Throughout these meetings, Administration spokesmen failed to give the Committee any indication of the position that the executive branch had taken.

The final result, of course, was a deadlock.

Without going into all of the various ramifications and arguments concerning this complex matter, I would point out that the domestic beet industry made numerous efforts to reach an agreement and tried in good faith to keep this program going.

Beet producers were asked to increase their production in 1963 and 1964. They certainly had a right to expect their government to allow them to market that production as the President promised in his agricultural message. As I stated earlier, beet growers were also officially informed by the U. S. Department of Agriculture there would be no acreage restrictions on their 1965 crop. They made their plans on the basis of this advice from their government.

In addition to the Administration's complete abdication of responsibility, one of the chief obstacles in reaching an agreement was the insistence of the U. S. Cane Sugar Refiners Association that beet producers accept a 20 percent cut in their acreage in 1965.

Let us remember the entire Sugar Act did not expire in December 1964.....just that part of it which deals with the method of acquiring foreign-produced sugar.

The result of this inept procedure has been a windfall for foreign sugar interests and a severe blow to the economy of a dozen beet growing States like Kansas and North Dakota.

When the foreign quota provisions of the Sugar Act expired on December 31, 1964, the Secretary of Agriculture, through USDA Releases, intimated he didn't have authority anymore to collect the quota premium (or difference between the U. S. and world sugar price) on the global quota sugar which once belonged to Cuba. As you perhaps know, this amounts to about 3 cents a pound on approximately 1-1/2 million tons annually. He also said he didn't have authority to collect the escalated recapture fee which applied to country quota sugar obtained overseas. This, as you will recall, amounted to nine-tenths of a cent per pound

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on approximately 1-1/2 million tons annually. The balance of our foreign sugar supply comes from the Philippines which are covered by a treaty only are not subject to the recapture fee formula.

In the same breath, though, the Secretary said he did have authority to administratively extend country quotas to dozens of foreign nations the world over to bring their sugar into the U. S. market in 1965.

What does this mean to the U. S. taxpayers? It means about $126 million in lost revenue in 1965. It means foreign sugar producers will be up to $126 million richer and the U. S. taxpayers will be out of pocket an equal amount..... and American consumers won't get one bit of benefit because the entire U. S. price is going to foreigners. It would be enough money to restore many of the cuts outlined in the Administration's farm budget.

At the same time, U. S. beet producers must take a cut in their 1965 production of 5 percent across the board, which means an 11 percent slash to old growers. This means, as you know, less processing and fewer jobs in beet areas.

This situation is simply not equitable and should be corrected immediately.

But frankly, I am not optimistic. Unless a very strong bipartisan effort is made, I'm fearful the Sugar Act, not even mentioned in the President's message yesterday, will not be revised one iota in this Session of Congress.

It will lay dormant until next year when the whole Act expires on December 31, 1966.

Without question the Administration and the foreign sugar interests have things pretty much their own way these days. The Administration has a 2 to 1 majority in the Congress and a 24 to 11 margin on the House Committee on Agriculture.

My message is not one of optimism but rather one of challenge. You and the millions of others who earn your living in America's most important industry must exert a maximum effort if you are going to save agriculture from the whims of a dispassionate urban Congress and an apathetic Administration.

The challenge is yours, but you can count on the help ~~of~~ from those of us who share your convictions.

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