

REMARKS BY SENATOR BOB DOLE
NATIONAL FORUM ON SOLUTIONS TO ECONOMIC PROBLEMS
FACING U.S. AGRICULTURE

AGRICULTURE COUNCIL OF AMERICA AND TEXAS A&M UNIVERSITY
COLLEGE STATION, TEXAS
DECEMBER 5, 1978

Bob Dole
11/1/78

Ag. Council
12/5/78
Bob Dole

IT IS CERTAINLY AN HONOR TO PARTICIPATE IN THIS
NATIONAL FARM SUMMIT SPONSORED BY THE AGRICULTURE COUNCIL
OF AMERICA AND TEXAS A&M UNIVERSITY.

I APPRECIATE THE OPPORTUNITY TO SPEAK TO YOU.
I KNOW YOU HAVE BEEN DISCUSSING INTERNATIONAL TRADE,
RESOURCE ALLOCATION AND PRODUCTION COSTS, FARM COMMODITY
PRICES AND INCOME, NUTRITION, PRODUCT QUALITY AND SAFETY.

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THIS FORUM IS PROVIDING AN ENVIRONMENT FOR IDENTIFYING, EVALUATING, AND MOVING TOWARD CONSENSUS ON SOLUTIONS TO CURRENT AND LONG-RANGE ECONOMIC PROBLEMS OF AGRICULTURE.

I HAVE SERVED ON EITHER THE HOUSE OR SENATE AGRICULTURE COMMITTEE SINCE I ENTERED CONGRESS IN 1961. AGRICULTURE HAS BEEN THROUGH MANY BOOM AND BUST TIMES DURING THE LAST 18 YEARS. GOVERNMENT HAS TIME AFTER TIME WORKED TO SOLVE AGRICULTURE PROBLEMS. GOVERNMENT HAS WORKED TO SOLVE PROBLEMS BUT HAS ALSO BEEN THE CAUSE OF MANY PROBLEMS FOR AGRICULTURE. DURING TIMES OF CRISIS MANY PEOPLE WANT THE GOVERNMENT TO COME UP WITH A SPECIAL PIECE OF LEGISLATION THAT WILL SOLVE ALL THE PROBLEMS.

THIS APPROACH USUALLY IS NOT SUCCESSFUL BECAUSE THAT IS JUST NOT THE WAY OUR ECONOMIC SYSTEM IS BUILT AND CERTAINLY NOT THE WAY IT WORKS BEST. GOVERNMENT INTERVENTION IN THE MARKET PLACE HAS A DISMAL RECORD OF FAILURE.

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INTERNATIONAL AGREEMENTS

ONCE AGAIN, THE PRESS HAS CARRIED REPORTS THAT THE DISCUSSIONS ON AN INTERNATIONAL GRAINS ARRANGEMENT HAVE BROKEN DOWN. OFTEN, I HAVE SPOKEN OUT ON THE FISCAL WASTE AND UNWISE MANPOWER UTILIZATION OF SUCH A COUNTER-PRODUCTIVE EFFORT, AS IS INVOLVED IN THESE NEGOTIATIONS. WHY ARE WE DEVOTING SO MUCH ENERGY IN AN AREA WHEN ALL OF HISTORY REVEALS THAT THE U.S. FARMER HAS BENEFITED MOST WHEN THE MARKETS ARE FREE?

TO THOSE OF YOU WHO STILL HAVE AN AFFECTION FOR THE SO-CALLED STABILITY INTRODUCED BY INTERNATIONAL COMMODITY AGREEMENTS, I REFER YOU TO THEIR LONG HISTORY OF FAILURES. PLEASE READ THE REPORT OF THE U.S. INTERNATIONAL TRADE COMMISSION AND ITS LITANY OF BANKRUPT PROGRAMS. READ THE DETAILED REPORTS. WE SHOULD NOT CONDEMN FARMERS TO A REPETITION.

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THE ECONOMIC GRAVEYARDS ALREADY CONTAIN THE BONES OF MANY INTERNATIONAL ATTEMPTS AT PRICE MANIPULATION, SUCH AS THOSE FOR RUBBER, WHEAT, SUGAR, WOOL AND TEA. EVEN WHEN EFFORTS AT ESTABLISHING AND MAINTAINING PRICE SCHEDULES ARE WELL INTENTIONED, THEY HAVE INEVITABLY ENDED AS ECONOMIC FAILURE.

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WE DO NOT, HOWEVER, HAVE TO RELY ON MR. ANTHONY TO TELL US HOW DISASTROUS THE AGREEMENT WAS. IN MID-1975, THE SUBCOMMITTEE ON INTERNATIONAL TRADE OF THE SENATE COMMITTEE ON FINANCE ASKED THE UNITED STATES INTERNATIONAL TRADE COMMISSION TO UNDERTAKE A STUDY OF THE EXPERIENCE OF THE UNITED STATES WITH INTERNATIONAL COMMODITY AGREEMENTS.

LET US EXAMINE THE CONCLUSIONS OF THIS INDEPENDENT GOVERNMENTAL BODY.

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RIGGED INTERNATIONAL MARKETING IS INHERENTLY BAD,
TO QUOTE THE INTERNATIONAL TRADE COMMISSION AGAIN:

"INTERNATIONAL COMMODITY AGREEMENTS TAKE VARIOUS FORMS, BUT IN GENERAL THEY ARE AGREEMENTS BETWEEN GOVERNMENTS OF BOTH PRODUCING AND CONSUMING COUNTRIES THAT ATTEMPT TO RAISE AND STABILIZE THE PRICES OF COMMODITIES."

"IN THE PURSUIT OF THESE OBJECTIVES, SUCH ARRANGEMENTS IMPOSE RESTRICTIONS ON THE FREE MOVEMENT OF COMMODITIES IN INTERNATIONAL TRADE. THEY OFTEN RESULT IN ECONOMIC WASTE AND THE MISALLOCATION OF SCARCE PRODUCTIVE RESOURCES, AND HISTORICAL EXPERIENCE HAS DEMONSTRATED THEIR FREQUENT FAILURE TO ACHIEVE THEIR OBJECTIVES."

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COMMODITY AGREEMENTS

COMMODITY AGREEMENTS ESTABLISHING MINIMUM AND MAXIMUM PRICES AND RESERVES ARE STILL BEING PROPOSED. NEGOTIATIONS OF COMMODITY AGREEMENTS FOR WHEAT OR OTHER GRAINS ARE OBJECTIONABLE ON SEVERAL GROUNDS, INCLUDING, BUT NOT LIMITED TO THE FOLLOWING:

FIRST, SUCH AGREEMENTS ARE INHERENTLY UNWORKABLE. A NUMBER OF PAST COMMODITY AGREEMENTS HAVE FAILED -- INCLUDING THE INTERNATIONAL GRAINS ARRANGEMENT -- BECAUSE NEGOTIATED MINIMUM PRICES AND FIXED DIFFERENTIALS COULD NOT WITHSTAND THE STRESSES OF CHANGING MARKET CIRCUMSTANCES. THE SURGE IN U.S. GRAIN EXPORTS OF THE RECENT YEARS TO RECORD LEVELS POINTS OUT HOW WELL THE U.S. PRODUCER CAN DO IN A FREE MARKET ENVIRONMENT.

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SECOND, COMMODITY AGREEMENTS FOR GRAINS CREATE SERIOUS DISADVANTAGES FOR THE U.S. THEY DISADVANTAGE EFFICIENT MAJOR PRODUCERS FOR EXPORT, SUCH AS THE U.S. AND, WHEN SUPPLIES BEGIN ACCUMULATING, THERE ARE CONSIDERABLE PRESSURES -- AND OPPORTUNITIES -- AMONG U.S. COMPETITORS TO UNDERCUT MINIMUM PRICE LEVELS. THE U.S., ON THE OTHER HAND, IS BETTER SERVED BY MARKET DEVELOPMENT AND TRADING ARRANGEMENTS, WHICH REWARD COMPETITIVENESS AND GROWTH.

FINALLY, COMMODITY AGREEMENTS HAVE IMPOSED NO DISCIPLINE ON MEMBER COUNTRIES TO MAKE PROPER ADJUSTMENTS TO CHANGING CONDITIONS IN SUPPLY AND DEMAND. THE INABILITY TO ADJUST TO CHANGING CIRCUMSTANCES AGGRAVATES INBALANCE IN THE WORLD GRAIN ECONOMY.

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INTERNATIONAL GRAINS AGREEMENT

THE BREAKDOWN OF THE INTERNATIONAL GRAINS ARRANGEMENT IS A SPECIFIC CASE IN POINT. THE IGA WAS NEGOTIATED AT THE CONCLUSION OF THE KENNEDY ROUND. ITS RELATIVELY HIGH PRICE FLOOR AND EXTREMELY NARROW PRICE RANGE EMERGED IN THE WAKE OF INDIAN FOOD PROBLEMS IN THE MID-1960'S. BUT, SUPPLY CONDITIONS WERE ALREADY CHANGING AS SURPLUS STOCKS BEGAN TO ACCUMULATE. BY 1969, THOSE STOCKS WERE PROVING BURDENSOME, AND EXPORTERS WERE NO LONGER WILLING TO ACCUMULATE THOSE STOCKS IN SUPPORT OF AN ARTIFICIALLY HIGH PRICE. SEVERAL COUNTRIES, INCLUDING THOSE WHO LOBBIED VIGOROUSLY FOR THE EXISTING PRICE RANGE, BEGAN SELLING WHEAT ON THE WORLD MARKET AT PRICES BELOW THE IGA MINIMUM (WHICH WAS BASIS U.S. WHEAT AT THE GULF). FAVORABLE SHIPPING PROVISIONS IN THE IGA ALSO ENABLED THESE OTHER EXPORTERS TO UNDERCUT U.S. PRICES.

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SIMILAR PRESSURES ARE APT TO OCCUR IN ANY NEW AGREEMENT WHICH SETS AN ARTIFICIALLY HIGH MINIMUM PRICE. WHEN EXCESS SUPPLIES ACCUMULATE, INTERNAL PRESSURES ARE GREAT TO IGNORE PREVIOUS COMMITMENTS AND HAVE RESULTED IN MOVING OUT THAT GRAIN AT LOWER PRICES THAN THOSE ESTABLISHED MULTILATERALLY.

IN ADDITION, THE CLOSE INVOLVEMENT OF GOVERNMENT IN GRAIN MARKETING IN SEVERAL COUNTRIES PROVIDES THESE EXPORTERS WITH OPPORTUNITIES TO CIRCUMVENT PRICE PROVISIONS OF COMMODITY AGREEMENTS THROUGH SPECIAL ARRANGEMENTS, WHICH EFFECTIVELY LOWER THE COST AND ENHANCE THE COMPETITIVENESS OF THEIR EXPORTS.

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THEY CAN, FOR EXAMPLE, NEGOTIATE SPECIAL SHIPPING RATES, TIE-IN TRADES OR SWAP ARRANGEMENTS IN CONJUNCTION WITH GRAIN CONTRACTS. THEY CAN ALSO OFFER SPECIAL CREDIT ARRANGEMENTS WHICH LOWER INTEREST RATES. MOREOVER, GOVERNMENTS HAVE OPPORTUNITIES TO NEGOTIATE GRAIN CONTRACTS IN THE CONTEXT OF OTHER POLITICAL OR ECONOMIC CONCESSIONS WITH INDIVIDUAL IMPORTING COUNTRIES. SUCH ARRANGEMENTS WORK TO THE DISADVANTAGE OF COUNTRIES LIKE THE U.S., WHERE DIRECT GOVERNMENT INVOLVEMENT IN MARKETING IS MINIMAL.

COMPETITIVE MARKETING SYSTEM

THE U.S. IS AN EFFICIENT, ABUNDANT PRODUCER, AND IT POSSESSES A STRONG, COMPETITIVE MARKETING SYSTEM. THESE STRENGTHS ARE BEST UTILIZED UNDER LIBERALIZED, COMPETITIVE TRADING CONDITIONS, WHERE PRODUCTIVE CAPACITY AND MARKETING SERVICES -- RATHER THAN SPECIAL ARRANGEMENTS OR MARKET SHARING -- ARE THE BASIS FOR MARKET OPPORTUNITIES.

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FREE MARKETS BUTTRESSED BY THE FUTURES MARKETS ARE A SOURCE OF PROTECTION AGAINST PRICE RISKS FOR MOST FREE-WORLD NATIONS' GRAIN MERCHANTS. FUTURES PRICES ARE AN INDEX -- A BAROMETER OF SUPPLY AND DEMAND -- REFLECTING PRICING CARRIED ON IN CASH MARKETS THROUGHOUT THE WORLD. BUYERS AND SELLERS SEND ORDERS INTO THE CENTRAL MARKETPLACE FROM AROUND THE GLOBE. THIS SERVES THE WORLD EFFICIENTLY, AND CAN CONTINUE TO DO SO.

THESE MARKETS SERVE THE PUBLIC MORE QUICKLY AND MORE EFFICIENTLY THAN ANY INTERNATIONAL CARTEL AGREEMENT EVER COULD. THE GOVERNMENT SHOULD ABANDON THE INTERNATIONAL GRAIN IDEA NOW. FOR AS GEORGE SANTAYANA SAID: THOSE WHO CANNOT REMEMBER THE PAST ARE CONDEMNED TO REPEAT IT.

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AGRICULTURAL EXPORTS

I WISH TO POINT OUT THAT U.S. AGRICULTURAL EXPORTS REACHED A RECORD HIGH OF \$27.3 BILLION DURING FISCAL YEAR 1978.

THE EXPORT TOTAL FOR THE FISCAL YEAR WHICH ENDED SEPTEMBER 30 WAS UP \$3.3 BILLION, OR 13.9 PERCENT, FROM FISCAL YEAR 1977 AND RECORD HIGH FOR THE NINTH STRAIGHT YEAR. AT THE SAME TIME, THE EXPORT VOLUME, LED BY SUBSTANTIAL GAINS IN WHEAT, FEED GRAINS AND SOYBEANS, ROSE 19.5 PERCENT TO A RECORD 122.3 MILLION TONS. THAT TOTAL IS 20 MILLION TONS ABOVE THE PREVIOUS HIGH SET IN FISCAL 1977.

THE VALUE OF AGRICULTURAL IMPORTS FOR THE YEAR WAS \$33.9 BILLION, WHICH MEANS THAT U.S. AGRICULTURAL EXPORTS WERE \$13.4 BILLION GREATER THAN IMPORTS.

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U.S. FARM EXPORTS MADE A \$13.4 BILLION POSITIVE CONTRIBUTION TO THIS NATION'S TOTAL BALANCE OF TRADE. THIS IS VITAL TO THE STRENGTH OF THE DOLLAR. WHILE IT APPEARS TO BE ROUTINE, AGRICULTURE'S CONTRIBUTION HAS EXCEEDED \$10 BILLION FOR EACH OF THE PAST FIVE FISCAL YEARS.

FARMERS HAVE A RIGHT TO BE PROUD OF THIS ACCOMPLISHMENT. IT SHOWS WHAT CAN BE DONE WHEN THEY ARE NOT ENCUMBERED BY THE STRICTURES OF INTERNATIONAL COMMODITY AGREEMENTS.

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CONFIDENCE NEEDED FOR EXPANSION

I KNOW THE AGRICULTURE COUNCIL OF AMERICA IS FOUNDED FOR THE PURPOSE OF BRIDGING THE GAP BETWEEN PRODUCER AND CONSUMER, BETWEEN RURAL AND URBAN CITIZENS. IT IS A STRUGGLE AND WILL CONTINUE TO BE A STRUGGLE.

TODAY, I WOULD SUGGEST THAT THE COUNCIL ADDRESS ITSELF TO SPREADING THE NEED FOR ECONOMIC CONFIDENCE. ANY BUSINESSMAN MUST HAVE THE CONFIDENCE THAT WHAT HE IS MANUFACTURING AND SELLING WILL HAVE A REASONABLE CHANCE AT MAKING HIM A PROFIT. THAT IS WHY HE IS WILLING TO MAKE THE INVESTMENT TO BE IN BUSINESS.

BUT IN FARMING, THE NEED FOR THIS CONFIDENCE IS MORE IMPORTANT THAN IN OTHER SECTORS OF THE ECONOMY. MOST CONVENTIONAL BUSINESSES CALL THEIR SUPPLIES AND ORDER THEIR RAW MATERIALS CAREFULLY IN THE QUANTITY AND QUALITY THAT THEY NEED TO PRODUCE THEIR PRODUCT. THEY PROJECT THE DEMAND AND PROJECT THE SALES PRICE.

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WHO DOES THE FARMER CALL TO ORDER RAIN? WHO DOES HE CALL TO GET A PRICE PROJECTION ON CATTLE TWO AND A HALF YEARS FROM NOW? FARMERS HAVE ALWAYS FACED SUCH INDECISION AND CONTINUED TO PRODUCE BASED ON FAITH AND A HEALTHY ECONOMY AND THE LAW OF AVERAGES WITH REGARD TO PRODUCTIVITY RESULTING FROM THE SUN, WATER AND NATURAL RESOURCES.

BUT NOW, GOVERNMENT HAS BECOME MORE INVOLVED IN ECONOMIC MANIPULATIONS AND OTHER CONTROLS SO THAT FARMERS ARE HESITANT TO MAKE THE NECESSARY INVESTMENTS IN EXPANDED PRODUCTION. AFTER REPEATED RECOMMENDATIONS BY SECRETARY BERGLAND, SOME OF WHICH BORDERED ON THREATS, CATTLEMEN HAVE REFUSED TO INCREASE THEIR COW HERDS. SUGAR BEET ACREAGE IS SHRINKING.

THE MEAT IMPORT ISSUE HAS BEEN A POLITICAL FOOTBALL FOR TOO MANY YEARS. WHENEVER MEAT IMPORTS HAVE BEEN MANIPULATED, IT HAS ALWAYS BEEN AT THE EXPENSE OF THE FARMER AND TO THE BENEFIT OF NO ONE. ACTIONS THIS PAST YEAR ARE PROOF OF THIS. ON JUNE 8TH, PRESIDENT CARTER INCREASED IMPORTS BY 200 MILLION POUNDS. IT CAUSED HAVOC IN THE INDUSTRY. FED CATTLE PRICES DROPPED UP TO \$10 PER CWT, BUT WE SAW NO APPRECIABLE DROP IN PRICES FOR THE CONSUMER.

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JUST RECENTLY, WE'VE HEARD TALK ABOUT A REALLOCATION OF IMPORTS FOR THE REMAINDER OF 1978 WHEREBY THE SHORTFALL OF SOME COUNTRIES WILL BE GIVEN TO MAJOR EXPORTERS SUCH AS AUSTRALIA AND NEW ZEALAND. THE AMOUNT OF MEAT WE'RE TALKING ABOUT IS RELATIVELY SMALL. BUT, THE PUBLICITY AND RUMORS CIRCULATING ON THIS ISSUE HAS AGAIN CREATED UNCERTAINTY IN THE INDUSTRY CAUSING PRICES TO FALL. THE PRESIDENT WILL TALK ABOUT INFLATION AND WE'LL STILL SEE NO APPRECIABLE BENEFITS FOR THE CONSUMER.

THE RECENT MEAT IMPORT BILL WHICH THE PRESIDENT VETOED WOULD HAVE TAKEN POLITICS OUT OF THE MEAT IMPORT ISSUE ONCE AND FOR ALL. IT WOULD HAVE ESTABLISHED A SET OF RULES BENEFITING BOTH THE CONSUMERS AND THE PRODUCERS THAT WOULD HAVE OPERATED FREE OF POLITICAL PRESSURE FROM INTEREST GROUPS. THE COUNTER-CYCLICAL FORMULA WAS REASONABLE AND CERTAINLY MOST LOGICAL.

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THE PRESIDENT DIDN'T LIKE CERTAIN RESTRICTIONS IMPOSED ON HIS AUTHORITY TO SUSPEND QUOTAS. THESE RESTRICTIONS ONLY ASSURED THE PRODUCER THE COUNTER-CYCLICAL FORMULA WOULD WORK AT BOTH ENDS OF THE CATTLE CYCLE. WITHOUT THEM, THE PRODUCER WOULD AGAIN BE A PART OF A ONE-WAY PROGRAM.

THE LAW WHICH THE PRESIDENT VETOED DID GIVE HIM THE NECESSARY LATITUDE HE NEEDED IN CASE OF EMERGENCY. IT ALSO RELIEVED HIM OF BEING SUBJECT TO CONSTANT POLITICAL PRESSURES TO EITHER SUSPEND OR IMPOSE QUOTAS, DEPENDING ON WHICH SIDE OF THE FENCE YOU'RE ON.

THE IMPORT ISSUE WILL CONTINUE AND THE PRESIDENT WILL USE IT AS A SO-CALLED INFLATION FIGHTER WITH THE PRODUCER BEING THE WHIPPING BOY FOR SOMETHING HE DIDN'T HAVE ANYTHING TO DO WITH.

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WHAT WILL HAPPEN IN THE 96TH CONGRESS?

WHEN THE 96TH CONGRESS CONVENES IN JANUARY, TWO IMMEDIATE CONCERNS OF THOSE OF US REPRESENTING AGRICULTURAL STATES AND INTERESTS AND OF ASSURING CONSUMERS ADEQUATE REASONABLE SUPPLIES OF FOOD, WILL BE MEAT IMPORT LEGISLATION AND SUGAR LEGISLATION. AS YOU RECALL, THE MEAT IMPORT QUOTA BILL WAS VETOED THE WEEKEND FOLLOWING THE NOVEMBER ELECTIONS, AND THE ADMINISTRATION'S WEAK ATTEMPT AT SUGAR LEGISLATION WAS DEFEATED IN THE HOUSE OF REPRESENTATIVES.

I PLAN TO INTRODUCE LEGISLATION THAT WILL SET PRICE SUPPORT LOANS AT A FIGURE CLOSER TO THE COST OF PRODUCTION THAN THE 14.75 CENTS PER POUND THAT THE ADMINISTRATION REPORTS, EVEN WHEN SECRETARY BERGLAND SAID AS LATE AS SEPTEMBER THAT IT COSTS 16 CENTS PER POUND TO PRODUCE SUGAR. I SHALL REINTRODUCE THE MEAT IMPORT QUOTA BILL AND AM HOPEFUL TO FIND SOME MIDDLE GROUND WITH PRESIDENT CARTER WITH REGARD TO THE PRESIDENTIAL OPTIONS TO LIFT OR RAISE QUOTAS, THAT WILL ENABLE US TO OBTAIN THIS NEEDED CHANGE IN THE MEAT IMPORT QUOTA SYSTEM.

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THESE TWO ISSUES WILL BE OF IMMEDIATE NEED AND WE SHALL PURSUE PROMPT ACTION ON THEM. IN ADDITION, OF PRIMARY INTEREST WILL BE THE INTERNATIONAL TRADE LEGISLATION TO BE SENT TO CONGRESS AS A RESULT OF THE MULTINATIONAL TRADE NEGOTIATIONS NOW IN PROGRESS IN GENEVA. ALL THREE OF THESE ISSUES WILL BE ASSIGNED TO THE FINANCE COMMITTEE, OF WHICH I AM A MEMBER.

IN THE AGRICULTURE COMMITTEE, THE PRIMARY LEGISLATION TO BE ADDRESSED WILL BE CROP INSURANCE AND DISASTER PAYMENT LEGISLATION, PROPOSED REORGANIZATION OF THE DEPARTMENT OF AGRICULTURE, INCREASING THE LIMIT OF FUNDS THAT CAN BE SPENT ON FOOD STAMPS, AND POSSIBLY LEGISLATION TO INCREASE PRICE SUPPORT LEVELS FOR WHEAT, FEED GRAINS AND COTTON.

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AS YOU KNOW, WE UNSUCCESSFULLY MADE SUCH AN ATTEMPT ON PRICE SUPPORT LEVELS IN 1978; HOWEVER, THIS COMING YEAR WE WILL HAVE THE FOOD STAMP LEGISLATION WITH WHICH TO COMBINE THESE PROPOSALS WHICH GREATLY ENHANCE THE POSSIBILITY OF PASSAGE OF FARM LEGISLATION.

OUR EFFORTS WILL BE TO PASS LEGISLATION TO PROVIDE THE NECESSARY CONFIDENCE IN THE FUTURE THAT FARMERS REQUIRE IN ORDER TO STAY IN FARMING AND TO EXPAND THEIR PRODUCTION. I HOPE THAT THE AGRICULTURAL COUNCIL OF AMERICA WILL MAKE COMPARABLE EFFORTS TO EDUCATE OUR CONSUMERS OF THE NEED FOR THIS CONFIDENCE AND LET THEM KNOW AND SUPPORT THEIR FARMER FRIENDS WHO WANT TO PRODUCE MORE FOOD AT REASONABLE PRICES.

December 1, 1978

MEMORANDUM FOR: Senator Dole

FROM: Bill Taggart

Attached are two pages which you might wish to incorporate into the speech on Tuesday in Texas.

Attachment

Handwritten notes:
Dole
Bill Taggart
12/1/78
Texas
speech

NEW AGRICULTURE COMMITTEE

I WOULD IMAGINE YOU WOULD BE INTERESTED, AS I AM, OF WHAT WE CAN EXPECT FROM THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY IN THE 96TH CONGRESS.

FIRST, WE NEED TO LOOK AT THE COMMITTEE STRUCTURE. PRESENTLY, THERE ARE 18 MEMBERS, 11 DEMOCRATS AND 7 REPUBLICANS. WITH THE INCREASE OF 3 REPUBLICANS IN THE SENATE, IT WOULD SEEM THAT THE COMMITTEE MIGHT BE REDUCED BY ONE MEMBER TO 10 DEMOCRATS AND 7 REPUBLICANS. ON THE REPUBLICAN SIDE, WE HAVE ONE VACANCY THROUGH THE RETIREMENT OF SENATOR CARL CURTIS. FOUR NEWLY ELECTED REPUBLICANS HAVE INDICATED THEIR INTEREST IN SERVING ON THE AGRICULTURE COMMITTEE, THOSE FROM MINNESOTA, IOWA AND VIRGINIA.

IF THE COMMITTEE IS REDUCED, THERE WILL BE 3 VANCANCIES ON THE MAJORITY SIDE. THE ONLY NEWLY ELECTED SENATOR WHO HAS INDICATED A STRONG DESIRE TO BE ASSIGNED TO THE AGRICULTURE COMMITTEE HAS BEEN THE SENATOR FROM NEBRASKA, AND THE PRESENT SENATOR FROM NEBRASKA IS ALREADY A MEMBER.

THIS CONCERNS ME FOR I FEEL WE SHOULD HAVE MEMBERS ON THE AGRICULTURE COMMITTEE WHO ARE VERY FAMILIAR WITH AMERICAN AGRICULTURE. TO FILL THE THREE POSITIONS WE WOULD HAVE, IN ADDITION TO THE SENATOR FROM NEBRASKA, TWO FROM ALABAMA, ONE FROM MONTANA, NEW JERSEY, MICHIGAN, ARKANSAS AND MASSACHUSETTS.

NEW DEMOCRATS

*Baucus -- Montana
*Boren -- Oklahoma
Bradley -- New Jersey
*Exon -- Nebraska
Heflin -- Alabama
Levin -- Michigan
Pryor -- Arkansas
Stewart -- Alabama
Tsongas -- Massachusetts

NEW REPUBLICANS

Armstrong -- Colorado
+Boschwitz -- Minnesota
Cohen -- Maine
Cochran -- Mississippi
+Durenberger -- Minnesota
Humphrey -- New Hampshire
+Jepsen -- Iowa
Kassebaum -- Kansas
Pressler -- South Dakota
Simpson -- Wyoming
+Warner -- Virginia

+ Indicated interest in Agriculture Committee

* State is already represented on Agriculture Committee

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RIGGED INTERNATIONAL MARKETING IS INHERENTLY BAD,
TO QUOTE THE INTERNATIONAL TRADE COMMISSION AGAIN:

"INTERNATIONAL COMMODITY AGREEMENTS TAKE VARIOUS FORMS, BUT IN GENERAL THEY ARE AGREEMENTS BETWEEN GOVERNMENTS OF BOTH PRODUCING AND CONSUMING COUNTRIES THAT ATTEMPT TO RAISE AND STABILIZE THE PRICES OF COMMODITIES."

"IN THE PURSUIT OF THESE OBJECTIVES, SUCH ARRANGEMENTS IMPOSE RESTRICTIONS ON THE FREE MOVEMENT OF COMMODITIES IN INTERNATIONAL TRADE. THEY OFTEN RESULT IN ECONOMIC WASTE AND THE MISALLOCATION OF SCARCE PRODUCTIVE RESOURCES, AND HISTORICAL EXPERIENCE HAS DEMONSTRATED THEIR FREQUENT FAILURE TO ACHIEVE THEIR OBJECTIVES."

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COMMODITY AGREEMENTS

COMMODITY AGREEMENTS ESTABLISHING MINIMUM AND MAXIMUM PRICES AND RESERVES ARE STILL BEING PROPOSED. NEGOTIATIONS OF COMMODITY AGREEMENTS FOR WHEAT OR OTHER GRAINS ARE OBJECTIONABLE ON SEVERAL GROUNDS, INCLUDING, BUT NOT LIMITED TO THE FOLLOWING:

FIRST, SUCH AGREEMENTS ARE INHERENTLY UNWORKABLE. A NUMBER OF PAST COMMODITY AGREEMENTS HAVE FAILED -- INCLUDING THE INTERNATIONAL GRAINS ARRANGEMENT -- BECAUSE NEGOTIATED MINIMUM PRICES AND FIXED DIFFERENTIALS COULD NOT WITHSTAND THE STRESSES OF CHANGING MARKET CIRCUMSTANCES. THE SURGE IN U.S. GRAIN EXPORTS OF THE RECENT YEARS TO RECORD LEVELS POINTS OUT HOW WELL THE U.S. PRODUCER CAN DO IN A FREE MARKET ENVIRONMENT.

SECOND, COMMODITY AGREEMENTS FOR GRAINS CREATE SERIOUS DISADVANTAGES FOR THE U.S. THEY DISADVANTAGE EFFICIENT MAJOR PRODUCERS FOR EXPORT, SUCH AS THE U.S. AND, WHEN SUPPLIES BEGIN ACCUMULATING, THERE ARE CONSIDERABLE PRESSURES -- AND OPPORTUNITIES -- AMONG U.S. COMPETITORS TO UNDERCUT MINIMUM PRICE LEVELS. THE U.S., ON THE OTHER HAND, IS BETTER SERVED BY MARKET DEVELOPMENT AND TRADING ARRANGEMENTS, WHICH REWARD COMPETITIVENESS AND GROWTH.

FINALLY, COMMODITY AGREEMENTS HAVE IMPOSED NO DISCIPLINE ON MEMBER COUNTRIES TO MAKE PROPER ADJUSTMENTS TO CHANGING CONDITIONS IN SUPPLY AND DEMAND. THE INABILITY TO ADJUST TO CHANGING CIRCUMSTANCES AGGRAVATES INBALANCE IN THE WORLD GRAIN ECONOMY.

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INTERNATIONAL GRAINS AGREEMENT

THE BREAKDOWN OF THE INTERNATIONAL GRAINS ARRANGEMENT IS A SPECIFIC CASE IN POINT. THE IGA WAS NEGOTIATED AT THE CONCLUSION OF THE KENNEDY ROUND. ITS RELATIVELY HIGH PRICE FLOOR AND EXTREMELY NARROW PRICE RANGE EMERGED IN THE WAKE OF INDIAN FOOD PROBLEMS IN THE MID-1960's. BUT, SUPPLY CONDITIONS WERE ALREADY CHANGING AS SURPLUS STOCKS BEGAN TO ACCUMULATE. BY 1969, THOSE STOCKS WERE PROVING BURDENSOME, AND EXPORTERS WERE NO LONGER WILLING TO ACCUMULATE THOSE STOCKS IN SUPPORT OF AN ARTIFICIALLY HIGH PRICE. SEVERAL COUNTRIES, INCLUDING THOSE WHO LOBBIED VIGOROUSLY FOR THE EXISTING PRICE RANGE, BEGAN SELLING WHEAT ON THE WORLD MARKET AT PRICES BELOW THE IGA MINIMUM (WHICH WAS BASIS U.S. WHEAT AT THE GULF). FAVORABLE SHIPPING PROVISIONS IN THE IGA ALSO ENABLED THESE OTHER EXPORTERS TO UNDERCUT U.S. PRICES.

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SIMILAR PRESSURES ARE APT TO OCCUR IN ANY NEW AGREEMENT WHICH SETS AN ARTIFICIALLY HIGH MINIMUM PRICE. WHEN EXCESS SUPPLIES ACCUMULATE, INTERNAL PRESSURES ARE GREAT TO IGNORE PREVIOUS COMMITMENTS AND HAVE RESULTED IN MOVING OUT THAT GRAIN AT LOWER PRICES THAN THOSE ESTABLISHED MULTILATERALLY.

IN ADDITION, THE CLOSE INVOLVEMENT OF GOVERNMENT IN GRAIN MARKETING IN SEVERAL COUNTRIES PROVIDES THESE EXPORTERS WITH OPPORTUNITIES TO CIRCUMVENT PRICE PROVISIONS OF COMMODITY AGREEMENTS THROUGH SPECIAL ARRANGEMENTS, WHICH EFFECTIVELY LOWER THE COST AND ENHANCE THE COMPETITIVENESS OF THEIR EXPORTS.

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THEY CAN, FOR EXAMPLE, NEGOTIATE SPECIAL SHIPPING RATES, TIE-IN TRADES OR SWAP ARRANGEMENTS IN CONJUNCTION WITH GRAIN CONTRACTS. THEY CAN ALSO OFFER SPECIAL CREDIT ARRANGEMENTS WHICH LOWER INTEREST RATES. MOREOVER, GOVERNMENTS HAVE OPPORTUNITIES TO NEGOTIATE GRAIN CONTRACTS IN THE CONTEXT OF OTHER POLITICAL OR ECONOMIC CONCESSIONS WITH INDIVIDUAL IMPORTING COUNTRIES. SUCH ARRANGEMENTS WORK TO THE DISADVANTAGE OF COUNTRIES LIKE THE U.S., WHERE DIRECT GOVERNMENT INVOLVEMENT IN MARKETING IS MINIMAL.

COMPETITIVE MARKETING SYSTEM

THE U.S. IS AN EFFICIENT, ABUNDANT PRODUCER, AND IT POSSESSES A STRONG, COMPETITIVE MARKETING SYSTEM. THESE STRENGTHS ARE BEST UTILIZED UNDER LIBERALIZED, COMPETITIVE TRADING CONDITIONS, WHERE PRODUCTIVE CAPACITY AND MARKETING SERVICES -- RATHER THAN SPECIAL ARRANGEMENTS OR MARKET SHARING -- ARE THE BASIS FOR MARKET OPPORTUNITIES.

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FREE MARKETS BUTTRESSED BY THE FUTURES MARKETS ARE A SOURCE OF PROTECTION AGAINST PRICE RISKS FOR MOST FREE-WORLD NATIONS' GRAIN MERCHANTS. FUTURES PRICES ARE AN INDEX -- A BAROMETER OF SUPPLY AND DEMAND -- REFLECTING PRICING CARRIED ON IN CASH MARKETS THROUGHOUT THE WORLD. BUYERS AND SELLERS SEND ORDERS INTO THE CENTRAL MARKETPLACE FROM AROUND THE GLOBE. THIS SERVES THE WORLD EFFICIENTLY, AND CAN CONTINUE TO DO SO.

THESE MARKETS SERVE THE PUBLIC MORE QUICKLY AND MORE EFFICIENTLY THAN ANY INTERNATIONAL CARTEL AGREEMENT EVER COULD. THE GOVERNMENT SHOULD ABANDON THE INTERNATIONAL GRAIN IDEA NOW. FOR AS GEORGE SANTAYANA SAID: THOSE WHO CANNOT REMEMBER THE PAST ARE CONDEMNED TO REPEAT IT.

AGRICULTURAL EXPORTS

I WISH TO POINT OUT THAT U.S. AGRICULTURAL EXPORTS REACHED A RECORD HIGH OF \$27.3 BILLION DURING FISCAL YEAR 1978.

THE EXPORT TOTAL FOR THE FISCAL YEAR WHICH ENDED SEPTEMBER 30 WAS UP \$3.3 BILLION, OR 13.9 PERCENT, FROM FISCAL YEAR 1977 AND RECORD HIGH FOR THE NINTH STRAIGHT YEAR. AT THE SAME TIME, THE EXPORT VOLUME, LED BY SUBSTANTIAL GAINS IN WHEAT, FEED GRAINS AND SOYBEANS, ROSE 19.5 PERCENT TO A RECORD 122.3 MILLION TONS. THAT TOTAL IS 20 MILLION TONS ABOVE THE PREVIOUS HIGH SET IN FISCAL 1977.

THE VALUE OF AGRICULTURAL IMPORTS FOR THE YEAR WAS \$33.9 BILLION, WHICH MEANS THAT U.S. AGRICULTURAL EXPORTS WERE \$13.4 BILLION GREATER THAN IMPORTS.

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U.S. FARM EXPORTS MADE A \$13.4 BILLION POSITIVE CONTRIBUTION TO THIS NATION'S TOTAL BALANCE OF TRADE. THIS IS VITAL TO THE STRENGTH OF THE DOLLAR. WHILE IT APPEARS TO BE ROUTINE, AGRICULTURE'S CONTRIBUTION HAS EXCEEDED \$10 BILLION FOR EACH OF THE PAST FIVE FISCAL YEARS.

FARMERS HAVE A RIGHT TO BE PROUD OF THIS ACCOMPLISHMENT. IT SHOWS WHAT CAN BE DONE WHEN THEY ARE NOT ENCUMBERED BY THE STRICTURES OF INTERNATIONAL COMMODITY AGREEMENTS.

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CONFIDENCE NEEDED FOR EXPANSION

I KNOW THE AGRICULTURE COUNCIL OF AMERICA IS FOUNDED FOR THE PURPOSE OF BRIDGING THE GAP BETWEEN PRODUCER AND CONSUMER, BETWEEN RURAL AND URBAN CITIZENS. IT IS A STRUGGLE AND WILL CONTINUE TO BE A STRUGGLE.

TODAY, I WOULD SUGGEST THAT THE COUNCIL ADDRESS ITSELF TO SPREADING THE NEED FOR ECONOMIC CONFIDENCE. ANY BUSINESSMAN MUST HAVE THE CONFIDENCE THAT WHAT HE IS MANUFACTURING AND SELLING WILL HAVE A REASONABLE CHANCE AT MAKING HIM A PROFIT. THAT IS WHY HE IS WILLING TO MAKE THE INVESTMENT TO BE IN BUSINESS.

BUT IN FARMING, THE NEED FOR THIS CONFIDENCE IS MORE IMPORTANT THAN IN OTHER SECTORS OF THE ECONOMY. MOST CONVENTIONAL BUSINESSES CALL THEIR SUPPLIES AND ORDER THEIR RAW MATERIALS CAREFULLY IN THE QUANTITY AND QUALITY THAT THEY NEED TO PRODUCE THEIR PRODUCT. THEY PROJECT THE DEMAND AND PROJECT THE SALES PRICE.

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WHO DOES THE FARMER CALL TO ORDER RAIN? WHO DOES HE CALL TO GET A PRICE PROJECTION ON CATTLE TWO AND A HALF YEARS FROM NOW? FARMERS HAVE ALWAYS FACED SUCH INDECISION AND CONTINUED TO PRODUCE BASED ON FAITH AND A HEALTHY ECONOMY AND THE LAW OF AVERAGES WITH REGARD TO PRODUCTIVITY RESULTING FROM THE SUN, WATER AND NATURAL RESOURCES.

BUT NOW, GOVERNMENT HAS BECOME MORE INVOLVED IN ECONOMIC MANIPULATIONS AND OTHER CONTROLS SO THAT FARMERS ARE HESITANT TO MAKE THE NECESSARY INVESTMENTS IN EXPANDED PRODUCTION. AFTER REPEATED RECOMMENDATIONS BY SECRETARY BERGLAND, SOME OF WHICH BORDERED ON THREATS, CATTLEMEN HAVE REFUSED TO INCREASE THEIR COW HERDS. SUGAR BEET ACREAGE IS SHRINKING.

THE MEAT IMPORT ISSUE HAS BEEN A POLITICAL FOOTBALL FOR TOO MANY YEARS. WHENEVER MEAT IMPORTS HAVE BEEN MANIPULATED, IT HAS ALWAYS BEEN AT THE EXPENSE OF THE FARMER AND TO THE BENEFIT OF NO ONE. ACTIONS THIS PAST YEAR ARE PROOF OF THIS. ON JUNE 8TH, PRESIDENT CARTER INCREASED IMPORTS BY 200 MILLION POUNDS. IT CAUSED HAVOC IN THE INDUSTRY. FED CATTLE PRICES DROPPED UP TO \$10 PER CWT, BUT WE SAW NO APPRECIABLE DROP IN PRICES FOR THE CONSUMER.

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JUST RECENTLY, WE'VE HEARD TALK ABOUT A REALLOCATION OF IMPORTS FOR THE REMAINDER OF 1978 WHEREBY THE SHORTFALL OF SOME COUNTRIES WILL BE GIVEN TO MAJOR EXPORTERS SUCH AS AUSTRALIA AND NEW ZEALAND. THE AMOUNT OF MEAT WE'RE TALKING ABOUT IS RELATIVELY SMALL. BUT, THE PUBLICITY AND RUMORS CIRCULATING ON THIS ISSUE HAS AGAIN CREATED UNCERTAINTY IN THE INDUSTRY CAUSING PRICES TO FALL. THE PRESIDENT WILL TALK ABOUT INFLATION AND WE'LL STILL SEE NO APPRECIABLE BENEFITS FOR THE CONSUMER.

THE RECENT MEAT IMPORT BILL WHICH THE PRESIDENT VETOED WOULD HAVE TAKEN POLITICS OUT OF THE MEAT IMPORT ISSUE ONCE AND FOR ALL. IT WOULD HAVE ESTABLISHED A SET OF RULES BENEFITING BOTH THE CONSUMERS AND THE PRODUCERS THAT WOULD HAVE OPERATED FREE OF POLITICAL PRESSURE FROM INTEREST GROUPS. THE COUNTER-CYCLICAL FORMULA WAS REASONABLE AND CERTAINLY MOST LOGICAL.

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THE PRESIDENT DIDN'T LIKE CERTAIN RESTRICTIONS IMPOSED ON HIS AUTHORITY TO SUSPEND QUOTAS. THESE RESTRICTIONS ONLY ASSURED THE PRODUCER THE COUNTER-CYCLICAL FORMULA WOULD WORK AT BOTH ENDS OF THE CATTLE CYCLE. WITHOUT THEM, THE PRODUCER WOULD AGAIN BE A PART OF A ONE-WAY PROGRAM.

THE LAW WHICH THE PRESIDENT VETOED DID GIVE HIM THE NECESSARY LATITUDE HE NEEDED IN CASE OF EMERGENCY. IT ALSO RELIEVED HIM OF BEING SUBJECT TO CONSTANT POLITICAL PRESSURES TO EITHER SUSPEND OR IMPOSE QUOTAS, DEPENDING ON WHICH SIDE OF THE FENCE YOU'RE ON.

THE IMPORT ISSUE WILL CONTINUE AND THE PRESIDENT WILL USE IT AS A SO-CALLED INFLATION FIGHTER WITH THE PRODUCER BEING THE WHIPPING BOY FOR SOMETHING HE DIDN'T HAVE ANYTHING TO DO WITH.

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WHAT WILL HAPPEN IN THE 96TH CONGRESS?

WHEN THE 96TH CONGRESS CONVENES IN JANUARY, TWO IMMEDIATE CONCERNS OF THOSE OF US REPRESENTING AGRICULTURAL STATES AND INTERESTS AND OF ASSURING CONSUMERS ADEQUATE REASONABLE SUPPLIES OF FOOD, WILL BE MEAT IMPORT LEGISLATION AND SUGAR LEGISLATION. AS YOU RECALL, THE MEAT IMPORT QUOTA BILL WAS VETOED THE WEEKEND FOLLOWING THE NOVEMBER ELECTIONS, AND THE ADMINISTRATION'S WEAK ATTEMPT AT SUGAR LEGISLATION WAS DEFEATED IN THE HOUSE OF REPRESENTATIVES.

I PLAN TO INTRODUCE LEGISLATION THAT WILL SET PRICE SUPPORT LOANS AT A FIGURE CLOSER TO THE COST OF PRODUCTION THAN THE 14.75 CENTS PER POUND THAT THE ADMINISTRATION REPORTS, EVEN WHEN SECRETARY BERGLAND SAID AS LATE AS SEPTEMBER THAT IT COSTS 16 CENTS PER POUND TO PRODUCE SUGAR. I SHALL REINTRODUCE THE MEAT IMPORT QUOTA BILL AND AM HOPEFUL TO FIND SOME MIDDLE GROUND WITH PRESIDENT CARTER WITH REGARD TO THE PRESIDENTIAL OPTIONS TO LIFT OR RAISE QUOTAS, THAT WILL ENABLE US TO OBTAIN THIS NEEDED CHANGE IN THE MEAT IMPORT QUOTA SYSTEM.

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THESE TWO ISSUES WILL BE OF IMMEDIATE NEED AND WE SHALL PURSUE PROMPT ACTION ON THEM. IN ADDITION, OF PRIMARY INTEREST WILL BE THE INTERNATIONAL TRADE LEGISLATION TO BE SENT TO CONGRESS AS A RESULT OF THE MULTINATIONAL TRADE NEGOTIATIONS NOW IN PROGRESS IN GENEVA. ALL THREE OF THESE ISSUES WILL BE ASSIGNED TO THE FINANCE COMMITTEE, OF WHICH I AM A MEMBER.

IN THE AGRICULTURE COMMITTEE, THE PRIMARY LEGISLATION TO BE ADDRESSED WILL BE CROP INSURANCE AND DISASTER PAYMENT LEGISLATION, PROPOSED REORGANIZATION OF THE DEPARTMENT OF AGRICULTURE, INCREASING THE LIMIT OF FUNDS THAT CAN BE SPENT ON FOOD STAMPS, AND POSSIBLY LEGISLATION TO INCREASE PRICE SUPPORT LEVELS FOR WHEAT, FEED GRAINS AND COTTON.

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AS YOU KNOW, WE UNSUCCESSFULLY MADE SUCH AN ATTEMPT ON PRICE SUPPORT LEVELS IN 1978; HOWEVER, THIS COMING YEAR WE WILL HAVE THE FOOD STAMP LEGISLATION WITH WHICH TO COMBINE THESE PROPOSALS WHICH GREATLY ENHANCE THE POSSIBILITY OF PASSAGE OF FARM LEGISLATION.

OUR EFFORTS WILL BE TO PASS LEGISLATION TO PROVIDE THE NECESSARY CONFIDENCE IN THE FUTURE THAT FARMERS REQUIRE IN ORDER TO STAY IN FARMING AND TO EXPAND THEIR PRODUCTION. I HOPE THAT THE AGRICULTURAL COUNCIL OF AMERICA WILL MAKE COMPARABLE EFFORTS TO EDUCATE OUR CONSUMERS OF THE NEED FOR THIS CONFIDENCE AND LET THEM KNOW AND SUPPORT THEIR FARMER FRIENDS WHO WANT TO PRODUCE MORE FOOD AT REASONABLE PRICES.