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NEWS from U.S. Senator Bob Dole

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STATEMENT OF HONORABLE BOB DOLE HEARINGS ON AGRICULTURAL FUEL AND FERTILIZER SUBCOMMITTEE ON AGRICULTURAL RESEARCH AND GENERAL LEGISLATION JUNE 13, 1973

Mr. Chairman, having joined with Senator Bellmon in requesting these hearings, I would like to express my appreciation for your response, Mr. Chairman, and for the appearance of these witnesses on these two days.

At the outset I would say that the testimony of yesterday's witnesses -- especially Secretary Butz and Assistant Secretary Wakefield -- was informative. But in the light of the testimony of Senator Curtis and the three individuals from Kansas -- Mr. Mosier, Dr. Bohannon and Mr. Walker -- I would hardly say that those official statements were very reassuring.

SYSTEM NOT WORKING

Nor did I gain much confidence in the present system from two reports reaching my office yesterday.

In the first case -- an instance where some 40 farmers were without fuel because their supplier had gone out of business -- a member of my staff received a call yesterday from the secretary of an office of Oil and Gas official. She called to report that the official had discussed this critical fuel shortage situation by telephone with the manager of the local co-op which was unable to serve these 40 farmers who were without a supplier. The conversation took place last Thursday, June 6, and my office was notified yesterday, June 12. In the meantime -- and entirely outside the framework and channels of the Office of Oil and Gas -- my office was able to locate and deliver an emergency supply of 8,000 gallons of gasoline.

Now, I realize that the Office of Oil and Gas is probably seriously overworked and understaffed. But if it takes three working days and five calendar days to pass along a report of a telephone conversation, the system is, obviously, not responding to the situation quickly enough.

In another case, a jobber serving approximately 35 farm customers was told, when called at my request by the Office of Oil and Gas, that seven to ten days would be required just to process the paperwork on his case. This is ridiculous. An entire crop can be lost in a day or two, but this man is being told he and his farm customers must wait seven to ten days for papers to be shuffled.

These examples tell only part of the story, but they are significant.

And let one point be clearly understood. We are not here today discussing the narrow, selfish interests of farmers. We are discussing a subject of the broadest national scope. This is a case of the farmer's interest being identical to the interest of every American who consumes what farmers produce.

I was in Kansas last weekend and, during that stay, talked to many farmers, rural residents and businessmen who serve and depend on the agricultural community. In addition, my office here in Washington has received dozens of calls and letters from these same people, their neighbors and counterparts throughout the state.

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So, today, I am appearing at these hearings with something of a first-hand understanding of the situation in Kansas.

FARMERS ARE CONCERNED

To summarize, I would say that the fuel situation appears to be limping along from day to day, but some farmers are anxious and do not feel they are being given the necessary positive assurances that fuel will be available when required.

The farmers' anxiety is increasing with the temperature. For with every day of dry, hot, windy weather, the crops are maturing. The wheat is ripening and summer planting moves further along. The farmers know that these developments carry with them a sharply increased need for fuel -- gasoline, diesel fuel and natural gas. But they do not know if the fuels are going to be there when needed.

Supplies are tight and growing tighter. If the past week's weather conditions continue, the peak demand will be reached very quickly, so farmers are understandably worried about their fuel supplies.

They are worried for several reasons. First, they are concerned with the overall picture. They hear stories on the radio and read in the papers about the nationwide shortages of crude oil and natural gas, they hear about the filling stations and dealers which have gone out of business, and they hear of other farmers being caught short on fuel. Second, they, themselves, are under allocation from their suppliers, and there are doubts about the size and sufficiency of future allocations.

So it is entirely understandable that Kansas farmers are anxious, worried and not very pleased about the current fuel situation.

SUCCESS AND FAILURE

Considering the voluntary fuel allocation program as a whole, both success and failure can be seen. In a large number of cases the allocation program has worked fairly well. The alert system for spotting and solving cases of shortage has been successful with unexpected frequency. The county and state offices of the Agricultural Stabilization and Conservation Service have worked closely with the Department of the Interior's Office of Oil and Gas. The officials involved have been extremely courteous and responsive to requests from my office for information and assistance. Quite a few of the spot shortages in farm fuels have been covered by shifted supplies and juggled sources. But there have been exceptions.

THE ORDINARY CASE

In most cases the problem which reaches the ASCS-OOG emergency system is a matter of an established supplier who has run low, and the solution for his problem is usually found by moving back up his chain of supply to a point where additional product can be found and sent his way. In these cases the answer is not too hard to find -- only a few phone calls are usually needed.

THE DIFFICULT CASE

But the difficult case develops when a distributor -- usually an independent -- goes out of business and leaves forty, fifty, perhaps as many as several hundred farmers in the lurch. Other suppliers in the area are under allocation from their sources, so they cannot take on additional customers. Thus, these abandoned farmers are left with nowhere to turn. The Office of Oil and Gas can do little more than inquire of other distributors in the area, only to learn that their allocations are committed to their established customers.

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A situation such as this developed only last week in Meriden, Kansas, a farming community near Topeka. An independent dealer serving 45 to 50 farmers in and around Meriden went out of business because he could not obtain supplies. The local co-op, with its customers already on strict allocation of their gas supplies, was only able to share some diesel fuel stocks. The customers of this out-of-business supplier reported the situation to the county ASCS office which called state headquarters in Topeka, and from there word was passed to Washington and the Office of Oil and Gas. At this point my office became involved on the basis of reports from the state, and an urgent call was placed to the Office of Oil and Gas. They were already aware of the situation and devoted considerable efforts to find new supplies. But in the end they were unsuccessful. The supplies simply were not available. The co-op's supplier, a major independent refiner, does not have sufficient crude oil supplies to run its facilities at capacity, so it was impossible to provide more refined products -- regardless of the need.

Fortunately, an entirely unsystematic but successful effort through my office located an emergency, one-time-only supply of 8,000 gallons of gasoline for these 45 farmers in Meriden. It was delivered yesterday to be shared equally by these farmers. Hopefully, it will provide each of them with approximately one week's supply. But no one knows where -- or if -- the next week's supply will be found.

Other, similar situations have developed, and more will certainly occur. They are certainly not the fault of OOG or its personnel, but their hardship, tragedy and damage are not diminished.

M O R E

SPREADING UNCERTAINTY

And even if only a few such cases do develop, their occurrence and the knowledge of them are sources of great concern to every farmer. No matter how reliable a farmer's fuel source has been -- after hearing of someone whose tractor has stopped in the field, whose crops did not get planted or were not harvested or fertilized -- a farmer is going to wonder, "Will I be the next one?" And this doubt, this uncertainty, this worry, has an unavoidable effect on his confidence and his desire to expand production.

It makes little difference if it is a wheat or corn or milo farmer who wonders if he really should go ahead and plant some extra acres, because of doubt that he will have enough gas or diesel fuel to run the tractor or combine. It could be a rancher or a dairy farmer or a poultry grower who wonders if fuel shortages will make feed too scarce or too expensive to make an expanded herd or flock worthwhile. The effects are the same. The doubt and the uncertainty continue, and they spread throughout the system.

UNSUCCESSFUL PROGRAM

Based on this one factor alone, I would rate the voluntary allocation program as unsuccessful. It has not inspired confidence in our farmers. Thus, it has not provided a foundation for the growth in agricultural production which is vitally important to the domestic and international economic position of the country.

The fuel situation might not be entirely to blame, but a story in Monday's Wall Street Journal indicated that beef production is 3% below last year's level; pork production is 5% lower; broiler chicken production is down 2 to 3%; egg production is off 6%; and an expected milk surplus has turned to a rate of production 2% below last year's.

With rising demand for food both at home and abroad, U. S. production should be increasing rapidly. Millions more farm acres have been put into production this year in the hope of boosting production to meet our domestic needs and at the same time take advantage of expanding overseas markets. This increased production is needed to hold down consumer food costs at home and to make valuable agricultural export sales which are a major hope for reducing our trade deficits.

It is impossible to predict the value of such lost exports, but fifty-cent loaves of bread, dollar-a-dozen eggs, and two-dollar-a-gallon milk could very quickly be the result for the American consumer.

Extra, increased production is needed, but if farmers do not expand their efforts, because they lack confidence in having the fuels to make such increases possible, we will face the triple tragedy of lower farm income, higher domestic food prices and lost export opportunities.

Furthermore, the risk of the voluntary allocation system's outright breakdown and failure at a time of crucial agricultural demand is a gamble this nation cannot afford to take. Real food shortages -- not just higher prices -- brought on by crops lost due to fuel supply failures, would be a calamity of the first order. And they would be a terrible blemish on the record of the nation which has for so many years taken such well-deserved pride in the efficiency and variety of its agricultural production. The consequences -- economic, social and humanitarian -- would be too severe for any nation to change.

UNIQUE REQUIREMENTS

To understand the importance of fuel supplies in agriculture, we must first understand farming and nature.

Unlike a regular business or industrial user of fuel and energy, the agricultural sector of our economy is uniquely tied to strict schedules set by climate, rainfall, sunlight and temperature. When a city's police and fire department bulk tanks may be low, supplies can always be secured through commercial outlets. If a vacationer has to postpone or shorten a trip, there

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is no great loss. I would even suggest that minor curtailment of even public mass transit services could be tolerated for short periods without permanent harm.

But agricultural operations -- planting, plowing, fertilizing, harvesting -- must be carried out according to nature's timetable, not man's. They cannot be put off to suit a farmer's convenience or to compensate for outside circumstances. There is no flexibility or room for corrective action.

And this is the danger of the present fuel situation. The summer wheat harvest is under way in Texas and will start in Kansas in a few days. Custom harvesters must have fuel to transport their equipment to the fields. When the grain is ready, the tractors must roll and operations must begin. If fuel shortages keep the tractors and combines from running, there will be no crops. Farmers cannot wait a week or two weeks to receive their fuel. They must have it when they need it, or it is of no use to them.

NATIONAL PROBLEM

This is not simply a regional problem or a situation facing one sector of the economy. It is a problem which concerns every American -- from the farmer in Kansas who wants to plant and harvest his crops to the housewife in New York City who wants a variety of products and reasonable prices at the supermarket.

VOLUNTARY ALLOCATION PROGRAM

The voluntary program for the allocation of crude oil and refinery products has been in effect for slightly more than one month. As I indicated the results have so far been better than I had expected. But I feel this program falls far short of meeting the full impact of fuel shortages which appear to be in prospect for the end of June and early July. At that time, as I indicated earlier -- with the wheat harvest being completed and planting operations moving into full sway -- a tremendous agricultural fuel demand will be created in the face of exhausted allocations and restrictions on programing ahead on future months' supplies. In addition the anticipated recreation and vacation demands of mid-summer will create even stronger competition with agricultural requirements. And under such circumstances, I fear a voluntary allocation system simply cannot assure the availability of fuels farmers must have.

The farmers of America cannot burn voluntary guidelines and suggested priorities in their tractors. They must have fuel -- gasoline, diesel oil, and LP gas -- and they must have it at the right time. I cannot place much faith in bureaucratic assurances -- even though made in the utmost good faith.

Voluntary guidelines and the threat of more stringent measures cannot guarantee the fuel our farmers need. A Washington bureaucracy cannot know from hour to hour whether farmers are receiving the supplies they need when they need them. And even if violations of the voluntary guidelines were to be detected, I do not see how remedial action could come in time to do any good.

America's food supplies are too important to depend on a voluntary fuel allocation plan. This plan needs more than a jawbone behind it. It requires strong teeth and a big stick to assure and require compliance.

AUTHORITY EXISTS

Congress has provided the authority for these controls in legislation passed earlier this year, but to date this authority has only been exercised to establish the voluntary program.

As a matter of general principle, I do not believe the Federal Government should intrude too deeply into the private economic affairs of the nation. However, in this case the stakes are too high to take a chance that farmers -- and other important economic sectors as well -- will not be guaranteed the fuel supplies they need.

As I said, laws now on the books do provide the authority to establish a mandatory system for fuel allocations, but they have not been utilized.

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MANDATORY CONTROLS REQUIRED

Thus, the time has come -- while it is still not too late -- to establish a strong, mandatory and effective fuel allocation program.

This program could be set up under the existing structure of the Office of Oil and Gas. It could use the same guidelines -- giving agricultural and food-production activities first priority. It should have the full weight of Executive Branch behind it for strong, fair and effective administration.

And it should be enforced in a manner which will leave no doubt in the mind of anyone -- producer, refiner, farmer, mayor, or housewife -- that it means business, the business of maintaining and assuring essential petroleum and fuel supplies.

This action must be taken immediately, so it will be in place and working when the peak agricultural demand of harvest and planting arrives in late June and early July. Confidence in our fuel supply system must be restored. If it is not, I can foresee nothing but the chaos of major food shortages, dislocation of our entire economy and the most grave and dangerous reaction from a frightened and angry public.

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