



NEWS from U.S. Senator Bob Dole

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Some Issues Affecting Milk Producers

Remarks by Senator Bob Dole

Before the Kansas Division of the

Associated Milk Producers' Annual Meeting

Wichita, Kansas, January 17, 1978

I appreciate the opportunity to speak to you today at the request of Norman Barker and James More of Associated Milk Producers', Inc.

In the development of the Food and Agriculture Act of 1977, dairy farmers fared as well - possibly better - than producers of any commodity dealt with in the legislation.

The dairy price support program, the foundation of price stability for the dairy industry, is, of course, permanent legislation requiring a price support level between 75 and 90 percent of parity. This program was amended in two important respects in this new farm bill.

First, the minimum price support level was increased to 80 percent of parity through March 31, 1979. This higher minimum will provide valuable price assurance to dairy farmers who are continuing their battle against the cost-price squeeze.

The second improvement requires the semi-annual adjustment of the price support level to reflect changes in the parity index. This provision, effective through March 31, 1981, is intended to help offset the effects of future inflation. We all hope inflation can be curbed - it benefits no one - but this amendment will help to give the dairy farmer the same degree of price assurance at the end of the marketing year as he had when the price support level was initially set.

Present Authorities Extended

The farm bill extends authorities:

- For base plans under Federal milk market orders.
- For the Secretary of Agriculture to transfer dairy products held by the Commodity Credit Corporation to the military and Veterans Administration for use in troop feeding and in hospitals.

Dairy Indemnity

Despite the extreme care exercised by dairy farmers to prevent contamination of their milk by pesticides, chemicals and other pollutants, the possibility of such happenings continues to be a risk. When something of this nature happens, of course, the farmer is faced with losses of immense proportions as his milk is barred from the market. In 1964, Congress approved the Dairy Indemnity Program to provide indemnity payments for producers whose milk was barred due to the presence of pesticide residues if this happened through no fault of his own. While the program has been relatively inexpensive (\$250,000 annually) for the government, it has served to keep many of the affected dairymen in business.

Recognizing that this problem is not confined to pesticides alone, program coverage was expanded to include instances where nuclear radiation or residues of toxic chemicals other than pesticides result in milk being forced off the market through no fault of the producer.

FDA Withdraws Ice Cream Proposal

A major concern to dairy farmers has been the efforts of the Food and Drug Administration to permit the substitution of chemically derived ingredients, imported casein, for nonfat milk solids in ice cream.

In order to express our complete opposition to this, a provision was included in the farm bill directing the Secretary of Agriculture to develop a quality standard for ice cream based on the standard that FDA wanted to scrap. In effect, we sent the FDA a message - desist from what they were proposing. It appears that the message was received as Commissioner Kennedy, of FDA, has announced he is withdrawing the ice cream proposal.

Surpluses Growing

We hear about the surpluses of grain on the U.S. market but there is a crisis in the making in excess dairy stocks accumulated in the hands of the U.S. Government. The CCC stocks of nonfat dry milk have ballooned to 700 million pounds and are estimated to reach one billion pounds by the end of this fiscal year, October 1, 1978. Presently, the stocks of butter are at 200 million pounds and estimated to rise to 330 million by October 1. CCC cheese stocks last October 1 were 71 million pounds and are estimated to grow to 200 million pounds this year. The Administration has not taken any action to reduce the growing mountain of dairy products.

Tools Available for NFDM Exports

The Administration has the authority necessary to move additional quantities of nonfat dry milk (NFDM). Millions of pounds were sold at world market prices during the previous Administration to the Japanese school lunch program and to CONOSUPO, the Mexican Government's equivalent of our Commodity Credit Corporation. The sales to Mexico were used in special programs for needy Indians and others. I suggest that the Administration consider such sales or the combination of commercial sales and donations to markets such as Mexico.

We are programming about 200 million pounds of nonfat dry milk under the Title II, P.L. 480 donations program. I believe this quantity could be increased. In February the Administration will be increasing its pledge to the World Food Program. This larger pledge should carry an increased component of nonfat dry milk.

Import Policies Amiss

Concurrent with increasing domestic dairy surpluses the import quotas have not been reduced and, in fact, Administration actions have allowed increased amounts of milk products to enter our market. Butter cookies, imported into the U.S. from the European Community, were a bold attempt to ship in subsidized butter, subsidized wheat, and subsidized sugar. The U.S. International Trade Commission investigation verified these facts. Countervailing duties should be applied to this subsidized competition but the Administration granted a countervailing duty waiver instead. This unfair competition is displacing market demand for domestic dairy production.

Multilateral Trade Negotiations

The Geneva trade talks are bogged down in the agriculture sector. European Community pressures to force the U.S. into an international dairy agreement are only attempts to nullify present G.A.T.T. trading rules in order to legalize their export subsidies in world trade.

Agriculture has much to gain from these negotiations but let me warn you that the American dairy farmer could be negotiated out of business as the price for concessions in other areas. These trade negotiation packages must come before the Congress for approval and, as far as I am concerned, must be balanced. We must not sacrifice agriculture for concession to U.S. industry.

Kansas City Farm Strike Hearings

Yesterday, I conducted a field hearing for the Senate Agriculture Committee in Kansas City.

At my request, the Senate Agriculture Committee agreed to hold field hearings so that farmers and others concerned with the farm crisis could communicate with us. We sought new ideas that might be incorporated in existing farm legislation to strengthen the farmers' economic position.

I wish that more of my Congressional Colleagues - especially those from the urban areas who are not in frequent touch with farmers - could have been present to hear our farmers speak of their problems which are more and more becoming the problems of all America.

Since we cannot have a healthy national economy without a healthy agricultural economy, all Americans, particularly consumers, have a vital interest in the issues of concern to farmers.

I want to point out that I do not endorse a "farm Strike", a strike of any kind for that matter. I did not support the "meat boycott" by consumers in 1973. Neither did I support the soybean "export embargo" in 1973 nor the grain "export moratorium" in 1975. I do, however, feel that we have a real responsibility to do what is feasible in helping farmers everywhere achieve a fair share of the national income. Their basic goal is a fair share of the national income. Such a goal is not unreasonable and would be equitable.

Panama Canal

The Panama Canal issue is important to all Americans, but it is especially important to those engaged in any aspect of agricultural activity. This is because the Canal route is so vital to both domestic and international shipments of agriculture products, and plays a key role in our ability to compete with foreign producers.

In 1976, for example, one out of every 5 tons of U.S. farm products in trade moved through the Panama Canal. Much of this was corn, soybeans, and sorghum, headed for Asian markets. If for some reason we were unable to utilize this economical shipping route - or if Canal tolls are substantially raised - it would effect our ability to compete for those markets with Canadian and Australian exporters. At the same time, shipments from the West Coast to Europe, and to the East Coast rely heavily upon use of the Canal.

If these shipments had to be re-routed around Cape Horn, for any reason, it would almost double transportation costs.

American farmers and rural communities have a great interest in the continued stable, dependable operation of the Canal. That is one reason I feel so strongly that we should not just give up this vital waterway resource without going over all Treaty provisions with a fine-toothed comb.

I have studied the proposed Panama Canal Treaties, and found them full of loopholes and vague provisions that can only cause problems in the future. For that reason, I have introduced a number of Amendments to the Treaties, which I intend to insist upon when the Panama Canal debate starts in the Senate. My Amendments not only clarify and strengthen American's defense rights over the Canal, but substantially reduce the Treaty's "pay-away plan" for Panama which would result in higher and higher toll rates in the years ahead.

Unless some very substantial changes are made in the proposed Treaties, I do not expect them to be approved by the Senate, nor would I vote for approval.

Energy

The Administration states the success of its first year on the passage of its energy plan. A great deal of time during 1977 was involved in the deliberations on a new National Energy Policy. However, Congress is still struggling with the energy package. It is indeed unfortunate that no satisfactory energy plan has been agreed upon.

The President wants to federally regulate utilities, roll back the prices of intrastate natural gas, and in the name of energy conservation, impose \$125 billion in new taxes upon the American people. There was a time when I referred to the Energy Tax Bill as the largest single tax increase in American history. But, the newly enacted Social Security Tax Bill - more than \$227 billion in new taxes during the next 10 years - makes the Energy Tax Bill only the second largest tax increase in our country's history.

In my opinion, the Energy Bill will not solve our energy problem. It will generate a tremendous amount of revenues for the Federal Government. If the United States is to break-up the OPEC cartel and insure energy supplies at an affordable price, we must provide the necessary financial incentives to develop new and traditional domestic energy resources. Until we address the conservation and supply side of the energy equation, we will continue to be dependent on imported petroleum.

Inflation and Economy

A national energy program is just one of the many policies which will determine the future of the American economy. It has been widely reported that the Administration in the next 10 days will propose a tax cut in the neighborhood of \$25 billion. In the context of the recently enacted tax increases, proposed tax increases and our current rate of inflation, it is evident that the Carter tax cut may be too little and in the wrong places.

Inflation at a current rate of 6-6 1/2 percent is still the number one "tax" problem for all Americans. The Congressional Budget Office calculates that even if the United States has only a 4 1/2 inflation rate in 1979, taxes generated by inflation would rise from \$24 billion in 1978 to \$150 billion in 1982.

Americans are tired of just making ends meet. Until we can control the rate of inflation, Americans will continue to feel the ever-growing "tax" crunch caused by this pernicious factor in our economy.

Family Farm-Carryover Basis

During the last Congress, there was an attempt to initiate some form of estate tax relief for the family farm. In the Tax Reform Act of 1976, the Congress raised the exempt amount that could be passed through to an estate tax free, increased the marital deduction, and instituted special estate valuation for qualified farm properties.

However, in enacting these liberalizing features, the Congress also enacted a provision by the innocuous name "carryover basis". I believe that this change in the law presents a great threat to the continuation of the American family farm.

Let me give you an example. Suppose you expanded your farm operation today with the intent of passing on an efficient farming operation to your son. Let us say you paid \$1,000 per acre and you die 40 years from now when that land is valued at \$5,000 per acre. Under the old law, you would receive a stepped-up tax basis for the property and if sold for \$5,000 an acre your son would not have to pay any Federal income tax. Under the new law - carryover basis - your son could end up paying taxes on \$4,000 an acre. With this tax load, your son would be forced to sell a good portion of the family farm just to pay the estate taxes.

The example I have given you is simplified. The law is so complicated that even the best trained tax lawyers and accountants have difficulty figuring out how it works. However, the effects of carryover basis should not be minimized. I have introduced two bills in the Senate to eradicate the ill effects of the law.

Unfortunately, the Administration has come out strongly opposing my proposals. Despite this opposition, I think that at least in the Senate there is a chance to pass legislation correcting the problem.

In Summary

These are some of the issues of importance to you that will be debated in the Congress in the upcoming session. I always welcome your ideas, your good judgment, and your support in obtaining legislation which will mean a fuller and richer life for the people of rural America. There is much to be done to strengthen existing legislation and to develop new laws - and then to get them implemented in a timely and effective manner. We cannot let up; not if we expect to have a prosperous agriculture, a healthy rural America and a strong Nation.