52

NEWS from U.S. Senator Bob Dole

(R.—Kans.) New Senate Office Building, Washington, D.C. 20510 (202) 225-6521

March 26, 1975

EMERGENCY FARM BILL

Mr. President, the farmers of this nation are already in a recession. In the past three years their general cost of production has increased at least 35 percent over that period.

COSTS UP, PRICES DOWN

At the same time, the prices farmers receive for their crops have declined by 30 to 45 percent on wheat, corn, and soybeans.

The costs to the farmer keep going up, while the return to the farmer keeps going down. For example, in Sumner County, Kansas, which is the nation's largest wheat producing county, the cost of pooducing a bushel of wheat, excluding labor, is $3.27. At the same time, the current cash price for wheat in Sumner County is $3.45.

The situation, in short, is an emergency for which this legislation is urgently needed as a remedy. I commend the distinguished Chairman of the Agriculture and Forestry Committee for his leadership in expediting consideration of this bill. The emergency legislation we consider today is essential is we wish to make it possible for our nation's farmers to continue successful operation and production.

COMMITTEE ACTION

The Chairman demonstrated his genuine concern for the situation facing America's farmers when he announced late last year he would conduct extensive hearings on farm legislation promptly when this session of Congress convened. Two full weeks of comprehensive hearings were held in February. Areas of current law in need of extensive revisions and updating were identified. And the Committee plans to include many of these significant changes in the Agriculture and Anti-Depression Act of 1975, which will be introduced later in this session.

During the hearings, however, the need for certain immediate revisions was agreed upon. Acting unanimously, the Committee proposed the bill we consider today and which is necessary to avoid imminent economic disaster on the farm.

NEED IS NOW

Planting time for corn, grain sorghum, cotton, tobacco, and spring wheat is less than thirty days away. In some areas of the South it has already begun.

If we delay, our farmers will not know what levels of protection they can plan on in the coming year. Nor, while we delay, will they know how big are their risks. The urgent need for prompt action on this legislation cannot be overstressed. The full Agriculture Committee acted unanimously on this legislation because of their awareness of this need.

The House of Representatives passed H.R. 4296 last week, a bill that differs in many respects from the Senate legislation. In my view the farmers' real needs should be our first consideration. While the improvements the Senate Committee made to the House-passed bill are highly desirable, we must be conscious of the real threat of a veto. The need is now, and we do farmers no service is we pass an otherwise good bill that leads to a veto -- and to further delay.

TARGET PRICES

One of the most important provisions in this legislation is the escalation of target prices in proportion to the increase in cost of production.

The escalator provision of this Act was passed by the Senate in the Agriculture and Consumer Protection Act of 1973, but was delayed until 1976 during the deliberations of the joint Conference Committee. As a result, the increases in costs the farmer has experienced since December 1973, when the target prices were established, have not been reflected in increased target prices. The target prices were established by the Senate to utilize the escalator provision. That is why we have adjusted the target to the levels contained in this bill ($3.10 for wheat, $2.25 for corn, and 48¢ per pound for cotton) to reflect increased production costs since the 1973 bill was passed.

This would give farmers the same type of options that other segments of the economy have in passing on increases in their costs. When a businessman or manufacturer experiences cost increases he is able to pass them on to his customers by increasing the price he charges for the goods or services he delivers. The farmer, however, is at the mercy of the price in a market which may fluctuate greatly because of supply or demand changes that don't relate meaningfully to his economic position. In the recent past he enjoyed greatly increased demand which drew down on supplies and created favorable market prices. At the same time, several factors not directly related to commodity supply and demand have caused the margins to disappear and, in many cases, the farmer is operating at a loss:

-- General worldwide inflation has increased the cost of everything the farmer uses to produce a crop. Machinery and equipment costs have increased generally from 30 to 50 percent and fertilizer, fuel, and agricultural chemical costs have jumped 100 percent to 300 and 400 percent in some instances.

As the farmer's need for operating capital has expanded due to these cost increases, the cost of money itself has increased far beyond earlier projections.

-- Taxes of all kinds have greatly increased.

-- In the relatively labor intensive areas of agriculture--cotton, tobacco, and dairy operations--the increased costs of hired help are readily acknowledged.

All of these factors have served to greatly increase our farmer's cost of production. But coupled with these increases has been the general decrease in prices he receives.

EXPORT POLICY

Last October 4 the Administration imposed a voluntary export control program under the guise of a prior approval system. The purpose was laudable -- to make certain our regular customers for commodities were accommodated and to prevent other nations from "cornering" the available supply. The results have been somewhat counterproductive and disastrous to farm prices, especially wheat. We have seen wheat prices decline from $5.04 in October of last year to $3.50 in February of this year. In some areas of western Kansas the price fell to below $3.00 at the local elevator.

We must keep our export channels as open as possible. The market decline we have seen is proof of what will happen when they are restricted. The market has not recovered since the prior approval system was removed, for the damage done by this restriction has forced some customers to other sources for their wheat and other farm commodities. And since restriction on sales was imposed, other nations have cancelled or diverted existing contracts.

MILK SUPPLIES IN JEOPARDY

Our dairy industry is in a particularly critical ocndition at this time. High feed costs and low market prices are pushing many of our dairy farmers toward liquidation, especially younger farmers just starting and established dairy farmers who have recently expanded or modernized their operations.

These hard working farmers have capital investments comparable to other farmers and face the same increased interest costs which face everyone. In addition, however, I want to emphasize that these dairy farmers have an additional investment of time and energy and a daily commitment that sometimes exceeds that of other types of farming.

This bill would establish a milk price support level of manufactured milk of 85 percent of parity with quarterly adjustments, as provided in S. 102, a bill which I introduced earlier this year. I feel it is essential to assure our dairy producers this level of price for their milk if we want them to continue producing an adequate supply of milk and dairy products. Our consumers deserve this assurance also.

ASSURANCE TO CONSUMERS

It is because farmers deserve fair treatment, and because the consumer needs the assurance of continued adequate, reasonably priced food supplies, that it is absolutely essential for this bill to be promptly considered and passed.

# # #