NEWS from U.S. Senator Bob Dole

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MAJOR FARM BILL STATEMENT BY SENATOR BOB DOLE

Washington, D.C. -- In a major farm statement on the floor of the Senate today, Senator Bob Dole urged the House of Representatives to adopt target price levels not lower than those contained in S. 275, the Senate farm bill. Dole, ranking Republican on the Senate Agriculture, Nutrition and Forestry Committee, pointed out that the ultimate fate of the farm bill "will rest with President Carter".

Following is the full text of Dole's statement:

A STABLE FOOD SUPPLY: THE CASE FOR A 1977 FARM BILL

Mr. Dole. Mr. President, in recent weeks, the Food and Agriculture Act of 1977, as passed by the Senate on May 24, 1977, has come under attack from the Administration, some Members of Congress, and certain elements of the news media. The Senator from Kansas is gravely concerned that the 1977 farm bill, and all that is of importance in it to American farmers and to the nation as a whole, could become the victim of ill-advised and short-sighted public policy and of political duplicity.

Since the Senate has worked its will on this legislation, the fate of the farm program now lies in the hands of the House of Representatives. Ultimately, the fate of the farm bill will rest with President Carter.

As the farm bill moves through the legislative process, it will undoubtedly be greatly affected by what the public thinks of our farm problems and the need for a farm program. Yet the public has been continuously bombarded with conflicting views on the conditions in agriculture. Earlier this week, I read an article describing corn and soybean farmers as millionaires who ride tractors with air conditioned cabs outfitted with tape decks or T.V.'s. The public may wonder why farmers like that need assistance. It may be difficult for the public to understand why we need a new farm program when we have an abundance of food and, in some cases, such as wheat, even an over-abundance of production.

My purpose here is to try to clear up some of the confusion and to set the record straight on what we are trying to accomplish with the 1977 farm bill.

Mr. President, the 1977 farm bill as passed by the Senate is a moderate and reasonable program to maintain stability in the U.S. food supply. It would provide some basic price and income assurance so that farmers will be able to maintain production in the years to come.

The critics of this legislation seem to suggest that it is some kind of special interest bill. Such criticism is totally false. The 1977 farm bill is designed to fully protect the interests of consumers and taxpayers. It is a bill of interest and importance to the nation as a whole.

SERIOUS FARM PROBLEMS

Much of the criticism of the 1977 farm bill has been directed at the commodity price support program, even though there is much more in this legislation besides the commodity programs. Criticism of the commodity programs is unfortunate because price support in commodity production--especially for wheat, corn and feed grains -- is what farmers need most.

At a time when farm prices have been declining, cost of production figures have continued to rise. In Kansas, for example, a tractor that cost $23,000 two years ago now costs $30,000. The price of propane gas that was 23¢ a gallon two years ago is now 32¢ a gallon. Wages paid by farmers are up approximately 14% and interest to finance their debt is up 17%.

At the same time, the cost of production has been spiraling upward, the prices of wheat, corn, and feed grains have been going steadily downward. In 1975, the season average market price for wheat that was received by farmers was $3.69 per bushel. In May this year, the average price farmers received was $1.94 per bushel. That amounts to a 47% decline in the price of wheat -- about half what they had before. There have also been sharp declines in the price of corn and feed grains.

The result is that while farm income has been declining, farmers have been going deeper and deeper in debt. Farm indebtedness has gone up from 65.4 billion in 1973 to 101.5 billion at the start of 1977. More recent figures may even be more startling.

In April, a special USDA survey of the farm financial situation revealed that 6% of our farmers in Kansas, Nebraska and Oklahoma were unable to pay their debts and 26% had to refinance or dispose of their assets. Let me emphasize this information was based upon figures obtained in February and March and published in April. The fact is, the farm cost-price squeeze is getting to be more like a bear hug.

While it may be true that farmers are worth more than they have been in the past, the increased wealth is on paper, and it does little good to a farmer in meeting his debts. The increased wealth in agriculture is due to increased land prices. In recent years, land has skyrocketed in value. So while a farmer who owns his land may be worth a million dollars, the value of the land in itself does not necessarily help him meet his payments for any length of time. A farmer must be able to meet his basic overhead costs, or face the possibility of losing his land and holdings. That is what we are trying to prevent.

CRITICAL TO YOUNG FARMERS

But the high cost of land does have one very critical impact on agriculture. Young farmers who are trying to get into the industry find it extremely difficult. It is virtually impossible to make land payments on land bought at today's prices, given the existing prices for grain.

What we are talking about here is the future generation of farmers. If we are to have a stable and productive agriculture in the future, young farmers must be able to stay in the business. We need to provide some basic income assurance so that those young farmers entering the industry can have a chance of making their land payments and of staying in business.

Young farmers need some incentive to get into farming. There is nothing in this bill that will provide any attractive incentive as far as making a profit. All we are trying to do in this legislation is to provide some assurance in those years when a profit is not possible, so a farmer can have some basic income that will help him stay in business until a profit is possible.

Without this basic protection, the young and the small farmers will probably be forced out of business. The efficiency and the competitiveness of the industry as we know it today will almost certainly decline. The impact will ultimately be felt by consumers in higher food prices and reduced availability of food supplies.

CONSUMER INTEREST AT STAKE

The importance of this issue to consumers may not be fully realized. Only in the United States do consumers spend as little as 17% of their net disposable income for food. Anyone who has traveled abroad recently was undoubtedly shocked at the food prices they saw. The cost of food in every other industrialized nation in the world is substantially higher than in the country. There is the example of Japan where menus feature $30 steaks and $10 melons. European food prices are likewise astounding.

While we may have some so-called "consumer advocates" who continuously complain about food prices, I think most consumers are generally staisfied with the wide variety and abundance of food that is provided at competitive prices. My concern is that consumers may not understand the full relationship of the 1977 farm bill to future farm prices. Without an adequate farm bill as the Senate has passed, consumers are likely to see restricted availability and higher prices for food in the years to come.

AGRICULTURE AND THE ECONOMY

Beyond the direct importance of agriculture to consumers, agriculture is also extremely important to the economic well-being of our nation. I think just a few figures may illustrate that. Last year, farmers spent almost $81 billion to produce crops and livestock. These expenditures went for equipment, machinery, seed, fertilizer, petroleum, property taxes, and other items which generate economic activity, especially in small towns and rural communities. Sales of livestock and crops produced a total of $94.8 billion in our national economy. There was additional economic activity related to the transportation, processing, packaging, manufacturing, wholesaling, and retailing of agricultural products. Agriculture is the nation's largest industry. About 4.3 million individuals are employed in agriculture, which is almost as many as the combined employment of the transportation, the steel, and the automobile industries.

Farming and the industries which support it account for about one-fourth of our gross national product. In many areas of our country, the local economy is directly dependent upon agriculture, so the effect of the 1977 farm bill extends beyond simply the farm interest.

In 1975, purchases by farmers included: $5.4 billion for new farm tractors and other vehicles, machinery, and equipment; $5.6 billion for fuel, lubricants, and maintenance of equipment; $15.1 billion for feed and seed; and $6.8 billion for fertilizer and lime. Estimates show that about one out of every five jobs in private employment is related to agriculture. About 2 million people have jobs providing the supplies farmers use for production. Eight to ten million people have jobs storing, transporting, processing, and merchandising the products of agriculture.

The point I am trying to make is that when agriculture declines, much of the rest of the economy is affected. When farmers in Kansas and Nebraska and Oklahoma and other farm states stop buying tractors and equipment and automobiles and trucks, workers in other states will be put out of jobs. So what we are trying to do with a reasonable support level in the Farm Bill is of great importance to a large portion of the nation, even beyond the part directly related to farming.

REASONABLE COST

By way of comparison with the importance of this legislation to the nation, we should take a look at the cost of the bill to the nation's taxpayers. When we look at cost, we should look at the programs where farmers would actually receive benefits. The primary benefit comes from the commodity programs for wheat, feed grains, cotton, and rice.

In fiscal year 1978, the first year that significant payments would be made under this bill, the normal weather estimate for direct payments under the commodity programs is $1.4 billion according to CBO. Over the five year period covered by the Farm Bill, the average annual sum of payments is estimated at $3 billion. By comparison, that is less than one per cent of the total federal outlays we approved earlier this year in the budget resolution.

And when we place the commodity programs in the context of outlays of $40 billion for natural resources, environment, and energy; $44.3 billion for health; and $43 billion for interest on the national debt, what we are trying to achieve for the farmers is a paltry sum.

Not long ago, the President signed an economic stimulus program of $20 billion. That legislation included $2.6 billion for employment and training assistance, $6.8 billion for temporary employment assistance under the Comprehensive Employment and Training Act of 1973, and $4 billion for local public works.

Now the President has arbitrarily chosen a figure of $2.2 billion -- equal to 0.48 of one per cent of outlays in the budget resolution -- as a limit on what he would accept for average annual payments under the commodity programs in the Farm Bill. By comparison, the bill passed by the Senate has an estimated annual cost for the commodity programs of $3 billion. It is simply incomprehensible to me that the President is threatening to veto this entire bill that is so vital to farmers and to the nation over a difference that is extremely small when we look at welfare and unemployment programs.

Over the past several years, payments to farmers -- especially wheat and feed grain producers -- have been negligible. It just seems to me that during the time of greatest need, we can afford to allocate more than one-half of one per cent of our federal budget to a sector so vital to our national well-being.

LOWER COST POSSIBLE

It is entirely possible that the cost of the commodity programs may fall below even the President's own arbitrary and restrictive figure. The level of payments under the commodity programs can vary greatly in response to several factors, including Administration discretionary actions, the weather and exports. In fact, the Department of Agriculture has estimated the cost of commodity programs in S. 275 to vary between $2.022 billion under variable conditions to $3.923 billion under favorable weather conditions. The Administration itself has the discretionary authority to take actions that would reduce the cost of the commodity programs. On June 27, for example, Agriculture Secretary Bob Bergland said the government might establish a set-aside program for wheat growers that would reduce acreage by 10 to 20%. A set-aside program would reduce the amount of wheat production and would raise the market price. The result would be a lower amount of commodity payments. The Farm Bill passed by the Senate retains this flexibility for the Secretary of Agriculture to reduce the cost of the program.

The level of payments can also be reduced by improving the market through increased exports. The Administration has the flexibility under the Farm Bill passed by the Senate to take a number of actions to increase exports. The Administration can extend export credits to foreign buyers for example. They can maximize sales for export under the PL 480 Food For Peace Program. The Administration can intensify sales promotion acitivities overseas. The Farm Bill passed by the Senate provides authority for the Administration to take these actions. The weather can also be a major factor in the level of commodity program payments. Poor weather means scarcer supplies, higher prices, and lower payment levels. There is no assurance that we will continue to have favorable weather throughout the growing season. The weather conditions in this country and throughout the world will have a great bearing on the level of payments. It is simply too early to tell at this point what weather conditions will be like and what impact they will have on the farm situation.

Just as farm prices have declined sharply in the past several months, farm prices could rise just as sharply in the coming months and the reduction in commodity payments would be proportional. Farm prices are probably the most volatile in the entire economy. That is why the agriculture budget can vary so sharply. It is important that we have the flexibility in the budget to accomodate such changes. That is the very reason why the Congressional Budget Act was designed with a Second Concurrent Resolution later in the year so as to accomodate unforseen changes.

So we have the flexibility to accommodate the farm bill in the Congressional Budget system. We have provided the flexibility for the Administration to hold down the cost of the program. Yet, the President has taken an arbitrary position that he would veto the 1977 farm bill if the estimates exceed the unrealistic $2.2 billion figure he has chosen.

CAMPAIGN PROMISES

Not too many months ago, as a candidate for President, Mr. Carter made this statement:

> "If I am elected, we will make sure that our crop support prices are at least equal to the cost of production. That will not guarantee a profit -- no real farmer wants that-- but it will give the determined farmer a chance to stay in business..."

Although we have made an effort to set target prices somewhere close to the average cost of production, few would suggest that the target price levels we have chosen would exceed the cost of production for wheat, we have set the target price for 1977 at $2.90 per bushel and for 1978 at $3.10 per bushel. Recently, the Congressional Budget Office published data showing a total cost of production for wheat with the average land cost included to be $3.16 per bushel. That is 26¢ per bushel higher than the target price we have provided for this year. More significantly, the total cost of production for wheat with land at current value is $3.56 per bushel. That is what our young farmers are facing when they are buying land and trying to get started. This bill is not an excessive bill that will be a bail-out for farmers. It is a bill that provides a minimum level of support which will not even cover the basic cost of production for most farmers.

Yet President Carter wants us to lower target prices even more. The discrepancy between what President Carter said he would do as President, and what he is actually doing now as President is even more striking. For example, when campaigning in the State of Kansas last fall, Mr. Carter's running-mate, then-Senator Mondale, spoke explicitly of the need for wheat farmers to recover their production costs of "at least $3 a bushel".

With a record like that, it just seems incomprehensible to me that the Administration would veto the farm bill as passed by the Senate. What is unbelievable to me is that they are even criticizing this bill, which is less than what they promised only a few months ago.

However, President Carter may not be the only politician around with a short memory.

RECORD OF CONGRESS

It becomes even more apparent that the farm bill of 1977 is a moderate and reasonable piece of legislation when we look at the record of Congress in this area. In March and April of 1975, the Congress overwhelmingly passed the Emergency Farm Bill of 1975. The target price for wheat provided in that bill for 1975 was $3.10 per bushel. That figure out-strips the target price for 1977 that was in the bill we recently passed in the Senate.

After two years of inflation in the cost of production and two years of declining farm prices, we approved a target price for 1977 that was lower than the target price we approved for 1975. The comparison shows that we are taking a very moderate approach. This is certainly not a bail-out for farmers. It is not a raid on the treasury. It is a bare minimum level of support that we should provide for farmers.

The disparity is even greater when we look at the target prices that would have been in effect for 1977 and 1978 under the bill we passed in 1975 and compare them to the comparable target prices we recently approved in the 1977 Farm Bill.

I ask unanimous consent that a chart showing this comparison be printed in the Record at this point.

COMPARISON OF TARGET PRICES PROVIDED IN THE 1975 AND 1977 FARM BILLS FOR CROP YEARS

	1975 Bill	1977 Bill
Wheat ($ per bushel) 1977	$3.73	$2.90
Wheat ($ per bushel) 1978	$3.82	$3.10
Corn ($ per bushel) 1977	$2.77	$1.70
Corn ($ per bushel) 1978	$2.85	$2.28
Cotton ($ per pound) 1977	$0.57	$0.43
Cotton ($ per pound) 1978	$0.58	$0.38

The figures, which were prepared by the Congressional Research Service, show that the target price for wheat in 1977 under the 1975 bill would have been $3.73 compared to $2.90 which we recently approved. For 1978, the comparison was $3.82 per bushel in the 1975 bill compared to $3.10 per bushel in the 1977 bill. Similar comparisons exist for the other programs.

The facts show that we are not moving forward -- we are moving backwards. The comparison shows that this is a very moderate bill we are considering this year. It is the bare minimum support.

There is no doubt in my mind that there was a very strong political factor that resulted in the level of target prices in the 1975 bill. I think it had something to do with the difference between the majority party in Congress and the party holding the White House. The fact remains that a strong majority in the Congress viewed the 1975 Farm Bill as responsible legislation. We recognized that there was a serious farm problem at that time which needed to be addressed. We said a farm bill should be passed which would provide farmers the protection indicated by the target prices I have listed.

Let me emphasize, Mr. President, that support for the 1975 Farm Bill was bi-partisan in nature. Two years ago, I urged the leader of my own party, President Ford, to sign the 1975 Act. It was not easy to take issue with his veto.

My good friend, Senator Humphrey said of the 1975 bill, "the issues involved in the bill was whether anything could be done to bring some degree of stability to the farm community and economy in 1975. The response of Congress was to tailor the measure which was both responsible and responsive to today's needs."

The Chairman of the Senate Agriculture Committee, Senator Talmadge, said at that time, "this bill would have done a great deal to restore confidence in a badly shaken world economy."

Senator Jackson associated himself with the provisions of the 1975 Farm Bill and expressed opposition to the President's veto when he said, "the President's decision has plowed under Congressional hopes for stability in food prices for 1975."

In addition, the present Secretary of Agriculture, Mr. Bob Bergland, then a member of the House of Representatives, commented: "The failure of the House to override the President's veto of the Emergency Farm Bill on yesterday was a great disappointment to me." Then Congressman Berland went on to say: "American farmers simply cannot meet the exploding world food needs which will probably increase by 50% in the next 20 years barring any unexpected change in population growth patterns. American farmers can, however, help the world feed itself, but government planning and aid is essential to this effort. Farmers simply cannot bear the enormous risks being forced upon them by the Administration's policy."

Now we are two years further down the road. Farm prices are even lower than they were in 1975 -- by about half for wheat -- and production costs have risen even higher. The problem is much more serious than it was then. The bill as passed by the Senate is the bare minimum Congress should approve. It provides much less to farmers and would have a much lower cost for taxpayers than what we approved in 1975.

Hopefully, those members of the House of Representatives in whose hands the fate of the future farm program lies will remember their actions and their statements in 1975. They should reject the arm-twisting tactics and the unrealistic limitations of the Administration. We should approve a program that is meaningful to the farmers who are facing severe economic conditions.

MAJOR PROVISIONS OF THE FARM BILL

As I mentioned earlier, there is a great deal more in the 1977 Farm Bill than simply the farm commodity programs.

Food Stamps -- The bill includes much-needed major reforms in the Food Stamp program. The Food Stamp provisions are a vast improvement over the present program. Participation in the program should be greatly enhanced by the elimination of the purchase requirements. This change will allow greater accessibility to program benefits for those in need of assistance. At the same time, we tightened up the program to reduce participation of those who can afford to provide for themselves. The program will be significantly simplified and streamlined by establishing standard deductions. In addition, a proposal I sponsored to allow a deduction for dependent care should be a work incentive for those who have a responsibility of caring for dependents.

Agricultural Research -- A major thrust to increase food and agricultural research is incorporated as a title in the Senate's Farm Bill. It authorizes funds for agricultural research and related activities; it establishes the Department of Agriculture as the lead agency in food and agriculture research; it creates a joint panel of federal, state, and private research groups and a research users advisory board to improve coordinating; it gives the Secretary of Agriculture authority to make grants to agriculture experiment stations and land grant universities to support the federal-state cooperative research program. These provisions for a greater emphasis on agricultural research are long overdue.

Federal Grain Inspection Service -- The Farm Bill also contains much needed amendments to the Federal Grain Inspection Service Act. The provisions included in the bill, which I sponsored, will make the Federal Grain Inspection Service more workable and will reduce the cost to farmers.

Dairy Program--The Farm Bill provides that prices for manufactured milk will be supported at not less than 80% of parity, adjusted semi-annually for cost of production increases.

It should be noted that the present Administration in this area has made good on a campaign promise of President Carter in which he stated: "A recent study by the University of Wisconsin said it (dairy price support) should be 90% of parity. I don't know but it should be tied to whatever it costs to produce the product." I hope the Members of the House will reflect on this action as they consider other commodity programs. They should adopt price support levels that will maintain consistency in the 1977 Farm Bill with President Carter's other promises.

Reserves--The Farm Bill also includes a title for grain reserves. This portion of the bill includes a producer storage program for wheat, provision for participation in an international reserve, a disaster reserve in the event of national disaster,and a program of improved farm storage facility loans.

P.L.480--Several provisions are included to expand the PL 480 Food For Peace Program and make it more workable. Historically, this program has been a great boon to countries in need of food assistance, and the bill passed by the Senate would make an even greater amount of food assistance available. The bill also established a new program to offer U.S. food to assist developing countries in developing their economies. If successful, this program could lp develop commercial markets for U.S. farm products.

Rural Development and Soil Conservation--The bill includes several important provisions to improve the rural community fire protection program and the watershed and soil conservation programs.

As we can see, there are a great many provisions in the 1977 Farm bill that are of importance to many sectors of the nation, even beyond agriculture. It is a very moderate and reasonable bill. It would be totally unrealistic for the President to contemplate vetoing this bill. It would be inconsistent for the Congress to pass commodity programs less meaningful than approved in the Senate-passed bill. It is my hope that we can maintain the minimum levels of assistance we have provided when we pass this legislation in the final form.