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DOLE CALLS ON CARTER TO DISCONTINUE FUNDING OF PALM OIL PROJECTS IN COMPETITION WITH U.S.

WASHINGTON, D.C. -- Senator Bob Dole urged President Carter to take the necessary steps to assure that all Executive Branch agencies follow Carter's expressed policy of not funding palm oil projects which compete with U.S. production of soybean, cottonseed, sunflower and corn oils or fats. Following is the text of Dole's letter to Carter:

I hereby wish to express my great concern regarding the use of American taxpayer dollars for the continued funding of palm oil projects which create palm oil for export. Contrary to the express policy in your letter of October 7, 1977, to Representative Clarence Long, U.S. Executive Directors to the World Bank recently voted in favor of a \$65 million loan to Indonesia for palm oil expansion. Apparently, Executive Branch agencies are not carrying out your policies concerning this matter.

It is possible that the State Department, using a modern form of sophistry -- not understood by farmers -- determined that this expansion would not injure U.S. soybean, cottonseed, sunflower, corn or other producers of fats and oils.

In 1976, the National Advisory Council on International Monetary and Financial Affairs which gave United States approval for a loan to Indonesia, sent a telegram to the development bank staff, which in part reads as follows:

"...Indonesia is the world's third largest producer and second largest exporter of palm oil and any further increase in production will be destined for export, not to feed domestic population;

"(2) the Economic Research Service of the USDA and FAS projections indicate that in the years beyond 1980, a vegetable oil 'surplus' will occur, accentuated by sharply increased production of palm oil...Indonesia, as an OPEC country, has adequate resources to finance viable agricultural development projects..."

The telegram continued with a reprimand to the development bank staff for failing to look "more closely at current market trends which are less optimistic for the future before presenting this loan to the board."

Farmers know that since 1967, palm oil imports into the United States increased at least five-fold. Every time the price of soybean oil is reduced by one cent, the price for a bushel of soybeans drops eleven cents, and the value of cottonseed drops \$3.50 per ton. Before the Oilseeds and Rice Subcommittee of the House Committee on Agriculture in 1976, Mr. Bushnell of Treasury testified that palm oil imports depressed the vegetable oil market by at least four cents. Palm oil imports have thus depressed the price of soybeans by at least 44 cents a bushel. The losses to U.S. producers is actually about \$1 billion annually.

Mr. President, the most recent Fats and Oils Situation of USDA states that "U.S. palm oil imports may rise from last season's 675 million pounds, to possibly around 800 million pounds which will further aggravate the situation."

I strongly favor helping struggling farmers in developing countries help themselves through better technical education. We have passed legislation designed to help developing nations secure an adequacy of food for domestic use.

My opposition to palm oil projects is limited to those projects that create vegetable oil for export. I do not oppose projects that help a vegetable oil short nation feed itself better. I do not oppose self-help.

(more)

American farmers want assurances that the United States no longer will give its approval to loans designed to create subsidized production for export in competition with them.

Mr. President, at your personal request, and on the basis of your written promise, the conferees on the Foreign Aid Appropriation bill removed the provision prohibiting funds to the international financial institutions for the purpose of establishing or expanding production of sugar, palm oil or citrus crops. You gave personal and trusted assurances that caused the Congress to remove the prohibition. I urge you to take the necessary steps to see that your policy as clearly laid out to Congressman Long be reflected in the actions of Executive branch officials.