

HARD WINTER WHEAT QUALITY ADVISORY COUNCIL
DOWNTOWN HOLIDAY INN
KANSAS CITY, KANSAS
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Remarks of Congressman Bob Dole

WHEAT -- DOMESTIC-FOREIGN

IN DISCUSSING WHEAT POLICY, I SHOULD LIKE TO REVIEW THE CURRENT SITUATION WITH SOME INTERESTING BACKGROUND DATA AND MY PROPOSALS FOR A MORE PROSPEROUS FUTURE FOR WHEAT GROWERS.

KANSAS AND WHEAT PRICE

IF THERE IS ANY ONE STATISTICAL FIGURE FOR THE KANSAS WHEAT GROWER TO EXAMINE AND TO BE CONCERNED ABOUT, IT IS THE MOST RECENT PRICE RECEIVED BY FARMERS FOR WHEAT WHICH WAS RELEASED BY USDA. FOR THE UNITED STATES, IT WAS \$1.39 PER BUSHEL -- 53 PERCENT OF PARITY. FOR KANSAS, THIS NOVEMBER 15, 1967, PRICE WAS EVEN LOWER -- \$1.31 PER BUSHEL. THESE PRICE DATA REFLECT THE DISASTROUS EFFECTS OF A MISGUIDED FREEMAN-JOHNSON POLICY WHICH MAKES A SACRIFICIAL GOAT OF THE FARMERS' INTERESTS TO THOSE OF THE MORE NUMEROUS URBAN CITIZENS.

NOW HOW DID WE GET TO THIS UNHAPPY SITUATION? WHAT ARE THE TRUE FACTS? LET US TOGETHER EXAMINE THE FACTS. THE DATA AND STATEMENTS ARE ALL FROM OFFICIAL SOURCES.

U. S. WHEAT SUPPLIES

TOTAL U. S. WHEAT SUPPLIES FOR 1967-68 ARE ESTIMATED AT 1,981 BILLION BUSHELS, AN INCREASE OF 133 MILLION BUSHELS FROM SUPPLIES OF A YEAR EARLIER. THIS IS THE FIRST TIME SINCE 1960-61 THAT THE SUPPLY OF WHEAT IN THE UNITED STATES HAS INCREASED FROM THAT OF THE PREVIOUS YEAR. THE JULY 1, 1967,

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CARRYOVER WAS 426 MILLION BUSHEL. IT WILL BE UP BY 100 MILLION ON JULY 1, 1968.

TOTAL DISAPPEARANCE OF WHEAT DURING JULY-SEPTEMBER, 1967, AT 415 MILLION BUSHEL, WAS SLIGHTLY LARGER THAN FOR THE SAME PERIOD A YEAR EARLIER. EXPORTS, TOTALING AN ESTIMATED 195 MILLION BUSHEL WERE DOWN 16 PERCENT FROM EXPORTS IN JULY-SEPTEMBER, 1966.

USE OF WHEAT FOR FOOD WAS LITTLE CHANGED FROM A YEAR EARLIER WHILE SEED USE WAS OFF, REFLECTING THE 13 PERCENT REDUCTION IN THE NATIONAL ACREAGE ALLOTMENT FOR THE 1968 CROP. FEEDING OF WHEAT WAS GREATER DURING THIS PAST JULY-SEPTEMBER THAN A YEAR EARLIER, DUE TO THE NARROWER SPREAD BETWEEN WHEAT AND FEED GRAIN PRICES. THE APPROXIMATELY 45 MILLION BUSHEL FED IN THIS QUARTER THIS YEAR IS ABOUT 30 MILLION MORE THAN A YEAR AGO.

STOCKS OF WHEAT IN ALL POSITIONS ON OCTOBER 1 TOTALED 1,565 BILLION BUSHEL, UP 124 MILLION FROM OCTOBER, 1966.

TOTAL DOMESTIC DISAPPEARANCE WILL PROBABLY INCREASE IN 1967-68, PRIMARILY BECAUSE OF LOWER PRICES RESULTING IN HEAVIER USE OF WHEAT FOR FEED. FOR THE ENTIRE 1967-68 MARKETING YEAR, FEEDING IS ESTIMATED AT ABOUT 125 MILLION BUSHEL COMPARED WITH 93 MILLION LAST YEAR.

THE BUREAU OF THE CENSUS MADE DOWNWARD REVISIONS IN THEIR DATA ON WHEAT GROUND AND FLOUR PRODUCED FOR CALENDAR YEARS 1962 TO 1966, RESULTING IN SMALLER DOMESTIC WHEAT FOOD USAGE AND A LOWER PER CAPITA DISAPPEARANCE OF FLOUR. THE LEVEL OF PER CAPITA FLOUR DISAPPEARANCE WAS REDUCED BY ABOUT 2 POUNDS SO THAT THE AVERAGE FOR 1966 HAS BEEN REVISED TO 112 POUNDS. THE REVISIONS PLACE THE RECENT TREND IN PER CAPITA FLOUR USE AT A 1 POUND REDUCTION PER YEAR. AS A RESULT, IT APPEARS THAT FOOD USE OF WHEAT IN 1967-68 MAY TOTAL 510 TO 515 MILLION BUSHEL.

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SEED USE OF WHEAT IN 1967-68 IS LIKELY TO TOTAL 70 MILLION BUSHELS, SOMEWHAT BELOW THE 78 MILLION OF LAST YEAR. THIS IS LIKELY TO BE MORE THAN OFFSET BY INCREASES IN FOOD AND FEED USE, RESULTING IN A TOTAL DOMESTIC DISAPPEARANCE IN 1967-68 OF ABOUT 700 MILLION BUSHELS, SLIGHTLY HIGHER THAN LAST YEAR.

ALLOWING 700 MILLION BUSHELS FOR DOMESTIC REQUIREMENTS FOR THE ENTIRE 1967-68 MARKETING YEAR, THE QUANTITY AVAILABLE FOR EXPORT AND CARRYOVER IS ABOVE THAT OF A YEAR EARLIER. THE USDA'S EXPORT TARGET WAS ANNOUNCED LAST SUMMER AT 750 MILLION BUSHELS, FRACTIONALLY LARGER THAN THE 742 MILLION OF 1966-67.

THROUGH OCTOBER 30, EXPORTS OF WHEAT AND PRODUCTS, AS WELL AS FORWARD REGISTRATION FOR EXPORT PAYMENT, WERE BEHIND LAST YEAR'S RECORD LEVEL ON THAT DATE. IT IS GOING TO BE DIFFICULT TO REACH THAT TARGET. I SHALL DO EVERYTHING POSSIBLE TO HELP THE USDA IN ACHIEVING OR EVEN EXCEEDING THAT LEVEL. I HAVE TRAVELED TENS OF THOUSANDS OF MILES TO REMOTE AREAS OF THE EARTH IN THAT ENDEAVOR.

A LOOK AT THE RECORD

NOW IF WE ARE TO UNDERSTAND WHAT WAS REALLY HAPPENING TO DRIVE PRICES DOWN TO CURRENT BANKRUPTCY LEVELS, WE MUST TAKE A STEP BACKWARD IN TIME. IN 1966, THE SECRETARY OF AGRICULTURE, ALONG WITH THE COUNCIL OF ECONOMIC ADVISERS, DECIDED THAT THE CONSUMER PRICE INDEX WAS MORE IMPORTANT THAN THE PRICES FARMERS RECEIVED. IN 1965-66, U. S. WHEAT EXPORTS WERE 867 MILLION BUSHELS. IN 1966-67, WHEAT EXPORTS WERE CUT ARBITRARILY BY THE ADMINISTRATION. I SAY ARBITRARILY BECAUSE SECRETARY FREEMAN SENT A CABLE AROUND THE WORLD TO P. L. 480 RECIPIENTS -- A SENTENCE OF STARVATION CABLE -- A CABLE

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OF MALNUTRITION -- ADVISING OUR AMBASSADORS TO CUT THEIR WHEAT REQUESTS UNDER THE FOOD FOR PEACE PROGRAM BY 25 PERCENT.

BY THIS RUTHLESS MEANS, WITH NO INDICATION TO THE CONGRESS, EXPORTS OF WHEAT UNDER P. L. 480 WERE ACTUALLY CUT BY 44 PERCENT FROM A YEAR EARLIER -- FROM 523 MILLION BUSHELS TO 292 MILLION BUSHELS IN 1966-67. I HAVE BEEN, AS MIGHT BE EXPECTED, INTERESTED IN THE FOOD FOR PEACE PROGRAM FOR SOME YEARS. I FIND NOTHING IN THE RECORD WHICH AUTHORIZED THE ADMINISTRATION TO WITHHOLD FOOD IN ORDER TO GET FARM PRICES DOWN -- IN BUREAUCRATISE -- TO "STABILIZE" PRICES. INCIDENTALLY, WHEAT WAS NOT THE ONLY COMMODITY TO GET THIS TREATMENT. IN VIEW OF THE FACT THAT THIS IS A WHEAT TALK, I WILL NOT GO INTO THE DETAILS OF THE PRICE DESTROYING ACTIONS AFFECTING OTHER COMMODITIES.

WILLIAM JENNINGS BRYAN, A PRESIDENTIAL CANDIDATE FROM A NEIGHBORING STATE, ONCE MADE A FAMOUS CROSS OF GOLD SPEECH. TO PARAPHRASE ONE OF HIS FAMOUS COMMENTS:

YOU SHALL NOT PRESS DOWN UPON THE BROW OF FARMERS
THIS CROWN OF THORNS,
YOU SHALL NOT CRUCIFY AGRICULTURE UPON THE CROSS
OF THE CONSUMER PRICE INDEX.

WHAT FREEMAN SAYS

NOW, SECRETARY, FREEMAN, RECOGNIZING THAT THESE DECISIONS ARE RESPONSIBLE FOR THE UNHAPPY STATE OF AGRICULTURE, HAS TRIED TO EXPLAIN AWAY THESE CURRENT LOW FARM PRICES. HE STATED IN A RECENT SPEECH AT THE OUTLOOK CONFERENCE HELD AT USDA THAT "THE BRICKS HURT, GENTLEMEN." TO BE FAIR TO HIM, WE SHOULD QUOTE HIM MORE FULLY.

"WHAT HAS TAKEN PLACE OVER THE PAST YEAR IS IRONIC -- BUT

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WE HAVE ALWAYS RECOGNIZED THE DANGER. A YEAR AGO THE EVIDENCE ON WORLD FOOD PRODUCTION AND SUPPLIES WAS MOST UNFAVORABLE. THE MONSOONS IN INDIA WERE FAILING FOR THE SECOND SUCCESSIVE YEAR, SHORT CROPS IN THE COMMUNIST COUNTRIES HAD REQUIRED LARGE PURCHASES FROM WESTERN EXPORTERS. THE DISAPPEARANCE OF EXCESS STOCKS IN THE UNITED STATES AND AN UNFAVORABLE WHEAT YIELD OUTLOOK CONTRIBUTED TO THE UNCERTAINTY. THE WORLD WAS CLEARLY IN A SHORT GRAIN SUPPLY POSITION.

"AS A RESULT, AFTER A CAREFUL ASSESSMENT OF PROBABLY WORLD NEEDS IN THE 18 MONTHS AHEAD, THE NATIONAL WHEAT ACREAGE ALLOTMENTS FOR THE U. S. 1967 CROP WERE INCREASED SHARPLY. ACTION WAS TAKEN TO INCREASE ACREAGE IN FEED GRAINS AND SOYBEANS AS WELL.

"THEN WITHIN A FEW WEEKS AFTER THESE DECISIONS WERE MADE, THE WORLD OUTLOOK CHANGED SHARPLY WITH FAVORABLE PROSPECTS IN ALMOST EVERY MAJOR GRAIN PRODUCING COUNTRY.

"CANADA, AUSTRALIA, AND THE SOVIET UNION HARVESTED RECORD WHEAT CROPS. ARGENTINA AND WESTERN EUROPE HARVESTED GOOD CROPS OF BOTH WHEAT AND FEED GRAINS. FEED GRAIN HARVESTS IN EASTERN EUROPE WERE GOOD AND A FEW MONTHS LATER SOUTH AFRICA PRODUCED A RECORD CORN CROP.

"IN THE U. S. WE HAVE A RECORD GRAIN CROP IN 1967, WITH AN OVERALL INCREASE OF FROM 4 TO 5 PERCENT. THE 1967 FEED GRAIN CROP IS UP 12 PERCENT, WHEAT CROP UP 19 PERCENT."

NOW THIS EXPLAINS ONLY ONE PART OF THE PROBLEM -- THE SIZE OF THE 1967 WHEAT CROP. I THINK THE IMPORTANT QUESTION IS, IF AS STATED, THE WORLD OUTLOOK CHANGED WITHIN A FEW WEEKS, WHY DID NOT THE SECRETARY LOOSEN

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HIS GRIP ON P. L. 480 EXPORTS? WHY DID THE CONCEPT OF HOLDING FARM PRICES DOWN OR "STABILIZED" CONTINUE IN FORCE PAST HARVEST TIME FOR THE 1967 CROP? AFTER ALL, THE CONGRESS HAS MADE AVAILABLE TO THE ADMINISTRATION \$7.5 BILLION FOR LAUNCHING THE WAR ON HUNGER PROGRAM. ACTUAL USE IS ONLY A FRACTION OF THIS LEVEL. THE ANSWER LIES IN THE INTERNAL STRATEGY TO SACRIFICE THE FARMERS' INTERESTS TO THOSE OF THE MUCH MORE NUMEROUS URBAN DWELLER. I THINK THIS POLICY IS DISASTROUS. IT SHOULD NOT GO UNNOTICED THAT ALL THIS FOOD HOLDBACK WAS GOING ON JUST AFTER PRESIDENT JOHNSON WAS TELLING THE CONGRESS THAT HE INTENDED TO LEAD A WAR AGAINST HUNGER.

FOOD FOR PEACE

I FEEL VERY STRONGLY ABOUT THIS. THE FOOD FOR PEACE LEGISLATION WAS PASSED UNDER PRESIDENT EISENHOWER IN 1954. IT IS CALLED THE AGRICULTURAL TRADE AND DEVELOPMENT ACT OF 1954. THIS LEGISLATION AND SUBSEQUENT AMENDMENTS HAVE HAD STRONG BIPARTISAN SUPPORT. IT HAS DONE SO MUCH GOOD ALL OVER THE WORLD. I WILL NOT STAND BY AND WATCH FARMERS' INTERESTS SACRIFICED TO THE STATISTICAL RIGIDITIES OF THE CONSUMER PRICE INDEX. THE BENEFICIAL POTENTIALS OF THE WAR ON HUNGER MUST BE MAXIMIZED. THE NATION AND THE WORLD MUST NOT BE DETERRED FROM THIS VICTORY!

"PURCELL RESERVE BILL"

IN RECENT WEEKS THE SECRETARY OF AGRICULTURE AND HIS TOP ASSISTANTS HAVE BEEN DECRYING THE DEFEAT IN THE HOUSE OF REPRESENTATIVES, LIVESTOCK AND GRAINS SUBCOMMITTEE, OF THE SO-CALLED STRATEGIC RESERVE GRAIN BILL. IT IS SIGNIFICANT THAT THE SECRETARY OF AGRICULTURE IN TALKING ABOUT THIS BILL NEVER REFERS TO THE PROVISIONS REGARDING RESERVES. HE CLAIMS THAT IT

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WOULD HAVE RESULTED "IN FROM \$300 TO \$500 MILLION IN ADDITIONAL INCOME FOR FARMERS."

LET US EXAMINE THIS RIDICULOUS CLAIM BY ANALYZING THE PURCELL BILL IN DETAIL.

(1) THE UNDER SECRETARY CAME BEFORE OUR SUBCOMMITTEE AND MADE THE RIDICULOUS CLAIM THAT THE MARKET PRICES FOR WHEAT, FEED GRAINS AND SOYBEANS COULD BE INCREASED SHARPLY AS PROVIDED IN THIS BILL BY AN EXPENDITURE OF \$5 TO \$10 MILLION. NOTE THAT HE TESTIFIED TO THIS IN AN OPEN HEARING. NOTE THAT THE UNDER SECRETARY TESTIFIED THAT WITH THIS SMALL OUTLAY HE WOULD MOVE INTO THE OPEN MARKET READY TO PURCHASE UP TO THE FOLLOWING AMOUNTS:

180 MILLION BUSHELS OF WHEAT

500 MILLION BUSHELS OF FEED GRAINS

90 MILLION BUSHELS OF SOYBEANS

IF \$5 TO \$10 MILLION WAS ALL HE WOULD SPEND, THIS RAISES A FUNDAMENTAL QUESTION OF WHETHER THE ADMINISTRATION REALLY SUPPORTED THE BILL. WAS IT JUST A POLITICAL CONVERSATION PIECE?

(2) THE RELEASE FORMULA PROVISIONS IN THE BILL FORMED WHAT COULD BE TERMED AN "INVERTED PYRAMID". THAT IS, THE LOWEST RESALE PRICES WOULD COME INTO EFFECT WHEN TOTAL AVAILABLE SUPPLY OF A COMMODITY WOULD BE AT THE HIGHEST LEVEL. THE FARMER NEEDS PROTECTION FROM THE GOVERNMENT STOCKS THE MOST WHEN THE SUPPLY IS GREATEST. IN OTHER WORDS, THE GREATER THE SUPPLY, THE GREATER THE NEED FOR PRICE PROTECTION AND INSULATING OF STOCKS. THIS BILL, HOWEVER, WOULD HAVE JUST THE OPPOSITE EFFECT.

THE ADMINISTRATION MEASURE WAS DEFEATED BECAUSE IT WAS NOT, IN FACT, A RESERVE BILL, BUT SIMPLY A DEVICE TO FURTHER STABILIZE AND MANIPULATE THE

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PRICE FARMERS RECEIVE FOR THEIR COMMODITIES. HAD THE ADMINISTRATION AND SOME DEMOCRAT MEMBERS OF THE COMMITTEE BEEN WILLING TO INSULATE THE STOCKS ACQUIRED UNDER THE PROVISIONS OF THE RESERVE BILL, IT WOULD HAVE PASSED WITHOUT DIFFICULTY. IN MY OPINION, THE 6 TO 6 VOTE ON THE AMENDMENT OFFERED BY CONGRESSMAN JOHN ZWACH OF MINNESOTA INDICATED THE ADMINISTRATION WAS NOT INTERESTED IN A TRUE RESERVE PROPOSAL. THE ZWACH AMENDMENT WOULD HAVE PREVENTED THE RELEASE OF ANY RESERVE STOCKS AT LESS THAN 100 PERCENT OF PARITY. THIS AMENDMENT WOULD INSULATE THE STOCKS FROM THE MARKET, RESULTING IN SIGNIFICANT INCREASES IN THE MARKET PRICES. SIX REPUBLICANS VOTED FOR THE ZWACH AMENDMENT, AND SIGNIFICANTLY, SIX DEMOCRATS OPPOSED IT. THIS SHOULD LEAVE NO DOUBT AS TO WHICH PARTY IS INTERESTED IN IMPROVING FARM INCOME.

TIDE OF PROTECTIONISM

AS WE LOOK AHEAD TO THE FUTURE, THE WHEAT PRODUCER WILL BE ADVERSELY AFFECTED BY THE RISING TIDE OF PROTECTIONISM. WE ARE WITNESS TO AN INCREASE BY FOREIGN COUNTRIES IN EFFORTS TO SET ASIDE THE CONVENTIONAL RULES OF INTERNATIONAL TRADE IN ORDER TO SOLVE DOMESTIC PROBLEMS.

THE EUROPEAN ECONOMIC COMMUNITY'S VARIABLE LEVY~~Y~~_b ON CEREAL IMPORTS EFFECTIVELY PROTECTS INDIGENOUS PRODUCTION FROM COMPETITION. CONCURRENTLY, OTHER PORTIONS OF THE EEC FARM POLICY ARE PROVIDING FINANCIAL INCENTIVES TO ITS FARMERS TO INCREASE PRODUCTION.

SECRETARY OF AGRICULTURE ORVILLE FREEMAN HAS RECOGNIZED THE DANGER INHERENT IN EEC'S COMMON AGRICULTURAL POLICY. IN APRIL, 1966, HE SAID:

"THE CONSEQUENCES FOR A LIBERAL TRADE POLICY GENERALLY WILL BE VERY SERIOUS IF WE CANNOT NEGOTIATE IN THE KENNEDY ROUND SOME LIMITATIONS ON THE TRADE RESTRICTIVE EFFECTS OF THE COMMON

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MARKET'S COMMON AGRICULTURE POLICY. ALL OF US, THEREFORE, HAVE A VITAL STAKE IN THE SUCCESSFUL OUTCOME OF THE KENNEDY ROUND."

THE VARIABLE LEVY SYSTEM, WHILE ONE OF OUR ORIGINAL TARGETS IN THE KENNEDY ROUND, WAS ONE OF OUR NEGOTIATION FAILURES.

INCREASED PRODUCTION

ANOTHER FACTOR ADVERSELY AFFECTING OUR WHEAT POSITION IS THE INCREASING PRODUCTION ALL OVER THE WORLD. WE SUFFER FROM A COMPLETE LACK OF COOPERATION FROM OTHER EXPORTING NATIONS IN MANAGING PRODUCTION AND STOCKS. ARGENTINA, AUSTRALIA, AND FRANCE CONTINUE TO PRODUCE ON AN UNLIMITED BASIS AND GET RID OF THEIR SUPPLIES ON A YEAR-TO-YEAR BASIS. CANADA HAS NO PRODUCTION LIMITATIONS. THE UNITED STATES HAS TAKEN ON THE ROLE OF SUPPLY MANAGER FOR THE WORLD, AND IN THIS ROLE HAS BECOME THE RESIDUAL SUPPLIER TO THE COMMERCIAL MARKETS. IT IS TIME THAT WE LET THE WORLD KNOW THAT WE ARE GOING TO BE COMPETITIVE, EVERY HOUR OF EVERY DAY.

ANOTHER NEGOTIATION FAILURE IN THE KENNEDY ROUND WAS OUR EFFORTS TO GET EFFECTIVE ACCESS GUARANTEES. THE UNITED STATES PROPOSED THAT IMPORTING COUNTRIES PURCHASE A FIXED PERCENTAGE FROM ALL EXPORTING COUNTRIES OF THEIR TOTAL NEEDS. SECRETARY FREEMAN STATED:

"THE NUMBER ONE KEY TO SUSTAINED EXPANSION OF U. S. AGRICULTURAL EXPORTS IS ACCESS TO MARKETS."

THE UNDER SECRETARY IN TESTIMONY BEFORE THE HOUSE FOREIGN AFFAIRS COMMITTEE STATED:

"THE OPPORTUNITY TO COMPETE FOR TRADITIONAL IMPORT MARKETS IS ONE OF THE CORNERSTONES OF OUR POSITION."

THESE NEGOTIATING FAILURES ARE COSTING WHEAT GROWERS DEARLY. THEY WILL CONTINUE TO DO SO FOR MANY YEARS.

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STEPS TO IMPROVE INCOME

TIME AND TIME AGAIN, I HAVE OUTLINED CONSTRUCTIVE STEPS TO IMPROVE WHEAT GROWERS' INCOME. BUT TIME AND TIME AGAIN THE ADMINISTRATION HAS IGNORED THE RECOMMENDATIONS. LET ME RESTATE THEM.

- (1) RAISE THE LOAN RATE FOR WHEAT FROM \$1.25 TO \$1.40 PER BUSHEL.
- (2) ANNOUNCE THAT NO WHEAT STOCKS OWNED OR TO BE OWNED FOR THE NEXT TWO YEARS BY CCC WILL BE RESOLD AT LESS THAN PARITY.
- (3) ANNOUNCE THAT CCC WILL PAY THE FIRST YEAR STORAGE COSTS FOR WHEAT UNDER LOAN.
- (4) EXPAND EXPORTS UNDER P. L. 480 TO THE MAXIMUM CONSISTENT WITH THE SELF-HELP PROVISIONS.
- (5) PRICE WHEAT COMPETITIVELY FOR EXPORT, AND TAKE DOWN THE UMBRELLA OVER THE WORLD COMMERCIAL MARKET. UNDER THIS PRICE UMBRELLA, AUSTRALIA, ARGENTINA AND FRANCE SELL THEIR CROPS AND MAKE THE UNITED STATES LESS COMPETITIVE.

THE AMERICAN FARMER IS IN SERIOUS TROUBLE BECAUSE OF PRESENT "STOP AND GO" POLICIES. IN MY OPINION, STRONG NEW LEADERSHIP AND NEW DIRECTION IS NEEDED.