

The logo for the American Feed Manufacturers Association (AFMA) features the lowercase letters "afma" in a bold, sans-serif font. To the left of the text is a stylized graphic of a grain stalk or sheaf of wheat.

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FROM: GALE A. JOHNSON

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CONGRESSMAN ROBERT DOLE
U. S. House of Representatives
(R.) Kansas

"AGRICULTURAL POLICY"

It is with some feeling of trepidation that I tackle the task set forth for me this morning. In his letter of invitation to participate in your 60th Annual Convention, Oakley Ray suggested that I talk briefly on the general subject of Agricultural Policy, past, present and future. The immediate problem that I face is attempting to define this nation's agricultural policy. An even more difficult question which I will have to face on this topic is this one: "DO WE REALLY HAVE A NATIONAL AGRICULTURAL POLICY?"

- The Farm Problem -

Over the years, we have seen a lot of politicians founder on those shoals. Let's face it, of all the major issues of public policy that this nation has been confronted with over the years, none has proved to be more difficult to solve than has the farm problem. When we review what has happened on the national scene, we are tempted to oversimplify the political tug-of-war which has gone on over the years by dividing opponents on farm policy into two basic camps:

1. Those who feel that the only answer is through high federal supports and strict government management of production and supplies; and
2. Those who feel just as strongly that the Federal Government should keep out of farm programs and allow the free market to cure the situation through the age old law of supply and demand.

Actually, we all know it isn't that simple. On one hand, we can easily set forth the essential characteristics of the farm problem. The twentieth century technological revolution hit the farmer with vengeance. And it was accelerated by the heavy demands for farm commodities caused by World War II and the Korean conflict. The results have been:

1. A continuing tendency for production to increase

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faster than effective demand in spite of the rapid and steady decline of the farm population; and

2. Resulting heavy surpluses and depressed prices for agricultural commodities.

But, when we attempt to define what it is that this nation has developed over the years as a national farm policy, it is a different story. If we review the variety of plans, programs and schemes which have been put forth by our policy makers over the past thirty-five years we can see the tortured path that we have followed in developing our policy and farm programs to their present stage of perfection or imperfection as you wish.

- Farm Programs History -

Let me take just a few minutes to hit the highlights of Congressional and Administrative action on farm programs during the last three and a half decades:

- 1933 - This year saw the passage of the grandfather of all of our farm programs -- the original Agricultural Adjustment Act. This depression spawned piece of legislation established the Commodity Credit Corporation and the basic system of price supports which still remain in effect.
- 1936 - Saw the Supreme Court declare that parts of the Agricultural Adjustment Act were unconstitutional. As a substitute, the Congress hurriedly passed the Soil Conservation and Domestic Allotment Act. They also added the Agricultural Conservation Program to the growing list of farm programs.
- 1937 - And we added the Agricultural Marketing Agreement Act which authorized the "Marketing Agreement and Orders" approach to boost the income of producers of perishable commodities.
- 1938 - This year provided a new Agricultural Adjustment Act which established the basic system of acreage allotments and marketing quotas for storable commodities.
- 1941-45 - The war years resulted in a shift from concern over surpluses to concern about shortages. These years also saw the firm establishment and expansion of the "basic commodity" concept.

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- 1948 - Saw the first big post-war fight over general support policies - high vs. low. The Hope-Aiken Act -- a compromise -- was the result. It provided for a one year freeze of supports for the basic commodities at the 90% of parity level. Then, basics were to go on a 60% to 90% sliding scale.
- 1949 The Brannan Plan calling for tight controls and high supports was defeated. Another compromise resulted extending the 90% of parity freeze through 1950.
- 1951-52 - Support levels for basic commodities were continued at the 90% level.
- 1953 - This was a crucial year in the battle between advocates of high supports and controls and the proponents of the freer market system. Cattle-men, faced with falling prices, called for immediate action by Secretary of Agriculture Benson to bolster prices. Benson refused, insisting that "they must seek parity in the market place".
- 1954 - Resulted in an Agricultural Act which provided for "Sliding Scale" support prices.
- 1956 - The Congress passed legislation fixing support prices at the 90% of parity level. President Eisenhower vetoed it. A compromise act was passed which added the Soil Bank to the list of farm programs.
- 1958 - Saw another Presidential veto of a Congressional attempt to freeze price support levels. In turn, the House of Representatives rejected the Administration-sponsored Omnibus Farm Bill. Again a compromise resulted which -- among other things -- reduced the minimum support level for corn.
- 1959 - Saw yet another Presidential veto. This time it was a Wheat Bill providing for rigid price supports and acreage controls.
- 1961 - The "high supporters" came on the scene again. The Kennedy Administration -- through Administrative action -- raised support levels for many commodities.
- 1962 - The Administration requested legislation which would provide mandatory and permanent production and marketing controls on feed grains. The request

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was defeated in the Congress.

- 1963 - Saw the now famous referendum on wheat in which farmers rejected the two price plan and accompanying tight production controls.
- 1965 - The present Food and Agricultural Act came into being. This Act expires at the end of next year, and the Administration is asking that it be made permanent.

Those are the highlights. Over those same years, we have also seen ancillary developments all designed with the view of helping farmers and the rural areas. These include the establishment of The Federal Crop Insurance Corporation, The Concept of Rural Area Development, The Agricultural Trade and Development Act, a system for providing low cost loans for farm developments, and we could go on and on. The record of legislation and Administrative action on the farm problem has been prolific, to say the least.

- The Department of Agriculture -

In any review of our agricultural policy and programs, we shouldn't ignore the Executive Department responsible for administering and overseeing these policies and programs. The United States Department of Agriculture had humble beginnings. It was initially created in May of 1862 and was administered by a Commissioner of Agriculture until 1889. It was in that year that USDA was made the eighth Executive Department in the Federal Government and the Commissioner was elevated to the Cabinet rank of Secretary.

The department really came into its own during the Great Depression. The growth of its employment rolls indicates this burgeoning growth into a full fledged bureaucracy. In 1900, USDA employed about 1000 people; in 1920, employment stood at 20,000; by 1940, the number had mushroomed to about 100,000.

Today, USDA -- which was originally established to "acquire and diffuse useful information on agricultural subject" -- conducts wide-spread programs through some nineteen separate bureaus. Full time permanent employment averages about 86,000 -- a figure which ranges up to well over 100,000 if temporary and part-time employees are added. The fiscal year 1969 budget estimate for the department stands at some \$6.8 billions.

- The Political Role Of USDA -

We should not in any way underestimate the effect that this major executive agency has had on our farm policies and programs. It has been direct and substantial.

Professor Charles Hardin of the University of California wrote an extremely interesting report on this matter. Dr. Hardin's report, titled: FOOD AND FIBER IN THE NATION'S POLITICS, was published last year by the National Advisory Commission on Food and Fiber. One of the propositions set forth in the report declares that the major Executive Agencies play a very real role in the exercise of political power and influence which ultimately has a

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significant effect on national policies. Let me quote briefly from Dr. Hardin's report:

"Public Administration is caught up likewise in the political game of fighting for control of programs and for larger appropriations. Naturally, not everyone in government is personally committed to this kind of group politics. Much of the solid work of the world in all its aspects gets done by people who avoid political action and political thinking as much as possible, even though they may become knowledgeable about the ways and manners of politics as broadly defined. But politics, whether in the community or in the association, is the arrangement by which men live together. Those who make and maintain the arrangements are also essential to the survival of human affairs. New departures in government, new programs, new agencies, new purposes are usually brought about by men of political skill who have great energy and drive as well as a liking for politics. This is as true in universities, foundations, cooperatives, and businesses as it is in the legislatures or Chanceries of Government; it is certainly true in the great administrative agencies."

Professor Hardin poses a very interesting thesis on the results of the exercises of political power in the agricultural arena. In essence, he suggests that the three decades of political tug-of-war between the Congress and the Administration on farm programs has resulted in the Department of Agriculture being relatively free of control from either.

- Current Farm Situation -

Now that we have briefly reviewed the significant legislative and administrative events of the last thirty-five years which have shaped what we now have in the way of the national agricultural policy, let's spend a few minutes reviewing the results.

Here we have a real paradox. In some ways, American agriculture has been amazingly successful over the past decades. But, in other ways, our attempts at developing and implementing national policies and programs to serve the farmer have been dismal failures. Let's examine the successes first. American agriculture, when measured in terms of its ability to produce an abundance of the necessities of life at reasonable costs, is the envy of all the world. Just look at some of the measures of this success:

- ... 100 years ago, each U.S. farmer and farmworker supplied enough agricultural commodities for 5 people.
- ... 25 years ago, a farmworker supplied 13 people.
- ... Today, each farmworker provides for 40 people.

And how well has the American farmer served the general public? Very well indeed! The average American is eating better and at a lower cost -- in terms of his income -- than ever before. Look at the figures:

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- ... In 1950, the American consumer spent 22.2% of his disposable income for food.
- ... In 1960, the percentage was 20.
- ... In 1967, food cost the consumer only 17.7% of his income.
- ... If consumers in 1967 had to pay the same proportion of their income for food as they did in 1960, it would have cost them \$11 billions more!

I believe that any serious student of the agricultural situation cannot but appreciate the full effect of this fantastic success story. The farmer, by providing abundant supplies of necessities at lower costs both in terms of labor inputs and ultimate cost to the consumer, has furnished the cornerstone of our present economic abundance.

But the other side of the coin is not that bright. We have had our failures in the area of farm policies -- and they have been serious failures. In spite of American agriculture's outstanding success as the producer of our basic food and fiber necessities, the farmer has been very poorly paid for his efforts. While their production grew, costs soared, debts vastly increased, and farm income has completely failed to keep pace with the rest of the nation's growth. Here is what has happened:

- ... Net farm income dropped 10% -- a drop of over \$1.9 billions -- in 1967.
- ... Total farm liabilities increased by \$4.2 billions in 1967.
- ... The number of farms decreased another 3%.
- ... Farm parity stands at the lowest level it has reached since the days of the Great Depression.

- Farmer Frustration -

This then is the agricultural policy situation as we approach Mid-1968. The next question is what does the future hold? It is in this area that I have to carefully steer around the shoals that I mentioned earlier. If you look back on what has happened in the past and consider the apparent inability of this nation to solve its problems in rural America, you can understand my hesitancy to make firm projections about the future. However, if the evidence of constituent comments is worth anything, the bewilderment and discontent of the farmer is spreading, and its effect will be felt. In the wake of a year that has seen the cost-price squeeze become disastrously tight, the farmer is seeing the following changes which are further aggravating the situation:

1. He sees his political power slipping. In the wake of the vast rural migration, the court ordered reapportionment of seats in the legislature has shifted the power to the urban areas at both the Federal and State levels.

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2. He has observed increasingly greater efforts on the part of the Department of Agriculture -- his department -- to emphasize consumer and related services.
3. His farming operations are being affected more and more by the application to farm labor of the Minimum Wage Law, provisions of the National Labor Relations Act, and other social legislation originally designed for the industrial setting.
4. The end result is a growing feeling on the part of the farmer that the United States is much more concerned about low prices and the welfare of the consumer than it is with the ultimate well-being or even existence of the producers of our food and fiber necessities.

- The Mood Of The Nation -

Along with these matters of specific concern to the farmer, we also have to keep in mind the general mood of the nation. The American citizenry is also frustrated and indignant about many things. They are fed up with the high cost of government and taxes. Yet at the same time they are concerned as never before about the overriding problems of the nation -- Vietnam, crime, riots in the streets, and poverty. All of these have required Federal Programs and substantial amounts of tax funds. Some observers of the national mood and temperament have used the description "National Nervous Breakdown" to describe the situation. Recent events on the streets of our nation's capitol lend a lot of credence to this description.

- The Congress -

This same feeling of frustration and concern is felt and felt deeply by members of the Congress. One major measure of the depth of this concern relates to government expenditures. I have never seen the Congress so "economy minded" as they are at this time. It is in this mood that we are facing a national budget which is rapidly approaching the \$200 billion a year mark. The fiscal year 1969 budget estimate submitted by the President proposes an outlay of \$186.1 billion. I don't believe that anyone can seriously doubt but that significant cuts must and will be made in the Federal budget. We see the depth of feeling in the Congress on this matter in the \$6 billion cut recommended by the conferees on the tax bill. The result will inevitably be that rough competition will occur between the federal agencies for what they consider to be their share of the tax dollar. In this urban oriented society, the USDA budget of \$7 billions will be a prime target in this struggle.

- Effect On Farm Programs -

We must then base any projections about future agricultural policy in terms of the structures of the current socio-economic situation in the nation. This situation will have considerable effect on any legislation coming out of the Congress during the remainder of this session and in the next year or so.

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It is in this atmosphere that Congress is being asked to take action on a number of major areas of agricultural concern. Among the more important of these are:

FOOD AND AGRICULTURAL ACT OF 1965 - Expires next year. The Administration is asking that this program be made permanent.

PUBLIC LAW 480 - The Food For Peace Program which expires at the end of this year.

THE SECURITY RESERVE - Or as the Administration calls it, "A National Food Bank", is again before the Congress in the form of several legislative proposals.

FARM BARGAINING POWER - Is becoming a major topic of discussion and we are seeing increasing pressures to develop some approach to give the farmer more power in the market place.

Of these, it now appears that only P.L. 480 stands a really good chance of passage this year. Bills extending the program have passed both Houses of Congress. The major difference between the House and the Senate versions is the length of the extension. There has been a lot of speculation that Mr. Johnson's announcement that he will not be a candidate for reelection has materially weakened the chance of action on the remainder of the Administration's requests in the agricultural area. In addition to this, we are seeing increasing efforts on the part of foes of the current farm programs to introduce legislation that would sharply curtail the Federal Government's role in agriculture. The Secretary of Agriculture recently stated that there are currently twenty-one bills pending in the Congress designed to do this.

I think there is very little chance, in the context of the current political and economic climate, that the Administration will get the requested permanent extension of the Food and Agricultural Act. The House Agricultural Committee has voted for a simple one year extension. If agreed to, this will get the program outside of the inevitable election year considerations. In this year of concern over the Federal budget, an urban and consumer oriented Congress would look askance on any attempt to make permanent price support programs which have ranged between 2 and 3 billions of dollars over the past four years.

- Crucial Period -

In any instance, there is widespread feeling in the Congress, the Administration, among farmers and throughout the entire Agribusiness Community that we are coming sharply to a crucial corner in terms of our national agricultural policy and programs. I agree with this feeling. It is only natural that the fantastic changes which have occurred since the end of World War II would make their presence felt on the agricultural scene. We are now an urban society. The political power of this nation lies with the sprawling middle class suburban areas. Our urban oriented population no longer looks upon farming as an enterprise with special virtues which extend beyond its

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economic value. The old arguments on agrarian fundamentalism carry little weight with the suburbanite. I only regret that we are approaching this crucial period at a time when our nation has so much else on its mind. The political debates over the years on the farm problem have not been noted for their calmness and objectivity. The current problems of the nation will not help make future farm debates any more objective.

I think that we could all agree that of the pending legislation before the Congress, two will be of the most immediate concern and have the widest implications. These are the Food and Agricultural Act and the proposals on farm bargaining power. And while significant action may not be taken on either during this session, important dialogues are underway which may well set the scene for action in the next Congress.

- Need For Improved Programs -

I am not optimistic enough to assume that the future will bring any less vocal and violent disagreements about how to solve the farm problem. I know that if we polled the people in this room we would very probably get widely varying views about what should be done -- about the degree to which the Federal Government should be involved in agricultural programs. But I cannot believe that we can seriously advocate a complete pullout. For better or worse, we now have a situation where government payments approach 20% of our farmers income. And we have just reviewed how bad this income situation is on the farm.

I believe that it is imperative that all of us interested in and concerned with farm policy must do some serious thinking in terms of constructive approaches to the problem. Somehow, we have to develop some balance to our farm policies which while meeting the greater needs of our nation also will allow the farmer to earn his fair share for his labor and investment. The American farmer is much too important to the well-being of our entire society to be abandoned.

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