

REMARKS OF SENATOR BOB DOLE

FARM AND INDUSTRIAL EQUIPMENT INSTITUTION

WASHINGTON, D. C.

MONDAY, MAY 16, 1977

AS NEVER BEFORE, AMERICAN AGRICULTURE STANDS IN THE FOREFRONT OF OUR INTERNATIONAL ECONOMIC WELL-BEING. WITHOUT THE PHENOMENAL PRODUCTIVITY OF OUR FARMERS, THE IMBALANCE OF TRADE WOULD BE FAR WORSE THAN IT IS. IN FACT, IT WOULD BE A NATIONAL DISASTER. THE VALUE OF THE DOLLAR ABSOLUTELY DEPENDS ON OUR FARM EXPORTS. FARM EXPORTS ACCOUNT FOR \$1 OUT OF EVERY \$5 EARNED IN TRADE WITH FOREIGN COUNTRIES -- \$10 TO \$12 BILLION A YEAR. NEARLY ONE OUT OF THREE ACRES OF U.S. CROPLAND IS DEVOTED TO PRODUCTION FOR FOREIGN CONSUMERS. AMERICAN FARMERS PRODUCE ABOUT ONE-FOURTH OF THE WORLD'S WHEAT AND FEEDGRAINS. THE DOLLARS THAT WE SPEND FOR FOREIGN OIL AND OTHER PRODUCTS CAN BE RETURNED ONLY BECAUSE OF WHAT WE DO BETTER THAN ANYONE ELSE IN THE WORLD -- AND THAT IS GROW FOOD IN ABUNDANCE.

- 2 -

THE AMAZING PRODUCTIVITY OF THE AMERICAN FARMER IS DUE IN LARGE PART TO THE MECHANICAL MARVELS THAT YOUR COMPANIES HAVE MANUFACTURED. THE MACHINERY THAT YOU MAKE WAS RESPONSIBLE FOR THE TECHNOLOGICAL REVOLUTION ON OUR FARMS. BUT THIS HAS ALSO MEANT THAT NOT AS MANY PEOPLE ARE NEEDED TO WORK ON FARMS. FOR EVERY FIVE PEOPLE WHO LIVED ON A FARM 40 YEARS AGO, THERE ARE ONLY TWO TODAY. LESS THAN FOUR PERCENT OF OUR POPULATION NOW LIVES ON FARMS.

LESS RURAL REPRESENTATION

THIS HAS A VERY PRACTICAL POLITICAL EFFECT. THE REPRESENTATION THAT THE RURAL REGIONS HAVE IN CONGRESS IS CONSIDERABLY LESS THAN IT USED TO BE -- PARTICULARLY IN THE HOUSE OF REPRESENTATIVES.

THIS IS A FACT OF LIFE THAT MUST BE CONTENDED WITH THIS YEAR AS WE CONSIDER A NEW FARM BILL AND AS OUR TRADE NEGOTIATORS GET DOWN TO BRASS TACKS IN THEIR DISCUSSIONS WITH OUR TRADING PARTNERS. THE ADMINISTRATION IS COMING UNDER INCREASING PROTECTIONIST PRESSURE AS CERTAIN IMPORTANT INDUSTRIES SUFFER UNEMPLOYMENT THAT IS SAID TO BE CAUSED BY FOREIGN COMPETITION -- IN SOME CASES, UNFAIR FOREIGN COMPETITION.

- 3 -

AS A MEMBER OF THE TWO COMMITTEES THAT DEAL WITH
THESE TWO PROBLEMS IN THE SENATE -- AGRICULTURE AND FINANCE --
I AM, OF COURSE, DEEPLY INVOLVED IN THE COURSE THAT WE FOLLOW.

THE FARM BILL

NOW, LET ME DISCUSS THE FARM BILL REPORTED BY THE
SENATE AGRICULTURE COMMITTEE. YOU WILL BE HEARING FROM
SENATOR TALMADGE, THE CHAIRMAN OF OUR COMMITTEE, TOMORROW.
THE BILL OUR COMMITTEE REPORTED WILL BE BEFORE THE SENATE
SOON. IT IS A GOOD BILL AND WILL, IN MY OPINION, PROBABLY
PASS THE SENATE WITHOUT SUBSTANTIAL CHANGE. BEFORE EITHER
HOUSE HAS ACTED ON A FARM BILL, THE PRESIDENT IS TALKING OF
A VETO. IT'S TOO EARLY TO TELL WHAT THE COST OF THE PROGRAM
WILL BE -- AND IT'S CERTAINLY PREMATURE FOR THE PRESIDENT TO
BE THREATENING A VETO.

- 4 -

OUR COMMITTEE BILL ADDRESSES THE PROBLEMS OF DECLINING FARM PRICES AND SLACKENED DEMAND, ESPECIALLY FOR GRAINS. IT WOULD GIVE FARMERS INCOME PROTECTION, SETTING TARGET PRICES AT ABOUT THE AVERAGE COST OF PRODUCTION. THE LOAN RATES WE PROPOSE WOULD BE LOW ENOUGH FOR COMMODITIES TO MOVE IN EXPORT MARKETS AT WORLD PRICES -- AT THE SAME TIME GIVING FARMERS CREDIT SO THAT ORDERLY MARKETING CAN BE ACCOMPLISHED. I DO NOT FORESEE A BIG BUILDUP OF C.C.C. STOCKS. A LOAN RESALE PROGRAM, IF NEEDED, WOULD PREVENT THIS -- THAT IS, IF IT IS PROPERLY ADMINISTERED. IN THE BILL, WE HAVE ALSO ATTEMPTED TO ELIMINATE SOME OF THE INEQUITIES BETWEEN COMMODITIES, SUCH AS THE DIFFERENT LEVELS OF PAYMENT LIMITATIONS AND "DISASTER PROVISIONS" IN THE PRESENT PROGRAM.

AS IT IS NOW, PAYMENTS OF UP TO \$55,000 ARE AUTHORIZED IN THE RICE PROGRAM, BUT FOR OTHER COMMODITIES THE LIMIT IS \$20,000. THE BILL WOULD SET A UNIFORM LIMIT OF \$50,000. AND COTTON PLANTERS WOULD NO LONGER BE ABLE TO COLLECT DISASTER PAYMENTS FOR FLOODED LAND DEVOTED TO A SUBSTITUTE CROP SUCH AS SOYBEANS.

- 5 -

UNDER THE NEW FARM BILL, THERE SHOULD BE ADEQUATE SUPPLIES OF EXPORT COMMODITIES AT COMPETITIVE PRICES. IN ADDITION, FIVE PERCENT OF THE FUNDS GENERATED BY TITLE I, P.L. 480 SALES WOULD BE SET ASIDE FOR THE SECRETARY OF AGRICULTURE TO USE IN DEVELOPING BETTER STORAGE AND DISTRIBUTION FACILITIES IN THE COUNTRIES THAT RECEIVE THE FOOD.

TRADE TALKS

I DO NOT HAVE TO EMPHASIZE INTEREST THAT YOU ALL HAVE IN THE TRADE NEGOTIATIONS IN GENEVA. U.S. AGRICULTURE MUST EXPORT TO SURVIVE. THAT IS ANOTHER FACT OF LIFE. THERE IS NO ESCAPING IT.

LAST MONTH, THE TRADE DEFICIT WAS TWO BILLION, 387 MILLION DOLLARS. THESE FIGURES POINT UP THE NEED FOR EMPHASIZING AGRICULTURAL EXPORTS. IN THE LAST FEW YEARS, FARM EXPORTS JUST ABOUT COVERED THE COST OF OUR PETROLEUM IMPORTS. BUT WITH EARNINGS FROM FARM EXPORTS OFF, AND OIL PRICES UP, THE TRADE IMBALANCE IS WORSE. THE ADMINISTRATION SHOULD BE PUSHING FARM EXPORTS THROUGH PROGRAMS TO FACILITATE EXPORTS, THROUGH THE REMOVAL OF TRADE RESTRICTIONS WHENEVER POSSIBLE, AND THROUGH MARKET DEVELOPMENT.

- 6 -

MAJOR GRAIN EXPORTING COUNTRIES ARE EXPECTING BUMPER CROPS THIS YEAR. THE 1976-77 WORLD WHEAT HARVEST MAY TOP 400 MILLION TONS, WHICH WOULD BE TEN PERCENT ABOVE THE PREVIOUS RECORD. GOOD CROPS IN THE SOVIET UNION AND THE INDIAN SUBCONTINENT CONTRIBUTED TO A SLACKENING OF DEMAND AND LOWER PRICES FOR WHEAT. THE VALUE OF U.S. FEED AND GRAIN EXPORTS IN THE CURRENT FISCAL YEAR IS EXPECTED TO BE ABOUT ONE-FIFTH LESS THAN LAST YEAR. GRAIN EXPORTS WILL BE FIVE TO TEN MILLION TONS UNDER LAST YEAR.

THESE ARE SOME OF THE STEPS THAT SHOULD BE TAKEN, IN MY OPINION.

VETO POWER OVER EXPORT CONTROLS

THE SENATE RECENTLY ADOPTED AN AMENDMENT I OFFERED TO THE EXPORT ADMINISTRATION ACT, WHICH WOULD GIVE CONGRESS A VETO POWER OVER ANY IMPOSITION OF EXPORT CONTROLS ON FARM COMMODITIES. THE PRESIDENT WOULD BE REQUIRED TO REPORT, IN DETAIL, WHY EXPORT CONTROLS HAD BEEN IMPOSED. CONGRESS WOULD THEN HAVE 30 DAYS TO REVERSE THE DECISION BY ACTION OF BOTH HOUSES. NO LONGER WOULD WE BE REQUIRED TO ACCEPT VAGUE EXPLANATIONS BY THE ADMINISTRATION OF THE FOREIGN POLICY OR DOMESTIC SHORTAGE REASONS FOR CONTROLS.

- 7 -

SOYBEAN EXPORT CONTROLS UNWISE

WE STILL HEAR RUMORS HERE IN WASHINGTON OF PLANS FOR EXPORT CONTROLS ON SOYBEANS AND SOYBEAN MEAL.

WE SHOULD HAVE LEARNED FROM THE 1973 SOYBEAN EMBARGO JUST HOW SELF-DEFEATING EXPORT CONTROLS ARE. THAT EMBARGO SUCCEEDED IN SCARING THE DAYLIGHTS OUT OF GOOD CUSTOMERS AROUND THE WORLD. WE FOUND OUT WHAT WE SHOULD HAVE KNOWN ANYHOW -- THAT ONE CANNOT MAINTAIN EXPORT MARKETS BY CUTTING THEM OFF.

WE SUFFERED SERIOUS MARKET LOSSES AS A RESULT OF THE 1973 SOYBEAN EXPORT LIMITATION. THE JAPANESE REACTED BY INVESTING HUGE AMOUNTS OF MONEY TO ENCOURAGE BRAZILIAN SOYBEAN PRODUCTION.

THE COMMON MARKET COMMISSIONER OF AGRICULTURE WARNED THAT IF WE REIMPOSE EXPORT CONTROLS ON SOYBEANS, THE NATIONS OF WESTERN EUROPE WILL MAKE A SERIOUS EFFORT TO BECOME SELF-SUFFICIENT IN PROTEIN MEAL PRODUCTION BY 1985. SUCH AN EFFORT WOULD COST US DEARLY. THE SAME COULD OCCUR IN MARKET AFTER MARKET AROUND THE WORLD -- AND WE CANNOT AFFORD IT. EXPORT CONTROLS CANNOT CHANGE THE ECONOMIC FORCES THAT SURROUND US.

- 8 -

HOPE PRESIDENT'S EUROPEAN TRIP WILL HELP

WESTERN EUROPE IS OUR BEST MARKET FOR FARM GOODS. HOPEFULLY, PRESIDENT CARTER'S RECENT JOURNEY TO DISCUSS ECONOMIC QUESTIONS WITH EUROPEAN LEADERS WILL HELP TO IMPROVE TRADING ARRANGEMENTS. AS YOU KNOW, THE EUROPEAN COMMUNITY SOMETIMES EMPLOYS TRADE RESTRICTIONS AND EXPORT SUBSIDIES THAT DISCRIMINATE UNFAIRLY AGAINST OUR FARM EXPORTS. IN THE PAST, THE EUROPEANS HAVE BEEN MORE INTERESTED IN STABILIZATION OF PRICES AND TRADE THAN THEY WERE IN LIBERALIZING TRADE.

THE TRADE TALKS IN GENEVA ARE OF CRUCIAL IMPORTANCE. THE PRICE OF FAILURE IN GENEVA IS NOTHING LESS THAN THE SERIOUS RISK OF RETURNING TO THE KIND OF DOG-EAT-DOG TRADE POLICIES WHICH BROUGHT THE WORLD TO ECONOMIC DISASTER IN THE 1930's.

FOR AGRICULTURAL COMMODITIES TO BE TREATED FAIRLY, IT IS ESSENTIAL THAT THE FARM AND INDUSTRIAL TRADE NEGOTIATIONS BE KEPT TIED TOGETHER.

THERE IS NO REASON WHY THE SALE OF VW AUTOMOBILES IN THE U.S. SHOULD NOT BE ON THE SAME CONFERENCE TABLE AT THE SAME TIME THAT BARRIERS STANDING IN THE WAY OF FARM EXPORTS IN EUROPE ARE UNDER CONSIDERATION.

- 9 -

THE ADMINISTRATION IS REPORTED TO BE FLIRTING WITH COMMODITY AGREEMENTS FOR SUGAR AND WHEAT. I BELIEVE STRONGLY THAT WE SHOULD AVOID INVOLVING THE UNITED STATES IN COMMODITY AGREEMENTS THAT CONTAIN MAXIMUM AND MINIMUM PRICE PROVISIONS, OR OTHER MEASURES AIMED AT PRICE AND MARKET STABILITY. OUR PAST EXPERIENCE WITH THIS APPROACH BROUGHT ABOUT MARKET DISRUPTION AND LONG-TERM HARM TO BOTH PRODUCERS AND CONSUMERS.

THE LAST INTERNATIONAL GRAINS ARRANGEMENT WITH MAXIMUM AND MINIMUM PRICES WAS AN INTERNATIONAL ECONOMIC FAILURE. WHEN HE SIGNED THE AGREEMENT FOR THE UNITED STATES, THE THEN PRESIDENT JOHNSON SAID HE THOUGHT IT WOULD PROVIDE NEW PRICE INSURANCE TO THE U.S. WHEAT FARMERS.

IT PROVED TO BE LOWER PRICE INSURANCE AND A STRATEGY FOR LOSING MARKETS. OTHER COUNTRIES UNDERSOLD US. WE WERE LEFT "HOLDING THE BAG" -- A BAG FULL OF UNEXPORTED WHEAT. TO BE EFFECTIVE IN STABILIZING MARKETS AND PRICES, ENOUGH EXPORTERS AND IMPORTERS MUST PARTICIPATE TO ACHIEVE A DEGREE OF MONOPOLY POWER. GETTING IMPORTERS TO GO ALONG IS DIFFICULT, ESPECIALLY IN YEARS OF LARGE SUPPLIES AND WORLD SHORTAGES.

- 10 -

C.C.C. TERMS FOR CHINA WHEAT SALES

I AM HOPEFUL THAT THE PEOPLES REPUBLIC OF CHINA WILL BECOME A REGULAR CUSTOMER FOR U.S. WHEAT AND OTHER FARM COMMODITIES. LATER THIS WEEK, THE SENATE WILL BE CONSIDERING, AS AN AMENDMENT TO ANOTHER BILL, MY PROPOSAL TO ENCOURAGE WHEAT SALES TO CHINA BY MAKING SUCH TRANSACTIONS ELIGIBLE FOR C.C.C. CREDIT TERMS. THE P.R.C. HAS CONTRACTED FOR THE PURCHASE OF FIVE MILLION METRIC TONS OF WHEAT ALREADY IN THIS FISCAL YEAR, ALL OF IT SO FAR FROM OUR COMPETITORS, PRINCIPALLY CANADA AND AUSTRALIA.

INCREASINGLY, WE LIVE IN A WORLD IN WHICH FOOD -- AND ENERGY -- ARE STRATEGIC INSTRUMENTS OF FOREIGN POLICY.

FREIGHTERS LOADED WITH GRAIN, AND TANKERS FILLED WITH OIL, ARE AS IMPORTANT TODAY AS RIVAL FLEETS OF BATTLESHIPS WERE IN AN EARLIER AGE. BECAUSE AGRICULTURE CONTRIBUTES SO SIGNIFICANTLY TO OUR ECONOMIC, AND THEREFORE OUR POLITICAL, STRENGTH IN THE WORLD, THERE ARE DIRECT LINKS BETWEEN OUR NATIONAL SECURITY AND OUR FOREIGN POLICY ON ONE HAND, AND OUR FARM POLICY ON THE OTHER.

- 11 -

ENERGY PLANS

A LITTLE EARLIER, I REFERRED TO THE DECLINING NUMERICAL STRENGTH OF RURAL REPRESENTATIVES IN CONGRESS. THERE WAS A TIME NOT TOO LONG AGO WHEN MANY OF THE CABINET OFFICERS, AGENCY HEADS, AND WHITE HOUSE STAFF ASSISTANTS WERE LIKELY TO BE FROM A FARM BACKGROUND. BUT NOT ANYMORE. THE PRESIDENT'S ENERGY RECOMMENDATIONS WERE SINGULARLY UNSYMPATHETIC TO THE INTERESTS OF THE AMERICAN FARMER. THE PRESIDENT MADE NO MENTION OF EXEMPTING AGRICULTURAL USE FROM THE PROPOSED TAX ON GASOLINE. THE TAX THAT HE PROPOSED WOULD HIT HARDEST THOSE WHO MUST DRIVE THEIR CARS THE LONGEST DISTANCES AND DO NOT HAVE ACCESS TO PUBLIC TRANSPORTATION. THE REBATES THAT HE SUGGESTED WOULD GO EQUALLY TO THOSE WHO NEED THEIR CARS FOR ESSENTIAL PURPOSES AND THOSE WHO DO NOT OWN CARS AT ALL BUT WHO RIDE THE SUBWAY OR BUS TO WORK OR SHOP.

IN ANY SHORTAGE OF ENERGY, THE GOVERNMENT WILL OBVIOUSLY BE ASKED TO ALLOCATE SCARCE SUPPLIES -- ALLOCATE THEM AMONG REGIONS, AMONG STATES, AMONG URBAN, SUBURBAN AND RURAL USERS. WHAT IS A FAIR DIVISION OF A LIMITED AMOUNT OF FUEL BETWEEN FERTILIZER AND POWER LAWNMOWERS? BETWEEN A TRACTOR AND A SNOWMOBILE?

- 12 -

THESE WILL BE TOUGH, CONTROVERSIAL ISSUES TO BE SETTLED, AGRICULTURE WILL BE CLAMORING FOR JUST RECOGNITION, OF COURSE, BUT SO WILL A LOT OF OTHER INTERESTS. AND IT WILL BE A MATTER OF WHOSE VOICE CRIES OUT THE LOUDEST.

INCENTIVES FOR INCREASED SUPPLIES

THIS IS A REASON WHY ALL OF US MUST WORK TO DEVELOP A SENSIBLE COMPREHENSIVE ENERGY POLICY -- ONE THAT WILL PROVIDE FOR CONSERVATION, YES; BUT ALSO ONE THAT WILL ENCOURAGE DOMESTIC PRODUCERS TO INVEST IN NEW FACILITIES AND STEP UP THEIR OPERATIONS. INSTEAD OF LEVYING ALL KINDS OF TAXES THAT WILL BE BOTH INFLATIONARY AND CREATE MORE UNEMPLOYMENT, BOTH AT THE SAME TIME, WE SHOULD AT LEAST TRY TO PROVIDE A REASONABLE ECONOMIC INCENTIVE FOR INCREASED SUPPLIES.

- 13 -

I COMMEND YOUR ORGANIZATION FOR THE JOBS THAT YOU DO TO HELP FEED A HUNGRY WORLD. OUR FOOD EXPORTS ARE PAYING OUR EXTRAVAGANT ENERGY BILLS. TRADE AMONG NATIONS WEAVES A SEAMLESS WEB OF PEACEFUL INTERDEPENDENCE ACROSS NATIONAL BOUNDARIES. A PROSPEROUS, PRODUCTIVE AMERICAN AGRICULTURE CAN BE THE KEY TO A WIDER PROSPERITY -- NOT ONLY AMONG CONSUMERS AT HOME, BUT AMONG MANY FOREIGN PEOPLES WHO NEED AND WANT TO BUY WHAT WE CAN PRODUCE MOST EFFICIENTLY.

#####