

STATEMENT BY SENATOR BOB DOLE
U. S. FARM EXPORT EDUCATION PROJECT
HYATT REGENCY CAPITOL HILL
SEPTEMBER 25, 1981

I'M PLEASED TO BE ABLE TO ACCEPT YOUR INVITATION TO DROP BY AND SPEAK WITH YOU ABOUT A SUBJECT OF MUTUAL INTEREST - THE ECONOMIC MIRACLE OF U. S. FARM EXPORTS. AND I'M WILLING TO ACKNOWLEDGE THE FEARS OF SOME IN THIS GROUP THAT THE MIRACLE HAS BEEN TARNISHED BY THE RECENT GRAIN EMBARGO AND BY UNFAIR COMPETITION FROM ABROAD. IF ITS ANY CONSOLATION, SEVERAL STEPS ARE BEING TAKEN TO RESTORE THE SHORT-TERM OUTLOOK.

YOU'VE CHOSEN A GOOD TIME TO MEET - AGAINST A BACKDROP OF NEW FARM LEGISLATION. THAT BILL, PASSED ONE WEEK AGO BY THE SENATE, ACCOMPLISHES SEVERAL THINGS AT ONCE. IT MAINTAINS A MARKET-ORIENTED APPROACH TO FARM PRICE SUPPORTS WHILE AT THE SAME TIME BRINGING PROGRAM COSTS INTO LINE WITH THE REAGAN BUDGET TARGETS.

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A MARKET-ORIENTED PROGRAM

BUT A MARKET-ORIENTED PROGRAM IS ALSO A MARKET-DEPENDENT PROGRAM. FARMERS DEPEND FOR THEIR PRICES ON A RANGE OF INTERNATIONAL FACTORS - NOT ON GOVERNMENT DECISIONS IN WASHINGTON. WE'VE HAD A SIMILAR APPROACH IN THE LAST TWO FARM BILLS, IN 1973 AND 1977. AND THERE HAS BEEN CRITICISM OF THE LATTER AS INADEQUATE. BUT IF YOU LOOK AT THE GLOBAL MARKET PLACE, YOU'LL SEE THAT WORLD PRODUCTION FELL SHORT OF DEMAND DURING THE EARLY 70's, WHILE THE LAST FIVE YEARS HAVE SEEN BACK-TO-BACK RECORD CROPS AND RISING SURPLUSES. OUR POSITION IN AGRICULTURAL TRADE HAS BEEN A KEY DETERMINANT IN THE PROSPERITY OF THE FARM SECTOR IN THE LAST DECADE.

THE PERIOD FOLLOWING ENACTMENT OF THE '77 BILL HAS SEEN A DECLINE IN THE U. S. SHARE OF SOME KEY MARKETS. PRICE-CUTTING TACTICS BY OUR MAJOR COMPETITORS ARE TO BLAME FOR SOME OF THIS.

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FAILURE TO PRESS FOR FAIR CONDITIONS IN MULTI-LATERAL TRADE NEGOTIATIONS CONTRIBUTED TO THE PROBLEM AS WELL. BUT THE LARGEST SINGLE FACTOR WAS, OF COURSE, THE SOVIET GRAIN EMBARGO - AN EVENT WHOSE IMPACT ON WORLD TRADE PATTERNS, NOT TO MENTION OUR OWN REPUTATION AS A RELIABLE SUPPLIER, MAY YET BE FELT FOR YEARS.

PUT ALL THESE FACTORS TOGETHER, AND IT'S NOT SURPRISING THAT A LOT OF FARMERS AND AGRIBUSINESSMEN ARE FEELING PRETTY BLUE ABOUT OUR AGRICULTURAL TRADE POLICIES. THROW IN DOMESTIC INTEREST RATES AND A DECADE OF INFLATION, AND YOU HAVE A FORMULA FOR SERIOUS DOUBTS ABOUT THE FUTURE OF OUR RURAL ECONOMY. IF THIS WERE BUSINESS AS USUAL TIME IN WASHINGTON, I COULD UNDERSTAND SUCH PESSIMISM. BUT THE FACT IS, THAT IN FARM POLICY, AS IN ITS HANDLING OF THE OVERALL ECONOMY, THE REAGAN ADMINISTRATION IS DETERMINED TO MAKE THE MARKET PLACE WORK FOR A MORE PROSPEROUS AMERICA.

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A PRESIDENTIAL COMMITMENT

A DIRECT COROLLARY TO SECRETARY BLOCK'S MARKET ORIENTATION AT HOME IS A CONCERTED DRIVE BY THE ADMINISTRATION TO EXPAND AGRICULTURAL EXPORTS. A LITTLE OVER A WEEK AGO, I RECEIVED A LETTER FROM THE PRESIDENT IN RESPONSE TO MY OWN INQUIRY ABOUT FOREIGN TRADE. IN IT, HE ASSURED ME "THAT THE ADMINISTRATION FULLY INTENDS TO PURSUE THE BEST INTERESTS OF THE UNITED STATES AND OUR FARM SECTOR BY MAXIMIZING AGRICULTURAL EXPORTS TO ALL FOREIGN BUYERS." THE PRESIDENT WENT ON TO STATE: "SALES OF GRAIN AND OTHER AGRICULTURAL PRODUCTS WILL IN NO WAY BE SINGLED OUT FOR RESTRICTION IN ANY TRADE EMBARGO THAT MAY BE IMPOSED BY THIS ADMINISTRATION. IN VIEW OF OUR CURRENT ABUNDANT SUPPLIES OF CORN AND WHEAT, AND PROSPECTS FOR RECORD HARVESTS THIS YEAR, THE ADMINISTRATION INTENDS TO OFFER A LARGE ADDITIONAL AMOUNT OF GRAIN FOR SALE TO THE SOVIET UNION WHEN CONSULTATIONS ARE HELD SEPTEMBER 30, ON THE ONE-YEAR EXTENSION OF THE U.S./U.S.S.R.

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GRAINS AGREEMENT. THESE QUANTITIES WILL BE IN ADDITION TO THE SPECIFIED MINIMUM AND MAXIMUM LEVELS."

THUS THE PRESIDENT HAS VOWED TO DO MORE THAN LIFT THE GRAIN EMBARGO IMPOSED BY HIS PREDECESSOR. HE HAS RECOGNIZED THE UNFAIR BURDEN IMPOSED ON AMERICAN FARMERS WHEN THE NEGATIVE IMPACT OF FOREIGN POLICY FALLS SQUARELY UPON THEIR BACKS. HE HAS SENT AN ENCOURAGING SIGNAL TO OUR INTERNATIONAL TRADING PARTNERS AS WELL AS OUR OWN COMMODITY MARKETS. AND, THANKS TO NATURE AND THE THIRD POOR CROP IN A ROW, THE PRESIDENT HAS SET THE STAGE FOR REPAIRING THE RUPTURED TRADING RELATIONSHIP BETWEEN THIS COUNTRY AND THE SOVIETS.

ALREADY, THE CURRENT GRAIN AGREEMENT WITH THE U.S.S.R. INSURES THE SALE OF 6 TO 8 MILLION TONS OF GRAIN. I HAVE HEARD RUMORS THAT THEY HAVE ALREADY BOUGHT UP TO THE MAXIMUM. WHEN THE PRESIDENT TALKS OF OFFERING "A LARGE ADDITIONAL AMOUNT

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OF GRAIN" FOR SALE TO MOSCOW NEXT WEEK, I THINK YOU CAN SAFELY EXPECT TO SEE US EXPORTING AT LEAST TWENTY MILLION TONS DURING FISCAL YEAR 1982.

COMBATting E.E.C.

THE GRAIN EMBARGO IS BY NO MEANS THE ONLY PROBLEM REQUIRING PROMPT ACTION. UNCHECKED EXPANSION OF SUBSIDIZED GRAIN EXPORTS BY THE EUROPEAN ECONOMIC COMMUNITY HAS MADE A MOCKERY OF INTERNATIONAL FREE TRADE. FOR FOUR YEARS, EFFORTS HAVE BEEN MADE TO PURSUADE THE EEC TO MODERATE THESE POLICIES. YET NO SIGN OF RESTRAINT HAS APPEARED. THIS YEAR, SUBSIDIZED EXPORTS OF WHEAT AND FLOUR FROM THE EEC WILL REACH RECORD LEVELS - AROUND 13 MILLION TONS. MAJOR U. S. MARKETS IN NORTH AFRICA, LATIN AMERICA AND THE PEOPLE'S REPUBLIC OF CHINA HAVE BEEN LOST OR JEOPARDIZED. MOREOVER, THE EEC SETS AN EXAMPLE FOR OTHER GRAIN EXPORTERS WHICH SELL BELOW PRODUCTION COST TO COMPETE, AND THEN TURN TO NATIONAL TREASURIES FOR REIMBURSEMENT.

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IN THIS COUNTRY, SUCH LOSSES ARE NOT COVERED BY WASHINGTON. THEY COME OUT OF PRODUCERS' POCKETS. OUR EFFICIENCY NOTWITHSTANDING, PRICES IN A TIME OF GLOBAL SURPLUS ARE WELL BELOW THE AVERAGE FARMER'S COST OF PRODUCTION.

WITH OUR DOMESTIC PROGRAM NOW ESTABLISHED IN THE 1981 FARM BILL, THE TIME HAS COME TO ADDRESS THE QUESTION OF INTERNATIONAL TRADE. THE SENATE VERSION OF THE BILL PASSED LAST WEEK DOES PROVIDE STAND-BY AUTHORITY FOR AN EXPORT-SUBSIDY PROGRAM. ONE CAN ONLY HOPE SUCH A DRASTIC, EXPENSIVE REMEDY DOES NOT PROVE NECESSARY. FAR MORE PREFERABLE WOULD BE TO PURSUADE OUR COMPETITORS - MANY OF WHOM ARE ALSO OUR POLITICAL ALLIES - TO REFORM THEIR OWN METHODS RATHER THAN EMBARK ON A MUTUALLY-RUINOUS TRADE WAR.

I SAID A LITTLE EARLIER THAT IT WAS UNFAIR TO EXPECT FARMERS TO CARRY THE ENTIRE BURDEN OF U. S. FOREIGN POLICY.

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AND I CERTAINLY DON'T INTEND TO TRY AND JUSTIFY THE LOSS INCURRED BY OUR REFUSAL TO SELL SURPLUS BUTTER TO THE SOVIET UNION. AT THE SAME TIME, THE MARKETING ARRANGEMENT WORKED OUT WITH NEW ZEALAND WILL PREVENT CRITICISM FROM DAIRY EXPORTING COUNTRIES THAT THIS COUNTRY RESORTS TO THE SAME SUBSIDY PRACTICES AS THE EEC WHEN IT COMES TO DISPOSING OF ITS SURPLUSES.

SHORT-TERM PROBLEMS, LONG-RANGE PROSPECTS

GENUINE AS THE CURRENT CHALLENGES TO U. S. FARM EXPORTS MAY BE, SO ARE THE PROSPECTS FOR LONG-TERM INCREASES IN SALES. A COMBINATION OF POPULATION AND INCOME GROWTH IN MUCH OF THE WORLD HAS CREATED INCREASED CONSUMER DEMANDS FOR BETTER DIETS. FOOD AND FIBER WILL BE IN EVER-GREATER DEMAND AS THE CENTURY DRAWS TO A CLOSE. OVER THE LAST DECADE, FOR EXAMPLE, DESPITE THE PROBLEMS I'VE JUST DESCRIBED, WORLD CONSUMPTION OF FEED GRAINS ROSE BY 12 MILLION TONS A YEAR - AND THE U. S. SUPPLIED

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HALF OF THAT INCREASED DEMAND. IN 1970, THE U. S. EXPORTED 50% OF ALL THE WORLD'S GRAIN: BY 1979, THAT FIGURE WAS UP TO 57%. THE DOLLAR VALUE OF OUR AGRICULTURAL EXPORTS WENT FROM \$7 BILLION TO \$40 IN THE SAME DECADE."

DOMESTIC USE OF WHEAT, CORN AND SOYBEANS HAVE ALL SHOWN RELATIVELY MODEST INCREASES SINCE 1950. YET EXPORTS OF THOSE ITEMS HAVE GROWN BY ANYWHERE FROM 300% TO NEARLY 2900%. MORE ACRES ARE BEING TILLED FOR MORE CROPS TO EXPORT THAN EVER BEFORE. AND ALL SIGNS POINT TO STILL GREATER DEMAND FROM ABROAD IN THE YEARS AHEAD. WHEAT AND RICE EXPORTS ARE EXPECTED TO TRIPLE BY THE YEAR 2000. SUBSTANTIAL INCREASES ARE PREDICTED AS WELL FOR FEED GRAINS, CORN, SOYBEANS AND COTTON.

WORLD POPULATION GROWS AT A DAILY RATE OF NEARLY A QUARTER OF A MILLION. IN MANY OF THE FASTEST GROWING CORNERS OF THE GLOBE, THE AVERAGE AGE IS JUST NOW APPROACHING THE LEVEL OF

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MAXIMUM CALORIC INTAKE. AS COUNTRIES DEVELOP, SO DO THEIR APPETITES. ALL THIS MEANS WE MAY FIND OURSELVES EXPORTING PROPORTIONATELY LESS TO NATIONS LIKE JAPAN AND CANADA, BUT THIRD WORLD COUNTRIES NEWLY ENRICHED BY OIL - COUNTRIES LIKE MEXICO, BRAZIL, NIGERIA AND MUCH OF THE MIDDLE EAST - WILL BE SHOPPING FOR AMERICAN FARM PRODUCTS AS NEVER BEFORE.

WE HAVE PROBLEMS. WE HAVE COMPETITION. BUT IN FOCUSING ON THOSE, LET'S NOT OVERLOOK THE CONTINUING FAVORABLE OMENS. THE U.S. HAS AN OPPORTUNITY TO EXPAND ITS MARKETS. THE PRESIDENT HAS SIGNIFIED HIS INTENTION TO DO SO IN THE SHORT RANGE WITH THE SOVIETS. A HUNGRY WORLD WILL INSIST ON SIMILAR ACCESS TO AMERICAN FARM PRODUCTS AS WE MOVE INTO A NEW CENTURY. AND THE MARKET ITSELF WILL INSURE PROSPERITY IN PROPORTION TO EFFICIENCY AND AGGRESSIVENESS IN SEEKING OUT NEW OUTLETS.