

(Address by the Honorable Hubert H. Humphrey,
United States Senator from Minnesota before
the Flax Institute of the United States, Hotel
Nicollet, Minneapolis Minnesota, 11:00 a.m.
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I am pleased to have this opportunity to participate in a meeting of the Flax Institute. It is good to have you here with us in Minnesota.

Perhaps sometimes the importance of Flax to the economy of this state is overlooked, or at least minimized, because of the movement of production centers westward into the Dakotas. Yet it is still vitally important to Minnesota. Minneapolis is the center of flaxseed processing, and we are proud of it. I am not one of those who go along with the idea that the processor and producer always have to be at odds, or choose up sides on every issue that comes along. Basically, you have too much in common to spend much time fighting each other.

I don't want to get into the Charlie Wilson mixup of saying what is good for your industry is necessarily good for the producer, but let me say this: You would not have much of a processing industry if we had not developed flax production here in the midwest.

And as I would emphasize just as strongly to our producers, they would not be doing very well growing flax if you folks had not developed a mighty efficient and effective flaxseed processing industry, one that watches for every opportunity to stimulate eventual markets for what the farmer produces and you process.

It is no secret that I am deeply concerned about American agriculture generally, and that I have strong convictions about the well being of agriculture starting with the producer himself. This concern extends to your legitimate interests. You have to handle the farmers' products and find a market for them. The producer and the processor need each other.

I am not going to talk just about Flaxseed and Linseed oil today. You have been hearing plenty about it all through your conference. Perhaps it is running out of your ears -- or would be, if the crop wasn't so short this year. I have a hunch you would be interested in a general discussion of the outlook for agriculture from the viewpoint of a member of Congress, the outlook for world trade and world peace, and the outlook for business in general.

So I am going to welcome you with a Minnesota Smorgasboard that touches on most of these topics, sooner or later.

However, I do want to make just a few comments about your own industry. Quite frankly, I do not profess to be any expert about it -- and want to learn more about it. That is why I keep picking the brains of your effective executive secretary, George Prichard. I do know something about the history of flaxseed production, and feel we have lessons to learn from it.

As I recall, back during world war II we suddenly found ourselves short of an essential product -- linseed oil. We were caught short because of our failure to look far enough ahead, and our willingness to be entirely dependent upon imports. We were buying our supply from Argentina, and the Argentine sellers thought we needed their flax so badly that they could demand exorbitant prices.

What did we do? We went to work to shift more of our own farmers into flax production, by offering the incentive of a good price. As a result, from an importing nation we became not only self-sufficient, but, up to this year, even an exporting nation.

I hope some of our friends who object to government intervention in any form won't forget this. It isn't the government intervention that is wrong, it is how the government intervenes, and for what purpose. As long as the public interest comes first, there is always room for the government to keep an eye on any industry, any business, any commodity. What is wrong is when government tries to dominate and forgets the real purpose it is intended to serve.

But there is more to the "flax example" than justification for the government acting in the public's interest. On a recent trip to Spain, I saw the story being repeated almost in reverse.

We in the United States can produce edible oil efficiently and at good competitive prices. We need world markets. Other areas need our product. Yet in Spain, where a rapidly expanding market is developing for fats and oils in every form, they are not quite sure whether they can really depend upon us as a supplier under conditions they can accept.

As result, while wanting to buy from us, they are offering price supports for soybeans and soybean oil three times as high as we offer -- to encourage their own production. Isn't that just what we did on flax, when we felt we could no longer depend fully on Argentina as a source of supply?

Now, I don't want to see Spain lost to us as a market -- and I think we should learn a lesson from our own relations with the Argentine. We should make sure that we give Spain every assurance that we can and will continue to furnish them all the oil they need at better prices than they can equal.

That is one of the reasons I am such a supporter of Public Law 480 -- because I am convinced it offers us a way to retain markets we are eventually going to need in years to come. I am going to comment more about this program later, but I did want to refer to it even briefly in connection with the illustration I am trying to make about Flax.

I realize that you face differing prospects for this year as a result of the weakest crop in some time. They tell me the 1957 crop is the first crop inadequate for domestic linseed oil needs since the government undertook to expand and maintain flaxseed production during World War II.

However I am convinced it will not remain that way. I have confidence in the ability of our technical people in the U.S. Department of Agriculture and the state Departments of Agriculture to overcome the "Aster Yellows" problem which reduced production so severely in 1957. I have great confidence in our agronomists and research people. I just wish I could have that same confidence in our overall agricultural policy makers.

I know that the Department of Agriculture can and should be doing more basic research on linseed oil. There is a need for further expansion of this basic work. The problem is not with the technicians; they are willing and competent. Just like with some of our other scientific endeavors, the problem is in lack of vision and lack of willingness to invest public resources to get the job done.

While mentioning the short crop in prospect, I hope it does not lead to loss of markets we are going to need in the future. I know you understand this; and I trust my farm friends do also.

As much as I have championed a fair return to the farmer, I have always had an eye on the end outlet the farmer needs in order to get fair and profitable returns. I know that prices soaring too high as a result of a short crop can lead to shifts to synthetics, leaving farmers in trouble for markets when they return to normal production. I don't want to see that happen with linseed oil, and hope you can advise us as to ways to keep it from happening.

Hindsight is always easier than foresight, and I don't want to be unnecessarily critical of the Department of Agriculture. I find enough things to argue about, without getting into any new controversy over flax. But I do feel there is room to question the Department's judgement in rushing to get rid of all its flaxseed inventory before adequate supplies were assured from the 1957 crop.

Now, in all fairness, I must say that the pressures from Congress have always been to liquidate surpluses -- and that is what the Department did. Of course Congress in turn reflects the public attitudes -- and the Department has help build public attitudes that were critical of our abundance.

For my part, I have always felt it was a wise public investment to have adequate reserves to safeguard against just such situations as we now face. Adequate reserves are really a great consumer safeguard. It isn't necessarily the reserves that make trouble in the markets; it is how they are managed. I think corn is perhaps the best example.

It does little good to talk about the past when we have plenty to worry about for the future in Agriculture. I wish to express the hope that if in the future any substantial inventories of flaxseed are acquired by the Commodity Credit Corporation, more careful consideration will be given to holding some part of the inventory against possible crop failure -- thereby maintaining the farmers' long-term linseed oil market, and protecting the needs of consumers of linseed oil.

A few minutes ago I mentioned the need for extensive research in linseed oil. Right along with it, we need to build new demand for linseed oil, thereby broadening the farmers' market and combatting the inroads of synthetic non-farm products. As far as I can see, the disposition of linseed oil meal represents no real problem: what we need is to look for and develop new outlets for the oil.

That seems to be true of other oilseeds as well. It is one of the reasons I have personally been pushing so strongly for greater export outlets.

Let me elaborate on that point, in a general sense rather than just about any one commodity. I have long felt that one of the glaring weaknesses of the present Administration was its complete failure to grasp the full significance, the full potential of the advantage we hold on the world scene through our abundance of food and fiber.

I am expressing this to you today, as I have elsewhere, in deep sincerity as a member of the Senate's Foreign Relations Committee as well as a member of the Senate Committee on Agriculture and Forestry.

From the President on down, no one seems to realize what a force for freedom we have in the very thing some complain about -- our abundance of food and fiber. Every move to make greater use of food and fiber to bolster our ties with underdeveloped areas of the world practically has to be forced upon this administration. They are too timid and too unimaginative. They are hesitant when they should be bold. They cannot seem to look over the horizon into the future.

They cannot seem to appreciate a good program in their hands, such as Public Law 480, even when it is working successfully. They do not seem to understand that food can be more powerful than weapons in winning the struggle for freedom.

The Soviet has its Sputniks, but it hasn't our abundance of food and fiber. Krushchev seems to understand the vital role food and fiber can occupy in the struggle for the allegiance of nations, and he has embarked on a role of trying to outproduce us. He is wise enough to know that in the areas of Africa and Asia and other parts of the World, food means more to great masses of people today than any space satellite in the sky.

A break through in the conquest of hunger could be more magnificent in the cold war than the conquest of outer space. That is why I have proposed creation of a new "Peace Food Administrator" role at the White House level, to provide more aggressive leadership toward use of our nation's abundance of food as a force for freedom in the world.

Just as the President has belatedly named a "Science Czar" at the White House level to eliminate confusion and give some sense of urgency to our scientific progress in defense, we need the same kind of post for someone with vision of what our food can mean to the world, and someone with the ability and boldness to end buck passing and conflict between many agencies of government involved one way or another in food use abroad.

During the war we created a new post of War Food Administrator, entirely independent of the Secretary of Agriculture, because we fully recognized the importance of food to victory. In our current struggle for a secure peace in the world, it is no less important to have somewhere in our government a top-level official whose full responsibility should be more effective use of our abundance of food and fiber, in the nation's interests, as a vital arm of our foreign policy.

We should certainly be more actively, more constructively, and more imaginatively using our blessings of food and fiber as a powerful force for freedom. Our abundance is a tremendous asset, not the curse some are inclined to make it appear. In a world where millions lack enough to eat, we should be humbly thankful that we are blessed with abundance -- and we should be wise enough to use that abundance for the sake of humanity.

We in this country do not know what it means to have to choose between a necessary rate of investment and enough to eat; we must do what we can to help ease that choice for others.

I am proud to have had a part in the formulation of the programs under Public Law 480 by which we can not only use our abundant stock of food and fiber to relieve acute emergency shortages elsewhere in the world, but also to help economic development programs where they are urgently needed.

YET I regret the necessity to be constantly "Building fires" under the Administration to get it to use this effective program fully, or to support the proper expansion. We have hardly scratched the surface of what can be achieved with our abundance under the concept of Public Law 480, and its full potential must be utilized without further delay.

You are going to hear more about it, so you might as well get familiar with it right now. Why must we be so shortsighted, and regard our blessings as some kind of curse? If we are not smart enough to figure out ways to use our abundance for the benefit of our fellow men, we are in the wrong league to be trying launch our own Sputnik.

The truth is that the role of food and fiber in international relations is being badly neglected, along with its vitally essential role for the defense of the free world through such organizations as NATO.

The President is going to a NATO conference in Paris next month, to discuss further strengthening our grand alliance in Western Europe. It might be well to suggest that his agenda include a look at the food supplies for our allied forces in Turkey, Greece, Italy, and other Southern European countries. They need an assurance of food supplies for their troops, if we expect them to be fighting with us -- and for us -- in event of trouble. They are all food deficit countries, dependent on our imports. Yet the defense Department admits it can offer no assurance of trying to continue food

deliveries in event of war. Isn't it about time serious consideration was given emergency NATO food and fiber stockpiles, at strategic locations, as part of our military support program -- instead of just telling farmers they are producing too much.

It is time for some one to jar our own government into action, just as Sputnik has jarred action on the scientific front. As an individual United States Senator, I have been doing everything in my power to awaken our public -- and the Administration -- to the tremendous asset we have in our abundant production in this time of international crisis.

Of course if we suddenly awaken to the realization of how important our food and fiber can be as a force for freedom, we should at the same time face squarely the question of how fairly, or unfairly, we are treating the producers of this abundance.

Quite frankly, the nation's interest often requires production beyond levels for which farmers can obtain satisfactory prices in the market place. Farmers should not be penalized for serving and fulfilling the needs and requirements of national security. They should be rewarded.

Unfortunately the farmers' rewards are lagging far behind the rest of our economy in relation to investment in capital, labor, and know-how. There may be room for different points of view as to what should be done about our agricultural problems, but there can be little difference of opinion over the fact that our agricultural economy is out of balance with the rest of our economy.

Farm income has been steadily declining, during a period of rising production costs. In 1956, the average income of farm people, from non-farm as well as farm sources, was little more than two-fifths as much as the average income of the non-farm population.

The risk to invested capital in farming is greater, not less, than the economy-wide average. Modern family farming requires able and efficient management. It necessitates attention to detail and a broad knowledge of business practices.

Unfortunately, the farmer pays a higher interest rate on borrowed capital and earns a lower return on the funds he invests in his own business than any other businessman in the economy. Farm income is too low today, and it isn't only the farmers who should be concerned about it. Inadequate farm income has not only retarded the economic and social development of rural areas; it has acted to prevent the nation as a whole from the maximum attainment of its economic goals.

We cannot expect to go on having farm income decline a billion dollars a year -- and farm indebtedness go up by about the same amount -- without serious consequences for the entire economy.

What are we going to do about it? Well let me assure you of one thing; Any honest man knows there is no quick quack cure. None of us has all the answers. I certainly do not -- and no one has sought any harder than I have to find at least better answers than we now have.

Yet some facts are clear, for anyone willing to take an objective look. And, quite frankly, we need more people today willing to take an objective look, unblinded by old prejudices. Fighting old battles or shouting old slogans will not do the farmer much good; what he wants and needs is a better income.

Regardless of who might have been right or wrong in the past, the disparity between farm income and non-farm income is becoming greater each year -- despite our declared

goals of public policy toward bringing them closer together. Current trends and current farm policies are not moving in the direction of closing the gap.

Although farm income is currently too low, farm gross income would be at least a third less, and farm net income would be more than a third lower, if it were not for the existing federal program. And, farm income could be considerably higher, under existing farm legislation, if there was a will and a determination to use these laws enthusiastically and persistently -- and wisely.

While we need to improve our price support program, modernize and expand our farm credit facilities, expand our research both for production efficiency and new uses for farm products -- much more for the benefit of farmers could and should be done with the laws we already have.

Instead most of the federal programs have been whittled down in effectiveness by administrative decisions over the past four years, such as some of the market dumping of corn at a time government policy is supposed to be aimed at firming up prices.

I am endeavoring to avoid political partisanship today, although it is hardly a secret that I believe the Administration and policies of Secretary of Agriculture Benson have given American agriculture its worst setback in several decades.

Too many myths are still being perpetrated on the public. Lowering of farm price supports has not curtailed production, and certainly has not improved farm income by gaining better prices in the "free market". The individual farmer has been forced to increase his production to attempt to keep his income from dropping further as a result of falling prices. CCC inventories today are nearly five times as high as they were at the end of 1952, and far higher than when the so-called flexible program went into full effect in 1955 -- despite many new tools provided for surplus removal. The realized loss on price support operations has been more than twice as much in the last four years as in the preceding twenty. The simple truth is that the flexible theory of regulating output through lowered prices has been a complete failure -- resulting in nothing but further depletion of farm income. As a result, it is irresponsible to ask Congress for just more of the same-- more flexibility, still lower prices.

All of us like to think of the ideal of "free markets", but the truth is that we do not have completely "free markets" in our economy. The prices of things that farmers buy, both production and family living items, are based on the wholesale prices behind them -- which are in part administered prices; prices set by manufacturers, money-market bankers, railroad companies, and many others, on the basis of their Government sanctioned ability to withhold supply to maintain set price.

The farmer not only buys his needs in an administered-price market, dominated by sellers but also farmers sell their products into markets where buyers have the upper hand. I have often wondered whether some of the loudest advocates of "free markets" for agriculture would be quite so vocal if it was a farmers seller's market, instead of a buyers market -- if the farm producer had the upper hand in bargaining power. I am afraid if such were the case these same people would be appealing for government intervention and regulation, instead of insisting upon free markets.

Perhaps that is why, lately, you have heard more discussion among farm groups about "strengthening bargaining power" Perhaps one of these days we will have an opportunity to find out, whether we want to or not. You have all probably followed recent indications that there is more and more of a trend in farm organizations to seek ways for farmers themselves to strengthen their own bargaining power.

That is what is really behind the negotiations that have been going on between many major commodity groups, who will soon make public their recommendations for new legislation.

Farmers are at a bargaining disadvantage in the market place today, as they have always been. They realize they need stronger bargaining power. And if they don't find it one way, they will seek other ways.

It is really nothing new. They have sought to strengthen their bargaining power in many ways in the past. They have done it through banding together in cooperatives. They have done it through working out programs of price maintenance and control of market supply through their government, just as other segments of our economy have sought to protect their position through government action.

Here is the message I want to leave with you today; unless existing legislation can be made more effective, either through administrative policy or legal changes where necessary, farmers are bound to seek other ways to strengthen their bargaining power.

If I were a business man dealing with agriculture, I would think very seriously about whether I preferred dealing with farmers through some type of government program, or with farmers directly just as you now deal with organized labor.

Any of you who have followed what is going on among the various farm organizations, know that there is more and more talk about farmers turning to united action on their own, both toward controlling production to meet demand and toward some form of collective bargaining through producers' co-ops to establish prices and income nearer to equality with other segments of our society.

My purpose today is not to say this is right or wrong, but to suggest if the balance of bargaining power were to shift from buyer to seller of farm products, many now talking about free markets might be the first to prefer a new look at direct payment methods or alternatives of achieving more equality of farm income.

Obviously, neither the Congress nor the people should or would grant the power to anyone to cut food and fiber production below what is needed for the national welfare-- even though most industrial segments of our economy achieve improved income by tailoring output to achieve desired prices.

Food is so essential to national life that I am sure Congress would always require safeguards in the public's interest-- and the best safeguard the public could have of continued abundance is more willingness to see that the farmer gets a fair reward for his production.

I believe in abundance, not scarcity. I am convinced that farm people prefer to produce rather than to be forced to curtail production in order to achieve decent prices,

The challenge to our society is to find constructive and beneficial ways and means of using our abundance. We need to look upon our abundance as a national asset, not an economic liability. You as processors have a real interest in abundant production. It would be against our interests to force farmers to turn to artificial scarcity as a means of protecting their income. For that reason, I suggest you soberly consider the alternative of current farm policy debates -- and realize we all have a stake in strengthening our farm economy.



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