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February 28, 1973
Farm Forum
Minneapolis

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MEMORANDUM

FOR THE SENATOR

FROM DAVID

as I see it

RE: Farm Forum Speech

We will be straining our agricultural acreage resources in 1973. We will be needing more soybean acreage each year, especially in view of the fact that our yield per acre has not increased in the last several years. There is a basic growth in world demand for improved qualities of food.

There is a shift in demand for carbohydrates to proteins and as incomes rise, people will demand more and better quality proteins. As people shift to animal proteins from grains and vegetable proteins that go directly into human consumption, there is a basic increase in demands for feed grains, wheat and soy protein. What we must do as the world's granery is to meet that need.

(Discuss findings in Soviet Union with respect to the basic decision that was made that they are going to maintain high levels of animal protein consumption.)



*Farm Forum
minutes
2/28/73*

AMERICAN AGRICULTURE AND OUR NATION'S FARMERS
ARE CURRENTLY FACED WITH THE GREATEST SET OF CHALLENGES
THAT THEY HAVE EVER HAD TO FACE IN RECENT DECADES.

1973 WILL SURELY GO DOWN IN THE ANNUALS OF
AMERICAN AGRICULTURE AS ONE OF THE MOST IMPORTANT POLICY
BENCHMARK YEARS IN OUR NATION'S HISTORY.

WHILE 1972 WAS A YEAR OF UNPRECEDENTED ACCOMPLISH-
MENT AND PROMISE FOR OUR NATION'S FARM PRODUCERS IN TERMS
OF IMPROVED INCOME AND PRICES FOR MOST COMMODITIES,
HAPPENINGS AND DEVELOPMENTS THAT ALREADY HAVE OCCURRED
IN 1973 THREATEN THE FUTURE OF THOSE ACCOMPLISHMENTS.

PRIOR TO LAST FALL'S PRESIDENTIAL ELECTION, THE
ADMINISTRATION WENT TO GREAT LENGTHS TO IMPROVE FARM
INCOME THROUGH INCREASED DIRECT PAYMENTS TO FARMERS UNDER
OUR COMMODITY PROGRAMS. SECRETARY BUTZ EVEN BRAGGED ABOUT
BEING ABLE TO GET THE PRESIDENT TO PERMIT HIM TO SPEND
MONEY "LIKE A DRUNKEN SAILOR" FOR THESE PURPOSES. SIMUL-
TANEOUSLY, THE ADMINISTRATION TOOK ADVANTAGE OF EVERY
OPPORTUNITY TO INSURE THAT THE UNITED STATES GAINED THE
FULLEST ADVANTAGE IN MEETING THE NEEDS OF A WORLD SHORT OF
GRAINS, EVEN TO THE POINT OF SUBSIDIZING GRAIN SALES TO

RUSSIA AT A TIME WHEN IT WAS CLEAR TO MOST MARKET ANALYSTS THAT SUCH EXPORT PAYMENT SUBSIDIES WERE UNNECESSARY GIVEN THE PREFERENTIAL SUPPLY POSITION THAT THE UNITED STATES ENJOYED AT THAT TIME.

BUT LET US NOW EXAMINE WHAT THE ADMINISTRATION HAS DONE AND WHAT IT IS NOW PROPOSING TO DO -- NOW THAT THE ELECTION IS BEHIND THEM.

THE ADMINISTRATION HAS:

- TERMINATED THE FARMERS HOME ADMINISTRATION DISASTER AND RURAL HOUSING LOAN PROGRAMS
- TERMINATED THE 2% RURAL ELECTRIC AND TELEPHONE LOAN PROGRAMS
- TERMINATED THE RURAL ENVIRONMENTAL ASSISTANCE PROGRAM
- TERMINATED THE RURAL COMMUNITY WATER, SEWER AND SOLID WASTE DISPOSAL PLANNING AND CONSTRUCTION GRANT PROGRAMS
- TERMINATED THE WATER BANK PROGRAM
- TERMINATED THE ECONOMIC DEVELOPMENT ADMINISTRATION

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PROGRAMS TO ASSIST DEPRESSED AREAS, AND

- CUT FEED GRAIN PAYMENTS UNDER THE 1973 FEED GRAINS PROGRAM BY OVER \$800 MILLION, PLUS EXPANDED ACREAGE UNDER THIS YEAR'S PROGRAM WITHOUT INCREASING LOAN LEVELS TO PROTECT FARMERS FROM PRICE DROPS THAT WILL MOST CERTAINLY HAPPEN IF OVER-PRODUCTION OCCURS

AND, I SHOULD LIKE TO AGAIN CALL ATTENTION TO THE FACT THAT UNDER THIS YEAR'S FEED GRAINS PROGRAM, SECRETARY BUTZ IS GOING TO REDUCE PAYMENTS FROM 24 TO 15 CENTS A BUSHEL ON 50 PERCENT OF THE PRODUCER'S BASE PRODUCTION WITH RESPECT TO THE ELIMINATION OF THE 15 PERCENT SET-ASIDE REQUIREMENT. THIS ACTION IS HIGHLY DISCRIMINATORY AGAINST OUR FEED GRAIN PRODUCERS IN THAT COTTON AND WHEAT PRODUCERS WILL RECEIVE NO REDUCTION IN THEIR PAYMENTS WITH RESPECT TO SET-ASIDE ELIMINATIONS.

AND, IF ALL THESE THUNDERBOLTS WERE NOT ENOUGH, MR. NIXON HAS NOW ADDED YET ANOTHER CHAPTER IN HIS BOOK OF MISGUIDED ACTION THAT NOW THREATEN THE FUTURE OF OUR NATION'S AGRICULTURE AND THE INCOME OF OUR FARM FAMILIES.

HE IS NOW CALLING FOR THE ABOLISHMENT OF FARM COMMODITY PROGRAMS AND INCOME PAYMENTS, RELYING ALMOST ENTIRELY IN THE FUTURE UPON AN ANNUAL GENERAL CROPLAND RETIREMENT

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PROGRAM TO MAKE ADJUSTMENTS IN OUR NATION'S AGRICULTURAL ECONOMY SHOULD THAT NEED CONTINUE.

ALTHOUGH HE MADE NO MENTION OF IT IN HIS MESSAGE, I ASSUME THAT HE INTENDS TO CONTINUE WITH SOME TYPE OF PRICE SUPPORT LOAN PROGRAM FOR OUR BASIC COMMODITIES -- IN WHICH CASE THEY WOULD PROBABLY BE AT OR SLIGHTLY BELOW WORLD PRICE LEVELS.

THE PRESIDENT'S POLICY POSTURE IN THIS CASE -- AS HAS BEEN TRUE WITH OTHER POLICY POSITIONS HE HAS TAKEN LATELY -- IS AT VARIANCE WITH BOTH RECENT EXPERIENCE AND WITH RELEVANT POLICY RESEARCH.

IN 1969, A GROUP OF DISTINGUISHED AGRICULTURAL ECONOMISTS CONCLUDED THAT "A GENERAL CROPLAND RETIREMENT PROGRAM OF 50 TO 70 MILLION ACRES WOULD NOT RESTRICT PRODUCTION OF MAJOR PROBLEM CROPS.

"ACTUALLY PRODUCTION OF THE MAJOR CROPS LIKELY WOULD INCREASE WITH CONSEQUENT DEPRESSION OF PRICES UNLESS THE ACREAGE RETIRED WAS GREATER THAN THE 70 MILLION-ACRE LEVEL."

THE PRESIDENT'S PROPOSAL ALSO IGNORES THE PROBLEMS ENCOUNTERED IN THE OPERATION OF THE SET-ASIDE PROGRAMS IN

1972 AND 1973. IN EACH OF THESE YEARS IT WAS NECESSARY TO MODIFY THE SET-ASIDE PROGRAM TO HOLD FEED GRAIN ACREAGES IN CHECK, WITHOUT AT THE SAME TIME RESTRICTING A DESIRED INCREASE IN SOYBEAN PLANTINGS.

THE PRESIDENT FURTHER IS IGNORING THE ADVERSE ECONOMIC IMPACT THAT HIS PROPOSAL WOULD HAVE ON THE INCOME OF SMALL FARMERS. ELIMINATION OF SUPPLEMENTAL INCOME PAYMENTS TO THESE SMALLER FARMERS COULD MEAN LIQUIDATION AND ECONOMIC RUIN FOR MOST OF THEM.

82 PERCENT OF ALL FEED GRAIN PRODUCERS PARTICIPATING IN THE FEED GRAINS PROGRAM IN 1971 RECEIVED LESS THAN \$1,000 EACH IN SUPPLEMENTAL PAYMENTS, WITH ABOUT THE SAME PERCENTAGE (81%) IN THE CASE OF PARTICIPATING WHEAT PRODUCERS. IN THE CASE OF COTTON, 60 PERCENT OF THOSE PARTICIPATING IN THE PROGRAM THAT YEAR RECEIVED LESS THAN \$1,000 EACH.

FURTHERMORE, SMALL FARMERS WOULD SUFFER A DISADVANTAGE UNDER THE GENERAL CROPLAND ADJUSTMENT PROGRAM BEING SUGGESTED BY THE PRESIDENT BECAUSE THEY MUST BE ABLE TO USE ALL THEIR CROP LAND EACH YEAR UNLESS ADJUSTMENT PAYMENTS INCLUDE AN INCOME SUPPLEMENT AS WELL AS A RENTAL PAYMENT FOR CROP LAND IDLED OR DIVERTED FROM PRODUCTION.

I SHOULD ALSO LIKE TO REPORT THAT A RECENT STUDY UNDERTAKEN BY THE ECONOMIC RESEARCH SERVICE OF USDA AT THE REQUEST OF OUR SENATE AGRICULTURE COMMITTEE CONCLUDED: "THAT FOR THE NEXT DECADE AT LEAST, THE CROP PRODUCTION POTENTIAL OF U.S. AGRICULTURE WILL CONTINUE TO BE LARGE RELATIVE TO COMMERCIAL MARKET DEMAND. MOST ANALYSIS SUGGESTS THAT UNITED STATES FARMERS CAN PRODUCE MORE... FOOD AND FEED GRAINS THAN THE COMMERCIAL MARKET WILL ACCEPT WITHOUT A SUBSTANTIAL DECLINE IN PRICES..."

THIS REPORT CONCLUDES THAT IF ALL PRICE SUPPORT AND ADJUSTMENT PROGRAMS WERE DISCONTINUED "IT IS BY NO MEANS CERTAIN THAT FARM PRICES AND INCOMES AT THE END OF THE DECADE WOULD HAVE RECOVERED TO THE LEVELS OF RECENT YEARS."

GIVEN ALL THIS EVIDENCE, PLUS THE NEED FOR EXPANDED ACREAGES OF FORAGE CROPS FOR BEEF CATTLE PRODUCTION AND FOR INCREASED ACREAGES OF SOYBEANS RELATIVE TO FEED GRAINS AND WHEAT IN THE YEARS AHEAD, I CANNOT SUPPORT NOR DO I THINK CONGRESS WILL SUPPORT PRESIDENT NIXON'S PROPOSAL OF RELYING UPON A GENERAL CROPLAND RETIREMENT PROGRAM AS THE MAJOR MEANS OF ACHIEVING OUR NATION'S FARM POLICY GOALS IN THE YEARS AHEAD.

A FELLOW BY THE NAME OF EZRA TAFT BENSON TRIED TO

SELL US ON A SIMILAR PROGRAM BACK IN THE 1950'S AND ALMOST DESTROYED AMERICAN AGRICULTURE AND ALMOST BROKE THE TREASURY.

NOW, YOU MIGHT SAY, "MR. HUMPHREY, IT'S ONE THING TO KNOCK THE OTHER FELLOW'S IDEA, BUT WHAT DO YOU PROPOSE?"

WELL THAT'S A FAIR QUESTION, AND I BELIEVE I'M PREPARED TO COMMENT ON IT.

FIRST, I WANT OUR FARMERS TO BE ABLE TO TAKE FULL ADVANTAGE OF ANY AND ALL MARKET OPPORTUNITIES, BOTH HERE AT HOME AND AROUND THE WORLD.

FARMERS LIKE TO FARM...THEY WANT TO PRODUCE ALL THEY CAN BECAUSE THAT'S WHAT THEY KNOW BEST AND BECAUSE THEY ARE A PEOPLE EMBUED WITH A STRONG WORK ETHIC ORIENTATION.

ALSO, FARMING TO THEM IS MORE THAN JUST A MEANS OF MAKING A LIVING; IT IS A WAY-OF-LIFE. AND ANYBODY WHO DOESN'T UNDERSTAND THAT, DOESN'T UNDERSTAND THE AMERICAN FARM PRODUCER.

BUT WHILE HE WANTS TO OPERATE HIS FARM AT FULL PRODUCTION, HE ALSO HAS LEARNED OVER THE YEARS THAT HE MUST HAVE THE COOPERATION OF HIS GOVERNMENT IF HE IS TO BE ASSURED OF REASONABLE AND STABLE PRICES, INCOME AND MARKETS.

THAT HELP HAS BEEN PROVIDED OVER THE YEARS THROUGH OUR NATION'S FARM COMMODITY PROGRAMS. SUCCEEDING ADMINISTRATIONS, BOTH DEMOCRAT AND REPUBLICAN HAVE CALLED UPON OUR NATION'S FARMERS TO EXPAND OR REDUCE PRODUCTION DEPENDING UPON THEIR RESPECTIVE ASSESSMENTS OF THE MARKETPLACE. WHEN THOSE MARKETPLACE ASSESSMENTS ARE FAIRLY ACCURATE, EVERYBODY BENEFITS, THE PRODUCER, THE CONSUMER AND THE TAXPAYER. HOWEVER, WHEN THEY ARE OFF--FOR WHATEVER REASON-- EVERYBODY GETS HURT.

AND WE HAVE GONE THROUGH THIS ENTIRE CYCLE OR SET OF VARIATIONS IN JUST THE PAST FEW YEARS.

IN 1970 WE WERE HIT WITH A SERIOUS CORN BLIGHT PROBLEM WHICH DRAMATICALLY REDUCED CORN SUPPLIES AND SUBSEQUENTLY SLOWED LIVESTOCK PRODUCTION. THE FOLLOWING YEAR-- UNDER THE CONTINUING THREAT OF THE BLIGHT AND THE NEED TO REPLENISH FEED GRAIN SUPPLIES, ACREAGE WAS EXPANDED.

THE RESULT--THE BLIGHT PROBLEM WAS AVOIDED AND OVERPRODUCTION OCCURRED WITH ITS ACCOMPANYING DROP IN PRICES TO BELOW LOAN LEVELS.

WE THEN WENT INTO THE 1972 CROP AND MARKETING YEARS WITH GREAT APPREHENSIONS AS TO WHAT TO PLAN FOR AND WHAT TO EXPECT BY WAY OF DEVELOPMENTS.

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WEATHER CONDITIONS IN VARIOUS PARTS OF THE WORLD BEGAN TO TURN FOR THE WORSE, AND WITH ONLY MINIMUM WARNING, THE UNITED STATES FOUND ITSELF IN A PREFERENTIAL SUPPLY POSITION AND WITH UNUSUAL EXPORT DEMAND.

WHILE THE SALES OF WHEAT AND FEED GRAINS TO RUSSIA AND OTHER FOREIGN BUYERS THIS PAST YEAR HAVE STRENGTHENED PRICES TO FARMERS CONSIDERABLY, IT ALSO HAS REDUCED OUR CARRYOVER STOCKS OF WHEAT AND SOYBEANS TO DANGEROUSLY LOW LEVELS.

NOW AS WE LOOK TO THE FUTURE AND TRY TO ASSESS WORLD PRODUCTION AND UTILIZATION OF THESE COMMODITIES WE AGAIN ARE FACED WITH THE DILEMMA OF SETTING OUR PRODUCTION GOALS TO MEET UNCERTAIN MARKET DEMANDS.

NO COMPUTER, NO MARKET ANALYST CAN PREDICT WHAT MOTHER NATURE IS GOING TO DO TO THE WHEAT CROP OF RUSSIA, CANADA, AUSTRALIA, INDIA OR TO THE UNITED STATES.

CURRENT REPORTS INDICATE THAT RUSSIA MAY BE HEADING FOR ANOTHER DISAPPOINTING WHEAT CROP THIS YEAR--THOUGH NOT AS DISAPPOINTING AS LAST YEAR. WINTER CARE OF CATTLE THERE HAS BEEN A PROBLEM BECAUSE FEED IS STILL IN SHORT SUPPLY.

THE MONSOON RAINS THIS YEAR CAME LATE IN INDIA WHICH HAS FORCED HER TO SUBSTANTIALLY REDUCE BUFFER STOCKS THAT SHE WAS ABLE TO BUILD UP IN RECENT YEARS. IT IS NOW ESTIMATED THAT SHE WILL BE IMPORTING AT LEAST 2 MILLION TONS OF FOOD GRAINS, MOSTLY FROM THE U.S.

AUSTRALIA IS STILL SUFFERING FROM DROUGHT. ALTHOUGH THE AUSTRALIAN WHEAT BOARD EARLY THIS MONTH WAS ESTIMATING THE 1973 WHEAT CROP TO BE 207 MILLION BUSHELS, THE SMALLEST IN 13 YEARS, RECENT RAINS HAVE IMPROVED PROSPECTS, BUT BY HOW MUCH, NO ONE KNOWS.

IN CANADA, THE GOVERNMENT IS CALLING ON WHEAT PRODUCERS TO EXPAND WHEAT ACREAGE FROM THE 21.4 MILLION ACRES THEY HARVESTED LAST YEAR TO 28 MILLION ACRES THIS YEAR. THEY ALSO ARE CALLING FOR AN INCREASE IN RAPESEED PRODUCTION--WHICH COMPETES WITH OUR SOYBEANS -- FROM LAST YEAR'S 3.3 MILLION ACRES TO 4.2 MILLION ACRES THIS COMING YEAR.

IN THE CASE OF THIS YEAR'S WHEAT CROP, MUCH OF IT I'M TOLD, HAS ALREADY BEEN SOLD ON ADVANCED CONTRACTS.

HOWEVER, CANADA'S LONG TERM PURCHASE AGREEMENT WITH RUSSIA AND CHINA EXPIRE THIS FALL AND NEW AGREEMENTS, I ASSUME, WILL SOON BE NEGOTIATED.

RICE PRODUCTION IN SOUTHEAST ASIAN AREAS HAVE BEEN HIT BY BOTH DROUGHT AND BY FLOODS.

WHAT ALL THIS MEANS TO U.S. FARMERS AND FOR CONTINUED EXPORT DEMAND LOOKS PROMISING, BUT STILL VERY UNCERTAIN.

I AM PERSONALLY OF THE STRONG OPINION THAT WHILE EFFORT SHOULD BE MADE TO EXPAND OUR PRODUCTION OF WHEAT, SOYBEANS, RICE AND FEED GRAINS TO TAKE ADVANTAGE OF ALL EXPORT DEMAND OPPORTUNITIES AS WELL AS TO MEET CONTINUING NEEDS HERE AT HOME, THE GOVERNMENT MUST SHARE WITH THE FARMER THE RISKS ASSOCIATED WITH THESE MARKET POTENTIAL UNCERTAINTIES. IF AS A MATTER OF NATIONAL POLICY THE FEDERAL GOVERNMENT IS GOING TO ENCOURAGE FARMERS TO PRODUCE TO MEET THESE MARKET NEEDS, THEN THE GOVERNMENT HAS AN OBLIGATION IN MY JUDGEMENT, TO PROVIDE FOR MORE ADEQUATE PRICE PROTECTION THAN IT PRESENTLY PROVIDES IN THE EVENT OVERPRODUCTION OCCURS.

THIS PRICE PROTECTION CAN BE PROVIDED EITHER THROUGH HIGHER PRICE SUPPORT LOAN LEVELS OR THROUGH THE ESTABLISHMENT OF A NATIONAL GRAIN RESERVE SYSTEM OR THROUGH A COMBINATION OF BOTH.

AS CHAIRMAN OF THE SUBCOMMITTEE ON FOREIGN AGRICULTURE POLICY I INTEND TO DO ALL I CAN TO PROMOTE FURTHER EXPANSION OF OUR EXPORTS.

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AS A PART OF GENERAL FARM LEGISLATION THIS YEAR, IMPORTANT INTERNATIONAL TRADE MATTERS WILL NEED RESOLVING. A NEW MAJOR ROUND OF NEGOTIATIONS WILL SOON BE REQUIRED UNDER THE GENERAL AGREEMENT ON TARIFFS AND TRADE, A CRITICAL PART OF WHICH WILL INVOLVE FURTHER ACCESS TO JAPAN AND THE NEWLY EXPANDED EUROPEAN COMMON MARKET FOR OUR COUNTRY'S FARM PRODUCTS, PARTICULARLY GRAINS.

ALSO U.S. TRADE PRACTICES AND PROCEDURES RELATING TO THE MANNER IN WHICH OUR NATION'S FARM COMMODITIES ARE MADE AVAILABLE AND SOLD IN INTERNATIONAL MARKETS NEED REEXAMINING, BOTH FROM THE STANDPOINT OF PROVIDING FOR MORE ADEQUATE SUPPLY PROTECTION FOR THE AMERICAN CONSUMER AND IN TERMS OF IMPROVING OPPORTUNITIES FOR LONGER TERM SALE COMMITMENTS WITH FOREIGN BUYERS.

AND AS WE LOOK AHEAD AT BOTH U.S. AND WORLD MARKET REQUIREMENTS FOR FOOD, LET US NOT LIMIT THAT VIEW OR ANALYSIS TO "ONLY THOSE WHO CAN AFFORD TO BUY." MOST OF THE WORLD AND MANY EVEN HERE AT HOME, CANNOT AFFORD AN ADEQUATE DIET FOR THEMSELVES.

PUBLIC LAW 480 IS DUE TO EXPIRE THIS YEAR WHICH HAS BEEN OUR MAIN PROGRAM VEHICLE SINCE ITS INCEPTION IN 1954 FOR SHARING OUR NATION'S AGRICULTURAL ABUNDANCE WITH THE

LESS FORTUNATE OF THE WORLD. HAVING BEEN THE CHIEF SPONSOR OF THAT PROGRAM AND KNOWING OF THE IMPORTANT LIFE-GIVING HELP IT HAS PROVIDED OVER THE YEARS TO MILLIONS OF PEOPLE, I AM CONFIDENT THAT THE AMERICAN PEOPLE WILL WANT, IF NOT INSIST, THAT THE PROGRAM BE EXTENDED.

AND HERE AT HOME, WE MUST BE MINDFUL THAT A STRONG AND ENERGETIC PEOPLE MUST BE WELL FED AND THAT A HEALTHY NATION BEGINS WITH GOOD FOOD AND A GOOD DIET.

MUCH REMAINS TO BE DONE IN THIS REGARD WHEN THE ADMINISTRATION IS UNABLE OR UNWILLING TO ASSIST OVER HALF OF THE POOR TO OBTAIN A BETTER DIET. WHILE BOTH CONGRESS AND THE PRESIDENT HAVE ACKNOWLEDGE THAT THE POOR AND ILL-FED SHOULD NOT GO HUNGRY IN A LAND OF PLENTY WE HAVE NEVER SET DOWN AS A MATTER OF STATED NATIONAL POLICY THAT EVERY CHILD AND ADULT REGARDLESS OF INCOME SHALL HAVE ACCESS TO A DIET WHICH WILL SUSTAIN A NORMAL, HEALTHY LIFE.

MALNUTRITION KNOWS NO INCOME LEVEL. LACK OF FINANCIAL RESOURCES OR PROPER NUTRITION EDUCATION SHOULD NOT BE PERMITTED TO CONTINUE TO STAND AS BARRIERS TO THE ACHIEVEMENT OF SUCH A GOAL. ACHIEVEMENT OF THIS GOAL IS IN EVERYBODY'S INTEREST, INCLUDING THAT OF THE FARMER.

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IT IS FOR THESE REASONS THAT BOTH FARMERS AND NON-FARMERS SHOULD ENCOURAGE CONGRESS TO EXTEND THE FOOD STAMP PROGRAM WHICH IT MUST CONSIDER THIS YEAR, ALONG WITH LEGISLATION TO FURTHER STRENGTHEN OUR SCHOOL LUNCH AND CHILD NUTRITION PROGRAMS.

IN SHORT, I AM CALLING FOR A LONG-TERM WORKING PARTNERSHIP TO BE ESTABLISHED BETWEEN FARMERS AND THEIR NATIONAL GOVERNMENT TO INSURE THAT BOTH EXPORT AND DOMESTIC NEEDS AND OPPORTUNITIES WILL BE FULLY MET IN THE FUTURE AS IT RELATES TO AMERICAN AGRICULTURAL PRODUCTS.

SUCH A LONG-TERM WORKING PARTNERSHIP, BY DEFINITION, WILL REQUIRE BOTH PARTIES TO "SHARE" THE RISKS OF THE MARKETPLACE. SUCH A PARTNERSHIP CAN ASSURE CONSUMERS OF A CONTINUED SUPPLY OF QUALITY FOODS AT REASONABLE PRICES -- IN GOOD PRODUCTION YEARS AND BAD -- WHILE AT THE SAME TIME ASSURING THE PRODUCERS OF THAT SUPPLY -- AGAIN, IN GOOD PRODUCTION YEARS AND BAD -- WITH A FAIR RETURN ON THEIR INVESTMENT AND LABORS.

THESE OBJECTIVES CAN BE ACCOMPLISHED THROUGH THE CONTINUATION OF INDIVIDUAL COMMODITY ACREAGE ADJUSTMENT PROGRAMS AND MORE ADEQUATE PRICE SUPPORT LOAN LEVELS COMBINED WITH SUPPLEMENTAL INCOME PAYMENTS FOR SMALLFR

FARMERS.

I SUPPORT LOWERING, AND IN SOME CASES, ELIMINATING SUPPLEMENTAL INCOME PAYMENTS TO THOSE FARMERS OR FARM ENTERPRISES WHERE SUCH PAYMENTS ARE NOT RELATED TO ESSENTIAL INCOME NEEDS.

I ALSO BELIEVE -- AS I DID LAST YEAR WHEN I INTRODUCED MY NATIONAL STRATEGIC GRAIN RESERVE BILL -- THAT WE MUST PROVIDE FOR AN ADEQUATE RESERVE INVENTORY OF GRAINS IN THIS COUNTRY, BECAUSE WITHOUT SUCH RESERVES WE ARE COURTING DISASTER, NOT ONLY FOR OURSELVES, BUT FOR MUCH OF THE WORLD THAT INCREASINGLY IS DEPENDENT UPON US TO SERVE THEIR FOOD AND FEED GRAIN REQUIREMENTS.

AND AS I ALLUDED TO EARLIER, THE ESTABLISHMENT OF A RESERVE INVENTORY SYSTEM COULD ALSO HELP US REDUCE MUCH OF THE CURRENT RISKS ASSOCIATED WITH OUR ANNUALLY TRYING TO PREDICT WHAT IS GOING TO HAPPEN THROUGHOUT THE WORLD IN TERMS OF PRODUCTION AND UTILIZATION DEVELOPMENTS. WITH SUCH A RESERVE SYSTEM, EXCESS GRAIN COULD BE REMOVED FROM THE MARKETPLACE WHEN OVERPRODUCTION OR SHARP UNEXPECTED CHANGES IN DEMAND DEVELOP. ON THE OTHER HAND, WHEN U.S. OR WORLD PRODUCTION FALLS SHORT OF DEMAND STOCKS BUILT-UP DURING PERIODS OF OVERPRODUCTION COULD BE MADE AVAILABLE FOR USE.

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OUR NEIGHBOR TO THE NORTH OF US, CANADA, PRODUCES ANNUALLY ABOUT 530 MILLION BUSHEL OF WHEAT, YET SHE MAINTAINS A WHEAT RESERVE OF BETWEEN 700 AND 800 MILLION BUSHEL. THE U.S. ON THE OTHER HAND, IS EXPECTED TO PRODUCE CLOSE TO 1.8 BILLION BUSHEL OF WHEAT THIS YEAR AND YET OUR EXPECTED CARRYOVER OF STOCKS AT THE END OF THE CURRENT MARKETING YEAR, ARE NOW EXPECTED TO BE DOWN TO AS LOW AS 400 MILLION BUSHEL.

IN ADDITION TO THE NEED FOR SUCH RESERVES TO MEET EMERGENCIES, LET US NOT OVERLOOK THEIR VALUE IN BEING ABLE TO WORK OUT LONGER-TERM SUPPLY CONTRACTS WITH CERTAIN FOREIGN BUYERS. I CAN ASSURE YOU THAT FACT IS NOT UNAPPRECIATED IN CANADA.

AS A FINAL NOTE, I SHOULD POINT OUT THAT THE DEBATE ON WHAT KIND OF FUTURE FOOD AND FIBER POLICY CONGRESS SHOULD FORGE FOR THE NATION THIS YEAR IS LIKELY TO BE LONG, AND OCCASIONALLY, INTENSE.

BUT IN THE FINAL ANALYSIS, I BELIEVE CONGRESS WILL ACT RESPONSIBLY AND ENACT A SOUND, LONG-TERM FARM POLICY, EMBODYING THE PARTNERSHIP PRINCIPLES I ENUNCIATED EARLIER. IF THEY DO, THE CONSUMING PUBLIC, THE TAXPAYER AND THE FARMER WILL ALL BENEFIT.



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