FOR RELEASE 10:30 a.m.

REMARKS BY SENATOR HUBERT H. HUMPHREY

NATIONAL TOWN MEETING

Washington, D.C.

October 2, 1974

Our agricultural system is at a crossroads today. Its productive capacity has never been greater. But at the same time it faces continuing instability and the potential for economic disaster.

The American housewife long has taken for granted a wide variety of food at bargain prices. For the average American worker, less than sixteen per cent of his take-home pay has gone for food in recent years -- a record unmatched anywhere in the world.

But times are different now. In 1972 world food production declined, and the Soviet Union made its massive purchases of 28 million tons of grains, 18 of which came from the United States. A chain reaction demand set in as other nations -- and some of them our regular customers -- scrambled to make purchases to meet their own needs.

The energy crisis dealt another serious blow to stable prices for food and the cost of producing it.

These events set in motion a series of world wide economic trends which increased the farmer's 1973 production costs by $12 billion above the previous year.

Our consumers, meanwhile, began paying far more for their groceries -- $17.1 billion more in 1973 over 1972. For 1974, I envision a further increase of perhaps 20 to 25 billion dollars.

Despite increased food prices, many farmers have not received higher prices for their produce. While grain prices have risen sharply, our dairy, poultry and livestock producers have had trouble breaking even and staying in business.

Our livestock and dairy producers are in serious trouble. We had to pass emergency loan guarantee legislation to enable our livestock producers to stay in business. This was a stop-gap measure.

With this year's reduced harvests, it is quite clear that feed costs will increase even further. The inevitable result will be further reductions in the numbers of poultry, hogs, and beef cattle.

In 1975, American consumers can expect reduced supplies and further cost increases in their milk, meat, and eggs.

And since poultry and livestock producers are the main users of grains, 1975 could bring reduced requirements and seriously depressed prices to grain producers. This would come as a result of a reduction in animal feed units.

The prices paid to our dairy farmers have gone down by about $2 per hundred pounds of milk -- or 25 per cent -- in the last six months. Meanwhile, the production costs for our dairy farmers are estimated to have gone up by 29 percent during the past year.

As examples of increased production costs, farm tractors have increased from around $11,000 to $15,000; diesel fuel has increased from 23 cents to 39 cents per gallon; bailer twine has gone from $7 or $8 per bale to $33 per bale. Nitrogen fertilizer has more than doubled in price in less than a year. And labor costs are estimated to have gone up by 15 percent.

These inputs not only have increased in cost, but they often have been unavailable at any price.

The prospect for farm inputs during the coming year is for continuing cost increases and tight supplies. As a typical case, our fertilizer inventory is all but gone, yet prices and demand will continue to increase.

Our farmers will need an adequate return to continue to produce. And we need to produce not only for our own people, but for our export market and humanitarian needs.

The Administration proposes that the government get off the back of the farmers so that we can rely on the free market to increase production.

But we do not really have a free market either at home or abroad. While the prices received by the farmer are subject to supply and demand, most of his inputs come under what is referred to as administered prices.

The only way a farmer can stay in business is for the prices of his products to remain strong and at least even with his ever advancing costs.

While we certainly need a high level of exports, in a tight supply situation we must monitor our export sales carefully and license exporters to make certain that our supplies of food and fiber are not sold out from under us.

We cannot sell whatever a nation wishes to buy without first considering our domestic needs. And we also must be a reliable supplier to our regular export customers.

I have proposed legislation to raise the basic floor prices of wheat, feed grains, soybeans and cotton. In today's chaotic market, the government must share some of the risk with our farmers.

We also need a modest reserve program which is related to a sound export program in order to assure that we have adequate supplies of food and at reasonably stable prices.

In spite of recent monitoring steps taken by the Department of Agriculture and jawboning by the Secretary, we do not have a program adequate to meet the need.

In my view the Administration has not freed the farmer. It has thrown him to the wolves.

With experts pointing out that the world's weather may become even less favorable for agricultural production, the farmer is beset by uncertainty.

In today's highly capitalized agriculture, we must face the need to keep our farmers in production and help share in that risk.

To do otherwise is to invite continued boom and bust prices and further decreases in the numbers of farmers. If we do not act, the end result will be less food and at higher prices.

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OUR AGRICULTURAL SYSTEM IS AT A CROSSROADS TODAY. ITS PRODUCTIVE CAPACITY HAS NEVER BEEN GREATER. BUT AT THE SAME TIME IT FACES CONTINUING INSTABILITY AND THE POTENTIAL FOR ECONOMIC DISASTER.

THE AMERICAN HOUSEWIFE LONG HAS TAKEN FOR GRANTED A WIDE VARIETY OF FOOD AT BARGAIN PRICES. ~~FOR THE AVERAGE AMERICAN WORKER, LESS THAN SIXTEEN PER CENT OF HIS TAKE-HOME PAY HAS GONE FOR FOOD IN RECENT YEARS -- A RECORD UNMATCHED ANYWHERE IN THE WORLD.~~

BUT TIMES ARE DIFFERENT NOW. IN 1972 WORLD FOOD PRODUCTION DECLINED, AND THE SOVIET UNION MADE ITS MASSIVE PURCHASES OF 28 MILLION TONS OF GRAINS, 18 OF WHICH CAME FROM THE UNITED STATES. Bad Weather, Soviet Purchases

A CHAIN REACTION DEMAND SET IN AS OTHER NATIONS -- AND SOME OF THEM OUR REGULAR CUSTOMERS -- SCRAMBLED TO MAKE PURCHASES TO MEET THEIR OWN NEEDS.

Energy

THE ENERGY CRISIS DEALT ANOTHER SERIOUS BLOW TO STABLE PRICES FOR FOOD AND THE COST OF PRODUCING IT.

Production costs.

THESE EVENTS SET IN MOTION A SERIES OF WORLD WIDE ECONOMIC TRENDS WHICH INCREASED THE FARMER'S 1973 PRODUCTION COSTS BY $12 BILLION ABOVE THE PREVIOUS YEAR.

OUR CONSUMERS, MEANWHILE, BEGAN PAYING FAR MORE FOR THEIR GROCERIES -- $17.1 BILLION MORE IN 1973 OVER 1972. FOR 1974, I ENVISION A FURTHER INCREASE OF PERHAPS 20 TO 25 BILLION DOLLARS.

DESPITE INCREASED FOOD PRICES, MANY FARMERS HAVE NOT RECEIVED HIGHER PRICES or better net income FOR THEIR PRODUCE. WHILE GRAIN PRICES HAVE RISEN SHARPLY, OUR DAIRY, POULTRY AND LIVESTOCK PRODUCERS HAVE HAD TROUBLE BREAKING EVEN ~~AND~~ or STAYING IN BUSINESS.

OUR LIVESTOCK AND DAIRY PRODUCERS ARE IN SERIOUS TROUBLE. ~~WE HAD TO PASS EMERGENCY LOAN GUARANTEE LEGISLATION TO ENABLE OUR LIVESTOCK PRODUCERS TO STAY IN BUSINESS. THIS WAS A STOP-GAP MEASURE.~~

WITH THIS YEAR'S REDUCED HARVESTS, ~~IT IS QUITE CLEAR THAT~~ FEED COSTS WILL INCREASE EVEN FURTHER. THE INEVITABLE RESULT WILL BE FURTHER REDUCTIONS IN THE NUMBERS OF POULTRY, HOGS, AND BEEF CATTLE. ~~and subsequently higher retail prices at the super market.~~

This means that if we have good crop next yr, we'll have grain surpluses

But IN 1975, AMERICAN CONSUMERS CAN EXPECT REDUCED SUPPLIES AND FURTHER COST INCREASES IN THEIR MILK, MEAT, AND EGGS.

AND SINCE POULTRY AND LIVESTOCK PRODUCERS ARE THE MAIN USERS OF GRAINS, 1975 COULD BRING ~~REDUCED REQUIREMENTS AND~~ consumption SERIOUSLY DEPRESSED PRICES TO GRAIN PRODUCERS. THIS WOULD COME AS A RESULT OF A REDUCTION IN ANIMAL FEED ~~UNITS.~~ consumption.

Surpluses - Lower Grain Prices

THE PRICES PAID TO OUR DAIRY FARMERS HAVE GONE DOWN BY ABOUT ~~$2 PER HUNDRED POUNDS OF MILK -- OR~~ 25 PER CENT -- IN THE LAST SIX MONTHS. MEANWHILE, THE PRODUCTION COSTS ~~FOR OUR DAIRY FARMERS ARE ESTIMATED TO~~ HAVE GONE UP BY 30 PERCENT DURING THE PAST YEAR. all production costs have gone up about 40% in last 18 months

As EXAMPLES OF INCREASED PRODUCTION COSTS, FARM TRACTORS HAVE INCREASED FROM AROUND \$11,000 TO \$15,000; DIESEL FUEL HAS INCREASED FROM 23 CENTS TO 39 CENTS PER GALLON; BAILER TWINE HAS GONE FROM \$7 OR \$8 PER BALE TO \$33 PER BALE. NITROGEN FERTILIZER HAS MORE THAN DOUBLED IN PRICE IN LESS THAN A YEAR. AND LABOR COSTS ARE ESTIMATED TO HAVE GONE UP BY 15 PERCENT.

Interest up 23%.

~~THESE INPUTS NOT ONLY HAVE INCREASED IN COST, BUT THEY~~

All these items continue to go up

~~OFTEN HAVE BEEN UNAVAILABLE AT ANY PRICE.~~

Yet farm prices mid 1973-to mid 1974

~~THE PROSPECT FOR FARM INPUTS DURING THE COMING YEAR IS~~

were down 13%

~~FOR CONTINUING COST INCREASES AND TIGHT SUPPLIES. AS A TYPICAL CASE, OUR FERTILIZER INVENTORY IS ALL BUT GONE, YET PRICES AND DEMAND WILL CONTINUE TO INCREASE.~~

OUR FARMERS WILL NEED AN ADEQUATE RETURN TO CONTINUE TO PRODUCE. AND WE NEED TO PRODUCE NOT ONLY FOR OUR OWN PEOPLE, BUT FOR OUR EXPORT MARKET AND HUMANITARIAN NEEDS.

THE ADMINISTRATION PROPOSES THAT THE GOVERNMENT GET OFF THE BACK OF THE FARMERS SO THAT WE CAN RELY ON THE FREE MARKET TO INCREASE PRODUCTION.

BUT WE DO NOT REALLY HAVE A FREE MARKET EITHER AT HOME OR ABROAD. WHILE THE PRICES RECEIVED BY THE FARMER ARE SUBJECT TO SUPPLY AND DEMAND, MOST OF ~~HIS INPUTS~~ what he buys COME UNDER WHAT IS REFERRED TO AS ADMINISTERED PRICES — and an International trading system that involves State trading.

THE ONLY WAY A FARMER CAN STAY IN BUSINESS IS FOR THE PRICES OF HIS PRODUCTS TO REMAIN STRONG AND AT LEAST EVEN WITH HIS EVER ADVANCING COSTS.

Need Nat - Food Policy — Increased Production, Higher Floor Prices, Fertilizer Transp - Energy - Storage

~~WHILE WE CERTAINLY NEED A HIGH LEVEL OF EXPORTS, IN A TIGHT SUPPLY SITUATION WE MUST MONITOR OUR EXPORT SALES CAREFULLY AND LICENSE EXPORTERS TO MAKE CERTAIN THAT OUR SUPPLIES OF FOOD AND FIBER ARE NOT SOLD OUT FROM UNDER US.~~

~~WE CANNOT SELL WHATEVER A NATION WISHES TO BUY WITHOUT FIRST CONSIDERING OUR DOMESTIC NEEDS. AND WE ALSO MUST BE A RELIABLE SUPPLIER TO OUR REGULAR EXPORT CUSTOMERS.~~

I HAVE PROPOSED LEGISLATION TO RAISE THE BASIC FLOOR PRICES OF WHEAT, FEED GRAINS, SOYBEANS AND COTTON. IN TODAY'S CHAOTIC MARKET, THE GOVERNMENT MUST SHARE SOME OF THE RISK WITH OUR FARMERS.

while we need a high level of exports, whenever there is a tight or short supply situation, as in Corn this year, then there must be a daily monitoring of exports and a licensing of exporters

WE ALSO NEED A MODEST food RESERVE PROGRAM ~~WHICH IS RELATED TO A SOUND EXPORT PROGRAM~~ IN ORDER TO ASSURE THAT WE HAVE ADEQUATE SUPPLIES OF FOOD AND AT REASONABLY STABLE PRICES.

~~IN SPITE OF RECENT MONITORING STEPS TAKEN BY THE DEPARTMENT OF AGRICULTURE AND JAWBONING BY THE SECRETARY, WE DO NOT HAVE A PROGRAM ADEQUATE TO MEET THE NEED.~~

IN MY VIEW THE ADMINISTRATION HAS NOT FREED THE FARMER. IT HAS THROWN HIM TO THE WOLVES.

WITH EXPERTS POINTING OUT THAT THE WORLD'S WEATHER MAY BECOME EVEN LESS FAVORABLE FOR AGRICULTURAL PRODUCTION, THE FARMER IS BESET BY UNCERTAINTY.

IN TODAY'S HIGHLY CAPITALIZED AGRICULTURE, WE MUST FACE THE NEED TO KEEP OUR FARMERS IN PRODUCTION AND HELP SHARE IN THAT RISK.

TO DO OTHERWISE IS TO INVITE CONTINUED BOOM AND BUST PRICES AND FURTHER DECREASES IN THE NUMBERS OF FARMERS. IF WE DO NOT ACT, THE END RESULT WILL BE LESS FOOD AND AT HIGHER PRICES.

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Food Policy - Intern