

REMARKS BY SENATOR HUBERT H. HUMPHREY

MID-WINTER CONFERENCE OF THE NATIONAL ASSOCIATION
OF STATE DEPARTMENTS OF AGRICULTURE

Hotel Washington
Washington, D.C.

February 25, 1975

Our Senate Committee on Agriculture and Forestry has just completed two weeks of hearings on the need for changes in our agricultural legislation. The House, also, is about to begin hearings.

Now begins the task of pulling together the information into sound legislation.

I hope that we are past the point of operating on rhetoric about the free market.

What we need is a sound national food policy.

In developing that policy we must first take into account the needs of our farmers and urban consumers. Both groups have an interest in a sound and profitable agriculture.

At the same time, our policy must not be tilted in favor of one farm group over another.

In the past, we have been beset by surplus production. Today the outlook is uncertain, but the chances are that we will have continuing scarcity.

But our policy must be prepared for occasional years of surplus as well as the likely food shortages.

During the past two years, our livestock, dairy, poultry and hog producers have fluctuated between feast and famine. Our grain farmers have done quite well in terms of crop prices, but many have faced reduced crops because of bad weather.

But now with reduced animal herds and softened world markets, our grain farmers are beginning to feel the Butz treatment.

And yet our Secretary of Agriculture continues to bask in his eternal optimism. There seems to be almost no understanding of the farmers' problems, and particularly, rising production costs.

The witnesses at our agricultural hearings, almost without exception, urged higher target and loan prices to recognize today's new realities.

The Administration witnesses conceded the sharp increases in production costs, but they constantly emphasized keeping government out of agriculture.

We must, as a first priority, raise target and loan prices in order to give farmers a more reasonable degree of protection. Today's floor prices are a mockery.

And as the heads of your state Departments of Agriculture, you are well aware of the potential for disaster in our agricultural markets this year.

Our farmers are rightly concerned when President Ford calls on them to produce in order to fight inflation. Does he realize that this sounds like low prices and over-production?

The Chairman of the Council of Economic Advisors recently sounded the same theme. Unfortunately, many of our economists have little understanding of the cost-price squeeze faced by our farmers.

If you listen to the story of this Administration, you would think that the farmer can control his production like an assembly line.

Since the government has asked the farmer to produce to the limit, it should share some of the risk. Why should farmers face ruin and bankruptcy because of good weather and bumper crops?

Farmers cannot limit production like General Motors. But this Administration talks as if the economics of agriculture and automobiles are the same.

A second main area in developing a national food policy is exports.

I have suggested that we need a supply management program when our crops are in short supply.

We also must stop deluding ourselves about the existence of an international free market. Other major exporting and importing countries have established state trading corporations or agencies which respond to political as well as economic opportunities.

In last fall's sale to the Soviet Union, the Department of Agriculture finally conceded that we did not have an international free market.

Unfortunately, this was a painful lesson, and our government resorted to changing the rules of business in the middle of the game.

We clearly need a strong export market, and we should not control exports to keep food prices cheap at home.

But we must recognize the potential for the manipulation of our markets by outside countries. We can tell when supplies are likely to be in short supply and act accordingly.

I hope we have gotten away from the notion that sell, sell, sell is worthy of being called a policy.

A third major feature of a national food policy is a reserve program.

I realize the controversy created by this subject. But we do need a program which will enable the government to make purchases when there is excess production. At the same time, firm rules are required so that any reserves held by the government do not depress prices.

A reserve can give some stability to our markets and meet export and disaster requirements. Reserves held exclusively by trading companies cannot be relied upon to meet national needs.

I have recommended that the government hold a very modest level of reserves. We owe this to our consumers and our farmers who are the main users of grains. It also is needed for our own national defense.

We hear that the Soviet Union has a strategic stockpile of food. Everyone knows stories about battles throughout history which were influenced because of food shortages.

Where is our own strategic reserve? We have reserves of guns and weapons. Our banks have reserves as required by law.

Why should we be so foolish as to be willing to sell off all we have to anyone who comes along with money in hand?

Certainly carrying these reserves are not without certain costs. And yet this Administration has an ideological hangup over food reserves.

I was happy to hear that the highly respected former governor of the Farm Credit Administration, Mr. Ed Jaenke, spoke in support of a food reserve. He said that consumers:

". . . don't want to see the food shelves empty; they look at a stockpile, a strategic reserve, to make sure we don't run out. It doesn't mean that it has to result in a price-depressing thing. I think we're smart enough to devise a reserve program for this country that makes sense to both farmers and consumers . . . and we don't have to fight with each other over it."

I believe that a reserve program can be devised to give our consumers some assurance of adequate supplies of food. And farmers may find it in their interest to offer this concession in order to obtain improved target and loan prices.

A fourth area of concern in our food policy should be key agricultural inputs such as fertilizer, twine, seeds, labor, fuel and transportation.

In the past these were assumed to be in adequate supply and at reasonable prices. That has all changed in recent years with higher prices and continuing scarcities.

Our farmers also have had to struggle with inadequate information on weather and crop estimates. The Department of Agriculture has a great deal of room for improvement in these areas.

A fifth important area in a sound national food policy is food aid and agricultural production in the developing world.

In the aftermath of the World Food Conference there has been a lot of talk about what the developing countries must do to deal with the food problem. By the year 2000, over 60 percent of the world's population will be located in the developing world, and this does not include the People's Republic of China which will account for another 18 percent.

This will leave one person in five in what we refer to as the developed world.

The clear conclusion that is drawn from these numbers is that we must all work together unless we want to be an island of prosperity in an ever growing sea of poverty.

We can be helpful, as in the past, by providing food aid. But greater stress must be placed on expanding food production.

To respond to this challenge is in our own long range interest. It also is the right thing to do.

As the world's largest exporter and provider of concessional food aid, we cannot draw up our policies without a keen regard for the developing nations.

I have outlined five key areas that must be considered in developing a sound food policy. And they are:

1. Increasing target and loan prices;
2. Our export markets;
3. A reserve program;
4. Production inputs; and
5. Food aid and food production in the developing world.

I do not claim that this is the only list that could be developed. But these elements are important, and the subject of a food policy itself could not be more timely.

You and your Association also have an important contribution to offer. This is an area requiring urgent national attention.

I urge you to join in this effort.

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*Jan W. Feld
Miss Douglas W.V.*

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MID-WINTER CONFERENCE OF THE NATIONAL ASSOCIATION
OF STATE DEPARTMENTS OF AGRICULTURE

HOTEL WASHINGTON
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FEBRUARY 25, 1975

OUR SENATE COMMITTEE ON AGRICULTURE AND FORESTRY HAS
JUST COMPLETED TWO WEEKS OF HEARINGS ON THE NEED FOR CHANGES
IN OUR AGRICULTURAL LEGISLATION. THE HOUSE, ALSO, IS ABOUT TO
BEGIN HEARINGS.

NOW BEGINS THE TASK OF PULLING TOGETHER THE INFORMATION
INTO SOUND LEGISLATION.

I HOPE THAT WE ARE PAST THE POINT OF OPERATING ON RHETORIC
ABOUT THE FREE MARKET.

WHAT WE NEED IS A SOUND NATIONAL FOOD POLICY.

IN DEVELOPING THAT POLICY WE MUST FIRST TAKE INTO ACCOUNT
THE NEEDS OF OUR FARMERS AND URBAN CONSUMERS. BOTH GROUPS HAVE
AN INTEREST IN A SOUND AND PROFITABLE AGRICULTURE.

AT THE SAME TIME, OUR POLICY MUST NOT BE TILTED IN FAVOR OF ONE FARM GROUP OVER ANOTHER.

IN THE PAST, WE HAVE BEEN BESET BY SURPLUS PRODUCTION. TODAY THE OUTLOOK IS UNCERTAIN, BUT THE CHANCES ARE THAT WE WILL HAVE CONTINUING SCARCITY.

∠ BUT OUR POLICY MUST BE ^{Designed} PREPARED FOR OCCASIONAL YEARS OF SURPLUS AS WELL AS THE LIKELY FOOD SHORTAGES.

∠ DURING THE PAST TWO YEARS, OUR LIVESTOCK, DAIRY, POULTRY AND HOG PRODUCERS HAVE FLUCTUATED BETWEEN FEAST AND FAMINE. ∠ OUR GRAIN FARMERS HAVE DONE QUITE WELL IN TERMS OF CROP PRICES, BUT MANY HAVE FACED REDUCED CROPS BECAUSE OF BAD WEATHER.

Dairy, Poultry, Beef, Hog farmers
prices up, not Grain Prices
down

BUT NOW WITH REDUCED ANIMAL HERDS AND SOFTENED WORLD
MARKETS, OUR GRAIN FARMERS ARE BEGINNING TO FEEL THE BUTZ
TREATMENT.

AND YET OUR SECRETARY OF AGRICULTURE CONTINUES TO BASK
IN HIS ETERNAL OPTIMISM. THERE SEEMS TO BE ALMOST NO UNDERSTANDING
OF THE FARMERS' PROBLEMS, AND PARTICULARLY, RISING PRODUCTION
COSTS.

THE WITNESSES AT OUR AGRICULTURAL HEARINGS, ALMOST WITHOUT
EXCEPTION, URGED HIGHER TARGET AND LOAN PRICES TO RECOGNIZE
TODAY'S NEW REALITIES. *Higher target price - loans*

THE ADMINISTRATION WITNESSES CONCEDED THE SHARP INCREASES
IN PRODUCTION COSTS, BUT THEY CONSTANTLY EMPHASIZED KEEPING
GOVERNMENT OUT OF AGRICULTURE. *But govt is not out
of Agric, when a president asks for all out
Production.*

WE MUST, AS A FIRST PRIORITY, RAISE TARGET AND LOAN PRICES

IN ORDER TO GIVE FARMERS A MORE REASONABLE DEGREE OF PROTECTION.

~~What is best~~
TODAY'S FLOOR PRICES ARE A MOCKERY,

AND AS THE HEADS OF YOUR STATE DEPARTMENTS OF AGRICULTURE,

YOU ARE WELL AWARE OF THE POTENTIAL FOR DISASTER IN OUR

AGRICULTURAL MARKETS THIS YEAR.

(X) OUR FARMERS ARE RIGHTLY CONCERNED WHEN PRESIDENT FORD
CALLS ON THEM TO PRODUCE IN ORDER TO FIGHT INFLATION. DOES HE
REALIZE THAT THIS SOUNDS LIKE LOW PRICES AND OVER-PRODUCTION?

(X) THE CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISORS RECENTLY
SOUNDED THE SAME THEME. UNFORTUNATELY, MANY OF OUR ECONOMISTS
HAVE LITTLE UNDERSTANDING OF THE COST-PRICE SQUEEZE FACED BY OUR
FARMERS.

L IF YOU LISTEN TO THE STORY OF THIS ADMINISTRATION, YOU
WOULD THINK THAT THE FARMER CAN CONTROL HIS PRODUCTION LIKE AN
ASSEMBLY LINE.

L SINCE THE GOVERNMENT HAS ASKED THE FARMER TO PRODUCE TO
THE LIMIT, IT SHOULD SHARE SOME OF THE RISK. ~~WHY SHOULD FARMERS~~
~~FACE RUIN AND BANKRUPTCY BECAUSE WE HAVE GOOD WEATHER AND BUMPER~~
~~CROPS?~~

L FARMERS CANNOT LIMIT PRODUCTION LIKE GENERAL MOTORS. BUT
THIS ADMINISTRATION TALKS AS IF THE ECONOMICS OF AGRICULTURE AND
AUTOMOBILES ARE THE SAME.

L A SECOND MAIN AREA IN DEVELOPING A NATIONAL FOOD POLICY IS
EXPORTS.

L I HAVE SUGGESTED THAT WE NEED A SUPPLY MANAGEMENT PROGRAM
WHEN OUR CROPS ARE IN SHORT SUPPLY.

L WE ALSO MUST STOP DELUDING OURSELVES ABOUT THE EXISTENCE
OF AN INTERNATIONAL FREE MARKET. OTHER MAJOR EXPORTING AND
IMPORTING COUNTRIES HAVE ESTABLISHED STATE TRADING CORPORATIONS
OR AGENCIES WHICH RESPOND TO POLITICAL AS WELL AS ECONOMIC
OPPORTUNITIES.

L IN LAST FALL'S SALE TO THE SOVIET UNION, THE DEPARTMENT OF
AGRICULTURE FINALLY CONCEDED THAT WE DID NOT HAVE AN INTERNATIONAL
FREE MARKET.

UNFORTUNATELY, THIS WAS A PAINFUL LESSON, AND OUR GOVERNMENT

RESORTED TO CHANGING THE RULES OF BUSINESS IN THE MIDDLE OF THE
GAME.

WE CLEARLY NEED A STRONG EXPORT MARKET, AND WE SHOULD NOT
CONTROL EXPORTS TO KEEP FOOD PRICES CHEAP AT HOME.

BUT WE MUST RECOGNIZE THE POTENTIAL FOR THE MANIPULATION
OF OUR MARKETS BY OUTSIDE COUNTRIES. WE CAN TELL WHEN SUPPLIES
ARE LIKELY TO BE IN SHORT SUPPLY AND ACT ACCORDINGLY.

I HOPE WE HAVE GOTTEN AWAY FROM THE NOTION THAT SELL,
SELL, SELL IS WORTHY OF BEING CALLED A POLICY.

Reserves
#3 A THIRD MAJOR FEATURE OF A NATIONAL FOOD POLICY IS A
RESERVE PROGRAM.

I REALIZE THE CONTROVERSY CREATED BY THIS SUBJECT, BUT WE DO NEED A PROGRAM WHICH WILL ENABLE THE GOVERNMENT TO MAKE PURCHASES WHEN THERE IS EXCESS PRODUCTION. AT THE SAME TIME, FIRM RULES ARE REQUIRED SO THAT ANY RESERVES HELD BY THE GOVERNMENT DO NOT DEPRESS PRICES.

↳ A RESERVE CAN GIVE SOME STABILITY TO OUR MARKETS AND MEET EXPORT AND DISASTER REQUIREMENTS. RESERVES HELD EXCLUSIVELY BY ^{private} TRADING COMPANIES CANNOT BE RELIED UPON TO MEET NATIONAL NEEDS.

↳ I HAVE RECOMMENDED THAT THE GOVERNMENT HOLD A VERY MODEST LEVEL OF RESERVES. WE OWE THIS TO OUR CONSUMERS AND OUR FARMERS WHO ARE THE MAIN USERS OF GRAINS. IT ALSO IS NEEDED FOR OUR OWN NATIONAL ~~DEFENSE~~ ^{Security}.

L WE HEAR THAT THE SOVIET UNION HAS A STRATEGIC STOCKPILE
OF FOOD. EVERYONE KNOWS STORIES ABOUT BATTLES THROUGHOUT HISTORY
WHICH WERE INFLUENCED BECAUSE OF FOOD SHORTAGES.

L WHERE IS OUR OWN STRATEGIC RESERVE? WE HAVE RESERVES OF
GUNS AND WEAPONS. OUR BANKS HAVE RESERVES AS REQUIRED BY LAW.

L WHY SHOULD WE BE SO FOOLISH AS TO BE WILLING TO SELL OFF
ALL WE HAVE TO ANYONE WHO COMES ALONG WITH MONEY IN HAND?

(arab money - to control food mkt)

L CERTAINLY CARRYING THESE RESERVES ARE NOT WITHOUT CERTAIN
COSTS. AND YET THIS ADMINISTRATION HAS AN IDEOLOGICAL HANGUP
OVER FOOD RESERVES.

*Arab money in food mkt
to control supply & set
price!*

I WAS HAPPY TO HEAR THAT THE HIGHLY RESPECTED FORMER GOVERNOR OF THE FARM CREDIT ADMINISTRATION, MR. ED JAENKE, SPOKE IN SUPPORT OF A FOOD RESERVE. HE SAID THAT CONSUMERS:

" . . . DON'T WANT TO SEE THE FOOD SHELVES EMPTY; THEY LOOK AT A STOCKPILE, A STRATEGIC RESERVE, TO MAKE SURE WE DON'T RUN OUT. IT DOESN'T MEAN THAT IT HAS TO RESULT IN A PRICE-DEPRESSING THING. I THINK WE'RE SMART ENOUGH TO DEVISE A RESERVE PROGRAM FOR THIS COUNTRY THAT MAKES SENSE TO BOTH FARMERS AND CONSUMERS . . . AND WE DON'T HAVE TO FIGHT WITH EACH OTHER OVER IT."

I BELIEVE THAT A RESERVE PROGRAM CAN BE DEvised TO GIVE OUR CONSUMERS SOME ASSURANCE OF ADEQUATE SUPPLIES OF FOOD, AND FARMERS MAY FIND IT IN THEIR INTEREST TO OFFER THIS CONCESSION IN ORDER ~~TO OBTAIN IMPROVED TARGET AND LOAN PRICES.~~ TO OBTAIN IMPROVED TARGET AND LOAN PRICES.

A FOURTH AREA OF CONCERN IN OUR FOOD POLICY SHOULD BE

KEY AGRICULTURAL INPUTS SUCH AS FERTILIZER, TWINE, SEEDS,

LABOR, FUEL AND TRANSPORTATION.

IN THE PAST THESE WERE ASSUMED TO BE IN ADEQUATE SUPPLY AND AT REASONABLE PRICES. THAT HAS ALL CHANGED IN RECENT YEARS WITH HIGHER PRICES AND CONTINUING SCARCITIES.

OUR FARMERS ALSO HAVE HAD TO STRUGGLE WITH INADEQUATE INFORMATION ON WEATHER AND CROP ESTIMATES. THE DEPARTMENT OF AGRICULTURE HAS A GREAT DEAL OF ROOM FOR IMPROVEMENT IN THESE AREAS.

A FIFTH IMPORTANT AREA IN A SOUND NATIONAL FOOD POLICY IS FOOD AID AND AGRICULTURAL PRODUCTION IN THE DEVELOPING WORLD.

IN THE AFTERMATH OF THE WORLD FOOD CONFERENCE THERE HAS BEEN A LOT OF TALK ABOUT WHAT THE DEVELOPING COUNTRIES MUST DO TO DEAL WITH THE FOOD PROBLEM. BY THE YEAR 2000, OVER 60 PERCENT OF THE WORLD'S POPULATION WILL BE LOCATED IN THE DEVELOPING WORLD, AND THIS DOES NOT INCLUDE THE PEOPLE'S REPUBLIC OF CHINA WHICH WILL ACCOUNT FOR ANOTHER 18 PERCENT.

THIS WILL LEAVE ONE PERSON IN FIVE IN WHAT WE REFER TO AS THE DEVELOPED WORLD.

THE CLEAR CONCLUSION THAT IS DRAWN FROM THESE NUMBERS IS THAT WE MUST ALL WORK TOGETHER UNLESS WE WANT TO BE AN ISLAND OF PROSPERITY IN AN EVER GROWING SEA OF POVERTY.

WE CAN BE HELPFUL, AS IN THE PAST, BY PROVIDING FOOD AID,
BUT GREATER STRESS MUST BE PLACED ON EXPANDING FOOD PRODUCTION,

TO RESPOND TO THIS CHALLENGE IS IN OUR OWN LONG RANGE
INTEREST, IT ALSO IS THE RIGHT THING TO DO,

AS THE WORLD'S LARGEST EXPORTER AND PROVIDER OF CONCESSIONAL
FOOD AID, WE CANNOT DRAW UP OUR POLICIES WITHOUT A KEEN REGARD
FOR THE DEVELOPING NATIONS,

I HAVE OUTLINED FIVE KEY AREAS THAT MUST BE CONSIDERED
IN DEVELOPING A SOUND FOOD POLICY, AND THEY ARE:

1. INCREASING TARGET AND LOAN PRICES;
2. OUR EXPORT MARKETS;
3. A RESERVE PROGRAM;

4. PRODUCTION INPUTS; AND

5. FOOD AID AND FOOD PRODUCTION IN THE DEVELOPING WORLD.

I DO NOT CLAIM THAT THIS IS THE ONLY LIST THAT COULD BE DEVELOPED. BUT THESE ELEMENTS ARE IMPORTANT, AND THE SUBJECT OF A FOOD POLICY ITSELF COULD NOT BE MORE TIMELY.

YOU AND YOUR ASSOCIATION ALSO HAVE AN IMPORTANT CONTRIBUTION TO OFFER. THIS IS AN AREA REQUIRING URGENT NATIONAL ATTENTION.

I URGE YOU TO JOIN IN THIS EFFORT.

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