

REMARKS BY SENATOR HUBERT H. HUMPHREY

FOOD AND AGRICULTURAL POLICY: IT'S IMPORTANCE FOR US AND THE WORLD

MINNESOTA LEGISLATIVE CONFERENCE

Golden Valley, Minnesota

September 20, 1975

Recent events have pointed up once again that we have no national food and agriculture policy.

Secretary of Agriculture Butz replies that we do have an agricultural policy, and that it is the policy of the free market.

If you can call this a policy, then I must conclude that it is not working.

In a world where every major country conducts its transactions through a state-controlled trading operation, it is somewhat ludicrous to allude to the situation as a free market.

Our farmers have been sorely disappointed again this year after being told once more to produce as much as possible. The Administration again told farmers that it would not interfere with exports.

However, as in the fall of 1974, the Administration felt compelled to change the rules in the middle of the game. It has no clearly established procedures to deal with a short-supply situation.

Earlier this year, President Ford vetoed the one-year emergency farm bill. This unwise act was based on erroneous and highly misleading cost information provided by Secretary of Agriculture Butz.

Our farmers face a situation whereby they well could be ruined by bumper harvests if crops are good in other countries. The Department of Agriculture earlier was anticipating sharply reduced farm prices in its fight on inflation and against the American farmer.

Of course, the Soviet harvest changed all that.

The farmers felt, with the farm bill veto, that they needed extensive export markets in order to avoid serious price depressing surpluses.

You can imagine the farm anger at being provided no protection at the lower level in terms of improved floor prices. And the Administration then took action, contrary to their interests, in terms of controlling exports.

I would concede that some of our farmers have done well in recent years, but it certainly has been a highly erratic and volatile situation.

The Department of Agriculture points to the fact that net farm income was over \$29 billion in 1973 and over \$27 billion in 1974.

However, it is highly uncertain at this point as to whether net farm income will be much above \$20 billion this year.

Farm production costs continue to escalate sharply, with an increase of nearly 20 per cent in the last year.

Farm parity figures -- which indicate the level of farm income in relation to other sectors of the economy -- were 102 in 1973, 80 in 1974 and 74 through August 1975. This indicates that after a good year in 1973 -- when farm incomes were briefly above those for urban America -- the drift has been steadily downward.

We are often given the misleading notion that farmers can adjust their production to meet the anticipated demand. But a farm does not operate like an assembly line. Once crops are in the ground, it's then up to the weather.

Many of our farmers would concede that we need a new set of policies to deal with today's conditions. They certainly do not want to return to the overproduction of the 1950's and 1960's. However, they also are convinced that we need something better than today's wildly fluctuating roller coaster prices, which benefits neither farmer nor consumer.

Secretary Butz loves to fill the air with rhetoric about how he's gotten the government off the back of the farmer and disposed of the burden of stored grain, which formerly had cost government about \$100 million a day in storage fees.

But the real so-called "solution" on grain storage has been provided by bad weather, rising world demand, and increased population.

There has been a serious depletion of world food reserves confronting us, with the specter of widespread hunger and starvation in less developed countries. We have seen our world food reserves shrink over the last three years, and the outlook is for the same to continue during the coming year.

Mr. Butz should be candid and tell the whole story, and not make too many claims for his so-called policy of the free market.

He should also point out the very serious costs which our dairy, livestock, and poultry producers have had to pay in the face of ever rising feed costs.

And he should face up to the increased food costs for consumers -- 14 percent in 1973 and 1974 and 8 to 9 percent this year.

Mr. Butz points out that our livestock producers can reduce their herds in the face of reduced feed grain supplies. This certainly is true, but these adjustments take time. They also are extremely disruptive, and it makes little sense to contract and expand our herds to prove someone's outmoded economic theory.

In attempting to develop a new policy, we must take a comprehensive view of our agricultural production system. At this point, I'm afraid the Administration is groping with no notion of where it is headed.

We have sent negotiators to the Soviet Union with almost no advance preparation as to our position. The proposal is that the Soviet Union should purchase a regular volume of grain from the United States -- even during good production years. And the United States in turn proposes to purchase a certain volume of petroleum from the Soviets.

I would hope that the Administration would begin to develop a more comprehensive strategy which would relate our domestic needs, humanitarian assistance programs and commercial export sales.

We need to balance the interests of the grain farmer and the livestock producer. We also must make certain that we are a reliable exporter, and especially for our regular buyers.

There is no indication that we have consulted our trading partners with respect to the current Soviet-American negotiations on grain purchases, which is of critical importance.

Our policy also should recognize the importance of our food assistance program as a device for dealing with disasters throughout the world and stimulating agricultural development.

The agricultural policies which we develop are critical for this country and the world.

We earned about \$12 billion in net revenues last year from our farm exports, which about covered our oil imports. We provide half of the food moving in the world markets.

What then should we do to provide some increased stability, and at the same time provide full encouragement to our agricultural production system? How should we go about assuring our consumers and others throughout the world that adequate supplies of food will be available?

-- First, we need to provide improved target prices and loan levels for our farmers. The present levels are no program at all. The government should share at least some of the risk since it has asked farmers to go all out and produce as much as possible.

-- Second, we need to assure our consumers ample supplies of food and fiber. The government needs to be in a position to purchase when there is surplus production, and release -- under carefully controlled conditions -- during periods of scarcity. I am convinced that such a system can and must be made to work. But, we will need to make it clear that we do not intend to again become the holder of the world's food stocks.

-- Third, we must give very careful attention to our exports during periods of short supply. We must establish a set of rules so that our consumers and companies know in advance what will happen during periods of short supply.

We should be prepared to set up a short supply management system with clearly prescribed rules to deal with tight food supplies. I certainly am opposed to the imposition of embargos, and it has been the lack of a program which has led to this drastic step.

-- Fourth, we need to develop an improved world agricultural information system. I helped initiate discussions with the Soviet Union in 1973 to expand the exchange of information between our countries in this area. Unfortunately, progress has been slow. We need to follow up on the initiative of the World Food Conference to improve the world agricultural information system.

-- Fifth, we need to establish a mechanism at the White House level to pull together our food and agricultural policies. These policies are of concern to various branches of the government, in addition to the Department of Agriculture, such as State, Treasury, Defense and Commerce. These interests need to be coordinated and rationalized, and not along the lines of the Administration's recent spastic search for a policy.

I would certainly not want to lead you to believe that this will be an easy undertaking. However, the stakes are high, and we must make the effort.

What we do in this area will carry heavy implications for our own and the world's economy. This also offers our best hope for establishing some new rules in terms of dealing with other scarce commodities.

Much of the authority required to develop and implement such a policy already exists. I already have introduced legislation to further these policies. And I will be looking at the need for any new initiatives.

But the important thing is to get on with the challenge at hand. New thinking is needed.

In the immortal works of Abraham Lincoln:

"The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise with the occasion. As our case is new, so must we think anew. We must disenthral ourselves."

I pledge my help in this effort, and I urge you to become informed and involved in what will become a major public debate on our national food policy. We must clearly recognize that this is a vital issue, of crucial importance to the future of America and the world.

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MINNESOTA LEGISLATIVE CONFERENCE

GOLDEN VALLEY, MINNESOTA

SEPTEMBER 20, 1975

World Food Conference

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RECENT EVENTS HAVE POINTED UP ONCE AGAIN THAT WE HAVE

NO NATIONAL FOOD AND AGRICULTURE POLICY.

SECRETARY OF AGRICULTURE BUTZ REPLIES THAT WE DO HAVE AN AGRICULTURAL POLICY, AND THAT IT IS THE POLICY OF THE FREE MARKET.

IF YOU CAN CALL THIS A POLICY, THEN I MUST CONCLUDE THAT IT IS NOT WORKING.

IN A WORLD WHERE EVERY MAJOR COUNTRY CONDUCTS ITS TRANSACTIONS THROUGH A STATE-CONTROLLED TRADING OPERATION, IT IS SOMEWHAT LUDICROUS TO ALLUDE TO THE SITUATION AS A FREE MARKET.

OUR FARMERS HAVE BEEN SORELY DISAPPOINTED AGAIN THIS YEAR AFTER BEING TOLD ONCE MORE TO PRODUCE AS MUCH AS POSSIBLE.

THE ADMINISTRATION AGAIN TOLD FARMERS THAT IT WOULD NOT INTERFERE WITH EXPORTS.

HOWEVER, AS IN THE FALL OF 1974, THE ADMINISTRATION FELT COMPELLED TO CHANGE THE RULES IN THE MIDDLE OF THE GAME. IT HAS NO CLEARLY ESTABLISHED PROCEDURES TO DEAL WITH A SHORT-SUPPLY SITUATION.

EARLIER THIS YEAR, PRESIDENT FORD VETOED THE ONE-YEAR EMERGENCY FARM BILL. THIS UNWISE ACT WAS BASED ON ERRONEOUS AND HIGHLY MISLEADING COST INFORMATION PROVIDED BY SECRETARY OF AGRICULTURE BUTZ.

OUR FARMERS FACE A SITUATION WHEREBY THEY WELL COULD BE RUINED BY BUMPER HARVESTS IF CROPS ARE GOOD IN OTHER COUNTRIES. THE DEPARTMENT OF AGRICULTURE EARLIER WAS

ANTICIPATING SHARPLY REDUCED FARM PRICES IN ITS FIGHT ON INFLATION AND AGAINST THE AMERICAN FARMER.

OF COURSE, THE SOVIET HARVEST CHANGED ALL THAT.

THE FARMERS FELT, WITH THE FARM BILL VETO, THAT THEY NEEDED EXTENSIVE EXPORT MARKETS IN ORDER TO AVOID SERIOUS PRICE DEPRESSING SURPLUSES.

YOU CAN IMAGINE THE FARM ANGER AT BEING PROVIDED NO PROTECTION AT THE LOWER LEVEL IN TERMS OF IMPROVED FLOOR PRICES. AND THE ADMINISTRATION THEN TOOK ACTION, CONTRARY TO THEIR INTERESTS, IN TERMS OF CONTROLLING EXPORTS.

I WOULD CONCEDE THAT SOME OF OUR FARMERS HAVE DONE WELL IN RECENT YEARS, BUT IT CERTAINLY HAS BEEN A HIGHLY ERRATIC AND VOLATILE SITUATION.

THE DEPARTMENT OF AGRICULTURE POINTS TO THE FACT THAT NET FARM INCOME WAS OVER \$29 BILLION IN 1973 AND OVER \$27 BILLION IN 1974.

HOWEVER, IT IS HIGHLY UNCERTAIN AT THIS POINT AS TO WHETHER NET FARM INCOME WILL BE MUCH ABOVE \$20 BILLION THIS YEAR.

FARM PRODUCTION COSTS CONTINUE TO ESCALATE SHARPLY, WITH AN INCREASE OF NEARLY 20 PER CENT IN THE LAST YEAR.

FARM PARITY FIGURES -- WHICH INDICATE THE LEVEL OF FARM INCOME IN RELATION TO OTHER SECTORS OF THE ECONOMY -- WERE 102 IN 1973, 80 IN 1974 AND 74 THROUGH AUGUST 1975. THIS INDICATES THAT AFTER A GOOD YEAR IN 1973 -- WHEN FARM INCOMES WERE BRIEFLY ABOVE THOSE FOR URBAN AMERICA -- THE DRIFT HAS BEEN STEADILY DOWNWARD.

WE ARE OFTEN GIVEN THE MISLEADING NOTION THAT FARMERS
CAN ADJUST THEIR PRODUCTION TO MEET THE ANTICIPATED DEMAND.
BUT A FARM DOES NOT OPERATE LIKE AN ASSEMBLY LINE. ONCE
CROPS ARE IN THE GROUND, IT'S THEN UP TO THE WEATHER.

h MANY OF OUR FARMERS WOULD CONCEDE THAT WE NEED A
NEW SET OF POLICIES TO DEAL WITH TODAY'S CONDITIONS. THEY
CERTAINLY DO NOT WANT TO RETURN TO THE OVERPRODUCTION OF THE
1950'S AND 1960'S. HOWEVER, THEY ALSO ARE CONVINCED THAT WE
NEED SOMETHING BETTER THAN TODAY'S WILDLY FLUCTUATING ROLLER
COASTER PRICES, WHICH BENEFIT NEITHER FARMER NOR CONSUMER.

h SECRETARY BUTZ ~~LOVES TO~~ FILL THE AIR WITH RHETORIC
ABOUT HOW HE'S GOTTEN THE GOVERNMENT OFF THE BACK OF THE
FARMER AND DISPOSED OF THE BURDEN OF STORED GRAIN, ~~WHICH~~

~~FORMERLY HAD COST GOVERNMENT ABOUT \$100 MILLION A DAY IN~~

~~STORAGE FEES.~~

L BUT THE REAL SO-CALLED "SOLUTION" ON GRAIN STORAGE
HAS BEEN PROVIDED BY BAD WEATHER, RISING WORLD DEMAND, AND
INCREASED POPULATION.

world Food Reserves

↳ THERE HAS BEEN A SERIOUS DEPLETION OF WORLD FOOD RESERVES
CONFRONTING US, WITH THE SPECTOR OF WIDESPREAD HUNGER AND
STARVATION IN LESS DEVELOPED COUNTRIES. WE HAVE SEEN OUR
WORLD FOOD RESERVES SHRINK OVER THE LAST THREE YEARS, AND
THE OUTLOOK IS FOR THE SAME TO CONTINUE DURING THE COMING YEAR.

MR. BUTZ SHOULD BE CANDID AND TELL THE WHOLE STORY,
AND NOT MAKE TOO MANY CLAIMS FOR HIS SO-CALLED POLICY OF
THE FREE MARKET.

HE SHOULD ALSO POINT OUT THE VERY SERIOUS COSTS WHICH OUR DAIRY, LIVESTOCK, AND POULTRY PRODUCERS HAVE HAD TO PAY IN THE FACE OF EVER RISING FEED COSTS.

AND HE SHOULD FACE UP TO THE INCREASED FOOD COSTS FOR CONSUMERS -- 14 PERCENT IN 1973 AND 1974 AND 8 TO 9 PERCENT THIS YEAR.

MR. BUTZ POINTS OUT THAT OUR LIVESTOCK PRODUCERS CAN REDUCE THEIR HERDS IN THE FACE OF REDUCED FEED GRAIN SUPPLIES. THIS CERTAINLY IS TRUE, BUT THESE ADJUSTMENTS TAKE TIME. THEY ALSO ARE EXTREMELY DISRUPTIVE, AND IT MAKES LITTLE SENSE TO CONTRACT AND EXPAND OUR HERDS TO PROVE SOMEONE'S OUTMODED ECONOMIC THEORY.

IN ATTEMPTING TO DEVELOP A NEW POLICY, WE MUST TAKE A COMPREHENSIVE VIEW OF OUR AGRICULTURAL PRODUCTION SYSTEM.

AT THIS POINT, I'M AFRAID THE ADMINISTRATION IS GROPING WITH NO NOTION OF WHERE IT IS HEADED.

WE HAVE SENT NEGOTIATORS TO THE SOVIET UNION WITH ALMOST NO ADVANCE PREPARATION AS TO OUR POSITION. THE PROPOSAL IS THAT THE SOVIET UNION SHOULD PURCHASE A REGULAR VOLUME OF GRAIN FROM THE UNITED STATES -- EVEN DURING GOOD PRODUCTION YEARS. AND THE UNITED STATES IN TURN PROPOSES TO PURCHASE A CERTAIN VOLUME OF PETROLEUM FROM THE SOVIETS.

I WOULD HOPE THAT THE ADMINISTRATION WOULD BEGIN TO DEVELOP A MORE COMPREHENSIVE STRATEGY WHICH WOULD RELATE OUR DOMESTIC NEEDS, HUMANITARIAN ASSISTANCE PROGRAMS AND COMMERCIAL EXPORT SALES.

WE NEED TO BALANCE THE INTERESTS OF THE GRAIN FARMER AND
THE LIVESTOCK PRODUCER. WE ALSO MUST MAKE CERTAIN THAT WE ARE
A RELIABLE EXPORTER, AND ESPECIALLY FOR OUR REGULAR BUYERS.

~~THERE IS NO INDICATION THAT WE HAVE CONSULTED OUR TRADING
PARTNERS WITH RESPECT TO THE CURRENT SOVIET-AMERICAN~~

~~NEGOTIATIONS ON GRAIN PURCHASES, WHICH IS OF CRITICAL IMPORTANCE.~~

OUR POLICY ALSO SHOULD RECOGNIZE THE IMPORTANCE OF OUR
FOOD ASSISTANCE PROGRAM AS A DEVICE FOR DEALING WITH DISASTERS
THROUGHOUT THE WORLD AND STIMULATING AGRICULTURAL DEVELOPMENT.

THE AGRICULTURAL POLICIES WHICH WE DEVELOP ARE CRITICAL
FOR THIS COUNTRY AND THE WORLD.

WE EARNED ABOUT \$12 BILLION IN NET REVENUES LAST YEAR FROM
OUR FARM EXPORTS, WHICH ABOUT COVERED OUR OIL IMPORTS. WE
PROVIDE HALF OF THE FOOD MOVING IN THE WORLD MARKETS.

WHAT THEN SHOULD WE DO TO PROVIDE SOME INCREASED STABILITY,
AND AT THE SAME TIME PROVIDE FULL ENCOURAGEMENT TO OUR
AGRICULTURAL PRODUCTION SYSTEM? HOW SHOULD WE GO ABOUT ASSURING
OUR CONSUMERS AND OTHERS THROUGHOUT THE WORLD THAT ADEQUATE
SUPPLIES OF FOOD WILL BE AVAILABLE?

-- FIRST, WE NEED TO PROVIDE IMPROVED TARGET PRICES AND
LOAN LEVELS FOR OUR FARMERS. THE PRESENT LEVELS ARE NO PROGRAM
AT ALL. THE GOVERNMENT SHOULD SHARE AT LEAST SOME OF THE RISK
SINCE IT HAS ASKED FARMERS TO GO ALL OUT AND PRODUCE AS MUCH
AS POSSIBLE.

SECOND, WE NEED TO ASSURE OUR CONSUMERS AMPLE SUPPLIES
OF FOOD AND FIBER. THE GOVERNMENT NEEDS TO BE IN A POSITION
TO PURCHASE WHEN THERE IS SURPLUS PRODUCTION, AND RELEASE --

UNDER CAREFULLY CONTROLLED CONDITIONS -- DURING PERIODS OF SCARCITY, I AM CONVINCED THAT SUCH A SYSTEM CAN AND MUST BE MADE TO WORK. BUT, WE WILL NEED TO MAKE IT CLEAR THAT WE DO NOT INTEND TO AGAIN BECOME THE HOLDER OF THE WORLD'S FOOD STOCKS.

✓ THIRD, WE MUST GIVE VERY CAREFUL ATTENTION TO OUR EXPORTS DURING PERIODS OF SHORT SUPPLY, WE MUST ESTABLISH A SET OF RULES SO THAT OUR CONSUMERS AND COMPANIES KNOW IN ADVANCE WHAT WILL HAPPEN DURING PERIODS OF SHORT SUPPLY.

WE SHOULD BE PREPARED TO SET UP A SHORT SUPPLY MANAGEMENT SYSTEM WITH CLEARLY PRESCRIBED RULES TO DEAL WITH TIGHT FOOD SUPPLIES. I CERTAINLY AM OPPOSED TO THE IMPOSITION OF EMBARGOS, AND IT HAS BEEN THE LACK OF A PROGRAM WHICH HAS LED TO THIS DRASTIC STEP.

-- FOURTH, WE NEED TO DEVELOP AN IMPROVED WORLD AGRICULTURAL INFORMATION SYSTEM. I HELPED INITIATE DISCUSSIONS WITH THE SOVIET UNION IN 1973 TO EXPAND THE EXCHANGE OF INFORMATION BETWEEN OUR COUNTRIES IN THIS AREA. UNFORTUNATELY, PROGRESS HAS BEEN SLOW. WE NEED TO FOLLOW UP ON THE INITIATIVE OF THE WORLD FOOD CONFERENCE TO IMPROVE THE WORLD AGRICULTURAL INFORMATION SYSTEM.

-- FIFTH, WE NEED TO ESTABLISH A MECHANISM AT THE WHITE HOUSE LEVEL TO PULL TOGETHER OUR FOOD AND AGRICULTURAL POLICIES. THESE POLICIES ARE OF CONCERN TO VARIOUS BRANCHES OF THE GOVERNMENT, IN ADDITION TO THE DEPARTMENT OF AGRICULTURE, SUCH AS STATE, TREASURY, DEFENSE AND COMMERCE. THESE INTERESTS NEED TO BE COORDINATED AND RATIONALIZED, AND NOT ALONG THE LINES OF THE ADMINISTRATION'S RECENT SPASTIC SEARCH FOR A POLICY.

I WOULD CERTAINLY NOT WANT TO LEAD YOU TO BELIEVE THAT THIS WILL BE AN EASY UNDERTAKING. HOWEVER, THE STAKES ARE HIGH, AND WE MUST MAKE THE EFFORT.

WHAT WE DO IN THIS AREA WILL CARRY HEAVY IMPLICATIONS FOR OUR OWN AND THE WORLD'S ECONOMY. THIS ALSO OFFERS OUR BEST HOPE FOR ESTABLISHING SOME NEW RULES IN TERMS OF DEALING WITH OTHER SCARCE COMMODITIES.

MUCH OF THE AUTHORITY REQUIRED TO DEVELOP AND IMPLEMENT SUCH A POLICY ALREADY EXISTS. I ALREADY HAVE INTRODUCED LEGISLATION TO FURTHER THESE POLICIES. AND I WILL BE LOOKING AT THE NEED FOR ANY NEW INITIATIVES.

BUT THE IMPORTANT THING IS TO GET ON WITH THE CHALLENGE AT HAND. NEW THINKING IS NEEDED.

IN THE IMMORTAL WORKS OF ABRAHAM LINCOLN:

"THE DOGMAS OF THE QUIET PAST ARE INADEQUATE TO THE STORMY PRESENT. THE OCCASION IS PILED HIGH WITH DIFFICULTY, AND WE MUST RISE WITH THE OCCASION. AS OUR CASE IS NEW, SO MUST WE THINK ANEW, WE MUST DISENTHRALL OURSELVES."

I PLEDGE MY HELP IN THIS EFFORT, AND I URGE YOU TO BECOME INFORMED AND INVOLVED IN WHAT WILL BECOME A MAJOR PUBLIC DEBATE ON OUR NATIONAL FOOD POLICY. WE MUST CLEARLY RECOGNIZE THAT THIS IS A VITAL ISSUE, OF CRUCIAL IMPORTANCE TO THE FUTURE OF AMERICA AND THE WORLD.

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