

NEW BARGAINING POWER FOR AGRICULTURE

Address by Senator Hubert H. Humphrey (D., Minn.) at
Annual Meeting of National Milk Producers Federation
Cincinnati, Ohio, November 5, 1957

It's always good to get together with a group of dairy producers. Coming from Minnesota, I feel right at home.

After listening to Mr. Norton's report, there is one point I want to underscore. It's very, very important that the National Milk Producers Federation have the support in the field of each and everyone of its members and their affiliates. Your representatives in Washington do a good job, they do an honorable job. They are respected; they are looked to for guidance and counsel. But everyone of us in Congress also knows that a man in Washington is no better than the support he has back home.

I urge upon you the kind of active enlightened participation in the future that has characterized your efforts in the past. And I salute, commend and congratulate the representatives that you have in Washington, Mike Norton, who has done a marvelous job for you; and Willis Tobler, and the elected officers of your organization all of whom do a great job for you. It's a joy to be with them and to share in their enterprises and their activities.

America's dairy industry makes up a tremendously vital segment of our total farm economy, extending into every geographical area of the nation. And you have also, down through the years, made a tremendous contribution to the health of the American people.

Unfortunately, as you so well know, your personal rewards have too often lagged behind the rest of our economy in relation to your investment in capital, labor, and know-how.

It has been for that reason that thousands of producers all over the country have wisely banded together in marketing co-operatives--to strengthen your bargaining power. Your national federation of co-operatives is an outstanding example of successful co-operative action among producers, and under aggressive leadership you are making your voice heard with increasing effectiveness in Washington.

Your serious problem of collapsing income and production beyond current effective demand at decent prices is not unique to dairying. The same problem confronts all agriculture. For that reason I wish to discuss our farm economy generally today, with some specific observations concerning dairying.

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.

That's a far cry from the goal of equality of farm income with income in other segments of our economy, which was declared the intent and policy of Congress many years ago.

In establishing that goal--which still stands in existing law today--Congress recognized the fact that farm people and the resources they own make at least as much contribution on the average to the nation's economic welfare as do non-farm people.

The risk to invested capital in farming is greater, not less, than the economy-wide average.

Modern family farming requires more skill and as great human strength and attention to details as does average non-farm work.

Modern family farming requires as high type of management ability as that required of the average manager of non-farm business enterprises.

In terms of pure interest return on invested funds, a dollar should be a dollar throughout the economy. Unfortunately, however, 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 far too low today, and it isn't only 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 can't 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.

According to the Department of Agriculture itself, the return to the farm operator for himself and family per hour on typical commercial family-operated farms was less on many types of farms in recent years than the average hourly wages paid to hired farm labor on those same farms.

Earlier this year, the Secretary of Agriculture reported to Congress that in 1956 the national average return per hour of farm operator and family farm labor was approximately 70 cents per hour, 30 cents per hour less than the statutory minimum wage for non-farm workers set by Congress under the Labor Standards Act.

This 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.

Interest income in August of this year was up 64 percent from 1951. Dividends were up 37 percent. Rental income was up 14 percent, and weekly earnings of manufacturing workers were up 28 percent. Yet what happened to the farmer during that same period? Per farm net income went down 17 percent.

Now, I don't want to appear pessimistic in reviewing these sad facts of our economic life today, because I don't believe such conditions have to continue. But I do believe these hard facts need to be emphasized to awaken the American people to the urgent need for concern over what is happening to Agriculture. You don't need to be told; your own pocketbooks and bank balances are warning enough. But the rest of the American people need to be shaken out of their complacency--a complacency, unfortunately, that the current Administration has fostered by wishful thinking and repeated assurances that all's well when all is not well. The same complacency has been exposed in the field of science and satellites, by Sputnik I and II.

A depressed agriculture acts as a drag or brake on the rest of the economy. A depressed agriculture may not immediately pull the economy into a general business depression during a period of unbalanced inflation--but a depressed agriculture will most certainly hold down the level of total national income, and unless that contraction is offset by expansion in some other part of the economy, falling farm income would mean a reduced rate of national economic growth. We're already beginning to see that happen. We should have learned from experience, and heeded the warning that has been there for all to see for the last several years. Our so-called "prosperity" is meaningless when we are confronted with runaway inflation in some segments of our economy, and serious deflation in others.

What have we been doing about it? And, what's more important, what are we going to do about it?

I'm endeavoring to avoid any political partisanship today, although it's hardly a secret that I believe Secretary of Agriculture Benson has given American agriculture its worst setback in several decades. As much as I regret being personal, it is impossible to review our farm situation without looking at what the present Secretary of Agriculture's misguided efforts have already done to our farm economy, and what these policies still threaten to do unless we call a halt.

Bensonism and its basic premise of lower prices has given our farm economy a hefty downhill push, while perpetuating a lot of myths in the minds of the non-farm public.

What did this Administration promise you, when they offered lower price support levels as the "cure-all" for your farm problems?

They said it would improve farm income by gaining better prices in the "free market". Yet farm income has declined faster and further, and farm prices have steadily dropped. The parity level for all farm prices was at 100 on election day in 1952. It is 81 today.

They said it would curtail production. Yet production has increased, instead of declined. The individual farmer has been forced to increase his production to attempt to keep his income from dropping as a result of the falling prices.

They said it would reduce surpluses. Yet 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.

They said it would lower the cost of farm programs to the government. Yet 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.

And yet all that President Eisenhower and Secretary Benson have recommended to the Congress is more of the same -- more flexibility, still lower prices.

It is time to call a halt, and cry "enough".

It is also time to challenge these great myths being peddled to the American people about the Eisenhower-Benson farm policies.

I have yet to see any published results of sound scientific, statistical and economic research of current significance that indicates any connection or relationship between market prices or farm income and the volume of farm production and marketings.

But I do know these facts:

From 1929 to 1932, prices received by farmers dropped by 56%, the parity ratio dropped by 37%, national farm gross income dropped by 54%, national net income dropped by 67%, and net income per farm dropped by 53%. Yet total farm output did not drop; farm output per man hour increased by 2%.

From 1951 to 1956, prices received by farmers dropped 22%, the parity ratio dropped 25 points (23%), national farm gross income dropped 11%, national farm net income dropped 38%, and per farm net income, adjusted for price change, dropped by 23%. Yet per man hour farm output increased 10%, and total output increased by 7%.

In no extended period when farm prices and income fell over a long period of years -- and the drop from 1951 to 1956 is the longest sustained drop since USDA began keeping records in 1910 -- did either total or per man farm output decrease.

How, then, does Secretary Benson justify his bland assertions that production can be curtailed by cutting prices? And why does the American press blandly accept that theory as fact -- when the facts prove otherwise?

The truth is that high fixed overhead costs make it necessary for farmers to keep producing.

Another fallacy that needs to be nipped in the bud is the Benson theory that lowering farm prices can increase farm income through stimulating consumption. Available economic studies indicate it would take at least a five percent cut in unit prices to obtain a 1 percent increase in volume of consumption, and this ratio appears to be rising.

Even that assumes the entire reduction in farm prices would be passed along to the consumer -- and recent history of widening marketing margins makes that unlikely.

Yet with all the economic evidence to the contrary, the Administration persists in seeking still lower price support levels because of its fetish against interference in any way with so-called "free markets".

Now, that phrase "free markets" has an attractive sound to many, but slogans are not enough to save the farm economy. Let us look at what they are talking about, when they ask for farmers to return to a "free market".

The idea of the so-called "competitive free market" for farm commodities involves a situation where no farmer or group of farmers would be assisted or allowed by government to exercise any control over marketings to raise prices. Carried to the ultimate, such a policy would eliminate the price protective features of marketing agreements and orders for fruits, vegetables, and nuts. It would probably bring chaos to the fluid milk marketing industry. It would place U. S. wool and sugar production in full competition with imports without any protection of tariffs, import quotas, or government payments. In a competitive free market, the prices of cotton, rice, tobacco and wheat and all other farm commodities would be allowed to drop to the unprotected world level established by unrestricted production. The prices of corn, other feed grains, soybeans, flaxseed, and cottonseed, would be allowed to drop to the level where the entire year's production would move into channels of trade during the year -- with no reserves for any emergency.

Importers would be allowed to import as large a volume of competitive farm commodities as they saw fit. The International Wheat and Sugar Agreements would be abolished.

Farmers would be "free" to produce and market as much of any quality or any and all commodities as they could, but the government would not stand by as now to buy up or make loans on such commodities in order to hold up the average annual price above the "free" market level.

That, in effect, is what Secretary Benson is crusading for -- if he is sincere in talking about wanting "free" markets. By his own words, he would use price support loans only to prevent wide swings in seasonal fluctuations but not to hold average annual prices above the so-called free market level.

Now, if the farmer is expected to survive in such a visionary free market, what about the rest of the economy from which he must purchase his supplies, obtain his labor, and sell his product?

Is industry ready to give up tariffs and embargoes that keep out competing imports? Is it ready to abandon cost-plus contracts? Are the railroads, trucks, airlines, electric power, gas, and telephone companies ready to give up the federal protection of monopoly control and regulations to insure profits on their investments, along with big salaries to management personnel? Is the businessman ready to abandon price maintenance safeguards and protection of law against predatory price cutting? Are the working men and women of the country ready to give up minimum wage and maximum hour legislation, as well as protection of collective bargaining?

I don't think so, and neither does anyone else in his right mind.

The truth is that we don't have completely "free markets" in our economy.

The prices of things that farmers buy, both production and family living items, are retail prices like the prices all consumers pay. These retail prices are based on the wholesale prices behind them, which are 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 the 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.

The farmer does not sell, usually, to the final consumer of food and fiber products. Farm commodities must move through processing and marketing channels, where those who perform these services possess enough control over supply of their services to enable them to administer or control the prices they receive for such services. Since 1951, for example, the processing and marketing agencies have had enough bargaining power to obtain for themselves the entire drop in farm returns without sharing any with the consumer. The latest report shows a drop in the farm price level of 2% while the New York Times of Sunday, November 3, carries the headline story "New Price Rises for Food Likely".

I've often wondered whether some of the loudest advocates of "free markets" for agriculture would be quite so vocal if it was a seller's market, instead of a buyer's market -- if the farm producer had the upper hand in bargaining power. I'm afraid if that was the case these same people would be appealing for government regulation, instead of insisting upon free markets.

Perhaps one of these days we'll have an opportunity to find out, whether we want to or not.

Farmers are at a bargaining disadvantage in the market place today, as they always have been. They need stronger bargaining power.

They have sought to strengthen their bargaining power, in many ways. They have done it through banding together in co-operatives. 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.

But, somehow, the public has been led to believe it is wrong for farmers to turn to their government for price and income protection even though it is accepted as a matter of right for railroads, airlines, utilities, industry, and labor.

To be sure the government's role in our free society should never be one of dominating the market place. But it influences the market place every day in many ways. Its role should be as the "public interest policemen", seeking to keep a fair balance in our economy. This has been the purpose of our farm programs.

With agriculture now at such a disadvantage in the economy, farmers have every right to turn to the government for help in ways to strengthen their bargaining power.

It is rather amazing to see that right being challenged. The interest of government in agriculture is nothing new.

There is a 185-page compilation of United States Statutes designed in one way or another to strengthen the bargaining power of farmers in the commodity markets, and to protect and improve farm income in other ways. Much of this legislation goes back many decades.

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 farm programs.

Yes, farm income could be considerably higher if there was a will and a determination in the Department of Agriculture to use these laws enthusiastically and persistently. And dairy income could be considerably higher if the Secretary would stop tampering and juggling the parity equivalent formula. This is outright deception. I have legislation pending to establish and fix the parity equivalent ratio at the 1946-48 base -- a period when there was neither price support inventory or price controls.

While we need to improve our price support programs, 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 and a half years, some of which whittling was made possible when mandatory minimum levels of support were reduced in the Agriculture Act of 1954 -- after the President's veto of a more effective measure.

Unless this existing legislation can be made more effective, farmers must strengthen their bargaining power in other ways. Farmers may turn to united action on their own, by collective bargaining through producers co-ops, to establish prices and incomes nearer to equality with other segments of our society.

The balance of bargaining power may well shift from buyers to sellers of farm products. Those now so anxious for free markets may be the first to prefer a new look at effective price support levels or direct payment methods of achieving more equality in farm income.

Such ideas are not far fetched, I assure you. Legislation to authorize cooperative associations of producers to bargain with purchasers singly or in groups has already been introduced -- by my Republican colleague, Senator Aiken, ranking minority member of the Senate Committee on Agriculture. And I assure you we are going to take a good hard look at all such alternatives during the coming session of Congress, in view of the Administration's seeming determination to press for still lower support levels.

I am sure that Congress would require safeguards in the public interest before it would make such a broad grant of authority.

Obviously, neither the Congress nor the people should or would grant the power to farmers or anyone else to cut food and fiber production below what is needed for the national welfare -- and 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.

Such safeguards can well be provided, however, through food stamp plans to increase consumption among low-income families, through national emergency reserves, and through specific set-asides for humanitarian use throughout the world. An available inventory of food and fiber is not only needed for purposes of health, welfare and security, but also to protect the consumer from price gouging.

Actually, on many commodities such as milk there is urgent need for all you produce -- if we fulfill our responsibilities of properly providing for those who need it most -- the children in our schools, the aged, the unfortunates on meager public assistance allowances now unable to buy an adequate diet. There is a tremendous need for dairy products in many areas of the world lacking in dollars to purchase. We need longer extension and expansion of export programs such as Public Law 480, permitting sales for foreign currencies which in turn are used for economic development.

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.

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 food abundance.

Every move to make greater use of food 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, 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.

It is time for someone to jar them into action. Khrushchev seems to understand the vital role food can occupy in the struggle for the mind of man -- and he has embarked on a role of trying to outproduce us. He is smart enough to know that in areas of Africa and Asia, and other parts of the world, today food would mean more to the masses of people than Sputnik.

Why must we be so shortsighted, and regard our blessings as some kind of a curse? If we are not smart enough to figure out ways to use our abundance for the benefit of our fellow man, we are in the wrong league to be trying to launch our own Sputnik.

The truth is that the role of food in international relations is being sadly 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.

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 stockpiles at strategic locations as part of our military support program, instead of just telling you farmers you are producing too much?

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 food in this time of international crisis.

It was for that reason that I conducted extensive hearings during the past session into Public Law 480, and intend pressing the issue still further in the session ahead. It needs to be done, and I need your help. Waking up this Administration seems to be more than a one-man job.

Of course, it is not only on the international front that the Administration has been negligent or unconcerned about expanding consumption of food.

At a time when our government should be doing everything in its power to encourage additional milk consumption -- for the sake of the nation's health, as well as its farm economy -- nothing amazed me more recently than to discover that officials of the Eisenhower cabinet had recommended doing away with federal assistance for the special milk and school lunch programs -- and leaving it entirely up to states to carry on as best they could, or would. Last year some 900 million pounds of milk were served to youngsters as part of these school feeding programs -- representing nearly 20 percent of the excess production last year. Does it make sense to wipe out such a program, and force these dairy products into government warehouses instead of using them in building the health and strength of our children? I don't think so -- and I'll let you in on a secret: if President Eisenhower seeks to get any such change through the next Congress, he will run into trouble and defeat.

Before concluding, I wish to comment briefly about our entire economy -- not just the farm economy.

I know that of necessity your first concern is dairy farming, and we all have to look out for ourselves as best we can. Yet you dairymen have shown the wisdom to work with other commodity groups, because you realize how closely all agriculture is linked. It would be well to think also about how interdependent our entire economy has become, however, and how much you have at stake in supporting every effort to improve conditions for all your fellow Americans, farm or non-farm, city or country.

Yes, you are inseparably linked to the total economy. I hope you men in the dairy business will take the broad viewpoint in encouraging and supporting economic advancement of distressed areas of the nation, and for all segments of our people.

Quite frankly, much more is involved than just expanding the total wealth or total income of the nation. What counts is the extent to which improvement in economic standing is widely shared by the vast members of our people, rather than just limited groups.

It is at the bottom of the economic ladder where any degree of economic improvement is most rapidly reflected in increased purchasing power for farm products -- for milk, and for other food and fiber.

It might be helpful if some of our more conservative friends, particularly those in agriculture and in business, would reappraise, from the standpoint of sheer business logic, many of the views advocated by some of us of more liberal persuasion.

I learned back in my druggist days it did not make much difference how many customers you had coming into the store if they did not have any money. The Humphrey Drug Store used to work on the theory that if we can get them in, we ought to be able to sell them something. But, when a man hasn't a dollar in his pocket, his visit to the store is strictly social -- not economic. It is the broad base of the economic scene that offers opportunity to producers of consumer products.

You can be the president of the most powerful board of directors in the world, and you cannot drink any more milk than a man who is digging ditches.

It might be helpful, therefore, if we looked at it this way:

If the earnings of 100 low-income families are improved only \$10 a week, it means a lot more additional milk, butter, or cheese will be consumed than if only one family receives an additional \$1,000 check -- even though both are desirable.

Each family with adequate purchasing power will buy only so much dairy products each month. It is better to have more families able to buy some additional amounts of each than to have the improvement in purchasing power concentrated with those already able to purchase all they will consume.

I hope you milk producers will recognize that fact in considering any legislation designed to strengthen our general economy, whether it relates directly to dairying or not.

We need the vision to recognize and develop untapped American markets for our farm products.

We have concentrated much attention toward economic development of the underdeveloped areas of the world. This is in our own interest, both from the standpoint of future world markets and international political stability, to encourage rising living standards throughout the world.

But let us not neglect the opportunities at home -- opportunities here within the American market where we have a common currency, no tariff walls, a common language and a reasonably similar set of values. Here is the greatest untapped, undeveloped market that the world has ever known -- particularly for perishable farm products such as meat, milk, poultry and eggs. We have to approach that untapped market through strengthening and improving economic conditions in our own distressed areas, and through seeking by both public and private means to improve economic opportunities here at home and thereby raise living standards of our low income groups.

There are too many signs on the horizon indicating that our economy is static or slipping, instead of expanding.

The President has shown his concern, now that the stock market has the jitters. But, nobody got so worried, when the farm markets collapsed. In any event, the President plans addressing the nation soon, to help restore your confidence.

I have only one suggestion to make: The best way the President can bolster the confidence of America's farm people, is to show some action toward bolstering farm income.



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