

REMARKS BY SENATOR HUBERT H. HUMPHREY

On Grain Reserves

Minnesota Bankers Convention

St. Paul, Minnesota

June 5, 1974

I would like to speak to you today on the subject of grain reserve legislation. A grain reserve, in my view, is one of the nation's unheralded but most urgent needs.

Bankers know about the importance of reserves and why they are necessary in the financial world. We should apply the same basic logic to food.

As bankers operating in the great American agricultural heartland, you too have an interest in this legislation. Much of your business derives from agriculture or related industries.

Like farmers, you too have felt the wild price fluctuations in crops and livestock. You know all too well that many farmers have reluctantly had to sell out and leave agriculture in the last couple of years.

In contrast to the Administration line, it is not true that farmers have never had it so good.

Farmers have had to face sharp increases in the prices of everything they use, from fertilizer to tractors and baling wire. Feed costs have skyrocketed so that producing hogs, beef or dairy cattle is now a losing proposition.

At our recent Senate hearings on Commodity Futures Trading, I warned about the importance of a grain reserve as a stabilizing mechanism. I pointed out that the Commodity Futures Market reflected the market situation with all of its uncertainties.

I emphasized that we no longer have a number of stabilizing mechanisms such as we had in the 1950's and 1960's. One of the most important of these is a grain reserve.

I have introduced a bill to establish a grain reserve program, and I view it as serving three basic purposes.

First, a reserve is needed to maintain adequate supplies of food and fiber for domestic requirements. This includes American urban consumers and also American farmers who use vast quantities of feed grains to produce livestock. Exporting without regard to our own requirements encouraged the wild price gyrations of the past year.

To give farmers some measure of protection, the Government should share in the production risks it has called upon the farmers to take. This would appear to be no more than fair in recognizing the investment required by the farmers, and the vulnerability of the export market.

Second, a sound reserve program would enable the United States to remain a reliable supplier of exports. A program of publicly owned reserves will support our export market, which everyone agrees must be maintained. My bill also encourages other countries to purchase regularly rather than jumping in and out of the market.

Third, a grain reserve, held by the Government, would be available to meet disaster requirements throughout the world. This need is urgent, although the arrangements and the methods of sharing this responsibility remain to be determined.

World food reserves averaged around 187 million metric tons during the 1960's and early 1970's. That level now is around 89 million tons. The United States also no longer has a reserve in terms of land withheld from production.

Since world food reserves now are approaching a three week level, famine is not remote. In fact, in Africa countless thousands of lives already have perished. South Asia also faces the possibility of disaster.

The bill I have introduced would establish a program of reserves in wheat, feedgrains, soybeans, and cotton, with one-third owned and held by the Government and the remaining two-thirds held in private hands by farmers and traders.

The two-thirds held privately would move freely in the open market. The purpose of this volume is to signal a warning when total reserves go below the levels set in the bill.

The one-third owned and held by the Government would be acquired through the farm commodity loan program. These stocks would be withheld from the market and released only under carefully prescribed terms and conditions.

Reserves would be acquired in times of excess production, and the sale of Government stocks would take place in time of short supply. By carefully restricting the sale of the government held stocks, the Government investment in such stocks would be held to a minimum.

The total reserve levels set up a number of triggering devices which come into play when anticipated total reserves go below the quantities set forth in the bill.

These devices are designed to protect the American consumer against food supply raiding by any country.

The Administration does not support this legislation, and we still are subject to raiding by other countries. If we have bumper crops this year and prices continue to drop, foreign governments could come into our markets again and buy cheap.

We do not want a repeat of this past winter's uncertainty as to the adequacy of our food supplies. But the Administration appears oblivious to this possibility.

We also need better information on actual crop sales. And this is particularly important when the levels on hand are getting low. My bill addresses this need.

The opponents of a publicly held grain reserve maintain that the absence of a reserve bill will serve to stimulate both production and prices. In reality, it is the level of demand and not the existence of a reserve which determines price and production levels.

These people expect that large-scale exports to countries such as China and the Soviet Union will automatically continue. They choose to ignore the fact that the export market can fluctuate sharply as other countries have bumper harvests, or make purchase decisions on political grounds.

What we have done is urge farmers to pull out the stops and produce all they can. If the export market continues strong, they may come through all right. If exports shrink, farm prices will drop sharply. And our farm prices will continue to go up and down like a roller coaster, as they have this past year.

The National Planning Association recently pointed out that we are at a point where American agricultural exports could go either way. Despite the longrun trend toward food scarcity in the world, we could have excess crops this fall if our export markets begin to diminish. On the other hand, we could have continued scarcity because of a high level of exports to the Soviet Union and China.

The opponents of a Government-held reserve program base their hopes on a private reserve held by private farmers and traders.

The problem with this position is that private companies and individuals are in business to make a profit. That is the way it should be. But who looks out for the public interest? We need to have at least a modest reserve program not subject to the demands of the market.

Secretary Butz points with great pride to the fact that the American farmer and the consumer are now in the commercial market. He chooses to ignore that they are competing with other governments, not other consumers. This is not what I consider to be fair competition.

We run a great risk if we delude ourselves into believing that the world market is an open and free market. The victims of that delusion would again be the farmer and the housewife.

Beyond believing that a reserve program makes good sound economic sense for consumers and farmers, I also look on it as a form of security and a key feature in a sound food policy.

The Army does not rely on private manufacturers to maintain adequate supplies or reserves of guns and bullets. It insists on maintaining its own supply. I ask you, is an adequate supply of food any less vital than weapons?

We have taken surplus supplies of food for granted for too many years. Today the strategic importance of our productive capacity has taken on an entirely new perspective. A sound reserve program is of central importance within a total food policy.

If we are not prepared to establish a reserve program, we may ultimately end up with a more restrictive program. I do not want to see embargoes placed on exports, but we came close to a wheat embargo in early 1974. It would become a strong possibility if we do not act in time. Export embargoes are hardly in the interest of farmers or the national economy.

As bankers, I hope you appreciate that I am helping you in your fight against inflation.

You must feel lonely at times and wonder if there are not ways of fighting inflation other than by increasing interest rates.

A reserve program would not only benefit farmers and consumers. It would help restore a measure of economic sanity.

The fact that this Administration is willing to risk "boom and bust" prices should not surprise anyone. But we do not have to accept this result.

It is with this in mind that you should see it in your interest, as well as the national interest, to support a food reserve program. It is urgent, and I ask you to lend your support.

*Not Delivered
Event Cancelled*

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ST. PAUL, MINNESOTA

JUNE 5, 1974

I WOULD LIKE TO SPEAK TO YOU TODAY ON THE SUBJECT OF GRAIN RESERVE LEGISLATION. A GRAIN RESERVE, IN MY VIEW, IS ONE OF THE NATION'S UNHERALDED BUT MOST URGENT NEEDS.

BANKERS KNOW ABOUT THE IMPORTANCE OF RESERVES AND WHY THEY ARE NECESSARY IN THE FINANCIAL WORLD. WE SHOULD APPLY THE SAME BASIC LOGIC TO FOOD.

AS BANKERS OPERATING IN THE GREAT AMERICAN AGRICULTURAL HEARTLAND, YOU TOO HAVE AN INTEREST IN THIS LEGISLATION. MUCH OF YOUR BUSINESS DERIVES FROM AGRICULTURE OR RELATED INDUSTRIES.

LIKE FARMERS, YOU TOO HAVE FELT THE WILD PRICE FLUCTUATIONS IN CROPS AND LIVESTOCK. YOU KNOW ALL TOO WELL THAT MANY FARMERS HAVE RELUCTANTLY HAD TO SELL OUT AND LEAVE AGRICULTURE IN THE LAST COUPLE OF YEARS.

IN CONTRAST TO THE ADMINISTRATION LINE, IT IS NOT TRUE THAT FARMERS HAVE NEVER HAD IT SO GOOD.

FARMERS HAVE HAD TO FACE SHARP INCREASES IN THE PRICES OF EVERYTHING THEY USE FROM FERTILIZER TO TRACTORS AND BALING WIRE. FEED COSTS HAVE SKYROCKETED SO THAT PRODUCING HOGS, BEEF OR DAIRY CATTLE IS NOW A LOSING PROPOSITION.

AT OUR RECENT SENATE HEARINGS ON COMMODITY FUTURES TRADING, I WARNED ABOUT THE IMPORTANCE OF A GRAIN RESERVE AS A STABILIZING MECHANISM. I POINTED OUT THAT THE COMMODITY FUTURES MARKET REFLECTED THE MARKET SITUATION WITH ALL OF ITS UNCERTAINTIES.

I EMPHASIZED THAT WE NO LONGER HAVE A NUMBER OF STABILIZING MECHANISMS SUCH AS WE HAD IN THE 1950'S AND 1960'S., ONE OF THE MOST IMPORTANT OF THESE IS A GRAIN RESERVE.

I HAVE INTRODUCED A BILL TO ESTABLISH A GRAIN RESERVE PROGRAM, AND I VIEW IT AS SERVING THREE BASIC PURPOSES.

FIRST, A RESERVE IS NEEDED TO MAINTAIN ADEQUATE SUPPLIES OF FOOD AND FIBER FOR DOMESTIC REQUIREMENTS. THIS INCLUDES AMERICAN URBAN CONSUMERS AND ALSO AMERICAN FARMERS WHO USE VAST QUANTITIES OF FEED GRAINS TO PRODUCE LIVESTOCK. EXPORTING WITHOUT REGARD TO OUR OWN REQUIREMENTS ENCOURAGED THE WILD PRICE GYRATIONS OF THE PAST YEAR.

TO GIVE FARMERS SOME MEASURE OF PROTECTION, THE GOVERNMENT SHOULD SHARE IN THE PRODUCTION RISKS IT HAS CALLED UPON THE FARMERS TO TAKE. THIS WOULD APPEAR TO BE NO MORE THAN FAIR IN RECOGNIZING THE INVESTMENT REQUIRED BY THE FARMERS, AND THE VULNERABILITY OF THE EXPORT MARKER.

SECOND, A SOUND RESERVE PROGRAM WOULD ENABLE THE UNITED STATES TO REMAIN A RELIABLE SUPPLIER OF EXPORTS. A PROGRAM OF PUBLICLY OWNED RESERVES WILL SUPPORT OUR EXPORT MARKET, WHICH EVERYONE AGREES MUST BE MAINTAINED. MY BILL ALSO ENCOURAGES OTHER COUNTRIES TO PURCHASE REGULARLY RATHER THAN JUMPING IN AND OUT OF THE MARKET.

THIRD, A GRAIN RESERVE, HELD BY THE GOVERNMENT, WOULD BE AVAILABLE TO MEET DISASTER REQUIREMENTS THROUGHOUT THE WORLD. THIS NEED IS URGENT, ALTHOUGH THE ARRANGEMENTS AND THE METHODS OF SHARING THIS RESPONSIBILITY REMAIN TO BE DETERMINED.

WORLD FOOD RESERVES AVERAGED AROUND 187 MILLION METRIC TONS DURING THE 1960'S AND EARLY 1970'S. THAT LEVEL NOW IS AROUND 89 MILLION TONS. THE UNITED STATES ALSO NO LONGER HAS A RESERVE IN TERMS OF LAND WITHHELD FROM PRODUCTION.

SINCE WORLD FOOD RESERVES NOW ARE APPROACHING A THREE WEEK LEVEL, FAMINE IS NOT REMOTE. IN FACT, IN AFRICA COUNTLESS THOUSANDS OF LIVES ALREADY HAVE PERISHED. SOUTH ASIA ALSO FACES THE POSSIBILITY OF DISASTER.

THE BILL I HAVE INTRODUCED WOULD ESTABLISH A PROGRAM OF RESERVES IN WHEAT, FEEDGRAINS, SOYBEANS, AND COTTON, WITH ONE-THIRD OWNED AND HELD BY THE GOVERNMENT AND THE REMAINING TWO-THIRDS HELD IN PRIVATE HANDS BY FARMERS AND TRADERS.

THE TWO-THIRDS HELD PRIVATELY WOULD MOVE FREELY IN THE OPEN MARKET. THE PURPOSE OF THIS VOLUME IS TO SIGNAL A WARNING WHEN TOTAL RESERVES GO BELOW THE LEVELS SET IN THE BILL.

THE ONE-THIRD OWNED AND HELD BY THE GOVERNMENT WOULD BE ACQUIRED THROUGH THE FARM COMMODITY LOAN PROGRAM. THESE STOCKS WOULD BE WITHHELD FROM THE MARKET AND RELEASED ONLY UNDER CAREFULLY PRESCRIBED TERMS AND CONDITIONS.

RESERVES WOULD BE ACQUIRED IN TIMES OF EXCESS PRODUCTION,
AND THE SALE OF GOVERNMENT STOCKS WOULD TAKE PLACE IN TIME OF SHORT
SUPPLY. BY CAREFULLY RESTRICTING THE SALE OF THE GOVERNMENT
HELD STOCKS, THE GOVERNMENT INVESTMENT IN SUCH STOCKS WOULD BE
HELD TO A MINIMUM.

THE TOTAL RESERVE LEVELS SET UP A NUMBER OF TRIGGERING
DEVICES WHICH COME INTO PLAY WHEN ANTICIPATED TOTAL RESERVES GO
BELOW THE QUANTITIES SET FORTH IN THE BILL.

THESE DEVICES ARE DESIGNED TO PROTECT THE AMERICAN CONSUMER
AGAINST FOOD SUPPLY RAIDING BY ANY COUNTRY.

THE ADMINISTRATION DOES NOT SUPPORT THIS LEGISLATION,
AND WE STILL ARE SUBJECT TO RAIDING BY OTHER COUNTRIES.
IF WE HAVE BUMPER CROPS THIS YEAR AND PRICES CONTINUE TO DROP,
FOREIGN GOVERNMENTS COULD COME INTO OUR MARKETS AGAIN AND BUY
CHEAP.

WE DO NOT WANT A REPEAT OF THIS PAST WINTER'S UNCERTAINTY AS TO THE ADEQUACY OF OUR FOOD SUPPLIES. BUT THE ADMINISTRATION APPEARS OBLIVIOUS TO THIS POSSIBILITY.

WE ALSO NEED BETTER INFORMATION ON ACTUAL CROP SALES,,AND THIS IS PARTICULARLY IMPORTANT WHEN THE LEVELS ON HAND ARE GETTING LOW. MY BILL ADDRESSES THIS NEED.

THE OPPONENTS OF A PUBLICLY HELD GRAIN RESERVE MAINTAIN THAT THE ABSENCE OF A RESERVE BILL WILL SERVE TO STIMULATE BOTH PRODUCTION AND PRICES. IN REALITY, IT IS THE LEVEL OF DEMAND AND NOT THE EXISTENCE OF A RESERVE WHICH DETERMINES PRICE AND PRODUCTION LEVELS.

THESE PEOPLE EXPECT THAT LARGE-SCALE EXPORTS TO COUNTRIES SUCH AS CHINA AND THE SOVIET UNION WILL AUTOMATICALLY CONTINUE.

THEY CHOOSE TO IGNORE THE FACT THAT THE EXPORT MARKET CAN
FLUCTUATE SHARPLY AS OTHER COUNTRIES HAVE BUMPER HARVESTS,
OR MAKE PURCHASE DECISIONS ON POLITICAL GROUNDS.

WHAT WE HAVE DONE IS URGE FARMERS TO PULL OUT THE STOPS
AND PRODUCE ALL THEY CAN. IF THE EXPORT MARKET CONTINUES STRONG,
THEY MAY COME THROUGH ALL RIGHT. IF EXPORTS SHRINK, FARM PRICES
WILL DROP SHARPLY. AND OUR FARM PRICES WILL CONTINUE TO GO UP
AND DOWN LIKE A ROLLER COASTER, AS THEY HAVE THIS PAST YEAR.

THE NATIONAL PLANNING ASSOCIATION RECENTLY POINTED OUT THAT
WE ARE AT A POINT WHERE AMERICAN AGRICULTURAL EXPORTS COULD GO
EITHER WAY, DESPITE THE LONGRUN TREND TOWARD FOOD SCARCITY IN THE
WORLD, WE COULD HAVE EXCESS CROPS THIS FALL IF OUR EXPORT MARKETS
BEGIN TO DIMINISH. ON THE OTHER HAND, WE COULD HAVE CONTINUED
SCARCITY BECAUSE OF A HIGH LEVEL OF EXPORTS TO THE SOVIET
UNION AND CHINA.

THE OPPONENTS OF A GOVERNMENT-HELD RESERVE PROGRAM BASE THEIR HOPES ON A PRIVATE RESERVE HELD BY PRIVATE FARMERS AND TRADERS.

THE PROBLEM WITH THIS POSITION IS THAT PRIVATE COMPANIES AND INDIVIDUALS ARE IN BUSINESS TO MAKE A PROFIT. THAT IS THE WAY IT SHOULD BE. BUT WHO LOOKS OUT FOR THE PUBLIC INTEREST? WE NEED TO HAVE AT LEAST A MODEST RESERVE PROGRAM NOT SUBJECT TO THE DEMANDS OF THE MARKET.

SECRETARY BUTZ POINTS WITH GREAT PRIDE TO THE FACT THAT THE AMERICAN FARMER AND THE CONSUMER ARE NOW IN THE COMMERCIAL MARKET. HE CHOOSES TO IGNORE THAT THEY ARE COMPETING WITH OTHER GOVERNMENTS, NOT ~~OTHER~~ CONSUMERS. THIS IS NOT WHAT I CONSIDER TO BE FAIR COMPETITION.

WE RUN A GREAT RISK IF WE DELUDE OURSELVES INTO BELIEVING THAT THE WORLD MARKET IS AN OPEN AND FREE MARKET. THE VICTIMS OF THAT DELUSION WOULD AGAIN BE THE FARMER AND THE HOUSEWIFE,

BEYOND BELIEVING THAT A RESERVE PROGRAM MAKES GOOD SOUND ECONOMIC SENSE FOR CONSUMERS AND FARMERS, I ALSO LOOK ON IT AS A FORM OF SECURITY AND A KEY FEATURE IN A SOUND FOOD POLICY.

THE ARMY DOES NOT RELY ON PRIVATE MANUFACTURERS TO MAINTAIN ADEQUATE SUPPLIES OR RESERVES OF GUNS AND BULLETS. IT INSISTS ON MAINTAINING ITS OWN SUPPLY. I ASK YOU, IS AN ADEQUATE SUPPLY OF FOOD ANY LESS VITAL THAN WEAPONS?

WE HAVE TAKEN SURPLUS SUPPLIES OF FOOD FOR GRANTED FOR TOO MANY YEARS. TODAY THE STRATEGIC IMPORTANCE OF OUR PRODUCTIVE CAPACITY HAS TAKEN ON AN ENTIRELY NEW PERSPECTIVE. A SOUND RESERVE PROGRAM IS OF CENTRAL IMPORTANCE WITHIN A TOTAL FOOD POLICY.

IF WE ARE NOT PREPARED TO ESTABLISH A RESERVE PROGRAM, WE MAY ULTIMATELY END UP WITH A MORE RESTRICTIVE PROGRAM. I DO NOT WANT TO SEE EMBARGOES PLACED ON EXPORTS, BUT WE CAME CLOSE TO A WHEAT EMBARGO IN EARLY 1974. IT WOULD BECOME A STRONG POSSIBILITY IF WE DO NOT ACT IN TIME. EXPORT EMBARGOES ARE HARDLY IN THE INTEREST OF FARMERS OR THE NATIONAL ECONOMY.

AS BANKERS, I HOPE YOU APPRECIATE THAT I AM HELPING YOU IN YOUR FIGHT AGAINST INFLATION.

YOU MUST FEEL LONELY AT TIMES AND WONDER IF THERE ARE NOT WAYS OF FIGHTING INFLATION OTHER THAN BY INCREASING INTEREST RATES.

A RESERVE PROGRAM WOULD NOT ONLY BENEFIT FARMERS AND CONSUMERS. IT WOULD HELP RESTORE A MEASURE OF ECONOMIC SANITY.

THE FACT THAT THIS ADMINISTRATION IS WILLING TO RISK "BOOM
AND BUST" PRICES SHOULD NOT SURPRISE ANYONE. BUT WE DO NOT HAVE
TO ACCEPT THIS RESULT.

IT IS WITH THIS IN MIND THAT YOU SHOULD SEE IT IN YOUR
INTEREST, AS WELL AS THE NATIONAL INTEREST, TO SUPPORT A
FOOD RESERVE PROGRAM. IT IS URGENT, AND I ASK YOU TO LEND
YOUR SUPPORT.

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