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THE PRESIDENT'S BRIEFING BOOK

QUESTIONS AND ANSWERS

AGRICULTURAL EDITORS
MARCH 30, 1976
THE FAMILY THEATER

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THE PRESIDENT'S BRIEFING BOOK

QUESTIONS AND ANSWERS

AMERICAN AGRICULTURAL EDITORS ASSOCIATION

Day: Tuesday, March 30, 1976

Time: 2:00 p. m.

Place: The Family Theater

I. PURPOSE

This meeting with members of the American Agricultural Editors Association will give you a chance to outline your farm policies, to knock down criticism of unpopular moves, such as the wheat embargo, your veto of the farm parity bill, and to re-assure farmers that their interests are important to you in making policy.

Secretary Butz recently said that you would get 60 percent of the farm vote in November. This interview can help solidify and expand that support, by enlisting farm publication editors to explain your policies.

II. BACKGROUND

The American Agricultural Editors Association claims that the combined circulation of its members' magazines and newspapers reaches every farmer and rancher in the United States. It is holding its annual workshop at the L'Enfant Plaza Hotel, March 29-30, 1976. The two-day session will include reports to Congress and briefings by Members of Congress and Administration officials. The Secretary of Agriculture, Earl Butz, will speak to the group during lunch, immediately preceding their question and answer session with you.

III. PARTICIPANTS

Eighty-two members of the American Agricultural Editors Association.

The current officers are:

Richard Krumme, President
Successful Farming

David E. Bryant, Vice President
Today's Farmer

James P. Lilly, Secretary-Treasurer
Prairie Farmer

Wilson Carnes, Immediate Past President
National Future Farmer

IV. OPENING REMARKS

The editors will present to Congress at breakfast from "mini-reports" on the state of the nation's agriculture and other concerns. Suggested opening remarks based on those reports will be prepared Tuesday morning and submitted for your consideration.

JIM SHUMAN

FARM Q & A

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LONG RUN GOALS OF FARM POLICY

Q. Just what are the goals of your Administration's farm policies?

A. Farmers today are operating at a unique point in history, a time when the world has gone from worrying about crop surpluses to a time when we are beginning to wonder about potential food shortages.

We see a world population that will grow from slightly under 4 billion people at present, to between 6.5 to 7.0 billion by the year 2000. Within the next 3 decades man is going to have to learn to feed as many more people as we have now learned to feed since the dawn of history.

American farmers will play a large part in meeting that challenge. Already they supply almost 50 percent of world wheat exports, 55 percent of the feed grains, 50 percent of the oilseeds, almost 25 percent of the cotton, and 27 percent of the rice.

If the world is to be kept free from famine in the years ahead, the American farmer is going to have to be free to produce, free to utilize his land and management skills in the most efficient way possible. He is going to have to receive incentive prices that will cover his cost of production and allow him a reasonable profit as well.

On the other side of the coin, the goal of my Administration's farm policies is to assure American consumers of a plentiful supply of efficiently produced, reasonably priced food. Food produced at the lowest unit cost of production will only come from full production. It will come only from a system of family farm freedom. Centralized government management of farms through rigid farm policies doesn't work. This nation's past programs structured along such lines, and the Russians' difficulties with such a system, proves this point dramatically.

In summary, our agricultural policy goals are to allow farmers to run their own businesses with a minimum of government interference -- and to help keep open the marketing channels both here and abroad so they can sell those crops to whoever needs them.

THE FAMILY FARM

Q. Does the family farm have a future in this country?

A. I can see no reason why the family farm should not live and prosper in America. Decisions to put public policy on the side of family farming have been consistent. The family farmer has often been shown to be a more efficient operator than most big corporate outfits operating with hired help.

The family farm of the future will no doubt be bigger than today's farm. It'll take even more capital to run it.

I have recommended legislation that would change the inheritance tax law so as to make it easier to keep farms under family ownership. Farmers will increasingly, no doubt, form family corporations. I think it's important, of course, that we continue programs of agricultural research, education, credit, conservation, etc. so that family farmers will be able to use new and improved technology. And, of course, he should have access to global markets.

AGRICULTURAL RESEARCH

- Q. How do you feel about the needs for increased agricultural research?
- A. This is certainly no time to pull back on agricultural research. World grain needs are now increasing about 30 million metric tons per year. With more population growth in the future, this trend will surely accelerate.

Much of the gain in world food production in the last 20 years has come from the extensive use of science and technology in agriculture. There are still giant steps to be made in this direction, particularly in the developing countries. We must help others, as well as ourselves, find new ways to produce more food. We must broaden our agricultural research as well as our food distribution and marketing research.

We must also find ways to cut down energy usage in agriculture and food processing. We need to find new ways to increase fertilizer use efficiency, and above all, we must work to devise better methods to preserve the land even while we seek to make it produce more. The land is our most sacred heritage in this nation and we must take care of it for future generations.

NEW FARM LEGISLATION

- Q. What can we expect in the battle for new farm legislation next year?
- A. Unquestionably there will be a battle over farm policy when the need for new legislation comes due in 1977. There will be those who will want the government to step back into agriculture and take away the sort of free market agriculture we've moved so strongly toward in the last 3 years.

I plan to fight any such move toward centralized control of agriculture just as hard as I can.

American consumers want reasonably priced food, farmers deserve reasonable profits above and beyond their costs of production, and the hungry of other nations need more food. These things can come only under a policy of full production in agriculture, coupled with management freedom for farmers, such as we now have. I don't intend to see us step backward away from the free market agriculture that has brought record prosperity to farmers and new vitalization to rural America in the last 3 years.

THE FARM VOTE


Q. How do you think you will do in rural areas of the country this fall against the Presidential contender from the Democratic Party?

A. As you know, we have turned farm policy around. Farmers have never had more net income than during the last three years. There aren't any surpluses in government bins and warehouses to depress the market. Bureaucrats aren't out measuring land and cribs anymore. Our farm exports are at record levels. There's a new prosperity and greater confidence in rural areas now.

If farmers like that, I assume that they will vote for me in the fall -- because that is what I stand for, and that's what this Administration stands for. I've had to fight to keep that by vetoing legislation from the Democratic Congress.

If farmers would rather have high price supports, the surpluses, the restrictions on acreage, lower export sales, and bureaucrats running their business, then they can vote for the Democratic candidate.

1/26/76 (new)



AGRICULTURAL POLICY MAKING

- Q. Who will call the shots in agricultural policy under your new Agricultural Policy Committee -- Kissinger or Butz?
- A. As President, I make the major decisions. However, when I make an agricultural policy decision I rely heavily on Secretary Butz for advice and counsel. As you know, I announced on March 5 in Illinois that I have established a new Agricultural Policy Committee with Secretary Butz as Chairman. The Secretaries of State, Treasury, Commerce--and others--will be on that Committee. The Committee will report directly to me and advise me on domestic and international food policy matters. This replaces two previous committees, one chaired by the Secretary of State and one co-chaired by State and Treasury.

WORLD FOOD PROBLEM

- Q. What is the answer to the world food problem?
- A. There are three approaches that should be pursued simultaneously on a global basis:
1. Assistance to food-deficit countries to improve their own food production capabilities.
 2. Further liberalization of trade to enable the flow of food to countries that can pay.
 3. Providing food aid to those countries that cannot pay.

FOOD PRICES

Q. Can we look forward to an easing of the increase in food prices that we've had in recent years?

A. Yes, you can. As you know, food prices in 1975 increased about 8-1/2 percent--which was down from the 14-1/2 percent increases in 1974 and 1973. The Department of Agriculture estimates that food prices will increase about 1 percent per quarter during the first half of 1976 if conditions continue on the present course. Over the last two years, about three-fourths of the increase in consumer food costs came after food left the farm. Our big job is to stop the inflation that caused those cost increases. This is one of the reasons why everyone has a stake in controlling inflation and government spending.

FOOD MARGINS

- Q. What can be done about the increase in food handling margins that boost the cost of food?
- A. Four things. One, is to keep conditions competitive in food processing and distribution so that we get the economies that come from competition. Two, is to let new cost-cutting technology come into food handling instead of resisting it. Three, is to see that our government regulations don't over burden business with unnecessary rules. And four, is to stop inflation which, unless it is checked, will continue to pile costs on costs all along the line.

MEAT GRADING

Q. The government put its new meat grading system into operation on February 23 and farm beef prices have been falling ever since. Are the new meat grades responsible for the falling prices?

A. It is not the new meat grades that caused prices to fall. The main reason is the increase in cattle marketings. Between the first of the year and February 23 Choice Steers in Omaha had dropped six dollars a hundred. Since February 23, they have dropped three dollars, so the change in meat grades had little to do with it. Cattle marketings were a fifth higher in January than in December and the daily shipments in February were even larger. Over time, the change in meat grades will mean that farmers can get their cattle into the Choice grade with less feeding, and consumers will have plenty of high-quality meat.

DAIRY HERD IMPROVEMENT ASSOCIATION

- Q. I understand that the USDA has deleted support for the Dairy Herd Improvement Association from its budget. Isn't this a program that helps increase milk production per cow, thus cutting production costs and making more milk available to the public at less cost?
- A. The DHIA program that provides official testing and record keeping on dairy cows is an old and successful program. It has helped farmers increase milk production and cut costs. For many years, the USDA has borne some of the cost of this program by providing a computer service for the records. That runs about \$1-1/2 million a year now. However, the results of DHIA work do pay off for the dairyman; and since the costs per cow would be relatively small, the dairymen who profit from the program could pick up the cost. We need to budget the Federal government's money for items in USDA that now have a higher priority.

NEW RUSSIAN GRAIN PURCHASES

- Q. Since the Soviet's wheat crop has suffered winter damage, do you expect the Russians to purchase more U.S. grain?
- A. It is too early to tell how much damage has been done to the 1976 Russian crop. The winter kill has been to the fall-planted wheat, but most wheat in Russia is planted in the spring. The critical time will be next summer when the Russian spring crop is maturing. The Russians have indicated an interest in more purchases -- and we have already made it clear we are prepared to sell them more before October 1, 1976, when the five year agreement goes into effect.

NEW EXPORT RESTRICTIONS BECAUSE OF DROUGHT

- Q. If wheat prices rise because of the drought in the winter wheat area, will your Administration move again to restrict exports?
- A. I don't expect that this will happen. While it is true that it is dry in a portion of the Wheat Belt, we expect to have plenty of wheat for export as a result of an increased carry-over from the 1975 crop and normal yields this year in other parts of the Wheat Belt. The Great Plains did get a small amount of moisture earlier this month. But, unless they got a rain in the last day or two, it's still critically dry over portions of the Southern Great Plains.

We are watching the situation closely.

THE COST OF EXPORT EMBARGO

- Q. Didn't the temporary halt to Russian grain sales last fall cost farmers heavy income because of lost export sales?
- A. No. If we had sold more to the Russians last fall, they couldn't have moved it for months. The Russians simply couldn't handle more at their ports. After the temporary halt on sales we lifted last October, the Soviet Union bought another 3.5 million tons. This is still being shipped. The main reason for the decline in corn and soybean prices last fall was the big harvest.

EXPORT EMBARGO

Q. Can you say now you will never again impose export controls on grain and soybeans?

A. "Never" is a word that few of us can ever use. What I can say is that I do not anticipate circumstances where it will be necessary or desirable to control grain and soybean exports. We have a five-year agreement now with the Soviet Union. Our grain stocks are increasing. I just don't foresee any circumstances where we'd need export controls.

ESTATE TAXES

- Q. Your proposed reform of farmers' estate taxes is a step towards easing the burden in passing family farms between generations. Some felt that your proposals do not go far enough in easing the farm estate tax burden. Do you still consider your approach adequate?
- A. Early in January, I proposed a payment deferral program which would help heirs pay estate taxes over an extended period of time. Following further study, I recommended on March 5 that the \$60,000 exemption be increased to \$150,000. This will go a long way to help farmers and small businessmen keep their property in the family rather than having to liquidate to meet estate tax obligations. This is a positive, helpful program; and my Administration will be carrying these proposals to Congress, and I hope we get the legislation.

GRAIN INSPECTION

Q. What are you doing about cleaning up the grain inspection mess?

A. For two years the government has been conducting an extensive investigation into the inspection and weighing of export grain. To date, grand juries in New Orleans, Baton Rouge and Houston have returned a total of 77 indictments charging 57 individuals and six companies with criminal wrongdoing.

On March 15, more than 200 new Federal employees began a special five-week grain inspection course in Houston, Texas. After completion of this intensive training program, these samplers, technicians and inspectors will supervise the work of private and state grain inspectors from 32 USDA field offices.

Last September we recommended legislation to strengthen the present system. In mid-February, Secretary Butz proposed changes in regulations, and an affirmative action plan calling for extensive internal audit procedures by the grain companies. I support both of these actions and think they will greatly improve the situation.

BACKGROUND: The Department of Agriculture presently licenses State and private organizations to inspect grain for a fee paid by the buyer. The Department does not have authority under present law to make initial first inspections, only appeal inspections.

Several bills are currently pending before the Congress. The Administration's bill was introduced by Senator Dole on September 5, 1975.

FOOD STAMPS TAKE ALL USDA BUDGET

Q. Why does so much of USDA's budget go to food stamps instead of farmers?

A. Food programs -- food stamps, school lunch, and others -- will require at least \$8.365 billion this year. That's around 60 percent of the USDA budget. We have two commitments. One is to take care of the needy and eliminate poverty-related hunger. We are doing an outstanding job of that. The other commitment is to see that only the needy are on food stamps. Right now, we are tightening food stamp regulations to increase the benefits for the most needy and to take off of food stamps those that are less needy. This alone will save about \$1.2 billion annually. Bills are moving ahead in both the House and the Senate to reform the present food stamp program.

Last week, I sent to the Congress the Child Nutrition Reform Act of 1976 proposing to consolidate 15 child nutrition programs with single block grants which would give the states greater flexibility in feeding needy children. It would also save \$900 million this year.

I urge each of you farm editors to keep abreast of the progress of this legislation.

PRODUCTION COST INFLATION

Q. Inflation is killing us. Will the cost of production ever stabilize?

A. I am well aware that farm costs have been rising for years as a result of inflation. Inflation hurts farmers badly. As you know, I have been doing all I can to control government spending. Government spending is the chief cause of inflation. We are having some success in our efforts. Since I became President, we have cut in half the increase in the cost-of-living. This will show up in smaller increases in the costs of the supplies you buy. I need your help in further stopping the increase in government spending.

AGRICULTURE IN THE TRADE NEGOTIATIONS

- Q. In current "Tokyo Round" of trade negotiations in Geneva, will agriculture be sold down the river again?
- A. Under the Kennedy Round of negotiations a few years ago, agriculture was sold down the river because agricultural tariff concessions were negotiated separately from industrial concessions. This time, we are vigorously resisting foreign pressure to negotiate agriculture and industry separately. We are going to keep them together in a package. Farmers will not be sold down the river this time.

PALM OIL IMPORTS

- Q. Palm oil imports have doubled in the past year and threaten to erode the market for U.S. soybean oil. What do you propose to do about it?
- A. I know that this is a problem, and that U.S. funds were used through the World Bank to increase foreign palm oil production. My Administration is currently studying the various options for dealing with it, and I expect to make a decision soon. The current and projected levels of palm oil imports are significant enough for some positive Government action.

BACKGROUND: A recent Department of Agriculture study has pointed out the growing volume of palm oil imports into the U.S. market. With increased world palm oil production forecast for the next few years, considerably larger U.S. imports are projected for 1985.

LOW LOAN RATES

- Q. The increases in loan rates for corn and wheat recently announced still leave support prices far below costs of productions. Why won't your Administration increase these prices to levels that will cover farmers' costs?
- A. The loan program for corn and wheat is not designed to support farm prices above production costs, but rather it is a loan program to finance grain while farmers await a favorable turn in the market.

We want farmers to get prices that are above the cost of production. The best way to do that is to have a strong market so that farmers will get their income from the marketplace. If you get loan levels up to the point where farmers produce for the loan, government surpluses build up and we will quickly get into government controlled programs again.

We have reinstated government loans on soybeans so that growers, if they wish, can use the loan to store their crop while waiting to sell on the market.

BACKGROUND: Soybean loans at \$2.50 per bushel, which were set in line with the \$1.25 corn loan rate, will permit Illinois and North Carolina growers to hold their crop during possible down markets and wait for rising prices.

MILK PRICE SUPPORTS

- Q. Doesn't your veto of the milk price support bill, which would have supported the price of milk at closer to cost of production, indicate that dairy producers should look elsewhere than to the Ford Administration to get a sensitive response to their problems?
- A. No. I vetoed S. J. Res. 121 because it would stimulate excessive production of milk, discourage consumption, and would build up huge and costly surpluses.

The current legislation provides the Secretary of Agriculture with sufficient flexibility to increase milk price supports whenever conditions indicate that an increase is necessary and advisable. Secretary Butz recently announced that the support price for manufacturing milk will be increased to 80 percent of parity on April 1. We will review this support level quarterly and make any adjustments necessary to assure an adequate supply of milk.

GRAIN RESERVES

- Q. Why don't you tell Kissinger to forget about building up international grain reserves? They'd just depress the market.
- A. Some reserve guidelines are helpful for meeting unusual situations. The important thing is who controls those reserves. My position is that each nation should be free to control its own reserves. For us, that means carrying reserves in the hands of farmers and the private trade. It is less expensive than carrying them as government-held reserves, and the market functions better--and the reserve is managed better and is less susceptible to political manipulation.

ENVIRONMENTAL REGULATIONS

- Q. When are you going to get the environmental regulations off our backs? They've raised our costs by taking away our best pesticides and now they're going to tell us how we must grow crops and raise livestock.
- A. I am as concerned as you are about over-regulation from Washington. Our problem is that the law doesn't give us much flexibility. The law requires that if a chemical, such as a pesticide, causes cancer in animals under massive doses in laboratory test conditions, it cannot be used if a residue shows up in even infinitesimal amounts. This doesn't permit even "reasonable judgment" to be used.

Where reasonable judgment can be exercised, I have asked the Government agencies to do what they can to let farmers operate efficiently and economically.

FARM REGULATORY PROBLEMS

- Q. What are you doing about controlling the regulatory agencies -- OSHA, EPA -- which affect farmers?
- A. Over the last year my Administration has initiated a reform program for regulation. I have made it clear to my cabinet and the heads of other agencies that they must carefully consider the cost of regulation before initiating new and burdensome programs. This is a tough problem in which Congress must join with my Administration if we are to succeed in balancing our environmental, health and safety regulation with economic realities.

RAILROAD RATES

- Q. Are the railroads going to be allowed to get away with higher freight rates on farm goods?
- A. From my point of view, it is of greatest importance that our railroads continue to operate. Railroads provide a service which is critical to the farmer and all Americans. Unfortunately, rates for many users may have to increase if our Nation is once again going to have a healthy railroad system.

PACKER BONDING

- Q. Are you still opposed to packer bonding legislation?
- A. No. I have reviewed this situation and have indicated to Secretary Butz that I would support a bill which extended bonding protection to cover sales of livestock to packers. However, I think that bonding will be sufficient protection and thus do not favor additional legislatively-mandated protections.

WATER AND SEWER GRANTS

Q. Why does your budget for fiscal year 1977 not include any funds for water and sewer grants by the Farmers Home Administration?

A. The total of Federal assistance being provided for water and sewer facilities in rural areas is growing without the Farmers Home program. Grant obligations for nonmetropolitan communities will increase from \$1.5 billion in fiscal year 1976 to \$1.6 billion in fiscal year 1977 because of growth in the community development block grant program under HUD and the EPA waste treatment grant program.

NON FAT DRY MILK

- Q. The European Common Market recently authorized a disposal program to put its surplus non fat dry milk into livestock feed. Won't this cut into our sales of soybeans for meal to the Common Market? If so, what is the Administration going to do about that?
- A. The Common Market has approved such a disposal program. The Common Market does have a huge surplus of non fat dry milk. We feel that our trade is going to be damaged. We are pursuing this through GATT. Ambassador Clayton Yeutter, Deputy for Special Trade Negotiations, will be in Brussels later this week to discuss the matter.

PEANUT PROGRAM

- Q. Do you favor a change in the present peanut program?
- A. I'm afraid the industry is going to be damaged if there aren't some changes. Current legislation encourages the production of more peanuts than can move into the market at the present support price level. Large amounts of peanuts must be moved into consumption through government subsidies. We must permit our peanuts to meet world demand at competitive price levels in our best long-term interests. Government subsidies for peanuts will cost taxpayers \$155 million this year. That kind of program can't have a long life in today's climate.

This Administration is working with the Congress to bring about needed changes in present legislation. I'm optimistic that this effort will be successful.

TOBACCO PRICE SUPPORTS

- Q. Why did you veto legislation which would have increased the price support level for tobacco?
- A. Increasing the support price for tobacco when our prices are already above the world market price would make our tobacco less competitive, thus endangering the \$1 billion net trade surplus we now enjoy in tobacco products. North Carolina produces more than half of these exports. Reducing exports would, in the long run, reduce income for tobacco producers here. I recognize that lower export demand and poor weather have caused hardships for some tobacco growers, but we don't want to take action that would hurt the industry rather than help it.

TRANSFER OF TOBACCO ALLOTMENTS

- Q. Do you support the Bill passed by the Senate permitting farmers to transfer tobacco allotments across county lines?
- A. There is a good deal of merit in it if farmers, voting in a referendum, approve such transfers. Small tobacco allotments prohibit mechanization which would help make U.S. tobacco more competitive in the world market. Although we're still the largest exporter of tobacco products, imports have doubled over the past two years. Our farmers produce the best quality tobacco. I'd hate to see increasing costs of production here cut our exports. Transfer of allotments would tend to equalize leasing values for the many elderly people who lease allotments. Charges now vary from as little as 3 cents a pound to as much as 30 cents in neighboring counties.

LOW RICE PRICES

- Q. Rice prices are hitting rock bottom. Will the new rice program solve this problem?
- A. Yes, I believe that it will. The new rice program is similar to the wheat and feed grains program. It will permit farmers to decide how much rice they want to grow instead of the government making that decision.

Rice prices are low because: (1) the 1975 U.S. crop was the largest on record, (2) the world crop was the largest on record, and (3) the world crop has been at record levels for three years in a row.

The Commodity Credit Corporation currently has loans on better than 16 million hundredweight of old rice. These loans mature on May 1, 1976. And I'm told that CCC may take possession of that rice at that time. The average loan is for \$8.52 per cwt. and rice is currently selling as low as somewhere between \$7.00 and \$7.50 per cwt.