

OUTLINE

ADDRESS BY SENATOR ROBERT MORGAN
WILMINGTON, NORTH CAROLINA
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SENATOR ROBERT MORGAN
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It is a pleasure to be here this morning in
Wilmington to share some thoughts with those of you
who are charged with carrying out our federal crop
insurance program. The timing of my presence here
could not have been better. Just Monday the Senate
passed S. 1125, the Federal Crop Insurance Act of
1979, by a vote of 64 to 27. I was an original sponsor
of S. 1125 with Senator Huddleston of Kentucky and I
offered an amendment, which was accepted by the Senate
when the bill came to the floor.

My amendment will establish a pilot program in 25 counties of individual risk underwriting. Now, with the exception of tobacco, crop insurance agents use county yield data, rather than individual histories, to underwrite farmers. My amendment will move the Federal Crop Insurance Corporation in the direction of using individual farmer crop histories. By moving in this direction, we can increase participation rates by farmers in the crop insurance program.

I am especially proud to be among you people here today. I believe that you are some of the best crop insurance people that we have. And I do not

believe that because of regional pride. I believe it because the statistics support such an assertion.

It would make little sense for me to talk in details about the crop insurance program, because you are the experts. Rather than discuss this very important program, I would prefer to shift to a subject you certainly will have an interest in, agricultural policy. For a combination of economic and political reasons I think our farm policy will change, and it is the direction of that change I would like to discuss with you today.

The nature of farming is constantly changing in our nation. Mechanization, genetics, improved fertilizers, pesticides, and, most importantly, improved farm management is changing the nature of the farming enterprise. The economic trends are clear. In some areas, farm sizes are going up. In other areas, productivity gains are becoming the dominant characteristic of growth.

While the economic trends are clearly there, they should not be taken for granted. A host of political factors could interfere in a fashion that would

change the direction of American agriculture. If that were to occur, the results would be disastrous for the economy of the nation and, to some degree, the world.

While it is true that there are fewer and fewer farmers, it is equally true that the impact of the smaller number of farmers on the economy remains as large. The farm dollar turns over seven times in the economy and the productivity rate of our farmers has prevented the severe blow of inflation from being as brutal as it otherwise would be. This is true because of the productivity gains in agriculture which have allowed the price of food to rise at a rate lower than the inflation rate. Now this

does not mean that you are getting any bargains at the grocery store. We all realize that the cost of processing and marketing food has continued to be high.

Now, let me digress for a moment to this political question. This matter concerns me very greatly, as it does all farm-state Senators. The politics of agriculture is changing because the demographics are changing. This is true for two reasons. First, we are losing about 50,000 farmers per year. Second, population increases are becoming more concentrated in metropolitan areas -- generally in the suburbs of cities of 50,000

population or greater. Someone recently said that less than 35 members of the House of Representatives will have districts with cities of less than 50,000 population when the redistricting, which will follow the 1980 census, takes place. The result will be that Congress will tend to vote urban, rather than rural, concerns.

If we are to look to the future, we must realize that the goals of farm policy must address these political realities. I think that we can construct a farm policy that recognizes these realities yet meets the long-term needs of our farmers.

Farm policy needs strengthening in several areas including exports, agriculture research and extension, property rights and farm regulations. There are plenty of other areas that I would like to address, including issues of farm finance, soil conservation and many others, but there simply is not enough time here today.

I did not mention exports first by accident.

Exports are crucial to farm income, a fact that virtually everyone should be able to understand. The more our farmers export, the more farm income will go up because of the additional demand. Further, strong farm income

can be translated into reduced federal farm expenditures. Also, the benefits to the rest of the economy -- because of that multiplier of seven -- is felt.

Farm exports just don't happen. Export markets have to be developed. There is intensive competition throughout the world for wheat, feed grains, tobacco or soybeans. We need to have an aggressive export program that includes credit and market development offices.

When it comes to exports, we should take a page from the Japanese. The Japanese have provided a model that we should follow -- a model that features a firm

and steady partnership between the private and public sectors.

There is another dimension to the export policy question. You might think that our government would see the need to export and would favor exports. I think that position holds with the current Administration, but that has not always been the case.

First, there are those who would like to hold the price of food down. They think the way to achieve lower food costs is through export embargoes, like the embargo we had in 1973 on soybean sales to Japan.

Second, there are those who would like to use food as a weapon, especially against communist countries or possibly, against OPEC.

These two approaches have a common defect: they just do not achieve the goals their supporters claim they will achieve.

Take the case of Japan. When the Administration put on the embargo, prices were already beginning to slip. In fact, early speculation about an embargo drives prices up. There was a quick flurry of buying, until virtually every cash customer had bought what they

wanted. Then came the embargo. What was the result? Brazil is now a leading exporter of soybeans to our old customer, Japan. Japan firmly, and with some justification, questions whether the U.S. is a reliable supplier. The farmers, in this instance, have paid the price.

Food as a weapon: There has been much talk of trading "food for crude". I would like such an approach to work, but it will not.

First, OPEC buys about \$800 million in food from the U.S. That \$800 million compares to a total

export market worldwide of \$32 billion for the U.S. In other words, about 3 percent of our total exports go to OPEC. You do not have to be much of an economist to see that this is not much leverage, especially when our OPEC oil bill is hitting \$60 billion a year. And, of course, there are other exporters, notably the Canadians, who would step in to fill OPEC's needs.

Another problem that I mentioned was property rights. For the first time in memory, the federal government is seriously moving to challenge property rights. This is being done in the West and the issue

is land reclamation. What is being proposed is that the federal government will deny water to farmers that operate farms above a certain size. I find such an approach to be reprehensible.

What the federal government should do is work to limit the subsidies, not farm size. Now, do not misunderstand me. I fully appreciate the importance of small farms. We know what small farms mean in a state like North Carolina, which has the smallest farm size of any state in the nation. What concerns me is that farmers, like other small businessmen, ought to

have an opportunity to grow. With the exception of monopoly or other anti-trust activities, I think that it is important that farms be allowed to grow.

Another matter that concerns me is the maintenance of our productivity in agriculture. Closely related to our productivity are gains made by land grant college researchers and the ability of extension agents to transfer that knowledge to farmers.

During the past decade, there has been a sharp decline in real federal expenditures for research. The result will soon become apparent unless those trends

are reversed. I have spent considerable time on this issue and will devote more time in the future.

Finally, our farmers are being excessively regulated by agencies ranging from the Occupational Safety and Health Administration to the Environmental Protection Agency. Some farmers today are spending more time completing forms than they are farming. Now, all regulations are not bad. We all know that many of the chemicals we use in farming can have serious environmental impacts if not used properly. But we have to strike a balance between make-work regulations and true concerns.

I certainly appreciate this opportunity to be here today. I think that agriculture holds the key to America's future and the future will be bright if we keep some basic goals in mind. We must outline those goals in the face of certain political realities and be on our guard to protect our interests.

Thanks very much for this opportunity.