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A SENSE OF PRIDE

Clayton K. Yeutter

Assistant Secretary of Agriculture

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A SENSE OF PRIDE

It gives me great pleasure to be here this morning, and to congratulate you in person for the outstanding work that your Committees have done in the past 5 years. You have helped American farmers achieve remarkable economic progress. You have helped make a resounding success of the shift to a market-oriented farm policy. That success is bringing major benefits to American farmers, to American rural life, to consumers and taxpayers across the country and to people all over the world who are seeking better diets and a more rewarding existence.

You can feel a great sense of pride in your efforts.

The change in farm policy, which you have helped install and operate, is opening the doors of opportunity for the American farmer. Farmers have benefited more from this policy in the last five years than any of us dared hope in 1969. Net farm income has more than doubled, to a remarkable \$32 billion last year. Realized net income per farm has risen from \$4,720 to \$11,332.

Farmers still face tremendous problems in terms of rising production costs and growing capital requirements. They still do not earn incomes fully comparable with off-farm earnings. Livestock producers, particularly, have suffered serious losses recently from high feed costs and the recent softening of consumer demand.

Speech by Assistant Secretary of Agriculture Clayton K. Yeutter before the ASCS National Conference at the Statler Hilton Hotel, Washington, D.C., August 7, 1974.

Nonetheless, we have made real and dramatic progress.

The result has been a rural revival in this country. Additional income is flowing into the farming sector, and spilling over into rural towns and cities as farm homes get new paint and plumbing, as the old pickup truck gets traded in for a new one.

The great migration from our farms has slowed to a trickle, and more young people today are returning to farms to seek their life's work. Jobs are opening up in rural areas today twice as fast as they are in the cities and suburbs.

Our market-oriented farm programs have been a key to this progress. They have aimed at opportunity and found it. Farmers have had the opportunity to manage their farms for peak efficiency, instead of following an outdated pattern of allotments and quotas. Market-oriented programs have helped open the way for full production on all our acres for the first time, other than the war years, since the Great Depression. And full production today means a full income opportunity for farmers now freed from the oppressive weight of massive government commodity stocks.

Perhaps even more important, farmers are regaining their self-respect. They are proving that American agriculture is no second-class industry that must be operated on remote-control from Washington by government bureaucrats.

We have returned to farmers the management of their own operations -- and they have responded with a tremendous out-pouring of efficient production to meet the needs of consumers the world over. Farmers, too, are feeling a renewed sense of pride.

The market oriented policy has been the right action at the right time for the right reasons -- and you have been part of it.

The work of your committees has benefited the consumers and taxpayers of the nation too -- though all too few of them realize it. They are temporarily blinded by recent increases in food prices, and their current ideas of farm policy run far too strongly to price and export controls.

Our farm policy, however, has not been responsible for food price increases. Most of the increase has been due to bad weather in various parts of the world in the past three years -- beginning with the failure of the Russian wheat crop and the Indian monsoon in 1972, continuing through the wet fall and spring we had last year, and on to the current dry weather in the Midwest.

Devaluation of the dollar has also had an important effect on food prices in the past two years. We had to devalue because we had been importing more than we exported...but devaluation made our farm products even more attractive to the rest of the world.

The final factor in food price increases has been the growing affluence of the rest of the world, and its desire to eat better. We have far more people, with much more money, bidding for the output from the world's farms and ranches today than we have ever had before.

We have shifted part of the reward for farmers from tax dollars to supermarket dollars through our shift from payments to market prices. However, this has played only a tiny role in food price changes since 1972. The big factors have been bad weather, devaluation and overseas affluence.

American consumers are benefiting from this market-oriented farm policy in several ways:

First, we have released millions of set-aside acres to produce food and fiber that consumers need and want. Thus consumers are getting increased production to meet their needs. No longer are we paying farmers not to plant crops.

Second, farmers are producing with even greater efficiency, since we have freed them from the strait jacket of production controls. Each acre can be used to its fullest efficiency, and farmers are able to spread their labor and fixed costs over more producing acres. This helps keep food costs lower.

Market-oriented policies encourage quicker response to consumer needs. Thus consumers get what they want more quickly and at less cost than if they must out-wit a government supply management program.

Finally, consumers are getting increased non-food purchasing power through our farm exports. Farm exports now make up fully a fourth of our nation's export trade. Without these exports, our trade balance would fall into the red, and the value of the dollar would fall. We would be unable to import as much oil, as many raw materials, as many low-cost consumer goods that are currently holding down the cost of living.

Our trade balance barely held its own last year, even with \$21 billion in farm exports, and a far lower oil import bill than we will have this year. This year, despite substantial farm exports, we will probably have \$2 billion or more worth of red ink in our trade balance. The reason is that we must spend an extra \$25 billion on oil imports.

The old supply management approach to farm policy led us to undervalue our farm production. It encouraged farmers to produce surpluses, and then stored the surpluses to overhang farmers' markets for years and years. Farm commodities were almost always available in CCC warehouses -- so farm commodities were always cheap. And they became cheap in the eyes of our export buyers.

Now our reserves are in the hands of farmers and agribusinessmen. Other countries must become more realistic about the true value of farm commodities. We think that will be a major benefit for American farmers. We think it will be a major benefit to small farmers in other countries; too often cheap commodities from the U.S. have been used to hold down their prices and have actually discouraged world food production.

Market orientation is also a major reason why agriculture's contribution to the American trade balance has increased from \$5.7 billion in 1969 to \$21 billion last year.

We have stopped undervaluing our agriculture - finally.

I hope that someday soon, consumers will come to realize what that means to them, and recognize the debt they owe to U.S. farmers. They owe that debt in even greater measure to the ASCS committeemen who have done so much to make the policy change so effective.

Our market-oriented farm policy is also geared to meeting the legitimate food aspirations of the entire world. Be proud of that, too.

The world's population is growing, and farmers must provide the food for that population. People want high quality protein, and we can provide that too. But we cannot provide it in a framework of government production controls that stifle farmers' management ability. And we cannot provide it with unrealistic price and export policies that stifle farmers' incomes and incentives.

If we let the market work, farmers will respond to the need...fully and adequately. Our projections indicate that American agriculture has the potential in the next dozen years to increase feed grain production by 50 percent, wheat production by 20 percent, rice output by 100 percent, soybean production by one-third, and beef cow numbers by more than 40 percent.

But, our farmers will not produce to that potential unless they have an incentive to do so.

The rest of the world is not farming half the crop land that could be used. It, too, needs incentives -- attractive prices and available inputs -- to increase production.

American farm policy today is working. Not many government policies today anywhere in the world can make that statement. Even fewer of them can say that they have cut government costs while improving service to their clientele. ASCS can claim both those distinctions, and our committeemen rate a share of the credit. You have helped us streamline our administration at the same time we have modernized our policies and programs.

Our work is not yet finished, of course, either here in Washington or in the field.

Here we are still in the midst of a major effect to lower world trade barriers in farm products. When the world gets good crop weather again for a couple of years in a row, when commodity stocks are somewhat rebuilt, then we will again need to sell farm products aggressively. We will need to push exports then in order to maintain our trade balance, and to keep farm prices at a favorable level. We will need to keep the demand for farming resources growing.

We are working on this through our export development projects, in dozens of countries around the world. Our market development projects have played a major role in the past in developing markets like Korea and Spain. They can play an equally important role in the future.

We are also working on export growth through trade negotiations. Currently more than 100 nations are meeting to work out a mutual lowering of trade barriers under the sponsorship of the General Agreement on Tariffs and Trade. We hope that the Congress will shortly give us authority to negotiate with them through a new trade bill.

We are also hoping that we will be able to offer most-favored nation status to several nations that have the potential to become very large markets for American farmers in the years ahead...nations including the Soviet Union, the Peoples Republic of China, and Eastern Europe. These nations are just beginning to achieve the economic take-offs that many Western nations have experienced in the past. Their industries are growing,

their incomes are rising, and their demand for farm products in the future could be impressive. To develop sound long-term trade relationships, we will need to offer them the same trade terms we currently offer to other trading partners.

Another continuing problem will be the pressure for export controls on farm products. As a nation we can no more afford to embargo food exports than we can afford to pass up export sales of jet airliners, computers or machine tools. The strength of the dollar and the purchasing power of the U.S. consumer are tied directly to our trade balance. If we cut farm exports, we can expect a sharp drop in the value of the dollar, and a corresponding jump in our other costs of living.

Fortunately, the productive capability of American agriculture is so great that our 1974 grain crops will probably be the largest on record despite our weather problems. The rest of the world is having a relatively good crop year, so world food production should be fully adequate for world needs.

Nevertheless, we expect continued pressure for export controls unless the weather takes a distinct turn for the better. Too many government executives still think they can create bushels of grain by pulling strings from Washington. Too many people still believe we can insulate ourselves from the reality of the world market.

We also expect continued pressure to put the government back into the food reserves business in a big way. We are against another big U.S. government grain reserve, because we think the result next time will be exactly like the result last time. Our consumers, taxpayers and farmers would lose heavily.

Farmers this year have been holding title to their grain, waiting to see whether prices will rise instead of selling it off the back of the combine. This ability to hold their grain for a good price is once again part of the farmer's profit potential. It is an important reason why farmers planted more grain this year. If we are going to take that opportunity away from farmers, we will have to replace the incentive with a subsidy or watch food production drop.

A massive U.S. government-held food reserve could only discourage production of farm products both here and abroad, and cause other countries to undervalue food production in both places. It would hamper rather than help world food security.

We do not need a massive reserve to meet legitimate hunger emergencies. We met about half the world's hunger need last year with roughly a million tons of grain...roughly one-fiftieth of what the big grain reserve proposals have envisaged as a U.S. stockpile. We have \$1 billion budgeted for food donation programs in fiscal year 1975 and that could be increased if a major emergency arose.

Remember, however, that the American consumer and taxpayer has no responsibility to stockpile cheap food for consumers in the Soviet Union, in Western Europe or in the other affluent nations of the world. That is primarily what we did with our last expensive food reserve.

Not all of the action is in Washington, of course. There still remains much to be done in our county offices, too.

I expect ASCS and ASCS committees to have an even wider range of missions in the future than you have had in the past. You will need to be even more adaptable than in the past, ready to move from monitoring fuel availability to checking railcar movements to working on disaster payments. We expect a continuing stress on long-term conservation work.

ASCS offices and committeemen will both become even more crucial in the policy-making process. For that reason, we are planning a nationwide communications network that will put field offices in instant touch with Washington. An 8-county pilot system will be installed this fall as the beginning of that communications effort.

I am confident that ASCS committeemen will serve as effectively in these emerging roles as they have in the past.

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