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Office of the Vice President
(Chicago, Illinois)

REMARKS OF THE VICE PRESIDENT
AT THE
NATIONAL-AMERICAN WHOLESALE GROCERS ASSOCIATION
CHICAGO, ILLINOIS

(AT 9:05 p.m., CST)

Dick, Chris, George, and to all of the distinguished members of Hawaga who are here and the beautiful ladies who have adorned this lovely evening and who have given us such a bright, colorful, gay note, I tried to get somebody to make a motion that we abolish speeches and just stay with the dancing; but I couldn't get a person to propose the motion, even though I was willing to second it.

I have got to say to you, Dick, your generous comments have created a nostalgic atmosphere for me. This goes back a good many years. I could spend this evening very happily reminiscing about not only the successes, but monumental failures that took place during the course of this experience. I must say I feel tremendous kinship and I am deeply grateful for this award and for your generosity in recalling a moment in history which was a very meaningful one to me and an exciting one and a significant one. I learned a great deal.

There were some who benefited, some not exactly as was anticipated such as when we put motors in the sailboats of Venezuela to increase the catch of fish on account of the nutrient value. Somehow, the fish didn't seem to come in but the sailing boats all took to the Dutch Islands there and became smugglers.

(Laughter.)

They profited and we got our money back out of the motors, but we didn't get the fish. So one learns by experience. This is all part of the free enterprise system where opportunity is provided and people take advantage of it.

(Laughter.)

(Applause.)

The only thing you didn't mention was that I am the producer of the ~~peppers~~ peppers for their entire foreign sales, which I grow on a ranch in Venezuela, something I am very proud of because it takes great care. There aren't many who can do that. There is nobody outside of the United States who is. In case you use it, there is nothing wrong with it.

(Laughter.)

My many friends who have appeared before you in the last couple of days, I saw Bill Coleman with the President this morning. He was very thrilled with his opportunity to be with you yesterday. I must say he is a uniquely able citizen in this country and is serving the

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President and the country with great distinction.

Our good friend, the Senator from Illinois, Senator Percy, was here this morning. Except for some predictions that he made, which were totally irrelevant and not of his purview, I understand he did an outstanding job.

(Laughter.)

(Applause.)

Speaking of predictions, we just got NBC predicts 58 percent for the President. As I said in a meeting earlier this afternoon, a little fund raiser for whom I won't mention because this is a bipartisan meeting, but I said nobody had done more for President Ford than Ronald Reagan and we are very grateful to him. I did go one further and say what he has done for President Ford, I did for President Nixon in '68.

(Laughter.)

It was not entirely altruistic. However, I am deeply grateful for this award tonight, for the gracious reasons which Dick gave, but also because of my tremendous respect for President Hoover who has got to have been one of the great American citizens and who hit the presidency at the wrong time. I think that is the simplest way to put it. So that his talents, which had he had the opportunity, I am sure would have come through; but events didn't afford that opportunity.

Therefore, he is not fully appreciated as you do here and as you described him, one of the great servants of this country, one of the great humanitarians who has done for the world as few other people. I am deeply honored by this award tonight and the invitation and the pleasure of being here.

I have to say the distribution of food is as important as its production. I could say that I started out in Venezuela thinking the best way to help them solve their food problems was to produce food; but I found that was a mistake. Then I went into wholesaling and I found that was not the spot and ended up in the retailing through supermarkets and that did turn out to be useful.

An interesting little insight was we started importing 80 percent of the food sold in the supermarkets and buying locally 20 percent. Now over 80 percent is produced and processed locally and only less than 20 percent is imported. It shows how rapidly that evolution can take place.

I also have to say that in my opinion, contrary to popular legend or concept, the multi-national corporation, I think is the greatest vehicle for helping other people raise their standard of living that was ever invented in the history of mankind.

(Applause.)

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I happen to be going on a trip the end of this week. One of the spots we are going is Singapore. Mr. Lee Kuan Yew is the Prime Minister. Mr. Lee Kuan Yew, his country got thrown out of the Malayan Federation in '62. He had a standard of living then, at that time -- it is an island, as you know, which used to belong to the British in colonial days, with 2-1/2 million people where the Gross National Product was \$300 per person at that time. He decided that the thing to do was to make it the spot in the world for multinational corporations to come and establish factories in the production of goods and services.

Today within that short space of time of 14 years, their Gross National Product per person has risen to over \$2,000 per person, next only to Japan in Asia. So that maybe one can learn a tremendous lesson from Singapore and the leadership there. In fact, I had been suggesting to New York City that they give consideration to that out in Singapore.

(Laughter.)

But speaking of New York City, I have to say one thing. I shouldn't. I still haven't gotten to my speech. We should be dancing. But never mind, I have to say one thing in defense of New York City. Everything New York City has done has been done by the Congress of the United States in spades and they have rather taken, a great many of them in Congress, satisfaction from what happened in New York. But Congress, this year, will have a deficit because of the spending under the same pressures that New York City had to go into a deficit spending. They are going to have a deficit for our country of \$74 billion. The only difference is that the Federal Government can print the money and New York City can't. If anyone tells you about New York, point to the Congress of the United States. That is a governor, speaking of my home town.

I would just like to say that talking about the distribution of food as being as important as the production of food, I remember some very interesting examples that I saw on a trip that President Nixon asked me to make in 1969, of 20 Latin countries to give a report on what might be done to improve our relations. Believe me, don't spend too much time writing reports for presidential missions because it may be they are just filed when you get back.

But anyhow, one of the interesting things I ran across was a case in one country which was having very serious problems with the storage of rice. The interesting thing was that their production had been increasing very rapidly, but the losses in storage from insects, mold, mildew, and rodents were so great that it offset the increase in production. In another country, an example, one-third of the food produced on the farms was brought to market by trucks, one-third on horseback, and one-third on the backs of individuals, because of the lack of farm-to-market roads.

We have known these problems in the United States. Some of us, some of you are too young, but some will remember that these were problems we had. But our distribution system today dramatizes and brings into sharp focus the progress we have made. The American food industry has come

a long way. In our first century, the typical American family produced for itself most of what went into the cooking pot, by farming, fishing and hunting.

Two hundred years ago, we had no major distribution system, no warehouses, no wholesale grocers. Even in larger towns and cities, many families kept a cow, a flock of chickens, a pig or two, and cultivated a garden. Ninety-five percent of the Americans made their living from the land. Today this figure is reversed. Only four percent live on farms.

Presently, one million farms produce 90 percent of all our food. This impressive production has been achieved through the aggressive application of science, technology, modern transportation, and industrial production. But it is interesting to note that due to the evolution in processing and distribution of food in America, nearly one in every four of the workers in this nation is involved in the food industry. The complexity of your industry, upon which every individual is dependent, is illustrated by the fact that the Federal Government itself now has tens of thousands of employees working as food inspectors, graders, economists, research scientists, and teachers.

Back in 1776, it took 10 farmers to feed one person in the city. By 1930, one farmer fed 10 people. Today, one farmer produces enough food to feed 44 people in this country and in addition, 12 more abroad. In sharp contrast, 30 percent of the people in the Soviet Union are still on the land, yet the Soviets cannot feed their own people. After 60 years of glowing Marxist promises, the Soviets find themselves depending on the capitalist initiative of the American farm family to help feed their people.

This contrasting and phenomenal progress in American agriculture has been brought about by the application of science and technology which has made possible a "green revolution." It is all due to the basic freedom of the individual American citizen, the responsibility and initiative of our farm families, their willingness to take risks, their hard work, the incentives and rewards of the American enterprise system in the processing and distribution of food and supportive, appropriate actions taken by the government.

Your sector of the industry employs some five million persons in processing and distribution. An unprecedented array of food is made available to the consumer, and it contributes over \$100 billion annually to the American economy, with a loss of less than three percent through spoilage from the farm to the consumer, in sharp contrast to some countries in the world where losses range up to 50 percent or more of the food produced before it gets to the consumer. Typical supermarkets handled 7,800 items. Our food industry is providing the American consumer with a wide variety of commodities at competitive prices.

Even though food prices have increased nearly 40 percent since 1973, the average American family spends today a lower portion of its income on food than anywhere else in the world. Since 1950, when the average U. S.

family spent nearly 23 percent of its income on food, that proportion has dropped to 17 percent today whereas in India, by contrast, 55 percent of the cost of living goes for food. The recent spiralling of inflation has created a significant amount of unrest among consumers here in the U. S.; but in reality, the American farmer and the American food industry generally have been the victims of inflation rather than the basic cause of inflation.

(Applause.)

While the most recent survey by the Agriculture Department showed that consumers were generally satisfied with food products and food stores, they were most concerned about prices. They also expressed concern over the nutritional content of food, food additives, the reliability of food advertising, and the labeling information. Your industry is under intensive scrutiny from both public interest groups and the government, but I know that that is no news to you. This evening, I would like to discuss several issues affecting your industry and make a series of recommendations.

One of the major contributions of the food industry which is often overlooked in this country is the significant role in maintaining our international balance of payments. The people of this country will spend \$30 billion this year alone for imported oil. We couldn't pay this bill without our farm families. Within the past 25 years, we have seen a 70 percent increase in the yield per acre of our cropland. In the last year alone, nearly 60 million additional acres of farmland were brought into production, absolutely phenomenal. Had it not been for the extraordinary increase in the production of farm production in recent years that has made it possible to increase agricultural exports from \$8 billion in 1972 to more than \$22 billion in 1975, we could not have paid for the increased costs of imported oil from the OPEC countries. This is something very few Americans really appreciate.

On the other hand, no industry or segment of our society is more dependent on energy than the food industry and the American farm families. Your industry relies on an expanding supply of energy in every phase of production, processing, and distribution. We as a nation are increasingly dependent upon imported oil for our energy needs, from 23 percent of our annual consumption in 1970 to 40 percent today -- only a six-year period, and this dependency on foreign imports is growing every day. This growing dependence leaves us dangerously vulnerable to another oil boycott, which next time, could result in economic and social chaos for our economy and our country.

To avoid this danger of economic and social chaos, not to mention our national security, President Ford has proposed an Energy Independence Authority to get us off dead center as a nation in achieving energy independence by further developing our own energy resources. We ought to be deeply grateful of the fact that we have within our own borders the capacity to become independent in energy resources and for the foreseeable future, down the road.

The Authority would provide risk capital for those projects which are essential to our energy independence and which cannot get the necessary private capital. Hearings

will be held in the Congress on this proposal next month. I would like to urge each one of you and your own organizations to study the Energy Independence Authority legislation from the prospective of enlightened self-interest of the farmers, the food industry, and the rest of the nation. Action in this area is long overdue. Therefore, I urgently recommend that the Congress pass the Energy Independence Authority legislation at this session.

(Applause.)

It is not only essential for our national security, but for our national well-being as well.

Turning to another area which we were discussing at the table, that is, government regulations. The government has a responsibility to establish standards to assure that goods are of high quality, to assure that products live up to advertising claims, to protect health and safety, to protect the environment, and to assure that the competition in our American enterprise system is fairly conducted. The market must have certain rules of fair play, but the government also has a responsibility of assuring the public that its rules do not go beyond the necessary and that its rules do not simply result in unnecessary added costs to the consumers.

(Applause.)

There are widespread inconsistencies among the regulations of such agencies as the Food and Drug Administration, the Occupational Safety and Health Administration, the Department of Agriculture, the Environmental Protection Agency, the Federal Trade Commission, and the Department of Justice, to mention just a few. Last month, for example, the acting chairman of the Federal Trade Commission testified in favor of legislation which would require food firms to supply antitrust agencies with certain detailed information. At the same congressional hearings, the Department of Justice opposed the legislation. The failure of these agencies to coordinate their policy simply adds to confusion and unnecessary cost. Laws must be enforced and businessmen must act responsibly; but government must avoid costly and unnecessary harassment of business.

(Applause.)

Therefore, I recommend a case-by-case review of government regulations to reconcile conflicting objectives and to clarify the regulatory purpose. I have to say, parenthetically here, that I have just completed a three-year study or commission, a chairmanship of a commission created by the Congress on the Pure Waters Act. Our recommendations will be out within the next week or so. The government spent \$17 million on this study. We worked with every industry.

If you just take the pure Waters Act and the 1977 water standards and the 1983 standards and apply them to the electroplating industry, for instance, there are 90,000 companies in this country in the electroplating business. Those standards will bankrupt 35,000 of those 90,000 companies because they just haven't got the capital to be able to undertake the standards that are called for. This is a

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case where it is time to reconcile our objectives in ecology with our objectives relating to small business, private, small enterprise, and employment in this country and to find some answers.

I think one of the difficulties in this country is in our desire to be responsive to social needs and to political pressures or what we think are political pressures, that we rush into legislation that is not well considered and because of the lack of understanding, part of it involves legislative intent, which then the administrative agency has to interpret with laws. Then it goes to the courts. The courts sue. The ecologists are on one side, the government is on the other. The courts start legislating and start administrating. We have confusion between the legislature, the Executive Branch and the Judiciary. These have to be simplified so that business, private enterprise, agriculture, can operate within a simple framework of laws and not decisions made by constantly changing personnel in a bureaucratic, red tape structure that is impossible to operate under.

(Applause.)

In my opinion, there should be involved in such review, representatives of the Congress, relevant regulatory agencies, labor and industry groups, and representatives of the public. If they can sit down together and discuss the regulations, discuss the impact, then see what is our objective in this country, how do we reconcile conflicting views and how do we simplify in order that we don't stifle the creativity of individual citizens and of the American enterprise system -- that initiative is what made this country great. It is only going to be that initiative that is going to restore our strength and our viability.

(Applause.)

The purpose of this review would be to simplify the regulations and thus, reduce bureaucratic red tape and confusion, which are at present stifling business initiative at increasing costs to the consumer.

I am going to another area in which government intervention impedes efficiency. It is transportation. The \$7 billion transportation bill for food products is highly inflated by inefficient regulatory and industry requirements. It is estimated that the backhaul regulations cause as much as 40 percent of the nation's trucks to run empty.

It is true that some empty truck movement is inevitable, but there seems to be a lot of it today, and much more than it should be. It is in your best interests as wholesale grocers to see food transportation costs kept down and it is certainly in the best interests of the American consumer.

Therefore, I recommend greater flexibility in government regulations and action by labor and management within the industry to put food and other cargo on those empty trucks, so far as is practicable.

(Applause.)

Let's go to another part of this equation, the steps that can be taken by the food industry itself to increase efficiency and productivity and lower prices to the consumer.

The largest component in the marketing bill is labor. At \$45 billion a year, it is nearly half of the total as far as the industry is concerned. We might as well realistically face the hard facts and tell it like it is. In order to maintain and improve the level of performance, neither labor nor management should adopt policies or work rules . . . impede productivity.

For example, there are those who claim it is more efficient to move beef to market by cutting it into sections and putting it into boxes instead of shipping the carcasses. But in more than a dozen large cities in the United States, including Chicago, it is virtually impossible for packers from outside those cities to sell boxed beef because of an agreement between the unions and the retailers. If this is costing producers or consumers more than it should, if it is impeding progress toward lower costs, then it is a practice that should be examined.

Therefore, I recommend that government encourage management and labor to review and reform outdated practices among unions, processors, wholesalers, and retailers.

(Applause.)

In addition, there are many new technologies which have potential for labor efficiency. Centralized meat cutting, the universal product code, automated warehousing, and automated check-out equipment are current examples.

Unfortunately, outdated practices frequently prevent the utilization of improved technology. There is also need for greater standardization of package size and shapes. Direct packaging costs currently are a \$12 billion item in the food marketing bill. Uniform whole-sale carton sizes could make tremendous savings for your industry.

There are problems here, too, but far fewer carton sizes are needed than are common today. Therefore, I recommend that management and labor in the food industry come up with greater utilization of new technology and methods of reducing packaging costs. It is far better for members of the industry to do this, rather than to have the solution imposed by government in the name of consumer protection.

Going to another point now, family ownership and individual enterprise, our inheritance tax structure at present is threatening the future of the American farm family and the whole concept of family owned small business. Every year, it is forcing the sale of many farms or small businesses that have been in families for years.

President Ford has recognized this key element in the future vitality of our system by proposing to

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Congress that the estate tax exemption be increased to \$150,000.

(Applause.)

The present exemption, set in 1942, is only \$60,000. In today's dollars, because of inflation, the comparable exemption to that of 1942 should be \$220,000.

Increasingly, it is going to be difficult, if not impossible, for young Americans growing up on the family farm to take over the farm through inheritance when the time comes. Increasingly, also, it precludes owners of small businesses from passing their enterprises on to their children.

President Ford's proposal is an important step toward correcting this situation. Therefore, I recommend that the Federal and State tax exemption not only be increased substantially, but also be adjusted for inflation every three years.

(Applause.)

This would allow for sound financial planning by American families. It would help prevent forced sale of family farms and small family businesses. I have to think that individual initiative and these small family operations have been the seed corn of the whole American enterprise system and that we want to keep it alive and strong and vital for the years ahead.

(Applause.)

In conclusion, each of your firms is constantly searching for a better way, a newer way, and a lower cost way. You know that your competition is doing the same. That is how the American enterprise system works. That is why it works so well.

Government has a responsibility for the quality of foods, to see that consumers are protected, and that competition is fair. But government must strive to limit its involvement to those activities essential to protecting the public's best interest and leave the rest to the imagination and the creative genius of the American enterprise system.

(Applause.)

In your own particular field, I predict we will see startling and innovative new developments that will continue to benefit all Americans. We in America are singularly fortunate people. We have the resources, the human resources and the natural resources, to achieve whatever goals we set our minds to.

I have to say, ladies and gentlemen, that I am optimistic about the future. I am optimistic about America. So let's renew our faith in ourselves, for there is nothing wrong with America that Americans can't right.

Thank you, very much.

(Applause.)