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REMARKS PREPARED FOR DELIVERY BY
THE HONORABLE FRANK G. ZARB, ADMINISTRATOR
FEDERAL ENERGY ADMINISTRATION, BEFORE THE

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DES MOINES, IOWA
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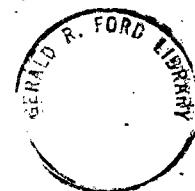
I'm pleased to be here today to participate in this
Bicentennial Farm Forum.

The Bicentennial is a time to celebrate the accomplishments
of our 200 year history -- and there are many. But it is also
a time to evaluate our problems -- and these too are numerous
and real. Nevertheless, we must face them squarely, and set
our course for the future.

This is obviously important in the case of energy both
for the farm community and for the larger national community.
For both, energy is the key to productivity.

The most important single factor in the abundance --
and super-abundance -- of food you produce has been the
direct application of energy instead of muscle.

Just as important for your productivity has been the
growth of indirect uses of energy -- natural gas for fertilizer;
petrochemicals for pesticides; propane for crop drying.
Each of these has tightened the link between agricultural
production and energy supplies.



As agriculture grew more energy intensive, our output of food grew dramatically. Today the average American farmer feeds fifty of his fellow citizens and exports an enormous surplus as well.

In 1970, these exports earned our nation more than 7 billion dollars in exports -- more than double our \$3 billion oil import bill that year.

By 1975, the exorbitant price increases imposed by the Organization of Petroleum Exporting Countries pushed that import bill to over 27 billion dollars. Only a growing farm export market -- more than \$22 billion in 1975 -- practically three times our other exports -- saved us from a disastrous deficit in our balance of payments.

So, while American agriculture is a breadbasket for the world, it is also a breadwinner for the nation. Tragically, our agricultural earnings have been consumed by our growing dependence on foreign oil.

Instead of remaining here in America to spur investment -- and equally important -- to create American jobs, the dollars earned by agriculture have been spent abroad for oil.

Certainly, that money could have been used productively here for home grown energy. There is more than enough work -- important work -- to be done developing domestic energy resources.

America has the natural resources, the capital and the business skills necessary to assure a secure energy future for all sectors of our economy, including the vitally important American farmer.



But we can only harvest this abundance in the future if we plant the seeds of self-sufficiency today.

Fourteen months ago, in his first State of the Union Message, President Ford proposed a comprehensive program for balanced development of all our energy resources and more efficient use of available energy.

After a whole year of deliberation, we finally have the Energy Policy and Conservation Act which will accomplish half the goals established by the President.

Nevertheless, there are some bleak energy trends which I must call your attention to.

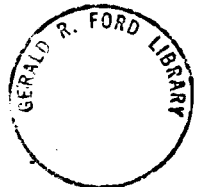
We now import more oil than we did on the eve of the Arab Oil Embargo, and more of it comes from those nations which interrupted our supply.

Domestic oil production continues to decline and now stands at almost a million barrels per day below the level of two years ago.

With economic recovery underway, energy use promises to climb -- and could add another 2 million barrels per day to our imports over the next two years.

Over those same two years, Canada will be reducing its oil exports to the United States, leaving us even more at the mercy of Mideast producers.

What's more, new natural gas production remains under price controls -- controls which could mean 2 1/2 million more barrels of imported oil per day in the next nine years.



Our natural gas production is now declining faster than our domestic oil production, and our reserves -- excluding Alaskan gas -- are at their lowest level since 1952.

If the natural gas situation is grim, the outlook for propane -- so vital to this audience -- is equally ominous. After all, seventy percent of our propane production comes from raw natural gas as it is brought from the ground.

Of all the nation's fossil fuel industries, only our coal producers managed to increase production last year -- five percent over 1974. We now produce roughly the same amount of coal as in the 1940's.

Finally, almost seventy percent of all the new nuclear power plants scheduled for operation between now and 1985 have either been deferred or cancelled outright.

But, though our domestic energy situation today is bleak, there are also some bright spots.

Americans in every sector of our economy, including agriculture are seeking more energy efficient goods and services.

A transition -- admittedly slow and, at times, painful -- is being made from prices below the real value of energy to those which reflect its true worth in our economy.

We can see this in the movement to smaller cars, which -- despite recent setbacks -- is clearly the trend of the future on the American highway.

We can see it in American business, as more and more firms realize that an investment of time and money in an energy management program pays dividends on the balance sheet.



Finally, we can see it in the realization that investments -- whether by individuals or businesses -- looking for a competitive edge -- must now consider the cost of energy.

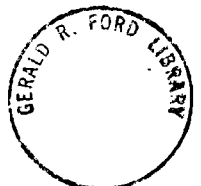
Of course higher energy prices mean higher food prices, and American consumers do not like to pay more for energy, for food or for any other commodity. I know this is a point of great concern to this audience.

But in energy resource development -- as in agricultural production -- price has a legitimate and vital role to play. In simple economic terms, we will not get increased domestic production of oil, natural gas, propane, coal or nuclear energy without paying for it.

Those who call for production -- while advocating artificially suppressed domestic prices -- are simply fooling themselves. The price tag for developing our resources climbs each day.

We estimate that our energy industries, including petroleum, coal, synthetic fuels and electric utilities, will need to spend nearly \$600 billion -- in 1975 dollars -- between now and 1985 on new plants and equipment. And without an appropriate price incentive, that kind of capital will not be forthcoming, nor will energy be produced.

The need for an adequate return is an unavoidable reality for energy producers just as it is a reality for food producers.



But, as far as energy is concerned, there is an even broader reality that can be summed up in seven basic points -- seven truths.

The first truth which -- unfortunately -- still needs to be emphasized is that the energy crisis is real. All the long range supply trends are negative and still need to be reversed. Our current surplus is transitory.

Truth Number Two: OPEC is not going to fade away. The cartel is a cohesive international business bloc trying to maximize its profits.

Truth Number Three: There is no easy way out -- no magic solution. Some say that all our energy problems can be answered by solar energy, some say conservation. In fact, only a balanced development of all our domestic energy resources coupled with conservation can get the job done.

Truth Number Four: It makes little sense to remove price controls from domestic oil, while maintainin them on natural gas.

While the expiration of price controls will increase domestic oil production, continued regulation of natural gas will still increase our imports by two to three million barrels per day by 1985..

Truth Number Five: Energy and the environment can coexist. Given time and investment in new technology, our energy and environmental goals can both be attained. Whether it be developing the Outer Continental Shelf, nuclear power or using more coal, rational people -- in a spirit



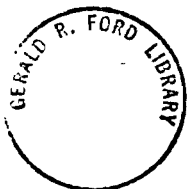
f compromise -- can formulate plans for development that assure more domestic energy and a safe environment.

Truth Number Six: We have a solution to our energy problem. It was proposed by President Ford more than a year ago. It is balanced, comprehensive and effective, yet too much of it remains to be acted upon. We are still only half way to our goal, and being only half invulnerable is really just another way of saying that we're still insecure.

Truth Number Seven: The American people must be told the truth -- particularly in this election year. Only when the American people see our current situation clearly will our political process move toward the solution needed.

When historians look back to America in the aftermath of the oil embargo of two years ago, they won't find us lacking in the means for achieving energy independence. What they may well find is a problem of perception -- of some leaders who would not see the problem for what it really was nor recognize what must be done; or perhaps lack the courage to take the tough steps required.

Unlike those whose perceptions are flawed, the people can see clearly, and they have truly begun to show the way. They see that energy is not a political problem, but a question of economic stability and national safety. They see the truth of our situation, and they have begun to act, to use energy wisely, to insist on leadership and to demand decisiveness.



As usual, that's where our hope lies, because there is an eighth truth that applies to more than just energy or agriculture, and it's this: the most valuable resource this country has is its people.

Thank you.

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