

FOR RELEASE: WEDNESDAY AM'S
MARCH 17, 1976

Office of the Vice President
(Chicago, Illinois)

FOOD, FARMERS AND THE AMERICAN FUTURE
ADDRESS BY VICE PRESIDENT NELSON A. ROCKEFELLER BEFORE THE
NATIONAL-AMERICAN WHOLESALE GROCERS' ASSOCIATION
CHICAGO, ILLINOIS

(Fifth of a Series)
March 16, 1976

SUMMARY

"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 and fiber for 44 persons in this country and, in addition, 12 more overseas. 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 dependent upon the capitalist initiative of the American farm family to help feed their people...

"Even though food prices have increased nearly 40 percent since 1973, the average American family today spends a lower proportion 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 for food, that proportion has dropped to 17 percent today. In India, by contrast, 55 percent of the cost of living goes for food. The recent spiral of inflation has created a significant amount of unrest among consumers. But in reality, the American farmer and the American food industry generally have been victims of inflation rather than the basic cause...

"Had it not been for the extraordinary increase in the production of farm products in recent years, that has made it possible to increase agricultural exports from \$3 billion in 1972 to more than \$22 billion in 1975, we could not pay for the OPEC countries' increased price of our imported oil, which will cost approximately \$30 billion this year."

The Vice President recommended:

1. Passage at this session of Congress of the Energy Independence Authority legislation proposed by President Ford "to get us off dead center in achieving energy independence." He called the legislation "essential to our national security and well-being."
2. A case-by-case review of government regulations to reconcile conflicting objectives and to clarify the regulatory purpose in order to reduce bureaucratic red tape and confusion "which are at present stifling business initiatives and increasing costs to the consumer."

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3. Greater flexibility in government regulations on truck transportation and action by labor and management within the food industry to "put food and other cargo on those empty trucks," estimated at 40 percent, which result from current back-haul regulations.
4. "That government encourage management and labor to review and reform outdated practices among unions, processors, wholesalers and retailers" in order to improve productivity and cut costs.
5. "That management and labor in the food industry come up with greater utilization of new technologies and methods of reducing packaging costs...rather than have the solution imposed by government in the name of consumer protection."
6. "That the Federal Estate Tax exemption not only be increased substantially but also be adjusted for inflation every three years...(to) help prevent the forced sale of family farms or small businesses."

FOLLOWING IS FULL TEXT OF SPEECH

It is indeed a pleasure for me to be here with the National-American Wholesale Grocers' Association at your Bicentennial convention. I am particularly honored to be this year's recipient of your Herbert Hoover Award, which recognizes contributions to improved food distribution.

The distribution of food is as important as its production. For example, when I was on a Presidential Mission to Latin America in 1969, I saw the problem they were having in one country in the storage of rice. Their production had increased very rapidly, but the losses in storage from insects, mold, and rodents were so great they offset the increase in production. In another country, approximately one-third of the food produced on farms was brought to market in trucks, one-third on horseback and one-third on foot because of the lack of farm-to-market roads.

We've known these problems in the United States, 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 wholesalè grocers. Even in larger towns and cities, many families kept a cow, a flock of hens, a pig or two, and cultivated a garden. Ninety-five percent of Americans made their living from the land. Today this figure is reversed. With only 4 percent living on farms.

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Presently, one million farms produce about 90 percent of all our food. This impressive production has been achieved through the aggressive application of science, technology, modern transport and industrial production. But it is interesting to note that due to the evolution in processing and distribution of food in America, nearly one of every four of the workers in this Nation is involved in the food industry. The complexity of this 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.

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 and fiber for 44 persons in this country and, in addition, 12 more overseas. 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 dependent upon 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 created the "green revolution." And it was all made possible through individual freedom, 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, and supportive actions by government.

The American food processing and distribution system has been revolutionized by all of these same forces -- just as has the American farm. This sector of the industry employs some 5,000,000 persons. It processes and distributes an unprecedented array of food to the consumer and contributes over \$100 billion annually to the American economy, with a loss of less than 3 percent through spoilage from the farmer to the consumer-- in sharp contrast to some countries where losses range to 50 percent or more. Typical supermarkets handle some 7,800 items. Our food industry is providing the American consumer with a wide variety of choices at competitive prices.

Even though food prices have increased nearly 40 percent since 1973, the average American family today spends a lower proportion 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 for food, that proportion has dropped to 17 percent today. In India, by contrast, 55 percent of the cost of living goes for food. The recent spiral of inflation has created a significant amount of unrest among consumers. But in reality, the American farmer and the American food industry generally have been victims of inflation rather than the basic cause.

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 labeling information. Your industry is under intense scrutiny from both public interest groups and the government -- but I know that's no news to you. Today, I would like to discuss several issues affecting your industry and to make a series of recommendations.

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I.

One of the major contributions of the food industry, which is often overlooked, is your significant role in maintaining our international balance of payments.

The people of this country are spending \$30 billion annually for imported oil. We couldn't pay that 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.

Had it not been for the extraordinary increase in the production of farm products in recent years that has made it possible to increase agricultural exports from \$3 billion in 1972 to more than \$22 billion in 1975, we could not pay for the OPEC countries' increased price of our imported oil, which will cost approximately \$30 billion this year.

On the other hand, no industry or segment of our society is more dependent on energy than the food industry and America's farm families. Your industry relies on an expanding supply of energy in every phase of production, processing and distribution. We are increasingly dependent upon imported oil for our energy needs -- from 23 percent of our annual consumption in 1970 to 40 percent today. And this growing dependence leaves us dangerously vulnerable to another oil boycott which, next time, would result in economic and social chaos for 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.

The Authority would provide risk capital for those essential projects which can't get the necessary private financing. Hearings will be held in Congress on this proposal next month. I urge you to study the Energy Independence Authority legislation from the perspective of the enlightened self-interest of the farmers, the food industry, and the rest of our Nation.

Therefore, I urgently recommend that the Congress pass the Energy Independence Authority legislation at this session. It is essential to our national security and well-being.

II.

Now, turning to another area: Government regulation. The government has a responsibility to establish standards to assure that foods are of a high quality, to assure that products live up to the 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 government also has a responsibility of assuring the public that its rules do not go beyond what is necessary; that its rules do not simply result in unnecessary added costs to the consumer.

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.

Last month, for example, the Acting Chairman of the Federal Trade Commission testified in favor of legislation which would require food firms to supply anti-trust 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 policies simply adds to confusion and unnecessary costs. Laws must be enforced and business must act responsibly but government must avoid costly and unnecessary harassment of business.

Therefore, I recommend a case by case review of government regulations to reconcile conflicting objectives and to clarify the regulatory purpose.

There should be involved in such review representatives of the Congress, the relevant regulatory agency, labor and industry groups, and representatives of the public. The purpose of this review would be to simplify the framework of regulation and thus reduce bureaucratic red tape and confusion which are at present stifling business initiatives and increasing costs to the consumer.

III.

Another area in which government intervention impedes efficiency is transportation. The \$7 billion transportation bill for food products is unduly inflated by inefficient regulatory and industry requirements; back-haul regulations cause as much as 40 percent of the Nation's trucks to run empty, or so it is claimed. It's true that some empty truck movement is inevitable but there seems to be a lot more today than there should be. It's in your best interests as wholesale grocers to see food transportation costs kept down and it's 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.

IV.

Now let's talk about the other part of this equation, the steps that can be taken in the food industry to increase efficiency and productivity, and lower prices to the consumer.

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A. Labor-Management Relations

The largest component in the marketing bill is labor. At \$45 billion a year, it is nearly half of the total. 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 which 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 these cities to sell boxed beef because of an agreement between the unions and 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.

B. New Technologies

There are many new technologies which have the potential for labor efficiency. Centralized meat cutting, the universal product code, automated warehousing, and automated checkout equipment are current examples.

Unfortunately, outdated practices frequently prevent the utilization of improved technology. There is also need for greater standardization of package sizes and shapes. Direct packaging costs currently are a \$12 billion item in the food marketing bill. Uniform wholesale 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 technologies 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.

V.

When all is said and done, the American system depends on the growing productivity of the American farmer. Its unique quality is family ownership and individual enterprise -- which from the beginning of our country has been the seed corn of the American enterprise system.

President Ford has recognized this key element in the future vitality of our system by proposing to Congress that the estate tax exemption be increased to \$150,000. The present exemption, set in 1942, is \$60,000. In today's dollars, because of the inflation the comparable exemption should be \$220,000.

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 and small businesses that have been in families for years.

Increasingly, it is going to be difficult, if not impossible, for the 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.

I recommend that the Federal estate tax exemption not only be increased substantially but also be adjusted for inflation every three years.

This would allow for sound financial planning by American families and would help prevent the forced sale of family farms or small businesses.

VI.

In conclusion: Each of your firms is constantly searching for a better way, a newer way, a lower cost way. You know that your competition is doing the same. That's how the American enterprise system works -- and that's 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 protect the public's best interest -- and leave the rest to the imagination and creative genius of the American enterprise system.

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 -- both the human resources and the natural resources -- to achieve whatever goals we set our minds to.

I am optimistic about the future -- optimistic about America. Let's renew our faith in ourselves. For there is nothing wrong with America that Americans cannot right.

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