

# Co-op Council disputes oil recommendations

WASHINGTON, D.C. — The National Council of Farmer Cooperatives said Monday that consequences of National Petroleum Council proposals for dealing with oil shortages would create an inordinate expense for farmers and jeopardize full farm output.

The co-op council asserted that NPC recommendations, if adopted by the government, could result in at least a doubling or quadrupling of gasoline and diesel fuel prices in the event of another Mideast oil disruption.

The NPC, an industry advisory committee to the Secretary of Energy, undertook the study last year to examine issues bearing on emergency preparedness, in the event imported oil supplies are interrupted.

The study recognizes continued U.S. vulnerability to foreign oil disruptions and recommends use of: (1) Price increases as a competitive market allocator of fuel, (2) Conservation measures, and (3) Switching from oil to other fuel during disruptions of up to 2 million barrels per day.

According to the NPC recommendations, government standby measures dealing with distribution inequities and hardships during emergencies wouldn't take effect until a shortfall exceeds 2 to 3 million barrels per day.

"That's too late. The issue is not whether there should be government involvement, but when we must have government action to ensure that farmers and others at the end of the supply line get the fuel they need to keep operating," said Kenneth D. Naden, president, National Council of Farmer Cooperatives.

Naden commented that the proposed conservation measures are likely to be unpopular and largely ineffective, particularly in rural areas where shortages are usually concentrated. Indeed, he added, the Reagan Administration has recently announced its intentions to terminate many of these programs.

Using data from the NPC study, Naden said that a two-million-barrel per day national shortfall, which the U.S. experienced during

the Arab embargo of 1973-74, could raise gasoline prices to at least \$3.50 per gallon. He noted that diesel fuel prices would probably increase at an even faster rate.

"Farmers may be forced to pay these prices, if it's the only way to get fuel to run their tractors," said Naden. "But they are obviously not the kind of prices that any producer can pay for very long and still hope to stay in business." An equally important question, he said, is whether fuel would be available to rural areas during shortages at any price.

Naden also pointed out that energy cost increases of this magnitude, throughout the food system, could have a tremendous impact on consumer grocery bills. Citing Agriculture Department studies, he said that food prices could increase by as much as 15 percent, if all costs were passed through.

The NCFC chief executive said that farmer cooperatives know from experience how supply disruptions affect farmers and rural markets. Currently, farmer cooperatives own eight efficient refineries and supply about 45 percent of on-farm fuel. In addition, they are the sole fuel suppliers in over 900 rural communities.

"During the Iranian Revolution in 1979," said Naden, "cooperative refineries were forced to operate at 50 percent of capacity, when the industry was averaging 85 percent. This was at a time when oil imports were actually at higher levels than in the previous year."

This disproportionate impact translated into shortages of gasoline and diesel fuel in rural areas during spring planting.

"We are especially concerned about the regional impact of the next supply disruption. Certainly, the NPC study recommendations don't provide any basis for us to feel very secure. We have projected from NPC data that gasoline prices could go at least \$6.60 per gallon in the event of a 20 percent regional shortfall. And in view of the Iranian experience, we expect regional shortages to be heavily concentrated in rural areas."

Naden also expressed concern that the NPC study failed to recognize the priority needs of agriculture. "National energy policy has consistently recognized agriculture's fuel priority needs," he said. "Without such a priority, there is no guarantee that U.S. agriculture can maintain full food and fiber production."

The cooperative leader said that

the U.S. doesn't have to gamble with what appropriate action to take during the next disruption. He said there's a logical approach that would be fair and equitable to all.

"The key to managing disruptions is a standby program which assures crude oil access for refiners serving all areas of the country, so that disruptions are shared equitably. Then the existing market system can be allowed to function, and products will have a chance to move efficiently to consumers."

Naden noted such action, taken on a timely basis, should minimize regional disruptions and help avoid the need for more extensive government intervention.

He added that to the extent disruptions become too severe to be managed on the crude oil side alone, standby product allocation authority should be in place to handle the critical needs of agriculture and other priority users.


This approach, said Nader, would relieve the fear and un-

certainty over whether farmers and other essential groups would be assured of critical petroleum supplies during the next crude oil import disruption. Noting the September 30 expiration date for present authorities dealing with disruptions, he urged Congress and the Administration to begin immediate consideration of these or other responsible options designed to address crude oil interruptions.

The National Council of Farmer Cooperatives is a nationwide association of cooperative businesses which are owned and controlled by farmers. Its membership includes 122 regional marketing and farm supply cooperatives, the 37 banks of the cooperative Farm Credit System, and 31 state councils of farmer cooperatives.

NCFCS represents about 90 percent of the more than 6700 local farmer cooperatives in the nation, with a combined membership of some two million farmers.

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