

REMARKS BY SENATOR BOB DOLE
OHIO CORN GROWERS ASSOCIATION
HYATT REGENCY
COLUMBUS, OHIO
DECEMBER 10, 1983

I AM VERY PLEASED TO BE WITH YOU TODAY, AND THANK YOUR CONVENTION CHAIRMAN, DEAN GORDON, FOR THE INVITATION. I HAVE ENJOYED WORKING CLOSELY WITH THE NATIONAL CORN GROWERS ON A VARIETY OF ISSUES IN WASHINGTON, AND LOOK FORWARD TO CONTINUING THIS RELATIONSHIP WITH YOUR PRESIDENT, MARION HARTMAN, AND THE NEW NCGA PRESIDENT, JOHN STEVENSON. AS A MATTER OF FACT, JOHN WILL BE TESTIFYING BEFORE THE FINANCE COMMITTEE ON MONDAY ON AN ISSUE THAT IS OF GREAT CONCERN TO CORN PRODUCERS -- ACCESS TO THE EEC MARKET FOR U.S. CORN GLUTEN FEED EXPORTS.

THE DEFICIT CRISIS

BEFORE I TURN TO DOMESTIC AND TRADE ISSUES THAT ARE IMPORTANT TO CORN PRODUCERS, I WOULD LIKE TO SPEND A FEW MINUTES TALKING ABOUT A PROBLEM THAT IS OF EQUAL CONCERN TO ALL AMERICANS. I

Dole →
1/10/83
John Stevenson

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AM REFERRING TO THE LARGE AND GROWING FEDERAL BUDGET DEFICITS,
AND OUR INABILITY IN WASHINGTON TO COME TO GRIPS WITH THEM TO
DATE. UNLESS WE CAN SUCCESSFULLY ADDRESS THIS KEY ISSUE, OUR
OTHER EFFORTS ON BEHALF OF FARMERS WILL BE SERIOUSLY ERODED.

AS MANY OF YOU KNOW, BEFORE CONGRESS ADJOURNED LAST MONTH,
IT RAISED THE LIMIT ON THE NATIONAL DEBT TO \$1.45 TRILLION. THIS
NUMBER IS ASTRONOMICAL, BUT MUST AGAIN BE INCREASED IN LESS THAN
THREE MONTHS. THE REASON FOR THESE MASSIVE BORROWINGS IS, OF
COURSE, OUR RECORD BUDGET DEFICITS, NOW PROJECTED TO BE IN THE
\$200 BILLION RANGE THROUGH 1987. AT THIS LEVEL, OUR TOTAL DEBT
WILL SURPASS THE \$2.5 TRILLION MARK WELL BEFORE THE END OF THIS
DECADE, AND THE ANNUAL INTEREST PAYMENT ON THAT DEBT WILL INCREASE
FROM \$140 BILLION THIS YEAR TO OVER \$250 BILLION. IN OTHER WORDS,
UNLESS WE ACT NOW, OUR DEBT SERVICING PAYMENT IN FIVE OR SIX
YEARS WILL EXCEED CURRENT OUTLAYS FOR SOCIAL SECURITY AND MEDICARE,
AND WILL BE NEARLY AS HIGH AS THIS YEAR'S BUDGET FOR DEFENSE.

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THESE SUGGESTIONS ARE CLEARLY UNACCEPTABLE TO ALL AMERICANS. YET, WHEN IT COMES TO DECIDING HOW TO CUT BACK ON BUDGET OUTLAYS AND MAKE A DENT IN THE DEFICITS, THE BIG PICTURE BECOMES QUICKLY BLURRED. THE ADMINISTRATION WANTS TO EXEMPT THE DEFENSE BUDGET FROM ANY CUTS. SOCIAL SECURITY IS CONSIDERED TOO HOT TO HANDLE AFTER WE WERE ABLE TO RESTORE SOLVENCY TO THE SYSTEM EARLIER THIS YEAR. THE CURRENT DEBT PAYMENT IS OBVIOUSLY OFF LIMITS. BUT AFTER THESE ITEMS ARE TAKEN OFF THE LIST, WE ARE LEFT WITH ONLY 22 PERCENT OF THE BUDGET TO WORK WITH.

AS A RESULT, WE HAVE BEEN WORKING IN THE FINANCE COMMITTEE ON A DEFICIT-REDUCTION PACKAGE THAT INCLUDES A BALANCE OF SPENDING REDUCTIONS AND REVENUE ADJUSTMENTS FOR A TOTAL OF \$150 BILLION OVER THE NEXT THREE YEARS. WE MADE GOOD PROGRESS BEFORE ADJOURNMENT, AND I WILL CONTINUE HEARINGS AGAIN NEXT WEEK. I AM CONFIDENT THAT WE WILL SUCCEED IN CRAFTING A PACKAGE THAT CAN PASS CONGRESS -- EVEN IN AN ELECTION YEAR -- IF WE CAN OBTAIN THE SUPPORT OF BOTH PRESIDENT REAGAN AND SPEAKER O'NEILL.

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THE COST OF FARM PROGRAMS

IF WE ARE TO MAKE ANY PROGRESS IN BRINGING DOWN DEFICITS AND PRESERVING THE CURRENT RECOVERY AGAINST A RESURGENCE OF HIGH INTEREST RATES AND INFLATION, ANY SPENDING REDUCTIONS WILL HAVE TO BE FAIR, BALANCED AND ACROSS-THE-BOARD. I CAN ASSURE YOU THAT EVERY SPECIAL INTEREST WHICH BENEFITS FROM A GOVERNMENT PROGRAM HAS ITS OWN CONVINCING ARGUMENTS FOR WHY IT SHOULDN'T BE CUT. THE SAME IS TRUE FOR FARM PROGRAMS WHERE, AS YOU ALL KNOW, WE HAVE BEEN LOCKED IN ENDLESS DEBATE OVER TARGET PRICES AND THE 1984 PROGRAMS ALL YEAR.

I KNOW THAT OHIO CORN FARMERS ARE LESS ENAMOURED OF THE TARGET PRICE PROGRAM THAN OUR WHEAT PRODUCERS IN KANSAS. HOWEVER, NO FARMER WANTS TO EARN A LIVING OFF THE GOVERNMENT BY FINDING WAYS TO "BEAT THE SYSTEM" AND DEFEAT THE PURPOSE OF FARM PROGRAMS. IT WOULD BE FAR BETTER IF WE COULD RETURN AGRICULTURE TO THE MARKET-PLACE, GET THE GOVERNMENT OFF THE FARMERS' BACKS, AND TURN OUR

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EXPORTS LOOSE TO COMPETE IN A FREE WORLD MARKET. WE ALL HOPE THAT DAY WILL COME -- AND SOONER RATHER THAN LATER.

IN THE MEANTIME, HOWEVER, WE HAVE TO CONFRONT DOMESTIC CONFUSION OVER COMMODITY SUPPORT PROGRAMS AND INTERNATIONAL DISPUTES OVER FOREIGN TRADE BARRIERS AND TRY TO RESOLVE THEM. AND WE MUST ALSO CONFRONT THE SKYROCKETING COST OF FARM PROGRAMS, AND THE FACT THAT THEY HAVE GROWN FASTER IN THE LAST TWO YEARS THAN ANY OTHER ITEM IN THE BUDGET -- INCLUDING DEFENSE. I KNOW THAT PRICE SUPPORT LOANS ARE MOSTLY REPAID, AND SHOULD NOT TECHNICALLY BE COUNTED AS EXPENDITURES -- BUT I ALSO KNOW THAT THE PIK PROGRAM THIS YEAR WAS LARGELY FINANCED ON THE FORGIVENESS OF PAST LOANS, AND THAT THE USDA WILL HAVE TO REQUEST REIMBURSEMENT OF UP TO \$9 BILLION FOR PIK OUTLAYS NEXT YEAR.

NOT EVEN COUNTING PIK, REGULAR FARM PROGRAM COSTS TOTALLED NEARLY \$22 BILLION IN FY-83. THIS REPRESENTS MORE THAN A FIVE-FOLD INCREASE FROM THE \$3 TO \$4 BILLION LEVELS OF THE LATE 1970'S,

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AND HAS ATTRACTED THE ATTENTION AND CRITICISM OF EVERY URBAN NEWSPAPER AND CONGRESSMAN FROM BOSTON TO LOS ANGELES. ONLY LAST MONDAY, THE NEW YORK TIMES RAN THE FIRST IN A SERIES OF EXTENSIVE ARTICLES DETAILING THE FAILURE OF FARM PROGRAMS TO JUSTIFY THEIR INCREASING COST AND SUGGESTING THAT THE BEST AND SIMPLEST SOLUTION WOULD BE TO JUST ELIMINATE THEM ENTIRELY. I CAN'T TELL YOU THAT THIS VIEW PREDOMINATES ON CAPITOL HILL, BUT IT IS SPREADING RAPIDLY. THERE ARE STRONG INDICATIONS THAT THOSE OF US WHO BELIEVE THAT FARM PROGRAMS SERVE A PURPOSE WILL HAVE OUR HANDS FULL -- AND TIED -- WHEN THE FARM BILL COMES UP FOR REAUTHORIZATION AGAIN IN 1985.

THE FARM BILL IMPASSE

SOME OF US HAVE TRIED TO STEM THE WAVE OF CRITICISM BY SHOWING SOME RESPONSIBILITY AND REDUCING THE AMOUNT BY WHICH TARGET PRICES ARE SCHEDULED TO INCREASE FOR THE NEXT TWO CROPS. I HAVE BEEN TRYING SINCE JANUARY TO OFFER A COMPROMISE THAT

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WOULD ALSO DIVERT \$600 MILLION IN REDUCED OUTLAYS TO FINANCE THE EXPORT CREDIT REVOLVING FUND TO IMPROVE OUR FARM EXPORT PERFORMANCE.

UNFORTUNATELY, MY PLAN HAS BEEN BLOCKED THREE TIMES BY ONE SENATOR FROM A WHEAT STATE WHO FEELS THAT ANY REDUCTION IN FARM BENEFITS IS AN UNJUSTIFIED VIOLATION OF FARMERS' GUARANTEES IN THE 1981 FARM BILL. I KNOW THAT YOUR NATIONAL ORGANIZATION HAS SUPPORTED OUR EFFORTS, AND THAT YOU RECOGNIZE THE IMPORTANCE OF FOCUSING OUR EFFORTS ON EXPANDING FOREIGN MARKETS. WE MAY HAVE ANOTHER CHANCE TO GET FARM LEGISLATION CONSIDERED WHEN CONGRESS RETURNS IN JANUARY, AND WILL HOPEFULLY MAKE SOME PROGRAM CHANGES AT THAT TIME.

SOME QUESTIONS HAVE BEEN RAISED ABOUT PROVIDING A PAID DIVERSION ONLY FOR WHEAT FARMERS IN 1984. WITH NO INTENTION TO PLAY FAVORITES, IT IS CLEAR THAT WHEAT, WITH STOCKS ESTIMATED AT 1.5 BILLION BUSHELS AS OF NEXT JUNE, IS IN MUCH WORSE SHAPE THAN

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CORN, WHICH WILL HAVE LESS THAN 500 MILLION BUSHEL ON HAND NEXT OCTOBER. IF WE ARE NOT ABLE TO REDUCE THE 80 MILLION ACRES OF WINTER WHEAT ALREADY IN THE GROUND IN KANSAS AND ELSEWHERE, ONE OF THE FIRST CASUALTIES WILL BE CORN PRICES NEXT FALL.

THE CORN SITUATION

I'M SURE YOU ARE CONCERNED THAT CORN FARMERS WILL HAVE THEIR HANDS FULL HANDLING THEIR OWN PRODUCTION IN 1984. THE CASH CORN PRICE AT TOLEDO THIS PAST WEEK WAS ABOUT \$3.36 PER BUSHEL -- OVER A DOLLAR MORE THAN A YEAR AGO, AND ONLY A DIME BELOW THE PRICE OF SOFT RED WINTER WHEAT. ONE REASON FOR THE INCREASE IS THE FACT THAT YOU HARVESTED ONLY HALF A CROP HERE IN OHIO, HAVING CUT PRODUCTION 27 PERCENT UNDER PIK AND LOSING ANOTHER 23 PERCENT TO THIS SUMMER'S RECORD-BREAKING DROUGHT.

NONETHELESS, WE ARE LOOKING AT PRICES THAT WILL ENCOURAGE MAXIMUM CORN PLANTINGS NEXT SPRING. UNOFFICIAL ESTIMATES SUGGEST THAT, UNDER NORMAL WEATHER CONDITIONS, WE COULD HARVEST AN

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8.2 BILLION BUSHEL CORN CROP, EVEN WITH 25 TO 30 PERCENT PARTICIPATION IN THE ANNOUNCED 10 PERCENT ACREAGE REDUCTION PROGRAM. WITH COMPETITION FROM WHEAT FEEDING IN SOME AREAS, CORN STOCKS COULD TRIPLE TO 1.4 BILLION BUSHELS BY OCTOBER 1985, AND BE POISED TO GO EVEN HIGHER IF THERE IS NO EFFECTIVE PROGRAM IN PLACE FOR THE 1985 CROP.

THE NEED TO EXPAND EXPORTS

CLEARLY, CORN PRODUCERS MUST FIND WAYS TO INCREASE EXPORT MARKETS AS WELL AS DOMESTIC CONSUMPTION IF A RETURN TO \$2.00 CORN IS TO BE PREVENTED. AND YET THE IMMEDIATE ISSUE FACING US ON THE TRADE AGENDA IS A THREAT OF REDUCED MARKET ACCESS RATHER THAN EXPANSION. SINCE JULY, A PROPOSAL BY THE COMMISSION OF THE EUROPEAN ECONOMIC COMMUNITY TO IMPOSE QUOTAS AND LEVIES ON IMPORTS OF NON-GRAIN FEED INGREDIENTS -- INCLUDING CORN GLUTEN FEED FROM THE U.S. -- HAS BEEN GATHERING SUPPORT AS A WAY TO APPEASE EUROPEAN FARMERS IF THEIR GUARANTEED PRICES ARE CAPPED OR REDUCED NEXT SPRING.

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NO AGREEMENT WAS REACHED AT A MEETING OF EEC HEADS OF STATE IN ATHENS EARLIER THIS WEEK, AND THE ISSUE WAS ON THE AGENDA FOR U.S.-EEC TRADE TALKS IN BRUSSELS YESTERDAY.

IN AN EFFORT TO STRENGTHEN OUR HAND IN THESE DISCUSSIONS, 23 OF MY SENATE COLLEAGUES JOINED ME IN SENDING A LETTER TO SECRETARY OF STATE SHULTZ LAST WEEK IN WHICH WE REPEATED OUR TOTAL OPPOSITION TO ANY EFFORT TO RESTRICT ACCESS TO THE INTERNAL EEC MARKET FOR U.S. FARM PRODUCTS. THE EEC MAY BE EXPERIENCING A BUDGETARY CRISIS OVER THE COST OF ITS AGRICULTURAL POLICIES, BUT IT IS A CRISIS OF ITS OWN MAKING. THE SOLUTION MUST ALSO BE INTERNAL, AND NOT THROUGH PASSING THE FINANCIAL BURDEN ON TO ITS TRADING PARTNERS. CONSIDERING THE VITAL IMPORTANCE OF THIS ISSUE TO U.S. FARMERS, I HAVE ASKED TRADE AMBASSADOR BROCK AND AGRICULTURE SECRETARY BLOCK TO TESTIFY BEFORE THE SENATE FINANCE COMMITTEE ON MONDAY ON THE STATUS OF U.S.-EEC TRADE DISCUSSIONS.

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THE NEED FOR AN AGRICULTURAL TRADE POLICY

THERE ARE SEVERAL OTHER LONGER-TERM INITIATIVES CURRENTLY BEING REVIEWED THAT MAY EXPAND EXPORT OPPORTUNITIES FOR CORN FARMERS. ONE AREA WHICH I THINK WE SHOULD FOCUS ON IS THE NEED TO MORE CLEARLY DEFINE U.S. AGRICULTURAL TRADE POLICY ON A LONG-TERM BASIS. THE U.S. SHOULD LEAVE NO QUESTION ABOUT OUR INTENTION TO DEFEND OUR ECONOMIC INTERESTS IN FOREIGN MARKETS, AND TO REASSURE OUR FARMERS THAT AGRICULTURAL TRADE REMAINS A LONG-TERM COMMITMENT. SEVERAL OF OUR CURRENT TRADE PROBLEMS -- SUCH AS THE MARKET ACCESS DISPUTE WITH THE EEC OVER CORN GLUTEN FEED -- COULD WELL HAVE BEEN AVOIDED IF THE U.S. HAD MADE CLEAR EARLY ON THAT WE CONSIDERED THE ISSUE NON-NEGOTIABLE.

AS A BASIS FOR DEFINING AN AGRICULTURAL TRADE POLICY, I WOULD RECALL THE THREE KEY POINTS IN A SPEECH BY PRESIDENT REAGAN ON MARCH 22, 1982, IN WHICH HE SPELLED OUT THE ADMINISTRATION'S NATIONAL FARM EXPORT POLICY:

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- o "NO RESTRICTIONS WILL BE IMPOSED ON THE EXPORTATION OF FARM PRODUCTS BECAUSE OF RISING DOMESTIC PRICES." THIS IS A CLEAR REPUDIATION OF THE SO-CALLED SHORT SUPPLY EMBARGOES OF THE EARLY 1970'S WHICH CREATED MAJOR COMPETITION FOR U.S. FARMERS IN BRAZIL AND ELSEWHERE.
- o "FARM EXPORTS WILL NOT BE USED AS AN INSTRUMENT OF FOREIGN POLICY EXCEPT IN EXTREME SITUATIONS AND AS PART OF A BROADER EMBARGO." COMBINED WITH SUBSEQUENT CONGRESSIONAL ASSURANCES, THIS CONSTITUTES A CLEAR DISAVOWAL OF THE DISCREDITED CARTER GRAIN EMBARGO AGAINST THE SOVIETS.
- o "WORLD MARKETS MUST BE FREED OF TRADE BARRIERS AND UNFAIR TRADE PRACTICES." OBVIOUSLY, THIS GOAL IS PROVING TO BE THE MOST DIFFICULT, SINCE IT REQUIRES THE COOPERATION OF OTHER GOVERNMENTS.

THE PRESIDENT'S THREE POINTS ARE AN EXCELLENT START ON A COMPREHENSIVE POLICY STATEMENT THAT WOULD CLARIFY OUR LONG-TERM INTENTIONS TO FOREIGN CUSTOMERS AND COMPETITORS, TO THE RECIPIENTS

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OF OUR FOOD AID, AND TO OUR OWN FARMERS AND AGRIBUSINESS INDUSTRIES. WE NEED TO CLEARLY IDENTIFY WHERE WE PERCEIVE OUR NATIONAL INTERESTS TO LIE, WHAT WE INTEND TO DEFEND, AND WHAT WE ARE PREPARED TO NEGOTIATE. TO SET OUR PRIORITIES, WE SHOULD GO BACK AND REVIEW U.S. COMMITMENTS MADE UNDER PAST BILATERAL AND MULTILATERAL AGREEMENTS, BOTH STATED AND IMPLICIT.

REQUEST FOR PRESIDENTIAL TASK FORCE

IN THIS REGARD, I WROTE PRESIDENT REAGAN ON NOVEMBER 1 TO INDICATE MY OWN INTEREST IN IMPROVING THE EFFECTIVENESS OF OUR EXPORT EFFORTS FROM BOTH A COST AND A POLICY VIEWPOINT. I SUGGESTED THE ESTABLISHMENT OF A TASK FORCE ON AGRICULTURAL TRADE AND FOOD ASSISTANCE POLICY TO REVIEW EXISTING GOVERNMENT FOOD AID AND TRADE PROGRAMS, SUGGEST IMPROVEMENTS, AND DEVELOP IDEAS FOR COMMEMORATING THE 30TH ANNIVERSARY OF THE FOOD FOR PEACE PROGRAM ON JULY 10, 1984.

LET ME JUST SUMMARIZE SEVERAL IDEAS WHICH SUCH A TASK FORCE

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COULD EXPLORE:

(1) FIRST OF ALL, THERE SHOULD BE A REVIEW OF THE RULES GOVERNING AGRICULTURAL TRADE UNDER THE GENERAL AGREEMENT ON TARIFFS AND TRADE, OR GATT. THESE RULES, PARTICULARLY IN THE EXPORT SUBSIDY AREA, ARE NOT WORKING WELL. THE GATT IS BOGGED DOWN IN DISPUTES OVER WHAT THE RULES MEAN AND THE EEC REFUSED TO EVEN CONSIDER A REVIEW OF THE RULES GOVERNING AGRICULTURAL TRADE AT THE GATT MINISTERIAL MEETING IN NOVEMBER, 1982. MEANWHILE, GOVERNMENTS INCH CLOSER TO RETALIATION THROUGH EVEN GREATER SUBSIDIES THAT WOULD BE MUTUALLY DESTRUCTIVE AND COSTLY.

I RECOMMEND THAT WE TAKE A SERIOUS LOOK AT TURNING THE POLICY-MAKING PROCESS UPSIDE-DOWN: I PROPOSE THAT AN INTERNATIONAL CONFERENCE OF PRIVATE SECTOR AGRICULTURAL REPRESENTATIVES BE CONVENED TO SEEK A CONSENSUS ON THE PROPER NATURE AND EXTENT OF GOVERNMENT INTERVENTION IN THE INTERNATIONAL TRADE OF AGRICULTURAL COMMODITIES. PERHAPS THOSE WHO HAVE THE MOST AT STAKE IN AVOIDING A TRADE WAR CAN BE MORE SUCCESSFUL AT REACHING AGREEMENT THAN THEIR

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GOVERNMENT REPRESENTATIVES. THIS PROCESS CONTRIBUTED SIGNIFICANTLY TO THE SUCCESS OF THE RECENT TOKYO ROUND OF TRADE NEGOTIATIONS ON NON TARIFF TRADE BARRIERS.

(2) THE GENERALIZED SYSTEM OF PREFERENCES EXPIRES IN JANUARY, 1985. THE PRESIDENT HAS RECOMMENDED ITS RENEWAL, BUT PROPOSES TO CONDITION PART OF ITS BENEFITS TO THE MOST ADVANCED DEVELOPING COUNTRIES ON THE AGREEMENT BY THEM TO RESPECT VARIOUS INTERESTS OF IMPORTANCE TO THE UNITED STATES.

THE GSP AFFORDS AN IMPORTANT BENEFIT TO DEVELOPING COUNTRIES: DUTY FREE ACCESS TO THE U.S. MARKET. I WOULD SUGGEST THAT WE EXPLORE A CONDITION ON GSP BENEFITS THAT REQUIRES BENEFICIARY COUNTRIES TO REFRAIN FROM USING EXPORT SUBSIDIES. THIS WOULD BE AN INCENTIVE FOR THEIR OWN BUDGETARY GOOD, AND WILL BENEFIT THE EFFORT INTERNATIONALLY TO REDUCE GOVERNMENT INTERVENTION IN THE MARKETPLACE.

(3) I WOULD SUGGEST THE NEED TO REVIEW WHETHER OR NOT CARGO

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PREFERENCE FOR U.S. FLAG VESSELS SHOULD CONTINUE TO BE FUNDED UNDER P.L. 480. I DON'T WANT TO QUARREL WITH THOSE WHO ARGUE THAT SOME PROTECTION IS NEEDED AGAINST GOVERNMENT-SUBSIDIZED FOREIGN SHIPPING. I WOULD ONLY POINT OUT THAT, IF CARGO PREFERENCE IS VITAL TO OUR NATIONAL INTERESTS, IT SHOULD BE BUDGETTED UNDER EITHER DEFENSE OR TRANSPORTATION. AT THE CURRENT FUNDING LEVEL, THIS WOULD MAKE UP TO \$100 MILLION AVAILABLE FOR INCREASED COMMODITY EXPORTS UNDER P.L. 480.

(4) WE COULD ALSO EXPAND THE USE OF SURPLUS FARM PRODUCTS AS BONUSES FOR FOREIGN COMMERCIAL PURCHASES OF U.S. FARM AND NON-FARM GOODS. IN LAST YEAR'S BUDGET RECONCILIATION ACT, WE AUTHORIZED DISTRIBUTION OF GOVERNMENT-OWNED DAIRY PRODUCTS UNDER SECTION 416 OF THE AGRICULTURAL TRADE ACT OF 1949. WE MAY WANT TO CONSIDER TYING FUTURE DONATIONS TO MORE ADVANCED DEVELOPING COUNTRIES TO SALES OF U.S. VALUE-ADDED PRODUCTS, WHICH MAKE THE GREATEST POSITIVE CONTRIBUTION TO THE NATIONAL ECONOMY.

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(5) FINALLY, WE MIGHT LOOK INTO AN IDEA TO INCREASE FOOD ASSISTANCE TO DEVELOPING COUNTRIES WHICH AGREE TO RETIRE A PROPORTIONATE SHARE OF THEIR FOREIGN DEBT. THE INTERNATIONAL MONETARY FUND COULD SERVE AS INTERMEDIARY TO NEGOTIATE THE SPECIFIC AMOUNT AND CLASS OF DEBT TO BE RETIRED, DEPENDING ON THE EXPECTED REDUCTION IN FOREIGN EXCHANGE OUTLAYS FOR THE RECIPIENT COUNTRY'S FOOD IMPORTS.

AT FIRST GLANCE, THIS MAY SUGGEST AN EFFORT TO BAIL OUT THE INTERNATIONAL BANKS WHICH ARE STRUGGLING WITH PORTFOLIOS FULL OF RISKY LOANS TO LDC'S AND EASTERN EUROPEAN COUNTRIES. HOWEVER, WE SHOULD ALSO APPRECIATE THE REALITIES OF THE CURRENT DEBT CRISIS. IF ECONOMIC CONDITIONS DO NOT IMPROVE SOON, THE CREDIT DEMANDS OF FOREIGN COMPANIES, BANKS, AND GOVERNMENTS ON AVAILABLE IMF RESOURCES WILL BECOME INTOLERABLE. AT SOME POINT, THE U.S. AND OTHER WESTERN NATIONS MAY BE FORCED TO CHOOSE BETWEEN AN EVEN MORE EXPENSIVE BAILOUT PLAN OR THE CONSEQUENCES OF A MAJOR DEFAULT IN

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THE WORLD FINANCIAL SYSTEM. USING OUR FOOD ABUNDANCE TO MAKE SOME ADJUSTMENT IN THE GLOBAL TRADE AND CREDIT SITUATION MAY NOT REPRESENT A TOTAL SOLUTION TO THE PROBLEM, BUT IT COULD CUSHION ANY EVENTUAL EMERGENCY.

ALCOHOL FUELS

I KNOW THAT MANY OF YOU ARE INTERESTED IN THE STATUS OF LEGISLATION INTRODUCED IN THE SENATE BY SENATOR DURENBERGER OF MINNESOTA THAT WOULD INCREASE THE EXEMPTION FOR ALCOHOL FUEL FROM THE GASOLINE TAX TO THE FULL 9 CENTS. THOSE OF US WHO LED THE FIGHT TO RAISE THE EXEMPTION FROM FOUR TO FIVE CENTS LAST DECEMBER CAN TELL YOU THAT OPPOSITION WAS STRONG, PARTICULARLY IN THE HOUSE WAYS AND MEANS COMMITTEE. ALSO, WHATEVER WE DO THAT WILL EFFECT GOVERNMENT REVENUES WILL HAVE TO BE MEASURED AGAINST OUR OVERALL GOAL OF BRINGING DOWN THE INTOLERABLE DEFICITS.

BASED ON THE DISCUSSION AT THE END OF THE CONGRESSIONAL SESSION, IT APPEARS POSSIBLE THAT WE MIGHT GET A 1 OR 2-CENT INCREASE IN

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THE ALCOHOL FUEL EXEMPTION THROUGH THE FINANCE COMMITTEE. NEVERTHELESS, IT ALSO APPEARS THAT THERE IS CONSIDERABLE RESISTANCE TO MAKING A COMPENSATING INCREASE IN THE TARIFF ON IMPORTED ETHANOL. IN MY VIEW, WE NEED TO MOVE CAREFULLY SO WE DON'T DESTROY OUR DOMESTIC ETHANOL INDUSTRY IN A FLOOD OF SUBSIDIZED IMPORTS OF BRAZILIAN ETHANOL.

ANOTHER FACTOR THAT WILL HAVE THE EFFECT OF MAKING ALCOHOL FUEL PRODUCTION MORE COMPETITIVE WILL BE ANY FURTHER WEAKENING OF CORN PRICES IN THE FACE OF A LARGER CROP NEXT FALL. WE WILL CONTINUE TO DO WHAT WE CAN TO ENSURE THAT THERE IS A SOUND BASE FOR THE ETHANOL INDUSTRY IN OUR ENERGY FUTURE.

CONCLUSION

I KNOW THAT EVERYONE IN THIS ROOM IS AWARE OF THE CHALLENGES WE FACE, BOTH AS FARMERS AND THOSE WHO REPRESENT THEM, AND AS AMERICANS. IT IS SOMETIMES DIFFICULT TO TAKE A BROAD VIEW WHEN ISSUES DIRECTLY AFFECTING ONE'S LIVELIHOOD ARE INVOLVED. BUT I

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THINK WE ALL REALIZE THAT, IF NOTHING IS DONE SOON ABOUT GOVERNMENT SPENDING AND THE DEFICITS, IT WON'T BE LONG BEFORE INTEREST RATES START BACK UP. AND I KNOW THAT ONE OF THE THINGS FARMERS CAN'T STAND IS A RETURN TO 18 OR 20 PERCENT INTEREST.

SO I HOPE THAT YOUR GROUP AND THE NATIONAL CORN GROWERS ORGANIZATION WILL CONTINUE TO SUPPORT OUR EFFORTS TO CONFRONT THE BUDGET SITUATION AS THE SUREST WAY TO ENSURE A SOUND FOUNDATION FOR FUTURE RECOVERY -- NOT ONLY FOR THE NATIONAL ECONOMY BUT FOR THE FARM ECONOMY WHICH SERVES AS ITS BASE.

THANK YOU VERY MUCH.