

6/24/86  
Convention Hall  
Des Moines, Iowa

June 19, 1986

M E M O R A N D U M

TO: Senator Dole  
FROM: Lynda  
SUBJECT: Iowa Convention

Ronald Reagan Praise

According to Synhorst, many of the attendees are clamoring to hear accolades directed at Ronald Reagan. They will not be hearing much along those lines from Chuck Grassley or Terry Branstad. You may want to consider praising him in your speech.

Evangelical Coup

Evangelicals took control of the Polk County (Des Moines) Delegation process. It took Mary Louise Smith (former Republican National Chairman) five ballots to get elected as a delegate to the state convention this year.

Agriculture Issues

According to Ken Cunningham (Grassley's Ag man and Legislative Director), Bush's man helped get the customs loophole for ethanol because George Bush has a relative who works for Citicorp. Metzenbaum has agreed and continues to prod Grassley to have a hearing on this through his Judiciary Subcommittee on Administrative Practice and Procedure.

Kathryn Lawrence's nomination for Under Secretary for Small Business Community and Rural Development continues to be a source of concern, irritation, and general hate for many Iowa farmers.

Hit Harkin

Naturally, Grassley would love for you to heap some abuse on Harkin. But Harkin is in pretty thick with some of the Ag groups. Attached is some material on Harkin's flip flop on "parity" and "mandatory controls."

## Branstad

The polls show Branstad and Junkins neck and neck. Commentators love to cite the example of Branstad vetoing the state lottery twice and then going on television, with great pomp and circumstance, to sign it into law.

Grassley says Branstad is, nevertheless, one of the toughest campaigners around.

Branstad's opponent, Junkins, formerly State Senate Majority Leader, has issued a \$1.5 billion economic development plan financed, in part, with a \$500 million bonding program. He would spend the money on research and development, environmental protection and raising teacher salaries.

Branstad, who lost \$33,000 on his own farm last year, says polls indicate that he has the overwhelming support of farmers, although he fares less well among small town residents, a big voting group in Iowa.



## Talking Points for Bob Dole--Iowa

### A Strong America

America and our national economy have made great strides in the last six years.

- ten million new jobs
- lowest interest rates since 1978
- smallest inflation rate in a decade
- high rate of formation of new enterprises and jobs
- in Iowa, unemployment is down to 4.7%, about 2% less than in 1982
- housing starts are at a 5-year high in Iowa.

### A Strong President

Through Ronald Reagan's leadership, we have:

- stopped apologizing for our legitimate interests around the world and started asserting them
- thrown off the blanket of guilt that apologists for our enemies attempt to manipulate
- assumed the role for which we were specifically cast--that of freedom's champion

### Republicans Can Make A Difference

We have been looking forward to becoming this country's true majority party. We are willing to make the difficult decisions as witnessed by the United States Senate's work in passing bills relating to:

- the 1985 Farm bill
- landmark immigration legislation
- MX and Salt debate
- environmental measures (Clean Water, Superfund)
- legislation relating to gun access
- South Africa economic sanctions
- Mideast policy in the Jordania arms sale
- Gramm-Rudman-Hollings

### Important to Have People in Washington who are Sensitive to Rural America

Must examine nominations in every field very carefully, but especially in agriculture.

Aware of concern over the nomination of Kathryn Lawrence for Under Secretary for Small Business Community and Rural Development.

Had to plug the loopholes created by the slick attorneys in Washington and New York to let Brazilian ethanol flood American

markets. If these loopholes had not been closed, loss of nearly \$1 billion.

Midwesterners felt shock, etc. to learn that it was staff of Vice President who worked behind the scenes to pressure the customs department to open loophole.

#### Send Chuck Grassley Back to Washington: Beat the Twenty Year Jinx

Iowa has not sent a Senator back to Washington for a second term since 1966.

Yes, Chuck is ahead in the polls BUT you must work for him as if he's one vote behind John Roehrick (pronounced ROAR-ick).

Chuck has always been an underdog himself. Takes this threat very seriously.

A lot is riding on his election. Republicans must keep their majority in the Senate despite the historical trend for the President's party to lose seats in the second term.

What has Chuck done for Iowa? The item you read about most is defense. A lot of people got on Chuck's vehicle to some extent turning it into a bandwagon. But Chuck is the watchdog of the defense purse. Also:

Known for frugality and fairness

Sponsored budget freeze proposal

Des Moines sewer issue

Assiduous service to constituents

Crushed the Brazilian ethanol import loophole (sought by George Bush) that would have cost the state dearly--200 million bushels of grain

Five tax amendments on farm issues alone.

#### Terry Branstad: The Only Poll That Counts Will Be on Nov. 4th

Deserves a medal for his herculean effort to guide this farm state through such bleak conditions inherited from the Carter era. He lost \$33,000 on his own farm last year.

Democrats who blast away at Iowa's governor have very short memories. They've forgotten double digit inflation...They've forgotten an embargo which shriveled a huge foreign market and created strong competition for our grain farmers...I don't believe farmers in Iowa or anywhere else have forgotten that legacy, because they still have not recovered.



Branstad's opponent, Lowell Junkins (Majority Leader of Iowa Senate), has staked his future on what he refers to as "the plan." A \$500 million a year bonding authority coupled with raising \$50 million a year from lottery receipts is the classic Democratic ploy--spin your way out.

I've read in the Des Moines Register where Junkins is noted for his ability to bluff at poker. If he's serious about this scheme, he's trying to carry his card playing tricks into the public arena and it's not a card player he's trying to dupe. It's you.

State Legislature: Sow Those Republican Seeds!

Senate	Democrats: 28	Republicans: 22	Total 50
House	Democrats: 60	Republicans: 40	Total 100

Fifteen Democrats retiring in House and only two Republicans. Good opportunity to pick up the House.

Support the Report of the 1986 Republican Platform Committee

Support the vast majority of the provisions. Cannot support the provisions dealing with Transportation or key not may fit in front door of residence when I get home.

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IOWA TALKING POINTS (Agriculture)

Farm Bill Summary -- The bill was about as good as Congress and the Administration could do. The lower loan rates will help make U.S. farm exports competitive. However, the Administration needs to supplement the loans with more effective export programs. The bill could have been passed much sooner if it hadn't been for a certain Democratic Senator from Iowa.

Farm Program Cost - The Farm Bill was estimated to cost \$52 billion over three years back in December. It appears it will run at half that amount -- \$24 billion -- in FY-86 alone.

Farm bill/Solution?? - No farm bill will ever be the solution to all of the farmers problems. It is crucial that we bring our deficit under control. Republicans have led the fight in this area. We cannot continue to destroy our markets through an overvalued dollar and a weak trade stance. We must get interest rates down so we can export and be competitive in world markets. Many of the solutions to farmers problems are beyond the reach of farm legislation. Farm programs have never been more than a safety net and safety nets can become overloaded.

Market Development - We need to increase our markets both domestic and foreign. Recently Senator Grassley and I urged Secretary Lyng to implement a new Temporary Alcohol Assistance Program. Will use about 25 million bushels of CCC grain and represents the type of effort needed to develop domestic markets. Ethanol producers would receive one bushel of CCC owned grain for every 2.5 bushels purchased.

We need to also temper the radical consumer activists who race around the country telling people not to eat beef and pork. The Carol Tucker Foreman nitrate ban scare during the Carter administration cost Iowa's pork producers billions of dollars. I've always said if you eat food you shouldn't complain about farmers. I believe American farmers produce the healthiest food in the world.

Exports - Currently, the grain export situation is dismal - at a 13 year low and continuing to lose market share to our competitors. Carryover stocks of wheat and corn are at a historic high. Exports have declined 38% in value and 29% in volume.

This contrasts with the rapid export rise in the 70's. When exports peaked in 1981 at \$44 billion, net farm income reached \$30 billion. Farm exports this year are \$27.5 bln, down more than 50% from 1981, and net farm income is expected to fall below \$23 billion.

Letters to Lyng - I have written Secretary Lyng on two occasions in recent months to urge the Administration to find a way to reverse the downtrend in grain exports.



IOWA TALKING POINTS (Con't.)

Export Meeting - A week ago Friday I called a meeting (Grassley attended) of key Republican farm state Senators, major farm groups, major exporters and key administration officials. The meeting focused partly on the export enhancement program which targets sales to countries where the U.S. has lost markets to unfair subsidies by the EEC. Many of us feel the scope of the Export Enhancement Program is too narrow and discriminates against our traditional buyers.

We also discussed the marketing loan which the Administration has objected to using for wheat, feedgrains and soybeans saying that it is too costly given the expected increase in exports. It has been very successful for rice and cotton interests are very excited about its prospects for cotton.

We discussed expanding food aid as ways to enhance economic development and foreign policy objectives in foreign countries and other options.

Farm Credit System - Senator Harkin has blocked efforts by Senator Nickles and myself to bring a simple credit resolution to the Senate floor even though a similar resolution passed in the House on a 407 to 0 vote. We wanted to give guidelines to the Farm Credit System (FCS) and Farm Credit Administration (FCA) before FCS came to Congress asking for money.

We wanted to ensure that the new Farm Credit Administration Board had a clear signal from Congress as to the direction the Farm Credit System should take. We wanted to indicate it was the intent of Congress for the System to adjust principal and interest for existing borrowers if that proved to be cheaper than foreclosure and that the System needed to do a better job of working with troubled borrowers.

Senator Grassley and I will be watching the FCS very closely because we realize that serious abuses of farmers have occurred by the System.

FmHA Guaranteed program - USDA still has about \$500 mln (out of \$1.7 bln) left for guaranteed operating loans. Those bankers that have worked closely with the Farmers Home Administration deserve a pat on the back for their efforts in getting the guaranteed program going. FmHA did transfer \$700 mln into the direct operating account earlier this year but all direct operating money is now committed for this year.

FmHA Interest Buy-Down program - During the Supplemental Appropriations bill we discovered a glitch in the regulations and insisted there be a balloon payment at the end of 7 year notes (Grassley has announced). Will make the program much more successful by giving farmers more time to amortize loans. There have been 263 loans made in Iowa at a cost of \$23 mln, more than any other state. (\$490 mln program over three years to buy down interest rates up to two percent is matched by commercial lenders. The major problem is not availability of financing but farmers' ability to cash-flow new debt).



IOWA TALKING POINTS (Agriculture-Con't.)

Conservation Reserve - We will want to ensure the Administration goes all out to enroll the 40-45 mln acres called for under the 10 yr program. The second round of bidding to enter 1986 acreage into the CRP added 3-million acres for a total of 3.8-mln into the 10 yr program. Brings program closer to its 40-45 mln acre target over next 5 yrs. Accepted bids averaged \$44. USDA will announce a third signup later this year for the 1987 crop year. USDA must enroll a minimum of 7.5 mln acres during FY 87.

Grain Storage situation - Storage will be tight this year especially in the eastern corn belt because of carryover stocks. USDA has approved several measures including approving storage in emergency facilities and temporary facilities. Iowa has had most storage approved for temporary facilities --18 mln bu.

GENERAL AGRICULTURE (Iowa)

Crop Fundamentals - Corn: Another 8-billion bushel corn crop is possible. Carryover next season will build to 4.6 bln bushels. Soybeans: A 2-billion bushel crop is possible.

Corn Exports - Corn exports this spring have been the smallest in 15 years. Total corn exports for the crop year will drop below 1.4 bln bu. The 25% plunge from last season is largely due to reduced Soviet demand. Lower USSR grain production may improve exports next season.

General Exports - U.S. prospects are improving because of the 1985 farm bill, which makes U.S. crop supports more competitive, and an improving world economy. Improvements may not be significant until 1988.

Farm Recovery/Shakeout - Any recovery will likely be slow and uneven, and almost invisible to the most troubled, debt-laden farmers. Plunging oil prices and declining interest rates have slashed farm expenses the past six months. Land rents and other costs are falling. In Eastern Iowa, used farm machinery is selling for 20% more than it did last spring. However, billions of dollars in farm debt remain to be worked out or written down and will plague farmers and lenders for years.

Farm land Values - Have showed back to back annual 12% declines the last two years and probably will keep sliding the remainder of 1986 but at a slower rate. Stabilizing land prices won't help debt-swamped farmers who have seen much of their equity washed away. Farm shakeout is likely to continue for at least another 18 months as bankers, and the federal government write off billions of dollars in troubled loans.

In the long run, land values will depend on farm productivity and income, but factors in the general economy, including interest rates, inflation, foreign exchange rates, and growth in foreign and domestic demand will also have a significant impact. A stronger market for farmland will probably emerge in the late 1980's.



# SENATOR CHARLES E. GRASSLEY REPORTS



U.S. SENATOR FROM IOWA

TO: EDITORS, NEWS DIRECTORS, POLITICAL COLUMNISTS

FROM: Bev Hubble, Press Department  
Office of Senator Chuck Grassley

RE: **AGRICULTURE VICTORIES IMPACTING ON IOWA**

DATE: June 4, 1986

**NOTE:** As Part II of a sort of "report to stockholders" distributed at least once a year in Iowa, the following information outlines legislative developments crucial to the farm sector. These victories won by Iowa Senator Chuck Grassley span one year, June 1985 - May 1986.

## Farm Tax Breaks

From his position on the Senate Finance Committee, Senator Grassley won major relief for farmers in the historic tax reform bill passed by the Committee in May. Those Grassley provisions would:

\*\* DISCOURAGE COMPETITION FROM OUTSIDE INVESTORS who use farming as a tax-shelter, by limiting deductions for "prepaid" expenses to no more than 50% of schedule "F" or total expenses.

\*\* ALLOW SELF-EMPLOYED FARMERS AND SMALL BUSINESS PERSONS TO DEDUCT 50 PERCENT OF HEALTH INSURANCE PREMIUMS as business expenses.

\*\* ELIMINATE ADVERSE TAX CONSEQUENCES OF A "WRITE-DOWN" OF THE PRINCIPAL of troubled farm loans.

\*\* EXTEND THE DEPRECIATION ALLOWANCE for single purpose agricultural structures, such as hog sheds, from five years to ten.

\*\* ALLOW FARM HEIRS TO SELL INHERITED HOLDINGS AFTER 10 YEARS without a tax penalty, so those caught in recession, who could best recover by selling, could do so without incurring a large tax bill. For some such heirs, the current holding period is 15 years.

\*\* EXTEND THE AVAILABILITY OF AGGIE BONDS for first-time farmers, from 1986 until 1988, and expand use of proceeds for purchases of used equipment.

## Better Farm Bankruptcy Laws

A 12th chapter of the U.S. bankruptcy code, authored by Senator Grassley, was approved by the U.S. Senate in May to help farmers stay in business. The new provisions would prohibit foreclosure as long as a farmer could make "fair market rental" payments while a reorganization plan is drafted. Grassley patterned the provisions after Depression-era law of the 1930's.

## End to Tax on Going Broke

Under former law, a farmer near bankruptcy might owe his creditor \$75,000. If the bank foreclosed on that farmer's land, but gained only \$50,000, the farmer would be required to report \$25,000 of canceled debt as a capital gain and could be forced to pay a tax under the Alternative Minimum Tax.

Technically bankrupt to begin with, the farmer then finds himself buried in legal redtape and an impossible tax dilemma.

Through a Grassley amendment signed into law by President Reagan in April, a farmer's gain on the forced sale of farmland will no longer be a taxable item.



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### \$11.1 Million Restored for Soil Tilth Center

In May, Senator Grassley and Senate Majority Leader Bob Dole won an agreement with pivotal Subcommittee Chairman Thad Cochran (R-Miss.) to restore \$11.1 million for the coveted Soil Tilth Center planned at Iowa State University, Ames.

### Pork Producer Protection

Resulting from an impact analysis initiated by Senator Grassley and Majority Leader Dole, a fine on Canadians exporting live swine to the U.S. was imposed late last year, penalizing defiance of international trade agreements by foreign producers.

### Corngrower Support

A provision shaped by the National Corngrowers, sponsored by Senator Grassley in the Senate, and supported by other corn-state legislators paved the way last November for a two-year freeze in target prices for corn. The freeze replaced a projected 15 percent reduction of corn target prices over the next three years.

### Farm System Borrower Protection

Last December a successful Grassley amendment reversed House of Representatives action which would have left Iowans without a voice on the new Capital Corporation Board of Directors.

Senators Grassley and Rudy Boschwitz (R-Minn) also won a provision requiring that the Farm Credit System review troubled loans to determine if such loans could be restructured, to minimize foreclosures of farmer-borrowers.

### Rural Job Training

Thanks to a successful Grassley amendment, nearly \$30-million in federal funds was targeted last November to assure low-rate loans providing jobs for the rural unemployed, or for farmers who must supplement income to sustain their farms.

### ...More Grassley Farm Provisions...

Delayed Total Phase-Out of Leaded Gasoline needed for some farm equipment;

Authorized Priority Consideration of Financially Strapped Farmers by the U.S. Secretary of Agriculture when evaluating bids for the conservation reserve;

Improved Consumer Protection from Imported Foods through scrutiny of examination procedures for such imports;

Authorized a Loan on Silage through which mutilated and whole corn grown on farms covered by federal programs may be replaced by corn purchased or grown on non-participating farms.