

AGWAY SPEECH

FRIDAY, OCTOBER 24, 1986

SYRACUSE, NEW YORK

THANK YOU VERY MUCH FOR THAT KIND INTRODUCTION. I APPRECIATE THE OPPORTUNITY TO SPEAK TO THIS OUTSTANDING CO-OP GROUP. DURING ITS 22 YEARS OF DEDICATED SERVICE, AGWAY HAS MADE ITS PRESENCE FELT AS A POWERFUL AND RESPECTED VOICE NOT ONLY IN THE NORTHEAST, BUT ON CAPITOL HILL AS WELL.

NORTHEAST FARMERS ARE TOPS

LET ME SAY THAT WHILE I AM FORTUNATE ENOUGH TO REPRESENT THE BREADBASKET OF THE WORLD, I RECOGNIZE THAT THE GREAT PLAINS CERTAINLY DON'T OWN THE MARKET ON FARMING. I KNOW GOOD FARMERS WHEN I SEE THEM, AND YOU ARE GOOD FARMERS. WHETHER IT IS DAIRY, POULTRY, APPLES, POTATOES OR BEEF AND SWINE, NORTHEAST PRODUCERS ARE THE HARDWORKING MEN AND WOMEN WHO HELP MAKE AMERICA THE ENVY OF THE WORLD. YOU NOT ONLY FEED AMERICA, YOU NOURISH US WITH YOUR COMMON SENSE, YOUR FAMILY VALUES AND YOUR UNCOMPLAINING WORK

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#### FARM BILL POLITICS

IN MY TWO YEARS AS SENATE MAJORITY LEADER, I MUST SAY THAT PRODUCING A FARM BILL LAST YEAR HAS TO RANK AS ONE OF MY MOST REWARDING MOMENTS. NOW, I'LL BE THE FIRST TO ADMIT THE BILL IS FAR FROM PERFECT. BUT GIVEN THE POLITICAL CLIMATE ON THE HILL--WHEN MANY MEMBERS SEEMED MORE INTENT ON POINTING FINGERS AND ASSIGNING BLAME FOR THE TOUGH TIMES IN THE FARM BELT--I WAS PLEASED THERE WERE STILL ENOUGH OF US WHO RECOGNIZED THAT NO FARM BILL WOULD HAVE BEEN A DISASTER. IN THE WANING DAYS OF LAST YEAR'S CONGRESS, WE CRAFTED A MASSIVE, COMPLEX, AND YES, EXPENSIVE FARM PACKAGE THAT POINTS THE WAY TO A MORE SENSIBLE NATIONAL AGRICULTURE POLICY. IN MY VIEW, THE AMERICAN FARMER COULDN'T CARE LESS WHICH PARTY, OR WHICH POLITICIAN, CLAIMS CREDIT FOR FINDING A SOLUTION TO FARM PROBLEMS. THEY JUST WANT HELP.

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THE BIG PICTURE

ALTHOUGH THE FARM BILL PROMISES IMPROVEMENTS OVER THE LONG HAUL, IN THE SHORT TERM THE NEWS ISN'T ALL GOOD NEWS -- AS WE ALL KNOW. THAT'S WHY IT'S EVEN MORE IMPORTANT TO LOOK AT THE TREMENDOUS PROGRESS WE'VE MADE IN THE ECONOMY AS A WHOLE. BECAUSE LET'S FACE IT: THERE'S NO WAY WE CAN SPEND OUR WAY OUT OF OUR AGRICULTURAL PROBLEMS. BUT WE CAN FOLLOW RESPONSIBLE ECONOMIC POLICIES THAT WILL GET AGRICULTURE BACK ON ITS FEET -- SO LONG AS WE KEEP OUR EYES ON THE BIG PICTURE.

I'M TALKING ABOUT THE WAY GOVERNMENT AFFECTS YOUR DAY-TO-DAY BUSINESS DECISIONS: INFLATION AND INTEREST RATES, BUDGETS AND TAXES. AND HERE THE REPUBLICAN PARTY HAS AN OUTSTANDING RECORD OF ACHIEVEMENT -- EVEN THOUGH THERE'S STILL A LOT TO BE DONE.

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O BUDGETS -- HERE WE HAVE LESS TO BE PROUD OF, BECAUSE THE DEFICIT IS STILL HOVERING AROUND \$200 BILLION. BUT WITH GRAMM-RUDMAN LAW IN PLACE, WE ARE MAKING PROGRESS. THE 1987 BUDGET HAS THE SMALLEST SPENDING RISE OVER A DECADE, AROUND A 2 PERCENT INCREASE. BUT WE HAVE TO DO A LOT MORE NEXT YEAR TO MEET THE 1988 GRAMM-RUDMAN DEFICIT TARGET OF \$108 BILLION. AND WE NEED TO LOCK IN RESPONSIBLE FISCAL POLICY WITH A CONSTITUTIONAL REQUIREMENT FOR BUDGET BALANCE.

AGRICULTURE WINS WITH TAX REFORM

WHAT DOES ALL THIS MEAN FOR AGRICULTURE? WELL, LOWER INTEREST RATES AND THE LOWER VALUE OF THE DOLLAR CAN BE VERY GOOD INDEED FOR THE FARM COMMUNITY. THEY REDUCE YOUR COSTS, AND THEY BOOST YOUR ABILITY TO COMPETE OVERSEAS. AND PRICE STABILITY WILL TAKE AGRICULTURE OFF THE INFLATION ROLLER-COASTER OF THE 1970'S: THE REAL SOURCE OF OUR PRESENT PROBLEMS, IF YOU ASK ME. THIS VERY STABLE ECONOMIC ENVIRONMENT CAN BE MAINTAINED IF WE HOLD THE LINE ON FEDERAL SPENDING: INCLUDING SPENDING ON FARM PROGRAMS.

THE TAX BILL TAKES A LOT OF JUICE OUT OF TAX SHELTER INVESTMENT IN FARMING, BY LIMITING THE USE OF PASSIVE LOSSES TO SHELTER OTHER INCOME. AND THAT'S A BIG CHANGE WHEN YOU CONSIDER IN 1982, FARM LOSSES FOR TAX PURPOSES TOTALED \$19 BILLION.

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SIMILARLY, DEDUCTIONS FOR PREPAID EXPENSES ARE LIMITED TO 50 PERCENT; DEPRECIATION IS STRETCHED OUT FOR SO-CALLED SINGLE PURPOSE AG STRUCTURES; AND TAX-FREE BONDS FOR AG PROJECTS WILL BE LIMITED TO \$250,000.

AT THE SAME TIME, IMPORTANT TAX BENEFITS FOR FARMERS ARE ALLOWED UNDER THE NEW LAW. SELF-EMPLOYED FARMERS CAN DEDUCT 25 PERCENT OF HEALTH INSURANCE PREMIUMS. AND DESPITE REPEAL OF THE INVESTMENT CREDIT, FARMERS CAN GET UP TO \$750 IN REFUNDS ON UNUSED CREDITS. SOIL AND WATER CONSERVATION COSTS CAN BE DEDUCTED IF CERTIFIED BY FEDERAL OR STATE AUTHORITY, AND FERTILIZER COSTS WILL BE DEDUCTIBLE AS PAID OR INCURRED.

#### FARM COST BACKLASH

ONE SOLUTION TO FARM WOES THAT WE SHOULD DISCARD IS TO CONTINUE THROWING MONEY AT THE PROBLEM. ALL THIS DOES IS TO MAKE FARMERS MORE DEPENDENT ON GOVERNMENT PROGRAMS AND LESS RELIANT ON THEMSELVES AND ON THE MARKETPLACE. IN ADDITION, WE ARE FAST APPROACHING THE POINT WHERE TAXPAYERS SIMPLY WON'T BE WILLING OR ABLE TO AFFORD THE COST OF THESE PROGRAMS. SPENDING THIS YEAR ALONE TOTALED ABOUT \$26.5 BILLION -- ABOUT THE SAME AMOUNT WE SPENT DURING THE ENTIRE DECADE OF THE 1970'S.



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IT IS CLEAR THAT CONGRESS WILL BE TAKING A HARD LOOK AT AGRICULTURE SPENDING AS IT DEALS WITH THE PROSPECT FOR ANOTHER EYE-POPPING DEFICIT NEXT YEAR. IF THE RED INK FOR FY'88 IS ESTIMATED AT ABOUT THE SAME AS THIS YEAR -- \$180 BILLION OR SO -- THE AMOUNT WE WILL NEED TO SAVE UNDER GRAMM-RUDMAN WILL BE IN THE RANGE OF \$70 TO \$80 BILLION. WITH NO SPENDING CUTS OR REVENUE INCREASES, AGRICULTURE'S SHARE OF THE GRAMM-RUDMAN SEQUESTRATION ORDER THAT WOULD BECOME EFFECTIVE NEXT OCTOBER 1 WOULD BE CLOSE TO \$15 BILLION, OR NEARLY HALF THE EXPECTED PROGRAM COST.

WE ALL HOPE THIS KIND OF AUTOMATIC REDUCTION IS NOT GOING TO HAPPEN -- THERE WILL BE INTENSE ACTIVITY LEADING UP TO OCTOBER, AND POSSIBLY AFTERWARD, AND CHANGES WILL BE MADE. BUT THIS SCENARIO GIVES YOU SOME IDEA OF THE PRESSURES CONGRESS WILL BE UNDER IN 1987, PARTICULARLY WITH REGARD TO AGRICULTURE PROGRAMS.

#### DAIRY OUTLOOK

I KNOW THAT THIS AUDIENCE WOULD EXPECT ME TO COMMENT ON THE DAIRY OUTLOOK, THERE ARE SEVERAL BASIC ELEMENTS WHICH MUST BE CONSIDERED:

1. THE MILK MARKETING ORDER PROGRAM HAS STOOD THE TEST OF TIME AND MUST BE PROTECTED. THIS INCLUDES THE OVER ORDER PAYMENTS ON CLASS 1 MILK NEGOTIATED BY COOPERATIVE ASSOCIATIONS.

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2. THE FEED PRICE COMPONENT OF DAIRY PRODUCTION COSTS WILL REMAIN FAVORABLE TO INCREASED CONCENTRATIVE FEEDING. THIS WILL RESULT IN HIGHER OUTPUT PER COW.
3. USDA ESTIMATES THAT MILK PRODUCTION THIS FALL AND DURING THE FIRST HALF OF 1987 WILL BE 2 - 4 PERCENT BELOW A YEAR EARLIER. SO THE HERD BUYOUT IS WORKING -- AT LEAST FOR NOW -- BUT LOWER FEED PRICES AND HIGHER YIELDS COULD OFFSET ITS IMPACT OVER THE LONG TERM.
4. THE EFFECTIVE MILK SUPPORT PRICE WILL BE \$11.10 THROUGHOUT 1987 -- ABOUT THE SAME AS DURING THE SPRING AND SUMMER OF 1986.
5. WE MUST NOT LET OTHERS CONTINUE TO TAKE AWAY POTENTIAL FOREIGN MARKETS -- INCLUDING FOR DAIRY PRODUCTS. IF NECESSARY, WE SHOULD SUBSIDIZE IN ORDER TO MEET COMPETITION.
6. WE SHOULD MAKE A MAJOR INCREASE IN MULTI-YEAR FOOD AID COMMITMENTS BOTH AT HOME AND ABROAD.

I AM EAGER TO GET THE VIEW OF THE DAIRYMEN REPRESENTED HERE TODAY REGARDING ANY CHANGES NEEDED IN THE DAIRY PROGRAMS FOR THE FUTURE SUSTAINED GOOD HEALTH OF THIS INDUSTRY.



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THERE IS REAL HANDS-ON EXPERTISE HERE TODAY, BORN OF LONG HOURS AND DEDICATION. BUT LET'S FACE IT, SIMPLY THROWING MONEY AT THE PROBLEM WILL NOT PROVIDE THE SOLUTION.

#### CONCLUSION

YOU KNOW, ALL OF THE MEDIA HYPE, AND ALL OF THE POLITICS ON CAPITOL HILL OVER THE SO-CALLED FARM CRISIS, HAS MADE ME DO SOME REFLECTING. AND TO BE HONEST, YOU WOULD THINK THE MEDIA COULD HAVE "DISCOVERED" AGRICULTURE A LOT SOONER THAN IT DID, WOULDN'T YOU AGREE? BUT WHEN I LOOK BACK, I RECALL WHEN I WAS GROWING UP IN RUSSELL, KANSAS, MY FATHER RAN A COUNTRY ELEVATOR DURING THE 1930'S. I HAVE NEVER LOOKED BACK ON THOSE TIMES AS "THE GOOD OLD DAYS." ABOUT THE ONLY THING WE HAD THEN WAS A SENSE OF HUMOR. INSTEAD, WE SPENT THOSE YEARS LOOKING FORWARD TO THE FUTURE AND, WITH HARD WORK AND FAITH, WE BUILT THE PROSPERITY OF THE POST-WAR DECADES. AS A NATION, WE MUST NOW LOOK AGAIN TO A FUTURE OF UNFETTERED OPPORTUNITIES AND UNLIMITED VISION. AND AS AMERICANS MAKING THEIR LIVELIHOOD IN AGRICULTURE, YOU HAVE NO PLACE THAN AT THE HEAD OF THAT EFFORT.

THIS GENERATION OF FARMERS AND THEIR COOPERATIVES KNOW THAT THE WINDS OF CHANGE ARE BLOWING STRONG. HOWEVER, THE LEADERSHIP OF COOPERATIVES NATIONWIDE -- ALONG WITH THE MEMBERS REPRESENTED HERE TODAY -- WILL HELP OUR FARMERS WEATHER THE STORM. OF THAT I AM CERTAIN.

THANK YOU VERY MUCH.



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