

July 6, 1988

TO: SENATOR DOLE
FROM: MARK SCANLAN
SUBJECT: COMMODITY CLUB TALK

You will be introduced by Bill Taggart at 12:20 and can talk until 12:40 followed by questions until 1:00. The drought and the campaign will be the main items of interest.

Mike McLeod suggested you indicate your plans to continue to play a major role in agriculture and discuss the drought. Points should be: government should act responsibly, should not be a give-away, should not provide too many low-interest loans, enhance FCIC opportunities, no embargoes, continue export credits, keep exports moving and build markets, assist livestock and non-program crop producers as well as program crops and drought is a temporary set-back. These points are included in attached talking points.

*Joyce
(copy to Mark)*

May 25, 1988

Speak

*20
June or July
Mon July 7
Thurs.*

12-1:00

TO: Senator Dole
FROM: Betty
RE: Invitation to speak at luncheon meeting of the
Commodities Club of Washington in June or July

John Gordley called again re the request to speak to the
Commodities Club of Washington on a Tuesday, Wednesday or
Thursday in June or July. They could have the meeting at
the Sheraton Grand or Hyatt -- something close to the Hill.
They have a noon lunch, and you would speak about 12:20 or 12:30.
Mike McLeod is President of the Club.
John said they are very anxious to have you speak.

Do you want to try to work this out?? Yes _____ No _____

If yes, any particular time frame??

Contact: John Gordley 546-9655

*6/2 Advised John June 20 noon O.K.
6/6 John advised July 7 O.K.*

THE COMMODITY CLUB OF WASHINGTON, D.C., INC.

2501 M Street, N.W. • Suite 400 • Washington, D.C. 20037



*Joyce
(also copy to Mark S.)*

LUNCHEON

THURSDAY, JULY 7, 1988

THE HONORABLE BOB DOLE

Ticonderoga Room, Hyatt Regency on Capitol Hill


400 New Jersey Avenue, N.W.

Time: 11:30 -- Reception
12:00 -- Luncheon

Our guest speaker for July will be Senator Bob Dole. Senator Dole has held a number of key leadership positions including Chairman of the Senate Finance Committee, Majority Leader of the U.S. Senate, and Chairman of the Republican National Committee. He currently serves as Republican Leader of the U.S. Senate.

Throughout his 28 years of service in the U.S. Congress, Senator Dole has been involved in a wide range of national issues. But we in agriculture know him best for his longstanding and effective leadership in farm and food issues. Despite his other duties and interests, Senator Dole continues to be unexcelled in exercising a major impact on agriculture and food policy.

The cost of the luncheon is \$25 for members and guests, with, of course, the usual cash bar. Reservations are essential. Please telephone your reservations to Penny at 861-1234 and either mail your check to the above address or pay at the door. In addition, please provide the names of your invited guests.


Michael R. McLeod
President

DROUGHT TALKING POINTS

- I PLAN TO CONTINUE TO PLAY A MAJOR ROLE IN THE DEVELOPMENT OF FUTURE FARM POLICY. BUT MOST PEOPLE ARE MORE CONCERNED ABOUT DROUGHT AND THE GOVERNMENT'S RESPONSE FOR RELIEF RATHER THAN MASSIVE FARM POLICY CHANGES.
- THE LESSON LEARNED FROM PAST FARM POLICIES, INCLUDING THE LAST TWO FARM BILLS, SHOULD BE APPARENT -- FARM POLICY NEEDS TO BE FLEXIBLE.

- IN 1980 CONGRESS PASSED A FARM BILL FIXING
LOAN RATES ABOVE MARKET CLEARING LEVELS IN
ANTICIPATION OF STRONG EXPORTS AND DOUBLE
DIGIT INFLATION. EXPORTS FELL, INFLATION RATES
FELL, PRICES FELL, LAND VALUES FELL AND THE
FARM-POLICY PRICE TAG ROSE AS THE
GOVERNMENT TRIED TO FILL THE SLACK IN
DEMAND. FOR A WHILE, WE WERE BACK TO MAKING
ANNUAL ADJUSTMENTS IN FARM POLICY.

- THE 1985 FARM BILL WAS ONE OF THE BEST BILLS CONGRESS HAS EVER PASSED, BUT IT WAS DESIGNED TO WORK IN A TIME OF SURPLUSES, NOT DROUGHT-INDUCED SHORTAGES.

- THE 1985 FARM BILL WAS WORKING -- EXPORTS, PRICES, LAND VALUES AND NET FARM INCOME WERE ALL HEADING THE RIGHT DIRECTION, UP, WHILE CCC OUTLAYS WERE STARTING TO DECLINE.

DROUGHT IMPACT

- PRICES -- BUT THE DROUGHT HAS ADDED A FEW NEW TWISTS. PRICES HAVE BEEN GOING THROUGH THE ROOF. SINCE JANUARY, SOYBEANS HAVE GONE FROM \$4 A BUSHEL TO ABOUT \$10. CORN HAS GONE FROM \$1.25 TO OVER \$3 AND WHEAT HAS ALMOST DOUBLED TO ABOUT \$4.

- LIVESTOCK PRODUCERS -- ARE THE ONES BEING HURT NOW AND NEED IMMEDIATE ASSISTANCE FOR EMERGENCY FEED AND WATER. LIQUIDATIONS ARE CAUSING SHORT-TERM PRICE DECLINES.

- DEFICIENCY PAYMENTS -- ARE FALLING

DRAMATICALLY FOR MANY PRODUCERS WHO TRIED

TO GROW A CROP. MANY PRODUCERS CAN'T REPAY

THEIR ADVANCE PAYMENTS AND FARMERS ARE

FACED WITH A SITUATION OF HIGHER PRICES BUT

NO CROP TO SELL.

- DAIRY PRODUCERS -- ALSO FACE HIGH FEED COSTS

AND WANT TO STOP THE POTENTIAL 50 CENT PRICE

CUT SCHEDULED THIS JANUARY IF NET CCC

-7-

PURCHASES EXCEED 5 BILLION POUNDS.

PURCHASES COULD BE BELOW THAT MARK IF THE

DROUGHT CONTINUES, HELPING THE INDUSTRY

AVOID THE PRICE-CUT. DO NOT THINK THEY WILL

GET AN INCREASE IN THE SUPPORT RATE OF \$1 AS

SOME HAVE ASKED FOR.

EXPORT CONCERNS

- A FEW HAVE SUGGESTED DISCONTINUING THE EXPORT ENHANCEMENT PROGRAM (EEP), WHICH HAS MOVED 40 MILLION METRIC TONS OF WHEAT AND HAS BEEN RESPONSIBLE FOR \$5 BILLION IN SALES OF U.S. AGRICULTURAL COMMODITIES SINCE 1985.

- LYNG COMMITMENT TO MAINTAINING EXPORT ENHANCEMENT PROGRAM IN FACE OF EUROPEAN COMMUNITY COMPETITION IS IMPORTANT.

- ALSO, SECRETARY LYNG HAS REAFFIRMED THE SO-CALLED "REAGAN DOCTRINE" TO AVOID ANY EMBARGOS.

- REGARDING EEP, WE CURRENTLY HAVE ENOUGH WHEAT TO MEET DOMESTIC DEMAND THROUGH CARRY-IN STOCKS ALONE, WITHOUT THE 1988 PRODUCTION. IN TOTAL, WE WILL HAVE MORE THAN A 3 BILION BUSHEL WHEAT SUPPLY TO MOVE THIS YEAR EVEN WITH THE HEAVY LOSSES IN SPRING WHEAT.

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- THE KEY IS TO ENSURE THAT BOTH THE PERCEPTION AND REALITY OF U.S. FARM PROGRAMS DO NOT APPEAR TO DISCRIMINATE AGAINST AMERICAN FARMERS TO THE BENEFIT OF OUR WORLD TRADING PARTNERS.

SOVIET LTA

- SOVIET LTA -- THIRD MEETING ON NEW LTA NOW UNDERWAY IN GENEVA. WOULD NOT WANT CURRENT NEGOTIATIONS TO COLLAPSE OR STALL OVER WORRIES OF COMPETITIVE PRICING UNDER EEP.

-11-

- THE U.S. SHOULD BE ABLE TO PROVIDE ASSURANCES OF CONTINUED SALES OF WHEAT UNDER THE EXPORT ENHANCEMENT PROGRAM AT COMPETITIVE PRICES BASED ON THE AMPLE WINTER WHEAT HARVEST THIS YEAR.

CONSUMER IMPACT

- CONSUMERS ARE BECOMING ALARMED THAT THE WORST DROUGHT IN OVER 50 YEARS WILL RAISE FOOD COSTS. WE ARE TOLD THAT EVERY 1% INCREASE IN INFLATION ADDS \$50 TO THE GROCERY BILL.

-12-

- EARLY ESTIMATES ARE THAT FOOD PRICES WILL RISE 2-5% THIS YEAR. IN THAT REGARD, THE DROUGHT WILL HELP REMIND ALL OF US THAT WE HAVE TRADITIONALLY HAD THE BEST FOOD BARGAIN IN THE WORLD.

ADMINISTRATION ACTION

- SECRETARY LYNG HAS HANDLED THE SITUATION WELL.

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- THE EMPHASIS ON MAINTAINING LIVESTOCK
FOUNDATION HERDS WILL KEEP INFLATION LOWER
AND PRESERVE NEXT YEAR'S FEED MARKETS.

- PROGRAMS ANNOUNCED INCLUDE -- EMERGENCY
HAYING AND GRAZING, ANNOUNCING EMERGENCY
FEED PROGRAMS FOR LIVESTOCK -- ALTHOUGH
ONLY IN A LIMITED NUMBER OF COUNTIES --
PURCHASING ADDITIONAL MEAT THROUGH SECTION
32 AND ALLOWING THE "ZERO-92" OPTION IN
COUNTIES WHERE PRODUCERS WERE PREVENTED
FROM PLANTING.

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- WE CAN'T ASSESS CROP DISASTER AID NEEDED UNTIL LOSSES ARE BETTER KNOWN. EARLY PRODUCTION LOSSES WILL BE REFLECTED IN THE JULY 12 WORLD SUPPLY AND DEMAND REPORT.
- THE AUGUST 11 REPORT WILL BE MORE ACCURATE, BUT CONGRESS MAY WANT TO ACT BEFORE THE AUGUST RECESS.

GENERAL GUIDELINES

- ASSISTANCE SHOULD BE BASED ON DROUGHT LOSSES.

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- PROGRAM CROP PRODUCERS SHOULD BE TREATED EQUALLY WITH NON-PROGRAM CROPS AND LIVESTOCK PRODUCERS.
- STRAIGHT DISASTER PAYMENTS ARE BETTER AND LESS DISTORTING THAN OPENING UP "0-92".
- ACTIONS SHOULD NOT UNDERMINE FEDERAL CROP INSURANCE AND SHOULD LOOK AT OPTIONS TO ENHANCE FCIC PARTICIPATION.

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- FARM BILL PROGRAM ADJUSTMENTS COULD
INCLUDE ALLOWING AUTHORITY FOR 10% OR MORE
FLEXIBILITY FOR PLANTING PERMITTED ACRES TO
OTHER CROPS (OATS, SOYBEANS).

- THE AMOUNT OF HELP DEPENDS ON PROGRAM
SAVINGS. THE MID-YEAR BUDGET REVIEW IS DUE
OUT LATER THIS MONTH (22 OR 23RD).

VICE-PRESIDENT BUSH'S PROPOSAL TO SPEND

WHAT

-17-

WE SAVE IS A RESPONSIBLE COURSE.

GRAMM-RUDMAN-HOLLINGS MAY REQUIRE A

PRO-RATE IN ASSISTANCE LEVELS.

BIPARTISAN APPROACH NEEDED

- I HAVE SAID REPEATEDLY THAT ANY
CONGRESSIONAL RELIEF EFFORTS SHOULD BE
SPELLED "B-I-P-A-R-T-I-S-A-N". POLITICIANS SHOULD
NOT TRY TO BENEFIT FROM SOMEONE ELSE'S
MISERY.

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- THE AGRICULTURE COMMITTEES HAVE ESTABLISHED A BIPARTISAN DROUGHT TASK FORCE. UNFORTUNATELY, A FEW MEMBERS OF CONGRESS -- 19 FROM ONE PARTY -- INTRODUCED A BILL BEFORE THE JULY RECESS. THEY MUST HAVE FELT THEY COULD MAKE SOME "POLITICAL HAY" WITHOUT MAKING IT RAIN.

- GIVEN THE LIMITED LEGISLATIVE CALANDER AND THE PROLIFERATION OF BILLS BEING INTRODUCED, REPUBLICAN SENATORS HAVE URGED SECRETARY LYNG TO EXAMINE WHAT SPECIFIC ADMINISTRATIVE AUTHROITIES CAN BE UTILIZED TO HELP DROUGHT VICTIMS AND WILL BE SENDING A LETTER TO THE TASK FORCE RECOMMENDING SPECIFIC LEGISLATIVE AND ADMINISTRATIVE ACTIONS.

-20-

- THE SENATE AGRICULTURE COMMITTEE'S HEARING ON JULY 12 WILL INCLUDE THE FIVE GENERAL FARM GROUPS -- FARM BUREAU, THE GRANGE, NFU, NFO, AND AAM. THE HEARING MAY BE TOO SOON TO CONSIDER ALL LEGISLATIVE OPTIONS THAT MAY BE INTRODUCED BY THAT DATE.

SUMMARY

- DROUGHT IS A TEMPORARY SET BACK FOR RURAL AMERICA. FUTURE OPPORTUNITIES MAY ACCRUE AS SURPLUSES ARE DRAWN DOWN.

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- NEED TO KEEP THE 1985 FARM BILL IN PLACE,
MAINTAINING THE DIRECTION OF PRICE AND
INCOME SUPPORTS AND AVOID SHORT-TERM
ACTIONS THAT CAUSE LONG-TERM PROBLEMS,
PARTICULARLY LOW INTEREST LOAN PROGRAMS.
- GOVERNMENT SHOULD RESPOND IN A FISCALLY
RESPONSIBLE MANNER AND NOT GET INTO A GAME
OF ONEUPMANSHIP DURING AN ELECTION YEAR.
- FOR LONG-TERM HEALTH, NEED TO KEEP EXPORTS
MOVING AND KEEP BUILDING EXPORT MARKETS.

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- DROUGHT RELIEF SHOULD INCLUDE LIVESTOCK
IMMEDIATELY AND NON-PROGRAM CROPS AS WELL
AS PROGRAM CROPS.