

REMARKS OF SENATOR BOB DOLE  
2ND ANNUAL SEMINAR ON EXPORT GRAIN MARKETING  
INTERNATIONAL GRAINS PROGRAM  
KANSAS STATE UNIVERSITY  
DECEMBER 16, 1983

I AM PLEASED TO BE ABLE TO PARTICIPATE IN THIS PROGRAM,  
AND THANK CHARLIE DEYOE AND HARVEY KISER FOR THE KIND INVITATION.  
I CONGRATULATE KSU AND THE INTERNATIONAL GRAINS PROGRAM FOR  
THEIR OUTSTANDING WORK IN KEEPING THE U.S. AT THE FOREFRONT OF  
INTERNATIONAL EXCHANGES OF AGRICULTURAL PRODUCTION, MARKETING  
AND TECHNICAL INFORMATION. MANHATTAN IS TRULY THE WHEAT CAPITAL  
OF THE UNITED STATES AS WELL AS OF KANSAS -- WITH KSU, THE AMERICAN  
INSTITUTE OF BAKING, THE U.S.D.A. GRAIN MARKETING AND RESEARCH  
CENTER, AND SOON THE KANSAS WHEAT COMMISSION -- ALL LOCATED HERE.

THE ASSIGNED TOPIC FOR MY REMARKS -- THE OUTLOOK FOR  
LEGISLATION AND POLICY DEVELOPMENTS AFFECTING GRAIN EXPORTS --  
IS BOTH WELCOME AND TIMELY. EXPORTS ARE A VITAL AREA FOR U.S.  
FARMERS AND FOR THE NATIONAL ECONOMY AS A WHOLE. AND THESE ARE

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CRUCIAL TIMES FOR FARM PROGRAMS AS WELL AS FARM PRICES. BEFORE  
NARROWING OUR FOCUS, HOWEVER, I WOULD LIKE TO SPEND A FEW MINUTES  
TALKING ABOUT A PROBLEM THAT IS OF CONCERN TO US ALL AS AMERICANS  
AS WELL AS REPRESENTATIVES OF AGRICULTURE.

### THE DEFICIT CRISIS

I 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 AND RANCHERS 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 IT 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 AT LEAST 1987. AT THIS RATE, OUR TOTAL DEBT WILL  
SURPASS THE \$2.5 TRILLION MARK WELL BEFORE THE END OF THIS DECADE,  
AND THE ANNUAL GROSS INTEREST PAYMENT ON THAT DEBT WILL INCREASE



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FROM \$140 BILLION THIS YEAR TO OVER \$250 BILLION. IN OTHER WORDS, UNLESS WE ACT NOW, OUR DEBT SERVICING PAYMENT IN FIVE YEARS WILL APPROACH CURRENT OUTLAYS FOR SOCIAL SECURITY AND MEDICARE, AND WILL BE NEARLY AS HIGH AS THIS YEAR'S BUDGET FOR DEFENSE.

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 41 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

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OVER THE NEXT THREE YEARS. WE MADE GOOD PROGRESS BEFORE ADJOURNMENT, AND I HELD THREE DAYS OF HEARINGS THIS WEEK THAT HAVE HIGHLIGHTED THE IMPORTANCE OF RESOLVING THE BUDGET DEFICIT ISSUE SOON. 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.

#### THE COST OF FARM PROGRAMS

AS A PERCENTAGE OF THE FEDERAL BUDGET, FARM PROGRAMS ARE RELATIVELY SMALL -- SOME 3 TO 4 PERCENT. HOWEVER, THE COST HAS GROWN FIVEFOLD -- FROM \$3 TO \$4 BILLION IN THE LATE 1970'S TO \$22 BILLION IN FY-83. THE PIK PROGRAM ADDED ANOTHER \$9 BILLION IN COST AND CONTROVERSY, AND HAS ATTRACTED THE ATTENTION AND CRITICISM OF EVERY URBAN NEWSPAPER AND CONGRESSMAN FROM BOSTON TO LOS ANGELES. ONLY LAST WEEK, THE NEW YORK TIMES RAN THE FIRST IN A SERIES OF EXTENSIVE ARTICLES DETAILING THE FAILURE OF FARM

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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. TO MAKE MATTERS WORSE, EFFORTS TO CORRECT EVEN THE MOST OBVIOUS COST EXCESSES OF THE TARGET PRICE PROGRAM WERE THWARTED ALL YEAR. THERE IS SOME CHANCE OF LEGISLATION TO IMPROVE THE 1984 WHEAT PROGRAM AFTER CONGRESS RECONVENES IN JANUARY, BUT THE DAMAGE HAS ALREADY BEEN DONE IN TERMS OF ADVERSE PUBLICITY FOR U.S. AGRICULTURE. THOSE OF US WHO BELIEVE THAT FARM PROGRAMS SERVE A WORTHWHILE PURPOSE WILL HAVE OUR HANDS FULL -- AND TIED -- WHEN THE FARM BILL COMES UP FOR REAUTHORIZATION AGAIN IN 1985.

#### OVERSEAS FACTORS

THIS IS THE DOMESTIC CONTEXT FOR REVIEWING EXPORT POLICIES AND LEGISLATION FOR NEXT YEAR. IF WE LOOK OVERSEAS, WE FIND OTHER FACTORS THAT SUGGEST THAT THE DAYS OF RAPID MARKET GROWTH IN THE



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1960'S AND 1970'S ARE, AT LEAST TEMPORARILY, AT AN END. RECOVERY IN THE UNITED STATES HAS BEEN SLOW TO REACH OTHER COUNTRIES. THE COLOSSAL DEBT BUBBLE OF THE 1970'S HAS BURST, AND MANY LDC'S AND EAST BLOC COUNTRIES HAVE CUT BACK ON THEIR FOOD PURCHASES. THE HIGH DOLLAR IS PRICING U.S. GOODS OUT OF FOREIGN MARKETS. IN THIS AREA, GETTING THE BUDGET DEFICITS DOWN WOULD BE OF GREAT BENEFIT BY REDUCING DOMESTIC INTEREST RATES AND THE ATTRACTIVENESS OF U.S. CURRENCY.

TAKEN TOGETHER, THE DOMESTIC AND EXPORT ENVIRONMENT FOR U.S. FARM EXPORTS IS ONE OF REDUCED EXPECTATIONS, BUT THAT DOESN'T MEAN REDUCED OPPORTUNITIES. WE MUST SIMPLY BE MORE AGGRESSIVE IN SEEKING OUT NEW MARKETS, IN PROTECTING THOSE WE HAVE, AND IN SQUEEZING CURRENT EXPORT PROGRAMS FOR THE GREATEST POSSIBLE BENEFIT.

#### REAGAN EXPORT RECORD

I THINK IF WE REVIEW THE REAGAN ADMINISTRATION'S RECORD ON FARM EXPORTS, WE WILL SEE A SHARP IMPROVEMENT OVER THE INCONSISTENT

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AND WAFLING POLICIES OF THE 1970'S. THERE WERE TWO MAJOR ACCOMPLISHMENTS DURING THE PAST THREE YEARS WHICH HAVE HELPED TO REESTABLISH OUR REPUTATION AS A RELIABLE SUPPLIER AFTER THE MISTAKEN EMBARGOES OF THE PREVIOUS DECADE.

FIRST, PRESIDENT REAGAN LIFTED THE MISGUIDED AND INEFFECTIVE GRAIN EMBARGO IMPOSED ON THE SOVIETS BY THE CARTER ADMINISTRATION IN JANUARY 1980. WHEN THE RIGHT OCCASION AROSE, HE THEN AGREED TO NEGOTIATE A NEW LONG-TERM AGREEMENT WITH THE RUSSIANS THIS SUMMER THAT INCREASES MINIMUM ANNUAL SOVIET IMPORTS OF U.S. CORN AND WHEAT BY 50 PERCENT -- FROM SIX TO NINE MILLION TONS. SOVIET PURCHASES SINCE THE FIRST AGREEMENT YEAR BEGAN IN OCTOBER TOTAL 6.8 MILLION TONS OF GRAIN AND 400,000 TONS OF SOYBEANS. THIS DOESN'T RETURN THE 70 PERCENT SHARE OF THE SOVIET MARKET WE HAD BEFORE THE EMBARGO, BUT IT'S A GOOD START. MOREOVER, THE OPTIONS LIST PREPARED AFTER THE KOREAN AIRLINER TRAGEDY ON SEPTEMBER 1 DID NOT EVEN INCLUDE A CUTOFF ON GRAIN SALES -- THE FIRST THOUGHT

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OF SENATE DEMOCRATIC MINORITY LEADER BOB BYRD.

THE SECOND MAJOR ACHIEVEMENT OF THE ADMINISTRATION WAS THE NATIONAL AGRICULTURAL EXPORT POLICY ANNOUNCED BY PRESIDENT REAGAN IN A SPEECH TO THE FARM EDITORS ON MARCH 22, 1982. LET ME JUST RECALL THE THREE KEY POINTS HE MADE:

- 1) "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.
- 2) "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.
- 3) "WORLD MARKETS MUST BE FREED OF TRADE BARRIERS AND UNFAIR



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TRADE PRACTICES."

OBVIOUSLY, WE CONTINUE TO HAVE PROBLEMS IN THE THIRD AREA --  
REDUCING TRADE BARRIERS AND EXPORT SUBSIDIES. BUT I THINK THE  
PRESIDENT'S INITIATIVE SERVES AS AN EXCELLENT STARTING POINT FOR  
DEVELOPING A COMPREHENSIVE STATEMENT ON NATIONAL AGRICULTURAL  
POLICY.

#### CURRENT PROBLEMS

AS WE LOOK AT THE ISSUES ON THE FRONT BURNER FOR U.S. FARM  
TRADE TODAY, WE SEE THEY ARE DOMINATED BY PROTECTIONIST EFFORTS  
TO RESTRICT ACCESS FOR IMPORTS AND AGGRESSIVE PRACTICES TO  
INCREASE EXPORTS THROUGH SUBSIDIES. I WILL ONLY MENTION THREE  
OF THE MOST IMPORTANT ITEMS UNDER DISCUSSION:

1) EEC PROPOSALS TO RESTRICT IMPORTS -- WE HAVE ALL BEEN CLOSELY  
FOLLOWING THE EUROPEAN COMMUNITY'S EFFORT TO RESOLVE ITS INTERNAL  
BUDGET CRISIS CAUSED BY BALLOONING OUTLAYS ON BOTH DOMESTIC AND  
EXPORT FARM PROGRAMS. SEVERAL OF THE EEC COMMISSION PROPOSALS

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LAST JULY UNFORTUNATELY FOCUSSED ON WAYS TO RESTRICT DUTY-FREE IMPORTS OF NON-GRAIN FEED INGREDIENTS -- SUCH AS CORN GLUTEN FEED AND CITRUS PELLETS -- AND SOYBEANS PRODUCTS THROUGH A COMBINATION OF QUOTAS, TARIFFS AND CONSUMPTION TAXES. THESE MEASURES WOULD REDUCE ACCESS FOR U.S. EXPORTS VALUED AT ALMOST \$5 BILLION.

AFTER YEARS OF PATIENT EFFORTS TO GET THE EUROPEANS TO MODERATE THEIR EXPORT SUBSIDY PRACTICES, THE COMMISSION'S PROPOSALS CAME AS A RUDE AWAKENING TO U.S. FARM GROUPS AND AGRIBUSINESS AS WELL AS CONGRESS AND THE ADMINISTRATION. WHEN REPORTS INDICATED THAT THE EEC MIGHT BE PREPARING TO APPROVE RESTRICTIONS ON NON-GRAIN FEED INGREDIENT IMPORTS, SENATOR BOSCHWITZ OF MINNESOTA JOINED ME IN SPONSORING A TOP-LEVEL BREAKFAST MEETING LAST MONDAY MORNING. THOSE ATTENDING INCLUDED SECRETARIES BLOCK AND BALDRIGE, TRADE AMBASSADOR BROCK, TWO DEPUTY ASSISTANT SECRETARIES FROM STATE DEPARTMENT, THE PRESIDENTS OF THE NATIONAL CORN GROWERS AND AMERICAN SOYBEAN ASSOCIATION, AND THE CHAIRMAN OR PRESIDENT OF A DOZEN



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## MAJOR AGRIBUSINESS AND GRAIN EXPORTING FIRMS.

DISCUSSIONS RANGED FROM HOW GOVERNMENT, INDUSTRY AND FARM ORGANIZATIONS CAN COORDINATE THEIR RESPONSE TO ANY EEC MOVE TO RESTRICT ACCESS TO ITS INTERNAL MARKET TO HOW TO REFOCUS THE THRUST OF U.S. PRESSURE BACK ON THE EXPORT SUBSIDY ISSUE. WE ALSO EXPLORED SEVERAL IDEAS FOR STRENGTHENING OUR OWN EXPORT PROGRAMS, PARTICULARLY P.L. 480.

IN ADDITION, CONGRESS AND THE ADMINISTRATION HAVE REPEATEDLY URGED THE EEC TO FIND AN INTERNAL SOLUTION TO ITS DOMESTIC FARM PROGRAM PROBLEMS, AND TO NOT TRANSFER THE FINANCIAL BURDEN OF NEEDED ADJUSTMENT TO ITS TRADING PARTNERS. AFTER MONDAY'S MEETING, THE SENATE FINANCE COMMITTEE HELD A HEARING AT WHICH OFFICIALS FROM THE DEPARTMENT OF AGRICULTURE AND THE TRADE REPRESENTATIVE'S OFFICE REPORTED ON DISCUSSIONS WITH THEIR EEC COUNTERPARTS A WEEK AGO IN BRUSSELS. THEY PROVIDED FRESH ASSURANCES THAT THE ADMINISTRATION WILL NOT NEGOTIATE RESTRICTIONS ON ACCESS TO THE EEC MARKET FOR FARM PRODUCTS, AND WILL TAKE FIRM AND EFFECTIVE RETALIATORY ACTION



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IF SUCH MEASURES ARE IMPOSED UNILATERALLY.

2) GOVERNMENT-BACKED LOAN GUARANTEES -- INCREASING COMPETITION

BETWEEN EXPORTING COUNTRIES FOR AVAILABLE MARKETS IS RESULTING

IN GREATER GOVERNMENT INTERVENTION IN THE FORM OF PRICE AND CREDIT

SUBSIDIES AND A PROLIFERATION OF BILATERAL SUPPLY AGREEMENTS.

THE U.S. HAS RESORTED TO INCREASING THE LEVEL OF GOVERNMENT-BACKED

LOAN GUARANTEES WHICH EFFECTIVELY LOWER THE INTEREST RATE ON

COMMERCIAL LOANS BY UP TO THREE POINTS. THE PROGRAM ROSE FROM

\$2.8 BILLION IN FY-82 TO \$4.8 BILLION LAST YEAR. FOR FY-84,

THE ADMINISTRATION THIS WEEK APPROVED AN INCREASE FROM THE

\$3 BILLION IN THE PRESIDENT'S BUDGET TO \$4 BILLION.

AN INCREASE IN LOAN GUARANTEES MAY BE WARRANTED BY THE NEED TO BE COMPETITIVE, BUT IT HAS SEVERAL MAJOR DRAWBACKS OVER THE LONG TERM. FIRST, WE ARE GETTING DANGEROUSLY CLOSE TO REDEFINING THE TERMS OF NORMAL COMMERCIAL TRADE FOR FARM PRODUCTS TO INCLUDE

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SOME FORM OF PRICE OR CREDIT SUBSIDY -- TO THE COLLECTIVE DIS-  
ADVANTAGE OF ALL COMPETING EXPORTERS. SECOND, MORE CREDIT  
ALLOCATIONS ONLY FURTHER AGGRAVATE THE DIFFICULTIES OF DEVELOPING  
COUNTRIES IN ROLLING OVER THEIR HEAVY FOREIGN DEBT. THIRD, EVEN  
AS AN OFF-BUDGET ITEM, GOVERNMENT-BACKED LOANS INCREASE BUDGET  
EXPOSURE AND CONTRADICT EFFORTS TO REDUCE DIRECT GOVERNMENT  
INVOLVEMENT IN THE MARKETPLACE.

3) CHINESE TEXTILE IMPORTS -- OF PARTICULAR CONCERN TO AMERICAN  
FARMERS IS THE PENDING COMPLAINT BY U.S. TEXTILE INTERESTS  
AGAINST THE POSSIBLE SUBSIDIZATION OF TEXTILE IMPORTS FROM THE  
PEOPLES REPUBLIC OF CHINA. LESS THAN FIVE MONTHS AGO, WE WERE  
ABLE TO OVERCOME A SEVEN-MONTH DEADLOCK ON THE LEVEL OF PRC  
TEXTILES ALLOWED INTO THE U.S., A DISPUTE THAT HAD CAUSED A  
SUSPENSION OF PRC GRAIN PURCHASES UNDER THE EXISTING BILATERAL  
AGREEMENT. THE BASIS OF THE CURRENT TEXTILE CASE IS THAT, AS A  
NON-MARKET ECONOMY, CHINA SELLS ITS PRODUCTS ABROAD AT A MORE

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FAVORABLE EXCHANGE RATE THAN THE OFFICIAL RATE AT WHICH IT IMPORTS FROM OTHER COUNTRIES.

UNDER AN AGREEMENT BETWEEN THE ADMINISTRATION AND THE TEXTILE INDUSTRY, THE CASE WAS PUT ON HOLD LAST WEEK, BUT CAN BE RE-INITIATED AFTER TODAY, REQUIRING THE COMMERCE DEPARTMENT TO MAKE A PRELIMINARY RULING WITHIN 48 HOURS. COMMERCE IS STILL TRYING TO WORK OUT A COMPROMISE THAT WILL SATISFY ALL SIDES. UNDER THE CIRCUMSTANCES, HOWEVER, I WROTE SECRETARY BALDRIGE EARLIER THIS WEEK TO ENCOURAGE A DEFINITIVE DECISION IN THE CASE, WHICH WILL LIKELY SERVE AS A PRECEDENT FOR OTHER NON-MARKET TRADING PARTNERS AND OTHER U.S. INDUSTRIES SEEKING GREATER PROTECTION AGAINST IMPORTS. WHILE AN ADVERSE RULING MIGHT JEOPARDIZE U.S. EXPORTS -- INCLUDING GRAIN SALES -- TO THE PRC, I WOULD EXPECT THAT THE SEVERITY OF SUCH A CRISIS WOULD CREATE A STRONG INCENTIVE FOR BOTH SIDES TO FIND AN EARLY SOLUTION.



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### ALTERNATIVES

FACED WITH GROWING DOMESTIC AND FOREIGN PROTECTIONISM AND GOVERNMENT INTERVENTION IN AGRICULTURAL TRADE, SOME OF US ARE THINKING THAT IT'S TIME TO TAKE A NEW LOOK AT LONG-STANDING PROGRAMS, WAYS TO IMPROVE OUR EXPORT PERFORMANCE, AND EVEN AT THE NEED TO POSSIBLY RESTRICT GOVERNMENT INVOLVEMENT ACROSS-THE-BOARD. ON NOVEMBER 1, I WROTE PRESIDENT REAGAN TO SUGGEST ESTABLISHMENT OF A TASK FORCE ON AGRICULTURAL TRADE AND FOOD ASSISTANCE POLICY. THE PURPOSE OF THIS PRIVATE-SECTOR GROUP WOULD BE TO MAKE RECOMMENDATIONS ON HOW TO IMPROVE AND TIGHTEN UP EXISTING FOOD AID AND TRADE PROGRAMS, AND TO DEVELOP IDEAS ON HOW TO COMMEMORATE THE 30TH ANNIVERSARY OF P.L. 480 -- THE FOOD FOR PEACE PROGRAM -- ON JULY 10, 1984.

LET ME JUST RUN DOWN SOME AREAS WHICH SUCH A TASK FORCE MIGHT EXAMINE:

- 1) THE TERMS OF P.L. 480 -- INCLUDING 2 AND 3 PERCENT INTEREST

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RATES FOR TITLE I CONCESSIONAL SALES DATING BACK TO 1954 -- COULD BE UPDATED TO STRETCH THE FOOD FOR PEACE BUDGET AND REDUCE PROGRAM CRITICISM;

2) GREATER USE COULD BE MADE OF PRIVATE, VOLUNTARY GROUPS LIKE CARE AND THE CATHOLIC RELIEF SERVICE IN ASSURING THAT FOOD DONATIONS REACH THE RIGHT PEOPLE IN DEVELOPING COUNTRIES;

3) OTHER GOVERNMENT ASSISTANCE PROGRAMS WITH CONTRADICTIONARY GOALS -- LIKE INCREASING THE EXPORTING CAPACITIES OR MARKETS OF OUR MAJOR COMPETITORS -- COULD BE REDIRECTED;

4) SURPLUS GOVERNMENT-OWNED FARM PRODUCTS SUCH AS BUTTER, CHEESE AND NON-FAT DRY MILK COULD BE USED AS BONUSES FOR INCREASED FOREIGN COMMERCIAL PURCHASES OF U.S. FARM AND NON-FARM GOODS;

5) THE TASK FORCE COULD CONSIDER EXTENDING FOOD ASSISTANCE TO DEVELOPING COUNTRIES WITH SEVERE FOREIGN DEBT REPAYMENT PROBLEMS WHO CONTRACT WITH THE IMF TO REDUCE A PROPORTIONATE AMOUNT OF THEIR OUTSTANDING FOREIGN DEBT;

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- 6) THE FUNDING OF CARGO PREFERENCE FOR U.S. FLAG VESSELS OUT OF P.L. 480 SHOULD BE TRANSFERRED TO EITHER DEFENSE OR TRANSPORTATION, FREEING UP TO \$100 MILLION FOR ADDITIONAL COMMODITY EXPORTS;
- 7) THE REAUTHORIZATION OF THE GENERALIZED SYSTEM OF PREFERENCES, OR GSP, IS DUE TO BE COMPLETED BY JANUARY 1, 1985. THE ADMINISTRATION HAS PROPOSED CONDITIONING EXTENSION OF THESE BENEFITS TO ADVANCED DEVELOPING COUNTRIES ON AGREEMENT BY THEM TO RESPECT CERTAIN U.S. INTERESTS. WE COULD ALSO REQUIRE THAT NO RECIPIENT COUNTRY BE ENGAGED IN SUBSIDIZING ITS AGRICULTURAL EXPORTS.

IN ADDITION TO THESE POINTS, I WOULD ALSO EXPRESS SUPPORT FOR PASSAGE OF THE SENATE VERSION OF THE EXPORT ADMINISTRATION ACT, WHICH TIGHTENS UP THE PEROGATIVES OF THE EXECUTIVE IN INTERFERING WITH AGRICULTURAL TRADE IN CERTAIN NATIONAL SECURITY AND FOREIGN POLICY AREAS.

#### PRIVATE SECTOR CONFERENCE ON FARM TRADE

A FINAL INITIATIVE I WOULD PROPOSE WOULD BE A REVIEW OF THE RULES GOVERNING AGRICULTURAL TRADE UNDER THE GENERAL AGREEMENT ON



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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: AN INTERNATIONAL CONFERENCE OF PRIVATE-SECTOR AGRICULTURAL REPRESENTATIVES COULD 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 WOULD BE MORE SUCCESSFUL AT REACHING AGREEMENT THAN THEIR GOVERNMENT REPRESENTATIVES. THIS SAME PROCESS CONTRIBUTED SIGNIFICANTLY

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TO THE SUCCESS OF THE RECENT TOKYO ROUND OF TRADE NEGOTIATIONS  
ON NON-TARIFF TRADE BARRIERS.

### TWO REALITIES

WHETHER WE ARE ABLE TO REDUCE GOVERNMENT INTERVENTION IN  
AGRICULTURAL TRADE OR TIGHTEN UP OUR OWN EFFORT TO EXPAND U.S.  
EXPORTS, WE MUST RECONCILE OUR NATIONAL AGRICULTURAL POLICY WITH  
TWO LONG-TERM REALITIES.

FIRST, FEDERAL SPENDING FOR FARM PROGRAMS -- FOREIGN AS WELL  
AS DOMESTIC -- HAS GOTTEN OUT OF CONTROL. WITH THE CRISIS OVER  
DEFICITS PROJECTED THROUGH THIS DECADE, ANY INCREASE IN EXPORT  
PROGRAM FUNDING WILL HAVE TO BE ACCOMPANIED BY AT LEAST AN  
EQUIVALENT SPENDING REDUCTION IN DOMESTIC FARM PROGRAMS. AN  
EXAMPLE IS THE PROPOSAL TO DIVERT PART OF THE SAVINGS OF A TARGET  
PRICE REDUCTION TO P.L. 480 OR AN EXPORT CREDIT REVOLVING FUND.  
THIS PLAN MAY AGAIN BE RAISED WHEN CONGRESS RETURNS ON JANUARY 23  
TO REVIEW THE 1984 FARM PROGRAMS.

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SECOND, AGRICULTURE MUST RECOGNIZE THAT, FOR BETTER OR FOR WORSE, THE U.S. IS COMMITTED TO EXPORTING A LARGE AND INCREASING SHARE OF ITS FARM PRODUCTION. THIS MEANS THAT DOMESTIC FARM PROGRAMS MUST BE CONSTANTLY EXAMINED FOR THEIR IMPACT ON OUR COMPETITIVENESS IN THE WORLD MARKET. THIS DEPENDENCE ON FACTORS OUTSIDE OUR DIRECT CONTROL -- THE PRODUCTION, IMPORT AND EXPORT DECISIONS OF OTHER COUNTRIES -- HAS ALWAYS BEEN FRUSTRATING TO AMERICAN FARMERS. BUT UNLESS AND UNTIL WORLD FOOD DEMAND CATCHES UP WITH THE TECHNOLOGICAL MARVEL OF OUR AGRICULTURAL ABUNDANCE, OR INTERNATIONAL TRADING RULES ARE SUBSTANTIALLY LIBERALIZED, WE MUST ACCEPT THE LIKELIHOOD OF A FUTURE IN WHICH NO DECISIONS ARE FINAL AND ALL CHOICES ARE RELATIVE. THIS PROSPECT WILL NOT PLEASE THOSE WHO WANT TO DIVORCE FARM PROGRAMS FROM THE POLITICAL PROCESS WHICH FINANCES THEM. BUT IT IS FAR MORE REALISTIC.



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CONCLUSION

I WILL CONTINUE TO WORK WITH FARM GROUPS AND AGRICULTURAL INTERESTS, INCLUDING THE INTERNATIONAL GRAINS PROGRAM HERE AT KSU, IN TRYING TO DEVELOP THE BEST POSSIBLE POLICIES FOR U.S. AGRICULTURE IN 1984 AND BEYOND. BUT PROGRESS WILL DEPEND ON THE EXTENT TO WHICH WE ALL RECOGNIZE THE REALITIES OF OUR OWN BUDGET LIMITATIONS AND OF WORLD DEMAND AND COMPETITION, AND HOW WE BUILD THIS RECOGNITION INTO WORKABLE, AFFORDABLE, AND LONG-TERM FARM POLICY.

THANK YOU VERY MUCH.

*International Grain Program  
K. State - Manhattan, Ks  
Friday, Dec. 16, 1983*

*Mr. Harlow's  
Speech*

DURING THE YEARS IN WHICH I WAS IN GREAT PLAINS WHEAT I CAME OFTEN TO KANSAS, WHERE I WOULD SPEAK AT WHEAT GROWER MEETINGS. AT THAT TIME PREPARING SOMETHING TO SAY WAS RELATIVELY EASY, ALTHOUGH I HAD AT FIRST FOUND IT DIFFICULT. I WOULD BE ASKED TO SPEAK OF THE GRAIN EXPORT SITUATION AND POTENTIAL, AND I WOULD BEGIN BY DESCRIBING THE SITUATION IN THE UNITED STATES, THEN GO ON TO EACH OF THE GRAIN EXPORTING COUNTRIES AND FINALLY TO THE IMPORTING COUNTRIES. THE RESULT WOULD BE A BALANCING OF SUPPLY AND DEMAND. LATELY WHEN I SPEAK AT MEETINGS I HAVE ABANDONED THIS PRACTICE AS BEING OF RELATIVELY LITTLE VALUE UNDER CURRENT CIRCUMSTANCES. THE SITUATION BEGAN TO CHANGE EVEN BEFORE I LEFT GREAT PLAINS WHEAT, WHEN I FOUND THAT I WAS SPENDING MORE AND MORE OF MY TIME DEFENDING THE U.S. AGRICULTURAL MARKETING SYSTEM AND NOT CONCENTRATING ON INDIVIDUAL COUNTRY SITUATIONS. FOR SINCE BEFORE MY DEPARTURE FROM GREAT PLAINS WHEAT AND CONTINUING INTO THE PRESENT, EXPORT TRADE POLICY HAS BECOME THE PRIME ISSUE IN MARKET DEVELOPMENT. IT IS USELESS TO SPEAK OF DEVELOPING MARKETS WHICH COULD BE WORTH 100,000 OR 200,000 BUSHEL MORE OR LESS OF EXPORTS---MORE IF YOU ARE LUCKY AND LESS IF YOU DON'T DO SO WELL---WHEN THE UNITED STATES IS, THROUGH ITS TRADE POLICIES, DISCOURAGING THE EXPORTS OF MILLIONS OF TONS. SOMEONE MIGHT HAVE ARGUED WITH ME ABOUT THIS SEVERAL YEARS AGO, BUT AT THE PRESENT TIME I DOUBT THAT ANYONE QUESTIONS THIS POINT.

THE RESULTS OF THE U.S. PURSUING POLITICAL GOALS RATHER THAN ECONOMIC GOALS WITH ITS EXPORTS HAS BEEN THE RESULT OF MISGUIDED JUDGMENT ON THE PART OF VARIOUS HIGH-LEVEL GOVERNMENT OFFICIALS---IN FACT, OF NOT ONLY THE GOVERNMENT OFFICIALS BUT OF



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INDUSTRY OFFICIALS AS WELL. THE GRAIN EXPORT PICTURE WAS SO UN-REAL AND SO PERFECT FOR THE UNITED STATES EVERYONE TOOK IT FOR GRANTED. THE FALLACIES OF THAT PERIOD INCLUDED SEVERAL WHICH HAVE COME BACK TO HAUNT THE INDUSTRY. THE FIRST WAS THE MALTHUSIAN THEORY THAT THE WORLD'S POPULATION IS GROWING FASTER THAN THE WORLD'S ABILITY TO PRODUCE FOOD FOR ITS POPULATION. ANOTHER FOOLISH ONE WAS THAT THE UNITED STATES HAD ABOUT REACHED ITS GRAIN PRODUCTION POTENTIAL AND WOULD NOT BE ABLE TO INCREASE IT FURTHER. ANOTHER FALLACY WAS THAT THE UNITED STATES HAD, FURTHER-MORE, REACHED THE LIMIT OF ITS ABILITY TO HANDLE AND MOVE GRAIN INTO THE EXPORT MARKET. STILL ANOTHER ONE WAS THAT THE OTHER EXPORTING COUNTRIES COULD NOT INCREASE THEIR PRODUCTION OR THEIR GRAIN HANDLING SYSTEMS. AND THE LARGEST FALLACY TO WHICH ALL OF THIS LED WAS THAT THERE WAS POWER IN THE ABILITY TO EXPORT GRAIN---"GRAIN POWER" IT WAS CALLED. THIS LED EVENTUALLY TO THE CONCLUSION THAT THE UNITED STATES COULD DICTATE POLICY TO OTHER COUNTRIES IF IT WOULD TURN OFF OR ON THE FLOW OF GRAIN TO THOSE COUNTRIES, THAT THE UNITED STATES COULD EXERT ITS POWER OVER THAT OF OTHER COUNTRIES THROUGH ITS EXPORTS OF FOOD.

WE NOW KNOW ALL OF THESE TO HAVE BEEN FALLACIES, BUT EVEN UP TO THE LAST ADMINISTRATION, UNTIL THE YEAR 1980, THE YEAR IN WHICH THE UNITED STATES ATTEMPTED TO EXERCISE ITS EXPORT EMBARGO MUSCLE FOR THE LAST TIME AND EMBARGOED THE SHIPMENTS OF GRAIN TO THE SOVIET UNION, THERE WERE MANY IN THE UNITED STATES WHO BELIEVED IT. IN THAT YEAR THERE WAS ALSO A HIGH-RANKING USDA OFFICIAL WHO INDICATED THAT THE UNITED STATES HAD ABOUT REACHED ITS LIMITS ON ITS ABILITY TO MOVE GRAIN OUT OF THE COUNTRY. HE INDICATED ALSO



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THAT THE GRAIN PROBLEMS IN THE 1980'S WOULD BE THOSE OF ALLOCATION OF SUPPLIES RATHER THAN IN ANY EFFORT TO EXPAND EXPORTS. HE MEANT, WE ASSUME FROM HIS COMMENT, ESSENTIALLY THAT THE UNITED STATES WOULD SIT ON ITS STORES OF GRAIN, DETERMINING WHICH COUNTRY WOULD RECEIVE HOW MUCH GRAIN, IN RESPONSE TO THEIR REQUEST FOR A CERTAIN SUPPLY LEVEL. HE WAS OBVIOUSLY QUITE WRONG ON BOTH COUNTS, FOR THE UNITED STATES IS NOW FRANTICALLY SCRAMBLING TO SAVE SOME OF WHAT IT HAD CONSIDERED TO BE ITS MARKETS. IT HAS GONE INTO SOME FIERCE NEGOTIATIONS WITH SOME OTHER COUNTRIES TRYING TO SAVE STILL OTHERS AND IS NOW CONSIDERING WAYS AND MEANS OF COMBATTING FOREIGN EXPORT POLICIES WITH MORE AGGRESSIVE U.S. POLICIES. IT HAS NOT STOPPED TO CONSIDER THE FACT THAT IT HAS ESSENTIALLY HANDED ITS MARKETS OVER TO ITS COMPETITORS.

WITH REGARD TO THE U.S. CAPACITY TO EXPORT GRAIN, LET ME MENTION THAT RECENTLY ONE OF THE MAJOR U.S. EXPORT HOUSES CALCULATED THAT EVEN IF THE UNITED STATES WERE TO RETURN TO THE EXPORT LEVELS OF ABOUT THREE YEARS AGO IT WOULD BE USING ONLY ABOUT 65% OF TOTAL CAPACITY. MANY HOUSES ARE NOW OPERATING AT LESS THAN HALF OF THEIR CAPACITY, AND OTHERS ARE ALMOST AT THE POINT OF TWIDDLING THEIR THUMBS, WONDERING WHEN THEY WILL HAVE SOME GRAIN MOVE THROUGH THEIR EXPORT FACILITIES.

MUCH IS SAID ABOUT THE FARMER'S PLIGHT THROUGH ALL THIS DECLINE IN THE U.S. EXPORT LEVEL, BUT THERE IS VERY LITTLE THOUGHT GIVEN TO THE PLIGHT OF OTHERS IN THE INDUSTRY AND EVEN LESS IS BEING SAID ABOUT THE PROBLEMS WHICH PERVADE THE U.S. GRAIN EXPORTING FIELD, FROM THE FARM TO THE EXPORT FIRM'S GRAIN EXPORT ELEVATORS.

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IT HAS BEEN AND CONTINUES TO BE QUITE DEPRESSING.

THE PICTURE FOR NEXT YEAR, AS WE ALL KNOW, THREATENS TO BE EVEN WORSE THAN THE SITUATION THIS YEAR. FOR THE FARMERS, IF LEFT TO THEIR DEVICES, WILL RESPOND TO THEIR NEEDS AND PROBABLY PRODUCE RECORD GRAIN CROPS NEXT YEAR. THIS IS EVIDENT ALREADY IN THE EXTENT AND CONDITION OF THE PLANTINGS TO WINTER GRAINS. THE FARMERS WHO PLANT CROPS IN THE SPRING WILL DO THE SAME, FOR THEY ARE GOVERNED BY THE SAME ECONOMIC PHENOMENA AS THE WINTER GRAIN FARMERS. THEY MUST HAVE THE MONEY TO COVER THEIR FIXED AND EVEN THEIR VARIABLE COSTS, AND SO THEY WILL PRODUCE TO MEET THE MARKETS. IN THE UNITED STATES EACH FARMER CAN STILL REALIZE CASH FOR EVERY BUSHEL OF GRAIN WHICH HE CAN PRODUCE AND BRING TO MARKET. AND THAT IS WHAT THEY WILL DO---THEY WILL REALIZE THEIR INCOME THROUGH THE PRODUCTION OF MORE UNITS, PARTICULARLY IF THE UNIT PRICE IS BELOW THEIR EXPECTATIONS. THEY WOULD, IN FACT, BE ALMOST FORCED TO INCREASE THEIR PRODUCTION WHETHER PRICES ARE HIGHER OR LOWER. THE HIGHER PRICE IS ATTRACTIVE, AND PRODUCTION IS NECESSARY WHEN PRICES ARE LOWER.

THIS RAISES THE QUESTION THEN OF WHAT THE SITUATION WILL BE FOR THE GRAIN DISAPPEARANCE NEXT YEAR. DOMESTIC CONSUMPTION OF WHEAT REMAINS RELATIVELY CONSTANT IN THE UNITED STATES YEAR AFTER YEAR. DOMESTIC CONSUMPTION OF CORN HAS ALSO REMAINED CONSTANT AND COULD EVEN BE SLIPPING, SINCE THE CONSUMPTION OF BEEF HAS ALREADY DECLINED IN THE UNITED STATES. LIVESTOCK IS ALSO NOT BEING FED AS MUCH GRAIN AS IT HAD BEEN IN THE PAST. THIS THEN LEAVES THE EXPORT MARKETS AS THE ONE OUTLET ON WHICH THE GRAIN PRODUCER



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SHOULD FOCUS. BUT THESE MARKETS NOW CONTINUE IN A STATE OF DECLINE. THE ALTERNATIVE FOR HIM IS THEN THE GOVERNMENT, WHICH HE HOPES WILL IMPLEMENT SOME PROGRAM WHICH WOULD PAY THE FARMER FOR NOT PRODUCING GRAIN. THAT THE GOVERNMENT HAS DONE THIS YEAR, CREATING CONCERN AND ATTRACTING CRITICISM, SINCE THE PROGRAM WAS SO EXPENSIVE AND ILL-TIMED. IT IS NOW BEING TOUTED AS HAVING BEEN A SUCCESS, BUT THIS IS IMPOSSIBLE TO DETERMINE, SINCE IT WAS COUPLED WITH THE WORST DROUGHT IN THE UNITED STATES IN DECADES. THE FARMER IS THUS FORCED TO CONSIDER IMPROVING HIS EXPORT POTENTIAL. IT IS, HOWEVER, MUCH EASIER TO GAIN AND MAINTAIN SOMETHING THAN TO ATTEMPT TO REGAIN IT ONCE YOU HAVE ALREADY LOST IT.

THE ADMINISTRATION---OR AT LEAST THE USDA---REALIZES THE PROBLEMS IN AGRICULTURE AND IS WORKING AT VARIOUS MEANS OF HELPING OVERCOME THEM. THEY ARE, HOWEVER, CONCENTRATING ON THE SYMPTOMS RATHER THAN THE PROBLEM ITSELF, FOR THEY CONTINUE TO NEGOTIATE WITH THE EUROPEAN COMMUNITY AND WITH JAPAN, TO HAVE BOTH AREAS INCREASE THEIR IMPORTS OF U.S. GRAIN. IN THE CASE OF THE EUROPEAN COMMUNITY, THE U.S. IS ATTEMPTING TO HAVE IT CEASE TO SUBSIDIZE ITS EXPORTS INTO MARKETS WHICH THE UNITED STATES FELT BELONGED TO THE UNITED STATES. CAPITOL HILL IS LIKEWISE ALARMED BY THE PROSPECTS FOR GRAIN AGRICULTURE FOR NEXT YEAR, AND THE LEGISLATORS TOO ALSO APPEAR TO BE MORE CONCERNED WITH DEALING WITH THE SYMPTOMS RATHER THAN THE DISEASE. MANY OF THEM SPEAK OF HAVING TO BRING DOWN THE SUPPORT RATES, BUT THEY HOPE TO REACH A COMPROMISE ON WHERE TO BRING THEM, SOMEWHERE HIGHER THAN THE ADMINISTRATION'S CONCEPTS.



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THE PROBLEMS WITH SUCH APPROACHES ARE, FIRST OF ALL, THAT THEY ARE NOT AIMED AT CORRECTING THE PROBLEMS IN AGRICULTURE. EITHER WE HAVE NOT LEARNED FROM THE EXPERIENCES OF THE PAST SEVERAL YEARS OR WE DO NOT CARE WHETHER OR NOT WE REPEAT THEM OR CONTINUE TO GO DOWNHILL. FOR THAT IS THE DIRECTION AGRICULTURE WILL TAKE IF NO ONE MOVES TO CORRECT IT.

OTHER COUNTRIES ARE MOVING FORWARD INTO THE EXPORT MARKETS, AND THEY HAVE TAKEN PART OF THE UNITED STATES' PORTION OF THE WORLD'S GRAIN MARKETS. THEY WILL REACH FURTHER AND FURTHER, WITH THE UNITED STATES SLIPPING BACK, HOPING FOR A WORLD WEATHER DISASTER IN SOME MAJOR PRODUCING COUNTRY OTHER THAN THE UNITED STATES, SO THAT THE UNITED STATES CAN GET BACK IN AGAIN. UNLESS THE UNITED STATES CONFRONTS THE PROBLEM OF THE INCREASED WORLD COMPETITION IT CAN COUNT ON A CONTINUED DECLINE OF AGRICULTURE IN THE UNITED STATES.

AS I HAVE INDICATED, IF GRAIN INTERESTS IN THE UNITED STATES WERE UNIFIED THEY COULD POSSIBLY HAVE MET THE CHALLENGE NOW BEING POSED BY THE WORLD GRAIN EXPORTING COUNTRIES. THE LACK OF UNITY IN AGRICULTURE IS, HOWEVER, MATCHED BY A LACK OF UNITY IN WASHINGTON. THERE IS ESSENTIALLY NO UNIFIED OR STRONG GRAIN LOBBY, OTHER THAN THE LOBBY WHICH IS REPRESENTED BY THE CONGRESSMEN AND SENATORS FROM THE FARM STATES. AND EVEN HERE THEY RUN INTO PROBLEMS. AND THESE PROBLEMS ARE WORTH DISCUSSING.

RECENTLY A POLITICAL ANALYST INDICATED THE FACT THAT DURING ITS LAST SESSION THE CONGRESS WAS UNABLE TO COME TO ANY CONCLU-

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SIONS ON PERTINENT PROBLEMS. THE PROBLEMS TO WHICH HE REFERRED WERE THOSE WHICH DEALT WITH SPENDING AND INCOME BILLS. BUT THE PROBLEM IS APPLICABLE TO OTHER AREAS AS WELL. THIS IS OBVIOUS IN THE TYPES OF LEGISLATION WHICH ARE BEING PROPOSED IN WASHINGTON AND ON WHICH THE ADMINISTRATION IS ACTING.

TYPIFYING THIS PROBLEM IS THE LACK OF CONSISTENCY IN THE ADMINISTRATION'S MOVES IN AGRICULTURE. FOR EXAMPLE, THE EUROPEAN COMMUNITY, AGAINST WHICH THE UNITED STATES IS NOW ATTEMPTING TO WORK THROUGH NEGOTIATIONS AND, ON OCCASION, SUCH AS THE FLOUR SALE TO EGYPT, BY EMPLOYING THEIR OWN TACTICS, COULD COMPLAIN THAT THE UNITED STATES' POSTURE VIS-A-VIS THE COMMUNITY HAS NOT BEEN EXACTLY CONSISTENT. THE UNITED STATES HAS ON OCCASION BERATED THE COMMUNITY BECAUSE IT WAS NOT EXPORTING ENOUGH. IT SHOULD HAVE BEEN HELPING THE UNITED STATES WITH THE GOAL OF FEEDING THE WORLD. ON OTHER OCCASIONS, WHEN THE MARKETS ARE WEAK IN THE UNITED STATES AND THERE APPEARS TO BE A WORLD GRAIN SURPLUS, THE UNITED STATES IS OPPOSED TO THE COMMUNITY'S EXPORTS THROUGH THE USE OF SUBSIDIES. ON OTHER OCCASIONS WHEN THE USDA HAS ATTEMPTED TO TAKE ACTION AGAINST THE EUROPEAN COMMUNITY IT HAS BEEN HALTED BY THE STATE DEPARTMENT, WHICH SAW IN THE EUROPEAN COMMUNITY A UNITED WESTERN EUROPE AGAINST THE SPREAD OF COMMUNISM FROM THE EAST.

AT THE PRESENT TIME THE COMMUNITY HAS TWO PROPOSALS BEFORE THE UNITED STATES AND THE WORLD. BECAUSE OF THE PRESSURES NOW BROUGHT TO PLAY AGAINST THE COMMUNITY'S COMMON AGRICULTURAL POLICY THE COMMUNITY IS PROPOSING TO LIMIT ITS IMPORTS OF NON-GRAIN FEED



INGREDIENTS, SUCH AS CORN GLUTEN MEAL, AND MEALS OF OTHER ORIGINS, SUCH AS CITRUS, ETC. THE UNITED STATES HAS OPPOSED THIS MOVE BY THE COMMUNITY, BUT IT NOW APPEARS THAT THE COMMUNITY IS PLANNING TO GO AHEAD ANYWAY AND DO IT. THE COMMUNITY HAS ALSO PROPOSED TO IMPOSE A TAX ON COMMUNITY CONSUMPTION OF OILSEED PRODUCTS. THIS IS DESIGNED TO DISCOURAGE THE USE OF BUTTER SUBSTITUTES, WHICH ARE GENERALLY IMPORTED, TO ENCOURAGE THE USE OF COMMUNITY BUTTER, WHICH IS IN SURPLUS. THIS MOVE HAS BEEN OPPOSED FROM WITHIN THE COMMUNITY, AND THE LATEST INDICATIONS ARE THAT THE COMMUNITY WILL NOT PROCEED WITH THIS MOVE. THERE WILL, NEVERTHELESS, PROBABLY BE QUOTAS ON THE IMPORTS OF NON-GRAIN FEED INGREDIENTS.

THE BIG PROBLEM WITH THE COMMUNITY STILL EXISTS, HOWEVER, AND THAT IS THAT THE COMMUNITY DISPOSES OF ITS GRAINS AND GRAIN PRODUCTS IN THE WORLD MARKETS THROUGH THE USE OF SUBSIDIES. IT IS AGAINST THIS PROBLEM THAT THE CURRENT ADMINISTRATION IS NOW FIGHTING. AND IT IS A FIGHT IT WILL LOSE. THE LAST ADMINISTRATION GAVE THE COMMON AGRICULTURE POLICY ITS BLESSING, IN A LETTER SIGNED BY BOB STRAUSS, THEN THE PRESIDENT'S SPECIAL TRADE REPRESENTATIVE. IT WENT FURTHER, AND NEGOTIATED INTO THE KENNEDY ROUND IN GENEVA AN EXPORT SUBSIDY CODE, WHICH PERMITTED THE COMMUNITY TO CONTINUE ITS PRACTICES AND, ESSENTIALLY, INDICATED THAT THE UNITED STATES WOULD DO NOTHING. THE CURRENT ADMINISTRATION HAS BACKED DOWN FROM THIS POSITION, DESPITE THE FACT THAT THE COMMUNITY CONTINUES TO REMIND THE UNITED STATES THAT IT HAS DOCUMENTS SIGNED BY THE UNITED STATES, WHICH PERMIT IT GO AHEAD.



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THAT AN ADMINISTRATION COULD GO AGAINST WHAT A PREVIOUS ADMINISTRATION HAS DONE IS SOMEWHAT STARTLING. BUT CONSIDER THAT ONE BRANCH OF AN ADMINISTRATION MOVES OPENLY AGAINST ANOTHER BRANCH OF THE SAME ADMINISTRATION. UNTIL RECENTLY THE COMMERCE DEPARTMENT WAS EXPECTED TO ANNOUNCE HAVING TAKEN A DECISION WITH REGARD TO THE IMPORT OF GOODS FROM THE PEOPLE'S REPUBLIC OF CHINA, WHICH WOULD ACTUALLY HAVE NEGATED A TEXTILE AGREEMENT SIGNED BY ANOTHER AGENCY OF THE GOVERNMENT WITH THE CHINESE. THE ADMINISTRATION HAS JUST ANNOUNCED, HOWEVER, THAT THE TEXTILE INDUSTRY HAD WITHDRAWN ITS PETITION WITHOUT PREJUDICE. THE TEXTILE INDUSTRY STILL HAS TEN DAYS, AS OF THIS WRITING, TO REFILE THE PETITION, BUT THIS CERTAINLY INDICATES THE CASES PRESENTED TO THE COMMERCE DEPARTMENT WERE QUITE STRONG, AND IT WOULD HAVE BEEN IMPOSSIBLE TO REFUTE THE ARGUMENTS WHICH WERE POSED. NEVERTHELESS, IF THE TEXTILE INDUSTRY WERE TO REFILE IT, THE COMMERCE DEPARTMENT WOULD ALMOST BE FORCED TO RULE IN FAVOR OF THE TEXTILE INDUSTRY. THIS WOULD FRIGHTEN NOT ONLY THE CHINESE, BUT ALL OTHER COUNTRIES OF THE WORLD WHO SEE IN THIS ACTION A THREAT TO THEIR CONCLUDING ANY ACTIONS WITH ANY AGENCY OF THE U.S. GOVERNMENT, SINCE THEY COULD HARDLY BE DEPENDED UPON TO BE DEFINITIVE.

OTHER FACTORS---OR INCONSISTENCIES---DIFFICULT TO UNDERSTAND ARE THE DIFFERENCES WITHIN THE CONGRESS ITSELF. THE VARIOUS LEGISLATORS, REPRESENTING, WE ASSUME, THE INTERESTS OF THEIR CONSTITUENTS, COME THROUGH WITH SOME REMARKABLE BILLS OR MOTIONS. ONE OF THE MOST PERSISTENT OF THESE EFFORTS IS THE CARGO PREFERENCE MOVEMENT ON CAPITOL HILL. AS IN THE PAST, IT HAS COME UP AGAIN DURING THE FALL SESSION OF CONGRESS, WHERE IT DIED IN COM-

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MITTEE. THIS DOES NOT MEAN, HOWEVER, THAT THE ISSUE IS DEAD, FOR THOSE WHO PROPOSE IT---THE MARITIME INTERESTS---ARE STRONG ENOUGH TO CONTINUE TO ENGAGE CONGRESSMEN TO INTRODUCE AND SPONSOR LEGISLATION FOR IT.

WITH THE GRAIN LOBBY RELATIVELY WEAK AND NOT UNITED, THE MARITIME LOBBY HAS APPARENTLY BEEN EASILY ABLE TO INFLUENCE CONGRESSMEN TO SPONSOR SUCH LEGISLATION. THIS YEAR'S EFFORTS BEGAN IN THE HOUSE OF REPRESENTATIVES, WITH A BILL BY CONGRESSWOMAN LINDY BOGGS. ONE HEARS LITTLE OF THE ACTIVITY WITH REGARD TO CARGO PREFERENCE IN THE HOUSE, HOWEVER, FOR THE ACTION WAS THEN TAKEN UP IN THE SENATE BY SENATOR PAUL TRIBLE, A YOUNG REPUBLICAN FROM VIRGINIA. HE INDICATED, WHEN HE INTRODUCED HIS BILL, THAT HE WAS DOING IT TO STRENGTHEN THE MERCHANT FLEET OF THE UNITED STATES, INDICATING THAT IT WAS UNABLE TO COMPETE. AS AN INDUCEMENT, HE INDICATED THAT THE MERCHANT FLEET WOULD BE COMPETITIVE, BUT HE INDICATED IN HIS BILL THAT THE MERCHANT FLEET WOULD REDUCE ITS RATE BY A RATHER SMALL PERCENTAGE IN ORDER TO BE COMPETITIVE WITH THE FOREIGN FLAG RATES. MR. TRIBLE WAS WARNED THAT THE RATES WERE NOT COMPETITIVE, EVEN AFTER THE DEDUCTION, AND THAT THE UNITED STATES WOULD MERELY LOSE COMMERCIAL BUSINESS IF THE RATES WERE NOT COMPETITIVE. IN THAT WAY BOTH THE MARITIME INTERESTS AND THE SHIPPER OF THE GOODS WOULD LOSE OUT. THIS COULD NOT HELP THE MARITIME INTERESTS AND WOULD HURT THE INTERESTS OF THE SHIPPER. MR. TRIBLE NEVER RESPONDED OR EVEN ACKNOWLEDGED RECEIPT OF THE ADVICE HE WAS GIVEN.

IF PAST PERFORMANCE IS, FURTHERMORE, ANY INDICATION, THE MERCHANT



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FLEET WOULD NOT BE BUILT UP WITH FURTHER INCOME FROM THE CARGO PREFERENCE REQUIREMENTS, FOR THIS WAS THE INTENT WITH THEIR INVOLVEMENT WITH THE P.L. 480 AND OTHER GOVERNMENT SPONSORED SHIPMENTS. THEY HAVE, TO BE THE BEST OF ANYONE'S KNOWLEDGE, NOT BUILT UP THE FLEET, AND WHERE THE EXTRA MONIES HAVE GONE IT IS DIFFICULT TO ASCERTAIN.

CARGO PREFERENCE HAS BEEN ONEROUS EVEN ON GOVERNMENT SPONSORED SHIPMENTS, FOR IT HAS REDUCED THE AMOUNT OF GOODS WHICH THE SHIPPER WAS ABLE TO SHIP UNDER THE GOVERNMENT SPONSORSHIP, SINCE THE FREIGHT HAS COST MUCH MORE THAN THE FOREIGN FLAG RATES. CARGO PREFERENCE WAS USED ON COMMERCIAL SALES TO THE SOVIET UNION, THE ONLY COMMERCIAL INSTANCES WHEN CARGO PREFERENCE WAS USED. THE SOVIETS SIGNED THE AGREEMENTS, HOWEVER, BECAUSE THEY OFFERED THE SOVIETS ACCESS TO U.S. PORTS, NOT BECAUSE THEY WILLINGLY PAID EXTRA FREIGHT.

THROUGH THE YEARS THE MARITIME INTERESTS HAVE BEEN ATTEMPTING TO SECURE A PORTION OF BOTH THE UNITED STATES COMMERCIAL IMPORTS AND EXPORTS FOR THEIR INDUSTRY. THEY MIGHT STAND A BETTER CHANCE OF OBTAINING IT FOR IMPORTS, SINCE IF THE UNITED STATES WANTS THE MERCHANDISE IT COULD BE FORCED BY CONGRESS TO PAY MORE FOR IT. COMMERCIAL SALES ARE SOMETHING ELSE, HOWEVER, FOR NO BUYER WILL WILLINGLY PAY MORE FOR SOMETHING WHICH HE CAN OBTAIN AT A LESSER COST SOMEWHERE ELSE. ATTEMPTING TO ENFORCE CARGO PREFERENCE REQUIREMENTS ON U.S. GRAIN EXPORTS COULD MEAN THE END OF U.S. GRAIN AGRICULTURE AS IT EXISTS, FOR ITS EXPORT BUSINESS WOULD BE DEAD TO THE EXTENT THAT FOREIGN BUYERS COULD OBTAIN SUPPLIES FROM



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OTHER SOURCES. AT THE PRESENT TIME THEY CAN. FORTUNATELY FOR THE UNITED STATES THE ADMINISTRATION IS AGAINST THIS ILLOGICAL EFFORT, FOR IF ANYONE THINKS CARGO PREFERENCE IS POSITIVE HE WORKS ONLY FOR THE MARITIME INDUSTRY. AND IF SENATOR TRIBLE FEELS HE IS DOING SOMETHING WHICH IS GOOD EVEN FOR THE MARITIME INDUSTRY HE IS OBVIOUSLY YOUNGER THAN ONE WAS LED TO BELIEVE DURING HIS ELECTION CAMPAIGN. ANYTHING WHICH WOULD INCREASE THE COST OF GOODS IN A COMPETITIVE MARKET IS OBVIOUSLY BAD, FOR IT RESULTS IN NO BENEFITS TO THE PROPONENT AND INCREASED DAMAGE TO THE ONE WHOSE SALES ARE DECREASED.

ANOTHER SUCH INSTANCE IS THE WATERWAYS BILL, WHICH WOULD CHARGE USER'S FEES FOR CERTAIN CHANGES---ONE HESITATES TO CALL THEM IMPROVEMENTS---TO THE U.S. WATERWAYS SYSTEM. THE MOVE IS PROMOTED BY THE COAL INDUSTRY, WHICH IS INTERESTED IN DREDGING THE WATERWAYS, MAKING THEM DEEPER TO ACCOMMODATE THE COAL TRAFFIC. IN ORDER TO DO SO, HOWEVER, THEY WOULD CHARGE ALL THE INDUSTRIES WHICH USE THE WATERWAYS, WHICH INCLUDES A GOOD TONNAGE OF GRAINS. GRAIN INTERESTS DO NOT NEED DEEPER WATERWAYS, FOR THE CURRENT DRAUGHTS ARE MORE THAN ADEQUATE. ADDING THIS FURTHER CHARGE TO SHIPPING GRAIN AGAIN WORKS TO MAKE IT LESS COMPETITIVE, CUTTING BACK ON THE AMOUNTS OF GRAIN WHICH THE UNITED STATES WILL SHIP OVERSEAS. THIS WOULD MEAN LOSSES EVEN GREATER THAN THE BUSINESS THE UNITED STATES IS ALREADY LOSING. IT WOULD CREATE A FURTHER MARKET FOR THE COMPETITORS OF THE UNITED STATES, CAUSING U.S. AGRICULTURE TO SHRINK EVEN FURTHER OR CREATING PRESSURES ON THE U.S. GOVERNMENT WHICH IT COULD NOT BEAR.

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BOTH MEASURES ARE INSTANCES IN WHICH THE LOBBIES OF THE AFFECTED INDUSTRIES HAVE PETITIONED THEIR LEGISLATORS TO DO SOMETHING FOR THEM, AND THE LEGISLATORS, CONCERNED WITH THEIR LOCAL INTERESTS, HAVE DONE AND CONTINUE TO DO WHAT THEY CAN TO ACCOMMODATE THEM. IF THE GRAIN EXPORTS ARE, FURTHERMORE, RESTRICTED THIS MEANS LESS TRAFFIC ON THE U.S. WATERWAYS, WHICH MEANS EVENTUALLY EITHER HAVING TO INCREASE THE RATES OR GIVE UP ON THE PROPOSED SO-CALLED "IMPROVEMENTS" TO THE U.S. WATERWAYS. AGAIN I CAN ONLY REPEAT THAT ANY MEASURE THAT TENDS TO MAKE COMMERCIAL SALES FROM THE UNITED STATES LESS COMPETITIVE WORKS TO THE DETRIMENT OF BOTH INTERESTS: IN THIS INSTANCE IT WOULD BE BOTH THE COAL AND THE GRAIN INTERESTS.

WHEREAS THE FIRST ISSUE, THAT OF THE EC AND ITS COMMON AGRICULTURAL POLICY AND ITS VARIABLE GRAIN LEVY INVOLVE OTHER GOVERNMENTS AND ISSUES BEYOND THE CONTROL OF THE UNITED STATES, THE LAST TWO INVOLVE ONLY THE UNITED STATES. THAT THE UNITED STATES COULD WORK AGAINST ITS OVERALL BEST INTERESTS IS SOMEWHAT SURPRISING, BUT NOT TO ANYONE WHO UNDERSTANDS THE U.S. POLITICAL SYSTEM. AGAIN I MUST CONCLUDE THAT THE LOBBIES OF THE OTHER GROUPS ARE EITHER STRONGER, BETTER ORGANIZED, MORE UNIFIED, OR SIMPLY BETTER.

HOW ELSE COULD, FOR EXAMPLE, ANYONE CHARACTERIZE THE PROPOSED BILLS BY CONGRESSMAN JAMES WEAVER OF OREGON? THERE HAS TO BE SOMETHING BESIDES INTEREST IN GRAIN WHICH IS GOVERNING HIS ACTIONS, AND ONE WONDERS WHAT IT IS. FORTUNATELY, AGAIN IN HIS CASE THE OTHER LEGISLATORS KNOW BETTER AND HIS BILLS DO NOT GET



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PASSED. I WOULD VENTURE TO SAY, THAT IF ONE OF THEM WERE TO PASS EVEN CONGRESSMAN WEAVER WOULD PROBABLY BE SURPRISED, BUT NOT AS SURPRISED AS THE NATION WHICH WOULD SOON FIND ITS ECONOMIC ADVANTAGES RAPIDLY DISAPPEARING. I MIGHT ADD THAT SUCH LACK OF REASONING IS NOT TYPICAL OF THE KANSAS DELEGATION, WHICH WORKS VERY HARD TO IMPROVE AGRICULTURE FOR KANSAS AND THE NATION.

WHICH LEADS ONE BACK TO THE POINT MADE BY THE WASHINGTON POLITICAL ANALYST, THAT LEGISLATORS MUST PURSUE THEIR OWN LOCAL POLITICAL INTERESTS, SINCE THE CENTRAL PARTY PLATFORMS CANNOT GET THEM REELECTED. YET IT WAS THE PRESIDENT'S APPEARANCE IN VIRGINIA WHICH HELPED GET SENATOR TRIBLE ELECTED TO THE SENATE, AND HE IS TAKING A POSITION WHICH IS CONTRARY TO THE WISHES OF THE ADMINISTRATION.

THE POINT TO WHICH IT ALL LEADS, HOWEVER, IS THAT UNLESS SOMETHING IS DONE ABOUT THE SITUATION SOON IT WILL BE ALMOST CATASTROPHIC FOR THE U.S. GRAINS INDUSTRY AND WILL CERTAINLY BE CATASTROPHIC FOR SOME SECTORS OR INDIVIDUALS. AND THIS MEANS THE FARMERS AS WELL AS THE AGRIBUSINESS INTERESTS, FOR THEY ARE ALL IN IT TOGETHER. THE NEW YEAR BRINGS WITH IT ITS CHALLENGES, BUT THESE CHALLENGES COULD ALSO BE CALLED OPPORTUNITIES. THE GOVERNMENT WILL FIND ITSELF FORCED TO MAKE A CHOICE BETWEEN GREATER SUPPORTS FOR THE FARMERS OR GREATER SUPPORT FOR THE EXPORT MARKETS. IT WOULD SEEM OBVIOUS TO US WHICH WAY THEY WOULD TILT IF THERE WERE NOT SO MANY POINTS IN BETWEEN THE ONE EXTREME OR THE OTHER WHERE THEY MIGHT STOP. LET US HOPE, NEVERTHELESS, THAT THEY WILL MAKE THE RIGHT CHOICE, TURNING IT INTO A YEAR OF OPPORTUNITY.

- END -



## SUMMARY AND UPDATE ON 1984 WHEAT PROGRAM SITUATION

The cost of farm programs has increased five-fold in the last two years, from \$4 billion in FY-81 to nearly \$22 billion in FY-83. The PIK program added another \$9 billion (USDA) to \$11-12 billion (GAO), which must be reimbursed to CCC through appropriation next year.

Combined with our uncontrolled \$200 billion federal deficits, the rise in farm program costs must be addressed responsibly in order to reduce urban criticism and preserve farm legislation during reauthorization in 1985.

The following chronology gives an idea of the difficulties Congress has experienced in trying to address the target price issue during the last year:

### 1 9 8 2

NOVEMBER -- Reagan Administration proposes the Payment-in-Kind (PIK) program for 1983 crops to reduce heavy grain and cotton production and supplies in exchange for a target price freeze at 1983 levels.

DECEMBER -- Congressional efforts to authorize PIK thwarted by Senator John Melcher (D-Mont.), despite the universal opposition of his Democratic colleagues.

### 1 9 8 3

JANUARY -- USDA goes ahead to implement PIK on its own authority. Dole legislation (S. 18) introduced to modify target price increases and create Export Revolving Fund.

MARCH -- PIK tax legislation developed by Senator Dole's Finance Committee passed to increase farmer participation.

JUNE/JULY -- Dole compromise on target prices stalled in Senate Agriculture Committee and on Senate floor by Senator Melcher until August recess.

AUGUST 9 -- Agriculture Secretary Block announces unbalanced 1984 wheat program, including 30% acreage reduction to offset higher scheduled target price, to meet August 15 deadline.

SEPTEMBER/OCTOBER -- Three efforts to bring Dole compromise to Senate floor blocked. Support for Dole legislation received from National Wheat Growers Association, National Grange, American Farm Bureau, and other groups.

NOVEMBER 15 -- House passes version of Dole bill (H.R. 4072), sponsored by Washington Democrat Tom Foley.



NOVEMBER 18 -- House adjourns before Senate can complete procedures to bring up Dole/Foley compromise. Congress adjourns until January 23, 1984, without correcting wheat program.

After adjournment, Senator Melcher held a press conference at which he indicated that he could now "support" the House bill. However, the Administration still wants legislation that deals with all target price commodities, including feed grains, cotton, and rice. These groups are beginning to realize that, without their cooperation, there may be no farm legislation in 1984, and prospects for meaningful longer-term legislation in 1985 would be severely jeopardized. There is, therefore, some chance of progress when Congress reconvenes in January.

#### DIFFERENCES BETWEEN THE BILLS:

Dole proposal: Target prices for all crops would increase one-half of the amount scheduled for 1984 and remain at that level for 1985. Wheat would increase from \$4.30 per bu. in 1983 to \$4.38 rather than \$4.45.

The unpaid acreage reduction would be 20% rather than 30%, and there would be a 10% paid diversion for participating wheat producers. The PIK payment rate would be 85% rather than the announced level of 75%.

A total of \$600 million (\$300 million per year in FY-84 and FY-85) would be earmarked for the Export Credit Revolving Fund.

Foley bill: Identical to Dole proposal, except it only covers wheat and drops the export financing provisions. It also adds four benefits: advanced deficiency payments, haying and grazing privileges, preferred summer-fallow treatment, and deferred program sign-up to March 30, 1984.