3/5/85
Mayflower
State Rm

U.S. FEED GRAINS COUNCIL

TALKING POINTS

Farm Credit

- Short-term financing problem has been resolved by improvements in Administration debt adjustment program. Banks are now moving to make the program work or stretch their own resources to extend credit to farm borrowers.

- Credit amendments to Africa relief bill are unnecessary and improperly targeted. Advance loans would go to farmers who don't need them and would create a cash-flow problem after harvest. $100 million interest buy-down is actually a bank buy-out: payments would go to banks already receiving a 90% principal guarantee under the debt adjustment plan.

Farm Asset Devaluation

- Farmland values increased by $465 billion during the 1970's; decline since 1979 has been $149 billion -- almost one-third.

- Some action to restore confidence in land values may be needed to prevent overreaction if decline is too sharp. Farm Credit System members are particularly vulnerable.

Farm Bill Outlook

- Both Administration and Helms bills provide for loan reductions to 75% of moving average market price. Both would allow or require sharp cuts in target prices.

- Budget baselines for FY-86/88 are in $12-$14 billion range, compared to $3-$4 billion in FY-82/84. Should be able to show savings while still designing reasonable farm program.

- Farm support prices are factored into land values, where current declines make sharp loan and target cuts difficult. Due to low farm prices and income, initial year or two of new program may need to be "front-end-loaded" to obtain larger reductions in outyears.

- Simple one- or two-year extension of 1985 programs, as favored by House, would only extend contradictory policies and high costs.

Agricultural Trade Outlook

- Examples of non-competitive U.S. export prices: Cancellation of 400,000 tons of wheat by USSR; Argentine wheat priced at $37-$38/ton less (FOB); Chinese corn priced at $12-$14/ton less.

U.S. FEED GRAINS COUNCIL

TALKING POINTS

Farm Credit

- Short-term financing problem has been resolved by improvements in Administration debt adjustment program. Banks are now moving to make the program work or stretch their own resources to extend credit to farm borrowers.

- Credit amendments to Africa relief bill are unnecessary and improperly targeted. Advance loans would go to farmers who don't need them and would create a cash-flow problem after harvest. $100 million interest buy-down is actually a bank buy-out: payments would go to banks already receiving a 90% principal guarantee under the debt adjustment plan.

Farm Asset Devaluation

- Farmland values increased by $465 billion during the 1970's; decline since 1979 has been $149 billion -- almost one-third.

- Some action to restore confidence in land values may be needed to prevent overreaction if decline is too sharp. Farm Credit System members are particularly vulnerable.

Farm Bill Outlook

- Both Administration and Helms bills provide for loan reductions to 75% of moving average market price. Both would allow or require sharp cuts in target prices.

- Budget baselines for FY-86/88 are in $12-$14 billion range, compared to $3-$4 billion in FY-82/84. Should be able to show savings while still designing reasonable farm program.

- Farm support prices are factored into land values, where current declines make sharp loan and target cuts difficult. Due to low farm prices and income, initial year or two of new program may need to be "front-end-loaded" to obtain larger reductions in outyears.

- Simple one- or two-year extension of 1985 programs, as favored by House, would only extend contradictory policies and high costs.

Agricultural Trade Outlook

- Examples of non-competitive U.S. export prices: Cancellation of 400,000 tons of wheat by USSR; Argentine wheat priced at $37-$38/ton less (FOB); Chinese corn priced at $12-$14/ton less.