TALKING POINTS

ALABAMA FARM BUREAU

Hotel Washington

APRIL 1, 1985

Agriculture Budget

o Outlay baselines for FY-86/88 are in the $11-$12 billion range (CBO) or the $12-$14 billion range (USDA), based on current services. Baselines used in the 1981 farm bill were $2-$4 billion.

o Senate Budget Committee has approved cuts in CCC programs totalling $2 billion in FY-87/88, with no cuts in FY-86. Administration request is for $16 billion. We should be able to find $7-$8 billion and still be able to design an improved farm program.

Farm Bill Schedule

o Hearings are underway in both Senate and House Agriculture Committees. House Subcommittee mark-ups are expected to begin in late April. Senate mark-up should start in mid-May.

o Administration is preparing to announce wheat and cotton marketing quotas required under permanent law by April 15, and to administer producer referendums before August 1. The latter can hopefully be avoided.

o Conventional wisdom is that economic difficulties facing U.S. agriculture will prevent agreement on a "new" approach, resulting in a one or two year extension of 1985 programs. Winter wheat farmers want to know details of the 1986 program in June.

Farm Bill Proposals

o Administration bill has no supporters. Helms bill moves more gradually toward market-oriented agriculture. The trouble is that the transition period may last 3-5 years, and many farmers may not be able to survive on lower prices for that long.

o American Farm Bureau bill (not yet introduced) tries to balance the necessary and the possible. Target prices are reduced 5% per year (after a one-year freeze at 1985 levels for 1986 crops). Loan rates are reduced 10% per year until they reach 75% of the market price average during the previous 5 years. Farm Bureau's cost estimate for the bill is $27 billion over 4 years, with most in FY-87/88.

o Marketing loan proposal has been endorsed by Wheat Growers, Corn Growers, and the National Council of Farmer Cooperatives. It would make U.S. exports immediately competitive, but at the expense of the government. Some way to limit the cost exposure would have to be found.

o There is no shortage of ideas, but none will guarantee improved farm prices and producer income unless some way is found to check the current sharp decline in farm exports.

Export Initiative Needed

o The high dollar, foreign competition, and U.S. price supports are causing massive cancellations of U.S. farm export contracts. Since January, sales of nearly 2.0 million tons of wheat have been diverted to other suppliers. Exporters indicate that wheat exports in 1986 could be one-half of the 1.4 billion bushels sold abroad in 1984. Exports of other crops would be seriously affected as well.

o CCC inventories of commodities will reach a total value of $6.2 billion at the end of FY-85, including one billion bushels of wheat and corn. Storage costs will be $361 million. In FY-86, stocks will be valued at $8.3 billion, including 1.6 billion bushels of wheat and corn. Storage costs will exceed $500 million.

o Meeting last week between representatives of major farm and commodity organizations and White House officials focussed on possibility of implementing major export PIK or bonus commodity program. Questions needing to be resolved include:

--Would farmers, exporters, or foreign customers receive the benefit of the commodity bonuses? Many farmers would object if exporters were seen to be reaping larger profits.

--Since U.S. commercial export prices would be lowered by the bonus payment, would non-market economies be eligible under the program? If not, major customers like the Soviet Union might increase their purchases from other suppliers.

--Is the U.S. prepared to implement a program under which foreign consumers would benefit for several years without an immediate improvement in prices to our farmers? It might take five years before fundamental changes in world agricultural production and marketing patterns are reversed.

--Is agriculture willing to accept its fair share of budget reductions? As previously indicated, baseline savings of $7-$8 billion in FY-86/88 are possible without jeopardizing efforts to write a better farm program. However, many "farm advocates" are preparing to use this issue for their own political reasons.