march 19
Wed

Speak

HANK BROWN
4TH DISTRICT, COLORADO

COMMITTEES:

BUDGET

JUDICIARY

INTERIOR AND INSULAR AFFAIRS
(ON LEAVE)

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Joyce

January 23, 1986

12:00 Lunch
1:00 speak
(but can do anytime between
12 - 1:15
OK

The Honorable Bob Dole
United States Senate
141 Hart Senate Office Building

Dear Senator Dole:

I would like to invite you to attend lunch and address Colorado farm and agribusiness leaders on Wednesday March 19, in S-207 of the Capitol.

Each year I host a two-day, Colorado Agriculture Seminar on Capitol Hill, in which about 100 active representatives of Colorado agriculture participate. They come from every corner of the State, hold diverse views, and include producers of livestock, meat and dairy products, wheat, feed grains, wool, sugar, and processed foods.

Last year, you kindly dropped in on our seminar lunch in the Capitol. I hope you will be able to join us this spring even if only for a few minutes. Leaders of my State's farm and agribusiness community are intensely interested in events in Washington and certainly would enjoy hearing from you again.

If your office will call Roxie Burris of my staff at x54676, we will be pleased to set, at your convenience, a specific time during the luncheon for your remarks. I look forward to hearing from you.

Sincerely,

Hank

Hank Brown
Member of Congress

HB/r

You did such an outstanding job last year everyone wanted you back!

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COLORADO AGRICULTURE SEMINAR

TALKING POINTS

Farm Programs

1986 farm programs have now been improved and clarified by the latest technical corrections bill. The President is expected to sign it Thursday or Friday. Major provisions include:

o Reductions in deficiency payments due to the yield formula in the farm bill will be limited to an effective 3% cut for 1986 crops, 5% for 1987.

o Underplanted acreage will be restricted to conserving use crops, plus haying and grazing in 1986. Farmers will be allowed to try non-program crops on up to one-half their permitted acreage without losing base in 1986-89.

o The Gramm-Rudman requirement for dairy will be met through an increased assessment rather than a cut in the CCC purchase price.

o CCC commodities required to be used in the Export Enhancement and the Targeted Export Assistance Programs in FY-86/88 are reduced from $3 billion to $1.3 billion to offset the cost of the yield and underplanting changes.

USDA Team

Secretary Lyng is now in place, and is reviewing possible candidates for the vacant Deputy position. Other slots may also need to be filled, including Undersecretary for Small Community and Rural Development when Naylor leaves to become Chairman of the Farm Credit Administration Board.

Lyng has stated that increasing farm exports will be his highest personal priority.

Great Western Sugar Bankruptcy

USDA has now completed the rulemaking procedure. and the regulations have been approved by OMB. They should be published in the Federal Register on Thursday. Amstutz notified Kansas, Colorado and Nebraska bankers on March 3 that farmers who lost their sugar crop due to the Great Western bankruptcy would be receiving compensation.

Agricultural Credit

Banking Committee is considering alternative proposals involving increased forbearance by lenders and their regulators. Other ideas include loan loss amortization over 5-10 years, principal write-downs and/or interest rate buy-downs. The latter could cost over $1 billion.

We are now almost past the point of helping farmers obtain financing for Spring planting. The President announced an additional $750 million in direct operating loans to FmHA borrowers last week.

Gramm-Rudman, the Dollar, and Inflation

- Gramm-Rudman should help us meet the commitment we made last September to our trading partners: to reduce the deficit as part of our effort to moderate the value of other dollar.

- By the same token, the risk of inflation should be reduced if we bring down the deficit under Gramm-Rudman, because the pressure to pump up the money supply to keep interest rates down will ease considerably.

Gramm-Rudman: Challenge to the Established Fiscal Order

- The first actions in response to the new Gramm-Rudman deficit control reform will be taken early in 1986. For those of you who missed it, late last year the Congress imposed a new fiscal straightjacket on itself. The new law sets firm deficit targets for each of the new five years, and mandates automatic across the board spending cuts if the deficit exceeds the target. The first round of automatic cuts under the proposal will take effect March 1 unless Congress comes up with a better way to meet the target.

- In addition, President Reagan's budget for fiscal year 1987 is due to Congress by February 5. So we will have reconsideration of the 1986 budget proceeding simultaneously with our first shot at the 1987 budget.

That is a tall order, but is one we ought to be able to fill. Difficult as it seems, we should remember that the Gramm-Rudman law contains new procedures designed to make it easier to meet the deficit targets. We explicitly bring loan programs and other 'off-budget' items into the budget process; set a point of order against legislation from committees that have not met their budget savings allocation; and rule out of order legislation inconsistent with the deficit targets.

Possible Problems. We know there will be a rocky road ahead in implementing Gramm-Rudman. Congressmen Synar and others already have won the first round in their suit claiming it is unconstitutional, and the Reagan Administration also has some problems with the role of the Congress' General Accounting Office in mediating the deficit forecasts. The Supreme Court will have to give us a final ruling on all that in a few months. Even more important, what Congress can legislate, Congress can back out of. That's why we need a constitutional mandate for budgetary restraint, as well as a statutory one.

- So Gramm-Rudman hasn't made our options any easier: but if it works as planned, it will force us--and the President--to make some decisions and choose among the various deficit-reduction options. That means everyone's cherished spending programs will be put to the test of fiscal responsibility.

Spending the Key. Finally, let me emphasize that Gramm-Rudman is a device for reducing Federal spending. It is not a tax increase plan, or a subterfuge for one. If we fail on the spending front, we can look at other options. But the sooner we entertain any revenue options, you can bet the pressure for spending cuts will drop fast.

The Deficit and the Average American

- Unless we follow a deficit reduction path like that mandated under Gramm-Rudman, American families will face either higher interest rates or higher inflation: not to mention the risk of a disastrous new recession throwing millions of breadwinners out of work. That is what the Gramm-Rudman-Hollings initiative is all about.

- Most economists believe that enactment of deficit reduction measures that eliminate the deficit by the end of the decade will produce a drop of at least 1 percent in interest rates over the short run and 2 to 3 percentage points over the long term: relative to what they otherwise would be.

  -- With a 2% drop in interest rates, the monthly payment on a median priced home ($80,000) would go down by about $100 a month.

  -- Conversely, if we don't reduce the deficit to keep rates as low as they are now, homeowners could face that large an increase--or more-- in monthly payments.

  -- A 2% drop in interest rates would mean an additional $4,000 in income for the average wheat farmer with a 1,000 acre operation.

  -- In 1985, the Federal Government will overspend close to $1,000 for every man, woman, and child in America.

  -- This $1,000 per head of additional federal debt will be one more burden for our children to repay in higher taxes or higher inflation in the future.