

NATIONAL CORN GROWERS ASSOCIATION

March 11, 1987

HAROLD CUTLER, NORTH CAROLINA - PRESIDENT

KEITH HORA, WASHINGTON, IOWA - FIRST VICE PRESIDENT

TALKING POINTS

- O REGRET LOSS OF ED ZORINSKY. GOOD FRIEND OF RURAL AMERICA AND PARTICULARLY CORN FARMERS.

FARM PROGRAM

- O 1985 FARM BILL MOVING IN RIGHT DIRECTION, BUT SLOWLY. LOW FARM PRICES RESULTING IN HIGH PROGRAM COSTS (\$25.6 BILLION IN FY 86; ESTIMATED \$25.2 BILLION IN FY 87).

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- O FEDERAL AG OUTLAYS EQUAL ABOUT 2.8% OF FY 87 BUDGET COMPARED TO 5% BACK IN 1955. ALSO, CONSUMER GROCERY BILLS NOW TAKE 11 CENTS OF EACH DOLLAR OF DISPOSABLE INCOME COMPARED TO 16 1/2 CENTS A DECADE AGO.

- O ADMINISTRATION PROPOSAL TO CUT TARGET PRICES AN ADDITIONAL 10% ISN'T GOING ANYWHERE. FARM PROGRAM COSTS MAY NEED TO BE REDUCED, BUT ONLY AS PART OF MEANINGFUL DEFICIT REDUCTION INVOLVING ALL FEDERAL PROGRAMS.

- O DOUBTFUL CONGRESS WILL PRODUCE MAJOR REWRITE OF 1985 FARM BILL. NEW LEGISLATION USUALLY CREATES MORE PROBLEMS AND CONFUSION THAN IT RESOLVES, AND NEVER SATISFIED CRITICS. OTHER PRESSING PROBLEMS FACING RURAL COMMUNITIES NEED IMMEDIATE ATTENTION --NOT ANOTHER DEBATE OVER FARM PHILOSOPHY.

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- O HAVE CO-SPONSORED LEGISLATION WITH SENATOR GRASSLEY TO ADVANCE THE FINAL DEFICIENCY PAYMENT FOR 1986 FEED GRAINS CROPS. WOULD HELP IN FINANCING SPRING PLANTING.

- O WORKING WITH REPUBLICAN GOVERNORS AND MEMBERS OF CONGRESS ON FARM AND RURAL AMERICA TASK FORCE. RECOMMENDATIONS WILL BE INTRODUCED BY END OF MARCH, HOPEFULLY WITH BIPARTISAN SUPPORT.

- O ONE RECOMMENDATION IS URGE ADMINISTRATION TO ESTABLISH NATIONAL COMMISSION ON AGRICULTURAL POLICY MANDATED BY FARM BILL. REPORT TO COVER COMMODITY PROGRAMS, FARM CREDIT, TRADE AND RURAL DEVELOPMENT.

- O FARM CREDIT SYSTEM LOST \$1.9 BILLION IN 1986 AFTER \$2.7 BILLION IN 1985. EXPECT MORE SENATE HEARINGS ON SYSTEM BY END OF MARCH, WITH LEGISLATION POSSIBLE BY APRIL OR MAY. HOUSE AG CREDIT SUBCOMMITTEE IS MOVING TOWARD GREATER CENTRAL CONTROL.

- O TASK FORCE URGES SYSTEM TO MOVE QUICKLY IN DEVELOPING A PLAN FOR RECAPITALIZATION, NOT DELAY UNTIL LAST MINUTE. ANY RESTRUCTURING SHOULD RETAIN BORROWER VOICE IN LOCAL INSTITUTIONS. SECONDARY MARKET SHOULD BE SERIOUSLY CONSIDERED TO PROVIDE LIQUIDITY.

- O URGE ADMINISTRATION TO NATIONAL AG FINANCE COMMISSION, MANDATED BY FARM BILL.

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ETHANOL

- O I UNDERSTAND THE ADMINISTRATION HAS JUST WOKEN UP TO THE IMPORTANCE OF ETHANOL TO THE FARM ECONOMY AS WELL AS THE U.S. NATIONAL ECONOMY.

- O MANY HERE TODAY KNOW I HAVE BEEN IN THE FRONT LINES IN SUPPORT OF THE ETHANOL FUELS INDUSTRY:
 - CO-SPONSORED ORIGINAL GASOLINE FOR EXEMPTION WITH SEN. BAYH IN 1978;

 - LED EFFORT TO INCREASE EXEMPTION TO 6 CENTS PER GALLON AS FINANCE COMMITTEE CHAIRMAN IN 1984;

 - INTRODUCED LEGISLATION IN 1986 TO CLOSE LOOPHOLES IN CBI AND RESTRICT IMPORTS OF DEHYDRATED BRAZILIAN ETHANOL.

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- O IT'S GOOD TO SUPPORT ALCOHOL FUELS, BUT IT IS EQUALLY IMPORTANT TO EMPHASIZE OUR SUPPORT OF ETHANOL PRODUCED FROM HOME GROWN PRODUCTION.

- O IT IS NOT THE SAME TO PROMOTE ALCOHOL FUELS WHEN YOU'RE TALKING ABOUT METHANOL RATHER THAN ETHANOL.

- O METHANOL IS PRIMARILY IMPORTED FROM THE MIDDLE EAST, BRAZIL AND ARGENTINA, WHILE ETHANOL IS PRODUCED FROM HOME-GROWN PRODUCTION.

- O TASK FORCE LEGISLATION WILL INCLUDE DOLE PROPOSAL TO EXTEND 6 CENT EXEMPTION THROUGH YEAR 2000 TO GIVE INDUSTRY A LONG-TERM BASE FOR GROWTH .

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- O USDA REPORT OF JULY 1986 CRITICIZED ETHANOL AS UNECONOMICAL. AUTHORS ARE ALL ACADEMICS -- NO INDUSTRY OR HANDS ON EXPERIENCE. I ASK SECRETARY LYNG TO WITHDRAW THIS REPORT AND APPOINT A BROAD-BASED GROUP TO DO A NEW STUDY, INCLUDING INDUSTRY AND FARMERS.

TRADE/EXPORTS

- O PRESENT POLICY OF TARGETED EXPORT ENHANCEMENT PROGRAM, TARGETED EXPORT ASSISTANCE PROGRAM, PRICES DEPENDENT ON REDEMPTION VALUE OF COMMODITY CERTIFICATES IS COMPLICATED PATCHWORK.

- O NEED NON-DISCRIMINATORY EXPORT POLICIES, REFLECTING THE PRACTICES OF OUR COMPETITORS IN WORLD TRADE.

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- O I HAVE ASKED SECRETARY LYNG TO USE DISCRETIONARY AUTHORITY FOR A MARKETING LOAN FOR WHEAT, FEED GRAINS AND SOYBEANS. TASK FORCE PROPOSAL WILL MANDATE ACROSS-THE-BOARD EXPORT ENHANCEMENT PROGRAM, INCLUDING PROCESSED PRODUCTS, UNLESS MARKETING LOAN IS IN PLACE OR UNTIL SECRETARY CERTIFIES THAT U.S. LOAN RATES ARE COMPETITIVE.

- O USDA REPORT IN DECEMBER 1986 FOUND MINIMAL NEGATIVE IMPACT ON U.S. AGRICULTURE FROM AGRICULTURAL EMBARGOES OF 1970'S AND SOVIET TRADE EMBARGO OF JANUARY 11, 1980. AUTHORS OBVIOUSLY DID NOT CONSIDER EFFECT ON U.S. REPUTATION AS RELIABLE SUPPLIER, ENCOURAGEMENT OF FOREIGN COMPETITORS AND CUSTOMERS TO INCREASE PRODUCTION OR SUBSEQUENT DECISIONS TO MAKE U.S. TRADE POLICY MORE SELECTIVE AND DISCRIMINATORY.

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I INTEND TO ASK ANY CANDIDATE FOR THE VACANT POSITION OF USDA ASSISTANT SECRETARY FOR ECONOMIES TO EITHER DEFEND OR REPUDIATE THIS REPORT.

O I UNDERSTAND THE SOVIET UNION HAS BOUGHT UPWARDS OF 1.0 MILLION TONS OF CORN AND COULD BUY MUCH MORE. ALSO, THERE ARE RUMORS THE ADMINISTRATION MAY FINALLY MAKE WHEAT SALES UNDER THE EXPORT ENHANCEMENT PROGRAM AVAILABLE TO THE SOVIETS ON A PRICE-COMPETITIVE BASIS.

O I HAVE TRIED TO GET EEP ON AN ACROSS-THE-BROAD BASIS SINCE IT WAS CREATED BACK IN JUNE 1985. LAST AUGUST, THE STATE DEPARTMENT RESTRICTED THE WHEAT EXPORT BONUS TO \$13-15 PER TON, AND OUR COMPETITORS CHORTLED. I HOPE THE RUMOR IS TRUE, BECAUSE THEY ARE STILL CHORTLING.