

4/8/87
SR 253

April 7, 1987

TO: SENATOR DOLE
FROM: MARK SCANLAN
SUBJECT: CALIFORNIA AGRICULTURE EDUCATION FOUNDATION

CAEF sponsors the Agricultural Leadership Program which allows promising young agricultural-related leaders between the ages of 27-40 to participate in a two year leadership program studying communications, social studies, government and economics.

There will be 30 - 40 in attendance. It will be informal with Q's & A's. Most of them are Republicans. They are open to comments on any subject.

April 8, 1987

CALIFORNIA AGRICULTURE EDUCATION FOUNDATION

FARM BILL COSTS

- O THE 1985 FARM BILL IS MOVING IN THE RIGHT DIRECTION -- TOWARDS A GREATER MARKET ORIENTATION -- BUT PROGRESS HAS BEEN SLOW. LOW FARM PRICES HAVE RESULTED IN HIGH PROGRAM COSTS (\$25.6 BILLION IN FY 86; ESTIMATED \$25.2 BILLION IN FY 87).

- O CONGRESSMEN FROM URBAN STATES ARE BEGINNING TO COMPLAIN THAT FARM PROGRAMS ARE TOO EXPENSIVE.

-2-

- O FEDERAL OUTLAYS EQUAL ABOUT 2.8% OF THE 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 A DECLINING PROPORTION OF INCOME SPENT FOR FOOD LEAVES MORE MONEY FOR OTHER THINGS, AND IS AN OFTEN-USED INDICATOR OF A RISING STANDARD OF LIVING.

-3-

- O SO I WOULD SUGGEST THE AMERICAN FARMER IS PROVIDING AN INDIRECT SUBSIDY TO THE AMERICAN CONSUMERS, SINCE FOOD COSTS ARE DOWN A THIRD IN LESS THAN A DECADE.

OPENING THE FARM BILL

- O THE ADMINISTRATION HAS PROPOSED A 10% CUT IN TARGET PRICES EACH YEAR FOR THREE YEARS WHICH WOULD SAVE OVER \$20 BILLION BETWEEN FY 1988 - 1992.

-4-

- O SO IT IS DOUBTFUL CONGRESS WILL PRODUCE A MAJOR REWRITE OF THE 1985 FARM BILL. NEW LEGISLATION CREATES MORE PROBLEMS AND CONFUSION THAN IT RESOLVES, AND NEVER SATISFIES CRITICS. THE LAST THING WE NEED IS ANOTHER DEBATE OVER FARM BILL PHILOSOPHY.

- O MAY DO SOME FINETUNING, BUT THAT'S ABOUT IT.

-5-

CALIFORNIA AGRICULTURE EDUCATION FOUNDATION

EXPORT SITUATION

- O ONE AREA WHERE I HAVE ENCOURAGED THE ADMINISTRATION TO BE MORE AGGRESSIVE IS IN PURSUING FARM EXPORTS, WHICH HAVE DECLINED TWENTY-NINE PERCENT IN VOLUME, FROM 162 MILLION METRIC TONS TO 114 MILLION TONS, AND FORTY-ONE PERCENT IN VALUE, FROM \$44 BILLION TO \$26 BILLION, SINCE REACHING THEIR PEAK LEVELS IN 1981.

-6-

O THIS HAS REDUCED AGRICULTURE'S POSITIVE NET CONTRIBUTION TO THE U.S. TRADE BALANCE FROM \$26.6 BILLION TO \$5.4 BILLION. EVERY ONE BILLION DOLLARS IN FARM EXPORTS GENERATES 35,000 JOBS AND CREATES ANOTHER \$1.4 BILLION OF ECONOMIC ACTIVITY IN THE UNITED STATES. I WOULD STRESS THAT THIS LOSS IN EXPORT VOLUME AND VALUE REPRESENTS A SIGNIFICANT ECONOMIC LOSS TO FARMERS AND OTHERS IN RURAL AMERICA.

-7-

EXPORT ENHANCEMENT/MARKETING LOAN

O SO I'VE ENCOURAGED THE ADMINISTRATION TO ADMINISTER THE EXPORT ENHANCEMENT PROGRAM ACROSS-THE-BOARD RATHER THAN ON A SELECTIVE, COUNTRY-BY-COUNTRY BASIS WHICH HAS RESULTED IN INCREASED SALES TO THE TARGETED COUNTRIES BUT REDUCED PURCHASES BY COUNTRIES WHO ARE NOT ELIGIBLE, SUCH AS THE SOVIET UNION.

-8-

- O AS AN ALTERNATIVE TO AN ACROSS-THE-BOARD EXPORT ENHANCEMENT PROGRAM, I HAVE SUGGESTED THE ADMINISTRATION USE THEIR EXISTING AUTHORITIES TO IMPLEMENT A MARKETING LOAN, WHICH WOULD MAKE US IMMEDIATELY COMPETITIVE.

- O THE BOTTOM LINE IS THAT IF THE UNITED STATES IS GOING TO COMPETE IN A BUYERS MARKET, WHICH IS WHAT WE HAVE FOR MOST PRICE-SUPPORTED COMMODITIES TODAY, WE WILL

-9-

HAVE TO OFFER OUR CUSTOMERS COMPETITIVE
PRICES, A HIGH QUALITY PRODUCT AND A
RELIABLE SUPPLY.