

FOUNDED 1899
RMA
THE RICE MILLERS' ASSOCIATION

January 19, 1990

Senator Robert Dole
United States Senate
141 Hart Senate Office Bldg.
Washington, D.C. 20510-1601

Dear Senator Dole:

On behalf of Chairman John Poole, I would like to invite you to a breakfast meeting of the Rice Millers' Association 1990 Farm Bill Liaison Committee. The meeting will take place the morning of Wednesday, February 21, 1990 at 8:00 a.m. at the Willard Hotel.

Our committee would be interested in hearing your views as Senate Republican Leader on important political and economic considerations that will govern development of the 1990 Farm Bill, and the likely impact of budget and environmental concerns. This seven member committee is acting as the RMA liaison with members of Congress, the administration and other agriculture groups in discussing and planning the development of the 1990 Farm Bill. The names of its members are enclosed, along with a roster listing our entire membership.

Our group would be delighted to offer an appropriate honoraria. We hope you are able to join us February 21.

Sincerely,

David Graves
President

Enclosures

MEMBERS OF THE RICE MILLERS' ASSOCIATION
1990 FARM BILL LIAISON COMMITTEE:

Name -----	Firm -----
John Poole, Chairman	Comet Rice Houston, Texas
Lee Adams	American Rice, Inc. Houston, Texas
Carl Brothers	Riceland Foods Stuttgart, Arkansas
C. Ronald Caffey	Uncle Bens Houston, Texas
Bill Dore	Supreme Rice Mill Crowley, Louisiana
Ralph S. Newman	Farmers' Rice Cooperative Sacramento, California
Robert Watts	Riviana Foods Houston, Texas

FEBRUARY 20, 1990

TO: SENATOR DOLE
FROM: Dave Spears
SUBJECT: Rice Millers' Assn. 1990 Farm Bill Liaison Comm.

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The group is primarily interested in your views on important political and economic considerations of the 1990 Farm Bill as well as the likely impact of budget and environmental concerns.

I will plan to meet you at the event.

THE RICE MILLERS' ASSOCIATION
1990 FARM BILL LIAISON COMMITTEE
FEBRUARY 21, 1990

TALKING POINTS

1990 FARM BILL: RICE

THE RICE PROGRAM IS VERY LUCRATIVE TO PARTICIPANTS, AS SEEN BY PARTICIPATION: SINCE 1985, PARTICIPATION HAS RANGED FROM 94-96%.

THE RICE INDUSTRY WOULD LIKE THE PROGRAM TO REMAIN STATUS
QUO:

MAINTAIN 1990 TARGET PRICE--\$10.70/CWT
MAINTAIN 1990 MARKETING LOAN RATE--\$6.50/CWT
CURRENT LOAN RATE--85% OF 5 YEAR AVE. SPOT MARKET PRICE,
(MINUS THE HIGH AND LOW). FLOOR: \$6.50/CWT

THE ADMINISTRATION PROPOSAL WOULD ADJUST THE MARKETING LOAN RATE SO IT IS 75% OF THE 5 YEAR AVE. FARM PRICE (MINUS HIGH AND LOW). THE FLOOR WOULD BE ELIMINATED.

THE INDUSTRY HAS TWO MAIN CONCERNS ABOUT THE ADMINISTRATION PROPOSAL.

(1) IF THE LOAN RATE FLOOR IS ELIMINATED, THEN IT OPENS UP THE POTENTIAL FOR GREATER DEFICIENCY PAYMENTS AND FARMERS WOULD MORE LIKELY FEEL THE PINCH OF THE \$50,000 PAYMENT LIMIT.

(2) RICE FARMERS TRADITIONALLY RECEIVE FINANCING BASED OFF OF THE LOAN RATE. WITHOUT A FLOOR, FARMERS COULD BE HINDERED IN THEIR ABILITY TO RECEIVE FINANCING.

PRYOR AND COCHRAN WILL LIKELY INTRODUCE LEGISLATION IN THE NEXT COUPLE OF WEEKS THAT WILL ESSENTIALLY RE-ESTABLISH THE CURRENT RICE AND COTTON PROGRAMS.

ARPS: IN DECEMBER 1989, THE SECRETARY LOWERED THE ARP FROM 25% TO 22.5%. BUT IN JANUARY 1990, THE STOCKS CARRYOVER PROJECTION OF 19 MILLION CWT WAS ANNOUNCED. THIS PROMPTED THE SECRETARY TO CHANGE THE ARP TO 20% ON JANUARY 31, 1990. AS YOU KNOW, THE 1985 FARM BILL SET THE CARRYOVER TARGET AT 30 MILLION CWT.

THE ADMINISTRATION PROPOSAL INCLUDES AN ADJUSTMENT IN THE ARP TRIGGER FROM FIXED STOCK LEVELS TO A STOCKS RELATIVE TO TOTAL USE. THE ADMINISTRATION WOULD LIKE TO ACHIEVE A STOCKS-TO-USE RATIO OF 20% FOR RICE.

POLICY ISSUES:

ENVIRONMENT--WATER CONTAMINATION IS A BIG ISSUE. CHEMICAL USE ON RICE FIELDS AVERAGES \$6/ACRE, THREE TIMES THE LEVEL ON WHEAT FARMS. ALL RICE IS IRRIGATED, COMPOUNDING THE PROBLEM.

DOUBLE SUBSIDY--THIS REFERS TO THE "DOUBLE" SUBSIDY PRODUCERS RECEIVE ON IRRIGATION WATER AND ON OUTPUT (THROUGH PRICE/INCOME SUPPORTS). ABOUT 11% OF RICE PRODUCTION IS ON LAND WITH SOME WATER SUBSIDIES. SOME WATER PROJECTS, PARTICULARLY IN CA, ARE DEVOTED ALMOST EXCLUSIVELY TO RICE.

PAYMENT SIZE--RICE FARMERS HAVE HAD A BIG INCENTIVE TO BREAK UP FARMS TO AVOID THE \$50,000 PAYMENT LIMIT. THIS IS BECAUSE THE RICE PROGRAM IS SO LUCRATIVE. RICE FARMS WITH OVER 1,000 ACRES OF CROPLAND RECEIVED 51% OF ALL RICE PROGRAM PAYMENTS IN 1987, BUT ACCOUNTED FOR ONLY 25% OF ALL RICE FARMS. THE 1987 BUDGET RECONCILIATION ACT TIGHTENED PAYMENT ELIGIBILITY AND CRACKED DOWN ON BREAK-UPS. BUT THE EFFECT IS UNCERTAIN.

USDA COSTS OF PRODUCTION--MANY FARMERS, PARTICULARLY IN TX AND LA, THINK THAT USDA'S RICE PRODUCTION COSTS ARE TOO LOW. THESE COSTS ARE "BACKGROUND" FOR POLICY AND NOT TIED DIRECTLY TO TARGET PRICES. RICE PRODUCTION REQUIRES ABOUT 2-3 TIMES THE CAPITAL AND INPUT EXPENDITURES USED FOR WHEAT AND FEED GRAINS.

TRADE LIBERALIZATION--IF GATT MEMBERS' AGRICULTURAL SUBSIDIES WERE PHASED OUT, THE OPENING OF THE JAPANESE MARKET WOULD BE OF PARTICULAR IMPORTANCE TO RICE PRODUCERS. CALIFORNIA'S MEDIUM GRAIN EXPORTS TO JAPAN COULD RISE CONSIDERABLY. THE SOUTH WOULD NOT BE NEARLY AS COMPETITIVE, PARTICULARLY TX..

CURRENT SUPPLY AND USE:

THAILAND IS BY FAR THE WORLD'S MAIN EXPORTER, WITH 40% OF THE WORLD MARKET. THE U.S. IS SECOND, WITH A 20% SHARE. MAJOR IMPORTERS ARE CHINA, IRAN, IRAQ, EC-12, AND THE USSR.

GENERAL

'85 BILL HELPS TURN AGRICULTURE AROUND

THE GOOD NEWS IS, THE '85 FARM BILL HELPED TURN THE CORNER FOR AMERICAN AGRICULTURE BY INSTITUTING FLEXIBLE LOAN RATES THAT MADE US MORE COMPETITIVE WHILE PROTECTING FARMERS' INCOME. POLICIES SUCH AS THE MARKETING LOAN PROGRAMS FOR COTTON AND RICE, PLUS THE EXPORT ENHANCEMENT PROGRAM FOR WHEAT AND OTHER AG PRODUCTS, HELPED US RECOVER MARKET SHARE, REDUCE SURPLUS STOCK LEVELS AND INCREASE BOTH THE VOLUME AND VALUE OF AGRICULTURAL EXPORTS.

FOR EXAMPLE, SINCE 1985, EXPORTS FOR THE FOUR MAJOR AGRICULTURAL COMMODITIES HAVE INCREASED BY THE FOLLOWING PERCENTAGES:

CORN:	76%
WHEAT:	40%
RICE:	35%
COTTON:	22%

EXPORT ENHANCEMENT PROGRAM/BUDGET

NO DOUBT ABOUT IT, "EEP" HAS BEEN ONE OF THE REAL SUCCESS STORIES OF THE 1985 FARM BILL. WITHOUT IT, THE U.S. WOULD STILL BE A FRUSTRATED AND DISADVANTAGED COMPETITOR IN THE WORLD MARKETPLACE.

"EEP" CONVINCED THE COMPETITION WE WERE SERIOUS ABOUT COMPETING IN THE MARKETPLACE. SINCE THE ENACTMENT OF "EEP", AG EXPORTS HAVE REBOUNDED DRAMATICALLY, AND IT HAS GIVEN US NEW LEVERAGE AT THE GATT NEGOTIATIONS.

SINCE THE ENACTMENT OF "EEP" IN 1985 WE HAVE SPENT \$2.7 BILLION AND AT THE SAME TIME SOLD \$9.8 BILLION OF FARM PRODUCTS.

IN THE PRESIDENT'S BUDGET "EEP" WOULD BE INCREASED \$334 MILLION FROM THE CONGRESSIONALLY MANDATED CAP OF \$566 MILLION TO \$900 MILLION FOR THE NEW 1991 CROP YEAR. * NOTE THAT THIS WOULD BE POST-URUGUAY.

THIS IS GOOD NEWS FOR U.S. AGRICULTURE. IT POINTS OUT THAT THE ADMINISTRATION IS STRONGLY BEHIND THE PROGRAM. AT THE SAME TIME IT SERVES UP NOTICE TO THE E.E.C. IN THE GATT NEGOTIATIONS. IT SHOULD PROVIDE A GOOD LEVERAGING TOOL IN THE NEGOTIATIONS TO GET OTHER COUNTRIES ON A LEVEL PLAYING FIELD.

OVERALL AGRICULTURE COMPETITIVE SITUATION

FOUR KEY CONCEPTS:

- 1) GATT STRIVE TO ACHIEVE LEVEL PLAYING FIELD
- 2) COMPETITIVE LOAN RATES
- 3) AGGRESSIVE EXPORT PROGRAM E.E.P. FOR EXAMPLE REGAINS LOST MARKET SHARE
- 4) ADEQUATE PRODUCTION DON'T ARTIFICIALLY SHORT THE MARKET WITH PROGRAMS LIKE CRP AND ANNUAL FARM PROGRAMS.

FEDERAL DEFICIT

THE TRUTH IS, WE CAN'T AFFORD TO WASTE ANOTHER PENNY. CONGRESS WILL BE STRUGGLING ONCE MORE TO MEET THE GRAMM/RUDMAN DEFICIT REDUCTION TARGETS. THIS PAST YEAR, CONGRESS CUT THE DEFICIT ABOUT \$15 BILLION AND WILL BE FACED WITH CUTTING AN ADDITIONAL \$36 BILLION THIS YEAR.

SO THE DEFICIT IS STILL ISSUE NUMBER ONE. IT HASN'T GONE AWAY; NOR HAS THE URGENCY TO DEAL WITH IT BEEN DIMINISHED BY EXTREMELY MODEST CONGRESSIONAL ACTION DURING THE PAST FEW YEARS.

AND WE'LL NEVER GET THE JOB DONE USING SMOKE AND MIRRORS AND OTHER BOOKKEEPING GIMMICKS.

THAT'S WHY THE BUDGET PROCESS WILL PLAY A MAJOR ROLE IN THE WRITING OF THE 1990 FARM BILL. IT WILL CONTINUE TO DICTATE THE DIRECTION OF FARM POLICY.

DEFICIT THREAT TO RURAL AMERICA AND ALL AMERICA

IF WE DON'T DEAL WITH THE DEFICIT, RURAL AMERICA COULD BE RIGHT BACK IN THE SOUP AGAIN -FOR FARMERS, ABOUT THE ONLY THING WORSE THAN A DROUGHT IS HIGHER INTEREST RATES.

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SURVEY OF 1220 KANSAS FARMERS ON COMMODITY PROGRAMS FOR 1990 FARM BILL

