

March 17, 1993

TO: SENATOR DOLE

FROM: BRET FOX

SUBJECT: TUESDAY, MARCH 23 SPEECH TO NATIONAL GRAIN AND FEED

ATTACHED FOR YOUR REVIEW ARE COMMENTS FOR YOUR SPEECH TO THE NATIONAL GRAIN AND FEED ASSOCIATION ANNUAL CONVENTION, SCHEDULED FOR 9:00 AM AT THE J.W. MARRIOTT ON TUESDAY, MARCH 23.

500-600 NGFA MEMBERS WILL BE IN ATTENDANCE, AN AUDIENCE COMPRISED OF EXECUTIVES AND MANAGERS OF GRAIN AND FEED HANDLING, PROCESSING, STORING, MILLING AND EXPORTING OPERATIONS. IN GENERAL, THEIR MEMBERSHIP HAS PROMOTED MARKET-ORIENTED FARM POLICIES THAT RELY AS LITTLE AS POSSIBLE ON THE INTERVENTION OF GOVERNMENT INTO THE ORDERLY PRODUCTION AND MARKETING OF GRAIN.

THE ATTACHED COMMENTS FOCUS ON THE PRESIDENT'S PACKAGE AND TRADE ISSUES, AND HIGHLIGHT A FEW KEY COMPONENTS OF THE ECONOMIC PACKAGE THAT ARE IMPORTANT TO THIS AUDIENCE, INCLUDING THE PROPOSED INLAND WATERWAYS USER FEES INCREASE AND IRS TREATMENT OF GAINS AND LOSSES FROM HEDGING TRANSACTIONS.

REMARKS OF
SENATOR BOB DOLE
NATIONAL GRAIN AND FEED
MARCH 23, 1993

INTRODUCTION

*THANK YOU. I'M REMINDED THIS MORNING OF THE WORDS OF DWIGHT EISENHOWER, WHO SAID, "FARMING LOOKS MIGHTY EASY WHEN YOUR PLOW IS A PENCIL, AND YOU'RE A THOUSAND MILES FROM A CORN FIELD."

*WELL, IT'S A PLEASURE TO BE IN A ROOM FULL OF PEOPLE WHO KNOW BETTER--AND WHO ARE TOO OFTEN ON THE RECEIVING END OF WASHINGTON'S PENCIL.

CLINTON'S TAXING PACKAGE

*LET ME BEGIN WITH THE NUMBER ONE TOPIC IN WASHINGTON AND ACROSS AMERICA--TAXES. PRESIDENT CLINTON'S ECONOMIC PLAN WILL HIT JUST ABOUT EVERYONE WITH SOME FORM OF A TAX INCREASE--AND AGRICULTURE IS CERTAINLY NO EXCEPTION.

*ONE VERY TROUBLING ASPECT OF THE PRESIDENT'S TAX AND SPEND PLAN IS THE PROPOSED "BTU" TAX. IT WILL HIT AGRICULTURE ESPECIALLY HARD FOR A FEW KEY REASONS, NAMELY THE LACK OF AN OFF-ROAD EXEMPTION AND INCREASED FARM INPUT COSTS DUE TO THE LARGE AMOUNTS OF ENERGY REQUIRED TO MANUFACTURE FERTILIZER.

*LET ME GIVE YOU A FEW QUICK NUMBERS THAT SHOW HOW THE PRESIDENT'S ENERGY TAX WILL APPLY TO DIFFERENT KINDS OF FARMS--SHOWING THE ANNUAL IMPACT OF A \$.10 INCREASE IN DIESEL TAX ALONE:

-- 700 WHEAT/300 ACRE MILO (KANSAS) -- \$900-1,300

-- 430 ACRES CORN (MIDWEST) -- \$800-1,000

*THESE EXAMPLES DO NOT INCLUDE THE INCREASED COSTS OF ENERGY-INTENSIVE INPUTS SUCH AS FERTILIZER AND CHEMICALS--IF THOSE COSTS WERE INCLUDED, ALL OF THE ABOVE NUMBERS COULD EASILY DOUBLE. AND ADD TO THAT INCREASED COSTS FOR IRRIGATION, HOME HEATING AND CONSUMER GOODS IN GENERAL, AND RURAL AMERICA REALLY GETS HIT IN THE POCKETBOOK.

*ANOTHER THING THAT I HAVEN'T HEARD MANY IN WASHINGTON TALK ABOUT IS THE ADDITIONAL HIT THAT FARMERS WILL TAKE WHEN THEY SELL THEIR CROP. ANY WESTERN KANSAS WHEAT FARMER KNOWS THAT THE DIFFERENCE IN KANSAS CITY PRICES AND DODGE CITY PRICES IS LARGELY DUE TO TRANSPORTATION COSTS--AND THOSE HIGHER FUEL COSTS WILL BE DIRECTLY REFLECTED IN THAT BASIS.

*WHAT IS TROUBLING IS THAT THE WHITE HOUSE GIVES SOME INDICATION THAT THEY RECOGNIZE THE SERIOUS IMPACT OF THIS TAX--BUT THE REACTION IS TO "OFFSET" THAT IMPACT BY MAKING ADDITIONAL BAD POLICY CHANGES.

*SPECIFICALLY, I REFER TO REPORTS THAT THE PRESIDENT IS CONSIDERING RECOMMENDATIONS BY A FEW OF MY COLLEAGUES TO RAISE LOAN RATES. IN ANOTHER CASE SEPARATE FROM THE BTU TAX, I UNDERSTAND THAT THE PROPOSED ELIMINATION OF THE 0/92 PROGRAM IS PAID FOR BY A DISASTROUS INCREASE IN IDLED ACREAGE. ALL OF THIS IS AN ATTACK ON SOUND POLICY--A LOT OF BAD IDEAS TO OFFSET THE NEGATIVE IMPACT OF ONE REALLY BAD IDEA.

*THE ONLY GOOD NEWS FOR FARMERS IS THE INCLUSION OF AN INVESTMENT TAX CREDIT AND NO REDUCTION--AS OF YET--IN THE \$600,000 ESTATE TAX EXEMPTION.

*BUT THAT FALLS SHORT OF INCLUDING THE THREE TAX PROVISIONS THAT I'VE ALWAYS FELT COULD BE THE MOST BENEFICIAL TO FARMERS AND RANCHERS-- 1) THE INVESTMENT TAX CREDIT, 2) A RETURN TO INCOME-AVERAGING, AND 3) 100% DEDUCTIBILITY FOR HEALTH INSURANCE PREMIUMS.

BUDGET CUTS?

*WE ARE STILL WAITING FOR MANY DETAILS ON THE PRESIDENT'S BUDGET, BUT SOME OF US ARE A LITTLE SUSPICIOUS THAT THE BUDGET DEBATES WITHIN THE ADMINISTRATION ARE GOING ON WITHOUT THE COUNSEL OF THE SECRETARY OF AGRICULTURE.

*I SAY THAT BECAUSE USDA OFFICIALS HAVE OFFERED MOSTLY BLANK STARES WHEN PRESSED FOR DETAILS BEHIND THE NUMBERS. THAT GENERALLY POINTS TO A CASE WHERE POLICY IS BEING DRIVEN BY THE NUMBER CRUNCHERS OVER AT THE OFFICE OF MANAGEMENT AND BUDGET, MOST OF WHOM HAVE NO CLUE AS TO THE SERIOUS POLICY CONSIDERATIONS THAT ARE AT STAKE.

*AND, AS ROSS PEROT SAYS, "THE DEVIL'S IN THE DETAILS." FOR EXAMPLE, GRAIN INSPECTION AND OVERTIME INSPECTION FEES ARE TO BE RAISED TO THE TUNE OF \$59 MILLION OVER FOUR YEARS--BUT NO ONE KNOWS THE DETAILS, EXCEPT THAT THESE ARE MORE COSTS WHICH WILL BE PASSED ON TO THE FARMER.

*YOU'LL NOTE THAT THESE USER FEE INCREASES--READ TAXES--ARE COUNTED BY THE NUMBER CRUNCHERS AS A BUDGET CUT--WELCOME TO WASHINGTON.

*ANOTHER TAX THAT IS OF PARTICULAR CONCERN TO YOUR MEMBERSHIP AND OTHERS WHO HAVE A STAKE IN RIVER TRANSPORTATION IS THE PROPOSED 525% HIKE IN INLAND WATERWAY USER FEES. WITHOUT CONSIDERING THE ADDED IMPACT OF THE BTU TAX ON DIESEL PRICES, RAISING THE CURRENT \$.19 FEE TO \$1.19 COULD ADD \$70,000 TO THE COST OF MOVING A 15-BARGE TOW FROM MINNEAPOLIS TO NEW ORLEANS. I'VE BEEN TOLD THAT THAT PENCILS OUT TO ALMOST \$.15 PER BUSHEL, WHICH WOULD COME RIGHT OUT OF THE FARMER'S POCKET.

*THAT IS A HUGE IMPACT ON TRANSPORTATION COSTS, AND IS GOING TO BE FELT THROUGHOUT THE COUNTRY--NOT JUST ALONG OUR MAJOR WATERWAYS.

*OVERALL, THE END RESULT IS CLEAR--THESE TAXES, DIRECT AND INDIRECT, ALONG WITH INCREASED USER FEES AND OTHER PROVISIONS WILL ADD A TREMENDOUS COST TO DOING BUSINESS IN FARM COUNTRY.

IRS RULING--HEDGING LOSSES

*I KNOW THAT YOUR LEADERSHIP HAS BEEN VERY ACTIVE IN ATTEMPTING TO FIND A SOLUTION TO THE IRS' TREATMENT OF GAIN AND LOSSES RESULTING FROM HEDGING TRANSACTIONS.

*IN EFFECT, THE IRS POLICY IS PUNISHING PRUDENT MARKETING AND RISK MANAGEMENT PRACTICES, CHARGING BLINDLY AHEAD REGARDLESS OF THE IMPACT.

*WE'RE TRYING TO GET THIS RESOLVED. WE'VE BEEN WRITING LETTERS, AND LAST YEAR I JOINED THEN-SENATOR BENTSEN IN A COLLOQUY ON THE FLOOR OF THE SENATE. I HOPE THAT AS SECRETARY OF TREASURY HE CAN HELP US OUT AND RESTORE SOME COMMON SENSE TO THE TREATMENT OF THESE TRANSACTIONS.

RUSSIAN CREDITS

*LET ME TURN NOW TO ANOTHER MATTER I KNOW IS OF GREAT INTEREST TO YOU--AND THAT'S GRAIN CREDITS. YOU ALL KNOW THAT THE RUSSIANS WERE IN TOWN RECENTLY, AND WENT HOME EMPTY-HANDED WITH NO REAL COMMITMENT FROM THE WHITE HOUSE.

*THIS IS A SERIOUS SITUATION FOR BOTH FARMERS AND FOR TAXPAYERS. ALL ALONG WE'VE KNOWN THAT EXTENDING GRAIN CREDITS WAS A RISK, AND NOW WE FIND RUSSIA IN REPAYMENT ARREARS WELL OVER \$500 MILLION, AND BANKS HAVE BEGUN FILING LARGE REPAYMENT CLAIMS WITH USDA. THESE DEFAULTS HAVE SHUT OFF THE CREDIT PIPELINE TO THE DETRIMENT OF GRAIN AND LIVESTOCK PRODUCERS ALIKE.

*BUT, NO DOUBT ABOUT IT, WE NEED TO FOCUS ON THIS PROBLEM, BECAUSE ALTHOUGH WE MUST PROCEED WITH CAUTION--A LOT OF MONEY IS AT RISK--WE SHOULD NOT LOSE SIGHT OF THE BIGGER PICTURE.

*THAT BIGGER PICTURE SHOWS THAT THE TRANSITION ONGOING IN RUSSIA HAS STILL NOT TAKEN HOLD. AND PRESIDENT YELTSIN IS FACING A FIERCE CHALLENGE BY THE RUSSIAN CONGRESS--MANY QUESTION HOW LONG HE WILL LAST.

*OUR OPTIONS MAY BE LIMITED. IN THE SHORT TERM, I KNOW A LOT OF PEOPLE ARE FOCUSING ON FOOD AID OR CONCESSIONAL SALES, AND WANT A GREEN LIGHT ON SHIPPING THOSE SALES THAT WERE REGISTERED BUT UNSHIPED AT THE TIME THE RUSSIANS FIRST DEFAULTED.

*BUT IT SEEMS TO ME THAT WE CAN EITHER ATTEMPT TO FACILITATE SOME KIND OF LARGE-SCALE BARTERING, OR ELSE WE JUST HAVE TO FACE THE MUSIC--IT'S A RISKY INVESTMENT, WE MAY NEVER GET PAID BACK, BUT IT IS IN THE LONG-TERM INTERESTS OF THE TAXPAYER WHO DOESN'T WANT TO PAY FOR ANOTHER ARMS RACE AND FOR OUR CHILDREN WHO DON'T WANT TO LIVE THROUGH ONE.

*I HOPE WE SEE SOME LEADERSHIP ON THIS SOON FROM THE WHITE HOUSE--A COMMITMENT TO DO THE RIGHT THING AND FOLLOW THROUGH BEFORE WE LOSE ALL PRESENCE IN THAT MARKET.

THE NAFTA

*WHILE THE RUSSIAN MARKET IS VITAL, THERE ARE THOSE CLOSER TO HOME THAT WE ARE STILL TRYING TO TAP UNDER THE NAFTA. LAST WEEK, THE ADMINISTRATION BEGAN NEGOTIATING THREE "SIDE AGREEMENTS" TO NAFTA--ONE ON ENVIRONMENT, ONE ON ASSISTANCE TO WORKERS HURT BY THE IMPLEMENTATION OF THE TRADE AGREEMENT AND ONE ON IMPORT SURGES TO PROTECT DOMESTIC INDUSTRIES HURT BY UNEXPECTED INCREASES IN IMPORTS.

*THE PLAN IS TO SEND THOSE AGREEMENTS TO CONGRESS IN JUNE OR JULY THIS YEAR WITH THE ORIGINAL AGREEMENT, WHICH, THEY SAY, WILL NOT BE CHANGED.

*THE JUNE OR JULY TIMETABLE--EVEN IF IT'S LIKELY--WOULD GIVE CONGRESS A NAFTA RIGHT WHEN WE'RE DEBATING THE NEW BUDGET, HEALTH CARE, APPROPRIATIONS AND A LOT OF OTHER IMPORTANT ISSUES SO WE MAY NOT SEE A NAFTA VOTE UNTIL NEXT YEAR.

*THE BOTTOM LINE IS THAT MEXICO--WITH A NEAR 100 MILLION POPULATION BY THE END OF THIS CENTURY--IS ONE OF OUR FASTEST GROWING MARKETS. THE MORE PROSPERITY IN MEXICO, THE MORE THEIR FOOD AND FIBER NEEDS WILL INCREASE.

*A FREE TRADE AGREEMENT GIVES US, IN FACT, A SPECIAL MARKET FOR AMERICAN PRODUCTS RIGHT ACROSS THE BORDER. IF WE DON'T TAKE THIS OPPORTUNITY TO GIVE OURSELVES PREFERRED ACCESS, THE MEXICAN MARKET--AND OTHER VALUABLE MARKETS IN LATIN AMERICA--WILL BE UP FOR GRABS BY OUR COMPETITORS.

*DEVELOPING COUNTRIES ARE THE ONLY REAL GROWTH MARKETS AMERICAN AGRICULTURE HAS. IF WE DON'T GO AFTER THOSE MARKETS AGGRESSIVELY, WE'RE JUST NOT GOING TO HAVE A PLACE TO SELL THE \$20 BILLION WORTH OF SURPLUS THAT WE NOW PRODUCE.

*THOSE ARE JUST A FEW OF THE CHALLENGES FACING AMERICAN AGRICULTURE...I LOOK FORWARD TO WORKING WITH THE NEW ADMINISTRATION AND WITH YOUR MEMBERSHIP TO ENSURE THAT GOVERNMENT POLICIES WILL NOT PREVENT OUR FARMERS FROM MEETING THOSE CHALLENGES.

SPEAK



Tuesday - March 23
J.W. Marriott Hotel
Washington, D.C.

National Grain and Feed Association 9:00 am

December 11, 1992

The Honorable Robert Dole
Republican Leader
U.S. Senate
S-230 Capitol Building
Washington, D.C. 20510

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Dear Mr. Leader:

The National Grain and Feed Association (NGFA) invites you to present a keynote address to a general session of its 97th Annual Convention at 9:00 a.m. on Tuesday, March 23, at the J.W. Marriott Hotel in Washington, D.C. We have also invited Vice President-elect Al Gore and intend to invite the newly designated Secretary of Agriculture when he or she is named. We think your views of how Congress will operate under the Clinton Administration will lend balance to our program, and we very much hope you can attend.

The NGFA is the national nonprofit trade association of 1,200 grain, feed and processing firms comprising 5,000 facilities that store, handle, merchandise, mill, process and export more than two-thirds of all U.S. grains and oilseeds utilized in domestic and export markets. The NGFA also consists of 40 affiliated state and regional grain and feed associations whose members include more than 10,000 grain and feed companies nationwide.

Our members include large grain exporters, such as Cargill, Inc., Bunge Corporation, Continental Grain Company, and Louis Dreyfus. Our members also process grains, including Archer Daniels Midland, ConAgra/Peavey, Cenex/Land O'Lakes, and Nabisco Foods. Country elevators, the point of first purchase and direct link to farmers, make up about 70% of the NGFA membership, which also includes companies that provide products and services to the grain and feed industry, like banks, railroads, and farm input suppliers.

At the NGFA Annual Convention each March, 500-600 executives and managers and their families meet to discuss marketplace conditions, business opportunities, and the public policy climate affecting their operations. Given a new team in the White House and a significantly changed Congress, 1993 is an optimal year to meet in our nation's capital. We would like to hear from you about the changed political climate, what can be expected in a Clinton/Gore Administration, and the role that Republicans in Congress will play in balancing the Democrats' control of both ends of Pennsylvania Avenue.

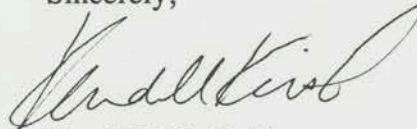
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The Honorable Robert Dole
December 11, 1992
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Our members, including many representatives of the Kansas Grain and Feed Association, recall your address at the NGFA's 1990 Country Elevator Council meeting in Kansas City with particular enthusiasm. We sincerely hope you can join us again in March to share your vision for the 103rd Congress.

We would be glad to respond to any questions or comments. Please feel free to contact our offices at (202) 289-0873.

Sincerely,

A handwritten signature in dark ink, appearing to read "Kendell W. Keith". The signature is fluid and cursive, with the first name being the most prominent.

Kendell W. Keith
President

cc: Tom Tunnell
Kansas Grain & Feed Association