

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

INCOMING

CO 072

DATE RECEIVED: AUGUST 27, 1990

NAME OF CORRESPONDENT: THE HONORABLE BYRON L. DORGAN

SUBJECT: CONCERNS REGARDING THE SIDE EFFECTS TO THE
MULTI-NATIONAL EMBARGO OF IRAQI IMPORTS AS
PERTAINS TO THE GRAIN EXPORT MARKET

ROUTE TO: OFFICE/AGENCY (STAFF NAME)		ACTION ACT CODE	DATE YY/MM/DD	TYPE RESP	DISPOSITION C COMPLETED D YY/MM/DD
FREDERICK MCCLURE		ORG	90/08/27	FM	A 90/08/28 <i>13</i>
REFERRAL NOTE: <i>99 USDA</i>		A	90/09/05 <i>13</i>		A 90/10/16 <i>13</i> DJ
REFERRAL NOTE: <i>NS SIT</i>		I	90/09/05 <i>13</i>		C 90/09/05
REFERRAL NOTE: <i>99 DOS</i>		I	90/09/05 <i>13</i>		C 90/09/05
REFERRAL NOTE: <i>99 DOD</i>		I	90/09/05 <i>13</i>		C 90/09/05
REFERRAL NOTE: <i>99 USTR</i>		I	90/09/05 <i>13</i>		C 90/09/05
COMMENTS: <i>LAUNCH FYI - USDA</i>		<i>DIA</i>	90/10/16		C 90/10/16 <i>13</i>

ADDITIONAL CORRESPONDENTS: MEDIA: L INDIVIDUAL CODES: 1230 _____
 MAIL USER CODES: (A) _____ (B) _____ (C) _____

 *ACTION CODES: *DISPOSITION *OUTGOING *
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 *A-APPROPRIATE ACTION *A-ANSWERED *TYPE RESP=INITIALS *
 *C-COMMENT/RECOM *B-NON-SPEC-REFERRAL * OF SIGNER *
 *D-DRAFT RESPONSE *C-COMPLETED * CODE = A *
 *F-FURNISH FACT SHEET *S-SUSPENDED *COMPLETED = DATE OF *
 *I-INFO COPY/NO ACT NEC * * OUTGOING *
 *R-DIRECT REPLY W/COPY * * *
 *S-FOR-SIGNATURE * * *
 *X-INTERIM REPLY * * *

REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE
 (ROOM 75, OEOB) EXT-2590
 KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING
 LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS
 MANAGEMENT.

The Honorable Byron L. Dorgan
House of Representatives
Washington, D.C. 20515

OUT 1 1 1991

Dear Congressman Dorgan:

Thank you for your recent letter regarding the U.S. wheat situation. We've been concerned about that situation for a number of months, as it became apparent that a huge crop was in the offing for the entire world.

Wheat prices have dropped significantly, more than most experts had expected, and that is a traumatic experience for producers. Some have suggested that modified contracts during the 1990 crop year are to blame. But that is not the case, since they increased production by only a small amount. Prices are down because wheat farmers have had excellent yields here and elsewhere in the world, at a time when demand from some of our major customers has declined unpredictably. Fortunately, most wheat growers are program participants and can avail themselves of the fundamental "safety net" protection provided by all current and proposed programs. Additionally, a good number of wheat growers were able to hedge some of their 1990 wheat several months ago when the price was still quite attractive. Finally, though prices have fallen significantly, many wheat producers will benefit from having one of the largest wheat crops of all time.

In order to boost wheat exports, we have been using the Export Enhancement Program (EEP) aggressively. Some have asserted that the EEP has not been used aggressively, but that simply is not the case. Let's look at the record:

1. In the first four months of the 1990 marketing year we've made EEP awards covering over 3.3 million metric tons of wheat, or 121 million bushels. This is several times what we did at this time a year ago, notwithstanding abysmal buyer interest. As you know, we cannot force anyone to buy from us; purchasers make their own decisions based on market conditions as they see them. All we can do is make our EEP bonuses competitive with others, and we've done that. Recent bonuses are far higher than those of a year ago. We could make them still higher, and we may have to do so to counter the European Community (EC), but that runs the risk of driving the market lower. The better answer, of course, is to negotiate a phaseout of export subsidies in the Uruguay Round so that we will not in the future have to compete with onerous EC subsidies (that are now higher than the value of our wheat!).

2. We will continue to use the EEP to keep U.S. wheat competitive in world markets. As of October 1, we had wheat initiatives with an unused balance of over 8.5 million metric tons, or about 312 million bushels, and wheat flour initiatives with an unused balance of about 1.2 million metric tons, or approximately 59 million bushels of wheat. This includes a new initiative of 500,000 MT of wheat flour to the USSR. These EEP initiatives cover virtually every wheat and flour market where we face EC-subsidized competition. Further, we are re-examining every initiative that expired September 30, and we'll reopen every initiative that is potentially viable.

We have also been using other policy tools to assist wheat exports. Under the fiscal year (FY) 1990 GSM-102 and 103 export credit guarantee programs, we announced \$1.5 billion in coverage for wheat and wheat flour. We have now begun announcing FY 1991 GSM programs and are including wheat coverage whenever possible. Under Public Law 480, wheat and wheat products programming for FY 1990 reached 4.3 million metric tons grain equivalent (MTGE), about 158 million bushels. As with our GSM programs, we have now begun announcing FY 1991 P.L. 480, Title I programs and project that another 4.7 million MTGE (about 173 million bushels) of wheat and wheat products will be programmed.

Under our Section 416 grant program, we have approved \$20 million of emergency food aid for Iraqi-crisis refugees in Jordan to provide 10,000 metric tons of rice, 5,000 metric tons of wheat flour, and 2,000 metric tons of vegetable oil. Also, we have decided to rebuild the Food Security Wheat Reserve by placing all of the Commodity Credit Corporation's uncommitted wheat stocks of some 4.5 million metric tons into the Reserve.

We're doing all we can to help move U.S. wheat in the marketplace in a sensible way. At the same time, we are working hard on the Uruguay Round, because in the longer run elimination of unfair trade practices and the opening of additional market opportunities is the only antidote for low prices. I urge you to support that important effort.

Cordially,

Richard T. Crowder, Under Secretary
International Affairs and Commodity Programs

~FAS:CMF:G&FD:MHarris:kms:10/04/90:04-Y61662

clearance:

Novotny Simmons Mackie Info Div

cc:Yeutter:Crowder:Veneman:Campbell:Assoc.Admin:Anderson:Dickerson:
Mackie:Simmons:EC&R:OBGA:CCO:Division copies

169454

T H E W H I T E H O U S E O F F I C E

REFERRAL

SEPTEMBER 5, 1990

TO: DEPARTMENT OF AGRICULTURE

ACTION REQUESTED:
APPROPRIATE ACTION

REMARKS: ALSO REFERRED TO DOS, DOD AND USTR

DESCRIPTION OF INCOMING:

ID: 169454
MEDIA: LETTER, DATED AUGUST 24, 1990
TO: PRESIDENT BUSH
FROM: THE HONORABLE BYRON L. DORGAN
 U.S. HOUSE OF REPRESENTATIVES
 WASHINGTON DC 20515

SUBJECT: CONCERNS REGARDING THE SIDE EFFECTS TO THE
MULTI-NATIONAL EMBARGO OF IRAQI IMPORTS AS
PERTAINS TO THE GRAIN EXPORT MARKET

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN
TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE
UNDERSIGNED AT 456-7486.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE
(OR DRAFT) TO:
AGENCY LIAISON, ROOM 91, THE WHITE HOUSE, 20500

SALLY KELLEY
DIRECTOR OF AGENCY LIAISON
PRESIDENTIAL CORRESPONDENCE

August 28, 1990

Dear Byron:

Thank you for your recent letter to the President regarding the embargo on Iraqi imports and the impact it could have on the U.S. grain industry.

We appreciate being apprised of your concerns and welcome your specific recommendations on how the government might help compensate domestic producers for the loss of grain sales to Iraq and Kuwait. Please know that I have taken the liberty of sharing your remarks with several of the President's advisors so that they, too, are aware of your views and suggestions.

Thank you again for your interest in writing.

With best regards,

Sincerely,

Frederick D. McClure
Assistant to the President
for Legislative Affairs

The Honorable Byron L. Dorgan
House of Representatives
Washington, D.C. 20515

FDM:SLM:

bcc: w/ copy of inc to USDA - for appropriate action
bcc: w/ copy of inc to NSC - FYI
bcc: w/ copy of inc to Dept. of State - FYI
bcc: w/ copy of inc to Dept. of Defense - FYI
bcc: w/ copy of inc to USTR - FYI

BYRON L. DORGAN
NORTH DAKOTA

109 ANNON BUILDING
WASHINGTON, DC 20515
(202) 225-2611

WAYS AND MEANS COMMITTEE

SUBCOMMITTEES:

OVERSIGHT

SELECT REVENUE MEASURES

SELECT COMMITTEE ON HUNGER

CHAIRMAN, INTERNATIONAL TASK FORCE

Congress of the United States
House of Representatives
Washington, DC 20515

169454
DISTRICT OFFICES:
358 FEDERAL BUILDING
THIRD AND ROSSER AVENUE
P.O. BOX 2579
BISMARCK, ND 58502
(701) 250-4618

112 ROBERTS STREET
P.O. BOX 1664
FARGO, ND 58107
(701) 239-5389

August 24, 1990

CONTROL 04 1/6/662
AGENCY FAS
SEC. RCDS.
Krause/p

90 SEP 5 AIO: 18

F Mcclure
President George Bush
The White House
1600 Pennsylvania Ave. NW
Washington, DC 20500

Dear Mr. President,

You have taken effective military and diplomatic steps in response to the invasion of Kuwait, and I have publicly supported your efforts.

Carrying out the multi-national embargo of Iraqi imports will have many side effects, not the least of which will be upon our grain export market. In recent years, 70-80% of our exports to Iraq are food commodities. Iraq normally buys much of its wheat and feed grains from the U.S. It was our eighth largest wheat customer this year, for example, and buys 25 million to 50 million bushels of wheat annually from the U.S.

North Dakota farmers and I have not qualified our support for your efforts by opposing your embargo of grain to Iraq. We don't like to give up an important market for wheat and barley, but the invasion of a peaceful, nearly defenseless nation is a very serious matter that deserves U.S. response.

We do, however, ask for a reasonable attempt on your part to compensate for the loss of sales to Iraq and Kuwait.

I can assure you that we have no shortage of grain available to sell. The 1990 world wheat crop set a new record, and the U.S. harvest is up 33% over last year. As you could expect, increased production has depressed prices, and the loss of a significant foreign customer does not help our market prices either. North Dakota farmers are now getting about \$2.50 per bushel for the best quality wheat, down by more than \$1 from a year ago.

A strong export market is critical to strengthening our wheat market, and USDA does have several tools for encouraging exports.

First, I ask that you maximize grain sales under the Food for Peace Program (PL 480).

Second, please consider our grains and oilseed products in feeding military forces in the Persian Gulf region, and in providing food aid to refugees of the Iraqi crisis.

Third, please direct USDA to rebuild the national Food Security Wheat Reserve. USDA depleted the reserve during the past two years as part of its

effort to prevent grain prices from rising, and the reserve should be rebuilt to a reasonable level.

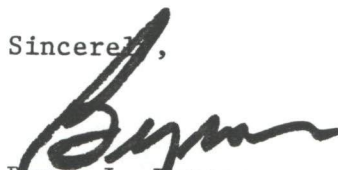
Finally, please make better use of the Export Enhancement Program, which has been an integral part of our grain export program. EEP has had the strong support of Congress, the Reagan administration and your administration. In this fiscal year, however, USDA spent only about half of the \$566 million allocated for EEP, and the fiscal year is nearing its end.

I think that a more aggressive use of EEP is in order. The wheat market has likely found its bottom and there will be a lot of efforts by grain-importing nations to buy grain within the next several weeks. Meanwhile, USDA's outstanding offers for EEP to 18 substantial wheat customers will expire on Sept. 28 unless they are renewed by USDA.

The governments of other nations, including Canada, are making adjustments in government programs to absorb the loss of the Iraqi market. I note, too, that when former President Carter announced his embargo of the Soviet Union in 1980, he raised the wheat loan rate by 10 cents, increased grain storage rates, and accepted grain into the farmer-owned reserve, all as means of adjusting to the loss of the Soviet market.

I hope you will respond to this quickly. Let's patch the Iraqi embargo chink in the grain market. Thank you.

Sincerely,



Byron L. Morgan
Member of Congress

BLD:em

16
BYRON L. DORGAN
NORTH DAKOTA

109 CANNON BUILDING
WASHINGTON, DC 20515
(202) 225-2611

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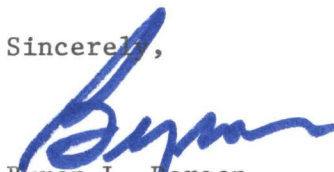
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Sincerely,

A handwritten signature in blue ink, appearing to read 'Byron', is written over the typed name.

Byron L. Dorgan
Member of Congress

BLD:em