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Tuesday, October 29, 1985;
(Legislative day of Monday, October 28, 1985)

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131 Cong Rec S 14277

REFERENCE: Vol. 131 No. 146

MESSAGE: The TEXT of this document exceeds 5,000 lines.

TITLE: AGRICULTURE, FOOD, TRADE, AND CONSERVATION ACT OF 1985

SPEAKER: Mr. ABDNOR; Mr. ANDREWS; Mr. BENTSEN; Mr. BOREN; Mr. BOSCHWITZ; Mr. BUMPERS; Mr. BYRD; Mr. CHAFEE; Mr. COCHRAN; Mr. CRANSTON; Mr. DANFORTH; Mr. DIXON; Mr. DOLE; Mr. DOMENICI; Mr. DURENBERGER; Mr. GOLDWATER; Mr. GORTON; Mr. GRASSLEY; Mr. HARKIN; Mr. HELMS; Mr. INOUE; Mr. JOHNSTON; Mr. KASTEN; Mr. LEVIN; Mr. LEVIN of Michigan; Mr. LONG; Mr. McCLURE; Mr. McCONNELL; Mr. MELCHER; Mr. METZENBAUM; Mr. MURKOWSKI; Mr. NICKELS; Mr. NICKLES; Mr. PROXMIRE; Mr. RIEGLE; Mr. SIMON; Mr. SIMPSON; Mr. STENNIS; Mr. STEVENS; Mr. THURMOND; Mr. WILSON; Mr. ZORINSKY

TEXT: The PRESIDING OFFICER. The Senate will resume consideration of the pending business, which the clerk will state.

The legislative clerk read as follows:

A bill (S. 1714) to expand export markets for United States agricultural commodities, provide price and income protection for farmers, assure consumers an abundance of food and fiber at reasonable prices, continue food assistance to low-income households, and for other purposes.

The Senate resumed consideration of the bill.

Mr. HELMS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. HELMS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HELMS. Mr. President, the farm bill has been up on this the third day of consideration in the Senate for about 30 minutes.

Unless my eyesight is worse than I think it is, I do not see Senators knocking the door down to come in and offer amendments, which is another way of saying that we are not going to get anywhere fast if we do not get some action on this floor. So I implore Senators who have interest in the farm bill and who do contemplate offering amendments to consider the advantage of our working in the daytime instead of late at night, but, of course, this is uniquely a judgment to be made by Senators and not by the chairman of the Agriculture Committee.

Let me mention just for the record, Mr. President, that the Agriculture Committee has scheduled hearings on the farm credit system on Thursday of this week, which happens to be Halloween, which may be appropriate considering the enormity of the credit problem out across farmlands in America.

That will present something of a problem if the Agriculture Committee is meeting and we are considering the farm bill simultaneously. I have learned a little bit in my time on this planet, but I have not learned how to be two places at one time. But we will work that out.

Mr. President, it occurs to me that this might be an appropriate time to review once more what I perceive to be a correct assessment of the farm bill as reported out by the Senate Agriculture Committee. This bill, of course, is now pending. I have said many times that I regretted that I find myself in the position that I had become the first chairman of the Senate Agriculture Committee in history to vote against reporting of a farm bill, but I could not put such an imprimatur on the bill that was reported. I say that with full respect and admiration for members of the committee who differ with me.

The farmers of America are having a rough time of it and sometimes around this place when severe problems occur we take the course of doing something even if it is wrong and that usually ends up being throwing money at the problems, which is precisely what has brought the Federal Government to a \$2 trillion national debt and an annual deficit of more than \$200 billion.

This Senator felt it was just time to call the halt to that, and I did insofar as my vote and my views were concerned.

Let me just capsule for the record the modifications that I believe are needed in this farm bill to make it a good bill. Let me go back just a bit. There are some 2,500 to 2,600 provisions of this farm bill. There are 20 titles in this farm bill. I have not counted the pages of this farm bill, but it ranks in length roughly the equivalent of the "Tale of Two Cities" or "War and Peace," or whatever other book you want to compare it to.

Sixteen titles of this bill range from being excellent to pretty good, and I would have no hesitancy in sending those 16 titles down to the White House for the President to sign. I believe he would. It is the four major commodity titles that are causing the trouble because it is these titles that involved the overload on spending of Federal funds, in my judgment.

So let me capsule so that Senators, if they wish, may look at it and evaluate my judgment versus theirs. I have said many times that the Lord never made me impossible of error, so I may be wrong, but I am convinced that we will do great harm to the farmers, not to mention the taxpayers, if we proceed with a spending level as encompassed in this legislation.

Point 1. The budget resolution adopted by this Senate provides for \$38.8 billion over a 3-year period, \$38.8 billion for programs in the Commodity Credit Corporation and the agricultural credit insurance fund.

The Congressional Budget Office estimates the cost of the committee bill, which is now before the Senate, to be \$64.2 billion which, of course, is \$25.4 billion over the budget.

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(Mr. HATFIELD assumed the chair.)

Mr. HELMS. Now that is the CBO estimate. The USDA, the U.S. Department of Agriculture, estimates the cost of the pending legislation between \$60 billion and \$70 billion for Commodity Credit Corporation programs for the 3 years, \$25 to \$35 billion over the budget mark.

Some have said to me, "Senator, the farmers are in distress. Why not go ahead and give them this money?"

Well I think it would be bad for the farmers, because what is contemplated, in terms of spending the enormous amount of money proposed in this bill will not help the farmers, it will harm them in terms of their viability now and in the future.

The subsidies, the large subsidies, have the inevitable result of encouraging farmers to grow more surpluses, and that always, without exception, causes prices to fall for everyone and, in the process, the cost to the taxpayers soars into the stratosphere.

I have already alluded to the Federal deficit. We know what that does. That causes the dollar to be overvalued. And that makes, in turn, the United States less and less competitive in the world market by adding to surpluses and to costs. The enormous deficits drive interest rates up, and that adds to the financial difficulties of everybody, especially the farmers who are most heavily in debt.

At this point, Mr. President, let me reiterate what has become almost a cliché, but it is nevertheless true, in my judgment. The best farm bill we could write and pass in the Senate need not have the word "farmer" or "farm" or "agriculture" in it. If we were to adopt legislation to move us toward a balanced Federal budget, that would cause interest rates to drop, that would promote our competitiveness, and that would inure to the benefit of the farmers more than anything we are going to do in a farm bill that talks about target prices and loan rates and that sort of thing.

For a long time, I have been convinced that farm programs enacted by this Congress have been targeted backward, so to speak, meaning that a substantial percentage of the Federal funds paid out in subsidies do not go to the small farmer, the family farmer, or to the farmer who is in distress. The big boys get an enormous amount of the money. By paying subsidies for each bushel or pound, this Government induces the most efficient farmers to create more surpluses, and that of course exacerbates all of the problems that are current in agriculture today.

I know it is nice to anticipate a Federal check in the form of a subsidy, but I believe it is time that we look the reality in the eye and did what was right instead of what may be politically sound.

So you say, "OK, Senator Helms, what would you have the Senate do with these four titles, the ones containing the subsidies and the loan rates and the target price, and so forth?"

I think the smartest thing we could do for the farmers and for the taxpayers in this country would be a 1-year freeze in the target price level with reductions phased in in subsequent years. Certainly, this Senate is going to do something about the payment limitation in this bill. There is now a payment limitation of \$50,000 a year. I have proposed that the payment limitation be reduced to \$25,000 a year, if we are genuine, if we are sincere in our constant declarations that we love the family farmer, that we are interested in the small farmer, and if we are interested in fairness to the taxpayers. So I think we ought to reduce the payment limitation to \$25,000 per farmer instead of the \$50,000 extant in the bill.

Mr. President, I think there ought to be a cap on the amount of crop loans that farmers can indiscriminately forfeit to the Government, say a \$200,000 nonrecourse loan cap. We can debate the precise level, and I am sure we will. But that needs attention if, again, we are genuinely interested in the small farmer -- and I am -- if we are genuinely interested in the family farm and the preservation thereof -- and I am -- and we absolutely, Mr. President, must tighten payment limit loopholes. I think we ought to phase out payments on perpetual surplus production; that is to say, reduce

the base bushels and pounds on which direct subsidies are paid. Then we ought to give serious consideration to phasing out all of these acreage reduction schemes. They are called ARP's, in the lingo of legislative consideration -- A-R-P.

Here, again, I know these things sound good and they look good, but I am convinced that they do harm to the farmers in at least three ways. They do not work. That is demonstrable. You put in the ARP, the Acreage Reduction Program, and what happens? The farmers are not dumb. They know how to play that fiddle. They just intensify their cultivation with their remaining acres and production stays the same, surpluses stay the same, and all of the attendant difficulties that result therefrom.

And what happens to our competitors in the world market? The foreign farmers, they just love ARP's, because that gives them an opportunity to increase their acreage, increase their production, and dump more and more commodities on the world market. And, in the process, the American farmer is losing income and something happens along the way to the efficient operation of farms in this country.

Mr. President, I know what I have said and what I am saying is not popular. It is subject to debate. It will meet disagreement among Senators, and certainly among some farm groups and farm organizations. But I say with all the sincerity I possess that what we are dealing with in these four titles of this farm bill pending before the Senate is failed policies, policies that have not worked, are not working, and in my judgment will not work.

So I do not know whom we are kidding. Maybe ourselves, certainly a lot of the farmers. I wonder sometimes what would be the result and the reaction if somehow we could all sit down together with the farmers and say now, look, we want to help but here is the problem. I do not know where we are going on the farm bill. But we are not going very fast. Maybe that will change a little later. We have been on it for about 40 minutes on this day, the third day of consideration.

Mr. President, I thank the Chair.

Mr. MELCHER. Will the chairman yield?

Mr. HELMS. I yield the floor.

Mr. MELCHER. Mr. President, will the chairman yield for a couple of questions?

Mr. HELMS. I am glad to yield.

Mr. MELCHER. I do not think the chairman in his assessment would want to draw a false conclusion, and I feel certain that the chairman does not mean to infer that farmers want deficiency payments; that is, a check from the Federal Treasury in lieu of getting their price to cover the cost in the marketplace. Surely the chairman is not indicating that.

Mr. HELMS. I did not say any such thing. I did not imply any such thing. The Senator and I thoroughly agree on that. The higher return would be the alternative; and bringing the product to the marketplace.

Mr. MELCHER. I have a piece that I received from the chairman dated October 24. It was in my box. It is a piece written by the chairman. It says that with gross sales over \$250,000 those farms have a net equity of \$904,000, and with gross sales between \$100,000 and \$250,000 from those farmers -- with gross sales that high -- there was a net equity of \$429,000.

Might I ask the chairman where these figures came from?

Mr. HELMS. Would the Senator repeat the question? He turned his back to the mike.

Mr. MELCHER. The piece I have from the chairman dated October 24 says that with gross sales on farms of \$250,000 -- that is over that amount -- the net equity was \$904,000, and the farms with gross sales between \$100,000 and \$250,000 have a net equity of \$429,000. I am just inquiring where the figures came from.

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Mr. HELMS. We had a hearing on March 12 of this year, as I recall, which the Senator from Montana attended, and these figures were by such people as J.B. Penn, president of Economic Propectives, Inc., former economist with USDA during the Carter administration; Dr. Don Paarlberg, professor emeritus at Purdue University. I think the Senator will admit that he is recognized as the "dean" of agricultural economists. Then there was Dr. Ken Ferrell, director of the National Center for Food and Agricultural Policy of the Resources for the Future, nationally acclaimed food policy think tank.

There were many other hearings in the farm bill series covering this subject including one on March 20 of this year covering the topic of capital investment, debt, credit, and taxes in agriculture, and there were references and substantiation of the data on the distribution of wealth in the agriculture industry at other hearings. So I assure the Senator that the figures I have given are legitimate in terms of people I respect. Moreover, I would remind the Senator that we had four or five former Secretaries of Agriculture. We had Democrats and Republicans. They meet making recommendations along the lines that I have just stated in my remarks. These are people who have gone down the road with subsidies in the past. You can call them liberals, conservatives, Democrats, and Republicans, but I did not detect one iota of disagreement with the general outline of the flaws in this farm bill as I just described them.

Maybe the Senator heard them saying something that I did not hear them say. But I think there is a unanimity of opinion. Certainly the figures come from our own hearing records, at which the Senator himself was present.

Mr. MELCHER. The figures are generally based on those Department of Agriculture former employees and present employees.

Mr. HELMS. They are the figures of people who are highly regarded even by the Senator from Montana himself. Dr. Paarlberg of course was with the Agriculture Department, and others.

Mr. MELCHER. I am not even questioning the figures. I am just starting on "where" because they are unusual figures.

Mr. HELMS. I understand.

Mr. MELCHER. I do not know whether many cattle feeders have a net equity of \$904,000. But it is easy to understand how you can have 1,000 head of steers in the pen and lose \$250 per head, which would wipe out any \$250,000 they might make some other time. You know, cattle feeding, as is agriculture in general, is such that when you lose you lose a bundle, and when you make something, when you turn a profit, it is a minimal amount.

Cattle feeders would be delighted to be ensured a \$10 a head net gain after owning those cattle for a year -- a profit of \$10 a head on 1,000 head. That would give them \$10,000. But cattle feeders this past year, on 1,000 head, have been able to lose \$250 a head. Where did the chairman in this same article, October 24, get these figures? Where did these figures come from? The average net income for farmers with gross sales over \$250,000 in 1984 was \$96,000.

That is an absolutely startling figure. I wish that were the circumstances for 1985 or, for that matter, for 1984. Were they tobacco farmers, cattle feeders, or pig farmers? What were they?

Mr. HELMS. The Senator's question is not clear to me. If he will repeat the precise question he wants me to answer, I will be glad to answer. I thought he was talking about how bad off farmers were.

Mr. MELCHER. This says for 1984.

Mr. HELMS. As the Senator knows, the USDA is trying to relate farm characteristics by sales class for years and years. There is nothing new about that. You can dispute the figures if you wish. That is your privilege. You may be right.

If the Senator will allow me to proceed, I will continue to answer the question.

Mr. MELCHER. I am inferring from your statement that the figures are from USDA.

Mr. HELMS. You do not have to infer. Of course that is where we got the figures. This compilation of information has been made in the committee report on the farm bill and to which I have referred repeatedly. It has come also from a range of alternative data sources. In a minute I will ask that a table be put into the Record to make that precise.

The information, I will say to my friend, collected from these different sources have tracked one another very closely down through the years.

For instance, the data that I have used comes variously from three reports of this sort, in addition to the testimony received from the witnesses, highly respected witnesses, I will repeat, to whom I referred earlier.

The first is, as the Senator knows, a USDA farm finance survey conducted in 1979. The second source is a consensus of agriculture conducted in 1982. The third is the farm cost current survey conducted in 1984.

So they are not going back and getting figures from some year in the past. They have done this each year over a period of time and brought them up to date.

Mr. MELCHER. I can say that 1984 is an accepted figure. But I would point out that if somebody had sales of \$250,000, what about all those people who sold \$250,000 worth of commodities and more in the cattle field, in the hog field? A \$250,000 sale out of a feedlot, even on an Iowa feedlot farm, is not a big amount. If they had \$96,000 in profit, their corn from that same farm that they put through those cattle or hogs must have been worth about \$88 a bushel. We would not have to monkey around with target prices and deficiency payments. Target prices, after all, are based on the cost of production. They are not meant to show a profit. The deficiency payment, by law, does not guarantee a profit to any producer, no matter how much they produce.

The chairman was just speaking about no matter how much you have, how many bushels of corn, bushels of wheat or hundredweight of rice, the deficiency payment applies to every bushel.

The deficiency payment, when it is paid, indicates that the market conditions are such that the cost of production was not even met in the marketplace.

Mr. HELMS. I have no dispute about that, nor do I have any argument with the fact that a restaurant operator, a garage operator, or whoever might not have a financial difficulty. I still say to anyone who is interested that the best farm bill we could be getting would be to get the interest rates down, get the deficit under control, and stop the spiraling national debt. I am prepared to stand here all day and cite sources of information, and I stand by these sources until the Senator provides some information on the same basis that these figures are compiled.

Mr. MELCHER. But the chairman -- --

Mr. HELMS. If the Senator will forbear, I will say to him that the best way to prove a stick is crooked is to lay a straight one beside it. I assume that is what he is trying to do. If he is trying to tell me that people in all segments of agriculture are having difficulty, I agree with that. I prefaced my remarks with that. What we are about in the consideration of this farm bill, I will say to my dear friend from Montana, is how best to work ourselves out of this problem that the Government in large measure created.

The Senator from Montana and I agree on many things. We work together and I admire and respect him. But I cannot let him suggest that I am using illusory figures, because I am not.

The data to which I have been referring today is voluminous and is impossible to lay out in any comprehensive way under the circumstances of floor debate, but I can say that I have reviewed the sources, and stand by the data. For

instance, under the "Average Equity" category, but the 1979 Farm Finance Survey and the 1984 Farm Costs and Returns Survey show that there were some 90 to 100 thousand farms that had gross sales greater than \$250,000. These studies indicated that these farms had an average net worth of just over \$1 million in 1979 and just under \$1 million in 1984.

The data for other sized farms that I have mentioned in my remarks is similar in correlation between the studies. For instance, those farms with gross sales between \$100,000 and \$250,000 had \$476,000 in net worth in the 1979 study, and \$430,000 in the 1984 study.

Of course, both examples I have cited show that there has been backsliding in the net equity positions of both categories of farms during the last 6 years. This is because farmland values have fallen and the massive surpluses generated by our farm and fiscal policies have made the per-unit value of the bushels, bales and pounds that farmers produce fall.

But the fact remains that there is enormous wealth in the agricultural industry. And, it is indisputable that farm programs work in a way to pay the largest subsidies to the largest farmers. Further, it is indisputable that the largest farmers have the least financial difficulty as a class. It follows indisputably that the farm program payments operate in a bizarre and perverse manner that ought to be corrected.

Dr. Emanuel Melichar, a senior economist at the Federal Reserve Board, and a witness at our farm bill hearings, has estimated that, after adjusting for inflation, the aggregate cash profits of farmers before interest expenses were slightly higher in 1984 than they were in the pre-boom years of the early 1970's. Interest rates are now higher and farmers carry more debt, but inflation-adjust cash profits after interest payments were exactly the same in 1984 as they were in 1970 and 1971. Dr. Melichar estimates that the largest of U.S. farms -- the 1 percent with annual sales above \$500,000 -- reaped an average return on assets of 18 percent in 1983 and had returns on the farmers' equity that averaged a bounteous 24 percent, according to a recent article in Fortune magazine.

Most farmers in deep trouble have sales between \$40,000 and \$500,000 per year. USDA estimates that about 200,000 of them are financially stressed, with about 5 percent of all U.S. farms in imminent danger of failing. Almost without statistically significant exception these are farmers who simply paid too much for land after Soviet crop failures helped send wheat and corn prices soaring in the early 1970's, and after hyper-inflation fueled a speculative boom in the late 1970's. The average price of land shot up 170 percent in Iowa from 1974 to 1980. Land prices in Nebraska rose 133 percent and nearly 100 percent in South Dakota during the same period.

In the collapse of inflation during the early 1980's, and the massive inducement to surplus production brought about by high crop subsidies, the value of farmland in Iowa is down 55 percent from its 1980 peak. But most farmers who have little debt or who rent land are able to turn profits on their crops. The real problem is with the farmers -- mostly in the Midwest -- who are saddled with interest on the money they borrowed to buy land at or near the peak value, while the land is generating only enough cash to support much lower values.

My point is that these financially distressed farmers are not helped by crop subsidies that induce all farmers -- whether they are financially stressed or not -- to produce price depressing surpluses. Indeed, the struggling farmers are the victims of such policies.

It doesn't help these struggling farmers to dispute the wealth of the general farm sector. The data is accurate for what it is represented to be. I stand by it. USDA stands by it. Private economists, university economists, and Government economists for numerous agencies stand by it.

Mr. President, I ask unanimous consent that a paper explaining the methodology of the USDA studies. A chart summarizing the data from the USDA studies, and a copy of an article by Mr. Aloysius Ehrbar, entitled, "Facts vs. the Furor Over Farm Policy," for the November 11, 1985 edition of Fortune magazine, be printed immediately following my remarks.

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There being no objection, the material was ordered to be printed in the Record, as follows:

FARM COSTS AND RETURNS SURVEY

Results of USDA's 1984 Farm Costs and Returns Survey (FCRS) are consistent with the 1982 Census of Agriculture and the 1979 Farm Finance Survey. (See comparisons in table below.)

The 1984 FCRS suggests there are more farms in the larger sales classes but the average sales per farm in each of the higher classes has decreased. The equity position of farmers in all but the smallest sales classes appears to have eroded since 1979.

Of the 23,386 rural residents contacted for the survey between February 15 and March 8, 1985, 72.8 percent participated. For this survey, all land operated expanded to total 1.1 billion acres with average farm size at 523.

As reported in the survey, harvested acreage of principal crops differed by only 3.2 percent from estimates developed by USDA's Crop Reporting Board.

For the survey, a farm was defined as an operation that produced or sold at least \$1,000 worth of agricultural products or spent at least \$1,000 for feed, supplies, equipment or other supplies to produce agricultural products on the operation.

TABLE 1. -- PER FARM FINANCIAL CHARACTERISTICS OF U.S. FARMS BY SALES CLASS AS ESTIMATED FROM ALTERNATIVE DATA SOURCES

NOTE: This table is divided, and additional information on a particular entry may appear on more than one screen.

Item	Sales class	
	Greater than \$250,000	\$100,000 to \$250,000
Number of farms		
Farm finance survey (1979) n1	89,475	186,854
Census of agriculture (1982)	86,468	215,912
Farm costs and returns survey (1984)	96,038	224,116
Average cash sales		
Census of agriculture (1982)	724,143	152,517
Farm costs and returns survey (1984)	525,513	139,639
Average equity		
Farm Finance survey (1979) n1	1,049,080	476,322
Farm costs and returns survey (1984)	904,446	429,891
Item	Sales class	

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	\$20,000 to \$100,000	Less than \$20,000
Number of farms		
Farm finance survey (1979) n1	631,595	1,446,301
Census of agriculture (1982)	581,576	1,355,344
Farm costs and returns survey (1984)	496,974	761,226
Average cash sales		
Census of agriculture (1982)	49,492	5,357
Farm costs and returns survey (1984)	45,974	6,029
Average equity		
Farm Finance survey (1979) n1	256,152	110,947
Farm costs and returns survey (1984)	246,220	136,775

n1 The farm finance survey (1979) defined the largest sales classes to be: (1) greater than \$500,000, (2) \$200,000 to \$500,000, and (3) \$100,000 to \$200,000. Data presented here were obtained by interpolation, to allow comparison with previously presented sales class categories.

FCRS is a multiframe probability-based survey. This means that the sample of farm operators consists of farmers chosen from a list of known operators and areas of rural land in which all residents are interviewed to determine if they qualify as farm operators. A sample of 23,386 rural residents was contacted by enumerators between February 15 and March 8, 1985. Of those contacted, 72.8 percent participated in the survey. For the survey, a farm was defined as an establishment producing agricultural commodities which either had actual annual sales or purchases of \$1,000 or more in 1984. Since only a probability sample of farms is taken in the survey, each respondent represents a number of other farms of a similar size and type.

The results of the 1984 Farm Costs and Returns Survey (FCRS) are consistent with both the 1982 Census of Agriculture and the 1979 Farm Finance Survey. A comparison of characteristics of farms categorized by sales class (table 1) illustrates the degree of consistency among these divergent sources.

Compared with the previous surveys, the 1984 FCRS suggests that there are more farms in the larger sales classes, but the average sales per farm in each of the higher classes has decreased. The comparison also suggests that the equity position of farmers in all but the smallest sales classes has eroded since 1979.

All land operated by survey respondents was estimated to total 1.1 billion acres. The average farm size was 523 acres. Harvested cropland per farm averaged 191 acres; the average reported by the Census of Agriculture for 1982 was 180 acres, an amount similar to that obtained in this survey.

The 1984 FCRS indication of the harvested acreage of principal crops was relatively close to the estimates developed by the Crop Reporting Board of USDA. Acreages of principal crops reported by the survey totaled 321

million acres compared with 335.6 million reported by the Department. But the departmental estimate of principal crops also includes 3.8 million acres of rye, flaxseed, dry edible beans, sweet potatoes, and sugarcane not separately listed in the survey. Excluding this acreage, the estimate of total principal crops acreage differs by only 3.2 percent.

To qualify as a farm for the FCRS survey, an operation must have produced or sold at least \$1,000 worth of agricultural products or spent at least \$1,000 for feed, supplies, equipment, or other supplies for the purpose of producing agricultural products on the operation. In contrast, Census of Agriculture defined a farm as any place from which \$1,000 or more of agricultural products were sold or normally would have been sold during the Census year. The expanded number of U.S. farms covered by the FCRS totaled 1.7 million for 1984, compared with 2.2 million farms from the 1982 Census of Agriculture (see table 2). The Census of Agriculture included 253,147 farms with sales of less than \$1,000 in its total. These farms were excluded from the FCRS estimate. Most FCRS under-counting of farm numbers is for the small sales classes, especially for farms that have less than \$5,000 in sales. The survey gives a fairly close count of farms with sales over \$40,000, those generally considered to be commercial-size farm units.

These comparisons suggest that the FCRS is a viable source of annual data for U.S. agriculture. This conclusion is supported by evaluation of FCRS sampling procedures and comparison of FCRS results with data obtained elsewhere by USDA.

FACTS VS. THE FUROR OVER FARM POLICY

(By Aloysius Ehrbar)

Nearly 100,000 U.S. farmers, many of them among the most efficient in the world, are about to go broke. Many are in their 30s and 40s, men who just a few years ago saw rich, prosperous lives ahead. Now confidence and pride have been replaced by defeat and soul-destroying self-doubt. The lucky ones will be left with a few of their acres or will rent their farms back from lenders who foreclosed. The rest will try to build new lives off the farm.

The devastation in agriculture -- and its spillover to farm suppliers, grain elevator operators, and retailers across the Midwest -- has become one of the most visible economic tragedies of the decade, so visible that it has obscured the fact that many of America's farmers are doing all right. Common sense calls for fashioning government agricultural policies in a way that minimizes the losses that farmers, their creditors, and their communities are suffering. The policies should also minimize the subsidies paid directly by taxpayers and indirectly by shoppers in the supermarket. Most important, they must restore U.S. competitiveness in the world market for food. American farmers can never truly prosper unless they sell their output profitably overseas.

Two potent forces are working against sensible solutions. One is Congress, which is bent on applying the conventional fix to farm problems. Sometime before Thanksgiving, Congress probably will enact a farm bill little changed in its essentials from the misguided policies of the past half-century. Those policies -- using price supports and acreage set-asides to boost farm incomes -- will only prolong the troubles and delay the adjustment to world market conditions. The other force, the fear that farm defaults might unsettle the banking system, makes an early end to the agriculture crisis doubly unlikely. Even if farmers overcome Washington's attempts to help, the mishandling of farm credit by lenders and politicians could keep them mired in a furrow of despair. Indeed, intelligent handling of the farm credit situation is likely to be the greatest challenge in agriculture over the next few years.

The discussion of farm policy has been clouded by widespread misconceptions of how badly farmers and their creditors are hurting and why. Advocates of massive government aid describe farming today as a tragedy of plenty that leaves even the best farmers operating at breakeven or worse. Recent movies like *COUNTRY* and media events like the Farm Aid concert depicted a world in which the family farm will be plowed under unless something happens quickly to boost prices and farm incomes. As for farm creditors, the economic forecasting firm of Wharton Econometrics predicts that lenders will have to absorb up to \$25 billion of losses over the next few years. Some press accounts have cited estimates of up to \$100 billion in losses -- nearly one-half the total debts of all U.S. farmers. Farm economists warn of

widespread failures by small country banks. The Federal Farm Credit System, an unusual national cooperative that accounts for one-third of all farm debt, says it may need a multibillion-dollar bailout from Congress.

The overall condition of U.S. agriculture isn't nearly so bleak as the footage of foreclosure auctions on the Nebraska plains. Lower crop prices do mean that farmers are earning considerably less than they did at the height of the ag boom in the late 1970s. But two-thirds of the 650,000 or so full-time farmers are coping. (About 60% of the nation's 2.3 million farmers till part-time, often to qualify for tax deductions, and get the bulk of their income from nonfarm employment.)

Emanuel Melichar, a senior economist at the Federal Reserve Board, estimates that, after adjusting for inflation, the aggregate cash profits of farmers before interest expenses were slightly higher in 1984 than they were in the pre-boom years of the early 1970s. Interest rates are higher and farmers carry more debt now, but inflation-adjusted cash profits after interest payments were exactly the same in 1984 as they were in 1970 and 1971. Surprising as it may seem, the 25,000 largest U.S. farms -- the 1% or so with annual sales of over \$500,000 -- look like dandy businesses. Melichar estimates that they reaped an average return on assets of 18% in 1983 and had returns on the farmers' equity that average a bounteous 24%.

Most farmers in deep trouble have sales of \$40,000 to \$500,000 a year. The U.S. Department of Agriculture estimates that roughly one-third, or about 200,000, are in imminent danger of failing or are "financially stressed." They are overwhelmingly concentrated among Midwest grain growers. California wine-grape growers are ailing too. The prospects for wine grapes seemed limitless in the 1970s as Americans shifted from hard liquor to so-called light alcoholic beverages. Sales of California wine soared, and so did the number of farmers planting vineyards. But domestic wine sales leveled off just as many of the new vineyards matured. Imports also became much more popular as the dollar took off. Now hardly any Americans can make money in wine grapes.

In the grainbelt, many farmers simply paid too much for their land after Soviet crop failures helped to send wheat and corn prices soaring in the early 1970s. When the lean harvests continued, farmers, bankers, and even the U.S. Department of Agriculture began to behave as though bad weather had suddenly become the norm in the Soviet Union. Farmers bid Midwest land prices to heights that were justified only if crop prices continued to rise. The average price per acre of Iowa land shot up 170% from 1974 to 1980. Land prices rose 133% in Nebraska and nearly 100% in South Dakota.

By the late 1970s farmers were convinced that inflation and continued growth in exports would keep prices rising even if Soviet crop yields recovered. Lenders encouraged farmers to borrow against their appreciating land. Some borrowed to buy better tractors than their farms could justify before crop prices rose. Some put up new buildings. Some who paid dearly for land in anticipation of future increases in crop prices borrowed to cover operating losses, confident that inflation or more bad weather abroad would soon make them whole. But mostly what the farmers borrowed to buy was land.

In the early 1980s inflation collapsed, harvests came in record levels worldwide, and crop prices and land values fell. The value of Iowa farmland is down 55% from its peak in 1980 and land in Nebraska is down 53%. Farmers reawakened to the long-term reality of agriculture: world wide production is growing faster than population, and crop prices are likely to continue falling as long as technological advances keep boosting yields.

Grain prices have now dropped so low that any grain farmer with high leverage is operating near the edge or has tumbled over it. But the devil impoverishing these farmers isn't high interest rates or high leverage per se. The very large farms that generate such lush profits are, on average, the most heavily leveraged of all. Nor is the problem that crop prices are "too low." Most farmers who have little debt or who rent their land still make adequate profits on corn and wheat. The real problem is that Midwest farmers are saddled with interest on the money they borrowed to buy land at or near the peak, while the land is generating only enough cash to support much lower values.

The central role of land prices in the Midwest has resulted in a singularly capricious pattern of losses. Some of the most industrious and capable farmers have been socked hard, just because they happened to buy acreage at the wrong time (see box). Unfortunately, there isn't any practical way to help the farmers who bought at the top. They already have suffered huge capital losses, much like the hapless investors who bought Avon and Xerox just before the glamour stocks crashed in the early 1970s. What remains is to determine how those losses are recognized and distributed. The only form of farm aid that could give farmers substantial relief without enormously expensive side effects would be direct cash payments. But is that fair or desirable? Could farm-state Congressmen justify handing out moola to a businessman whose untimely investment had cut his net worth from \$600,000 to \$250,000? And if it is right to make farmers whole, why not the independent gas producer who sunk wells in the Anadarko basin when energy prices were hitting the heavens?

Schemes to boost crop prices are more politically palatable, but they carry the cost of insulating farmers from lower world prices. Adjustment to world prices is what farm policy should hasten, not delay, since U.S. farmers increasingly are producing more crops for export and less for sale at home. The U.S. now consumes only 75% of the output of domestic farms. More than half of certain crops -- including wheat -- already go to the export market in some years. With total foreign production also rising faster than population, U.S. farmers will have to hammer costs down to keep sales and profits up.

The quickest way to get costs down is to accept that the losses of the past few years are permanent and that the value of farmland has fallen. Land typically represents 75% of the assets in a farm; as the price of land goes down, a farmer can charge lower prices for his crops and still get an acceptable return on assets. Any action that artificially supports crop or land prices raises farm costs and erodes the ability of U.S. farmers to compete in world markets.

The farmers losing their land and the creditors suffering big loan losses are unmoved by the salutary effects of letting the market run its course. Lately they have raised the specter of a credit crisis as a new reason to put off accepting the reality that many farmers will have to go bankrupt if America is to compete.

The statistics on bank loans to farmers can look scary on first inspection. The number of agricultural banks with nonperforming loans -- loans that no longer are accruing interest, have been renegotiated, or are more than 90 days overdue -- that exceed total capital jumped from 102 last December to 167 at midyear. (The Federal Deposit Insurance Corporation defines a commercial bank as agricultural if its farm loans make up 25% or more of total loans.) Forty-six agricultural banks have failed this year, up from 29 for all of 1984, and the number on the FDIC's "watch list" of troubled institutions has risen from 340 last December to 390 recently.

Even so, the professionals who worry fulltime about bank safety don't seem terribly alarmed. The Kansas City Federal Reserve district has more troubled agricultural banks than any other. But Roger Guffey, president of the Kansas City Fed, says he sees nothing looming on the horizon that could spark a regional or statewide crisis in commercial lending. One reason regulators are sanguine is that the percentage of agricultural banks in jeopardy is quite small -- the 167 with nonperforming assets in excess of capital comes to just over 3% of the 5,000 U.S. agricultural banks. Another is that agricultural banks have comparatively high capital -- an average of 9.6% of assets vs. 8.6% for nonagricultural banks -- and the vast majority could survive worsening conditions on the farm. Robert Craig West, an economist in the bank supervision division at the Kansas City Fed, calculates that 665 of the 1,163 agricultural banks in his district would make money this year even if they had to write off all their nonperforming loans immediately -- an extremely pessimistic assumption.

Altogether, commercial banks, including agricultural banks, have \$50 billion of farm loans, or nearly 25% of the total farm debt. In 1984 commercial bank losses on farm loans totaled \$900 million; this year they could double. That's a huge loss rate. But the total for the two years -- some \$3 billion -- isn't the stuff to rattle the banking system.

The biggest worries about debt concern the Farm Credit System, a string of quasibanks set up by Congress from 1916 to 1933. The System's lending practices and bookkeeping would make a Latin American loan officer shudder. The

System includes 12 regional Federal Land Banks, 12 Federal Intermediate Credit Banks, and 12 Banks for Cooperatives. A 37th bank, the Central Bank for Cooperatives, operates nationwide from Denver.

Land Banks make mortgage loans to farmers through 431 local Land Bank Associations. Intermediate Credit Banks advance funds to about 370 local Production Credit Associations, which in turn make short-term loans for seed, fertilizer, and other operating expenses. The Credit Associations also make home loans for up to ten years, and 15-year loans for the purchase of boats and other commercial fishing gear. Banks for Cooperatives lend to agricultural, aquatic, and public utility cooperatives. The Farm Credit System is the biggest farm lender, with \$74 billion of loans outstanding as of June 30.

The banks aren't really banks in the sense that they don't take deposits. Most of their funds come from \$70 billion of bonds and notes sold through the Federal Farm Credit Banks Funding Corporation, the fund-raising arm of the System. Investors treat the securities as government agency debt, which means the Funding Corporation can borrow at interest rates only slightly higher than the rates on Treasury securities. But the debt is backed only by the Farm Credit System's 37 banks.

The System operates autonomously, indeed, one might say anarchically. The local associations have set their own lending policies, and regional banks have devised their own accounting rules, practices that are only now beginning to change. The boss of record is Donald Wilkson, 63, the governor of the Farm Credit Administration, the federal agency that regulates the banks and associations. Wilkinson's staff routinely examines the books and lending practices of the banks and associations, but it has no authority to move against unsound banking practices by issuing a cease and desist order; all it can do is recommend a change.

Wilkinson precipitated much of the furor over farm credit when he announced in September that the Farm Credit System probably will need federal assistance in 18 to 24 months. Of its \$74 billion in loans, \$9.8 billion are listed as nonperforming; of the nonperformers, \$2 billion are not accruing interest. Although that sounds like serious trouble, it's difficult to tell whether there's less or more to the crisis than meets the eye. The confusion arises partly because the Farm Credit System doesn't classify loans in the same way commercial banks do; some of its nonperforming loans would be performers at Citibank. Furthermore, the potential losses on the nonperformers are far less than \$9.8 billion. More than half are mortgage-backed land loans. If the borrowers default, the System could sell the land and get back some of its money. And the Farm Credit System is much better capitalized than most commercial banks. It has \$4.2 billion of retained earnings, \$675 million in loss reserves, and \$5 billion on capital paid in by borrowers -- more than enough to sustain larger losses than now seem likely.

However, that assessment must be qualified because it's impossible to tell what may lie hidden in the System's convoluted books. The Price Waterhouse accounting firm performed the first outside audit of the System this year. Among other things, it discovered \$6 billion of Land Bank loans that are current on interest payments, but are undercollateralized by \$930 million. The \$6 billion will be added to the nonperforming loans.

Two regional Intermediate Credit Banks -- in Omaha and Spokane -- had to be bailed out by other System banks this year. (Spokane went broke on fishing-boat loans.) Peter Carney, president of the System's Funding Corporation, estimates the System will lose \$350 million to \$400 million this year, its first loss ever. The General Accounting Office losses could reach \$2.6 billion in the 12 months ending next June.

While it is far from certain that the Farm Credit System needs federal help, the first reaction of Congress to farm problems seems to be to do something -- anything. In this case, the politicians should repress that instinct until they know help is essential. Any aid for the Farm Credit System could be exceedingly costly. Agricultural bankers, always a lobbying force to be reckoned with, view the Farm Credit System as their competition, and will insist on getting the same breaks as Wilkinson's agency. *** **.

NOTE: This table is divided, and additional information on a particular entry may appear on more than one screen.

	Sales class	
	Greater than \$250,000	\$100,000 to \$250,000
Average:		
Net cash farm income	\$84,595	\$25,679
Off-farm income	12,294	10,594
Total income	96,889	36,273
Government payments	10,947	5,675
Equity	904,446	429,891
Cash sales	525,513	139,639
Government payments as a percent of average:		
Net cash farm income	13.0	22.1
Total income	11.3	15.7
Cash sales	2.1	4.1
Percent of total:		
Cash sales	46.2	28.7
Government payments	31.7	38.3
	Sales class	
	\$20,000 to \$100,000	Less than \$20,000
Average:		
Net cash farm income	\$3,884	-\$3,742
Off-farm income	13,718	19,297
Total income	17,602	15,555
Government payments	1,781	146
Equity	246,220	136,775
Cash sales	45,974	6,029
Government payments as a percent of average:		
Net cash farm income	45.9	NA
Total income	10.1	0.9
Cash sales	3.9	2.4
Percent of total:		
Cash sales	20.9	4.2
Government payments	26.7	3.3

n1 All data are preliminary.

Mr. MELCHER. Mr. President, I thank the chairman.

Might I say that the chairman has taken the very words out of my mouth. He is more familiar with many matters than I am. He said that the figures were not illusory, there is no illusion.

Mr. President, there would not be any farm problems if the figures that are cited in this article by the chairman came anywhere near the actual situation is for the average farm and ranch producer today.

We have spoken about cattle. I can tell you that the losses after 1984 will be a no win situation. The 1984 situation for cattle producers was no profit. But the 1985 situation has been an utter disaster. It is going to wipe out cattle feeder after cattle feeder.

Mr. President, I repeat that cattle feeders cannot lock in \$10 per head. If they could they would be willing to feed these cattle for an entire year, to produce desirable cattle, desired by the market. They are willing to feed 500, 600, 800 even on relatively small family-owned farm operations in Iowa. Theirs is a corn-cattle production, the same as for hog production. If the same farmers could be sure that for hog production they could get some sort of profit short of \$3 a head, they are going to feed them. They are going to go from A to Z with them. They will take the baby pigs from the brood sow and bring them up to where they can start feeding them, fatten them and take them to market. If they can be sure that they will get \$2 or \$3 a head profit on that operation they are very satisfied and happy. They would like to make those few more bucks a head, but if they know they have \$2 or \$3 per head per hog profit or \$10 per head on the cattle feeding venture, that is a big difference to them.0

They did not get that good a deal in 1984 and 1985. They had tremendous losses. These losses on a steer, as I mentioned before, could be such that you could own the steer all the year and still owe \$250 on it when it is sold. That unfortunately has been the case in 1985. So worse than an illusion, it is misleading.

I might say that is a serious proposition when we are trying to present as factually as we can to the entire Senate and therefore the public of the United States what the situation is in this farm problem. We will be addressing the various aspects of this bill. But it makes it extremely difficult when figures are thrown out that seem to say there is no real problem out there. The problem does exist. There is no farmer or rancher who looks to the U.S. Government to finance his operation through the payment of checks by the deficiency payments out of the U.S. Treasury. They do not look for that.

Mr. HELMS. Will the Senator yield?

Mr. MELCHER. They prefer to get their price out of the marketplace. That is what we have attempted to do and have failed. The worst mess we have ever had of Government programs in farming and ranching has occurred during the past 4 years. And this is a huge mess. Even in the 1930's, when there was world depression and the entire agricultural community of the United States was on its knees, you could not lay the blame directly for all of the mess on Government. As to the mess we are in now, if farmers and ranchers across the country have correctly surmised that the mess has been aggravated, compounded, and structured by the Government program we have had and the lack of Government participation with a sound program for good prices in the marketplace, if they have surmised that, they are exactly correct.

Mr. HELMS. Will the Senator yield for just a moment?

Mr. MELCHER. Yes, Mr. President, I yield.

Mr. HELMS. Mr. President, would the Senator like to modify his statement, which was, as I understand it, that I stated there is no distress out there. I would be glad to go back in the Record and see if I said that. But I did not say it, I did not imply it, and the Senator should not have inferred it.

Mr. MELCHER. Mr. President, if that is what the Senator thinks I said, I modify it. What I said was that statements such as these by the chairman are misleading. They are misleading statements. For instance, on those farms with gross sales between \$150,000 and \$250,000, there was a \$36,000 net income -- that is a misleading statement. How many farmers and ranchers across this country producing this food and fiber for us consumers in America and a lot of consumers around the world are selling at least \$100,000 worth of gross profit? In wheat, with depressed prices, it would be about 35,000 bushels. Yet wheat farmers throughout the United States are finding that they are producing at a loss. Forget about income, it is how much the loss is.

In cattle feeding operations, if you had a thousand head of steers this past year and sold another couple of thousand dollars worth of hogs or anything else off the farm, a farm that engages in a feed lot, you would have a pretty small deal. But if they are going to have gross sales of \$100,000, they will probably have a loss of something like \$30,000 or \$40,000 rather than an income of \$36,000.

Hog farmers are the same way. They sell their hogs and sell them at a loss. The more you have, the more you have lost. So this inference that somehow these figures sort of speak to the situation is entirely misleading. I am saddened by that because we have to talk about the real world. We have to talk about the situation where the farmers are losing despite the fact that we have tried to keep a safety net under them at the same level it has been for these basic commodities -- wheat, feed grains, rice, and cotton -- because we think that is the only thing we can do. So we are going to face some pretty staggering losses out of the Treasury too, for deficiency payments.

Why do we have to do that? Because we have to keep this basic economy, this basic industry of the United States alive to survive for better days. The better days should come because we are dealing from the strength of having cost-effective production from these farmers and ranchers of America. When you have that and have the food supplies that are needed by others around the world -- not just our own consumers but by others around the world who need these food supplies -- we are dealing from strength. So I think better days will come. But it is for us to recognize that the safety net must be there in order for those producers to survive. Until the better days come, it is for us here, in the Senate and in the House, to reverse the policy of this present administration which allows the Department of State to interfere with unworkable conditions for sales of American commodities abroad. We have willing buyers, but we find our State Department is not a willing seller. We have to reverse that policy. That is part of our duty.

There will be no simple answer. The facts that are based on this type of information that has been presented in this article by the chairman are entirely misleading.

Mr. President, the situation is simply this: if we do not contrive to permit our agricultural production to become available to those who would purchase it in foreign countries, purchase the surplus from us, then we are indeed failing in our responsibilities. There are recent examples of State Department meddling that have come to light and which perhaps identify the true situation with setting conditions on sales of American agricultural commodities.

Earlier on this floor, I mentioned that the Department of State in the last 2 years or more has set a number of conditions which countries must meet if they are going to purchase American wheat -- Kenya, Mozambique, Guinea, Nigeria, and several other countries in Africa. The conditions were set by the Department of State that sales of American wheat, rice, or cotton could not be approved and could not be permitted until certain conditions were met. Those conditions, while perhaps desirable from the standpoint of the Department of State and desirable from the standpoint of anybody who likes to see private enterprise be utilized to gain efficiency in any developing country, certainly in the abstract, would have to be found to be admirable. But we have to be practical. That the Department of State has not been able to be. They were told by Kenya,

There is the condition you are setting on the requirement that the wheat be purchased by private enterprise. We have to point out that there is no private enterprise in our country to make such a purchase and warehouse it and furthermore, since none exists, we think the opportunity for making the purchase should be honored, accepted, and remove the condition so we can get on with the sale.

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The same was true in the situation with several of the other countries I mentioned. Mozambique, luckily, got the State Department to back off, but the situation was this: The State Department conditions of having the purchases made by private enterprise and handled and distributed by private enterprise were rejected by the Government of Mozambique, and they were practical enough to ask for intervention from Mel Laird, the former Secretary of Defense, to come and review the situation in Mozambique and see if they were not correct in pointing out there was no private enterprise with capital to purchase the grain, there was no private enterprise with warehouses to store the grain. There simply was not the private enterprise structure to meet the conditions the State Department required.

Mel Laird went to Mozambique, found that to be the case, returned to Washington, had a meeting with Secretary Shultz, and convinced Secretary Shultz that that was the situation. So Secretary Shultz told his underlings at the State Department,

Back off: you're wrong. Those people need this food. There is starvation in Mozambique. Before it gets worse, ship the food. Remove the condition. Allow the sale to be made.

And it was made.

However, this was not the prompt decisionmaking process that was followed in Kenya, Guinea, and Liberia. That was not the case at all. Their sales were delayed. In Sierra Leone, the same was the case, and in Senegal also. The results were that the State Department finally removed their conditions, reduced the amounts that could be purchased, and delayed the sale.

Two sides lose when that occurs. American producers, of course, lose because they lose part of the sale, and the delay itself causes a loss in consumption of the products that are desired by these foreign countries.

The other side that loses is the people in the foreign countries who have been waiting for the food, desire the food, and need the food. When two sides lose, what is in it for us? Not a thing. That is the situation we are facing.

The most recent set of conditions had a different outcome in the Philippines. The State Department insisted that private enterprise purchase and control the wheat. They insisted that those conditions be met before they would approve the sale of wheat to the government. The government objected to it, but they backed down and the conditions were met. The situation developed after that. Mr. Cojuangco, a wealthy Filipino conglomerate operator with capital in the Philippines created a purchasing entity with the Filipino Bakers Association, went into the world market and purchased wheat. He met the conditions that were set down. Cojuangco has immense capital and his operations are private and enterprising. So perhaps the stigma of Cojuangco's private coconut-palm oil monopoly and the charges that have been leveled at Mr. Cojuangco for cronyism with the Marcos government have worn off now and he fills the bill for the State Department objectives. If that is all right with the State Department, there are conceivably only two groups that will be at a disadvantage under this State Department contrived scheme of privatizing the sales of American wheat or wheat products to the Philippines. That will be the American wheat producers, because for 8 to 9 years prior to this time all wheat that was imported into the Philippines was from the United States. They looked to only one source, a sole source, the United States. American wheat producers appreciated that. The results of the forcing the National Food Authority out of the picture are these: People like Cojuangco are on the world market purchasing wheat. His last purchase was from a private company in Hamburg, Germany. So we lost part of the sale to the Philippines to an enterprising group in Hamburg, Germany.

Mr. President, when you have a country that likes so well to buy from the United States and they do not buy anywhere else, we appreciate that. There is a worldwide system for purchasing wheat where any country can buy from wherever they want. But one group that has lost out on this arrangement by the State Department in the Philippines has been the American wheat producer.

What we are so concerned about is that this is only the tip of the iceberg, and that slowly viewed we will find many other countries other than the ones I have named where the State Department has interfered, set conditions, and lost

sales for the United States. It is a very serious problem.

But the other group that is apparently going to lose out from this arrangement made by the State Department is the consumers, the Filipino people, because their consumption of wheat for 1985 is going to drop to 50 percent of what it was in 1981.

So both sides lose. This policy must be reversed. Part of our duty in passing this bill is to make certain that it is reversed.

Mr. President, I yield the floor.

AMENDMENT NO. 914

(Purpose: To establish shipment requirements for exports sponsored by the Department of Agriculture)

Mr. STEVENS. Mr. President, I have an amendment which I send to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Alaska [Mr. Stevens] proposes an amendment numbered 914.

Mr. STEVENS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 31, beginning with line 16, strike out all through and including line 10 on page 66 and insert in lieu thereof the following:

GRANTS FOR INTERNATIONAL TRADE DEVELOPMENT CENTERS

Sec. 113. (a)(1) The Secretary of Agriculture (hereafter in this section referred to as the "Secretary") may establish and carry out a program to make grants to States for the purpose of paying the costs of construction, employing personnel, acquiring equipment, and taking other action relating to the establishment and operation of international trade development centers, or the expansion of existing international trade development centers, in the United States to enhance the exportation of United States agricultural products and related products.

(2) Such grants shall be based on a matching formula of 50 percent Federal and 50 percent non-Federal funding.

(b) In making grants under subsection (a), the Secretary shall give preference to States that intend to utilize as sites for international trade development centers land-grant colleges and universities (as defined in section 1404(10) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3103(10))) that --

(1) operate agricultural programs;

(2) have existing international trade programs that use an interdisciplinary approach and are operated jointly with State and Federal agencies to address international trade problems; and

(3) have a communications system that can be used on an international basis to conduct conferences or trade negotiations.

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(c) Such centers may --

(1) through research, establish a permanent data base to address the problems faced by potential exporters, including language barriers, interaction with representatives of foreign governments, transportation of goods and products, insurance and financing within foreign countries, and collecting international marketing data;

(2) be used to locate permanent or temporary exhibits that will stimulate and educate trade delegations from foreign countries with respect to United States agricultural products and related products;

(3) be made available for use by State and regional entities for exhibits, trade seminars, and negotiations involving such products; and

(4) carry out such other activities relating to the exportation of such products, as the Secretary may approve.

(d) There are authorized to be appropriated such sums as are necessary to carry out this section.

Subtitle B -- Public Law 480 and Related Programs

AGRICULTURAL TRADE POLICY

Sec. 120. (a) The first sentence of section 2 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691) is amended by inserting "to use foreign currencies accruing under this Act to foster and encourage the development of private enterprise in developing countries; to enhance food security in developing countries through local food production;" after "agricultural production;"

(b) Congress finds that additional steps should be taken to use the agricultural abundance produced by American farmers --

(1) to relieve hunger and promote long-term food security and economic development in developing countries in accordance with the development assistance policy established under section 102 of the Foreign Assistance Act of 1961 (22 U.S.C. 2151-1); and

(2) to promote United States agricultural trade interests.

SALES FOR FOREIGN CURRENCIES

Sec. 121. (a) Section 101 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701) is amended to read as follows:

"Sec. 101. (a) In order to carry out the policies and accomplish the objectives set forth in section 2, the President is authorized to negotiate and carry out agreements with friendly countries to provide for the sale of agricultural commodities --

"(1) for dollars on credit terms;

"(2) to the extent that sales for dollars under the terms applicable to such sales are not possible, for foreign currencies on credit terms and on terms the permit conversion to dollars at the exchange rate applicable to the sales agreement; or

"(3) for foreign currencies for use under section 108 on terms that permit conversion to dollars.

"(b)(1) Except as provided in paragraph (2), for the fiscal year ending September 30, 1986, and each fiscal year thereafter, sales for foreign currencies for use under section 108 under agreements entered into under this title shall be

made at an annual level of --

"(A) not less than the higher of --

"(i) 25 percent of the aggregate value of all sales of agricultural commodities made under this title; or

"(ii) 500,000 metric tons; and

"(B) not more than 50 percent of the aggregate value of all such sales.

"(2)(A) For each of the fiscal years ending September 30, 1986, September 30, 1987, and September 30, 1988, except as provided in subparagraph (B), the President may reduce the minimum level of sales for foreign currencies prescribed under paragraph (1)(A) if --

"(i) there is an insufficient number of approved financial intermediaries that have entered into agreements with the Secretary of Agriculture to carry out the program provided for in section 108;

"(ii) there are insufficient requests made by such intermediaries for loan funds to utilize the foreign currencies generated by such sales; or

"(iii) the Secretary requires additional time to implement such program.

"(B) The President may not reduce the minimum level of sales for foreign currencies under subparagraph (A) below an annual level of less than --

"(i) for the fiscal year ending September 30, 1986, 5 percent of the aggregate value of all sales of agricultural commodities made under this title during such fiscal year;

"(ii) for the fiscal year ending September 30, 1987, 10 percent of the aggregate value of all sales of agricultural commodities made under this title during such fiscal year; and

"(iii) for the fiscal year ending September 30, 1988, 15 percent of the aggregate value of all sales of agricultural commodities made under this title during such fiscal year.

"(c) Agreements for sales for foreign currency in a developing country for use under section 108 may not be entered into to the extent that such agreements would generate currency in amounts that cannot be productively used and absorbed in the private sector of such country.

"(d) Sales for foreign currencies for use under section 108 under agreements entered into under this title shall be made on such terms and conditions as are specified in such agreements."

(b) Section 103 of such Act (7 U.S.C. 1703) is amended --

(1) by inserting ", in section 108," after "sectuib 104" in subsection (b);

(2) by striking out "dollar on credit terms" in the last sentence of subsection (d);

(3) in subsection (m) --

(A) by inserting "except as provided in section 108," after the subsection designation;

(B) by striking out the semicolon and inserting in lieu thereof a period; and

(C) by adding at the end thereof the following: "In carrying out this subsection, the President shall require that

foreign currencies to be used under section 108 that are acquired under an agreement for the sale of commodities be converted to dollars during the period beginning 10 years after the date of the last delivery of such commodities and ending 30 years after the date of such delivery. Such agreement for sale shall establish a schedule for such conversion but need not specify the exchange for such conversion;"

(4) by striking out "for dollars on credit terms" and "for cash dollars" in subsection (n);

(5) by striking out "Take" in subsection (o) inserting in lieu thereof "take";

(6) by striking out "Assure convertibility" in subsection (p) and inserting in lieu thereof "except as provided in section 108, assure convertibility"; and

(7) by striking out "Assure convertibility" in subsection (q) and inserting in lieu thereof "except as provided in section 108, assure convertibility".

(c) The first sentence of section 105 of such Act (7 U.S.C. 1705) is amended by striking out "section 104" and inserting in lieu thereof "sections 104 and 108".

(d) Section 106(a) of such Act (7 U.S.C. 1706(a)) is amended by adding at the end thereof the following new paragraph:

"(3) Payment for sales made for foreign currencies that are to be used under section 108 under an agreement entered into under this title shall be made on such terms as are specified in such agreement."

(e) Such Act is amended by inserting after section 107 (7 U.S.C. 1707) the following new section:

"Sec. 108. Notwithstanding any other provision of law:

"(a) As used in this section:

"(1) The term 'developing country' means a country that is eligible to participate in a sales agreement entered into under this title.

"(2) The term 'financial intermediary' means a bank, financial institution, cooperative, nonprofit voluntary agency, or other organization or entity, as determined by the Secretary, that has the capability of making and servicing a loan in accordance with this section.

"(3) The Term 'Secretary' means the Secretary of Agriculture.

"(b) In order to foster and encourage the development of private enterprise institutions and infrastructure as the base for the expansion, promotion, and improvement of the production of food and other related goods and services within a developing country and pursuant to an agreement for the sale of agricultural commodities entered into under this title, the Secretary may enter into an agreement with a financial intermediary located or operating in such country under which the Secretary shall lend to such financial intermediary foreign currency that accrues as a result of commodity sales to such country under a sales agreement entered into under this title after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985.

"(c) To be eligible to obtain foreign currency under this section, a financial intermediary must enter into an agreement with the Secretary under which the intermediary agrees to use such currency to make loans to private individuals, cooperatives, corporations, or other entities within a developing country, at reasonable rates of interest, for the purpose of financing --

"(1) productive, private enterprise investment within such country, including such investment in projects carried out

by cooperatives, nonprofit voluntary organizations, and other entities found to be qualified by the Secretary;

"(2) private enterprise facilities for aiding the utilization and distribution, and increasing the consumption of and markets for, United States agricultural commodities and the products thereof; or

"(3) private enterprise support of self-help measures and projects.

"(d) An agreement entered into under this section shall specify the terms and conditions under which the foreign currency shall be used and subsequently repaid to the Secretary, including the following terms and conditions:

"(1) A financial intermediary shall, to the maximum extent feasible, give preference to the financing of agricultural related private enterprise with the funds provided under this section.

"(2)(A) A financial intermediary shall repay a loan made by the Secretary under this section, plus accrued interest, at such times and in such manner as will permit the Secretary to convert such foreign currency to dollars in accordance with the schedule for such conversion.

"(B) A financial intermediary may repay a loan made under this section prior to the repayment date specified in such agreement.

"(3) To be eligible to receive financing from a financial intermediary under this section, an entity or venture must --

"(A) be owned, directly or indirectly, by citizens of the developing country, except that up to 25 percent of such ownership interest may be held by citizens of the United States; and

"(B) not be owned or controlled, in whole or in part, by the government or any governmental subdivision of the developing country.

"(4)(A) The rate of interest charged on funds loaned by the Secretary to a financial intermediary under this section shall be such rate as is determined by the Secretary and the intermediary.

"(B) In the case of a cooperative or nonprofit voluntary agency that is acting as a financial intermediary, the Secretary may charge a lower rate of interest on funds loaned to such intermediary under this section than is charged to other types of intermediaries to defray the startup costs of becoming a financial intermediary.

"(5) No currency made available under this section may be used to promote the production of agricultural commodities or the products thereof that will compete, as determined by the Secretary, in world markets with similar agricultural commodities or the products thereof produced in the United States.

"(6) The Secretary may not require a developing country to guarantee the repayment of a loan made to a financial intermediary under this section as a condition of receipt of such loan.

"(e)(1) All currencies repaid by financial intermediaries under agreements entered into under this section shall be deposited and accounted for in accordance with section 105.

"(2) Currencies repaid by financial intermediaries shall, as determined by the Secretary --

"(A) be used to finance additional productive, private enterprise investment under agreements with financial intermediaries entered into under this section;

"(B) be used for the development of new markets for United States agricultural commodities;

"(C) be used for the payment of United States obligations (including obligations entered into pursuant to other laws

of the United States); or

"(D) be converted to dollars.

"(3) Section 1306 of title 31, United States Code, shall apply to currencies used for the purpose specified in paragraph (2)(C).

"(f)(1) Any agreement entered into under this section shall be subject to periodic audit by the Secretary to determine whether the terms and conditions of the agreement are being fulfilled.

"(2) Not later than 180 days after the close of each fiscal year, the Secretary shall report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the activities carried out under this section during the preceding fiscal year, including an evaluation of the impact of investment under this section on the development of agricultural related private enterprise in each participating country.

"(g) The Secretary may provide agricultural technical assistance to further the purposes of this section, including the funding of market development activities. To the maximum extent practicable, the Secretary shall use at least 5 percent of the foreign currencies obtained for use under this section from sales of agricultural commodities made under agreements entered into under this title after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985 to carry out such assistance."

MINIMUM QUANTITY OF AGRICULTURAL COMMODITIES DISTRIBUTED UNDER TITLE II

Sec. 122. Section 201(b) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721(b)) is amended by striking out clauses (1) through (3) and inserting in lieu thereof the following new clauses:

"(1) for each of the fiscal years ending September 30, 1986, and September 30, 1987, shall be 1,900,000 metric tons, of which not less than 1,425,000 metric tons for nonemergency programs shall be distributed through nonprofit voluntary agencies, cooperatives, and the World Food Program; and

"(2) for the fiscal year ending September 30, 1988, and each fiscal year thereafter, shall be 1,700,000 metric tons, of which not less than 1,275,000 metric tons for nonemergency programs shall be distributed through nonprofit voluntary agencies, cooperatives, and the World Food Program;"

VALUE-ADDED, PROCESSED, AND PROTEIN-FORTIFIED PRODUCTS

Sec. 123. Section 201 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721) is amended by adding at the end thereof the following new subsection:

"(c) In distributing agricultural commodities under this title, the President shall --

"(1) consider --

"(A) the nutritional assistance to recipients and benefits to the United States that would result from distributing such commodities in the form of processed and protein-fortified products, including processed milk, plant protein products, and fruit, nut, and vegetable products;

"(B) the nutritional needs of the proposed recipients of the commodities;

"(C) the cost effectiveness of providing such commodities, for purposes of selecting commodities for distribution under nonemergency programs; and

"(D) the purposes of this title; and

"(2) ensure that at least 75 percent of the quantity of agricultural commodities required to be distributed each fiscal year under subsection (b) for nonemergency programs be in the form of processed or fortified products or bagged commodities."

FOOD ASSISTANCE PROGRAMS OF VOLUNTARY AGENCIES

Sec. 124. (a) Title II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.) is amended by adding at the end thereof the following new sections:

"Sec. 207. (a)(1) If requested by a nonprofit voluntary agency or cooperative, an agreement with the agency or cooperative for nonemergency assistance under this title may provide for the use by the agency or cooperative of foreign currency proceeds, generated from the sale of commodities made available under the agreement, for purposes specified in subsection (b).

"(2) Such agreements shall provide, in the aggregate for each fiscal year, for the use of foreign currency proceeds under this subsection in an amount that is not less than 5 percent of the aggregate value of the commodities distributed under nonemergency programs under this title for such fiscal year.

"(3) Section 103(c) shall apply to sales of agricultural commodities to generate foreign currencies under this subsection, unless the Secretary of Agriculture, in consultation with the Administrator of the Agency for International Development, waives the application of this paragraph.

"(b)(1)(A) Foreign currency proceeds generated under subsection (a) shall be used by a nonprofit voluntary agency or cooperative for activities carried out by the agency or cooperative that will enhance the effectiveness of the food assistance program carried out pursuant to the agreement.

"(B) Such activities may include food for work programs, local program management, local agricultural and cooperative development projects, and outreach projects to provide food to people with the greatest nutritional need, if such activities are directly related to the food assistance program of the agency or cooperative.

"(2) Foreign currency proceeds under subsection (a) may not be used --

"(A) to defray personnel or administrative costs incurred by a United States cooperating sponsor, distributing agency, or recipient agency, other than a local cooperative;

"(B) to defray the costs of construction or maintenance of an edifice owned or operated by a church or any other edifice used for sectarian purposes; or

"(C) to replace resources otherwise available to a nonprofit voluntary agency or cooperative, as determined by the President.

"Sec. 208. (a) In the case of an agreement with a nonprofit voluntary agency for nonemergency assistance under this title, subject to subsection (b), the President is encouraged to approve multiyear agreements to make agricultural commodities available for distribution by the agency, if the agency requests a multiyear agreement.

"(b)(1) Such agreements shall be subject to the availability each fiscal year of the necessary appropriations and agricultural commodities.

"(2) Subsection (a) shall not apply to an agreement that the President determines should be limited to a single year because of the past performance of the nonprofit voluntary agency or because the agreement involves a new program of assistance.

"(c) In carrying out a multiyear agreement pursuant to this section, a nonprofit voluntary agency may not be

required to obtain annual approval from the United States Government in order to continue its assistance program pursuant to this agreement, unless the President determines that exceptional and unforeseen circumstances have occurred that require such approval.

"Sec. 209. (a) Agreements with nonprofit voluntary agencies under this title may authorize such agencies to establish local food reserves.

"(b) If authorized to establish a local food reserve pursuant to subsection (a), a nonprofit voluntary agency may deposit in such reserve agricultural commodities made available under this title --

"(1) for later use in providing immediate food assistance in case of a famine or other food shortage emergency; or

"(2) if the nonprofit voluntary agency determines that the immediate use of the agricultural commodities for food assistance purposes would be a disincentive to local agricultural production and that the commodities should be held for use at a later time.

"Sec. 210. (a) A nonprofit voluntary agency requesting a nonemergency food assistance agreement under this title shall include in such request a description of the intended uses of any foreign currency proceeds that would be generated with the commodities provided under the agreement."

"(b)(1) It is the sense of Congress that the President is encouraged to invite representatives of nonprofit voluntary agencies participating in programs under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.) and other concerned nonprofit voluntary agencies, and to designate appropriate executive branch officials to participate in a task force to study the means of providing food assistance under such Act to people with the greatest nutritional need in the recipient countries.

"(2) If a task force is established under paragraph (1), the task force should report to Congress by February 15, 1986, on further steps that could be taken to provide food under such Act to such people.

"(c)(1) Sections 207, 208, and 209 of the Agricultural Trade Development and Assistance Act of 1954 (as added by subsection (a)) shall apply with respect to agreements entered into after September 30, 1985.

"(2) Section 210 of the Agricultural Trade Development and Assistance Act of 1954 (as added by subsection (a)) shall apply with respect to agreements entered into after December 31, 1985.

FOOD FOR DEVELOPMENT PROGRAM

Sec. 125. Section 302(c)(1)(C) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1727a(c)(1)(C)) is amended by striking out "15" and inserting in lieu thereof "10".

EXTENSION OF PROGRAM

Sec. 126. Section 409 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1736c) is amended --

(1) by striking out "1985" in the first sentence and inserting in lieu thereof "1989"; and

(2) by striking out "Agriculture and Food Act of 1981" in the second sentence and inserting in lieu thereof "Agriculture, Food, Trade, and Conservation Act of 1985".

COMMODITY DONATIONS ABROAD

Sec. 127. (a) Subsection (b) of section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431(b)) is amended to read as

follows:

"(b)(1) As used in this subsection, the term 'eligible commodities' means agricultural commodities and the products thereof acquired by the Commodity Credit Corporation through price support operations that the Secretary determines meet the criteria specified in subsection (a).

"(2) The Secretary may furnish eligible commodities for carrying out title II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.), as approved by the Secretary and for such purposes as are approved by the Secretary.

"(3)(A) Commodities may not be made available for disposition under this subsection in quantities that will reduce the quantities of commodities that traditionally are made available through donations to domestic feeding programs or agencies.

"(B) Subject to paragraph (9)(B)(v), sections 103(c) and 401(b) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1703(c) and 1731(b)) shall apply with respect to commodities furnished under this subsection.

"(C) The requirement for safeguarding usual marketings of the United States shall not be used to prevent the furnishing under this subsection of any eligible commodity for use in countries that --

"(i) have not traditionally purchased the commodity from the United States; or

"(ii) do not have adequate financial resources to acquire the commodity from the United States through commercial sources or through concessional sales arrangements.

"(4) Section 203 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1723) shall apply to commodities furnished under this subsection.

"(5) Agreements may be entered into under this subsection to provide eligible commodities in installments over an extended period of time.

"(6) As soon as possible after the beginning of each fiscal year, the Secretary shall estimate and announce the types of eligible commodities, and the amounts thereof, that the Secretary anticipates will become available for distribution under this subsection during such fiscal year.

"(7) To the maximum extent practicable, expedited procedures shall be used in implementing this subsection.

"(8) The cost of commodities furnished under this subsection, and expenses incurred under section 203 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1723) in connection with such commodities, shall be in addition to the level of assistance programmed under such Act and may not be considered expenditures for international affairs and finance.

"(9)(A) Eligible commodities furnished under this subsection may be sold or bartered with the approval of the Secretary solely as follows:

"(i) Sales and barter that are incidental to the donation of the commodities.

"(ii) Sales and barter, the proceeds of which are used to finance the distribution, handling, and processing costs of the donated commodities in the importing country or other activities in the importing country that are consistent with providing food assistance to needy people.

"(iii) Sales and barter of commodities donated to intergovernmental organizations, insofar as they are consistent

with normal programming procedures in the distribution of commodities by such organizations.

"(iv) Sales and barter of commodities used for payments pursuant to paragraph (4).

"(B)(i) If requested by a nonprofit voluntary agency or cooperative, an agreement with the agency or cooperative for commodities made available under this subsection may provide for the use by the agency or cooperative of foreign currency proceeds, generated from the sale of commodities made available under the agreement, for the purposes specified in clause (iii).

"(ii) The Secretary shall ensure, to the extent practicable, that such agreements provide, in the aggregate for each fiscal year, for the use of foreign currency proceeds under this subsection an amount that is not less than 5 percent of the aggregate value of the eligible commodities furnished to such agencies and cooperatives under this subsection for such fiscal year.

"(iii)(I) Foreign currency generated under this subparagraph shall be used by a nonprofit voluntary agency or cooperative for activities carried out by the agency or cooperative that will enhance the effectiveness of the food assistance program being carried out pursuant to the agreement.

"(II) Such activities may include food for work programs, local program management, local agricultural and cooperative development projects, and outreach projects designed to provide food to people with the greatest nutritional need, if such activities are directly related to the food assistance program of the nonprofit voluntary agency or cooperative.

"(iv) All foreign currency proceeds generated pursuant to an agreement under this subparagraph shall be expended within 1 year after the end of the period of the agreement.

"(v) Section 103(c) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1703(c)) shall apply to sales of agricultural commodities made to generate foreign currencies under this subparagraph, unless the Secretary of Agriculture, in consultation with the Administrator of the Agency for International Development, waives the application of this subparagraph.

"(vi) Foreign currency proceeds generated under this subsection may not be used --

"(I) to defray personnel or administrative costs incurred by a United States cooperating sponsor, distributing agency, or recipient agency, other than a local cooperative;

"(II) to defray the costs of construction or maintenance of an edifice owned or operated by a church or any other edifice used for sectarian purposes; or

"(III) to replace resources otherwise available to a nonprofit voluntary agency or cooperative, as determined by the President.

"(10)(A) In carrying out this subsection, during each fiscal year, the Secretary shall furnish to nonprofit voluntary agencies, cooperatives, and the World Food Program for distribution in developing countries not less than 400,000 metric tons of eligible commodities that are available for distribution under this subsection.

"(B) Subparagraph (A) shall not apply in any fiscal year to the extent that the Secretary determines and reports to Congress (together with the reasons therefor) that --

"(i) there have not been sufficient requests made by nonprofit voluntary agencies, cooperatives, and the World Food Program for commodities under this subsection for uses that would effectively carry out the purposes of title II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.); or

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"(ii) a limitation in paragraph (3) prevents the use of commodities pursuant to this paragraph.

"(C) If the quantity of eligible commodities available for distribution under subparagraph (A) for a fiscal year is less than 400,000 metric tons, such subparagraph shall not require the Secretary to purchase additional commodities to satisfy such subparagraph."

"(b) Section 416(b)(9)(A) of the Agricultural Act of 1949 (as added by subsection (a)) shall become effective on October 1, 1985.

FOOD FOR PROGRESS

Sec. 128. (a) Section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431) is amended by adding at the end thereof the following new subsection:

"(d) Notwithstanding any other provision of law:

"(1)(A) In order to use the food resource of the United States more effectively in support of countries that have made commitments to introduce or expand free enterprise elements in their agricultural economics through changes in commodity pricing, marketing, input availability, distribution, and private sector involvement, commodities and the products thereof acquired by the Commodity Credit Corporation that the Secretary determines meet the criteria specified in subsection (a), may be furnished by the Secretary to carry out agreements entered into by the President under paragraph (2).

"(B) Not more than 500,000 metric tons of commodities may be furnished under this subsection in each of the fiscal years ending September 30, 1986, September 30, 1987, September 30, 1988, and September 30, 1989.

"(C) The Commodity Credit Corporation may purchase agricultural commodities and the products thereof for use under this subsection if --

"(i) the Commodity Credit Corporation does not hold stocks of such commodities and the products thereof; or

"(ii) the Commodity Credit Corporation stocks are insufficient to satisfy commitments made in agreements entered into under this subsection and such commodities and the products thereof are needed to fulfill such commitments.

"(D) No funds of the Commodity Credit Corporation in excess of \$30,000,000 (exclusive of the cost of commodities) may be used to carry out this subsection unless authorized in advance in appropriation Acts.

"(2)(A)(i) The President may enter into agreements with developing countries to furnish commodities and the products thereof made available under paragraph (1) to such countries to promote the implementation of private, free enterprise agricultural policies for long-term agricultural development.

"(ii)(I) Such commodities shall be furnished under this subsection on such terms and conditions as the President considers are in the public interest and will promote the objectives of this subsection.

"(II) Agreements may provide for commodities to be furnished on a multiyear basis.

"(B) In determining whether to enter into agreements with countries for the furnishing of commodities under this subsection, the President shall consider whether a potential recipient country --

"(i) is carrying out, or is committed to carry out, policies that promote economic freedom, private, domestic production of food commodities for domestic consumption, and the creation and expansion of efficient domestic markets for the purchase and sale of such commodities, including policies that may provide for --

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"(I) access, on the part of farmers in such country, to private, competitive markets for their products;

"(II) market pricing of commodities to foster adequate private sector incentives to individual farmers to produce food on a regular basis for the domestic needs of the country;

"(III) establishment of market-determined foreign exchange rates;

"(IV) timely availability of production inputs, such as seed, fertilizer, or pesticides, to farmers;

"(V) access to technologies appropriate to the level of agricultural development in the country; and

"(VI) construction of facilities and distribution systems necessary to handle perishable products; and

"(ii) is able to use the quantity of commodities being considered for donation without disruption of the internal market of the country for domestically produced agricultural commodities and the products thereof.

"(3) An agreement entered into under this subsection shall prohibit the resale or transshipment of the donated agricultural commodities to other countries.

"(4) In entering into agreements with countries for the donation of agricultural commodities and the products thereof under this subsection, the President shall take reasonable precautions to avoid displacement of any sales of United States agricultural commodities and the products thereof that would otherwise be made to such countries.

"(5)(A) Section 203 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1723) shall apply to agricultural commodities furnished under this subsection.

"(B) The cost of the commodities furnished under this subsection, and the expenses incurred in connection with furnishing such commodities, shall be in addition to the level of assistance programmed under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.) and may not be considered expenditures for international affairs and finance.

"(6)(A) The President shall carry out the duties imposed on the President under this subsection through the National Security Advisor in the Executive Office of the President.

"(B) The National Security Advisor, with the approval of the Secretary, may use personnel of the Department of Agriculture in carrying out this subsection.

"(8) Within 120 days after the close of each fiscal year in which an agreement entered into with a country under this subsection is in effect, the President shall report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the status of such agreement and the progress being made to implement private, free enterprise agricultural policies for long-term agricultural development in such country."

(b) The amendment made by this section shall be effective during the period beginning October 1, 1985, and ending September 30, 1989.

SPECIAL ASSISTANT FOR AGRICULTURAL TRADE AND FOOD AID

Sec. 129. (a)(1) The President shall appoint, by and with the advice and consent of the Senate, a Special Assistant to the President for Agricultural Trade and Food Aid (hereinafter in this section referred to as the "Special Assistant").

(2) The Special Assistant shall serve in the Executive Office of the President.

(3) As an exercise of the rulemaking power of the Senate, any nomination to the position of Special Assistant shall be --

(A) submitted to the Senate for confirmation; and

(B) referred to the Committee on Agriculture, Nutrition, and Forestry.

(4) The Special Assistant shall --

(A) serve at the pleasure of the President;

(B) be entitled to receive the same allowances as a chief of mission; and

(C) have the rank of Ambassador Extraordinary and Plenipotentiary.

(b) The Special Assistant shall --

(1) assist and advise the President in order to improve and enhance food assistance programs carried out in the United States and foreign countries;

(2) coordinate and streamline the manner in which food assistance programs are carried out by the Department of Agriculture and the Agency for International Development, in order to improve their overall effectiveness;

(3) make recommendations to the President on measures to be taken to increase use of United States agricultural commodities and the products thereof through food assistance programs;

(4) advise the President on agricultural trade;

(5) serve as a member of the Development Coordination Committee;

(6) serve as Chairman of the Food Aid Subcommittee of such Committee; and

(7) issue to departments and agencies of the Federal Government policy guidelines on basic issues of food assistance policy, to the extent necessary to assure the coordination of food assistance programs, consistent with law, and with the advice of such Subcommittee.

(c) The Special Assistant may --

(1) solicit information and advice from private and governmental sources and recommend a plan to the President and Congress on measures that should be taken --

(A) to promote the export of United States agricultural commodities and the products thereof; and

(B) to expand export markets for United States agricultural commodities and the products thereof;

(2) develop and recommend to the President national agricultural policies to foster and promote the United States agricultural industry and to maintain and increase the strength of this vitally important sector of the United States economy; and

(3)(A) appraise the various programs and activities of the Federal Government, as they affect the United States agricultural industry, for the purpose of determining the extent to which such programs and activities are contributing or not contributing to such industry; and

(B) make recommendations to the President and Congress with respect to the effectiveness of such programs and

activities in contributing to such industry.

(d) Section 5312 of title 5, United States Code, is amended by adding at the end thereof the following new item:

"Special Assistant for Agricultural Trade and Food Aid."

Subtitle C -- Export Transportation of Agricultural Commodities

FINDINGS AND DECLARATIONS

Sec. 131. (a) The Congress finds and declares --

(1) that a productive and healthy agricultural industry and a strong and active United States maritime industry are vitally important to the economic well-being and national security objectives of our Nation;

(2) that both industries must compete in international markets increasingly dominated by foreign trade barriers and the subsidization practices of foreign governments;

(3) that increased agricultural exports and the utilization of the United States merchant vessels contribute positively to the United States balance of trade and generate employment opportunities in the United States.

(b) It is therefore declared to be the purpose and policy of the Congress in this subtitle --

(1) to enable the Department of Agriculture to plan its export programs effectively, by clarifying the ocean transportation requirements applicable to such programs;

(2) to take immediate and positive steps to promote the growth of the cargo carrying capacity of the United States merchant marine;

(3) to expand international trade in United States agricultural commodities and products and to develop, maintain, and expand markets for United States agricultural exports;

(4) to improve the efficiency of administration of both the commodity purchasing and selling and the ocean transportation activities associated with export programs sponsored by the Department of Agriculture; and

(5) to stimulate and promote both the agricultural and maritime industries of the United States and encourage cooperative efforts by both industries to address their common problems.

EXEMPTION OF CERTAIN AGRICULTURAL EXPORTS FROM THE REQUIREMENTS OF THE CARGO PREFERENCE LAWS

Sec. 132. The requirements of section 901(b)(1) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)(1)), and the Joint Resolution of March 26, 1934 (46 U.S.C. 1241-1) shall not apply to any export activities of the Secretary of Agriculture or the Commodity Credit Corporation --

(1) under which agricultural commodities or the products thereof acquired by the Commodity Credit Corporation are made available to United States exporters, users, processors, or foreign purchasers for the purpose of developing, maintaining, or expanding export markets for United States agricultural commodities or the products thereof at prevailing world market prices;

(2) under which payments are made available to United States exporters, users, or processors or, except as provided in section 133(b)(6), cash grants are made available to foreign purchasers, for the purpose described in clause (1);

(3) under which commercial credit guarantees are blended with direct credits from the Commodity Credit

Corporation to reduce the effective rate of interest on export sales of United States agricultural commodities or the products thereof;

(4) under which credit or credit guarantees for not to exceed 3 years are extended by the Commodity Credit Corporation to finance or guarantee export sales of United States agricultural commodities or the products thereof; or

(5) under which agricultural commodities or the products thereof owned or controlled by or under loan from the Commodity Credit Corporation are exchanged or bartered for materials, goods, equipment, or services, but only if such materials, goods, equipment, or services are of a value at least equivalent to the value of the agricultural commodities or products exchanged or bartered therefor (determined on the basis of prevailing world market prices at the time of the exchange or barter), but nothing in this subsection shall be construed to exempt from the cargo preference provisions referred to in section 132 any requirement otherwise applicable to the materials, goods, equipment, or services imported under any such transaction.

SHIPMENT REQUIREMENTS FOR CERTAIN EXPORTS SPONSORED BY THE DEPARTMENT OF AGRICULTURE

Sec. 133. (a)(1) In addition to the requirement for United States-flag carriage of a percentage of gross tonnage imposed by section 901(b)(1) of the Merchant Marine Act, 1936, was amended (46 U.S.C. 1241(b)(1)), 25 per centum of the gross tonnage of agricultural commodities or the products thereof shipped under the agricultural export programs subject to such section and specified in subsection (b) shall be transported on United States-flag commercial vessels.

(2) In order to achieve an orderly and efficient implementation of the requirement of paragraph (1) --

(A) an additional quantity equal to 10 percent of the gross tonnage referred to in paragraph (1) shall be transported in United States-flag vessels in calendar year 1986;

(B) an additional quantity equal to 20 percent of the gross tonnage shall be transported in such vessels in calendar year 1987; and

(C) an additional quantity equal to 25 percent of the gross tonnage shall be transported in such vessels in calendar year 1988 and in each calendar year thereafter.

(3) In implementing the requirements of paragraph (1), the Secretary of Transportation shall give due consideration to the availability of United States-flag vessels to transport the commodities referred to in such paragraph.

(b) This section shall apply to any export activity of the Commodity Credit Corporation or the Secretary of Agriculture --

(1) carried out under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.);

(2) carried out under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(3) carried out under the Food Security Wheat Reserve Act of 1980 (7 U.S.C. 1736f-1);

(4) under which agricultural commodities or the products thereof are --

(A) donated through foreign governments or agencies, private or public, including intergovernmental organizations;
or

(B) sold for foreign currencies or for dollars on credit terms of more than ten years;

(5) under which agricultural commodities or the products thereof are made available for emergency food relief at

less than prevailing world market prices;

(6) under which cash grants are made available to foreign purchasers for the purpose of enabling such purchasers to acquire United States agricultural commodities or the products thereof if the cash grants are in amounts that result in the purchaser (after receipt of such grants) paying less than the prevailing world market price for such commodities; or

(7) under which agricultural commodities owned or controlled by or under loan from the Commodity Credit Corporation are exchanged or bartered for materials, goods, equipment, or services produced in foreign countries, other than export activities described in section 132(5).

(c)(1) The requirement for United States-flag transportation imposed by subsection (a) shall be subject to the same terms and conditions as provided in section 901(b) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)).

(2)(A) In order to carry out effectively the requirements of this subtitle, the Secretary of Transportation shall, to the maximum extent practicable within the requirements of this section and section 901(b) of the Merchant Marine Act, 1936, administer this subtitle and section 901(b) of the Merchant Marine Act, 1936, in a flexible manner, giving due consideration to historical trading patterns and to divisions in United States international shipping trades between bulk and liner service to particular geographic areas.

(B) The Secretary of Transportation shall also administer this subtitle and section 901(b) of the Merchant Marine Act, 1936, in a manner which preserves to the greatest extent practicable the mean historical port range share of cargoes subject to United States-flag transportation requirements under this section exported from the Atlantic, Gulf, Pacific, and Great Lakes port ranges.

(d) As used in subsection (b), the term "export activity", shall not include inspection or weighing activities, other activities carried out for health or safety purposes, or technical assistance provided in the handling of commercial transactions.

(e)(1) The prevailing world market price as to agricultural commodities or the products thereof shall be determined under this subtitle in accordance with procedures established by the Secretary of Agriculture. The Secretary shall prescribe such procedures by regulation, with notice and opportunity for public comment, pursuant to section 553 of title 5, United States Code.

(2) In the event that a determination of the prevailing world market price of any other type of materials, goods, equipment, or service is required in order to determine whether a barter or exchange transaction is subject to subsection (b)(6) or (b)(7), such determination shall be made by the Secretary of Agriculture in consultation with the heads of other appropriate Federal agencies.

MINIMUM TONNAGE

Sec. 134. (a)(1) For fiscal year 1986 and each fiscal year thereafter, the minimum quantity of agricultural commodities that may be exported under programs subject to section 133 shall be the average of the tonnage exported under such programs during the base period defined in subsection (b), discarding the high and low years.

(2) The President may waive the minimum quantity for any fiscal year required under paragraph (1) if he determines and reports to the Congress, together with his reasons, that such quantity cannot be effectively used for the purposes of such programs or, based on a certification by the Secretary of Agriculture, that the commodities are not available for reasons which include the unavailability of funds.

(b) The base period utilized for computing the minimum tonnage quantity referred to in subsection (a) for any fiscal year shall be the five fiscal years beginning with the sixth fiscal year preceding such fiscal year and ending with the second fiscal year preceding such fiscal year.

FINANCING OF SHIPMENT OF AGRICULTURAL COMMODITIES IN UNITED STATES-FLAG VESSELS

Sec. 135. (a) The Secretary of Transportation shall finance any increased ocean freight charges incurred in any fiscal year which result from the application of section 133(a). The amount to be financed by the Secretary shall be an amount of the total freight charges incurred from the application of such section in such fiscal year equal to a fraction of the total ocean freight differential incurred in connection with the export activities specified in such section in such fiscal year, the numerator of such fraction to be equal to the percentage in excess of 50 of the tonnage of agricultural commodities or the products thereof that are shipped on United States-flag vessels, and the denominator of such fraction to be equal to the total percentage of such tonnage so shipped.

(b)(1) If in any fiscal year the total cost of ocean freight and ocean freight differential for which obligations are incurred by the Department of Agriculture and the Commodity Credit Corporation on exports of agricultural commodities and products thereof under the agricultural export programs specified in section 133(b) exceeds 20 percent of the value of such commodities and products and the cost of such ocean freight and ocean freight differential on which obligations are incurred by such Department and Corporation during such year, the Secretary of Transportation shall reimburse the Department of Agriculture and the Commodity Credit Corporation for the amount of such excess. For the purpose of this subsection, commodities shipped from the inventory of the Commodity Credit Corporation shall be valued as provided in section 403(b) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1733(b)).

(2)(A) The National Advisory Commission on Agricultural Export Transportation Policy established under section 136 shall include in its final report to the President and the Congress recommendations for any changes in the provisions of paragraph (1) that would help assure that the cost of ocean freight and ocean freight differential incurred by the Department of Agriculture and the Commodity Credit Corporation on the agricultural export programs specified in section 133(b), is not increased above historical levels as a result of the extra demand for United States-flag vessels caused by this subtitle.

(B) After taking into consideration the recommendations of the Commission referred to in subparagraph (A), the President may, by proclamation, provide requirements for the assumption by the Department of Transportation of a portion of the cost of ocean freight and ocean freight differential that would otherwise be incurred by the Department of Agriculture and the Commodity Credit Corporation on a different basis than that set forth in paragraph (1) in order to accomplish the objectives of subparagraph (A). The provisions of paragraph (1) shall be inapplicable on and after the effective date of the proclamation.

(c) For the purpose of meeting those expenses required to be assumed under subsections (a) and (b), the Secretary of Transportation shall issue to the Secretary of the Treasury such obligations in such forms and denominations, bearing such maturities and subject to such terms and conditions, as may be prescribed by the Secretary of Transportation with the approval of the Secretary of the Treasury. Such obligations shall be at a rate of interest as determined by the Secretary of the Treasury, taking into consideration the average market yield on outstanding marketable obligations of the United States with remaining periods of maturity comparable to the average maturities of such obligations during the month preceding the issuance of such obligations of the Secretary of Transportation. The Secretary of Treasury shall purchase any obligations of the Secretary of Transportation issued under this subsection and, for the purpose of purchasing such obligations, the Secretary of the Treasury may use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, United States Code, after the date of the enactment of this Act and the purposes for which securities may be issued under such chapter are extended to include any purchases of the obligations of the Secretary of Transportation under this subsection. All redemptions and purchases by the Secretary of the Treasury of the obligations of the Secretary of Transportation shall be treated as public-debt transactions of the United States.

(d) There is authorized to be appropriated annually for each fiscal year, commencing with the fiscal year beginning October 1, 1986, an amount sufficient to reimburse the Secretary of Transportation for the costs, including

administrative expenses and the principal and interest due on the obligations to the Secretary of the Treasury incurred under this section. Reimbursement of any such costs shall be made with appropriated funds, as provided in this section, rather than through cancellation of notes.

(e) Notwithstanding the provisions of this section, in the event that the Secretary of Transportation is unable to obtain the funds necessary to finance the increased ocean freight charges resulting from the requirements of subsections (a) and (b) and section 133(a), the Secretary of Transportation shall so notify the Congress within 10 working days of the discovery of such insufficiency.

NATIONAL ADVISORY COMMISSION ON AGRICULTURAL EXPORT TRANSPORTATION POLICY

Sec. 136. (a) There is hereby established an advisory commission to be known as the National Advisory Commission on Agricultural Export Transportation Policy (hereafter in this subtitle referred to as the "Commission").

(b)(1) The Commission shall be composed of 24 members.

(2) Sixteen members of the Commission shall be appointed by the President.

(3) The chairman and ranking minority members of the Senate Committee on Agriculture, Nutrition, and Forestry, of the Subcommittee on Merchant Marine of the Senate Committee on Commerce, Science, and Transportation, of the House Committee on Agriculture, and of the House Committee on Merchant Marine and Fisheries shall serve as members of the Commission.

(4)(A) Eight of the members appointed by the President shall be representatives of agricultural producers, cooperatives, merchandisers, and processors of agricultural commodities.

(B) The remaining eight members appointed by the President shall be representatives of the United States-flag maritime industry, four of whom shall represent labor and four of whom shall represent management.

(c)(1) The members of the Commission shall elect a Chairman from among its members.

(2) Any vacancy in the Commission shall not affect its powers but shall be filled in the same manner in which the original appointment was made.

DUTIES OF THE COMMISSION

Sec. 137. (a) It shall be the duty of the Commission to conduct a comprehensive study and review of the ocean transportation of agricultural exports subject to the cargo preference laws referred to in section 132 and to make recommendations to the President and the Congress for improving the efficiency of such transportation on United States-flag vessels in order to reduce the costs incurred by the United States in connection with such transportation. In carrying out such study and review, the Commission shall consider the extent to which any unfair or discriminatory practices of foreign governments increase the cost to the United States of transporting agricultural commodities subject to such cargo preference laws.

(b)(1) The Commission shall submit an interim report to the President and the Congress not later than one year after the date of the enactment of this subtitle and such other interim reports as the Commission considers advisable.

(2) The Commission shall submit a final report containing its findings and recommendations to the President and the Congress not later than two years after the date of the enactment of this subtitle.

(3) Sixty days after the submission of the final report, the Commission shall cease to exist.

(c) The Commission shall include in its reports submitted pursuant to subsection (b) recommendations concerning

the feasibility and desirability of achieving the following goals with respect to the ocean transportation of agricultural commodities subject to the cargo preference laws referred to in section 132:

(1) Ensuring that the timing of commodity purchase agreements entered into by the United States in connection with the export of such commodities, and the methods of implementing such agreements, are such as to minimize cost to the United States.

(2) Ensuring that shipments of such commodities are made on the most modern and efficient United States-flag vessels available.

(3) Ensuring that shipments of such commodities are made under the most advantageous terms available, including

--

(A) charters for full shipload;

(B) charters for intermediate or long term;

(C) charters for consecutive voyages and contracts of affreightment; and

(D) adjustment of rates in the event that vessels used for shipments so such commodities also carry cargoes on return voyages.

(4) Reduction and elimination of impediments, including delays in port, to the efficient loading and operation of the vessels employed for shipment of such commodities.

(5) Utilization of open and competitive bidding for the ocean transportation of such commodities.

INFORMATION AND ASSISTANCE TO BE FURNISHED TO THE COMMISSION

Sec. 138. (a) Each department, agency, and instrumentality of the United States, including independent agencies, shall furnish to the Commission, upon request made by the Chairman, such statistical data, reports, and other information as the Commission considers necessary to carry out its functions under this subtitle.

(b) The Secretary of Agriculture and the Secretary of Transportation shall make available to the Commission such staff, personnel, and administrative services as may reasonably be required to carry out the Commission's duties.

COMPENSATION AND TRAVEL AND SUBSISTENCE EXPENSES OF COMMISSION MEMBERS

Sec. 139. Members of the Commission shall serve without compensation in addition to compensation they may otherwise be entitled to receive as employees of the United States or as Members of Congress, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of duties vested in the Commission.

AUTHORIZATION OF APPROPRIATIONS

Sec. 140. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this subtitle.

TERMINATION OF SUBTITLE

Sec. 141. The operation of this subtitle shall terminate 90 days after the date on which a notification is made pursuant to section 135(e), except with respect to shipments of agricultural commodities and products subject to contracts entered into before the expiration of such 90-day period, unless within such 90-day period the Secretary of Transportation proclaims that funds are available to finance increased freight charges resulting from the requirements of

sections 133(a) and 135 (a) and (b).

EFFECT ON OTHER LAWS

Sec. 142. This Act shall not construed as modifying in any manner the provisions of section 4(b) (8) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(b)(8)) or chapter 5 of title 5, United States Code.

AMENDMENT NO. 915

(Purpose: To establish shipment requirements for exports sponsored by the Department of Agriculture)

Mr. COCHRAN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Mississippi [Mr. Cochran] proposes an amendment numbered 915 to amendment 914.

Mr. COCHRAN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Beginning on page 35 of the amendment strike line 9 through the end of the amendment and insert the following in lieu thereof:

Sec. 131. (a) The Congress finds and declares --

(1) that a productive and healthy agricultural industry and a strong and active United States maritime industry are vitally important to the economic well-being and national security objectives of our Nation;

(2) that both industries must compete in international markets increasingly dominated by foreign trade barriers and the subsidization practices of foreign governments;

(3) that increased agricultural exports and the utilization of United States merchant vessels contribute positively to the United States balance of trade and generate employment opportunities in the United States.

(b) It is therefore declared to be the purpose and policy of the Congress in this subtitle --

(1) to enable the Department of Agriculture to plan its export programs effectively, by clarifying the ocean transportation requirements applicable to such programs;

(2) to take immediate and positive steps to promote the growth of the cargo carrying capacity of the United States merchant marine;

(3) to expand international trade in United States agricultural commodities and products and to develop, maintain, and expand markets for United States agricultural exports;

(4) to improve the efficiency of administration of both the commodity purchasing and selling and the ocean transportation activities associated with export programs sponsored by the Department of Agriculture; and

(5) to stimulate and promote both the agricultural and maritime industries of the United States and encourage

cooperative efforts by both industries to address their common problems.

EXEMPTION OF CERTAIN AGRICULTURAL EXPORTS FROM THE REQUIREMENTS OF THE CARGO PREFERENCE LAWS

Sec. 132. The requirements of section 901(b)(1) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)(1)), and the Joint Resolution of March 26, 1934 (46 U.S.C. 1241-1), shall not apply to any export activities of the Secretary of Agriculture or the Commodity Credit Corporation --

(1) under which agricultural commodities or the products thereof acquired by the Commodity Credit Corporation are made available to United States exporters, users, processors, or foreign purchasers for the purpose of developing, maintaining, or expanding export markets for United States agricultural commodities or the products thereof at prevailing world market prices;

(2) under which payments are made available to United States exporters, users, or processors or, except as provided in section 133(b)(6), cash grants are made available to foreign purchasers, for the purpose described in clause (1);

(3) under which commercial credit guarantees are blended with direct credits from the Commodity Credit Corporation to reduce the effective rate of interest on export sales of United States agricultural commodities or the products thereof;

(4) under which credit or credit guarantees for not to exceed 3 years are extended by the Commodity Credit Corporation to finance or guarantee export sales of United States agricultural commodities or the products thereof; or

(5) under which agricultural commodities or the products thereof owned or controlled by or under loan from the Commodity Credit Corporation are exchanged or bartered for materials, goods, equipment, or services, but only if such materials, goods, equipment, or services are of a value at least equivalent to the value of the agricultural commodities or products exchanged or bartered therefor (determined on the basis of prevailing world market prices at the time of the exchange or barter), but nothing in this subsection shall be construed to exempt from the cargo preference provisions referred to in section 132 any requirement otherwise applicable to the materials, goods, equipment, or services imported under any such transaction.

SHIPMENT REQUIREMENTS FOR CERTAIN EXPORTS SPONSORED BY THE DEPARTMENT OF AGRICULTURE

Sec. 133. (a)(1) In addition to the requirement for United States-flag carriage of a percentage of gross tonnage imposed by section 901(b)(1) of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1241(b)(1)), 25 per centum of the gross tonnage of agricultural commodities or the products thereof shipped under the agricultural export programs subject to such section and specified in subsection (b) shall be transported on United States-flag commercial vessels.

(2) In order to achieve an orderly and efficient implementation of the requirement of paragraph (1) --

(A) an additional quantity equal to 10 percent of the gross tonnage referred to in paragraph (1) shall be transported in United States-flag vessels in calendar year 1986;

(B) an additional quantity equal to 20 percent of the gross tonnage shall be transported in such vessels in calendar year 1987; and

(C) an additional quantity equal to 25 percent of the gross tonnage shall be transported in such vessels in calendar year 1988 and in each calendar year thereafter.

(3) In implementing the requirements of paragraph (1), the Secretary of Transportation shall give due consideration to the availability of United States-flag vessels to transport the commodities referred to in such paragraph.

(b) This section shall apply to any export activity of the Commodity Credit Corporation or the Secretary of Agriculture --

(1) carried out under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.);

(2) carried out under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(3) carried out under the Food Security Wheat Reserve Act of 1980 (7 U.S.C. 1736f-1);

(4) under which agricultural commodities or the products thereof are --

(A) donated through foreign governments or agencies, private or public, including intergovernmental organizations;
or

(B) sold for foreign currencies or for dollars on credit terms of more than ten years;

(5) under which agricultural commodities or the products thereof are made available for emergency food relief at less than prevailing world market prices;

(6) under which cash grants are made available to foreign purchasers for the purpose of enabling such purchasers to acquire United States agricultural commodities or the products thereof if the cash grants are in amounts that result in the purchaser (after receipt of such grants) paying less than the prevailing world market price for such commodities; or

(7) under which agricultural commodities owned or controlled by or under loan from the Commodity Credit Corporation are exchanged or bartered for materials, goods, equipment, or services produced in foreign countries, other than export activities described in section 132(5).

(c)(1) The requirement for United States-flag transportation imposed by subsection (a) shall be subject to the same terms and conditions as provided in section 901(b) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)).

(2)(A) In order to carry out effectively the requirements of this subtitle, the Secretary of Transportation shall, to the maximum extent practicable within the requirements of this section and section 901(b) of the Merchant Marine Act, 1936, administer this subtitle and section 901(b) of the Merchant Marine Act, 1936, in a flexible manner, giving due consideration to historical trading patterns and to divisions in United States international shipping trades between bulk and liner service to particular geographic areas.

(B) The Secretary of Transportation shall also administer this subtitle and section 901(b) of the Merchant Marine Act, 1936, in a manner which preserves to the greatest extent practicable the mean historical port range share of cargoes subject to United States-flag transportation requirements under this section exported from the Atlantic, Gulf, Pacific, and Great Lakes port ranges.

(d) As used in subsection (b), the term "export activity", shall not include inspection or weighing activities, other activities carried out for health or safety purposes, or technical assistance provided in the handling of commercial transactions.

(e)(1) The prevailing world market price as to agricultural commodities or the products thereof shall be determined under this subtitle in accordance with procedures established by the Secretary of Agriculture. The Secretary shall prescribe such procedures by regulation, with notice and opportunity for public comment, pursuant to section 553 of title 5, United States Code.

(2) In the event that a determination of the prevailing world market price of any other type of materials, goods, equipment, or service is required in order to determine whether a barter or exchange transaction is subject to subsection (b)(6) or (b)(7), such determination shall be made by the Secretary of Agriculture in consultation with the heads of other

appropriate Federal agencies.

MINIMUM TONNAGE

Sec. 134. (a)(1) For fiscal year 1986 and each fiscal year thereafter, the minimum quantity of agricultural commodities that may be exported under programs subject to section 133 shall be the average of the tonnage exported under such programs during the base period defined in subsection (b), discarding the high and low years.

(2) The President may waive the minimum quantity for any fiscal year required under paragraph (1) if he determines and reports to the Congress, together with his reasons, that such quantity cannot be effectively used for the purposes of such programs or, based on a certification by the Secretary of Agriculture, that the commodities are not available for reasons which include the unavailability of funds.

(b) The base period utilized for computing the minimum tonnage quantity referred to in subsection (a) for any fiscal year shall be the five fiscal years beginning with the sixth fiscal year preceding such fiscal year and ending with the second fiscal year preceding such fiscal year.

FINANCING OF SHIPMENT OF AGRICULTURAL COMMODITIES IN UNITED STATES-FLAG VESSELS

Sec. 135. (a) The Secretary of Transportation shall finance any increased ocean freight charges incurred in any fiscal year which result from the application of section 133(a). The amount to be financed by the Secretary shall be an amount of the total freight charges incurred from the application of such section in such fiscal year equal to a fraction of the total ocean freight differential incurred in connection with the export activities specified in such section in such fiscal year, the numerator of such fraction to be equal to the percentage in excess of 50 of the tonnage of agricultural commodities or the products thereof that are shipped on United States-flag vessels, and the denominator of such fraction to be equal to the total percentage of such tonnage so shipped.

(b)(1) If in any fiscal year the total cost of ocean freight and ocean freight differential for which obligations are incurred by the Department of Agriculture and the Commodity Credit Corporation on exports of agricultural commodities and products thereof under the agricultural export programs specified in section 133(b) exceeds 20 percent of the value of such commodities and products and the cost of such ocean freight and ocean freight differential on which obligations are incurred by such Department and Corporation during such year, the Secretary of Transportation shall reimburse the Department of Agriculture and the Commodity Credit Corporation for the amount of such excess. For the purpose of this subsection, commodities shipped from the inventory of the Commodity Credit Corporation shall be valued as provided in section 403(b) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1733(b)).

(2)(A) The National Advisory Commission on Agricultural Export Transportation Policy established under section 136 shall include in its final report to the President and the Congress recommendations for any changes in the provisions of paragraph (1) that would help assure that the cost of ocean freight and ocean freight differential incurred by the Department of Agriculture and the Commodity Credit Corporation on the agricultural export programs specified in section 133(b), is not increased above historical levels as a result of the extra demand for United States-flag vessels caused by this subtitle.

(B) After taking into consideration the recommendations of the Commission referred to in subparagraph (A), the President may, by proclamation, provide requirements for the assumption by the Department of Transportation of a portion of the cost of ocean freight and ocean freight differential that would otherwise be incurred by the Department of Agriculture and the Commodity Credit Corporation on a different basis than that set forth in paragraph (1) in order to accomplish the objectives of subparagraph (A). The provisions of paragraph (1) shall be inapplicable on and after the effective date of the proclamation.

(c) For the purpose of meeting those expenses required to be assumed under subsections (a) and (b), the Secretary

of Transportation shall issue to the Secretary of the Treasury such obligations in such forms and denominations, bearing such maturities and subject to such terms and conditions, as may be prescribed by the Secretary of Transportation with the approval of the Secretary of the Treasury. Such obligations shall be at a rate of interest as determined by the Secretary of the Treasury, taking into consideration the average market yield on outstanding marketable obligations of the United States with remaining periods of maturity comparable to the average maturities of such obligations during the month preceding the issuance of such obligations of the Secretary of Transportation. The Secretary of Treasury shall purchase any obligations of the Secretary of Transportation issued under this subsection and, for the purpose of purchasing such obligations, the Secretary of the Treasury may use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, United States Code, after the date of the enactment of this Act and the purposes for which securities may be issued under such chapter are extended to include any purchases of the obligations of the Secretary of Transportation under this subsection. All redemptions and purchases by the Secretary of the Treasury of the obligations of the Secretary of Transportation shall be treated as public-debt transactions of the United States.

(d) There is authorized to be appropriated annually for each fiscal year, commencing with the fiscal year beginning October 1, 1986, an amount sufficient to reimburse the Secretary of Transportation for the costs, including administrative expenses and the principal and interest due on the obligations to the Secretary of the Treasury incurred under this section. Reimbursement of any such costs shall be made with appropriated funds, as provided in this section, rather than through cancellation of notes.

(e) Notwithstanding the provisions of this section, in the event that the Secretary of Transportation is unable to obtain the funds necessary to finance the increased ocean freight charges resulting from the requirements of subsections (a) and (b) and section 133(a), the Secretary of Transportation shall so notify the Congress within 10 working days of the discovery of such insufficiency.

NATIONAL ADVISORY COMMISSION ON AGRICULTURAL EXPORT TRANSPORTATION POLICY

Sec. 136. (a) There is hereby established an advisory commission to be known as the National Advisory Commission on Agricultural Export Transportation Policy (hereafter in this subtitle referred to as the "Commission").

(b)(1) The Commission shall be composed of 16 members.

(2) Eight members of the Commission shall be appointed by the President.

(3) The chairman and ranking minority members of the Senate Committee on Agriculture, Nutrition, and Forestry, of the Subcommittee on Merchant Marine of the Senate Committee on Commerce, Science, and Transportation, of the House Committee on Agriculture, and of the House Committee on Merchant Marine and Fisheries shall serve as members of the Commission.

(4)(A) Four of the members appointed by the President shall be representatives of agricultural producers, cooperatives, merchandisers, and processors of agricultural commodities.

(B) The remaining four members appointed by the President shall be representatives of the United States-flag maritime industry, two of whom shall represent labor and two of whom shall represent management.

(c)(1) The members of the Commission shall elect a Chairman from among its members.

(2) Any vacancy in the Commission shall not affect its powers but shall be filled in the same manner in which the original appointment was made.

DUTIES OF THE COMMISSION

Sec. 137. (a) It shall be the duty of the Commission to conduct a comprehensive study and review of the ocean transportation of agricultural exports subject to the cargo preference laws referred to in section 132 and to make recommendations to the President and the Congress for improving the efficiency of such transportation on United States-flag vessels in order to reduce the costs incurred by the United States in connection with such transportation. In carrying out such study and review, the Commission shall consider the extent to which any unfair or discriminatory practices of foreign governments increase the cost to the United States of transporting agricultural commodities subject to such cargo preference laws.

(b)(1) The Commission shall submit an interim report to the President and the Congress not later than one year after the date of the enactment of this subtitle and such other interim reports as the Commission considers advisable.

(2) The Commission shall submit a final report containing its findings and recommendations to the President and the Congress not later than two years after the date of the enactment of this subtitle.

(3) Sixty days after the submission of the final report, the Commission shall cease to exist.

(c) The Commission shall include in its reports submitted pursuant to subsection (b) recommendations concerning the feasibility and desirability of achieving the following goals with respect to the ocean transportation of agricultural commodities subject to the cargo preference laws referred to in section 132:

(1) Ensuring that the timing of commodity purchase agreements entered into by the United States in connection with the export of such commodities, and the methods of implementing such agreements, are such as to minimize cost to the United States.

(2) Ensuring that shipments of such commodities are made on the most modern and efficient United States-flag vessels available.

(3) Ensuring that shipments of such commodities are made under the most advantageous terms available, including

--

(A) charters for full shiploads;

(B) charters for intermediate or long term;

(C) charters for consecutive voyages and contracts of affreightment; and

(D) adjustment of rates in the event that vessels used for shipments of such commodities also carry cargoes on return voyages.

(4) Reduction and elimination of impediments, including delays in port, to the efficient loading and operation of the vessels employed for shipment of such commodities.

(5) Utilization of open and competitive bidding for the ocean transportation of such commodities.

INFORMATION AND ASSISTANCE TO BE FURNISHED TO THE COMMISSION

Sec. 138. (a) Each department, agency, and instrumentality of the United States, including independent agencies, shall furnish to the Commission, upon request made by the Chairman, such statistical data, reports, and other information as the Commission considers necessary to carry out its functions under this subtitle.

(b) The Secretary of Agriculture and the Secretary of Transportation shall make available to the Commission such staff, personnel, and administrative services as may reasonably be required to carry out the Commission's duties.

COMPENSATION AND TRAVEL AND SUBSISTENCE EXPENSES OF COMMISSION MEMBERS

Sec. 139. Members of the Commission shall serve without compensation in addition to compensation they may otherwise be entitled to receive as employees of the United States or as Members of Congress, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of duties vested in the Commission.

AUTHORIZATION OF APPROPRIATIONS

Sec. 140. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this subtitle.

TERMINATION OF SUBTITLE

Sec. 141. The operation of this subtitle shall terminate 90 days after the date on which a notification is made pursuant to section 135(e), except with respect to shipments of agricultural commodities and products subject to contracts entered into before the expiration of such 90-day period, unless within such 90-day period the Secretary of Transportation proclaims that funds are available to finance increased freight charges resulting from the requirements of sections 133(a) and 135 (a) and (b).

EFFECT ON OTHER LAWS

Sec. 142. This Act shall not be construed as modifying in any manner the provisions of section 4(b)(8) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(b)(8)) or chapter 5 of title 5, United States Code.

AMENDMENT NO. 916

(Purpose: To establish shipment requirements for exports sponsored by the Department of Agriculture)

Mr. INOUYE. Mr. President, I send to the desk a perfecting amendment to the part to be stricken and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Hawaii [Mr. Inouye] proposes an amendment to the language proposed to be stricken from the bill

Mr. INOUYE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

On page 31, beginning with line 15, strike all through and including line 11 on page 33 and insert in lieu thereof the following:

"Sec. 131. (a) The Congress finds and declares --

(1) that a productive and healthy agricultural industry and a strong and active United States maritime industry are vitally important to the economic well-being and national security objectives of our Nation;

(2) that both industries must compete in international markets increasingly dominated by foreign trade barriers and the subsidization practices of foreign governments;

(3) that increased agricultural exports and the utilization of United States merchant vessels contribute positively to

the United States balance of trade and generate employment opportunities in the United States.

(b) It is therefore declared to be the purpose and policy of the Congress in this subtitle --

(1) to enable the Department of Agriculture to plan its export programs effectively, by clarifying the ocean transportation requirements applicable to such programs;

(2) to take immediate and positive steps to promote the growth of the cargo carrying capacity of the United States merchant marine;

(3) to expand international trade in United States agricultural commodities and products and to develop, maintain, and expand markets for United States agricultural exports;

(4) to improve the efficiency of administration of both the commodity purchasing and selling and the ocean transportation activities associated with export programs sponsored by the Department of Agriculture; and

(5) to stimulate and promote both the agricultural and maritime industries of the United States and encourage cooperative efforts by both industries to address their common problems.

EXEMPTION OF CERTAIN AGRICULTURAL EXPORTS FROM THE REQUIREMENTS OF THE CARGO PREFERENCE LAWS

Sec. 132. The requirements of section 901(b)(1) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)(1)), and the Joint Resolution of March 26, 1934 (46 U.S.C. 1241-1), shall not apply to any export activities of the Secretary of Agriculture or the Commodity Credit Corporation --

(1) under which agricultural commodities or the products thereof acquired by the Commodity Credit Corporation are made available to United States exporters, users, processors, or foreign purchasers for the purpose of developing, maintaining, or expanding export markets for United States agricultural commodities or the products thereof at prevailing world market prices;

(2) under which payments are made available to United States exporters, users, or processors or, except as provided in section 133(b)(6), cash grants are made available to foreign purchasers, for the purpose described in clause (1);

(3) under which commercial credit guarantees are blended with direct credits from the Commodity Credit Corporation to reduce the effective rate of interest on export sales of United States agricultural commodities or the products thereof;

(4) under which credit or credit guarantees for not to exceed 3 years are extended by the Commodity Credit Corporation to finance or guarantee export sales of United States agricultural commodities or the products thereof; or

(5) under which agricultural commodities or the products thereof owned or controlled by or under loan from the Commodity Credit Corporation are exchanged or bartered for materials, goods, equipment, or services, but only if such materials, goods, equipment, or services are of a value at least equivalent to the value of the agricultural commodities or products exchanged or bartered therefor (determined on the basis of prevailing world market prices at the time of the exchange or barter), but nothing in this subsection shall be construed to exempt from the cargo preference provisions referred to in section 132 any requirement otherwise applicable to the materials, goods, equipment, or services imported under any such transaction.

SHIPMENT REQUIREMENTS FOR CERTAIN EXPORTS SPONSORED BY THE DEPARTMENT OF AGRICULTURE

Sec. 133. (a)(1) In addition to the requirement for United States-flag carriage of a percentage of gross tonnage

imposed by section 901(b)(1) of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1241(b)(1)), 25 per centum of the gross tonnage of agricultural commodities or the products thereof shipped under the agricultural export programs subject to such section and specified in subsection (b) shall be transported on United States-flag commercial vessels.

(2) In order to achieve an orderly and efficient implementation of the requirement of paragraph (1) --

(A) an additional quantity equal to 10 percent of the gross tonnage referred to in paragraph (1) shall be transported in United States-flag vessels in calendar year 1986;

(B) an additional quantity equal to 20 percent of the gross tonnage shall be transported in such vessels in calendar year 1987; and

(C) an additional quantity equal to 25 percent of the gross tonnage shall be transported in such vessels in calendar year 1988 and in each calendar year thereafter.

(3) In implementing the requirements of paragraph (1), the Secretary of Transportation shall give due consideration to the availability of United States-flag vessels to transport the commodities referred to in such paragraph.

(b) This section shall apply to any export activity of the Commodity Credit Corporation or the Secretary of Agriculture --

(1) carried out under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.);

(2) carried out under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(3) carried out under the Food Security Wheat Reserve Act of 1980 (7 U.S.C. 1736f-1);

(4) under which agricultural commodities or the products thereof are --

(A) donated through foreign governments or agencies, private or public, including intergovernmental organizations;
or

(B) sold for foreign currencies or for dollars on credit terms of more than ten years;

(5) under which agricultural commodities or the products thereof are made available for emergency food relief at less than prevailing world market prices;

(6) under which cash grants are made available to foreign purchasers for the purpose of enabling such purchasers to acquire United States agricultural commodities or the products thereof if the cash grants are in amounts that result in the purchaser (after receipt of such grants) paying less than the prevailing world market price for such commodities; or

(7) under which agricultural commodities owned or controlled by or under loan from the Commodity Credit Corporation are exchanged or bartered for materials, goods, equipment, or services produced in foreign countries, other than export activities described in section 132(5).

(c)(1) The requirement for United States-flag transportation imposed by subsection (a) shall be subject to the same terms and conditions as provided in section 901(b) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)).

(2)(A) In order to carry out effectively the requirements of this subtitle, the Secretary of Transportation shall, to the maximum extent practicable within the requirements of this section and section 901(b) of the Merchant Marine Act, 1936, administer this subtitle and section 901(b) of the Merchant Marine Act, 1936, in a flexible manner, giving due consideration to historical trading patterns and to divisions in United States international shipping trades between bulk and liner service to particular geographic areas.

(B) The Secretary of Transportation shall also administer this subtitle and section 901(b) of the Merchant Marine Act, 1936, in a manner which preserves to the greatest extent practicable the mean historical port range share of cargoes subject to United States-flag transportation requirements under this section exported from the Atlantic, Gulf, Pacific, and Great Lakes port ranges.

(d) As used in subsection (b), the term "export activity", shall not include inspection or weighing activities, other activities carried out for health or safety purposes, or technical assistance provided in the handling of commercial transactions.

(e)(1) The prevailing world market price as to agricultural commodities or the products thereof shall be determined under this subtitle in accordance with procedures established by the Secretary of Agriculture. The Secretary shall prescribe such procedures by regulation, with notice and opportunity for public comment, pursuant to section 553 of title 5, United States Code.

(2) In the event that a determination of the prevailing world market price of any other type of materials, goods, equipment, or service is required in order to determine whether a barter or exchange transaction is subject to subsection (b)(6) or (b)(7), such determination shall be made by the Secretary of Agriculture in consultation with the heads of other appropriate Federal agencies.

MINIMUM TONNAGE

Sec. 134. (a)(1) For fiscal year 1986 and each fiscal year thereafter, the minimum quantity of agricultural commodities that may be exported under programs subject to section 133 shall be the average of the tonnage exported under such programs during the base period defined in subsection (b), discarding the high and low years.

(2) The President may waive the minimum quantity for any fiscal year required under paragraph (1) if he determines and reports to the Congress, together with his reasons, that such quantity cannot be effectively used for the purposes of such programs or, based on a certification by the Secretary of Agriculture, that the commodities are not available for reasons which include the unavailability of funds.

(b) The base period utilized for computing the minimum tonnage quantity referred to in subsection (a) for any fiscal year shall be the five fiscal years beginning with the sixth fiscal year preceding such fiscal year and ending with the second fiscal year preceding such fiscal year.

FINANCING OF SHIPMENT OF AGRICULTURAL COMMODITIES IN UNITED STATES-FLAG VESSELS

Sec. 135. (a) The Secretary of Transportation shall finance any increased ocean freight charges incurred in any fiscal year which result from the application of section 133(a). The amount to be financed by the Secretary shall be an amount of the total freight charges incurred from the application of such section in such fiscal year equal to a fraction of the total ocean freight differential incurred in connection with the export activities specified in such section in such fiscal year, the numerator of such fraction to be equal to the percentage in excess of 50 of the tonnage of agricultural commodities or the products thereof that are shipped on United States-flag vessels, and the denominator of such fraction to be equal to the total percentage of such tonnage so shipped.

(b)(1) If in any fiscal year the total cost of ocean freight and ocean freight differential for which obligations are incurred by the Department of Agriculture and the Commodity Credit Corporation on exports of agricultural commodities and products thereof under the agricultural export programs specified in section 133(b) exceeds 20 percent of the value of such commodities and products and the cost of such ocean freight and ocean freight differential on which obligations are incurred by such Department and Corporation during such year, the Secretary of Transportation shall reimburse the Department of Agriculture and the Commodity Credit Corporation for the amount of such excess. For the purpose of this subsection, commodities shipped from the inventory of the Commodity Credit Corporation shall be valued as provided in section 403(b) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C.

1733(b)).

(2)(A) The National Advisory Commission on Agricultural Export Transportation Policy established under section 136 shall include in its final report to the President and the Congress recommendations for any changes in the provisions of paragraph (1) that would help assure that the cost of ocean freight and ocean freight differential incurred by the Department of Agriculture and the Commodity Credit Corporation on the agricultural export programs specified in section 133(b), is not increased above historical levels as a result of the extra demand for United States-flag vessels caused by this subtitle.

(B) After taking into consideration the recommendations of the Commission referred to in subparagraph (A), the President may, by proclamation, provide requirements for the assumption by the Department of Transportation of a portion of the cost of ocean freight and ocean freight differential that would otherwise be incurred by the Department of Agriculture and the Commodity Credit Corporation on a different basis than that set forth in paragraph (1) in order to accomplish the objectives of subparagraph (A). The provisions of paragraph (1) shall be inapplicable on and after the effective date of the proclamation.

(c) For the purpose of meeting those expenses required to be assumed under subsections (a) and (b), the Secretary of Transportation shall issue to the Secretary of the Treasury such obligations in such forms and denominations, bearing such maturities and subject to such terms and conditions, as may be prescribed by the Secretary of Transportation with the approval of the Secretary of the Treasury. Such obligations shall be at a rate of interest as determined by the Secretary of the Treasury, taking into consideration the average market yield on outstanding marketable obligations of the United States with remaining periods of maturity comparable to the average maturities of such obligations during the month preceding the issuance of such obligations of the Secretary of Transportation. The Secretary of Treasury shall purchase any obligations of the Secretary of Transportation issued under this subsection and, for the purpose of purchasing such obligations, the Secretary of the Treasury may use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, United States Code, after the date of the enactment of this Act and the purposes for which securities may be issued under such chapter are extended to include any purchases of the obligations of the Secretary of Transportation under this subsection. All redemptions and purchases by the Secretary of the Treasury of the obligations of the Secretary of Transportation shall be treated as public-debt transactions of the United States.

(d) There is authorized to be appropriated annually for each fiscal year, commencing with the fiscal year beginning October 1, 1986, an amount sufficient to reimburse the Secretary of Transportation for the costs, including administrative expenses and the principal and interest due on the obligations to the Secretary of the Treasury incurred under this section. Reimbursement of any such costs shall be made with appropriated funds, as provided in this section, rather than through cancellation of notes.

(e) Notwithstanding the provisions of this section, in the event that the Secretary of Transportation is unable to obtain the funds necessary to finance the increased ocean freight charges resulting from the requirements of subsections (a) and (b) and section 133(a), the Secretary of Transportation shall so notify the Congress within 10 working days of the discovery of such insufficiency.

NATIONAL ADVISORY COMMISSION ON AGRICULTURAL EXPORT TRANSPORTATION POLICY

Sec. 136. (a) There is hereby established an advisory commission to be known as the National Advisory Commission on Agricultural Export Transportation Policy (hereafter in this subtitle referred to as the "Commission").

(b)(1) The Commission shall be composed of 24 members.

(2) Sixteen members of the Commission shall be appointed by the President.

(3) The chairman and ranking minority members of the Senate Committee on Agriculture, Nutrition, and Forestry,

of the Subcommittee on Merchant Marine of the Senate Committee on Commerce, Science, and Transportation, of the House Committee on Agriculture, and of the House Committee on Merchant Marine and Fisheries shall serve as members of the Commission.

(4)(A) Eight of the members appointed by the President shall be representatives of agricultural producers, cooperatives, merchandisers, and processors of agricultural commodities.

(B) The remaining eight members appointed by the President shall be representatives of the United States-flag maritime industry, four of whom shall represent labor and four of whom shall represent management.

(c)(1) The members of the Commission shall elect a Chairman from among its members.

(2) Any vacancy in the Commission shall not affect its powers but shall be filled in the same manner in which the original appointment was made.

DUTIES OF THE COMMISSION

Sec. 137. (a) It shall be the duty of the Commission to conduct a comprehensive study and review of the ocean transportation of agricultural exports subject to the cargo preference laws referred to in section 132 and to make recommendations to the President and the Congress for improving the efficiency of such transportation on United States-flag vessels in order to reduce the costs incurred by the United States in connection with such transportation. In carrying out such study and review, the Commission shall consider the extent to which any unfair or discriminatory practices of foreign governments increase the cost to the United States of transporting agricultural commodities subject to such cargo preference laws.

(b)(1) The Commission shall submit an interim report to the President and the Congress not later than one year after the date of the enactment of this subtitle and such other interim reports as the Commission considers advisable.

(2) The Commission shall submit a final report containing its findings and recommendations to the President and the Congress not later than two years after the date of the enactment of this subtitle.

(3) Sixty days after the submission of the final report, the Commission shall cease to exist.

(c) The Commission shall include in its reports submitted pursuant to subsection (b) recommendations concerning the feasibility and desirability of achieving the following goals with respect to the ocean transportation of agricultural commodities subject to the cargo preference laws referred to in section 132:

(1) Ensuring that the timing of commodity purchase agreements entered into by the United States in connection with the export of such commodities, and the methods of implementing such agreements, are such as to minimize cost to the United States.

(2) Ensuring that shipments of such commodities are made on the most modern and efficient United States-flag vessels available.

(3) Ensuring that shipments of such commodities are made under the most advantageous terms available, including

--

(A) charters for full shiploads;

(B) charters for intermediate or long term;

(C) charters for consecutive voyages and contracts of affreightment; and

(D) adjustment of rates in the event that vessels used for shipments of such commodities also carry cargoes on return voyages.

(4) Reduction and elimination of impediments, including delays in port, to the efficient loading and operation of the vessels employed for shipment of such commodities.

(5) Utilization of open and competitive bidding for the ocean transportation of such commodities.

INFORMATION AND ASSISTANCE TO BE FURNISHED TO THE COMMISSION

Sec. 138. (a) Each department, agency, and instrumentality of the United States, including independent agencies, shall furnish to the Commission, upon request made by the Chairman, such statistical data, reports, and other information as the Commission considers necessary to carry out its functions under this subtitle.

(b) The Secretary of Agriculture and the Secretary of Transportation shall make available to the Commission such staff, personnel, and administrative services as may reasonably be required to carry out the Commission's duties.

COMPENSATION AND TRAVEL AND SUBSISTENCE EXPENSES OF COMMISSION MEMBERS

Sec. 139. Members of the Commission shall serve without compensation in addition to compensation they may otherwise be entitled to receive as employees of the United States or as Members of Congress, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of duties vested in the Commission.

AUTHORIZATION OF APPROPRIATIONS

Sec. 140. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this subtitle.

TERMINATION OF SUBTITLE

Sec. 141. The operation of this subtitle shall terminate 90 days after the date on which a notification is made pursuant to section 135(e), except with respect to shipments of agricultural commodities and products subject to contracts entered into before the expiration of such 90-day period, unless within such 90-day period the Secretary of Transportation proclaims that funds are available to finance increased freight charges resulting from the requirements of sections 133(a) and 135 (a) and (b).

EFFECT ON OTHER LAWS

Sec. 142. This Act shall not be construed as modifying in any manner the provisions of section 4(b)(8) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(b)(8)) or chapter 5 of title 5, United States Code."

AMENDMENT NO. 917

(Purpose: To establish shipment requirements for exports sponsored by the Department of Agriculture)

Mr. STEVENS. Mr. President, I send to the desk an amendment to the Inouye amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Alaska [Mr. Stevens] proposes an amendment numbered 917 to amendment 916.

Mr. STEVENS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 1, of the amendment, beginning with line 10, strike all through the end and insert in lieu thereof the following:

"Sec. 131. (a) The Congress finds and declares --

(1) that a productive and healthy agricultural industry and a strong and active United States maritime industry are vitally important to the economic well-being and national security objectives of our Nation;

(2) that both industries must compete in international markets increasingly dominated by foreign trade barriers and the subsidization practices of foreign governments;

(3) that increased agricultural exports and the utilization of United States merchant vessels contribute positively to the United States balance of trade and generate employment opportunities in the United States.

(b) It is therefore declared to be the purpose and policy of the Congress in this subtitle --

(1) to enable the Department of Agriculture to plan its export programs effectively, by clarifying the ocean transportation requirements applicable to such programs;

(2) to take immediate and positive steps to promote the growth of the cargo carrying capacity of the United States merchant marine;

(3) to expand international trade in United States agricultural commodities and products and to develop, maintain, and expand markets for United States agricultural exports;

(4) to improve the efficiency of administration of both the commodity purchasing and selling and the ocean transportation activities associated with export programs sponsored by the Department of Agriculture; and

(5) to stimulate and promote both the agricultural and maritime industries of the United States and encourage cooperative efforts by both industries to address their common problems.

EXEMPTION OF CERTAIN AGRICULTURAL EXPORTS FROM THE REQUIREMENTS OF THE CARGO PREFERENCE LAWS

Sec. 132. The requirements of section 901(b)(1) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)(1)), and the Joint Resolution of March 26, 1934 (46 U.S.C. 1241-1), shall not apply to any export activities of the Secretary of Agriculture or the Commodity Credit Corporation --

(1) under which agricultural commodities or the products thereof acquired by the Commodity Credit Corporation are made available to United States exporters, users, processors, or foreign purchasers for the purpose of developing, maintaining, or expanding export markets for United States agricultural commodities or the products thereof at prevailing world market prices;

(2) under which payments are made available to United States exporters, users, or processors or, except as provided in section 133(b)(6), cash grants are made available to foreign purchasers, for the purpose described in clause (1);

(3) under which commercial credit guarantees are blended with direct credits from the Commodity Credit

Corporation to reduce the effective rate of interest on export sales of United States agricultural commodities or the products thereof;

(4) under which credit or credit guarantees for not to exceed 3 years are extended by the Commodity Credit Corporation to finance or guarantee export sales of United States agricultural commodities or the products thereof; or

(5) under which agricultural commodities or the products thereof owned or controlled by or under loan from the Commodity Credit Corporation are exchanged or bartered for materials, goods, equipment, or services, but only if such materials, goods, equipment, or services are of a value at least equivalent to the value of the agricultural commodities or products exchanged or bartered therefor (determined on the basis of prevailing world market prices at the time of the exchange or barter), but nothing in this subsection shall be construed to exempt from the cargo preference provisions referred to in section 132 any requirement otherwise applicable to the materials, goods, equipment, or services imported under any such transaction.

SHIPMENT REQUIREMENTS FOR CERTAIN EXPORTS SPONSORED BY THE DEPARTMENT OF AGRICULTURE

Sec. 133. (a)(1) In addition to the requirement for United States-flag carriage of a percentage of gross tonnage imposed by section 901(b)(1) of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1241(b)(1)), 25 per centum of the gross tonnage of agricultural commodities or the products thereof shipped under the agricultural export programs subject to such section and specified in subsection (b) shall be transported on United States-flag commercial vessels.

(2) In order to achieve an orderly and efficient implementation of the requirement of paragraph (1) --

(A) an additional quantity equal to 10 percent of the gross tonnage referred to in paragraph (1) shall be transported in United States-flag vessels in calendar year 1986;

(B) an additional quantity equal to 20 percent of the gross tonnage shall be transported in such vessels in calendar year 1987; and

(C) an additional quantity equal to 25 percent of the gross tonnage shall be transported in such vessels in calendar year 1988 and in each calendar year thereafter.

(3) In implementing the requirements of paragraph (1), the Secretary of Transportation shall give due consideration to the availability of United States-flag vessels to transport the commodities referred to in such paragraph.

(b) This section shall apply to any export activity of the Commodity Credit Corporation or the Secretary of Agriculture --

(1) carried out under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.);

(2) carried out under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(3) carried out under the Food Security Wheat Reserve Act of 1980 (7 U.S.C. 1736f-1);

(4) under which agricultural commodities or the products thereof are --

(A) donated through foreign governments or agencies, private or public, including intergovernmental organizations;
or

(B) sold for foreign currencies or for dollars on credit terms of more than ten years;

(5) under which agricultural commodities or the products thereof are made available for emergency food relief at

less than prevailing world market prices;

(6) under which cash grants are made available to foreign purchasers for the purpose of enabling such purchasers to acquire United States agricultural commodities or the products thereof if the cash grants are in amounts that result in the purchaser (after receipt of such grants) paying less than the prevailing world market price for such commodities; or

(7) under which agricultural commodities owned or controlled by or under loan from the Commodity Credit Corporation are exchanged or bartered for materials, goods, equipment, or services produced in foreign countries, other than export activities described in section 132(5).

(c)(1) The requirement for United States-flag transportation imposed by subsection (a) shall be subject to the same terms and conditions as provided in section 901(b) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)).

(2)(A) In order to carry out effectively the requirements of this subtitle, the Secretary of Transportation shall, to the maximum extent practicable within the requirements of this section and section 901(b) of the Merchant Marine Act, 1936, administer this subtitle and section 901(b) of the Merchant Marine Act, 1936, in a flexible manner, giving due consideration to historical trading patterns and to divisions in United States international shipping trades between bulk and liner service to particular geographic areas.

(B) The Secretary of Transportation shall also administer this subtitle and section 901(b) of the Merchant Marine Act, 1936, in a manner which preserves to the greatest extent practicable the mean historical port range share of cargoes subject to United States-flag transportation requirements under this section exported from the Atlantic, Gulf, Pacific, and Great Lakes port ranges.

(d) As used in subsection (b), the term "export activity", shall not include inspection or weighing activities, other activities carried out for health or safety purposes, or technical assistance provided in the handling of commercial transactions.

(e)(1) The prevailing world market price as to agricultural commodities or the products thereof shall be determined under this subtitle in accordance with procedures established by the Secretary of Agriculture. The Secretary shall prescribe such procedures by regulation, with notice and opportunity for public comment, pursuant to section 553 of title 5, United States Code.

(2) In the event that a determination of the prevailing world market price of any other type of materials, goods, equipment, or service is required in order to determine whether a barter or exchange transaction is subject to subsection (b)(6) or (b)(7), such determination shall be made by the Secretary of Agriculture in consultation with the heads of other appropriate Federal agencies.

MINIMUM TONNAGE

Sec. 134. (a)(1) For fiscal year 1986 and each fiscal year thereafter, the minimum quantity of agricultural commodities that may be exported under programs subject to section 133 shall be the average of the tonnage exported under such programs during the base period defined in subsection (b), discarding the high and low years.

(2) The President may waive the minimum quantity for any fiscal year required under paragraph (1) if he determines and reports to the Congress, together with his reasons, that such quantity cannot be effectively used for the purposes of such programs or, based on a certification by the Secretary of Agriculture, that the commodities are not available for reasons which include the unavailability of funds.

(b) The base period utilized for computing the minimum tonnage quantity referred to in subsection (a) for any fiscal year shall be the five fiscal years beginning with the sixth fiscal year preceding such fiscal year and ending with the second fiscal year preceding such fiscal year.

FINANCING OF SHIPMENT OF AGRICULTURAL COMMODITIES IN UNITED STATES-FLAG VESSELS

Sec. 135. (a) The Secretary of Transportation shall finance any increased ocean freight charges incurred in any fiscal year which result from the application of section 133(a). The amount to be financed by the Secretary shall be an amount of the total freight charges incurred from the application of such section in such fiscal year equal to a fraction of the total ocean freight differential incurred in connection with the export activities specified in such section in such fiscal year, the numerator of such fraction to be equal to the percentage in excess of 50 of the tonnage of agricultural commodities or the products thereof that are shipped on United States-flag vessels, and the denominator of such fraction to be equal to the total percentage of such tonnage so shipped.

(b)(1) If in any fiscal year the total cost of ocean freight and ocean freight differential for which obligations are incurred by the Department of Agriculture and the Commodity Credit Corporation on exports of agricultural commodities and products thereof under the agricultural export programs specified in section 133(b) exceeds 20 percent of the value of such commodities and products and the cost of such ocean freight and ocean freight differential on which obligations are incurred by such Department and Corporation during such year, the Secretary of Transportation shall reimburse the Department of Agriculture and the Commodity Credit Corporation for the amount of such excess. For the purpose of this subsection, commodities shipped from the inventory of the Commodity Credit Corporation shall be valued as provided in section 403(b) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1733(b)).

(2)(A) The National Advisory Commission on Agricultural Export Transportation Policy established under section 136 shall include in its final report to the President and the Congress recommendations for any changes in the provisions of paragraph (1) that would help assure that the cost of ocean freight and ocean freight differential incurred by the Department of Agriculture and the Commodity Credit Corporation on the agricultural export programs specified in section 133(b), is not increased above historical levels as a result of the extra demand for United States-flag vessels caused by this subtitle.

(B) After taking into consideration the recommendations of the Commission referred to in subparagraph (A), the President may, by proclamation, provide requirements for the assumption by the Department of Transportation of a portion of the cost of ocean freight and ocean freight differential that would otherwise be incurred by the Department of Agriculture and the Commodity Credit Corporation on a different basis than that set forth in paragraph (1) in order to accomplish the objectives of subparagraph (A). The provisions of paragraph (1) shall be inapplicable on and after the effective date of the proclamation.

(c) For the purpose of meeting those expenses required to be assumed under subsections (a) and (b), the Secretary of Transportation shall issue to the Secretary of the Treasury such obligations in such forms and denominations, bearing such maturities and subject to such terms and conditions, as may be prescribed by the Secretary of Transportation with the approval of the Secretary of the Treasury. Such obligations shall be at a rate of interest as determined by the Secretary of the Treasury, taking into consideration the average market yield on outstanding marketable obligations of the United States with remaining periods of maturity comparable to the average maturities of such obligations during the month preceding the issuance of such obligations of the Secretary of Transportation. The Secretary of Treasury shall purchase any obligations of the Secretary of Transportation issued under this subsection and, for the purpose of purchasing such obligations, the Secretary of the Treasury may use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, United States Code, after the date of the enactment of this Act and the purposes for which securities may be issued under such chapter are extended to include any purchases of the obligations of the Secretary of Transportation under this subsection. All redemptions and purchases by the Secretary of the Treasury of the obligations of the Secretary of Transportation shall be treated as public-debt transactions of the United States.

(d) There is authorized to be appropriated annually for each fiscal year, commencing with the fiscal year beginning October 1, 1986, an amount sufficient to reimburse the Secretary of Transportation for the costs, including

administrative expenses and the principal and interest due on the obligations to the Secretary of the Treasury incurred under this section. Reimbursement of any such costs shall be made with appropriated funds, as provided in this section, rather than through cancellation of notes.

(e) Notwithstanding the provisions of this section, in the event that the Secretary of Transportation is unable to obtain the funds necessary to finance the increased ocean freight charges resulting from the requirements of subsections (a) and (b) and section 133(a), the Secretary of Transportation shall so notify the Congress within 10 working days of the discovery of such insufficiency.

NATIONAL ADVISORY COMMISSION ON AGRICULTURAL EXPORT TRANSPORTATION POLICY

Sec. 136. (a) There is hereby established an advisory commission to be known as the National Advisory Commission on Agricultural Export Transportation Policy (hereafter in this subtitle referred to as the "Commission").

(b)(1) The Commission shall be composed of 16 members.

(2) Eight members of the Commission shall be appointed by the President.

(3) The chairman and ranking minority members of the Senate Committee on Agriculture, Nutrition, and Forestry, of the Subcommittee on Merchant Marine of the Senate Committee on Commerce, Science, and Transportation, of the House Committee on Agriculture, and of the House Committee on Merchant Marine and Fisheries shall serve as members of the Commission.

(4)(A) Four of the members appointed by the President shall be representatives of agricultural producers, cooperatives, merchandisers, and processors of agricultural commodities.

(B) The remaining four members appointed by the President shall be representatives of the United States-flag maritime industry, two of whom shall represent labor and two of whom shall represent management.

(c)(1) The members of the Commission shall elect a Chairman from among its members.

(2) Any vacancy in the Commission shall not affect its powers but shall be filled in the same manner in which the original appointment was made.

DUTIES OF THE COMMISSION

Sec. 137. (a) It shall be the duty of the Commission to conduct a comprehensive study and review of the ocean transportation of agricultural exports subject to the cargo preference laws referred to in section 132 and to make recommendations to the President and the Congress for improving the efficiency of such transportation on United States-flag vessels in order to reduce the costs incurred by the United States in connection with such transportation. In carrying out such study and review, the Commission shall consider the extent to which any unfair or discriminatory practices of foreign governments increase the cost to the United States of transporting agricultural commodities subject to such cargo preference laws.

(b)(1) The Commission shall submit an interim report to the President and the Congress not later than one year after the date of the enactment of this subtitle and such other interim reports as the Commission considers advisable.

(2) The Commission shall submit a final report containing its findings and recommendations to the President and the Congress not later than two years after the date of the enactment of this subtitle.

(3) Sixty days after the submission of the final report, the Commission shall cease to exist.

(c) The Commission shall include in its reports submitted pursuant to subsection (b) recommendations concerning

the feasibility and desirability of achieving the following goals with respect to the ocean transportation of agricultural commodities subject to the cargo preference laws referred to in section 132:

(1) Ensuring that the timing of commodity purchase agreements entered into by the United States in connection with the export of such commodities, and the methods of implementing such agreements, are such as to minimize cost to the United States.

(2) Ensuring that shipments of such commodities are made on the most modern and efficient United States-flag vessels available.

(3) Ensuring that shipments of such commodities are made under the most advantageous terms available, including

--

(A) charters for full shiploads;

(B) charters for intermediate or long term;

(C) charters for consecutive voyages and contracts of affreightment; and

(D) adjustment of rates in the event that vessels used for shipments of such commodities also carry cargoes on return voyages.

(4) Reduction and elimination of impediments, including delays in port, to the efficient loading and operation of the vessels employed for shipment of such commodities.

(5) Utilization of open and competitive bidding for the ocean transportation of such commodities.

INFORMATION AND ASSISTANCE TO BE FURNISHED TO THE COMMISSION

Sec. 138. (a) Each department, agency, and instrumentality of the United States, including independent agencies, shall furnish to the Commission, upon request made by the Chairman, such statistical data, reports, and other information as the Commission considers necessary to carry out its functions under this subtitle.

(b) The Secretary of Agriculture and the Secretary of Transportation shall make available to the Commission such staff, personnel, and administrative services as may reasonably be required to carry out the Commission's duties.

COMPENSATION AND TRAVEL AND SUBSISTENCE EXPENSES OF COMMISSION MEMBERS

Sec. 139. Members of the Commission shall serve without compensation in addition to compensation they may otherwise be entitled to receive as employees of the United States or as Members of Congress, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of duties vested in the Commission.

AUTHORIZATION OF APPROPRIATIONS

Sec. 140. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this subtitle.

TERMINATION OF SUBTITLE

Sec. 141. The operation of this subtitle shall terminate 90 days after the date on which a notification is made pursuant to section 135(e), except with respect to shipments of agricultural commodities and products subject to contracts entered into before the expiration of such 90-day period, unless within such 90-day period the Secretary of Transportation proclaims that funds are available to finance increased freight charges resulting from the requirements of

sections 133(a) and 135 (a) and (b).

EFFECT ON OTHER LAWS

Sec. 142. This Act shall not be construed as modifying in any manner the provisions of section 4(b)(8) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(b)(8)) or chapter 5 of title 5, United States Code."

CARGO PREFERENCE

Mr. COCHRAN. Mr. President, for a number of years, America's agriculture and maritime industries have disagreed sharply over the application of U.S.-flag shipping cargo preference requirements to Government-generated agricultural export programs. The Cargo Preference Act of 1954 mandates that 50 percent of the cargoes owned, financed or donated by the U.S. Government must be transported on U.S.-flag vessels to the extent such vessels are available at fair and reasonable rates.

This act reflects recognition by Congress that a strong U.S. merchant marine and a privately owned maritime industry are vital components of our national security.

As important as the maritime industry is to our economic and national security interests, so also is America's agricultural industry. Our Nation's farmers are the backbone of our economy and our standard of living, and literally serve as the leading supplier of agricultural commodities to the world's hungry. They also are a vital component of our international export capability.

It has become all too apparent that these two vitally important industries suffer many of the same problems. Both try to compete against heavily subsidized foreign competition, restrictive foreign trade policies, and nontariff barriers -- while handicapped by an overvalued dollar.

As one Member who believes that both industries are essential and worthy of support, I believe it is time to resolve the highly charged, controversial issue of cargo preference in a manner that benefits both industries and in a manner that is fair to both sides. It is time to clarify the scope of cargo preference and to make its application more efficient.

To that end, I have offered this amendment to the farm bill, which embodies the long-term compromise worked out by representatives of the maritime and agriculture industries. These two groups worked for more than 2 months to reach an agreement which I believe will help promote American agricultural exports and strengthen the capability of the U.S. merchant marine.

Mr. President, I have a list of cosponsors of this amendment, and I ask unanimous consent that the list be printed in the Record.

There being no objection, the list was ordered to be printed in the Record, as follows:

LIST OF COSPONSORS

Senators Thad Cochran, Lloyd Bentsen, Ted Stevens, Daniel Inouye, David Pryor, Howell Heflin, Mack Mattingly, Gary Hart, Russell Long, Bob Packwood, Slade Gorton, Ernest Hollings, Alan Cranston, Paul Trible, Tom Eagleton, Edward Kennedy, and Quentin Burdick.

Senators Claiborne Pell, Paul Sarbanes, Frank Murkowski, Alfonse D'Amato, Bennett Johnston, William Cohen, John Kerry, Frank Lautenberg, Paul Laxalt, Jeff Bingaman, Christopher Dodd, John Rockefeller, Daniel Moynihan, Mark Hatfield, John Heinz, Joseph Biden, Charles McC. Mathias, Spark Matsunaga, Chic Hecht, and Daniel Evans.

Mr. COCHRAN. Mr. President, among those who are cosponsoring this compromise are Senators who represent agriculture areas as well as States with major seaports. This indicates clearly to everyone that this is a compromise that

has support in both the agriculture sector and from those who have traditionally supported those who are interested in maintaining a strong merchant marine in this country. There are 37 Senators who have asked that their names be included as cosponsors of the bill.

The key elements of this compromise are as follows:

The requirements of the Cargo Preference Act of 1954 will not apply to commercial-type export programs of the Secretary of Agriculture, such as "Blended Credit," "Export PIK," "BICEP," or future similar programs.

Cargo preference requirements over concessional-type programs -- such as Public Law 480 -- of the Department of Agriculture will be increased by 25 percent. This increase will be phased in over a 3-year period beginning in 1986, with a 10-percentage point increase in 1986, a further 10-percentage point increase in 1987, and a final 5-percentage point increase in 1988.

The Secretary of Transportation shall administer the cargo preference requirements in such a manner as to preserve to the fullest extent possible the historical port range share of cargoes exported from each of the four seacoasts.

Funding for the increased share in cargo preference requirements will be through the establishment of a borrowing authority within the Department of Transportation.

The total cost to the Commodity Credit Corporation of ocean freight and the ocean freight differential will not exceed 20 percent of the total cost of the export programs covered by cargo preference. Any cost in excess of 20 percent in any fiscal year will also be funded by the Department of Transportation.

A 16-member Commission on Agricultural Export Transportation policy will be created to recommend ways to improve the efficiency of transporting agricultural exports subject to U.S.-flag cargo preference.

This compromise will not just benefit two industries. It will benefit the Nation as a whole by focusing the full attention of these industries and our Government on the real challenge -- foreign competition -- not on a divisive and unproductive battle between these two industries.

It will provide flexibility for the Secretary of Agriculture to design new agricultural export promotion programs and respond to changing international conditions. It will remove these export promotion programs from the restrictions of the recent U.S. district court decision while avoiding future lengthy legal challenges that could hamstring these programs.

It will provide certainty, so that agriculture and maritime as well will know when cargo preference applies and when it does not.

It will increase efficiency in planning and implementation of agricultural export promotion programs as well as those subject to cargo preference. It will provide for clear and timely recommendations to the President and Congress to reduce the cost of transportation of U.S. agricultural preference cargoes.

It will provide cargoes for the American merchant fleet while making certain that existing longstanding agricultural cargo preference allocations are maintained, thus creating a new potential demand for vessels constructed in American shipyards.

This amendment -- and the compromise it embodies -- has the full support of the maritime industry and major elements of our Nation's farming community.

Mr. President, I ask unanimous consent to have printed in the Record a list of the agriculture and maritime industry groups which support this compromise.

There being no objection, the list was ordered to be printed in the Record, as follows:

ORGANIZATIONS SPONSORING CARGO PREFERENCE COMPROMISE

AGRICULTURAL GROUPS

Five State Rice Producers Legislative Group.

National Association of Wheat Growers.

National Corn Growers Association.

National Cotton Council of America.

National Council of Farmer Cooperatives.

National Farmers Organization.

National Farmers Union.

National Grange.

Rice Millers' Association.

MARITIME INDUSTRY

Joint Maritime Congress.

MIRAID.

Transportation Institute.

Mr. COCHRAN. Mr. President, after the district court ruling relating to the scope of cargo preference was handed down, Congress considered whether or not it was appropriate to amend the cargo preference law or speak out to clarify congressional intent on this subject.

The House, as Members may know, considered this issue, and after a vote of 245 to 179, supported, through an amendment to the farm bill, the extension of cargo preference to commercial export programs such blended credit.

I think in view of that House vote and the fact that the Agriculture Committee here in the Senate approved an amendment to the farm bill and the legislation was in committee, a compromise is in order. This compromise, although I know not totally acceptable to everyone, does contain two of the most important objectives of any of the farm groups who are interested in a resolution of this issue.

If there are other critical issues, of course, we will try to discuss those and hopefully resolve them. But I think, Mr. President, that this is a compromise that can be supported by agriculture as well as the maritime industries.

I thank at this time the distinguished Senators from Alaska and Hawaii, Mr. Stevens and Mr. Inouye, along with the distinguished Senator from Texas, Mr. Bentsen, for serving as the principal and original cosponsors of this compromise.

I also point out, Mr. President, that it was at the urging of the majority leader, Senator Dole, that these industries came together through representatives to begin talking about a way to resolve the continuing controversy surrounding cargo preference, and it was because of the urging and pressures that resulted from that initial request by the majority leader that a compromise was finally worked out.

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I hope that Senators will support this compromise and that we can put this issue to rest and resolve it through the adoption to this amendment.

Mr. President, I yield the floor.

Mr. NICKLES. Mr. President, will the Senator from Mississippi answer a question, please?

Mr. COCHRAN. I am happy to try to answer a question.

Mr. NICKLES. I see several of his colleagues also on the same side of the issue, and possibly they may have answers.

Does the Senator have an estimate on what the cost of subsidies under cargo preference would be in 1985, 1986, 1987, and 1988?

Mr. COCHRAN, Mr. President, the estimates that we have heard are this will result in an increase from \$40 to \$60 million per year.

Mr. NICKLES. Am I correct in stating the cost of the program in 1984 was \$109 million and is estimated to be \$150 million or more in 1985? Is that close to being right?

Mr. COCHRAN. That is approximately a \$50 million increase, if I am adding and subtracting correctly. That is consistent with the estimate that we have had.

Mr. NICKLES. I want to make sure that we get these figures down. I appreciate the Senator's remarks. I did not hear him make that statement in his opening comments. Maybe he did say it. But I think we need to be talking about how much this is costing. We have had some difficult votes and I will make my remarks later.

Does the Senator yield for one other question?

Mr. COCHRAN. I yield the floor.

So I and others will be happy to respond to questions that the Senator may have.

Mr. NICKLES. Am I correct that the estimated cost of the program would be about \$150 million for 1985?

Mr. COCHRAN. The estimate that we have is that the increased cost would be from \$40 to \$60 million per year.

Mr. NICKLES. That would be beginning in 1986?

Mr. COCHRAN. Beginning in 1986.

Mr. NICKLES. I thank the Senator.

Mr. COCHRAN. The percentage increase is phased in over a 3-year period for Public Law 480 programs.

What the Senator needs to do, though, in stating the cost of this program is to compare that with the cost of applying cargo preference to all commercial programs, commercial-type sales programs administered by the Secretary of Agriculture or participated in by the Commodity Credit Corporation. Those costs could go into the hundreds of millions of dollars per year, depending upon the kind of lending credit or export PIK or BICEP or other kinds of promotional or concessional sales programs that could be administered through CCC or the Department of Agriculture.

The fact of the matter is there are going to be increases in cost whether this amendment is adopted or not. There will be less increase in cost if this amendment is adopted than if it is not.

So the Senator should not confuse the issue by saying this amendment is going to cost \$40 million to \$50 million a year and suggest that if you vote for it you are voting for increased cost. There are going to be substantial increased costs under the Court decisions, under the amendment adopted in the other body, and that could run into the hundreds of millions of dollars.

Mr. NICKLES. One final question on the cost. Would the cost of the amendment of the Senator from Mississippi be \$40 or \$60 million more than the language that is currently in the Senate committee bill?

Mr. COCHRAN. That would be fair. That is correct.

Mr. NICKLES. I thank the Senator.

The PRESIDING OFFICER. The Senator from Hawaii.

Mr. INOUYE. Mr. President, I rise in support of the amendment just submitted by my distinguished friend from Mississippi.

Mr. President, today many are asking if the U.S. Merchant Marine -- our fourth arm of defense -- is on its death bed. Those who suggest as much cite the following statistics:

In December 1951, there were almost 2,000 active ships in the U.S.-flag fleet, and they offered about 100,000 billets.

As of June 1, 1985, there were only 409 active ships in the fleet, and they provided less than 16,000 billets for U.S. seafarers.

I would just like to repeat that number. In 1951 there were over 2,000 ships with 100,000 jobs; in 1985 there are 409 ships with less than 16,000 jobs.

In 1984, only 4.4 percent of our international waterborne trade moved on U.S. bottoms.

At this juncture, I think it is important to note that at the end of World War II, we controlled the seven seas and if anyone wanted to ship anything across the oceans, those were only American ships; and yet today only 4.4 percent of our international waterborne trade is moved on American ships.

Today there are only 23 commercial shipyards in our active shipbuilding base. This is four less than in 1980. Today no U.S. shipyard is building a deepwater vessel for our foreign trades.

Clearly, the health of the U.S. merchant marine has been declining steadily in the post-World War II era. So, even if it is not on its death bed, anyone would be hard pressed to deny that it is gravely ill.

For several years many of us have been saying that if our merchant marine is to be revitalized, a change of attitude by our Government is essential. Our Government must do whatever is necessary to ensure what every other government does -- make certain that its flag-vessels have that extra edge in competing for cargo in its own trades.

Mr. President, events since then have only reinforced my conviction.

Last month, a report of the Congressional Office of Technology Assessment found that:

There is still no generally accepted U.S. cargo policy, but foreign governments have adopted such policies, which increased the disadvantages of U.S. shipping interests.

The report went on to say that:

Historically, all maritime nations have protected their trade and shipping interests through some form of cargo policy. Generally, this has been done by reserving some or all of the transport of certain commodities for a nation's own national carriers.

The United States is no exception, although it appears to have done the little it has done without much enthusiasm.

What are some of the reasons underlying the report's conclusion that our Government has no enthusiasm for cargo reservation, even though it is the law of the land.

Just a few years ago, the Urban Mass Transportation Authority was responsible for the purchase of 400 buses constructed in Germany. Many of these buses were being delivered to the United States aboard Soviet-flag vessels until Congress raised the issue of our cargo preference laws.

Then there was the case of the sale of surplus butter to New Zealand through the Commodity Credit Corporation. The Department of Agriculture disagreed with MarAd, and refused to acknowledge that our cargo preference laws applied.

After that, GSA arranged for the purchase of 1.6 million tons of bauxite from Jamaica. Although our cargo preference laws applied, and two U.S.-flag vessels tendered offers to carry the cargo, both were summarily rejected by GSA because of the unique and questionable delivery requirements imposed by that agency. All of that cargo was carried on foreign bottoms.

Then the Department of Agriculture entered into an agreement with Egypt whereby flour was purchased by Egypt from U.S. millers at \$155 a ton. The U.S. Government in turn provided the millers with grain in sufficient volume for them to make the sale at that price, including a profit.

The Department of Agriculture said our cargo preference laws did not apply; the Department of Transportation said they did. And there the matter stood. The administration finally ruled that 50 percent of the wheat must go on U.S. ships, but it stopped short of saying the cargo preference laws applied. We saw the Department of Transportation take the position that because the Jones Act applied to the shipment of oil from Alaska to the strategic petroleum reserve [SPR], such shipments may not be counted toward the 50-percent U.S.-flag cargo preference share required of the importation of foreign oil for the SPR Program. The Department of Justice resolved that dispute in favor of the Department of Energy, and against cargo preference.

In 1983, every one of the title I and title II Public Law 480 programs, and section 416 Dairy Donation Program failed to comply with our cargo preference laws, even though it was beyond dispute that those laws applied.

The administration has not only failed to insist that various Federal agencies comply with the cargo preference laws, it is attempting to overturn a recent Federal court ruling which declared that the 50 percent U.S.-flag carriage requirement in the Cargo Preference Act of 1954 was applicable to cargoes generated by the U.S. Department of Agriculture's Blended Credit Program.

The Administration has consistently opposed legislation which would require that the U.S. Postal Service ship overseas mail on American-flag vessels, when they are available. In 1983, for example, the Postal Service granted 37 out of 45 contracts to foreign shipping lines, including one from a Soviet bloc country -- Polish Ocean Lines -- for the carriage of U.S. mail to overseas destinations. As of last January, the score was 33 out of 44 contracts.

The Military Transport Act of 1904 requires that 100 percent of the supplies shipped for the use of the U.S. Armed Forces must move on U.S. flags. That requirement is clear enough, but let's take a look at how it was applied recently where the carriage of military cargoes between the United States and Iceland was involved.

In 1984, a new U.S.-flag company, Rainbow Navigation Co., chartered a small vessel from the Maritime

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Administration to enter this trade. Iceland's Government objected to our State Department, because service on this route was being provided exclusively by Icelandic shipping lines. The Government of Iceland went on to point out that Iceland's economy and security depended upon the welfare of its shipping lines.

Would Members be surprised to know that late last summer the Department of Navy found a loophole in the 1904 law, and opened up the carriage of military cargo in that trade to foreign-flag vessels? That essentially means Iceland.

The U.S.-flag company appealed the Department of Navy's decision to the U.S. district court; and, as in the case of the Blended Credit Program, the court ordered the Government to comply with the 1904 military cargo preference law. But once again, the Government is trying to overturn the court's ruling.

It wasn't too many years ago, of course, that the Departments of State and Justice filed amicus curiae briefs in support of a Soviet-flag, and in opposition to the Federal Maritime Commission, in an effort by that agency to enforce our laws against predatory rate practices by State controlled shipping lines.

Mr. President, in case any Member should think I am belaboring the point, a few statistics will, I believe, illustrate just what cargo reservation means to the U.S. merchant marine.

In 1980, U.S.-flag vessels only carried 4.7 percent of the cargo that moved in our international trades; 30 to 40 percent of that meager amount was carried because of our cargo preference laws.

In 1983, U.S.-flag vessels carried 5.8 percent of the cargo that moved in our international trades.

Over 50 percent of that meager amount was carried because of our cargo preference laws.

Clearly, cargo reservation is a necessary element of any successful maritime policy. Seemingly every trading nation but the United States recognizes this fact of life.

Recently, in response to my inquiry, the Department of Agriculture said that none of the 2 million tons of cargo shipped under its Blended Credit Program moved on U.S.-flags, but it was quite possible some moved on Soviet-bloc vessels.

Can Members imagine any Soviet commodities bound for Africa moving on U.S. flags? My question becomes even more absurd if I were to ask if Members could imagine the Soviets using U.S. flags and excluding their own. And yet, the U.S. Department of Agriculture appears to be quite willing to discriminate against U.S.-flag vessels to this extent.

Mr. President, as the statistics I have cited indicate, cargo reservation is essential for the survival of our fourth arm of defense; and its cost is a miniscule amount of what we will spend on our farm income stabilization this year, because cargo preference will cost less than eight-tenths of 1 percent of the \$18.4 billion the Government expects to spend on farm income stabilization.

Despite the clear necessity for cargo preference if our fourth arm of defense is to survive, and despite the relatively small amount of Federal funds involved, this absolutely essential program is once again threatened.

The measure the Senate is considering today, S. 1714, the farm bill, contains provisions which would substantially narrow the application of Public Law 664 -- cargo preference -- without any off-setting benefit to the U.S. merchant marine. Moreover, it would do so despite the adverse report of the committee which has jurisdiction over maritime matters under the rules of the Senate. The Commerce Committee obtained sequential referral of the farm bill, and reported an amendment to delete those provisions limiting application of the cargo preference laws.

Mr. President, in my view, for the Senate to pass the farm bill with these antimaritime measures intact, would be ill-advised for the procedural and substantive reasons I have discussed.

I believe the existing cargo preference laws properly and adequately take into account the national interest in strong agricultural and maritime industries. The only difficulty is that the agencies of Government don't want to comply with them. This is really a case of the tail wagging the dog. I have often expressed my own preference for a solution to this problem. Simply centralize the authority for determining when the cargo preference laws apply in the Department with responsibility for maritime affairs -- DOT -- and make the Secretary's decision in each case final. Under existing law, DOT now has responsibility for administering Public Law 664.

I am enough of a realist, however, to know that the remedy I have proposed is not in the political cards at this time.

Politics, we are told, is the art of compromise, and the art of the possible. In this spirit therefore I urge the Senate to accept the amendment being offered by the junior Senator from Mississippi, which is in the nature of a substitute for the Commerce Committee's amendment to delete the provisions limiting cargo preference. The amendment of the Senator from Mississippi has been agreed to by all of the maritime interests, several agricultural interests, and has the support of several Senators.

Mr. President, I will not take the Senate's time to discuss the technicalities of the Senator's compromise amendment, but I believe it will be helpful to summarize how the architects of the compromise it embodies believe it will help promote American agricultural exports and strengthen the capability of the U.S. merchant marine:

It will provide flexibility for the Secretary of Agriculture to design new agricultural export promotion programs and respond to changing international conditions. It will remove these export promotion programs from the restrictions of the recent U.S. district court decision while avoiding future lengthy legal challenges that could hamstring these programs.

It will provide certainty, so that agriculture and maritime will know when cargo preference applies and when it does not.

It will increase efficiency in planning and implementation of agricultural export promotion programs as well as those subject to cargo preference. It will provide for clear and timely recommendations to the President and the Congress to reduce the cost of transportation of U.S. agricultural preference cargoes.

It will provide cargoes for the American merchant fleet while making certain that existing longstanding agricultural cargo preference allocations are maintained, thus creating a new potential demand for vessels constructed in American shipyards.

I believe existing law, if enforced, adequately and fairly reflects the national interest in promoting our agricultural export programs, and strengthening the capability of the U.S. merchant marine. Nevertheless, I recognize that my view is not realistic in the present circumstances. I therefore urge the Senate to adopt the amendment of the Senator from Mississippi.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. STEVENS. Mr. President, I am pleased to join the Senator from Hawaii in commending our good friend, Senator Cochran, from Mississippi, on his successful effort to bring about this compromise on the application of the cargo preference requirements to Government sponsored exports of agricultural products.

The cargo preference issue has divided the farming and maritime industries for some time, to their mutual disadvantage, I might add.

I am happy to support this compromise which should end this destructive conflict and allow both industries to focus their energies on common problems, namely foreign competition and the high dollar.

I hasten to add, Mr. President, that none of the farmers in my State receive any support from this farm bill, not one. None of the people who will receive any of the assistance from the maritime portion of this bill are from my State or serve my State.

My interest in this matter is one that comes from having served on the Commerce Committee and being chairman of the Merchant Marine Subcommittee, and I have voted for the farm bills time after time.

I find now that it is time for us to look very carefully at the future relationship of the subsidy programs of this Government.

The farm bill is a subsidy program and this maritime assistance program is a subsidy program. Both, in my judgment, warrant taxpayers' support. I commend the Senator from Mississippi for having brought about this compromise.

I want to remind the Senate that in February of this year a U.S. district court held that the cargo preference requirements applied to the Department of Agriculture's Blended Credit Program. Dicta in the case implied that the cargo preference laws may apply to other U.S. Department of Agriculture export programs, such as the program called GSM-102.

And I emphasize this: Under existing law, the programs that are covered by this agriculture program will require the application of cargo preference. This compromise is a modification of those existing laws.

In this compromise legislation, the maritime interests have effectively relinquished their right to pursue further legal action in the courts on the cargo preference issue, in return for an increase in the amount of the cargo subject to cargo preference under the so-called concessional programs. The farm interests received export program exemptions from cargo preference which are substantially the same as those contained in S. 721, or the farm bill, as reported by the Agriculture Committee. The result is the establishment of a "bright line" with respect to which agricultural export programs are covered and which are not.

This legislation contains several safeguards against excessive cost increases attributable to the increase in cargo preference requirements. The Department of Agriculture is completely insulated from any increases in cargo preference costs under this compromise. Any increase must be funded through the Department of Transportation. The borrowing authority established under this legislation for the Department of Transportation is similar to the authority presently used in the Commodity Credit Corporation.

In addition to shifting the funding mechanism for any increase in costs to the Department of Transportation, this legislation contains another safeguard. If Congress fails to appropriate funds for cargo preference costs funded through the Department of Transportation within 90 days of the Secretary's notification that funds are unavailable, the provisions of this legislation would expire.

Any cost increases under this legislation for cargo preference would be minor, compared to the costs that would have been incurred by the Government if the cargo preference laws were applied to a greater number of agriculture export programs. It is estimated this compromise could save up to \$250 million a year in ocean freight differential costs.

I support this compromise because it presents a reasonable solution to a most controversial problem. Both sides in this issue are gaining something; both sides are losing something. Both sides have been criticized at different times for "giving up" too much. And, in my judgment, the result of this amendment will save the taxpayers money.

I urge my colleagues to vote in favor of the amendment. I believe a vote in favor of the Cochran amendment is a vote in favor of the farmer and of the sailor. Anyone who opposes this amendment, in my judgment, will be supporting neither.

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In answer to the Senator from Oklahoma, I might say I am informed that the U.S. flag revenues from cargo preference are approximately \$461 million. The 1984 cost differential related to agriculture shipments was \$96.3 million. The 1985 cargo preference costs for Public Law 480 equals approximately \$109 million for titles I and III and about \$20 million for title II. It is our judgment that the enactment of this amendment will require an increase from \$40 to \$60 million, assuming the expansion of agricultural exports in substantial quantities beyond the existing levels.

Mr. NICKLES. Will the Senator yield for a question?

Mr. STEVENS. Yes, I am happy to do that.

Mr. NICKLES. What are the total subsidies all together? I heard the \$109 million figure and the Senator added another \$20 million. Those are 1984 figures, is that correct?

Mr. STEVENS. We are talking about Public Law 480. Those are Public Law 480 payments for titles I and III, \$109 million, and title II, approximately \$20 million. So it is \$129 million under Public Law 480.

Mr. NICKLES. Is that all the subsidies that they received or are there other titles?

Mr. STEVENS. There are others. As I said, the total U.S.-flag revenues, from my information, from cargo preference is \$461 million.

Mr. NICKLES. That is for the year 1984?

Mr. STEVENS. Yes.

Mr. NICKLES. I thank the Senator.

Mr. STEVENS. I hope that the Senator and others who might disagree with this will realize that the alternative to this amendment, the Cochran amendment, is a period of delay and confusion in the agriculture area. The courts have ruled in favor of cargo preference. This cargo preference amendment represents a substantial concession on the part of those who support cargo preference. It represents very little concession on the part of those who oppose it because, as I stated, if the moneys are not available to the Secretary of Transportation in a manner similar to that made available to the Commodity Credit Corporation, made available by the Congress, then this compromise falls and the exports are not subject to the cargo preference requirement.

That does not mean that those of us who support cargo preference would be quiet at that time, I might add. I would expect that future Department of Agriculture authorization and appropriations bills would have substantial problems. But I would hope that all concerned will recognize that this is a compromise and a substantial compromise in terms of the maritime interests -- maritime interests which, as I say, do not originate in my State but which I feel a responsibility for because of the committee on which I serve with the distinguished Senator from Hawaii, Mr. Inouye.

Mr. HELMS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HELMS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HELMS. Mr. President, some things are absurd on their face. Cargo preference fits in this category.

The idea that an industry can be helped by guaranteeing customers flies in the face of the free enterprise system that has served our country so well.

The fact is that cargo preference has not fostered a modern, efficient U.S.-flag fleet as was promised by enactment of the Merchant Marine Act of 1954. The exact opposite has been the case -- especially with the bulk fleet.

American farm products now forced to move on rusty old U.S.-flag bulkers sometimes never reach their destination. Lives are lost and cargoes wasted. Many times even if the cargo reaches the destination, the old ship makes one last stop at a port to be junked -- and we pay for the trip.

This is not to mention the price taxpayers must pay to make sure these U.S. companies and crews have business. Rates this past year have soared to two and three times normal commercial rates because of demand created by our shipment of food to Africa.

This absurdity may only be paralleled by some of our farm subsidy schemes. The critical difference is that most of our farm subsidies are aimed at reigning in the farmers capacity to produce. Maritime subsidies, on the other hand, are aimed at propping up an inefficient industry.

Shipping subsidies for agricultural products moving under Public Law 480 and other food aid programs have always been subject to cargo preference. A few other commodity sales such as a recent flour sale to Egypt have been administratively subjected to cargo preference.

The debate over what programs are and are not covered by cargo preference has been long standing. A recent Federal district court decision making the USDA blended credit program subject to cargo preference resulted in costs that outweighed the benefit of using the program.

The blended credit program was made available through use of the Helms funds provided in the Omnibus Reconciliation Act of 1981. Its suspension has heightened the level of debate over cargo preference applicability.

The first action of the Senate Committee on Agriculture, Nutrition and Forestry in this Congress was to unanimously adopted legislation clarifying the application of cargo preference laws. That language was reported as S. 721 and is included in S. 1714 -- the farm bill.

Today an amendment -- substitute -- has been offered by my good friend and fellow committee member, Senator Cochran, from Mississippi to -- for -- committee language.

I know that many weeks of hard negotiation have transpired in order to construct this so-called compromise and I commend those who helped search for an answer to this tough problem.

However, I am afraid that the provision is simply an expansion of cargo preference at the expense of taxpayers, farmers, and those in need of food aid.

Farmers win in the respect that the blended credit program is no longer hostage to cargo preference. They lose in that less dollars will be available for Public Law 480 exports.

U.S. shipping companies and labor unions win because they get a bigger share of Public Law 480 shipments.

Taxpayers lose because they have to pay an estimated \$200 million more for shipping subsidies.

Hungry people lose because there is less money available for food -- it will all be going for transportation costs.

All in all Mr. President, I count more losers than winners.

Mr. President, I ask unanimous consent to have printed in the Record a letter signed by a substantial number of organizations with reference to this amendment.

There being no objection, the letter was ordered to be printed in the Record, as follows:
October 15, 1985.

Dear Senator: The application of cargo preference to agriculture shipments is an issue which has prompted a large amount of discussion and controversy in this year of disastrous declines in U.S. agriculture exports.

Notwithstanding the views of various agriculture organizations over the last several months on the overall cargo preference issue, the agricultural organizations listed below are totally united in their feeling that the application of cargo preference to competitive, commercial USDA export programs is an unprecedented and unacceptable expansion of the Cargo Preference Act.

The undersigned associations and corporations therefore encourage your support for the cargo preference language contained in S. 1714 as reported out by the Senate Agriculture Committee.

The exemption of commercial agriculture programs from 50 percent U.S. flag requirements does not cost a single pound of cargo to the U.S. merchant marine since these programs have never been subject to cargo preference in the past. On the other hand, application of cargo preference has already destroyed one commercial program, blended credit, and currently threatens others. The very application of cargo preference to these relatively cost effective programs renders them too expensive to continue.

Simply put, agriculture's desperate state is far too fragile to saddle the USDA budget and farm exports with the costs and burdens of cargo preference expansion. If increased maritime support is warranted, we encourage Congress to devise a different type of support mechanism. Commercial agriculture exports are the backbone of American agriculture. They must be allowed to increase without the hindrance of cargo preference if agriculture is once again to become competitive in world markets.

Sincerely,

American Soybean Association; ConAgra, Inc.; Millers' National Federation; Cargill, Inc.; Port of Toledo; Toledo Board of Trade; Mid-States Terminals; National Grain Trade Council; The Fertilizer Institute; Bunge Corporation. Omaha Grain Exchange; Lincoln Grain Exchange; National Grain and Feed Assoc.; Garnac Grain Co., Inc.; Tidewater Grain Company; Lincoln Grain, Inc.; Enid Board of Trade; Denver Grain Exchange; The Early and Daniel Company; American Farm Bureau Federation.

National Association of Wheat Growers; U.S. Chamber of Commerce; Seaway Port Authority of Duluth; Union Equity Co-Operative Exchange; Oklahoma Grain and Feed Assoc.; Continental Grain Company; National Soybean Processors Association; North American Export Grain Assoc.; Western Great Lakes Maritime Assoc.; The Andersons. AgProcessing, Inc.; The Grange; Sioux City Grain Exchange; Minneapolis Grain Exchange; Terminal Grain Corporation; Commercial Exchange of Philadelphia; Merchants Exchange of St. Louis; Terminal Elevator Grain Merchants Assoc.

Mr. HELMS. I thank the Chair.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. NICKLES. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NICKLES. Mr. President, I rise in opposition to the amendment of my good friend from Mississippi, and others -- the so-called compromise on cargo preference. I appreciate their initiative, and they have been very forthright, I guess, in fighting for the groups that are in support of this amendment. I rise in opposition to it basically because I am a taxpayer. I see this as being a major ripoff for taxpayers. Subsidies that have been going out to this industry have been increasing dramatically. Just talking about titles I and III of Public Law 480, in 1980, the cost of the subsidy was \$63 million; in 1981, it was \$65 million; in 1982, it was \$97 million; in 1983, it was \$100 million; in 1984, it was \$109 million.

If you add title II to that, it makes the 1984 figure \$129 million. If you add up all the subsidies that the Senator from Alaska just mentioned, last year it was \$461 million. My good friend, the Senator from Hawaii, says now there are only 409 active ships left. That is over \$1 million per ship. If that is not enough, we are talking about increasing it -- increasing the load from 50 percent of the Public Law 480 up to 75 percent of Public Law 480, at an additional cost to the taxpayers of \$40 million to \$60 million per year.

Look how rapidly those payments have increased to a relatively very few numbers of people, and a very few numbers of ships. We are talking about enormous increases. I thought we were talking about getting serious about cutting Federal spending. I thought we were going to make some difficult decisions. We have already had one budget resolution up here. We said, yes, we are going to make some cuts. We passed a reconciliation package. We are working on one that says we are going to make some reductions. Gramm-Rudman, I do not know how many speeches were made on the floor of the Senate saying, "yes, we are going to get serious about cutting Federal spending." If we cannot do it, we are going to set up an automatic mechanism that will do it for us. Here we are a week later saying increase this subsidy. The merchant marine only gets subsidies on 50 percent of Public Law 480. Let us make it 75 percent. That is not very cost efficient. That is not a very good deal for the taxpayers. Right now the subsidies are over \$100 million per ship. Then we are going to increase the requirements to go from 50 percent of Public Law 480 to 75 percent of Public Law 480. You would just be adding millions of dollars again on those ships for those companies.

I was kind of shocked when I started looking and found out that according to USDA we had companies in 1984 which received \$9.3 million due to cargo preference on Public Law 480 -- one company. In subsidies from titles I and III of Public Law 480 one company received almost \$10 million; another company almost \$9 million; another one, \$7.5 million; another one, \$7.4 million another one, \$5.3 million. Yet we are just talking about shoveling out another \$40 million, or \$60 million to these few companies.

I do not find it very responsible. It kind of bothers me. This year alone we are going to have an estimated increase of shipments under Public Law 480 of about 30-some-odd percent. The merchant fleet is automatically going to get half of that anyway. So that means their subsidy is increasing just because we are increasing the volume. You do not have to increase the percentage. They are going to get half of an increase anyway. So if the shipments under Public Law 480 are going up 34 percent, that is that many more millions of dollars going to those few companies.

So as I stated before, we do not have to increase the percentage. Their subsidies have increased from \$63 million to last year \$129 million; this year it is estimated that the volumes will go up 30-some-odd percent. So it would be up probably at around \$150 million in 1985 alone. Now we are talking about increasing and saying, well, 50 percent is not enough. So let us go to 75 percent. So we will make that well over \$200 million a year. I do not find that to be a very good deal for the taxpayers. I think it hinders our credibility as far as being serious about getting our Federal budget under control.

Mr. STEVENS. Will the Senator yield on that point?

Mr. NICKLES. I am happy to yield.

Mr. STEVENS. I am sure the Senator supports, as I do, defense preparedness for our country. I wonder if the

Senator is aware of the fact that the vessels that we have in ready storage, ready reserve for the merchant marine, costs us \$100 million just to keep them tied at the dock -- \$100 million a year.

Each one of those vessels the Senator is talking about costs us \$1 million approximately a year to subsidize them, to keep them operating. In other words, the cost to the taxpayers is less if we support operating commercial interests that have crew and management ready, and we have really a merchant marine that is still flying the U.S. flag available to us in time of emergency. If they are not subsidized in their operations, they are tied up at the docks. There is no crew on them. There is no management for them, and the ones that are in that category, as I said, cost us \$100 million a year.

I am chairman of the Defense Appropriations Subcommittee also.

Mr. President, I want you to know that in my judgment, this program of supporting cargo preference is the most cost-effective means of maintaining a sealift for this country that we can possibly have. That is my main reason for being involved. I urge the Senator to look at the costs if we do not do this. We learned in Grenada, we learned at the time of the oil embargo that we cannot rely upon vessels that serve this country that are flying foreign flags. We either take some reasonable actions to maintain a merchant marine or we submit ourselves to real peril in time of emergency.

I have been one who has never voted against a farm bill in my life, although my farmers, as I said, do not get one penny out of it. Not one penny goes to the farmers in Alaska.

I want my colleagues to know, and I hope we do not get into the position that the Members of the other body did in terms of getting into rhetoric, which I think was most unfriendly and unfair, I say that I know of no better expenditure of taxpayers' money in the interest of the United States, both from the point of view of preserving a merchant marine for peacetime and wartime, than cargo preference. I urge my colleague to think of the cost if somehow or other cargo preference were removed, the cost to us in terms of being unable to be prepared except for acquiring more vessels, tying them up to docks, hiring someone to keep them clean and run up their motors. Think of it in terms of who is going to man them, who is going to manage them, and who is going to be there in event of emergency.

Mr. NICKLES. Mr. President, I appreciate the Senator's comments. He is involved with military operations. Possibly, we should consider, if the Senator is saying having cargo preference is a valuable asset to our national defense in order to keep these 409 ships afloat. Is that the Senator's point?

Mr. STEVENS. I cannot make that point too strongly.

Mr. NICKLES. Could I ask the Senator then would he agree with me -- is that the reason we pay this \$400 million now and now it is going to be \$500 million-plus a year of maritime subsidy? Is that to help our national defense?

Mr. STEVENS. It is one of the reasons. I think there is also a reason totally apart from national defense, for maintaining an ability to withstand economic blackmail, to maintain the ability to move our cargoes abroad in the event that there is some disruption as far as our foreign policy compared to the foreign policy of the countries whose flags the ships carrying our cargo fly.

The impact of what I am saying, Mr. President, is this: We saw that during the oil embargo. We lost control over tankers that were carrying oil destined for our shores. We have lost control over vessels that otherwise would have been calling on our ports to pick up our exports. And they could well include agricultural exports in the future because of disagreements in foreign policy. So it is not totally a defense policy it is a total policy of the United States, I think, that ought to be in favor of maintaining a viable merchant marine.

We maintain the farm economy at considerable cost, I say to my friend from Oklahoma. I remember the PIK days. I just asked over here and was told that in the time of the PIK Program, the cost of the farm program went up to \$83 billion one year. This program, I am told, is estimated to be somewhere around -- --

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Mr. BOSCHWITZ. Mr. President, how much?

Mr. STEVENS. Do not ask me. I got that figure right over here.

Mr. COCHRAN. Mr. President, will the Senator yield?

Mr. STEVENS. Yes.

Mr. COCHRAN. I think our staff may have misspoken or been misunderstood. It was \$18 billion, not 80.

Mr. STEVENS. Even then, \$18 billion for one program is not bad.

I had a visit from the Secretary of Agriculture. He wants me to oppose this bill. I understand there is a letter running around here asking some to oppose the Cochran amendment. Fair is fair, but I want my colleague to know, in terms of cost and preserving a vital part of the American industrial base, the merchant marine, this cost is not great compared to other subsidy programs which we impose on the taxpayers.

Mr. NICKLES. Will the Senator yield?

Mr. STEVENS. Yes.

Mr. NICKLES. I appreciate his comments in response to my question, but let me make a statement. I see others on the floor who wish to speak.

I think this charade of saying the proposed increase is for national defense is hogwash. If it is not -- if that is a credible argument, if that is the reason we are going to go out and spend \$461 million last year and increase it another \$61 million -- if that is the case, I think we ought to have the Secretary of Defense certify they need XYZ ships and say this is an integral part of our national defense instead of being just a big subsidy.

One final point that I think is important to make. The Senator mentioned the PIK Program and that the cost of the PIK Program ballooned up to \$18 billion. One problem in the PIK Program is that we did not have a limitation. I regret that we were not able to put language in that would put a limitation on what anybody could receive under PIK. We should have had a limitation of \$50,000. We had some who receive millions of dollars. That is the same thing we have with cargo preference. We have a handful of the companies that makes \$7, \$8, \$9, \$10 million a year in cargo preference subsidies today and if this amendment goes through, you can increase those numbers substantially. Perhaps we ought to have a perfecting amendment and if this amendment passes, perhaps we should look at some limitations on individual companies, possibly limitations on what they might be able to receive from Uncle Sam.

Mr. President, I yield the floor.

Mr. INOUE addressed the Chair.

The PRESIDING OFFICER. The Senator from Hawaii.

Mr. INOUE. Mr. President, with regard to the remarks by my distinguished colleague from Alaska, I would like to point out that the cost of this program is less than 1 percent of the \$18.4 billion the Government expects to spend on farm income stabilization in 1985.

Second, at the present time, 50 percent of the Public Law 480 Food for Peace is being carried on American ships, and attempts have been made to either reduce it 50 percent or cut it out completely.

I might point out, Mr. President, that all other nations with merchant fleets have had cargo preference laws long before we even thought about it.

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I wish to point out, Mr. President, in case my colleagues are not aware of this, that the United States has a policy to put our overseas mail out on bid. What are the consequences of this policy? In 1983, for example, the Postal Service granted 37 out of 45 contracts to foreign shipping lines, including one from a Soviet bloc country -- Polish Ocean Lines -- for the carriage of U.S. mail to overseas destinations. As of last January, the score was 33 out of 44 contracts.

Mr. President, imagine the situation in some African country, Ethiopia, for example, where we are now shipping tons of grain. But because of the present laws, only half must be carried on American ships. The rest is carried on foreign bottoms that have been accepted by the bid system. So, you see the stevedores in Ethiopia looking at the ships and saying, "Thank you, Soviet Union." Our grain is being carried on Soviet ships, on Polish ships, grain that we have been paying for.

Mr. President, Hawaii is an agricultural State. I am part of the farm bloc. I have voted for every farm program -- peanuts, tobacco, wheat, corn. It is about time these farmers support shipping programs.

I remind my colleagues that less than 4.4 percent of international cargo that goes in and out of the United States is now being carried on American ships. We should recall the end of World War II we carried all the cargo.

It might also be of some interest to my colleagues that in the Falkland war the British, for that little war on that little island, had to employ 75 percent of their merchant fleet. It may also interest my colleagues to know that today we have less ships sailing than we had sunk in World War II. As my colleague from Alaska has indicated time and time again, how can we provide the fleet that may become necessary in the event of some emergency if we continue to destroy our merchant fleet? It is about time we stood up and changed the course that we have been taking for all these many years. I hope my colleagues will support the Cochran amendment.

Mr. NICKLES. Will the Senator from Hawaii yield to a question?

Mr. INOUE. I will be very happy to yield.

Mr. NICKLES. I appreciate my good friend yielding and I appreciate his expertise in shipping and certainly understand with his State's location how important the shipping industry is to his State. He is fighting for that industry. I am looking at some rates that were given to me by the American Soybean Association. They mention that the rate from the United States Gulf to Sudan under a Korean-flag vessel was \$20.35 per metric ton, on a United States vessel it was \$63, about three times as high, and different differentials for different places, but in many cases the United States rates are two or three times as high as foreign competition regardless. The Senator mentioned Polish competition. Could he explain this and why he thinks United States freight rates are so noncompetitive?

Mr. INOUE. Title II cargo moves primarily on regularly scheduled liner vessels. Traditionally, liner rates are set by the steamship conferences to which these vessels belong, and there is no difference between U.S.- and foreign-flag rates. As long as this is the case, shipping on U.S.-flags costs the Government no more.

When circumstances change, however, shipping on U.S.-flags can cost more.

If, as has been the case for some time, the shipping market is depressed, there is a downward pressure on the rates historically charged by conference members for cargoes moving out of the United States. This, in turn, attracts a number of foreign-flag independent -- of conference -- carriers. These carriers are able to undercut significantly the standard rates offered by U.S.- and foreign-flag lines which belong to steamship conferences.

Unless we are willing to insist that one segment of our economy work at rates below what would be necessary to give Americans a reasonable, comfortable lifestyle, I think it would be unfair and unrealistic to insist that our sailors work at Korean rates or at Turkish rates or at Japanese rates.

Mr. President, even the Koreans subsidize their shipping industry. All of the other countries subsidize their

shipping industries. The United States, I think, has the least subsidized merchant fleet.

What we are trying to do is to give our merchant fleet not an edge but just an even playing field. I do not think that is asking for too much.

An important point was made by my colleague from Alaska, and this must be kept in mind whenever we discuss the merchant fleet of the United States, the possibility of economic blackmail. At the present time we carry 4.4 percent of our international trade. While it is going down each year, other nations increase their share of the American trade. The time may come -- and I am not trying to be a demagog in this case -- when the Russians and other socialist countries will indicate to the United States that they will direct their ships not to stop at American ports, and then we will have problems.

Mr. NICKLES. Will the Senator yield for one final comment? Was he finished with his point?

Mr. INOUE. I would be happy to yield.

Mr. NICKLES. This is a different question. The Senator mentioned one of the reasons for the difference in rates was a living wage or the wage scale is considerably higher in the United States. What does an average seaman make, say, on a U.S. crew? Does the Senator happen to have that figure available?

Mr. INOUE. I do not have it here but obviously it is going to be much more than the Korean sailor.

Mr. NICKLES. Just for the Senator's information, from these figures that we have been able to acquire, in 1983 for a 26-man crew that would work 7 or 8 months, having 1 master, 5 engineers, and 20 seamen, the average annual salary would be \$36,000.

Mr. INOUE. The trend in the U.S. merchant is downward. Newer vessels are manned with 21 members. Second, these shipping companies and these unions have to abide by the laws and administrative rules we have adopted, safety rules where we require certain types of ships to be manned by a certain number of men. These are the laws that we have made.

Mr. ABDNOR. Mr. President, I have been following this debate with a great deal of interest, and I might say concern, concern for the farmers of this country, for agriculture in general. In these days of deficit reduction talk, expanding budgets going on at the same time, it is imperative that those who are receiving the funds justify them. What disturbs me more than any other point in this debate is that farmers are expected to justify \$109 million in their budget for something they have no concern about. We all know that if American vessels were not available there would still be other vessels and they would be better off because of it.

Now, if the point is that we need our own ships in this country, that we have to protect them for strategic purposes, whatever purposes they might be, I will not argue that point. But I will say why do they have to come to the agricultural budget to get it? Why do they not go to OMB? Why do they not go to the proper committee and say, "Look, we need these vessels for this country. It is vital to America. We need your help."

Mr. STEVENS. Will the Senator yield?

Mr. ABDNOR. Yes.

Mr. STEVENS. I call the Senator's attention to the fact that under the amendment of the Senator from Mississippi, that will happen. There will be a new mechanism in the Department of Transportation very similar to the Commodity Credit Corporation. These funds will not come from the Agriculture sector. They will come from the Department of Transportation. If the funds are not available under that mechanism, not provided by Congress and not borrowed, the provisions will not apply. In other words, it will not be payments coming out of the agriculture bill anymore. They will

come out of the provision that has wisely been put together by the Senator from Mississippi and I think those of us working on the merchant marine. We have listened to the Senator's objections in the past about taking this money out of the agriculture bill. The Senator from South Dakota knows my great love and fondness for him but let me tell him, he lost a program, the new program for cargo exports because of the court decision. The court decision was based upon President Eisenhower's decision in the early 1950's that such a promotional program was in fact subject to cargo preference. But the farmers lost some \$500 million in exports because there was not any willingness to put up the \$50 million for cargo preference. I tell the Senator that we are looking at a program, the overall cost of which is 1 percent of the farm program. I would hope my friend recognizes we have heard his complaints in the past and now the cargo preference moneys will not come out of the agricultural sector.

Mr. ABDNOR. How will this be handled? That means that we take the dollars out of the budget the same as most people think.

Mr. STEVENS. Wait a minute. Those dollars were in the budget because they were in fact for cargo preference payments to the merchant marine.

Mr. ABDNOR. There was certainly a movement afoot to try to eliminate cargo preference from the budget.

Mr. STEVENS. There is a move afoot to eliminate a lot of farm subsidies, too.

Mr. ABDNOR. I cannot believe the image being projected by writers and columnists in this Nation of the farmers of this country. Last Friday I picked up the Washington Times and read an article by Robert Walter. What a brilliant article this gentleman wrote. He was complaining about what subsidies do to the cost of government and particularly to the poor consumers of this Nation, making them pay more for their food. In the same paper was an article on the CPI, the Consumer Price Index, pointing out the 3.1 factor that would be used; that the computation of entitlements was going to be 3.1 percent, the lowest in many, many years. If you read through the article, the biggest contributing factor to this lower index figure was the price of food. People think it is the farmers who are reaping the benefits. I would say if anybody is reaping the great benefits it is in cargo preference. I do not care were it appears. It makes it more competitive and more difficult in the trading business.

I hope we can get this story told. It would be more than \$9 billion.

I ask the Senator from Mississippi how much more -- --

Mr. COCHRAN. Mr. President, I would like to answer the question and discuss the bill, but I think we are out of time. Under the previous order, we are to recess at 12 noon. We will come back to this after the recess, and I will be glad to discuss the bill at that time with the distinguished Senator.

RECESS UNTIL 2 P.M.

The PRESIDING OFFICER. Under the previous order, the Senate will stand in recess until 2 p.m.

Thereupon at 12:01 p.m., the Senate recessed until 2 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. Cohen).

The PRESIDING OFFICER. The Senator from Washington is recognized.

Mr. GORTON. Mr. President, I am pleased to support the amendment of my distinguished friend and colleague from Mississippi and his cosponsors. As we all know, cargo preference has been a deeply divisive issue, pitting the agricultural community against the maritime community at a time at which both are literally fighting for their lives. As a Senator who represents both interests, this has been a particularly troubling issue for me. It is gratifying to find that the two industries have been able to come together from very divergent positions to reach an agreement with which both

can live. The agreement embodied in this amendment represents a true exercise in compromise and conciliation.

The controversy over cargo preference stems from two great national priorities: Developing foreign markets for American agricultural products and maintaining an American merchant marine. Because of the dramatic decline of farm income in the United States, spurred by the rising value of the dollar and high interest rates, government programs are needed to assist our farmers in developing overseas markets for agricultural exports. If the American farmer is to be able to compete in the world market with the heavily subsidized farmers of the European Community and other nations, commodity programs such as blended credit and the export PIK Program are essential.

The case of the U.S. maritime industry is just as clear: The substantially lower and subsidized costs of foreign shipping make it difficult for the American maritime industry to compete in the world market. The Government has, therefore, attempted to develop policies to assist the U.S. merchant marine. Cargo preference is one of those policies.

Conflicts have arisen between the maritime industry and agriculture because cargo preference expenses are tied to the Government's agricultural export programs, and, as a result, the costs of cargo preference appear to consume part of the budget appropriated for agriculture market development. Farmers insist that the Department of Agriculture should not be in the business of subsidizing the merchant marine; maritime interests argue that cargo preference costs are justified because they constitute a minuscule portion of the Federal subsidy provided to agriculture. The result has been stalemate.

The Blended Credit Program has been a casualty of this stalemate. This program provides an interest rate for exports at approximately 2 percent below prevailing U.S. market rates. In February, the Department of Agriculture suspended the program on the heels of a U.S. district court ruling that directed the Department of Agriculture to comply with Federal cargo preference requirements when administering the program. The Secretary of Agriculture, John Block, argued that the application of cargo preference would raise the costs of the Blended Credit Program and negate the 2 percent interest rate reduction that the program produces.

In fact, the Secretary was incorrect in his assessment of the impact that cargo preference would have on the program. The differential cost between foreign ships and U.S. ships is borne by the Federal Treasury; neither the American farmer, exporters, nor the importing nation pay this cost. Consequently, the favorable interest rate produced by the Blended Credit Program would remain unchanged if cargo preference were applied. In spite of this fact, the Secretary went ahead with his decision and suspended \$536 million of wheat sales to Egypt, Morocco, Tunisia, and Iraq.

I believe that the Secretary's decision was unfortunate and unnecessary. It hurt American agriculture at a time when farmers could least afford the loss of an important export program. It also gave credibility to the notion that the interests of the American farmer and the merchant seaman are at odds. I am convinced that this is not the case.

Since last summer, representatives of the agriculture and maritime industries have met in Washington, DC, to negotiate a long-term solution to the cargo preference dilemma. The result of the discussions is a proposal which would free all Government sponsored commercial sales from cargo preference requirements while increasing the U.S. shipping requirements on concessional sales. This proposal, which is embodied in the Cochran amendment, would increase the cargo preference requirements on the Public Law 480 Program to 75 percent from the current 50 percent requirement and exempt the blended credit, export PIK, and BICEP programs from any cargo preference requirements whatsoever.

I believe that this approach will lend some predictability and coherence to the Government's application of the cargo preference laws. It makes economic sense to consider a compromise which applies cargo preference in greater percentages to Government give-away programs and in smaller percentages to export promotion programs.

By its nature a Federal give-away program is a direct subsidy, providing a government-to-government transfer of commodities. On the other hand, an export promotion program, like blended credit, creates interest advantages by providing Government guarantees to exporters, but direct outlays of Federal funds are relatively small. It is reasonable

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to expect that direct subsidy programs should pick up a larger portion of the cargo preference subsidy, while allowing less expensive, less direct, subsidy programs the freedom to operate unencumbered by cargo preference.

I am pleased that a final agreement has been reached that has the support of the agriculture and maritime communities in the United States. Having said that, I must add that the most important and most obvious course of action that can be taken to reduce the costs of cargo preference is to improve the competitiveness and efficiency of our merchant marine. Progress has been made in recent years toward achieving this goal and I am convinced that greater improvements can and must be made.

It makes sense for agriculture and maritime interests to work together to find a long-term solution to their differences, rather than to rely on Congress to dictate one-sided solutions which would certainly be subject to constant challenge and acrimony. The problems faced by America's farmers and America's merchant marine are only compounded when Government policies put the two industries at odds. I hope that we can now lay this issue to rest and that these two industries that contribute so greatly to the American economy can begin to work together.

Mr. President, I congratulate the distinguished Senator from Mississippi and his cosponsors for their imagination and diligence in reaching this answer.

Mr. LEVIN. Mr. President, I will vote against the "compromise" amendment on cargo preference offered by Senator Cochran, even though I have supported the Public Law 480 Cargo Preference Program in the past. I generally favor the program because I recognize the importance of maintaining a healthy U.S. merchant marine. However, as a Senator who represents one of the Great Lakes States, I simply cannot support a compromise which will harm the Great Lakes ports.

As the Senator from Illinois has so forcefully stated, the Great Lakes ports already operate at a disadvantage because of the way the U.S. Department of Agriculture has applied the cargo preference requirements under the Food for Peace Program. Currently, the law requires that at least 50 percent of the food for peace cargo move on American ships. Unfortunately, the Great Lakes ports are rarely served by U.S.-flag ships. Additionally, our shipping season is short because the St. Lawrence Seaway is closed during the winter months. As a result, in order to get our equitable share of Public Law 480 shipped out of Great Lakes ports, we need to have a higher percentage of the 50 percent which is permitted to be shipped on foreign flags move from Great Lakes port.

Under the current law, the Great Lakes ports have already suffered as a result of USDA diversion of Public Law 480 cargo. Millions of pounds of grain grown in the Midwest which is distributed under the Food for Peace Program and which logically should be shipped from Great Lakes ports, has been diverted to ports in other regions of the country at a higher cost to the U.S. taxpayer. A Wall Street Journal article dated May 15, 1984, further explains the inequity in the administration of the cargo preference requirements and the importance of Food for Peace shipments to the Great Lakes ports. According to the article:

Last year, for the first time in the 29-year history of the Food for Peace Program, the total shipments fell short of the 50 percent bench mark. When the cargo tonnage was tallied at year end, only 48.5 percent had moved in U.S.-flag freighters. This modest violation of the cargo-preference law set off bells at the Agriculture Department. To ensure that it doesn't happen again, officials decided to enforce the 50-percent rule each month, rather than waiting until late in the year to adjust any imbalance.

So in late March, when the department made its first 1984 monthly food shipment assignments affecting Great Lakes ports (because of ice, the St. Lawrence Seaway, which connects the Great Lakes and the Atlantic Ocean, is closed to shipping from roughly mid-December to April 1) the Government modified its "cheapest possible transportation" rule.

Lacking enough U.S. registered vessels in the Great Lakes in April, the department looked elsewhere for ships. The result: 20,000 tons of processed grain for India and Peru were sent to Mississippi River ports and 12,000 tons of corn

for Somalia were directed to docks on the gulf coast. An Agriculture Department official admits costs were higher than if Great Lakes ports had been used.

The article goes on to state,

... the port of Duluth, MN, says about two-thirds of the 62,000 hours worked by port personnel last year were devoted to humanitarian food cargo. Admiral Hoffman says Food for Peace cargo was the "basic inducement" for 56 of the 62 freighter that called at Milwaukee in 1983.

Mr. President, between 1980 and 1983, approximately 25 percent of the Public Law 480 cargo was shipped from Great Lakes ports. In 1984, Great Lakes shipments dropped to approximately 16 percent. If the compromise increasing the U.S.-flag requirement to 75 percent is approved, the Great Lakes ports will see their fair share of the cargo eroded even further.

Mr. President, I had hoped that the compromise could be amended to protect the interests of the Great Lakes ports by ensuring equitable distribution of Public Law 480 cargoes. Unfortunately, the sponsors of the compromise decided to preclude the opportunity to offer such an amendment by parliamentary maneuvering. As a result, I must reluctantly vote against it.

Mr. KASTEN. Mr. President, I rise in strong opposition to the Cochran amendment.

There are several things at issue here, but the most important is jobs -- jobs at ports in Wisconsin, in other Great Lakes States, and at other ports not served by U.S.-flag vessels.

Mr. President, the debate we are having today is the culmination of a long and discouraging sequence of events that began last February with the court ruling that exports made possible by the Blended Credit Program were subject to cargo preference.

After that decision, Secretary Block suspended the Blended Credit Program. Other USDA-assisted export programs were brought under a cloud, at a time when America's farmers could least afford it.

And, finally, the well-publicized controversy over cargo diversions from the Great Lakes made it painfully clear that the American-flag merchant marine is barely able to carry 50 percent of Public Law 480 shipments, and then only at exorbitant cost to the Government and to ports on the Great Lakes.

To make a long story short, the maritime industry and certain agricultural groups worked out what they call a compromise. This arrangement would exempt all non-concessional sales from cargo preference, but would raise the preference requirement on Public Law 480 shipments to 75 percent over 3 years.

This is, to say the least, a major change in our maritime policy, one that should not be made without hearings in the Commerce Committee. The chairman of that committee has made this point, and it is one we should not take lightly.

But my paramount concern is the Great Lakes, and the thousands of jobs at stake in Wisconsin ports.

The Wisconsin Department of Transportation estimates that almost 4,000 people work at the ports of Milwaukee, Green Bay, Kenosha, and Superior. A full 90 percent of the cargo shipped out of the port of Milwaukee is made up of Public Law 480 shipments.

There is very little U.S.-flag service into the Great Lakes. That means that this so-called compromise would be a death warrant for the port of Milwaukee, and could throw many people at other Wisconsin ports out of work.

I am not prepared to accept this.

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Mr. President, I make these arguments with great reluctance. I think I have been as strong a supporter of the maritime industry, and even of cargo preference, as any Member of this body. I believe in the need for a strong merchant marine. We need it; it is in our national interest.

But I also believe it is in our interest to have strong, vigorous ports in the Great Lakes. It is in our interest to have jobs in Wisconsin.

The time has come to call a halt to the effort to attach increases in maritime subsidies to the farm bill. Let us stick with the Agriculture Committee's language, which would return us to the status quo before the Green decision. Let us bring the whole maritime problem to the Commerce Committee for hearings next year; as a member of that committee, I pledge to do all I can to see that the congressional commitment to a strong merchant marine is maintained.

Mr. President, I urge all my colleagues to join me in rejecting the Cochran amendment.

Mr. THURMOND. Mr. President, today I rise in opposition to the pending amendment. The amendment would change language in the 1985 farm bill -- S. 1714 -- clarifying the cargo preference laws. The farm bill, as reported by the Senate Agriculture Committee, would exempt all agricultural goods exported under programs such as the Blended Credit Program from the cargo preference laws. Particularly in light of the currently depressed farm prices, these laws constitute an unreasonable, costly burden on our agricultural economy. Weighing the various competing interests, I believe that a sounder public policy would be to allow shippers and purchasers of our agricultural products to choose the most efficient provider of ocean transportation.

At present, cargo preference laws require that one-half of all goods exported under a Government-generated program be shipped on U.S. flagships. As determined by the Attorney General in 1963, these cargo preference laws apply to sales of surplus agricultural commodities by the Commodity Credit Corporation [CCC], if such sales involve some substantial element of U.S. Government subsidy, such as concessional sales and humanitarian food donations. In February of this year, however, the U.S. District Court for the District of Columbia broadened the scope of the Cargo Preference Act when it ruled the statute applicable to the Blended Credit Program. This USDA program loans money to foreign countries so that they may purchase American agricultural commodities. In response to the court decision, the USDA suspended the Blended Credit Program.

Clearly, Mr. President, this recent court decision indicates ambiguity in the law which Congress should clarify. Detailed hearings have been held on this issue in order to determine whether the cargo preference laws should be continued and, if so, their desired scope.

Mr. President, I am not insensitive to the concerns of the U.S. merchant marine industry. However, we must recognize that a statutory requirement for the use of U.S. flagships interferes with the competitive bid system normally used for shipping contracts. This means higher shipping costs and, therefore, less money available for the purchase of agricultural products under USDA generated purchases.

Mr. President, considering our enormous trade deficit and the declining U.S. share of the world agricultural market, it certainly is not wise for the cargo preference laws to be broadened in scope by the courts or by Congress, as such action would further burden our farmers. Agricultural producers are suffering enough already without the additional restriction of cargo preference laws.

Mr. President, I believe it would be more beneficial to the agricultural economy to repeal the cargo preference law entirely. However, if that cannot be achieved at this time, I certainly hope that the language relating to cargo preference laws in the farm bill can be preserved to limit their application to shipments involving direct subsidies from the U.S. Government. I urge my colleagues to vote against the pending amendment.

Mr. GRASSLEY. Mr. President, I am happy that the Senate is considering the cargo preference issue today. This issue underscores my feeling that the problem with exports, with agriculture, and low farm income is not only the result

of farm programs, but many other policies as well. Not until Congress and the executive branch decide to bite the bullet and change some of these other barriers to agricultural prosperity, will we truly have a progressive comprehensive agricultural policy.

Cargo preference is one of those very important issues that have limited the farmers access to international markets. Without our competitors raising one finger, we have given them a significant advantage. If I were a member of the EC or from Canada, Argentina, Brazil, or any of the other countries that are the true beneficiaries of this policy, I would be down here today lobbying Congress to vote for cargo preference. All cargo preference does is give other exporters a competitive edge over U.S. farmers.

Just look at what cargo preference does to our exports. By applying cargo preference to our Blended Credit Program, we increased our landed costs of U.S. grain by 15 to 30 percent. This more than offsets the 2-percent interest buy-down provided under the Blended Credit Program. Shortly after the Judge Green court decision applying cargo preference, we lost over a half a billion dollars in sales, affecting 3.6 million metric tons in grain exports. This 15- to 30-percent increase in costs as a result of cargo preference is in addition to the overvalued dollar which increases the price of our agricultural products by over 35 percent. How can we expect our farmers to compete against these kinds of odds?

Cargo preference is a free trade issue, an economic issue, and most of all, a fairness issue. If we are going to have policies that "stack the deck" against our farmers and for our competitors, we should ask these foreign countries to pay for part of these programs and not the American farmers through the U.S. Department of Agriculture. I recognize that this is not possible, but we can shift the burden of payment from the USDA to the Maritime Administration or the Department of Defense, where it truly belongs. As it stands now, over \$100 million in funding appears to be supporting the export of agricultural products when in reality it is going to the merchant marine industry. This policy pours salt in the wound of the American farmer. At a time when agriculture is in crisis, we not only tell the farmer he is receiving too much help from the Government and implement policies that adversely affect him, but we ask him to pay for these misguided policies. This just adds insult to injury as far as the American farmer is concerned.

I am not in favor of cargo preference applying to anything. According to the Agency for International Development, the costs of shipping on U.S.-flag vessels under Public Law 480 alone, was \$77.6 million in 1983; \$97.5 million in 1984; and are estimated to run more than \$118 million this year. This is money that could be going towards food aid for the needy and helping our exports. The ocean freight differential for shipping on U.S.-flag vessels this year will run anywhere from \$30 to \$80 per ton. Under a best case scenario this adds 80 cents per bushel of wheat, 76 cents per bushel of feed grains, and 80 cents per bushel of soybeans. In reality, the costs will probably be even higher. How can we keep blaming the farmers and farm programs for the drop in exports when we allow these kind of policies to continue?

I understand the concerns of those who feel cargo preference is necessary, but I am not willing to vote for this compromise.

If Members of this body are serious about cutting the deficit, increasing our exports, fighting for free trade and increasing farm income, they should vote against cargo preference. We need to show the American farmer that we have the courage to stand up for him. If we do not vote against cargo preference, how can we justify cuts in the agriculture budget and in farm programs. We preach to the farmers day in and day out, "You need to sacrifice, you need to tighten your belt a little tighter, and you have been receiving too much help." How can we tell the American Farmer he is receiving too much help when an industry that only supports 1,668 seamen -- which is the total number of seamen involved in the shipment of agricultural exports -- receives close to \$100 million in just USDA/FAS subsidies. If you take into consideration the total amount subsidies given to the maritime industry from all agencies, it would have amounted to over \$174 million in 1982. When broken down, this amounts to more than \$100,000 per seaman.

I am tired of the American farmer being the whipping boy for all our other failures in international, domestic,

monetary, and fiscal policy. I suggest that this is our chance to turn the tide. We must start down the road to a real agricultural recovery and not just policies that benefit others, domestic and foreign, at the expense of our farmers. Therefore, I encourage my colleagues to vote against cargo preference and start us on the right road to recovery.

OPPOSING COCHRAN'S CARGO PREFERENCE AMENDMENT

Mr. McCONNELL. Mr. President, there are very few clear issues in this year's farm bill. However, we have certainly got one here in the form of an amendment to strip the farm bill of one of its most important provisions -- exemption from cargo preference provisions for USDA export-enhancing programs. Mr. President, I strongly oppose this amendment.

During a time when the volume of farm exports has declined by over 25 percent in the last 4 years, the last thing we need to do is severely restrict our own ability to compete in the overseas grain market. That is exactly what a U.S. district court ruling with respect to cargo preference has done to agricultural exports and since this misguided February court ruling, U.S. grain exports are running 10 percent below projected levels. The backbone of the USDA export credit initiatives is a blended credit program which has been shelved until this issue is resolved. Now is the time to resolve it.

The blended credit program gives the American farmer the tools to fight subsidized foreign exports and, since its enactment in 1982, has become an integral part of the USDA efforts to make U.S. farm exports competitive. At the time of enactment, Congress intended for money appropriated for blended credit programs to help farmers. Instead, the U.S. court ruling I mentioned earlier mandated that a certain percentage of all exports shipped under blended credit programs must be shipped by American-bottomed ships, whose costs are sometimes 3 or 4 times higher than some foreign shippers. Hence, USDA blended credit money is used to subsidize the American merchant marine, the costs of the commodities being shipped are higher and we're no longer able to compete with foreign countries. The American farmer loses a market, and the real paradox of this mess is that the merchant marine loses volume simply because we can't sell our overpriced commodities. So the American farmer again comes up a loser through no fault of his own.

We can address this inequity, Mr. President, by returning to the status quo. Until this unnecessary court ruling, cargo preference requirements applied to 50 percent of all food aid shipments through programs such as section 416 and Public Law 480. Title I of the 1985 farm bill contains provisions which will expand these and other food donation programs and will provide greater shipping opportunities for our merchant marine without destroying the competitiveness of American agriculture. Until U.S. farmers are lifted from the curse from unfair trading practices, they need all the marketing tools they can get.

Cargo preference limitations on all U.S. farm exports is seriously crippling our ability to compete with our highly subsidized competitors. I urge my colleagues to reject this attempt to hand another defeat to the American farmer.

Mr. McCLURE. Mr. President, I rise in support of the Senator from North Carolina to exempt blended credit and other programs legislated by Congress from cargo preference.

To apply cargo preference to commercial agricultural export programs, such as the blended credit and intermediate credit programs, may have very significant repercussions in this Nation's ability to maintain its world trade in agricultural products.

I would like to cite several examples which show how cargo preference, applied to the agriculture community, has significantly affected the agricultural industry in a negative way.

On recent, 1985, shipments of wheat, grown in the United States and shipped to Sudan, the freight differential for United States flag vessels was \$42.65 -- that's more than twice what the cost was on a Korean-flag vessel, shipped at approximately the same time.

Another example of the freight differential in shipments of corn from the United States to Egypt this fall,

documents a \$34.90 difference in the rate of the United States vessel compared to a Liberian ship. In this case, U.S. taxpayers paid an additional \$1,849,700 to send corn on the American-flag ship. In the former example of the wheat shipments, the U.S. taxpayer paid an additional \$2,798,906 to send the wheat on the American-flag ship.

U.S.-flag ships charged an average of \$69.50 more per ton, in 1984, than did foreign flag vessels to carry exported commodities. As an example, a ship carrying 30,000 metric tons of commodities received a subsidy from the U.S. Treasury averaging \$2.08 million for a one time, one way, crossing.

A Congressional Research Service report documents that for the period 1954-84, over \$24.5 billion in surplus agricultural commodities was exported through the Food For Peace Program. As a result of cargo preference requirements, these exports provided approximately \$1.6 billion to the profits of a U.S.-flag shippers over that period.

The USDA estimates that in fiscal year 1985, the Commodity Credit Corporation will have to pay \$109 million in freight for the differential charges on \$997 million worth of commodities which will be shipped under the Food-for-Peace Program. This comes to approximately 11 percent -- the premium the taxpayer must pay.

The cargo preference program is placing increasing and unreasonable burdens upon the American taxpayer for shipment of agricultural products. A GAO report, which came out in 1984, calculated that between \$71 and \$79 million, in the form of additional freight, was paid by USDA and the Agency for International Development in 1980 due to cargo preference requirements.

The cargo preference program has not only a negative effect but an unreasonable effect on the Food-for-Peace Program. If cargo preference was not applied to food aid, \$155 million would be available to provide food for hungry people throughout the world. This is the purpose for which the program and the appropriation was intended.

Cargo preference requirements on commercial agricultural export programs also has major effects on Idaho. Idaho is among the largest grain suppliers in the Nation. Three of our counties, Bingham, Cassia and Power, have each produced over 6.9 million bushels of wheat in 1983 and 1984. These and 40 other counties, which provided over 32 million bushels in 1983 and 1984, need a market situation which is expanding and aggressive, not restrictive.

A September 30, 1985, report from the Committee on Agriculture, Nutrition, and Forestry-U.S. Senate, concluded that the recent judicial expansion of the applicability of cargo preference places an undue burden on agricultural producers to support the U.S. merchant marine and is contrary to the intent of Congress regarding the reach of cargo preference laws.

Mr. President, if the cargo preference is applied to the blended credit program, the intermediate credit program, or any other of these programs, they most likely will be terminated since their cost would increase so greatly that it would make these programs cost-ineffective. The USDA estimates that cargo preference costs would add \$45 million in Government outlays. The total cost of blended credit shipments would rise from a net cost of \$23 million to \$68 million. That's an increase of three times without the cargo preference costs. Idaho and its great agricultural industry would suffer. The Nation's agricultural industry would suffer.

The Nation cannot stand to lose these valuable programs. Idaho farmers, all American farmers, cannot stand this loss. We cannot allow a sharp rise in USDA outlays and a further increase in the Federal deficit which is caused by increased costs due to cargo preference requirements. It is time for Congress to recognize the need to stand firm for agriculture. It is time to stand for the farmers.

I ask my colleagues, and I lend my support, to pass the committee-approved exemptions from cargo preference for commercial export programs.

Mr. BENTSEN. Mr. President, I am pleased to join with my distinguished colleague the Senator from Mississippi [Mr. Cochran] and a number of others in offering this amendment. This amendment is a compromise on the thorny issue

of cargo preference. It was painstakingly worked out over a period of several months between two coalitions representing major agricultural and maritime groups. Passage of this amendment will allow us to unsnarl the current mess in key USDA export programs and get those programs to working once again.

The Cargo Preference Act of 1954 was enacted with the objective of assuring that the United States would have a U.S.-flag merchant fleet available in times of war. This law requires that 50 percent of all concessional sales of U.S. agricultural products be shipped in U.S. vessels. Programs under various other Government agencies, such as Defense, Treasury, and the Agency for International Development, are also subject to cargo preference requirements.

Historically cargo preference requirements have been applied only to Public Law 480 and section 416 food aid shipments. However, in February of 1985 a U.S. district court ruled that cargo preference applied to USDA's Blended Credit Program. This program uses a combination of GSM-102 loan guarantees and GSM-5 direct loans at below-market interest to provide an interest-rate subsidy for U.S. agricultural exports. It is a major tool for responding to foreign interest rate subsidies which are displacing U.S. exports.

The court further stated that, if asked, it would rule that cargo preference would also apply to the GSM-102 export credit guarantee program, which is the mainstay of our export credit programs. In 1984 about 10 percent of all U.S. farm exports were sold under blended credit or GSM-102.

In response, the USDA shut down the Blended Credit Program. In May Secretary Block ignored a request from 53 Senators, including myself, to go ahead and complete the blended credit sales that had been announced for this year. We lost those markets to foreign competition.

There were several months of intense negotiations between agricultural and maritime groups this summer, culminating in this compromise proposal. It has been agreed to by all of the major maritime groups. It has been agreed to by most of the major farm groups, including the National Cotton Council, the National Association of Wheat Growers, the National Council of Farmer Cooperatives, the Five State Rice Producers Legislative Group, the National Corn Growers Association, the Farmers Union, the Grange, and the Rice Millers Association.

The bill reported from the Senate Agriculture Committee contains a cargo preference provision which would overturn the court decision and apply blended credit only to the traditional food aid programs. Similar language was approved by the House Agriculture Committee but was rejected on the House floor by a vote of 245 to 179. The House vote is a clear signal to all who care to look. It shows that such language cannot be enacted into law.

However, failure to enact a change in the cargo preference law will keep the Blended Credit Program shut down. Not only that, but it will probably also lead to the shutting down of the other USDA export programs as well.

We cannot afford such a stalemate. Neither U.S. merchant seamen nor U.S. farmers want it. Neither of them can afford it. As a letter from the agricultural coalition in support of this compromise says:

Without such legislation, we believe the result will be to maintain the February U.S. district court decision and the potential loss of billions of dollars in U.S. agriculture export sales.

This compromise amendment will break that stalemate. It will exempt all USDA export credit programs, including blended credit, from cargo preference requirements. It will exempt all current and future USDA export subsidy programs, such as using surplus commodities to subsidize export sales as would be required by other sections of this farm bill. It would restrict cargo preference to the traditional food aid programs. It would increase the cargo preference requirements under the food aid programs from 50 percent to 75 percent, phased in over 3 years. Any additional cost under these provisions would be paid by the Department of Transportation instead of by the Department of Agriculture.

This is a workable compromise. No one got everything they wanted. Everyone gave up something. But everyone got something they needed.

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I urge my colleagues to pass this amendment and join together in the real fight -- the fight against foreign competition, the fight for American jobs and American agricultural exports.

Mr. PROXMIRE. Mr. President, I want to put the Senate on notice that the so-called Public Law 480 cargo preference compromise offered by Senator Cochran devastates Great Lakes shipping.

Unlike other U.S. coastal ranges, few U.S. carriers serve our fourth coast. While our ports provide efficient, very low cost services for Public Law 480 title II bagged and processed cargoes, we can't even bid for 50 percent of them under existing law.

Why make this situation worse. A boost to 75 percent for Public Law 480 preference cargo adds to the deficit, deprives starving people of food and denies low cost, efficient ports like Milwaukee the business they deserve and would get under any other rational system of cargo allocation.

Even worse, under the existing already flawed system, cargoes bid on and won by our ports and foreign-flag carriers are often diverted at the last minute onto much, much more expensive U.S.-flag vessels located in other coastal ranges greatly increasing costs to the U.S. taxpayer.

Just this week the city of Milwaukee, joined by Superior, Duluth, Kenosha, Green Bay, Burns Harbor, six International Longshoremen's Association locals and numerous Great Lakes shipping interests filed suit against the Secretary of Agriculture charging violations of Federal law and regulations in applying an overly rigid, mistaken interpretation of cargo preference rules.

According to Milwaukee's brief:

These illegal diversions have caused significant damage to our Great Lakes economy, employment opportunities, and economic development potential.

The suit charges that the Department of Agriculture and other Federal agencies have illegally diverted millions of pounds of cargo to the east, west and gulf coasts that could have been shipped out, more cheaply, from the Great Lakes. The brief states further that diversions deprive our ports of the "base cargo" they need to stay in business and violate the principle of lowest landed costs in selecting carriers.

Mr. President, the Great Lakes ports suffer from many natural disadvantages such as an ice-shortened season, high St. Lawrence Seaway tolls, and system bottlenecks and breakdowns. But the effect of this amendment is worse than anything nature dishes out -- it kicks us right in the teeth.

Under current 50-50 preference requirements, last year the Great Lakes got 18 percent of all the Public Law 480 cargo. But if only 25 percent of Public Law 480 cargo on foreign flag ships, as in the Cochran amendment, Great Lakes ports like Milwaukee, Green Bay, or Superior would lose business and perhaps even have to shut down. Fully 90 percent of all Milwaukee cargo business comes from Public Law 480, title II.

Mr. President, unlike other ports in the United States, the Great Lakes ports have paid their own way in the form of seaway tolls. Every time tolls go up, we lose business. We lose business, too, because of our shortened season which requires shippers to substitute alternative forms of transportation in the winter months. In fact, total Great Lakes cargo shipments are down 20 percent from last year alone. We can't take much more bad news.

Mr. President, while this amendment devastates Great Lakes ports, we are not alone in our opposition. Groups as diverse as CARE, Bread for the World, U.S. Chamber of Commerce, the Grange, American Farm Bureau Federation, National Soybean Processors Association all oppose this change in cargo preference.

Secretary Block also opposes the change and CBO has estimated that it will add \$100 million more a year to the

program.

Mr. President, I ask my colleagues to oppose this compromise which costs too much and savages an entire region of the United States.

Mr. DURENBERGER. Mr. President, it is with some reluctance that I rise in opposition to the proposal offered by the Senator from Mississippi. I do so reluctantly not because of the merits of the amendment but because it is a rare occasion when the Senator and I find each other on different sides of the fence on any issue. But I must oppose this amendment, and believe it is so fatally flawed that it must be regarded as a great fraud on the American public and the millions of starving people who depend on Public Law 480 shipments for their life.

This amendment has been called a compromise by its proponents and, judging by its list of supporters, that statement might have some validity. But not much, because anyone who has taken the time to analyze this amendment can see that this compromise is a cop out. The bottom line on this amendment is that in return for the maritime industry's support for the exemption of nonfood aid commercial export expansion programs from the cargo preference requirement, the Washington based representatives of the Wheat Growers, Corn Growers, Farmers Union, NFO and a few other farm groups gave the maritime industry a blank check on the amount of humanitarian assistance subject to the cargo preference requirements. And, while the Washington lobbyists for the farm groups I just mentioned may think this is a good compromise, my corn growers, my wheat growers, and my farmers think this is a horrible way to resolve the impasse which exists on this issue. My farmers believe that the exemption for nonfood aid commercial export expansion programs from the cargo preference requirements contained in the bill reported out of committee is the best policy which can be reached on this issue. And, they think their Washington representatives sold them out.

To outline some of my concerns, let me first indicate what this amendment will do to the port of Duluth, MN. For those colleagues who have not studied geography since grade school, you might be surprised to find that Duluth, MN, lies west of St. Louis, MO, but relies on a 2,342-mile channel through the Great Lakes-St. Lawrence Seaway system, to gain access to the Atlantic Ocean and the international marketplace. Unfortunately, very few U.S.-flag vessels call at the Port of Duluth, or the Great Lakes for that matter. In fact, over the last 6 years, only seven U.S.-flag ships called at the port, handling only 38,000 metric tons of cargo, or 0.39 percent of all cargo handled by the port. Mr. President, I ask unanimous consent that a chart illustrating these shipments be inserted into the Record at this point.

There being no objection, the chart was ordered to be printed in the Record, as follows:

U.S. FLAG VESSEL CALLS TO PORT OF DULUTH-SUPERIOR 1980 TO 1985

NOTE: This table is divided, and additional information on a particular entry may appear on more than one screen.

Year and name of vessel	Ship type	Commodity
1980: M/V Marjorie Lykes	Conventional	Public Law 480 bags Granite.
Totaldo	
1981 M/V Marjorie Lykesdo	Bulk durum wheat -- Public Law 480
1982: M/V Ashley Lykesdo	Public Law 480 bags
1983		
1984:		
M/V Ashley Lykes	Conventional	Public Law 480 bags
Do.....do	Public Law 480 bags

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M/V Thoroughbred Topper	Tug/barge	Bulk spring wheat -- Public Law 480
Total		
Through June 1, 1985:	Tug/barge	Bulk spring wheat -- Public Law 480
R.W. Sessler USL 501		
Year and name of vessel	Tonnage (metric ton)	Percent of total tons
1980: M/V Marjorie Lykes	5,453	0.05 percent (9,203,619 metric tons)
	34	
Total	5,487	
1981 M/V Marjorie Lykes	5,252	0.06 percent (8,351,732 metric tons)
1982: M/V Ashley Lykes	2,235	0.03 percent (6,438,832 metric tons)
1983		
1984:		
M/V Ashley Lykes	4,412	
Do.....	989	
M/V Thoroughbred Topper	19,600	
Total	25,001	0.39 percent (6,770,677 metric tons)
Through June 1, 1985:	13,000	NA NA (38 ships to June 1).
R.W. Sessler USL 501		
Year and name of vessel	Percent of ocean ships	
1980: M/V Marjorie Lykes	0.3 percent (272 ships).	
Total		
1981 M/V Marjorie Lykes	0.3 percent (258 ships).	
1982: M/V Ashley Lykes	0.4 percent (233 ships).	
1983		
1984:		
M/V Ashley Lykes		
Do.....		
M/V Thoroughbred Topper		
Total	1.2 percent (250 ships).	
Through June 1, 1985:		
R.W. Sessler USL 501		

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Mr. President, expansion of cargo preference requirements for Public Law 480 shipments would further diminish the all ready limited amount of traffic moving through the lakes, and represent another attack on the economic viability of Great Lakes ports. As a letter from the Western Great Lake Maritime Association makes perfectly clear, this amendment will inflict losses on the Great Lakes region in excess of any benefits which might accrue to the U.S. maritime industry.

Mr. President, I ask unanimous consent that a copy of that letter be inserted in the Record.

Mr. President, the cargo preference requirements are not the only impediment to restoring the economic health of the lakes, but they are a major one. And in the final analysis, this Senator can't help but come to the conclusion that this amendment will only make matters worse for the lakes. There have been no hearings held on the amendment, there has been no economic impact analysis performed on the amendment, and there is no information available which would support the thrust of the amendment. As I said earlier, the bottom line on this compromise is that a group of farm lobbyists sat down with some maritime lobbyists and cut a deal which took care of their own concerns at the expense of Great Lakes ports, recipients of humanitarian assistance and the integrity of our Government. It demeans this Senate and the legislative process for this body to get itself involved in such horsetrading. This Senator will have no part of it.

There being no objection, the letter was ordered to be printed in the Record, as follows:

Western Great Lakes

Maritime Association, Inc.,
Arlington, VA, June 17, 1985.

Hon. John C. Danforth,
Chairman, Committee on Commerce, Science, and Transportation, U.S. Senate, Dirksen Senate Office Building,
Washington, DC.

Dear Mr. Chairman: We are writing to you concerning the application of Cargo Preference legislation to Public Law 480 programs.

It is our understanding that during your Committee's markup of S. 721 on June 19th, a proposal may be introduced which would impose increased U.S. flag requirements on P.L. 480 shipments. Our Association and many other Great Lakes interests are unalterably opposed to any such provision.

At this time, Great Lakes ports, stevedoring, commodity, and shipping interests participate in P.L. 480 under the current 50 percent Cargo Preference requirement. We do this with difficulty and under the constant threat of cargo being taken away from our coastal range in order to find U.S. flag service. We have only one regularly scheduled U.S. flag shipping line in the Great Lakes. Any effort to increase the requirement for cargo movement on U.S. flag vessels would almost certainly result in massive transfers of cargo from the Great Lakes coastal range to other areas.

Mr. Chairman, the current cargo preference legislation does not help the economic interests of the Great Lakes region. Nevertheless, it is the law and we do our best to operate within its 50/50 provisions. If the 50 percent U.S. flag requirement were increased, the law would impose a severe negative impact in terms of lost jobs, decreased personal income, less business and a general weakening of the economy of the Great Lakes/St. Lawrence Seaway area.

If there is a need to provide further funds and support for U.S. flag maritime interests, then please do not do it in a way that causes more harm than good. The gains that might accrue to U.S. flag interests under this proposal would be more than offset by the losses in our region.

Sincerely,
Daniel E. Shaughnessy,

President.

Mr. RIEGLE. Mr. President, I am voting the compromise cargo preference amendment because I am troubled by the provisions as they relate to the Great Lakes. I have long supported the concept of cargo preference, and have indicated my support both on this floor and in the Senate Commerce Committee. I am deeply concerned about the current state of our maritime industry, where our entire dry bulk fleet consists of less than 25 ships. This is cause for alarm, given our heritage as a maritime nation, and the dependence of all our industries on a sealift capacity. As we have heard, World War II was won because we had a superior ability to transport enormous quantities of materiel to distant fronts. Today, Mr. President, there is a real doubt that we could muster the same capability, and with less than 25 ships, I don't think there really is much doubt.

Beyond that, Mr. President, the concept of cargo preference is sound. No other nation in the world gives so much of its own cargoes to ships of other nations. The cost of cargo preference is small in relation to the overall agriculture budget, and I do feel that it serves a national purpose.

I am voting against this amendment for the reason that it is unfair to the Great Lakes. The Great Lakes are the fourth seacoast of the United States. The Great Lakes ports are closer to European destinations. There is very little justification for the decline of cargoes in the Great Lakes, and much of this decline can be traced directly to the administration of the cargo preference program.

For several years, I have been working with other Great Lakes Senators to fashion a compromise that would address the problem of cargo diversions. We have attempted to obtain administrative relief, Presidential assistance and legislative compromise to no avail. In fact, just last summer, a government agricultural cargo was literally on the dock in Milwaukee when, due to cargo preference requirements as interpreted by USDA or some other agency, the cargo was diverted to the west coast. Mr. President, it happens all too often, and it seems that the Great Lakes suffer a disproportionate share of diversions from our ports to the gulf coast, or in some cases the west coast.

Clearly, this is not a desirable situation, and the efforts of Senator Dixon have been to ensure that the Great Lakes receive their reasonable share of all Government-generated cargoes. We attempted to negotiate alternative language concerning the Great Lakes, language that would have solidified the share of cargoes for the Great Lakes at their historical range of 20 to 25 percent. We were unsuccessful in that effort, so I face no other choice than to oppose the Cochran compromise and urge all of the parties at interest to continue the efforts to reach a compromise which is fair to all of the port ranges of this Nation, including the Great Lakes.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Missouri is recognized.

Mr. DANFORTH. Mr. President, it is ironic and discouraging that at a time of crisis for American agriculture, at a time when we are trying to revitalize farm exports, supporters of the U.S. merchant marine should return to the issue of cargo preference. They do so promoting what they call "compromise" but it is not compromise at all.

It is hard to imagine a more repugnant Federal program than one that siphons off funds for the starving children of Africa in order to serve the inefficient and noncompetitive domestic maritime industry.

Cargo preference is special interest legislation at its worst. It requires that 50 percent of all food aid shipments under the Food for Peace Program travel on U.S.-flag vessels. The result of that policy in 1985 was a subsidy of \$150 million for the U.S. merchant marine -- \$150 million that otherwise would have been spent on American farm products, for shipment to the hungry and malnourished people of the world. This is a policy that takes from the truly needy and gives to the merchant marine industry.

The compromise that has been proposed seeks to expand cargo preference requirements even beyond their

historicscope, entailing additional giveaways to maritime interests. It is of no consequence that some of these payments are to be channeled through the Maritime Administration. If Congress wants to maintain shipments under the Food for Peace Program at this year's levels, it will have to increase its subsidy to the maritime industry by 50 percent. At a time of famine in Africa, at a time of financial crisis in American farming, at a time of \$200 billion deficits, what kind of compromise is that?

As reported, S. 1714 already raises minimum authorization levels for concessionary and humanitarian programs. These increases, like the increases of the past year, mean that the merchant marine will increase its take from cargo preference under existing law. This, to me, is a sufficient compromise.

Mr. President, national defense and military preparedness are not at stake today. If at a time of fiscal austerity it is thought desirable to subsidize a domestic merchant fleet, then we should do so directly. I doubt that we would choose the vessels that currently benefit from cargo preference. But the worst of all possible approaches is to increase these benefits and spray them around indiscriminately, with the costs shouldered not only by the taxpayers but also by our farmers and the hungry of the world. We should defeat the proposed amendment.

Mr. ABDNOR. Mr. President, I was on the floor at the time the 12 o'clock hour approached and did not complete my comments or some questions I would like to ask.

When I left the floor, I had the understanding that the entire dollar figure for the cargo preference would be transferred to the Transportation Department. I ask the manager of the bill if that is correct, or is it only that portion of the additional dollars that would come about through this amendment?

Mr. COCHRAN. I am not sure I heard the entire question.

Mr. ABDNOR. I thought the Senator from Alaska was saying that the entire dollar figure for carrying out the Cargo Preference Program would not be directed by and under the transportation budget, no longer under the agriculture budget. Yet, I have been told by others that the only proportion that would go under transportation is the additional 25 percent by which the Senator wants to increase cargo preference percentages.

Mr. COCHRAN. The funding for cargo preference is going to be made available to pay for this additional percentage through an appropriation under the Department of Transportation's budget.

Mr. ABDNOR. Then, the \$106 million that has been in the budget heretofore and will be in the 1986 budget for that portion of the cargo preference will still remain in the agricultural budget. Is that correct?

Mr. COCHRAN. My understanding is that we will not shift the entire program funding to the Department but simply the increased costs of these additional percentages which are phased in over a 3-year period will go to the Department of Transportation under a new funding mechanism.

Mr. ABDNOR. I guess that is the way it is.

I think there was a misunderstanding. I think the point we want to make here is that the agricultural budget is still being charged \$109 million to carry on this Cargo Preference Program through 1986.

I point out that 5 years ago, in 1980, the cargo preference share of the Public Law 480 budget was less than 7 percent. Since 1980, funds spent on Public Law 480 commodities have increased less than 18 percent, while the funds spent on Public Law 480 cargo preference subsidies have skyrocketed 73 percent. I think it is one more example where the farmer is taking a back seat to other interests.

There is another question I would like to ask.

We are talking about shipping rates, and I admit this letter was sent to me by an interested group of people, but they

say that a U.S. shipment from the U.S. gulf to the Sudan on Korean ships would cost \$20.35 a ton, and on an American flagship it would cost \$63 per metric ton.

I ask the sponsor of this amendment another question: Do many of the American vessels that carry this grain to other countries under Public Law 480 come back empty because they are unable to pick up cargo at that rate? How are they able to compete on the other end? We have to conclude that most of those ships must come back empty. Is that correct?

Mr. STEVENS. Mr. President, if the Senator will yield, I say to the Senator that I think Senator Cochran has done yeoman service by putting his name on this as a principal sponsor of this compromise. It is a compromise, and those of us ready to defend the maritime interests will be ready to answer those questions.

The difference in cargo rate is the difference between a government subsidy and a limited government subsidy. Korea totally subsidizes those shipping lines and it does not require the things we do in terms of Coast Guard standards, safety standards, health standards, the maintenance of crew limits in terms of having a doctor, as has been mentioned. When you put them together, it costs more money to run a U.S.-flag ship. That is all there is to it.

If you are trying to compare costs, you can compare them in other places -- for example, the packing of a can of tuna in Korea and in California. You will find the same differential exists. I do not think this is something relative only to the shipping industry. It is relative to the fact that we are maintaining our national defense, the payment of taxes, the support of a system of environmental controls, health controls, health services, and they are not.

You cannot compare apples and oranges so far as this is concerned. Those ships compete on the same basis as any other part of our economy with the Korean economy. You will find the same with agricultural products.

Mr. ABDNOR. The Senator is right. All I am asking now is this: Does that high a rate force our American vessels to return to this country empty? Are they able to pick up any kind of shipments overseas? We are getting plenty of imports into this country. I think we call it a backload in the trucking industry. Maybe it is an unfair question.

Mr. STEVENS. When they come back with cargo, it reduces preference costs. The cost of shipping at the rate the Senator is mentioning is going over and coming back empty. If they bring back a load of cargo, it reduces the cost to the Government. It depends on whether there is cargo available, whether it can be arranged. We do everything we can through the Maritime Administration to arrange those cargoes on the return trip, because they do reduce the cost of cargo preference.

Mr. ABDNOR. But some must have to come back empty.

Mr. STEVENS. And if they do, that is what you pay for in terms of the \$60. I hope the Senator realizes that.

Mr. ABDNOR. I do. This 25 percent increase we are allowing for Public Law 480 to come under cargo preference is a 50-percent increase. That is probably the biggest single jump we will have in the budget this year. I wonder what is going to happen when you go to conference on this basis. The House has an even larger one. We will probably have to put the whole thing under Public Law 480 to have an agreement with the House.

I am concerned about dollars. Public Law 480 is for a great purpose. It reduces the amount of money under Public Law 480 for feeding people.

Mr. STEVENS. This is the third time I have heard on the floor that, somehow or other, cargo preference reduces the amount available for exporting food products.

When the Congress of the United States prepares the budget for Public Law 480, in that budget is submitted by the administration the cost of the cargo preference. It does not come out of the amount that is there to purchase the surplus

products to be shipped overseas.

If you assume total repeal of the program, then you take out that increment that is currently paying for cargo preference, unless you assume Congress would then increase the amount to be paid for agriculture products if the cargo preference were eliminated.

Mr. BOSCHWITZ. Mr. President, will the Senator yield?

Mr. ABDNOR. I yield.

Mr. BOSCHWITZ. Is the Senator from Alaska saying that the amount of cargo preference is a demarcation of some type in the appropriations bill?

Mr. STEVENS. There is a clear understanding at the time these are submitted as to what the cost will be at any level of exports.

Mr. BOSCHWITZ. Clearly, there is no demarcation in the appropriations bill that says so much is to go for cargo preference. There is certainly a good deal of despair on the Agriculture Committee with respect to the amount that goes into Public Law 480, the recognition that less food is going to go because of the cargo rule.

Mr. STEVENS. I say to my friend from Minnesota, there are no deliberations as to how much it would cost to ship it by railroad to the port, either. Does the Senator suggest we take out the money it costs to send the farmers' food to the port? The current situation is involved in the same bill. The railroad costs come out of that.

Mr. BOSCHWITZ. I was just responding to the Senator's statement that you seem to be making that there is a certain demarcation in the appropriations that says it will be in it, when we decide how much money is going to go into Public Law 480, that we take into account the fact that we have to give so much for freight because of the cargo preference rules. That is not the case.

Mr. STEVENS. I beg the Senator's pardon. We do -- --

Mr. BOSCHWITZ. I do not yield to the Senator.

Mr. STEVENS. The Senator asked me to yield for a question.

Mr. BOSCHWITZ. Regular order.

The PRESIDING OFFICER. The Senator from South Dakota has the floor.

Mr. BOSCHWITZ. The Senator from South Dakota has the floor.

Mr. STEVENS. That is correct. I was responding to him and you asked me to yield to you for a question or for a comment.

Mr. BOSCHWITZ. I asked the Senator from South Dakota to yield.

Mr. ABDNOR. Mr. President, I yield to the Senator from Alaska.

Mr. STEVENS. I am just trying to make the point that, as we reweave this in the Appropriations Committee, as the Senator knows, the requests for agricultural exports and the coverage of the program, there is, in fact, in that amount, an estimated figure for a cost of exports at any particular level. It is easy to determine. It is not a line item. If that is what the Senator from Minnesota is saying, Mr. President, I agree. There is no line item for cargo preference cost. But it is included in the overall cost of the agricultural bill and the amount of it is available to any Member of the Senate if he or

she wants to ask for it.

Mr. ABDNOR. Mr. President, I wish to continue for a second here. I was doing a little figuring over the noon hour trying to see what this really means, and to put it in the right perspective.

I think if you look at the efforts that have been yielded from the life-aid concerts, \$75 million worth of food will go to the starving in Ethiopia. I would just like to ask how many Ethiopians can we feed for 1 month with \$75 million? I think you find out that it amounts to 25 million people if you use cargo preference on the U.S.-flag ships, and there are 34 million if you do not. I think that is something to think about. I think with all of the hunger that is going on in this world and the plentiful amount of grain that we have, we could be doing more of this. Budget restraints keep us from doing that.

So here we come along and talk about adding a 50-percent increase to what we are already asking in the way of a cargo preference to help out our merchant marine.

Let me give you a few other figures here. We are talking about subsidies all the time. I was able to ascertain that in 1985, the average payment to the average dairy farmer was \$22,800. That was average. Rice, it was \$14,300; cotton, it was \$8,900; corn, it was \$4,700; and, wheat, it was \$4,400.

Now, for comparison, let us look at the maritime subsidy for hauling agricultural commodities. There were about 25 ships, averaging about 25 crewmen per ship, or about 650 seamen altogether. The figure that was given was that the total cost for Public Law 480 cargo in 1984 was \$129 million. If you divide \$129 million by 650 seamen, you get a cost of \$198,000 per crewmember.

Maybe I am way off. Lord, I could be off by half. But when we talk about a subsidy to a farmer, let us look where the subsidies are really going. There has to be a better way. I have not come up with the answer. But I do not think by increasing, at this time, our cargo preference by a 50-percent increase, that we could hardly justify doing so in the light of the fact that our No. 1 purpose for Public Law 480 was to get food in the hands of starving people and try to dispose of some of the surplus we have in this country.

Mr. DIXON. Mr. President, I rise in opposition to this so-called compromise. I hope that those on the floor from the Great Lakes States and near it and those in their offices who are concerned about the Great Lakes will pay close attention to what I say. Because while this may be a compromise that satisfies some of the disparate groups that are concerned about this issue, this compromise, believe it or not, in my view, makes the cargo preference law even worse, may I say to my friend from Minnesota, even worse for the Great Lakes States than the law now is.

Let me just say this to you. First of all, some of us from the Great Lakes area -- and that is the breadbasket of America -- would have liked to have offered an amendment to this so-called compromise in the course of the major discussion between the major players -- the distinguished Senator from Alaska, the distinguished Senator from Mississippi, and others. However, I want the people on the floor and in their offices to know that by the use of parliamentary devices and other methods, the distinguished sponsors of this so-called compromise have filled the tree so that further consideration of amendments is blocked out on this so-called compromise. And once the compromise becomes a fait accompli by this amendment passing, those of us from the Great Lakes States, the great breadbasket of America, who are concerned about the fact that commercial traffic on the Great Lakes is being destroyed by cargo preference policies, we are not going to be able to prevail on the later amendment. We are going to be stuck with this compromise that, in effect, changes the figure from 50 percent to 75 percent, thus, absolutely, positively, completely destroying transportation on the Great Lakes of America.

The Cargo Preference Act directs that it shall be implemented "in such a manner that will insure a fair and reasonable participation of the United States flag commercial vessels in such cargoes by geographic areas."

I am forced to conclude, however, that this has never been the case. In an effort to meet its 50-percent U.S.-flag

mandate, the Department of Agriculture allocated only 18 percent of all national title II Public Law 480 cargoes to the Great Lakes in 1984.

Now, may I say to my friends from the Great Lakes States, like my friend from Minnesota, that are under a 50-percent rule. Under a 50-percent rule, the Great Lakes got 18 percent. But we are going to go to a 75-percent rule, I say to my friend from Minnesota. I say to my friends from the Great Lakes States and the breadbasket of America -- if we can only get 18 percent under a 50-percent rule, what are we going to get under a 75-percent rule?

Indeed, this year's shipping on the Great Lakes is running even lower than this slim percentage, approximately 16 percent through September.

Now, I want my friends from the Great Lakes States and the breadbasket of America to listen to this. In the last several months, the U.S. Department of Agriculture has actually diverted two relief shipments, originally allocated to the Great Lakes, to the Port of Seattle. The cost of just one of these diversions to the U.S. taxpayers amounted to \$200,000.

In fact, the U.S. Department of Agriculture recently diverted a shipment which had already reached the Port of Milwaukee, WI. This grain was put on a train and it was shipped on a train from Milwaukee, WI, to Seattle. I repeat, Mr. President, the title II Public Law 480 cargo had already reached the Port of Milwaukee when it was suddenly diverted to the Port of Seattle at the expense of the Milwaukee port, the entire Great Lakes system, and the taxpayers of the United States of America.

These diversions of cargo fly in the face of the agreement made last year between the Department of Agriculture and the Agency for International Development on the question of cargo allocation.

We understood the agreement to be that cargo would not be diverted from the Great Lakes port to another coast in order to satisfy the 50-percent requirement. Let me say that was only a 50-percent requirement. This one is going to be 75 percent. However, I have learned from the Department of Agriculture's Agricultural Stabilization and Conservation Service that the Department does not take cargo preference requirements into account when accepting bids for the shipments of grain. One must then assume that due to the administrative burdens this type of diversion will continue unless steps are taken now.

This diversion of cargoes out of the lakes has been absolutely disastrous for the economies of the Northeast and Midwest. This amendment, this so-called compromise -- I guess the votes are here for it -- makes matters worse and comes at a time when shipping on the lakes is at the lowest ebb in modern times, when it is dying. Figures recently released by the Lake Carriers Association indicate that the shipments of grain, iron ore, and coal are down 23 percent to 13,265,558 net tons -- down -- from last August. For the entire shipping season, bulk movements on the lakes are down 20 percent from last year, from last year only -- to 67,896,478 net tons.

Listen to this, may I say to my friend from Minnesota. In August, grain shipments -- and my friend from Iowa is not on the lake but is closer to the lake than to either coast -- fell 56 percent at a time when we face the most tremendous surplus in the history of our country.

I want to say this: If this is a compromise, I hope we do not make many more such compromises on this bill, because this compromise is absolutely and 100 percent utterly destructive to the interests of the Farm Belt of America, to the Great Lakes States, and to shipping on the fourth sea coast of this country. I would like to suggest in conclusion that there are many policy arguments that have been made on this floor by other distinguished Members, my friend from Missouri and others. There are over 30 organizations in the United States of America that do not think much of this compromise, including the American Farm Bureau, the Chamber of Commerce, every major port in the Great Lakes, and some of the major economic interests in the country. If this is being represented on this floor as a compromise to seek a solution to the problems inherent in what has happened in a recent court case and the problems caused by cargo preference laws in this country, then I think it is a poor compromise and one not in the interest of the taxpayers of the

country, the farmers of the country, or the economy of the Midwest for sure.

Mr. BOSCHWITZ. Will the Senator yield, Mr. President?

Mr. DIXON. I yield.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. BOSCHWITZ. I want to rise and agree with my colleague from Illinois. This is not our compromise. None of us, as the Senator pointed out, were involved in this so-called compromise. One of the reasons that we were not is it really causes difficulty on the Great Lakes ports. As the Senator from Illinois pointed out, our share of the shipments will certainly decrease. Our share of the shipments is not now the cargo preference portion. Fifty percent of the Public Law 480 shipments have to go to cargo preference and American bottoms, and 50 percent can go on foreign bottoms. As the Senator from South Dakota pointed out, indeed, there is a difference of freight rates of three and four times. On the Great Lakes we get the 50 percent that goes on foreign bottoms. They come into our ports. There is no really American flagship that comes into the Great Lakes or certainly not in large enough numbers to carry much of that freight. So by reducing the amount that could be carried by foreign flag from 50 percent to 25 percent, we on the Great Lakes will suffer. The Port of Green Bay says it will have to close. The Port of Duluth -- and perhaps they are exaggerating a little bit, I do not know -- says it will also be very seriously injured.

They talked about closing at least that portion of the port that would deal with these matters. We get mostly the liner vessels. We get mostly the freight that is bad, and not the freight that goes into the bulk cargo. The liners come. That, of course, is in the way of better freight to handle because it has to be loaded with considerably more labor involved. But we point out, and I join my friend from Illinois, in saying that we were getting 18 percent of the whole before. Now we simply cannot continue getting 18 percent when only 25 percent is available. That means that the Great Lakes, the breadbasket of the Nation, as the Senator from Illinois points out, is going to be very, very seriously injured.

I point out, too, to my colleagues that while this is called a compromise, not all of us were allowed to participate in the process to compromise. I tried to join the compromise on a couple of occasions and was denied access to negotiations. Indeed, I would have liked to because of the interests of the Great Lakes needed to be protected. Mr. President, does the Senator from Illinois wish to comment?

Mr. DIXON. Mr. President, I wonder if my friend from Minnesota -- who I think has interests common to Illinois -- will yield for a question on this?

Mr. BOSCHWITZ. Yes.

Mr. DIXON. I am at the mercy of the Parliamentarian about the correctness of this question. But I am advised, may I say to my friend from Minnesota, that we might still be able to divide this issue by asking for the yeas and nays on the Stevens amendment which has not been discussed and, thus forcing a question before this Senate on the pure Stevens amendment?

I think we separate the men from the boys by that process more readily. I wonder whether my colleague who now has the floor might want to ask for the yeas and nays on the Stevens amendment dividing that issue from the rest of this. We would then shear some of the foliage off of the trees, and we might set to a Great Lakes amendment that has been blocked by the process presently under consideration. If I am not correct about that, I would join with my colleague from Minnesota in asking for the yeas and nays on the Stevens amendment.

Mr. COCHRAN. Mr. President, point of order.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. COCHRAN. Parliamentary inquiry. Before the yeas and nays can be ordered on the Stevens amendment, would it not be in order only to order the yeas and nays on the pending amendment? The pending amendment, incidentally, is a Stevens amendment but it is not the Stevens amendment referred to by the distinguished Senator from Illinois.

The PRESIDING OFFICER. The Chair is advised there are two Stevens amendments pending. It is unclear from the nonparliamentary inquiry of the Senator from Illinois as to which Stevens amendment he is addressing.

Mr. DIXON. Is the last Stevens amendment amendment No. 917, may I ask the Chair?

The PRESIDING OFFICER. The Senator is correct.

Mr. BUMPERS. Mr. President, the pending parliamentary inquiry still exists, I think. If the Chair answered it, I did not understand it. The answer to the parliamentary inquiry of the Senator from Mississippi was, is it in order to ask for the yeas and nays now while the present Stevens amendment is pending, and the yeas and nays have not been ordered on it? Is that a correct statement?

The PRESIDING OFFICER. The yeas and nays are only in order on Amendment 917.

Mr. BUMPERS. Is that the pending amendment?

The PRESIDING OFFICER. That is correct.

Mr. BOSCHWITZ. Mr. President, may I ask the Chair in that case. The yeas and nays are therefore ordered on the Stevens amendment, as the Senator from Illinois is seeking?

The PRESIDING OFFICER. As of this point, they have not been ordered on any amendment. They are in order. They have not been ordered.

Mr. DIXON. I might say that I think what my colleague from Minnesota and others here like myself might be concerned about is whether my requesting the yeas and nays on the last Stevens amendment -- which I understand the clerk is saying is 917 and the one that would first be considered on a request for the yeas and nays -- might open this whole process once again for consideration of a further amendment by the distinguished Senator from Minnesota, and others of us like-minded who might want to put an amendment on here to protect the interests of the Great Lake States that are otherwise blocked by filling the tree, as they say here, under the process employed at this point in time.

The PRESIDING OFFICER. The ordering of the yeas and nays would not permit additional amendments. It would only ensure that a recorded vote be taken on the yeas and nays on the stated amendment.

Mr. BOSCHWITZ. Mr. President, while my colleague from Illinois determines what the procedural aspects of this should be, some of us may indeed have some other amendments that we will offer in any event to the agriculture bill with respect to cargo preference dealing with fair and reasonable rates that are perhaps making ships that are built abroad qualify for the American plan. We might hope that the distinguished Senator from Mississippi and others would allow that to happen, because cargo preference rates indeed have come down a little bit because, for a short period of time, it was permitted to put the American flag on ships that were built abroad. They did not have to be built in this country. As a result, American-flag ships have been more competitive and their rates have indeed come back. It is interesting to note that this is not a compromise that we were involved in, that it was a compromise among like-minded persons.

As my friend from Mississippi has pointed out, there are indeed some farm organizations that support his position; there are some that do not, on the other hand. They are many and include the Farm Bureau Federation, the Grange, and the American Soybean Association, and other members of the agricultural community that are interested in this

endeavor.

I might also point out that because of the abuses that the Senator from Illinois has pointed out with respect to the Port of Milwaukee, a large Great Lakes group has brought a lawsuit. I believe it was brought yesterday against the Federal Government on the basis that it is violating the cargo preference laws by failing to account for the unavailability of U.S.-flag vessels in the Great Lakes. The cargo preference laws generally require that 50 percent of Government cargo be placed on U.S.-flag vessels where those vessels are available.

Unfortunately, they are not available in the Great Lakes. That is why we would be so heavily penalized in the event that 75 percent -- not 50 percent but 75 percent -- of the shipments would have to be made by cargo preference.

It is interesting that the CBO has estimated that the cost of the cargo preference provisions would double, even though the cargo preference would only go in 50 percent of Public Law 480 cargo to 75 percent, an increase of 50 percent. Yet the cost of cargo preference would double because of the unavailability of American ships. The result would be that American ships would feel they would be able to charge more and they probably could charge more and they will charge more, for all of the additional 50 percent; the rates would go up and the cost of foodstuffs that we would ship would of necessity go down because the cargo preference rules would be so confiscatory.

Over the years, cargo preference has cost over \$100 million. Under this new provision, it would be \$200 million, perhaps even more.

Mr. President, it is perhaps important that my colleagues note that this is not a compromise, that many of us are not involved in the process of compromising despite our best efforts to be so involved, that the cargo preference rules which now penalize many ports, particularly in the Middle West, would become even more confiscatory, and ports in our neck of the woods are even talking about closing.

Mr. ZORINSKY. Mr. President, I would like to ask the sponsor of the amendment (Mr. Cochran) a question concerning the intent of this so-called compromise.

Are any additional moneys required as a result of this compromise if they are advanced from the Department of Agriculture? Is there any discretionary ability for the Department of Transportation not to repay the Department of Agriculture?

Mr. COCHRAN. Mr. President, it is the intention of the sponsors of the amendment, according to my understanding, that the additional costs attendant on this program would be paid for by funds appropriated to the Department of Transportation. It is stated in a description which has been included in a letter sent to all Senators that if funding for cargo preference is not available within the Department of Transportation and is not obtained within 90 days of certifying unavailable, the compromise will terminate. What that means, as I understand it, is that the maritime industry would feel free then to pursue its effort to enlarge the scope of cargo preference to not only the concessionary sales programs such as Public Law 480 but also blended credit, PIK, BICEP and these other programs that are either financed or arranged by the Department of Transportation or the Commodity Credit Corporation.

Mr. ZORINSKY. Is the Senator indicating that will leave the Government free to do what it can do right now, even if this compromise were not to pass? Is that correct?

Mr. COCHRAN. That is my understanding. The compromise would not be effective because the Government would not have kept its part of the bargain. The administration would not have fulfilled its responsibility to provide the funding for these additional percentages. We want to be sure that this additional cost does not come out of funds appropriated to buy food and grain that would be shipped under Public Law 480.

Mr. ZORINSKY. But any additional costs incurred as a result of this compromise will in no way be borne by the Department of Agriculture budgetary allotment?

Mr. COCHRAN. That is the intent of the sponsors and that is my understanding.

Mr. ZORINSKY. I thank the Senator from Mississippi.

Mr. President, I am concerned about increased cost borne by the taxpayers of this country. I am concerned about the cost of subsidies to the maritime unions and maritime industry. Yet, by the same token, I am cognizant of what happens during an emergency when we might not have the ability to transport U.S. goods via vessels of our own Nation.

Yes, we are paying a subsidy to the maritime industry, but, in order to retain the capability for this Nation to transmit via oceans and waterways, without requiring foreign-flag ships at a time of emergency or war to dictate to this country -- in some instances tantamount to blackmail -- the terms of our own survival or continuance, of our own existence.

I know many of my colleagues have said, "Fine, we will agree to that. Put maritime subsidies in the defense budget if that is where you believe they belong." But let me point out to my colleagues that we do subsidize agriculture, to a degree. We do subsidize Amtrak to a degree. We do subsidize the Interstate Highway System of this Nation to a degree. We do subsidize, to a degree, the airline transportation system of this country. We subsidize many other aspects of our economy that we look at as a system to serve the citizens of our country. I view maritime subsidies in that way. If these subsidies do not adversely affect the farmers of our country and our ability to sell food to the rest of the world, I support them.

Now, the Public Law 480 program is a meritorious program, a good program, and we will undoubtedly have some amendments offered to increase the scope of that program. But our priorities sometimes get lost in this Chamber. Let me ask this question of the Senator from Mississippi. The additional cost of this program will be an additional \$50 to \$60 million; is that correct?

Mr. COCHRAN. If the Senator will yield, once the program is phased in over a 3-year period, it is estimated that the cost will be from \$40 to \$60 million a year.

Mr. ZORINSKY. I thank the Senator. Now, let me put this in perspective, Mr. President. This year the U.S. taxpayers, in all their wisdom, get to build a \$10 million pavillion in Brisbane, Australia for the Australian world's fair. Now, that is really neat. While we are arguing about a subsidy of \$50 million to maintain the capability to deliver goods to our own troops in time of war or in an emergency, we are spending \$10 million on a world's fair in Australia. I think our perspectives are out of order.

I have a letter here that is being disseminated by the Department of Agriculture. John Block signed the letter. He indicates that this provision is costly, it is going to increase the cost of programs. Somebody brought up in the debate a few minutes ago the fact that we had a PIK Program that cost \$18 billion. John Block was not forced by the Senate or the Congress to spend \$18 billion on a PIK Program. But now he is telling us that \$50 million may be a tad too much to spend. My mother taught me a long time ago that \$18 billion is a lot more money than \$50 million. I would submit to you, Mr. President, if this administration without congressional mandate can spend \$18 billion of the taxpayers' money, how can Secretary Block tell us that \$50 million is too much to spend for a program of this type? We spent over \$90 billion in NATO last year. Now, to get to NATO I understand you have to cross an ocean. There is something called the Atlantic between our country and 380,000 American troops stationed over there.

I think it would be incumbent upon each and every one of us to want to be able to provide those troops some backup if, in effect, we needed to use the sealanes to deliver some of that support.

The current provisions of S. 1714 would exempt from cargo preference laws the export activities that the Commodity Credit Corporation carries out under its charter act and the export promotion activities that the Secretary of Agriculture and the CCC may carry out under other laws. The exemption in the bill, however, would not extend to

exports under the Agricultural Trade Development and Assistance Act of 1954 -- which is commonly referred to as Public Law 480 -- and section 416 of the Agricultural Act of 1949.

The cargo preference provisions in the bill are the same as those in S. 721, which was reported by the Agriculture Committee and sequentially referred to the Commerce Committee. The Commerce Committee issued an unfavorable report on the bill in which it cited, among other things, the need to provide assistance to both U.S. agriculture and its merchant marine.

The amendment offered by Senator Cochran is intended to meet the concerns of the Commerce Committee and is supported by numerous agricultural and maritime organizations.

As a result of some of the hysterics displayed on the floor of this Senate as recently as 2 or 3 hours ago, I checked with the corn growers in Nebraska and the wheat growers and they support this compromise, so when somebody says the agricultural organizations are unanimous in opposition to this, I think that is an erroneous statement. At best, I think they are probably divided on the support of this compromise.

I commend Senator Cochran, Senator Stevens, and Senator Inouye for their efforts in working to develop an amendment to resolve this controversial issue.

The cargo preference laws of the United States are intended to help maintain a strong merchant marine and are in the best interest of the country. However, a recent Federal district court decision has created a serious problem in the area of the shipment of agricultural commodities under certain government programs.

The court held that the cargo preference laws of the United States apply to the Commodity Credit Corporation's blended credit program. Because of this decision, the Department of Agriculture suspended approval of financing under the program of export sales of grain to Egypt, Iraq, Morocco, and Tunisia, totaling 3.6 million metric tons, and has not reinstated the program to date.

Prior to the court decision, the Department of Agriculture had been abiding by an Attorney General's opinion that held that ocean shipments of commodities financed by the Commodity Credit Corporation under its direct credit, blended credit, or loan guarantee programs were not subject to the 50 percent U.S.-flag vessel rule of the cargo preference laws.

The blended credit program was developed to promote the expansion of agricultural exports. The Commodity Credit Corporation created the blended credit program by combining the export loan guarantee program -- for loans made by private lenders at commercial interest rates -- and the program for direct interest free loans.

By combining these programs, the interest rate was effectively lowered by about one-fifth. This resulted in an effective price discount of about 3.4 percent to foreign countries that purchased our agricultural commodities. Such a price discount clearly provides incentives for other nations to buy U.S. agricultural commodities.

The provisions of S. 1714 would set out clear criteria under which the cargo preference requirements would be applicable to agricultural exports and would remove any question as to their inapplicability to the Department's Blended Credit Program.

The amendment offered by Senator Cochran will essentially maintain the provisions in S. 1714 that exempt shipments under the Blended Credit Program and other programs carried out by the CCC and the Secretary that enhance commercial export sales of U.S. agricultural commodities.

The amendment also would continue the application of the cargo preference requirements to shipments under Public Law 480 and section 416 of the Agricultural Act of 1949, as well as other foreign donation or concessional sales programs carried out by the CCC and the Secretary. In addition, the amendment would require that an additional 25

percent of the gross tonnage of commodities shipped under such programs be shipped on U.S.-flag vessels and would require that a minimum tonnage of commodities be shipped under such programs each year. The expansion of cargo preference would be phased in over the next 3 calendar years.

Under the amendment, the increased ocean freight charges resulting from the expansion of the cargo preference requirements would be financed by the Secretary of Transportation. The Secretary of Transportation would also reimburse USDA and the CCC for any amount of the cost of ocean freight and freight differential charges on exports under these programs that exceed 20 percent of the total cost of the programs in any fiscal year. The funding by the Secretary of Transportation of such cost would be through new borrowing authority from the Treasury.

Quite frankly, Mr. President, I would have preferred that the Senate agree to the language on cargo preference in the committee reported bill.

I am greatly concerned that the increased expenditures required under the amendment may complicate the administration of the export programs carried out by the Secretary of Agriculture and the Commodity Credit Corporation. Too, I find it disturbing that the amendment contains a provision under which cargo preference would revert to the status quo if the additional funds are not available.

However, in the spirit of compromise and with the hope that the Senate can enact a farm bill that will be meaningful to our Nation's agricultural producers, I support the Cochran amendment and urge my colleagues to join me in voting for it. The amendment is intended to help promote the export of U.S. agricultural commodities and strengthen this Nation's merchant marine.

Mr. President, I do not think it is excellent policy to subsidize any industries, but I believe we should have ships with American flags flying over them.

Just the other day I read that we are seriously considering, because of the jam we are in in the Philippines, spending \$1.2 billion to beef up the defenses around Subic Bay and Clark Air Force Base. We should. But let me point out that the expenditure is for defensive reasons. It is in the best interests of this country to spend those funds. Likewise, it is in the best interests of this country to be able to retain a merchant marine fleet that is capable of doing things for themselves.

The problem with this country and the attitude of a lot of people is getting somebody else to do it for you. Once we get other ships to do it for us, we will find out that the only capability we have left is to beg other countries for the use of their equipment, regardless of what it costs, \$50 million then will look like a tremendous bargain to us.

Mr. HARKIN. Mr. President, will the Senator yield for a question?

Mr. ZORINSKY. I yield for a question to the Senator from Iowa.

Mr. HARKIN. I thank the Senator from Nebraska for yielding on that point.

I see from the proposed amendment that the wording is that the increased share in cargo preference requirements will be through the establishment of a borrowing authority within the Department of Transportation. If I understand correctly, right now there is over \$100 million a year that goes out of the Department of Agriculture's budget for cargo preference.

I understand that my friend from Nebraska spoke about the need for a domestic maritime industry, for a strong merchant fleet. I support that, too. I have been swayed by the arguments that this country needs a strong merchant marine fleet.

For the life of me, I do not understand why this money comes from the Department of Agriculture. Why should not

this money come from the Department of Defense? We are talking about the defense of this country.

Is my friend from Nebraska contemplating an amendment? I am. I guess the amendment tree is closed for now, but assuming that this amendment is adopted, I have an amendment ready that would shift all cargo preference funding from the Department of Agriculture to the Department of Defense.

Mr. ZORINSKY. In reply to the Senator from Iowa, I say that my support of this compromise is based on my original support of the amendment that we initially had in committee. As the Senator knows, S. 1714 is a bill drafted by a fragile coalition. I supported the retention of cargo preference but not the expansion of the cost to agriculture. This compromise does not expand cargo preference at the expense of agriculture.

I agree with the Senator, however, that cargo preference should be a responsibility and an expense of the Defense Department. Cargo preference is very germane to the defense and the security of this Nation. Maybe this compromise will set a format and announce that enough is enough to agriculture. Let us put the costs where they belong, and that is in a different department of Government. I agree with my friend; and if he offers an amendment of that nature, I would be happy to cosponsor it.

Mr. HARKIN. I thank the Senator.

Mr. ZORINSKY. I yield the floor.

Mr. DIXON addressed the Chair.

The PRESIDING OFFICER (Mr. Chafee). The Senator from Illinois.

Mr. DIXON. Mr. President, I am perfectly aware of the fact that the votes apparently are here for this so-called compromise.

I have been in the Senate long enough to know that, unlike other deliberative bodies, speeches do not make much difference here with respect to the result. So I do not know what I hope to accomplish by saying more things.

However, although I have been in the Senate only about 5 years, I have been in the legislative process about a quarter of a century and in public life for 35 years. In that time, I have been involved in a lot of accommodations. I have been a party to a lot of compromises. I recognize that compromise is the lifeblood of the legislative process, and not much gets done without compromise. But I want to say that this is the most peculiar compromise I have ever looked at. Let us talk about the compromise from the standpoint of what a compromise is.

If you are the taxpayers of America, how do you like this compromise? Before, as taxpayers, you paid at least \$100 million through the Department of Agriculture for cargo preference. I may be off by a few million dollars, but \$100 million is still not chicken-feed. That is what you paid for cargo preference before we had the compromise. With the compromise, you get to pay more. You get to pay 50 percent more.

I appreciate the view of my friend from Nebraska, who says it is not out of the Department of Agriculture. No, this time it is out of the Department of Transportation. I suspect that the American taxpayer, who has to pay for it, will be hurt just as badly.

So from the standpoint of cost, how is this a compromise? The compromise is a honey. It costs you 50 percent more than it cost you before. What a delightful compromise.

Mr. BOSCHWITZ. Mr. President, will the Senator yield for a moment?

Mr. DIXON. I yield.

Mr. BOSCHWITZ. Let me say that it may be paid by the Department of Transportation -- --

Mr. DIXON. I am going to get to that.

Mr. BOSCHWITZ. In a rather convoluted way, by the issuance of bonds and appropriations to pay the bonds, and whether or not all that takes place is a different matter. So the Department of Transportation may not end up paying for anything.

Mr. DIXON. May I say to my colleague from Minnesota that another part of this compromise is that if none of that takes place or all of it does not take place and the Department of Transportation does not carry the load, then the bottom line on this dynamite compromise is that the law as it now exists, plus the court decision that makes it worse, goes into effect.

If you do not have to pay 50 percent more as taxpayers, you are still going to be worse off because the decision of the court impacted upon the law before will spring into effect and it is still going to cost you more. That is a second part of the compromise.

Mr. BOSCHWITZ. Mr. President, will the Senator yield for a comment?

Mr. DIXON. I am glad to yield.

Mr. BOSCHWITZ. In other words, it is not a total expectation that the Department of Transportation will ultimately pay its portion.

Mr. DIXON. No. That is correct.

May I say to my friend from Minnesota, the amendment further provides that if funding for cargo preference is not available within the Department of Transportation or they cannot create some steam to raise it and it is not obtained within 90 days, then these provisions all go out the window and the law goes into effect as it is on the books, plus the court decision that we vitiated in the Agriculture Committee.

I hope everyone here is following this compromise because this is the only compromise where the taxpayer, American agriculture, Great Lakes shipping, all the ports on the Great Lakes and every Midwest breadbasket State gets hurt every time in the steps of the proceeding. It is a peculiar compromise and I am trying to figure out where we got a piece of the action here.

Mr. BOSCHWITZ. If the Senator will yield once again, it is indicative that none of us from our part of the country were allowed to participate in this so-called compromise.

Mr. COCHRAN. Mr. President, will the Senator yield for a response to that suggestion?

Mr. DIXON. Yes.

Mr. COCHRAN. Let me point out, Mr. President, in response that Senators did not negotiate this compromise. This compromise was negotiated by representatives of the two industries at the request of the Senate majority leader who felt that it was important that the cargo preference controversy be resolved, if it could be, by the industries involved. Representatives of those industries came together and for months met and went over the options to try to work out a compromise that could be supported by those representatives. So neither the Senator from Minnesota nor this Senator, nor any other Senator that I know anything about, was directly involved with industry groups in developing the compromise.

A proposal was suggested and then Senators began to review it to decide whether or not it should be offered as an amendment.

Mr. DIXON. Mr. President, will my friend, who I yielded to for that statement, mind very much?

May I say that I hope that my friend from Mississippi understands that nothing in this discussion diminishes in any way my high regard for him, my affection for him or my sense of complete confidence in everything that the Senator does. It is only a disagreement over an issue on this floor. I hope my colleague and friend understands that.

But who are the two industries that crafted this compromise?

Mr. COCHRAN. If the Senator will yield, I appreciate his comments and I thank him for his generous statements.

Let me say that the maritime industry as represented by many individual entities was represented -- I do not know the names of all the representatives who were there. The agriculture industry which, as my good friend knows, includes many groups and organizations throughout the country, all regions, were represented. I can say that the entire maritime industry has signed off in support of this proposal as represented by the Joint Maritime Congress, MIRAID, Transportation Institute. This represents shipbuilders, maritime unions, those who are employed aboard ships, as merchant mariners. They all support it.

Among the agriculture groups who support the provision -- --

Mr. BOSCHWITZ. Mr. President, will the Senator from Mississippi yield for a question?

Mr. COCHRAN. I am trying to respond to the Senator from Illinois and I am sure he will yield to the Senator for a question.

Mr. BOSCHWITZ. The Senator said all the maritime interests. Did the Great Lakes maritime interests agree?

Mr. COCHRAN. I am listing those who have agreed and I am told that this represents the maritime industry of the United States. I am sure the Senator may know of some who do not support it.

Mr. BOSCHWITZ. Yes, there are Great Lakes maritime interests who do not support this.

Mr. COCHRAN. Among the agricultural groups who do support the compromise are the Five State Rice Producers Legislative Group, National Association of Wheat Growers, National Corn Growers Association, National Cotton Council of America, National Council of Farmer Cooperatives, National Farmers Union, National Grange, and Rice Millers' Association.

Mr. DIXON. I say to my distinguished colleague from Mississippi -- --

Mr. BOSCHWITZ. Will the Senator yield for a question?

Mr. COCHRAN. I yield.

Mr. BOSCHWITZ. I also want to read the list of those who do not agree with the compromise. It is interesting to note that our good friend from Mississippi for whom I have the same high regard, as the Senator from Illinois does, noted that this is not a compromise forged here by Senators but this is a compromise that has been forged by the disparate parts of the industry.

Here is a list of organizations that are agricultural related organizations, or interested in sending food throughout the world who are against this: American Farm Bureau Federation, American Soybean Association, Bread for the World, CARE, Interfaith Action for Economic Justice, Millers' National Federation, National Grain Trade Council, National Grain and Feed Association, National Soybean Processors Association, North American Export Grain Association, Port of Duluth, Port of Milwaukee, Port of Toledo, the Fertilizer Institute.

I have the Grange on my list as well. They are perhaps on both sides of this issue. That sometimes happens in these matters. In addition, the Toledo Board of Trade, the U.S. Chamber of Commerce, and the Western Great Lakes Maritime Association, which is the one that I referred to a little bit earlier, as well as the administration, also oppose the Cochran proposal. Let me repeat, the Reagan administration does not favor this so-called compromise.

Mr. DIXON. I thank my friend from Minnesota and my friend from Mississippi, both of whom contribute so much here on the floor and in the Agriculture Committee to everything we do.

I will just pursue my course a moment further by saying I do not have any problem with compromises. But this is the strangest compromise I ever saw. It may very well be that agriculture and the maritime industry talked but nobody in agriculture or the maritime industry from the great Midwest, which is the breadbasket of America, apparently was allowed in the room or participated in the conversations.

I want to repeat again you have a compromise here that is going to cost the American taxpayers -- I see my good friend from Oklahoma over there who shares my concern about those sorts of things -- going to cost the American taxpayers 50 percent more than it used to cost. Thus, in a time of budget deficits, in a time when this year we are cutting back the farm bill dramatically, at a time when American agriculture is devastated, at a time when the farmers are crying out in pain, we have a deal here that is going to increase cost to the taxpayers and to the economic community of our country at least 50 percent. It is not going to reduce charges to agriculture. It is going to be just as much. Everything over is going to go to the Department of Transportation.

Probably that might not work. That will put us back in the state of law that exists on the books today with the opinion of the district court impacted upon it.

I am told, may I say, that when they close the Great Lakes in the winter time the cost of shipments go up about \$40 a ton. This bill is just as good as icing over the Great Lakes. When you pass this bill, you have a 12-month winter in the Midwest. You have iced the lakes. You have iced the seaway. That is what this bill does. I want to predict this on the floor today because it is going to happen. This bill is going to drive up the costs all over America and all over the world of the cost of shipping American goods dramatically.

And so in this compromise we have apparently achieved a piece of legislation that will hurt the taxpayers, will hurt the price of all our products, will destroy the Great Lakes shipping industry, will kill all the ports on the Great Lakes, strike a body blow against the Midwest and against the breadbasket of America, and otherwise does unbelievable mischief, and it is the most remarkable compromise from that standpoint that I have ever seen.

In most compromises everybody walks away and says "I do not like it all but I got part of what I wanted." I meant where were we, may I say to my friend from Minnesota, when this compromise was made? We got killed.

Mr. BOSCHWITZ. If the Senator will yield, I think the majority leader is very shortly going to address that question of where we were during this compromise process, but the Senator has brought out a most interesting point, that, when the Great Lakes close for the winter, all shipping rates on all the coasts go up.

Mr. DIXON. That is right.

Mr. BOSCHWITZ. So if you increase cargo preference to 75 percent and effectively take out the competition of the Great Lakes, all the rates on all the cargo preference cargo are going to go up. That is why the CBO estimates that the costs of this amendment is equal to the cost of the first 50 percent. This is because the rates on all 75 percent of the shipments will go up.

Mr. President, I know that my friend from Nebraska said that he wants to have a good maritime service, and so do I. But if you look at a list of the ships -- and I must say that that list is becoming somewhat more modern, that American flag vessels are certainly not in as bad of condition as they were a few years ago -- but by and large it is a list of elderly

ships, 15, 20, 30, even 40 years old. These are not ships that could be realistically used in the event of hostilities.

It is also important to note, as the Senator from Illinois pointed out, that whether or not this cost is ever assessed to the Department of Transportation is indeed questionable. First, the USDA has to make payments for the additional freight during the course of the year. Then there is kind of an accounting with the Department of Transportation at the end of each fiscal year. At that point, the Department of Transportation would issue bonds in order to pay back the Department of Agriculture and hopefully at some later date there is an appropriation to pay back the bonds that are used to pay back the Department of Agriculture. It may well be that for the first 2 years the moneys simply come out of the agricultural fund.

I might also say that if in this bill we are successful in making our loan rates competitive on world markets, we may indeed achieve things that some of the USDA credit programs have been unable to achieve and thus they may become less important.

So saying that Judge Green's decision does not apply to those programs, hopefully, will become academic because we will be able to again be competitive on world markets.

I also agree with my friend from Illinois that this is the doggonedest compromise that I have ever allegedly been involved in, although in fact I was not involved in. I yield the floor.

Mr. BUMPERS. Mr. President, I rise in support of this compromise amendment to relieve agriculture of a substantial share of the burdens imposed by cargo preference requirements. It is not all that I would have hoped for, but given the political realities I think it is the most that agriculture can hope to achieve, and thus it has my support. Certainly, half a loaf is better than nothing, and without compromise I am convinced that we will get nothing.

I want to set out some of the recent history of the development of this issue for the edification of my colleagues. On February 21 of this year, the U.S. district court in Washington, DC, ruled that cargo preference requirements applied to the blended credit program. On February 26 of this year, the Secretary of Agriculture pursuant to the court's decision declared that he was suspending approval of all registrations for blended credit programs for countries of Egypt, Iraq, Morocco, and Tunisia, and that he was effectively negating some of the half a billion dollars' worth of grain exports. The USDA made this decision because it believed that it was abiding by a 1963 Justice Department opinion, which exempted direct credit, blended credit and other credit guarantee programs from the requirements of cargo preference. The recent court ruling not only refutes this, but states that cargo preference probably extends beyond just applying to blended credit and is also applicable to the GSM102 Program, which is a credit guarantee program and one of the components of blended credit.

The extension of cargo preference was a disaster for our farmers and agricultural export interests in the United States. For this reason, I cosponsored S. 721 offered by Senator Boren which would limit the expansion of cargo preference. Under S. 721, the applicability of cargo preference to such historical programs as Public Law 480 was not affected. The applicability of cargo preference even under the Public Law 480 titles has been a burden on agricultural exports. Payments for cargo preference have been borne by the Department of Agriculture and the additional costs of shipping on U.S.-flag vessels under Public Law 480 were \$77.6 million in 1983, \$97.5 million in 1984, and are estimated to run nearly \$120 million in 1985. The extension of cargo preference to the blended credit program will probably cost another \$70 million out of the USDA budget. If the GSM102 Program is later found to be subject to cargo preference, \$125 million will be needed for additional shipping costs.

For the survivability of the blended credit program, it is necessary that cargo preference requirements be excluded. If cargo preference was applied to blended credit, the landed cost of U.S. grain would increase 15 to 30 percent and this would far exceed the benefits derived by a 2-percent interest buy-down provided to buyers through the blended credit program. Since the rendering of this decision and the halting of the blended credit program by the USDA, U.S. grain interests have already lost half a billion dollars' worth of sales in 1985. Without question, the costs associated with

cargo preference subsidies are also reflected in lower farmer income, high farmer program costs, and lost income to export associated industries. It has been estimated that the additional cost of shipping on U.S.-flag vessels as required under the cargo preference requirements translates into \$0.80 per bushel for wheat, \$0.76 per bushel for feed grains, and \$0.80 per bushel for soybeans.

Mr. President, those of us who have great concerns about cargo preference requirements must be realists. Clearly, the farmers in my State would like to see us go further in relieving the cargo preference burden, but I think they also understand that none of the cargo preference burden will be lifted without compromise. Therefore, in the interest of reaching an effective compromise that will be a benefit to the American farmer, I am supporting the compromise position on cargo preference. It is imperative that we get the export program, most particularly the blended credit program, off the ground again. And this cargo preference compromise will allow the blended credit program to proceed without the requirements of cargo preference. Also, the threat to the GSM102 Program will be eliminated. Although I do not believe that this compromise is the best solution, I believe it is the best possible compromise that agriculture could receive. Under the compromise, increases in concessional type program costs will be borne by the Department of Transportation, and in an important provision for agriculture, the total cost to the Commodity Credit Corporation of ocean freight and the ocean freight differential will not exceed 20 percent of the total cost of the export programs covered by cargo preference. Any costs in excess of this 20 percent in any fiscal year will have to be funded by the Department of Transportation. Most importantly, under the terms of the compromise, the requirements of the Cargo Preference Act of 1954 will not apply to the USDA's commercial type export programs, in particular the blended credit program, the export PIK or BICEP Program, or future similar programs.

Mr. President, I hope that the Senate will adopt this compromise. I think it is the best that agriculture can hope to achieve, and for this reason it deserves our full support.

Mr. President, as a former trial lawyer -- and the Senator from Illinois is a former trial lawyer and we used to settle a lot of lawsuits -- you settle lawsuits on two bases. One, you do not get as much as you think you are entitled to and, second, you get more than you are afraid you are going to get if you go to trial.

Now, if we are going to get into a contest here on who loves farmers more by saying this is not perfect for farmers, or if you happen to be on the other side of the issue and for the maritime people, then, of course, you can just say no. You can vote no for a whole host of reasons.

But it seems to me that a no vote in this case is contrary to one's intent to show that you either love the maritime unions or the maritime forces of this country or you love the farmers. It seems to me you are contradicting yourself because if this is defeated, certainly grain export programs are going to be threatened. We have already lost a half billion dollars in sales because the Secretary has suspended all blended credit sales.

The cost of shipping U.S. grain will increase under the blended credit program, if we do nothing, by 15 to 30 percent. And that far exceeds the benefits derived by a 2 to 4 percent interest buydown provided buyers through the blended credit program.

Now, I do not like it all, either. I have never favored cargo preference because it places an unfair burden on our farmers. Extending cargo preference to commercial credit sales only increases the burden.

But here is a program that has been carefully crafted and it ought to be accepted. It is not perfect. It is not what everybody wants. But if you are interested in the farmers it is the best game in town because it has been estimated that the additional cost of shipping on U.S.-flag vessels, as required under the cargo preference requirements, translates into 80 cents per bushel for wheat, 70 cents per bushel for feed grains, and 80 cents a bushel for soybeans. So do not vote no on this and then go home and tell your farmers how much you love them.

It seems to me that it is not perfect from anybody's viewpoint, but it is the best that can be accomplished. So Mr. President, with some of the same reluctance that has already been expressed here on both sides and with certain

reservations, I intend to support the compromise because I think it is a very legitimate effort that serves the interests of all parties.

If we do nothing, the district court decision is going to dictate to us. How many of you have made speeches back home attacking Federal court decisions? I daresay there are not many Senators here who have not made those speeches. And to vote no on this is to say that the district court decision, which most of us disagree with, is going to stand and the farmers are going to suffer as a result.

Mr. NICKLES. Will the Senator yield?

Mr. BUMPERS. Yes.

Mr. NICKLES. I wholeheartedly agree with the Senator's statement that we need to overturn the court's decision. But is the Senator aware of the fact that in the committee bill we have language that does exactly that, that we overturn that judge's decision? Basically, what we do in the committee bill I believe is very much a compromise position, very much a middle-of-the-road position. It lets us keep half of Public Law 480 under cargo preference and not have all the blended credit programs and everything else thrown under cargo preference. So that is already provided for in the committee report language.

Most of us that are arguing on this side in opposition to the amendment of the Senator from Mississippi basically are trying to keep exactly to the language that is in the committee bill, which does overturn the court's decision.

Mr. BUMPERS. I support that position. But the Senator from Oklahoma knows that position is not going to prevail.

Mr. DIXON. Will my friend from Oklahoma yield?

Mr. NICKLES. I believe the Senator from Arkansas has the floor.

Mr. BUMPERS. That is all I will say. The Senator asked if I would yield for a statement and I am appreciative. The Senator from Oklahoma and I have both voted the same way on cargo preference many times in the last few years.

But the realities are that the Agriculture Committee's position is not going to be upheld here. I believe the Senator from Mississippi recognizes that, along with some of his colleagues who have crafted this compromise.

However, if this compromise goes down and the bill is left in its present state as to cargo preference, I will be very pleased. But as an old trial lawyer who used to settle lawsuits, this is the best compromise you are going to get. It is a half loaf, but it is better than no loaf at all.

Mr. DIXON. Will my friend from Oklahoma yield?

Mr. NICKLES. I am happy to yield.

Mr. BUMPERS. I have the floor.

I yield the floor.

Mr. DIXON. I apologize to my friend from Arkansas.

Mr. DIXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Illinois has the floor.

Mr. DIXON. Does my friend from Oklahoma know what happened in the Agriculture Committee concerning this important issue? I recognize he is not a member of that committee.

Mr. NICKLES. I am not. I compliment my friends, the Senator from Illinois, the Senator from Mississippi, and the Senator from North Carolina, because I think you came up with an outstanding resolution to this complicated issue in the Agriculture Committee.

Mr. DIXON. May I say to my friend from Oklahoma -- and I wish to be corrected by my distinguished chairman of the committee, the manager of this bill -- my recollection is it was unanimously done in committee. Am I correct; may I ask the chairman of the Agriculture Committee if that is not a fact?

Mr. HELMS. For once we were unanimous.

Mr. DIXON. May I say to the chairman of the Agriculture Committee, there was not more than one or two issues that I can recall in 6 long, arduous months of hard work and hundreds of hours of discussion that we agreed upon. But I wish to say to my friend from Arkansas, the one thing that was done unanimously in the committee was we settled this problem in the committee. So I wish to say again to my trial lawyer associate, this again is an example of what kind of a compromise this is.

We settled the issue by 17 to zip in the committee, and now we have a compromise. I wonder why. It was not 9 to 8. It was 17 to zip.

Now, I agree with my friend from Arkansas, I have tried a lot of lawsuits in my time. But when you have the law and the facts and everything else going for you, I do not know why you settle later. This issue was resolved. It was resolved satisfactorily. There was nothing the matter with the resolution of the problem in the committee.

It is in the bill now, I say to my friend, the manager of the bill, in the proper form.

Mr. ZORINSKY addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. ZORINSKY. Mr. President, I agree with my colleague from Illinois. It is in the bill. S. 1714 is a very large bill. It has a lot of pages in it, and I hope everybody has read it from cover to cover. [Laughter.] It took us 4 months to arrive at this bill. The Senator is absolutely right. The cargo preference provision is in this bill. Many other good things are in this bill. But the only way this bill was able to be reported, making it possible for us to debate this particular amendment, is because there was a coalition of many interests formed. I think this is a good bill.

I think we ought to go to third reading, final passage and pass it. I think we can go to conference, where this is ultimately going to be resolved anyhow. It will save the taxpayers time and money. But that being as it may, the Senator from Illinois and I and many others in this Chamber know that this bill will not remain unmodified. A fragile condition brought the bill to the floor.

I am aware the Senator from Illinois voted for this bill. There are many items in here that he is opposed to. Likewise, I am opposed to some of the provisions. Some are good. But as the Senator from Arkansas so ably pointed out, sometimes you have to vote 60 percent, yes; 40 percent, no. You cannot do that on this floor. Therefore, you have to be realistic and do what can be done. I think right now there is a big debate going on concerning provisions of the Gramm-Rudman-Hollings budget amendment. But you know, you have to do what is doable and not what is wishable.

Mr. DIXON. May I say, Mr. President, to my friend from Nebraska -- --

The PRESIDING OFFICER. The Senator from Illinois has the floor.

Mr. DIXON. I am holding the same bill. This amendment is trying to change this bill that the Senator and I have both embraced with so much emotion. So the Senator is trying to damage this bill. The Senator is trying to increase the costs on this bill when the one thing that we are still vulnerable on is that the cost is too high, and we have to bring it

down. So I want to know how this compromise is helping in that regard. It looks to me as if it is another nail in the coffin.

Mr. ZORINSKY. Mr. President, let me ask the Senator from Illinois. Did the Senator or did the Senator not tell me he would oppose the referendum for wheat in the bill?

Mr. DIXON. I told the Senator I would vote against the referendum with wheat.

Mr. ZORINSKY. It is in the bill. If it is such a good bill, let's vote for each other's bill. But all I am saying is as a U.S. Senator, the Senator has to do what is doable, not what the Senator wants me to do for him or the Senator to do for me.

Mr. DIXON. I say to my friend, I will vote for the bill if wheat is still in there. Do not worry. The Senator is not helping this bill. The Senator is hurting this bill. The Senator is doing this bill damage. The Senator is putting more costs in this bill.

The Senator is crafting a compromise that is not a compromise. The Senator is taking the same bill that we considered this issue in committee for a long, long time. Every one of us, including those of us on this side who took some heat for it, voted to change the thing, put the cargo preference law back in the old position that it was in, as my friend, the chairman knows. We took some heat for that. It is in here. Now the Senator is putting a compromise on this that is worse than the law used to be. That is not a compromise.

That is a destructive act that does immeasurable damage to this piece of legislation. If I were the President of the United States looking at this legislation with some concern, and I found out that the Senator did this, that it is going to cost the taxpayers more money, going to close ports in the Great Lakes, going to increase the price of the crops, and otherwise do immeasurable harm to the bill, I would not be too hopeful with what we are doing to this bill. If we are doing the same things on the votes, we are doing a pretty poor job of helping this bill along. I do not want help like this.

Mr. ZORINSKY. Let me point out to the distinguished Senator from Illinois that this amendment is the least of the President's concerns. The Senator knows what they are. A bill cost that may be a few billion dollars over budget is one of the President's concerns. The wheat referendum is a separate concern. The Senator and I know what the administration's concerns are about this bill. All the rhetoric on this floor as to what is weakening this bill or not weakening the bill may be good for headlines for the news media, but those that really know the issues at stake realize that this is one of the lesser concerns that the President has concerning the 1985 farm bill.

Mr. HELMS addressed the Chair.

Mr. ZORINSKY. I yield the floor.

The PRESIDING OFFICER. The Senator from North Carolina.

Mr. HELMS. I am tempted to inquire of my two friends if they had any words before they fell out. But I will not do that.

[Laughter.]

Much as I admire the eloquence, certainly the enlightenment, I wonder if it is possible to consider a time to vote on this amendment. I doubt that any votes are going to be changed by prolonged debate. We need to move along. Therefore, with the understanding of the distinguished majority leader, how about 4:15 for a vote? I ask unanimous consent that a vote on the amendment occur -- --

Mr. ZORINSKY. I object, Mr. President, to the unanimous-consent request.

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The PRESIDING OFFICER. Objection is heard.

Mr. DIXON. There are four amendments here, not one. I object.

Mr. HELMS. Look. I am on the side of the Senator.

Mr. DIXON. I know my friend is.

Mr. HELMS. How about 4:30.

Mr. DIXON. Mr. President, may I say to my friend, the distinguished chairman of the committee, there are four amendments here. I object to the unanimous consent that is required to vote on all four of them in one package.

Mr. HELMS. Very well.

I yield the floor.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The majority leader.

Mr. DOLE. Mr. President, I thank the distinguished chairman and others. We are now on the third day of the farm bill. I hope we can start voting this afternoon. Once we start that, I think other Members with amendments will be prepared to come to the floor. Let us not get hung up on this first amendment that is going to require a rollcall vote.

I do not support the compromise even though I helped to get the groups together to talk about the compromise. The compromise may finally become the law. I think that would be too bad. But those who put together the compromise were certainly in good faith and they had a problem of trying to get exports moving again.

It seemed to many of the farm organizations as well as those in the maritime industry that maybe they could work out something. They finally did. But the element missing was the administration never agreed to anything. Maybe that is the administration's fault. But it did not happen. Therefore, I have concluded that I will have to vote against the good efforts of the distinguished Senator from Mississippi, Senator Cochran, and others, who believe that if we are going to do anything we will have to move very quickly, and resolve this issue. Whatever happens we ought to vote quickly. I think everybody understands the positions of the leading advocates on this issue. Then we can go on to other issues.

The last time I inquired I was informed there were only about 60 amendments left. These are major amendments. Many are going to take a couple of days. I have also been asked by a number of Members about plans for the holidays. It could be that we will still be on the farm bill for another couple weeks. So I commend the distinguished managers for trying to move it along.

Mr. HELMS. Mr. President, I am a little confused by a statement made by the Senator from Illinois about voting on all four amendments at one time. I think the Senator mentioned a unanimous consent. I would inquire of the Chair if there is any such unanimous consent.

The PRESIDING OFFICER. No request was made for four votes to become as one.

Mr. HELMS. With that, we are talking just about the first vote, I say to my friend from Illinois, and if the Senator will permit, to ask unanimous consent that the first vote occur no later than 4:15.

The PRESIDING OFFICER. Is there objection?

Mr. DIXON. Reserving the right to object, and I do not expect to object, Mr. President, do I then understand that

the distinguished chairman is prepared to have four separate votes on the four separate amendments that are part of this tree, and his unanimous-consent request is that we proceed to the vote on the first amendment at 4:15?

Mr. HELMS. That would be the normal parliamentary sequence, I say to the Senator.

The PRESIDING OFFICER. Is there objection?

Mr. MURKOWSKI. Reserving the right to object.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. MURKOWSKI. Mr. President, there are at least two Members of this body who are going to be at the White House at 4 o'clock for about 7 minutes. Not knowing just what the traffic time is, I wonder if there is any possibility of making that vote at, say, 4:25?

Mr. HELMS. I shall vote by any time that anybody can agree to.

Mr. MURKOWSKI. I do not want to delay the Senate's deliberation, but 4:15 really hits us right in the middle of trying to get back. It is a very short signing ceremony that is taking place down there at 4 o'clock. I shall defer to the leader.

Mr. HELMS. I shall inquire of the distinguished majority leader. I was not elected majority leader and I am so glad about that.

Mr. DOLE. Mr. President, if you vote right now, you can make it. I do not see any reason to wait until 4:15. It seems to me we have been on this all day. This is only one of several amendments.

Mr. HELMS. That is right. I said no later than 4:15. But I will take it 4:25 or 4:30, just to get the train moving.

Mr. MURKOWSKI. I would vote right now.

Mr. DOLE. Mr. President, I do not know if anybody would object to voting right now. I would vote right now. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

The PRESIDING OFFICER [Mr. Pressler.] Are there any other Senators in the Chamber desiring to vote?

The result was announced -- yeas 70, nays 30, as follows:

(See Rollcall Vote No. 259 Leg. in the ROLL segment.)

So the amendment (No. 917) was agreed to.

Mr. COCHRAN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HELMS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Several Senators addressed the Chair.

Mr. HELMS. Mr. President, I cannot hear anything. May we have order?

The PRESIDING OFFICER. The Senate will be in order.

The Senator from North Carolina.

Mr. HELMS. Mr. President, in the first place, just for the edification of the Senate, will the Chair repeat the vote?

The PRESIDING OFFICER. Seventy yeas and thirty nays.

Mr. HELMS. Seventy to thirty?

The PRESIDING OFFICER. That is correct.

Mr. HELMS. Mr. President, I inquire, does the question now recur on amendment No. 916?

The PRESIDING OFFICER. That is correct.

Mr. HELMS. I thank the Chair.

Mr. STENNIS. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

The Senator from North Carolina.

Mr. HELMS. I yield the floor.

AMENDMENT NO. 921

(Purpose: To specify criteria for the determination of fair and reasonable rates to be charged by United States flag commercial vessels for purposes of the cargo preference laws.)

Mr. BOSCHWITZ. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Minnesota [Mr. Boschwitz], for himself, Mr. Nickles, Mr. Danforth, and Mr. Durenberger, proposes an amendment numbered 921 to amendment numbered 916.

Mr. BOSCHWITZ. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of amendment No. 916, insert the following:

"FAIR AND REASONABLE RATE

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"Sec. . Section 901 of the Merchant Marine Act, 1936 (46 U.S.C. 1241) is amended by inserting the following after the first sentence in subsection (b):

"The rate charged by a United States flag-commercial vessel for transporting cargoes subject to this section and the Joint Resolution of March 26, 1934 (48 Stat. 500, 46 U.S.C. 1241-1) shall be deemed to be fair and reasonable only if such rate --

"(A) for the fiscal year ending September 30, 1986, is no greater than 175 per centum of the rate charged for transporting the same cargo on a foreign-flag commercial vessel;

"(B) for the fiscal year ending September 30, 1987, is no greater than 160 per centum of the rate charged for transporting the same cargo on a foreign-flag commercial vessel, and

"(C) for the fiscal year ending September 30, 1988, and each fiscal year thereafter, is no greater than 140 per centum of the rate charged for transporting the same cargo on a foreign-flag commercial vessel.

Mr. BOSCHWITZ. Mr. President, under the cargo preference rules, 50 percent of all shipments generated by the U.S. Government must be shipped on American-flag vessels, and the rates that the American-flag vessels can charge must be "fair and reasonable."

"Fair and reasonable" has often been defined by the Maritime Administration to be 300 percent or 400 percent of the international rate. This amendment would change that and say that "fair and reasonable" would be defined as 175 percent of the rate charged for transporting the same cargo on foreign-flag vessels in the fiscal year ended September 30, 1986.

In the next fiscal year, "fair and reasonable" will be defined as 160 percent of the rate charged for transporting the same cargo on foreign-flag commercial vessels.

In the following fiscal year, it would be 140 percent.

Therefore, Mr. President, in the event that the going rate on a ton of commodities -- be it wheat, corn, or fuel -- is \$1 during the fiscal year ended September 30, 1986, the American-flag vessels could charge up to \$1.75 -- in other words, 75 percent more than the lowest foreign-flag commercial rate. In the following fiscal year, it would be 60 percent more. This is so that our commercial fleet could begin to be at least somewhat competitive with the international transportation of similar cargo.

We understand that the American-flag vessel has some expenses. The Senator from Alaska pointed out that some of those additional expenses have to do with environmental considerations, health considerations, and so forth.

Nevertheless, "fair and reasonable" should have some form of definition. Certainly, a rate three times or four times as high as the international rate should not be considered, under any stretch of reasonable imagination, to be fair and reasonable. We would define "fair and reasonable" to be 175 percent of the international rate.

Mr. President, I am joined in this amendment by the Senator from Oklahoma [Mr. Nickles] and the Senator from Missouri [Mr. Danforth].

Mr. DIXON. Mr. President, will the Senator from Minnesota yield?

Mr. BOSCHWITZ. I yield.

Mr. DIXON. First, I ask whether my colleague from Minnesota would honor me by permitting me to cosponsor this amendment.

Mr. BOSCHWITZ. With pleasure.

Mr. President, I ask unanimous consent that the name of the Senator from Illinois [Mr. Dixon] be added as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DIXON. Let me see whether, by asking the Senator questions about his amendment, he might clarify for the Senate, for the American public, for shippers in this country, for farmers, and for taxpayers what is occurring.

The Senator from Minnesota is saying that in the first year of this proposal, it would be recognized that the cost on American vessels is a lot more than on foreign vessels, but the Senator is saying that it cannot be more than 75 percent more.

So if it costs you \$1 on a foreign vessel, it cannot cost you more than \$1.75 on an American vessel?

Mr. BOSCHWITZ. That is correct.

Mr. DIXON. The Senator is saying in the year after that he recognizes it is going to cost a lot more to ship on the American vessel but he is saying it ought not to cost more than 60 percent more?

Mr. BOSCHWITZ. That is correct.

Mr. DIXON. And in the third year what was the Senator's figure then?

Mr. BOSCHWITZ. Forty percent.

Mr. DIXON. So he is not doing anything more than putting some kind of fiscal constraints on what the Senate has just done in its adoption of the first amendment to this bill.

Mr. BOSCHWITZ. That is correct.

I am glad that the Senator from Illinois recognizes that I am a reasonable man.

Mr. DIXON. I thank my colleague from Minnesota and I support the amendment.

The PRESIDING OFFICER. Who yields time?

Mr. DIXON. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. COCHRAN. Mr. President, I hope that Senators will recognize that we have voted by a very substantial majority in support of the compromise that has been worked out after hours and hours of effort by representatives of the maritime agricultural industries as a way to settle the cargo preference controversy.

It is my hope that Senators will reject all efforts to modify that compromise. I am afraid if we do make modification we are going to cause the compromise to fail.

The parliamentary situation is awkward and it is unfortunate that we have the situation as we do where we do not have a straight up-or-down vote on the compromise. We have had to construct a situation here to try to keep the compromise from being modified so it will not fail so we will permit the Senate to work its will in the adoption of the

compromise as it has been drafted and presented to the Senate.

If the Senate now votes for the amendment suggested by the Senator from Minnesota we are going to torpedo the compromise.

I am hoping that Senators will realize what is happening here and what is being attempted.

There are some who are very sincere in their opposition and very effective in their arguments against the compromise. I understand their position. It is unfortunate that this compromise could not have been crafted to satisfy the concerns of the Great Lakes ports. That is what we are considering here. The Senator is urging that this compromise be rejected.

We cannot today legislate a greater depth to the St. Lawrence Seaway on the floor of the Senate. That is the real problem. Because the St. Lawrence Seaway has a limited depth, the large, modern U.S.-constructed vessels cannot make calls at all of these Great Lakes ports, and that is the problem.

We cannot cure that with this amendment. We cannot cure that with an eloquent argument from the Senator from Illinois, although he has made one and I congratulate him.

I wish we could change the facts so that we could have everyone supporting the compromise today. I would like nothing better, but we just cannot somehow overcome the realities that we confront, and that is one of them, and it is a serious problem.

I am hoping, in spite of that, we can continue to work to ensure that there is fairness and equity in the shipment of U.S. agricultural commodities from the United States.

Senators will know that there is created in this compromise a 16-person commission, a group to study ways to improve competitiveness of our U.S. export program. One objective of the Commission is to help assure fairness among the four regions, the east coast, the west coast, the gulf coast, and the Great Lakes, in the shipment of goods overseas.

Senators should know that an effort is being made to solve this problem. But I admit it is not solved in this compromise and I wish it could have been. Efforts were made to work it out, but they were not successful.

I am saying Senators should reject this amendment. It does not help the compromise. It would torpedo it. It would cause it to fail. I am hoping that the amendment of the Senator from Minnesota could be rejected.

Mr. NICKLES. Mr. President, will the Senator from Mississippi yield for a quick question?

Mr. COCHRAN. Mr. President, the Senator from Mississippi yields the floor. I will be happy to try to respond to any questions Senators make.

Mr. NICKLES. Will the Senator yield for a question?

Mr. COCHRAN. I am happy to try to respond to any questions Senators have.

Mr. NICKLES. I would like to ask the Senator from Mississippi a question.

Mr. COCHRAN. The Senator could just address the Chair, seek recognition, and I will be happy to try to respond to his questions.

Mr. NICKLES. Mr. President, I ask the Senator from Mississippi if he could respond to this question. As I understand, the amendment of the Senator from Minnesota basically says it has to be within the first year 175 percent of the world market rates. Are most of the contracts now that we are having with U.S. shippers more than 175 percent of

the world market rates?

Mr. COCHRAN. Could the Senator repeat his question? Others were asking questions, and I did not hear all the Senator's question.

Mr. NICKLES. I believe, as I understand the Senator from Minnesota, the first year end of fiscal year 1986 it says that contracts will have to be within 175 percent of world market rates. Are most of the domestic contracts in excess of 175 percent of world market rates or less than that?

Mr. COCHRAN. I do not know the answer to the Senator's question, I might say to the President.

Mr. NICKLES. I thank the Senator.

Mr. DIXON. Mr. President, I think that we are all indebted to the Senator from Minnesota who has made it pretty clear now what we are doing here, because for every Member of the majority who came to this floor and voted to adopt the first amendment to the so-called compromise, they are now making a real simple vote. I want them to understand how simple this is. When a Senator goes back home to his State they are going to say, "Senator, does that cargo preference cost anything extra?" So he is going to say that is arguable. At this point, the Senator was OK. He was OK on amendment 1. He could say that is arguable, could he not, I say to my friend from North Carolina, the chairman of the Agriculture Committee? He could say that is arguable; we do not know.

Maybe the American bottom can ship just as cheaply as the foreign bottom. The Senator can get by with that.

Now on this amendment the Senator has to say that 175 percent of what it had cost on an American bottom is OK with him. When he casts this vote do not the Senator dare forget that. He is voting on something that everyone can understand. When the Senator goes to that Grange back home or that local meeting of the Farm Bureau in Mizpah do not forget some farmer in the back of the room with patches on his breeches is going to get up and say "How come you voted that they can charge way more than 175 percent more? I want you to explain that vote to me."

I know the Senator is not going to have any trouble. It will not be any problem at all to explain that.

I am not going to have to explain it because I am voting for the amendment. This amendment puts in black and white that everyone of you who steps up to the well knows that the cost on this thing is off the table. This amendment says that the U.S. taxpayers and the shippers are forced to pay more than 175 percent of what it had cost, and you said yes. Now you are not voting for smoke now.

You are not voting for something you can explain now. You are bellying up to the bar and buying a double shot of more added to the budget deficits. You are stepping up to the bar and you are buying a double shot of more cost to the American shipper.

The amendment by my friend from Minnesota is aptly put. I would accept an amendment up to 200 percent and I think you would still vote against it.

But this puts, in simplistic terms that every American can understand, the price of this bill. OK, you bought amendment one, step up to the bar now on amendment two and pay for it.

Mr. LONG addressed the Chair.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. LONG. Mr. President, these figures keep changing as to how much we are going to pay to subsidize American farmers to keep them in business. For my purpose, I do not need to know the exact amount to state my brief point here.

One of the figures mentioned which I am willing to accept for the purposes of argument is that this farm bill is subsidizing farmers to the tune of \$18 billion in a year. Now, I am willing to vote, Mr. President, for whatever it takes to help the farmers, enough so that they can stay out there and work on the farm and make a profit and survive. I want to see them do well, just as I would like to see everybody do well in this great country of ours. I hope I can vote for a bill that the Senate puts together.

Mr. President, I just cannot understand the pontifical outrage that somebody else is going to get a little help other than the farmer. The amount that has been mentioned for the subsidy for the maritime industry, I am told, is about \$60 million. So the help for those who sail the high seas and those who build ships and the maritime industry in general would work out to be about \$1 for every \$300 that we are doing for the farmer.

Now, if I were out here leading the case to help the farmer and I could get the maritime people aboard, and all I had to do for them was just to give them a share in the program to the extent of one-third of 1 percent, I think I would have made a very good deal, indeed.

But, no, sir; all this is about is that it is great to subsidize the farmer and just an outrage to do anything for anybody else, I find difficult to understand. Frankly, I am not worried about defending my position. I would be in very great difficulty if I were running for office and trying to defend the position to say that we cut down and take away from the people who sail the high seas -- a vital part of our defense, in my judgment -- just to help to get a little more, a teeny bit more, one-third of 1 percent more for the farmers.

I am willing to vote for the \$18 billion or more if need be for the farmer.

The attitude taken by those who just seem to be against the maritime industry, but for the farmer, is like the prayer that the farmers used to say and say that same prayer every day: "God bless me and my wife, my son John and his wife; Just four, and no more. No more." [Laughter.]

And in this amendment that is being offered here, for example, no one tells us how that world rate is arrived at, but they say that anyone with more than a certain percentage of the international world rate is too high. I do not know how they arrive at that. I assume the rate that they are talking about has to do with what you can build a ship for with Korean labor -- and, by the way, they build very good, high quality ships. But their wage rate is about \$1.65, only half of our minimum wage, and our workers hope to make a little more than the minimum wage here. Then you talk about what you pay the seamen. Our seamen are well paid insofar as there are jobs for them.

What is the international rate? I do not know, but I assume you could hire them for \$1.65 if they are Korean. I think you could hire them for 50 cents if you are hiring from some other points in the world, which is a very small fraction of what we have here.

I hope people are not misled by what this amendment would do. All it would do is totally kill what those of us who would like to see the maritime industry survive would provide for the maritime industry.

Here is a compromise that 70 Senators have voted for. I hope the Senators will be consistent and stay with what they elected to do when they voted on the previous vote, to simply stay with the compromise and vote down this amendment.

Mr. BOSCHWITZ addressed the Chair.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. BOSCHWITZ. Mr. President, I appreciate the comments of the senior Senator from Louisiana and I respect him. In fact, I hold him in considerable awe.

I might point out that the rates that are allowed by the Maritime Administration allow not only for the cost of doing business and for the cost of building ships and so forth, but they also allow for a reasonable profit. Now, if we could get that same treatment for our farmers in this farm bill, if we would allow them a reasonable profit, too, in all their transactions, we would certainly not be hearing the hue and cry from the farm community that we have been hearing.

In the event that we gave the farmers business, went out and sought business for them, rather than embargoing their principal customers on frequent occasions, then perhaps the Senator from Louisiana would be correct and the analogy could be made.

This is not much to give if you relate it only to the cost of the farm bill. But, of course, the maritime industry receives much in other parts of the budget as well.

I would tell my colleague from Louisiana that recently there was a shipment made in September to the Sudan on a Korean -- and that is the example that the distinguished Senator gave -- on a Korean-flag vessel. The rate was \$20.35 per metric ton. On a U.S.-flag ship it was \$63, just a little over three times the rate.

Mr. LONG. Will the Senator yield for a question at that point?

Mr. BOSCHWITZ. Yes.

Mr. LONG. What was the Korean wage rate? What were they paying their labor?

Mr. BOSCHWITZ. The Senator knows that I do not know what they were paying their labor. I am ready to concede that they were paying their labor a good deal less than we pay.

Mr. LONG. I went through an automobile factory in Korea, where they are doing fine work and doing a good job. May I say to the Senator, the best labor rate there was about \$1.65 an hour. Does he recommend that for American automobile workers?

Mr. BOSCHWITZ. Well, certainly the distinguished senior Senator from Louisiana is not saying that we should embargo or in some way raise a barrier against all shipments of any type from Korea because their wage rates are not at the same level as ours. Perhaps the Senator is saying that. Is that what the Senator is implying?

Mr. LONG. Well, I suggest that I do not see the reasonableness of tying what an American seaman should make to the wage of a Korean seaman or a Hong Kong seaman.

Mr. BOSCHWITZ. No Senator is more understanding and has a greater perception of the free enterprise system than my friend from Louisiana and no Senator has a greater feeling for the scope of the world economy. I certainly will admit that wage rates differ here than in Korea.

I might give another example in that case. A shipment of wheat to Egypt in September under a Liberian flag vessel was \$17.60 per metric ton. Under the U.S. flag vessel, it was \$52.50. I am prepared to admit that the Liberians undoubtedly pay a lower wage rate and, as my friend from Alaska pointed out, we put a doctor on the ship, we have certain standards with respect to the environment, and so forth, that they may not. I recognize that.

However, I would say to my good friend from Mississippi that on this so-called compromise, as he called it, I remind him that there has not been a minute of hearings on this so-called compromise. It was never presented to the Agriculture Committee. It was not even introduced here in the Senate in bill form. It has just been introduced on this agriculture bill and it is introduced as an amendment, skillfully so, and within the rules and within the rights of the Senator from Mississippi.

I point out that my amendment says, fine, we will give 75 percent of the cargo to American bottoms but in return we should do so at reasonable rates, and I have set these rates at 75 percent over the world price for fiscal year 1986 and

60 percent in fiscal year 1987 and 40 percent in fiscal year 1988.

I yield the floor.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I wonder if the distinguished Senator, the sponsor of the amendment, will yield for a question. Before I do that, however, I wonder if I might ask the sponsors of the underlying amendment if they would consider -- I will give this to them for their observation -- an amendment which will make the borrowing provisions of this amendment comply with the Budget Act in that the borrowing authority is not made subject to appropriations.

When I am through, I would like to ask the Senator if he will consider that as an amendment. It is -- with a few exceptions -- a Budget Act requirement for all new budget authority. It was probably left out as an oversight. In any event, if the Senator is not interested in accepting it, I will offer it after we finish this.

Did I understand that the distinguished Senator from Louisiana was saying -- to see if I understood the Senator's reasoning -- since we are subsidizing farmers, we ought to subsidize under this shipping act those who man the ships, and let them charge whatever rate a commission in this country determines is fair for the owners? Is that what I understood the Senator to say?

Mr. BOSCHWITZ. I really probably should have let the distinguished Senator from Louisiana speak for himself. But the Senator seemed to say that, yes.

Mr. DOMENICI. The Senator gave the example that he went to Korea and saw people working in an automobile factory making Korean cars, and they are earning less than our automobile workers. The Senator asked if you would like to see our automobile workers paid the same? You said, of course not. But I have not seen anybody offer an amendment here saying we should raise the price of Korean cars because their workers are making less money than ours.

It seems to me the only rationalization for the argument that the maritime owners and workers get a piece of this particular shipping, even though they are not competitive is because we are subsidizing the farmers, and but for the subsidy we would not be shipping the goods; so we should spread the subsidy around, and give it to the maritime workers. If I did not hear the Senator right, I stand corrected. But it seems to me that this is what my friend, whom I agree is a staunch advocate of the free enterprise system, is saying.

Is the argument that because we are subsidizing farming which is having a tough time, we should say to them, "We have to give you money in the loan program and the target price program. You are producing more than we can use. We want you to ship it overseas but since we are doing that, we ought to spread a little bit of that subsidy to the maritime workers." Did I hear it right?

Mr. LONG. Mr. President, will the Senator yield at that point?

Mr. DOMENICI. I yield.

Mr. LONG. I do not see the Senator proposing we should say the American farmer gets a certain price based on what it costs to produce something in China, or India, or what some working man is making over there.

Mr. DOMENICI. That is correct. We are saying good luck to you. Even if it costs you more, you may not be able to sell it, but we are not saying we should subsidize to compensate for the 49-cent an hour wage rate in China. I have never heard it mentioned.

Mr. LONG. Compared to the agriculture, as far as this Senator can recall, agriculture and the merchant marine have been subsidized as far as I can recall since I have been a Member of this body. We subsidize them in different ways. But I have yet to hear one say, well, the amount of subsidy that it requires for the American industry to be on the high seas is determined by a certain percentage of foreign costs. I do not know how the Senator would go about arriving at the foreign costs.

To me it is rather irrelevant because I would think if you are saying how much subsidy do you have to have in order to have the merchant marine on the high seas, you could probably expect to use the existing wage contracts that exist between labor and management in that area. If the Senator has some other way he would like to arrive at it, more power to him. I would like to hear what it might be. But to simply say for foreign shipping it can be higher at a certain percent, so the fairest thing would be to say 175 percent of what the foreigner would charge is the right amount. I do not think you would want to say that for the wage. The foreigner might be getting 30 or 50 cents an hour. Even if it is a dollar, I would not say \$1.75 would be ample because foreigners are working for \$1. The idea of what is a fair and equitable amount arrived at depending on what the American wage scale is I do not see anything wrong with.

Mr. DOMENICI. I say to my friend from Louisiana, I am on the floor for the purpose of suggesting the amendment making the borrowing authority subject to appropriations, but I heard the Senator's argument. If we are not going to let the marketplace establish what people charge, then one way to do it is to subsidize first. Then we have a justification for subsidizing anybody that is ancillary to the subsidized industry. We can say, well, since we are giving a subsidy to an industry, then all those ancillary to it ought to share in that.

But for those American industries which are free and competitive, we are not saying that. We are not saying let us subsidize because foreign wage costs are too low. I do not know the remedies. But we are not saying we are going to set a price based on competition with cheap foreign labor. That is the only thing that struck me in the argument. That is why I raised the issue. I think that is really what some are saying.

Mr. COCHRAN. Mr. President, if the Senator will yield, I am prepared to now say we are reviewing the amendment which the Senator has handed to the managers of the bill. I am not able to say at this point whether we can accept it as part of the underlying amendment or not. We are working on that. It looks to me as though it is something we would want to include in the amendment. I am not able to give a final answer at this point.

Mr. DOMENICI. I thank my friend. With that, I will leave.

Mr. BOSCHWITZ and Mr. COCHRAN addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. COCHRAN addressed the Chair.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. COCHRAN. Mr. President, it would be my intention after Senators who desire to speak on this amendment have had an opportunity to do so to move to table the amendment of the Senator from Minnesota, and to ask for the yeas and nays.

It is my understanding that the yeas and nays have been ordered on the amendment of the Senator from Minnesota. But in spite of that, it would be my intention to move to table that amendment at such time as other Senators have had an opportunity to speak who really want to speak.

Mr. ANDREWS addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. ANDREWS. Mr. President, maybe somebody has missed what we are really talking about here today. Certainly, there are no seaports in North Dakota. But my State produces a lot of grain that has to be exported. My State, as the other 49 States are, is intentionally interested in the defense of this Nation. I always thought that the reason we shipped our Public Law 480 shipments in American bottoms is so those ships and those seamen would be there in time of emergency. That is the only reason.

We found when we went into World War II we did not have any vessels or any crews in enough numbers to support the movement of our defense forces overseas. I am getting a little tired of listening to subsidy this and subsidy that. Anytime somebody does not know how to address an issue, he points his finger and says somebody is subsidizing somebody. We maintain, or we are moving toward a target of 600 vessels in our Navy to protect our freedom. Those vessels are important. But equally important are the ancillary vessels that carry the cargo to take care of that Navy or our Army or whatever other forces are over there.

What do we do in peacetime? Mr. President, in peacetime, we have our naval vessels cruise -- it is called cruising time, and it is training. They are moving back and forth to keep those crews alert and to keep those vessels ready so that when we need them in an emergency, we have them. I have also looked on the concept of shipped in American bottoms as a way of getting 15 or 20 or 25 or 30 ships flying the American flags, manned with American crews, ready to go when they are needed for the defense of this country, but in the meantime, moving American cargoes so they are not just steaming empty.

I think if we would take a look, Mr. President, at the need for this issue, not from the standpoint of somebody's subsidy, what we have had in the past has not worked, because what we have tried to do is take it off the back of the American farmers and that has overpriced our merchandise in foreign ports.

As a result, there are no sales for our farmers and there are no cargoes for our merchant marine and our merchant marine has been decimated.

Let us be frank about what we need: we need a number of American vessels crewed by American sailors ready to go in time of war or emergency. In the meantime, instead of keeping them cruising around empty as naval vessels do, let us use them for something. That is why we need this kind of activity. That is why it ought to be funded out of the Department of Transportation, which now handles merchant marine. I think probably more fitting would be to fund it out of the Department of Defense, but I hope down the line, we can move to that. But let us not talk about subsidy. Let us treat it for what it is, maintenance in the best way possible of a sizable fleet to be ready for emergency, and in the meantime, carry the cargoes we have to carry and let us make sure that we do not overprice our cargoes because nothing times something is still nothing.

That is what has been happening. We have had no cargoes because our grains have been overpriced and our farmers have been disadvantaged and we have not gotten the merchant marine we need. This is a step in the right direction.

I hope we can go on with what the Senator from Mississippi is suggesting and fund this out of the Department of Transportation or the Department of Defense and maintain a group of American vessels and American seamen.

Let me add one thing before I close, Mr. President. I am a little proud of what we can do in agriculture. I think we ought to be debating on this floor not the farm problem but the agricultural advantage. The Soviet Union could blow the world up 10 times over, and so could we. We can put a man on the Moon and so can they. But they cannot feed the world and we can. That is something no single nation has been able to do before in the history of the world. When we move our peacetime shipments into those undeveloped nations, somehow or other, maybe I am getting a little overpatriotic, and maybe we need to be a little more patriotic, but I think it makes sense to see those ships steaming into those foreign ports and emptying American grains and say, "This came from the United States."

Some of us listened to a lecture from the French equivalent of the CIA. He talked about how we have been taken advantage of and how, when he was a youth growing up in a port city of France, he saw a ship coming with American

wheat. When it steamed into the harbor, in the dark, some of the Communists came out and put a huge banner across it which said, "A gift from the Communist people." But it was not. It was from the United States.

Let us counter that. Let us move our food, the abundance that is uniquely America's, the strength that is uniquely our country's, in our own vessels, flying our own flag proudly. At the same time, let us get these vessels that our Navy uses and treat them as a Department of Transportation or Department of Defense fund. That is what we ought to be doing.

Mr. BOSCHWITZ. Mr. President, will the Senator yield?

Mr. ANDREWS. I am glad to yield to my neighbor and friend.

Mr. BOSCHWITZ. From what he says, I think he feels as I do that the American fleet should be a strong one. Would he mind in that case if the elements of that fleet were manufactured abroad? Because it was part of the window given maritime that allowed them to include in its total number of American flag ships those that were built abroad. That, I may say, did a good turn for the American maritime fleet because it gave them some new and more modern vessels. It used to be they were a bunch of tubs.

My question of the Senator is, would he be agreeable to having ships that were built abroad flying the American flag that could serve our Nation in time of difficulty?

Mr. ANDREWS. As long as they are controlled by Americans and flying an American flag, that is not so bad. But I do not think they have to be built abroad. Let me point out to my friend and neighbor that a couple of years ago, I was interested in this whole shipping thing. I went up to Maine, the Bath Iron Works. I found they could produce ships in competition with the best shipyards in Japan now and make a credible passenger vessel and have it so we know it is dependable. It has built into it the American safety features that we require. I do not think you need to build them overseas to be dependable anymore.

Mr. BOSCHWITZ. I agree with my friend from North Dakota. If what he says is the fact, I do not think this debate would be held today on the floor of the Senate and I do not think the American maritime fleet would have any problem coming within the boundaries we have established in this particular amendment.

Mr. ANDREWS. Might I point out to my friend that the reason this debate is being held on the floor of the Senate is that we are not talking about building new ships that come up to safety standards that would be able to ship American needs in time of emergency or wartime. We are talking about shipping American grain in a bunch of overaged tubs that are not safe and could not be used under combat situations and you could not get an American crew to sail them. That is what our grain has been moving in.

We need an upgraded merchant marine with high quality ships, good safety features and high speed, really.

Mr. BOSCHWITZ. We got some upgrade of our fleet when we allowed ships to be put under the American flag that were built abroad. That window has now been closed. I wish those ships could be built in the Bath Iron Works. I remember as he does that in the Second World War, we could turn those ships out in a few days. Unfortunately, that is no longer the case.

Mr. LEVIN of Michigan. Mr. President, I intend to vote to table the amendment offered by Senator Boschwitz because it would undermine the entire Cargo Preference Program. I have supported the requirement that at least 50 percent of our Public Law 480 cargoes move on U.S. bottoms. I agree that the Cargo Preference Program is necessary to maintain a U.S. fleet which can meet our economic and defense needs. The Boschwitz amendment would place arbitrary constraints on the existing law.

Even though I support the concept of cargo preference, I voted against the compromise amendment on cargo

preference offered by Senator Cochran because it expanded the Cargo Preference Program beyond existing law without ensuring equitable distributing of Public Law 480 cargoes to the Great Lakes ports. The amendment offered by Senator Boschwitz attacks the concept of subsidizing the U.S. merchant marine through the Cargo Preference Program and thereby undermines the current law. As I have just stated, I do not object to the existing requirement that 50 percent of our Public Law 480 cargoes move on U.S. bottoms. What I object to is increasing the cargo preference requirements by 25 percent without guaranteeing fair distribution of Public Law 480 cargo shipments to Great Lakes ports. As a Senator who represents one of the Great Lakes States, I simply cannot support a compromise which will harm the Great Lakes ports.

As the Senator from Illinois so forcefully stated during the debate on Senator Cochran's compromise amendment, the Great Lakes ports already operate at a disadvantage because of the way the U.S. Department of Agriculture has applied the cargo preference requirements under the Food for Peace Program. Currently, the law requires that at 50 percent of the food for peace cargo move on American ships. Unfortunately, the Great Lakes ports are rarely served by U.S.-flag ships. Additionally, our shipping season is short because the St. Lawrence Seaway is closed during the winter months. As a result, in order to get our equitable share of Public Law 480 shipped out of Great Lakes ports, we need to have a higher percentage of the 50 percent which is permitted to be shipped on foreign flags move from Great Lakes ports.

Under the current law, the Great Lakes ports have already suffered as a result of USDA diversion of Public Law 480 cargo. Millions of pounds of grain grown in the Midwest which is distributed under the Food for Peace Program and which logically should be shipped from Great Lakes ports, has been diverted to ports in other regions of the country at a higher cost to the U.S. taxpayer. A Wall Street Journal article dated May 15, 1984, further explains the inequity in the administration of the cargo preference requirements and the importance of food for peace shipments to the Great Lakes ports. According to the article:

Last year, for the first time in the 29-year history of the Food for Peace Program, the total shipments fell short of the 50 percent benchmark. When the cargo tonnage was tallied at year end, only 48.5 percent had moved in U.S.-flag freighters. This modest violation of the cargo-preference law set off bells at the Agriculture Department. To ensure that it doesn't happen again, officials decided to enforce the 50-percent rule each month, rather than waiting until late in the year to adjust any imbalance.

So in late March, when the department made its first 1984 monthly food shipment assignments affecting Great Lakes ports (because of ice, the St. Lawrence Seaway, which connects the Great Lakes and the Atlantic Ocean, is closed to shipping from roughly mid-December to April 1), the government modified its "cheapest possible transportation" rule.

Lacking enough U.S.-registered vessels in the Great Lakes in April, the department looked elsewhere for ships. The result: 20,000 tons of processed grain for India and Peru were sent to Mississippi River ports and 12,000 tons of corn for Somalia were directed to docks on the Gulf Coast. An Agriculture Department official admits costs were higher than if Great Lakes ports had been used.

The article goes on to state:

The port of Duluth, Minn., says about two-thirds of the 62,000 hours worked by port personnel last year were devoted to humanitarian food cargo. Admiral Hoffman says food for peace cargo was the "basic inducement" for 56 of the 62 freighters that called at Milwaukee in 1983.

Mr. President, between 1980 and 1983, approximately 25 percent of the Public Law 480 cargo was shipped from Great Lakes ports. In 1984, Great Lakes shipments dropped to approximately 16 percent. Under the compromise amendment which was approved by the Senate which increases the U.S.-flag requirement from 50 percent to 75 percent, the Great Lakes ports will see their fair share of the cargo eroded even further.

Mr. President, I had hoped that the compromise could be amended to protect the interests of the Great Lakes ports by ensuring equitable distribution of Public Law 480 cargoes. Unfortunately, the sponsors of the compromise decided to preclude the opportunity to offer such an amendment by parliamentary maneuvering. As a result, I reluctantly voted against it.

Mr. ANDREWS. Mr. President, I think all of us have made our point. I yield back my time.

Mr. COCHRAN. Mr. President, I move to lay on the table the amendment of the Senator from Minnesota and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Mississippi. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

The PRESIDING OFFICER (Mr. Durenberger). Are there any other Senators in the Chamber desiring to vote?

The result was announced -- yeas 66, nays 34 -- as follows:

(See Rollcall Vote No. 260 Leg. in the ROLL segment.)

So the motion to lay on the table was agreed to.

Mr. COCHRAN. Mr. President, I move to reconsider the vote by which the motion was agreed to.

Mr. STEVENS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

SCHEDULE

Mr. BYRD addressed the Chair.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. BYRD. Mr. President, I seek recognition at this time in order to ask the distinguished majority leader to give us a rundown on the rest of the day's schedule, perhaps for tomorrow, and as far down through the week as he may be able to.

Mr. DOLE. Mr. President, I hope we can still have one vote by 5:30 or thereabouts. I think there are at least two additional amendments pending.

I ask the distinguished Senator from Mississippi if there are further amendments to his amendment.

Mr. COCHRAN. Mr. President, there are actually three amendments pending, but they all represent a compromise of the cargo preference issue, and they could be disposed of on a voice vote, as far as I am concerned.

There may be other amendments to those amendments that could be offered. I know that the distinguished Senator from Ohio has mentioned that he may have an amendment. The distinguished Senator from Illinois has two amendments. So apparently we are growing in number as we stand here and talk. I will sit down.

Mr. DOLE. These are all amendments that require rollcall votes?

Mr. DIXON. Mr. President, I say to the distinguished majority leader that I have two amendments that are important in the view of those of us on the other side of this issue. The Senator from Iowa has an excellent amendment that might be adopted. So there are some other amendments of great import around here.

Mr. DOLE. I am certain there are other amendments of great import. I just want to get some estimation so that I can give the distinguished minority leader at least a guess.

I do not want to stay too late this evening. I want to get everybody to stay late tomorrow night and Thursday night. So I guess there will be at least two or three more votes this evening, and we would like to do it rather quickly. This issue has been around all afternoon. I should think we ought to be able to dispose of those amendments fairly quickly.

Mr. BYRD. I thank the majority leader.

Mr. DOLE. Tomorrow we will be back on the farm bill, starting at 9.

Mr. BYRD. Is the distinguished majority leader able at this point -- it may be early in the week -- to inform the Senate as to a Friday session and whether there will be a Saturday session?

Mr. DOLE. There will be no Saturday session. I do not see how we can avoid a Friday session.

I have discussed this with the chairman and both managers of the bill. I understand there are 69 amendments. There were 70. There should be 69 -- probably more. Some of those may not be offered.

I think we are making progress. We are voting now, and it is my hope once the pattern is established it might eliminate some of the amendments. I think a pattern has pretty well been established in this area but maybe after a couple more votes we can move on to some other title.

So, Friday we will be in. Hopefully we could be able to leave by 4 p.m. in the afternoon.

I hope Members will be here on Friday.

I have advised my colleagues at the luncheon today that we are going to have votes on Monday and Friday.

I cannot help it if Senators do not like it. But others are pushing to get out of here this year. So we will do what we have to do.

Mr. BYRD. Mr. President, I thank the Senator.

Several Senators addressed the Chair.

Mr. METZENBAUM. Mr. President, will the Senator yield for another question?

Mr. DOLE. I yield.

Mr. METZENBAUM. Mr. President, does the majority leader have any intention of setting the farm bill aside at any point in order to go back to any other legislation and if so what are his plans?

Mr. DOLE. Mr. President, let me indicate there will be a very important agriculture hearing on Thursday and Friday of this week on farm credit. The managers of the bill and every other member of the Agriculture Committee will want to be there.

So I am hoping that on those two mornings we can take up and complete appropriations bills, State Department,

Justice, Interior, if we can work it out, and, yes, plus we have said earlier if reconciliation can be resolved we would interrupt the farm bill for that purpose.

Mr. METZENBAUM. I certainly respect the majority leader's response and appreciate it. I do hope he will give us all adequate notice so we can anticipate whatever floor action may be.

Mr. DOLE. That is a good suggestion.

Let me indicate that on Thursday and Friday morning we will not be on the farm bill and we will attempt to notify Members as soon as we can what will be up at that time.

Mr. METZENBAUM. I thank the Senator.

AMENDMENT NO. 923

(Purpose: To transfer from the Department of Agriculture to the Department of Defense certain costs incurred in the shipment of certain agriculture commodities in United States flag vessels)

Mr. HARKIN. Mr. President, I have an amendment along with Mr. Grassley, Mr. Boschwitz, Mr. Boren, Mr. Zorinsky, Mr. Dixon, Mr. Simon, Mr. Melcher, Mr. Exon, and Mr. Nickles that I send to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Iowa [Mr. Harkin] for himself, Mr. Grassley, Mr. Boschwitz, Mr. Boren, Mr. Zorinsky, Mr. Dixon, Mr. Simon, Mr. Melcher, Mr. Exon, and Mr. Nickles proposes an amendment numbered 923.

Mr. HARKIN. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

Mr. STENNIS. Mr. President, may we have the amendment read?

The PRESIDING OFFICER. The clerk will state the amendment.

The legislative clerk resumed and concluded the reading of the amendment.

The amendment is as follows:

At the end of the pending amendment, add the following:

TRANSFER OF RESPONSIBILITY FOR THE PAYMENT OF CERTAIN TRANSPORTATION COSTS

Sec. . (a) Section 5(f) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714c(f)) is amended to read as follows:

"(f) Export or cause to be exported, or aid in the development of foreign markets for, agricultural commodities, except that no funds or assets of the Corporation may be used to pay for, or otherwise finance, the ocean freight charges for any such export to the extent that such charges are higher than would otherwise be the case by reason of a requirement that the commodities be transported in United States-flag vessels."

(b)(1) Notwithstanding any other provision of law, the Secretary of Defense shall pay the ocean freight charges for the export of agricultural commodities arranged by or through the Commodity Credit Corporation under section 5(f) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714c(f)), or under any other law, to the extent that such

charges are in excess of what they would otherwise be because of a requirement that the commodities be transported in United States-flag vessels.

(2) There are authorized to be appropriated to the Secretary of Defense, for each fiscal year after fiscal year 1985, such sums as may be necessary to pay the ocean freight charges the Secretary is required to pay under paragraph (1) in such year.

(c) The amendment made by subsection (a) shall apply to shipments of agricultural commodities made after enactment of the Agriculture, Food, Trade, and Conservation Act of 1985."

Mr. HARKIN. Mr. President, this amendment is a very simple amendment. All day long I have been listening to the debate on cargo preference and Senator after Senator has risen to talk about the need for the maritime industry as part of our national defense network.

Mr. President, I have only been in this body for 10 months, but I served in the other body for 10 years, and it seems like every time an agriculture bill was considered, we always had this long, involved debate on cargo preference, and for the life of me I never could understand why the funding for it was coming out of Commodity Credit Corporation funds, why it was coming out of the Department of Agriculture.

I have listened to the arguments made on the need for a strong maritime industry for the defense of this country, and I am persuaded by those arguments. I think they are right and so in the past I basically have been one of those who has supported the concept of cargo preference only as a way to enhance our national defense posture. But I never could really understand why it had to come out of Department of Agriculture funds.

So after listening to the debate today in this Chamber, it occurred to me that perhaps now is the time for the Senate to take decisive action and to shift the funding for cargo preference from the Department of Agriculture to the Department of Defense, and that is simply what my amendment does.

It does not reduce cargo preference. It does not say anything about the rates or how much above the world cargo rates. I leave that up to the judgment of other Senators and the specific votes that are coming up.

But what my amendment does is it simply says that any commodities that are shipped under the concessional sales programs of the USDA such as Public Law 480, title I, or title II, or section 416, any difference in the rates that are charged has to be paid for by the Secretary of Defense and not the Secretary of Agriculture.

Again, I listened to the arguments today. I heard the arguments about how when we went to Grenada we were going to rely on great Britain to supply us with some ships to transport our men.

Again we have to ask ourselves whether or not we really do want to have a strong maritime industry.

I think the consensus is clearly by the last few votes that we do want a strong maritime industry. But it should be paid for out of the legitimate defense funds of this Nation.

That is really what my amendment does. It just says that from now on after the enactment of this bill any funds used would come from the Secretary of Defense and not from the Secretary of Agriculture.

As I said, Mr. President, many Senators today have risen to talk about how we need the maritime industry, how this is a legitimate defense function. Well I agree. I do not agree, however, that it should come out of CCC funds. I am just hopeful that we can have a vote on this, and I think that the merits of the situation demand that, if we are going to have cargo preference -- and it seems like most of the Senators here want a cargo preference bill which that is fine -- as a matter of fact, I do, too -- I want a strong maritime industry, but I do believe that the funds should come from the Department of Defense.

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That is all that my amendment does.

Mr. NICKLES. Mr. President, will the Senator from Iowa yield?

Mr. HARKIN. I am delighted to yield to the Senator from Oklahoma.

Mr. NICKLES. Mr. President, so as I understand his amendment, he wants the cost of the Cargo Preference Program to be coming out of the Department of Defense instead of the CCC or the Department of Transportation as is provided in the Cochran amendment?

Mr. HARKIN. That is right.

Mr. NICKLES. I commend the Senator for his amendment.

Mr. HARKIN. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DIXON. Mr. President, I wish to congratulate my distinguished friend from Iowa for offering this amendment. This amendment makes perfect sense. Under the existing cargo preference law and under this so-called compromise, if it is adopted, the first 50-percent cargo preference is borne by the Department of Agriculture. This year, that will cost over \$100 million.

But the Department of Agriculture does not want cargo preference. They are not in favor of cargo preference. The agricultural people in the country do not want cargo preference. They are not in favor of cargo preference. The farmers in America do not want cargo preference. They are against cargo preference.

So I ask my friends: Why should the Department of Agriculture pay over \$100 million for a law it does not want? In the compromise that was made, my friends who were involved in the compromise recognized that, so they did not charge the Department of Agriculture more. They said, "Look, you do not have to pay any more. Just keep on paying the same amount you always paid, \$100 million-plus. We will make the Department of Transportation pay the extra \$50 million."

That is about what it will involve. But the Department of Transportation does not want this.

My people in my State want roads and bridges and viaducts and the things that money in the Department of Transportation pays for, not a cargo preference law.

So both the Department of Agriculture and the Department of Transportation have imposed upon them by this compromise the need to pay some money to support a law they do not want. But, as my friend from Iowa says, those who advocate this law say, "It is good for the national defense. We need a maritime industry."

All right. Assuming that to be the case, why should not the Department of Defense pay for it? While \$150-some million is not chicken feed, if there is one place in the world where they regard it as chicken feed, it is in the Department of Defense. If there is anyplace in the American system where \$150 million is spilled on the floor like chicken feed, it is the Department of Defense.

Mr. CHAFEE. May I ask a question of the Senator from Illinois?

Mr. DIXON. Yes.

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Mr. CHAFEE. Was the Defense Department for that cargo preference measure?

Mr. DIXON. I have no idea, may I say to the Senator, one way or the other.

Mr. CHAFEE. They were not.

Mr. DIXON. Well, that makes it unanimous, then. Nobody is for it. Why are we passing a law nobody is for?

Mr. CHAFEE. Well, I voted against it.

Mr. DIXON. Well, the Senator is to be congratulated. His judgment is excellent.

Mr. CHAFEE. Ask those who are for it. All the agriculture people voted for it, now they do not want to pay for it. Kind of an unusual situation.

Mr. DIXON. Let me say to my friend from Rhode Island that his point has some validity. I cannot find anybody for it. The people that crafted the compromise must be for it.

Mr. STEVENS. Will the Senator yield?

Mr. DIXON. Yes.

Mr. STEVENS. Anytime the Senator wants an answer, he can address the question to this Senator and he will be glad to respond.

Mr. DIXON. Well, my distinguished friend from Alaska will respond in a moment and I admire him greatly and I know his words will be of great value to us.

But let me make this point. I understand the House is now prepared to pass the Defense authorization bill. That is \$302 billion. Now that does not count the money appropriated in the Department of Energy for nuclear weaponry. I understand that is a great many billions more. The farm bill that we are debating, even if you pass the bill in its present form, is down for the American farmer this year, down this year if you do not change a word in it, down \$4.5 billion for the next year under this year. It is not even a freeze, it is cut now.

So you are cutting agriculture at least \$4.5 billion in the next year -- not a freeze, a cut -- and we are going to cut it more because we are going to do some things on the floor on this bill that cut it.

We got rid of one gun this year, the Divad gun, that could pay for cargo preference for the rest of this century and well into the next one. One gun.

We could cut the price of toilet seats 10 percent and pay for cargo preference under this bill. You could do away with the ashtrays and pay for cargo preference for 10 years. You could quit buying the coffee urns and buy all the ships and own them.

So I am going to tell you something. Why do we not put it where it belongs? Everybody that made a speech here saluted the flag and ran it up real high and said it is a great country. I love this country. It is a great country. No country like it. They want to have a great merchant marine. I am for having the finest merchant marine in the world.

Let us pay for it where it belongs -- in the Department of Defense. Why do you want to make agriculture -- you are cutting us already -- pay for cargo preference? Why do you want to pay for it out of transportation when you need a road in Kansas or a road in Louisiana or a road in Oregon or a poor little bridge in southern Illinois? Why do we not pay for it where they got the money? You are freezing everything. You are cutting agriculture. But you are increasing Defense every year even under this austerity program. So let us pay for it where they will not even miss it.

Mr. STEVENS. Will the Senator yield?

Mr. DIXON. I am ready to conclude. I would like to hear from the Senator from Alaska. I think it is a wonderful amendment and it ought to receive 100 votes here.

Mr. STEVENS. Will the Senator yield for a question?

Mr. STEVENS addressed the Chair.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. STEVENS. I am sorry the Senator did not want to have an exchange. I would be happy to have an exchange with the Senator.

The first charge imposed on the farmer for hauling grain to the railroad charge. Do you know where the railroad charges come from? The same fund. Most of the grain is hauled via the railroads through Chicago. As a matter of fact, the railroad charges are not much less than the charges on the cargo preference. So why do we not put that under the Department of Defense?

My question to the Senator would be: Shall we get down to an accounting based upon commodities? I think the Department of Defense is the largest purchaser of agriculture products in the United States. Why do we not shift that over to the Agriculture budget?

I handle the defense budget. Senator Cochran handles the Agriculture budget. Why does he not pay for the food that we buy from farmers in order to feed the people in the Department of Defense?

That is what the Senator is saying. It makes no sense to me to now change a policy that has worked. The only international shipping done by American flag ships which makes sense today involves this program.

All of you state that you support a U.S.-flag fleet. We were appalled to hear the remarks of the Senator from Hawaii that all American mail going across the Atlantic is in Polish vessels. If we have anything to say about that, we will change that.

Mr. BOSCHWITZ. Will the Senator from Alaska yield?

Mr. STEVENS. I am happy to yield.

Mr. BOSCHWITZ. We were really just talking about the overage. We are not talking about the rail freight. The rail freight is shipped on a competitive basis and there is not a larger rate for rail on Public Law 480 shipments than there is on normal commercial shipments. The differences do not exist there.

Mr. STEVENS. None of them are shipped on Conrail? None of them are shipped on subsidized trains?

Mr. BOSCHWITZ. They are not shipped at rates that exceed other shipments. We are just talking about the excess. If the Senator would agree to put the excess -- I am not quite sure how this amendment is worded -- but if the Senator would put the excess over the world rate into the Defense Department, I think that the Senator from Iowa and the Senator from Illinois and I certainly would be agreeable to that.

I kind of lost the Senator from Alaska.

Mr. STEVENS. You will find him easily, I will tell you.

Mr. BOSCHWITZ. If he is around, everybody can find the Senator from Alaska. There is no question about that.

But, we just are talking about the excess costs. If the Senator from Alaska would say to us that the excess costs would go into the Defense Department and that normal world shipping costs would be assessed against the agricultural departments, that would be a different matter. We really are not complaining about the freight costs that are at the world rate. We are not complaining about the freight costs such as the rail costs that are shipped at rates similar to all other commodities. However, we are indeed upset about the surplus, or the differential we pay.

If the Senator would agree that those excess costs should go to the Department of Transportation, rather than the Department of Agriculture, or even better, into the Department of Defense, because the main motivation for these cargo preference rules is to see that we have a strong merchant marine in the event of hostilities, then we could all support him.

I have heard many times stated on the floor the problems that we had in Vietnam. But if those surplus costs could flow to the Department of Defense, I would venture to say my friends from Iowa, Illinois, and Oklahoma would be satisfied. Would the Senator be willing to do that?

Mr. STEVENS. Mr. President, that is an interesting question. Let me again remind the Senator where I come from. I come from Alaska. All shipments of Alaskan farm products are shipping on American-built, American-manned, American flagships. I have never had any Alaska farmer argue with me about that requirement. The costs are staggering compared to the costs of the international subsidized shipping.

Again, the Senator is comparing apples and oranges. The Senator compares the average charges under the cargo preference law with the charges of the subsidized foreign vessels going one way. When they take our grain over to a foreign port, they pick up the foreign cargo and go somewhere else. When our ships go into those ports, we do not get a backload because those countries are not going to pay to subsidize the United States shipment. We are lucky to pick up any cargo when we come back with American flag vessels. As a consequence, the charges are higher. There is no question about that.

If the Senator is serious about this subsidy, I will give the Senator a chance later on this year to talk about the restoration of an Eisenhower program known as the Mariner Program. This is a program to build American vessels under the Department of Defense, which would then lease the vessels to domestic operators so that they would in fact be operated during the period of their useful lives. That kept a whole series of American industries going. The net result to the farmers, would be a lower cost. But this is not the same problem we are talking about now. We are talking about an arrangement made back at the time we agreed to use taxpayers' money to export surplus crops abroad.

Again, I am not going to get into the rhetoric that was repeated in another body here in Washington. But we have to remember that this is not farmers' money we are talking about. The farmers are not paying this bill. It is the taxpayers that are paying the bill. I do not hear any taxpayers arguing about the fact that we need a merchant marine as well as we need a farming industry. The next thing we will hear after this amendment is we should shift the whole cost of surplus food donation to the Department of Defense because it is being done for foreign policy reasons. We are certainly not doing it, I hope, for the purpose of just keeping up overproduction in the United States.

I think people are losing sight of the issue. We are hearing a lot of amendments which attack the basic soundness of Senator Cochran's compromise approach. The compromise has been worked out. It is acceptable to reasonable people on both sides of this issue. That approach says, "Look, 50 percent of the cargo preference cost will come out of the budget where it was in the past. The additional amount required for cargo preference will be taken care of, by a new fund in the Department of Transportation" in order to meet the problems caused by the recent district court opinion dealing with cargo preference.

The beauty of Senator Cochran's approach is it is going to increase the exports of farm products. It is going to decrease the total percentage cost to the taxpayer of that increased amount of exports. Senator Cochran's compromise was a smart arrangement. Instead of being congratulated, there are some people from the farm community that asset that

this compromise is going to increase the costs to the farmer.

In the first place I do not agree that there is any cost to the farmer under the existing arrangements, let alone under Senator Cochran's approach. I would urge my friends to settle down and recognize a good compromise. This deal was only reluctantly agreed to by the merchant marine interests for good reason. Even if the money is not in the Department of Transportation funds to pay the cost of the cargo preference for the additional exports, exports will not be held up pending an appropriation to pay for the cargo preference.

That puts a great burden on those of us who support the cargo preference to assure the funding requirements of the Department of Transportation are met, and it leaves the compromise vulnerable to the kind of attacks I am hearing today. These types of attacks on Senator Cochran's amendment are really not warranted.

Mr. BOSCHWITZ. Mr. President, if the Senator will yield for another question, that was a long answer -- --

Mr. STEVENS. Mr. President, I had the floor. I have yielded the floor.

Mr. BOSCHWITZ. Mr. President, let me ask the Senator from Alaska. I know the Senator takes a great interest in Alaskan farming. As a matter of fact, I know the Senator from Alaska has done many good things for his farmers in Alaska. I have an awareness of that. In fact, you could argue that the Senator has almost singlehandedly created agriculture in Alaska. But would the Senator from Alaska, as a reasonable approach, take the world rate going and the world rate coming back empty, and we will assess that to the agricultural budget, and the balance can go somewhere else -- the Department of Transportation? We are as interested in the merchant marine as the next guy. We think it should be a good one. I was going to introduce an amendment here that would allow ships built in foreign countries to wave the American flag, and be included in our merchant marine. But, I do not want to continue this debate incessantly. That is not our purpose.

Mr. STEVENS. Mr. President, can I answer that question?

Mr. BOSCHWITZ. Sure.

Mr. STEVENS. I will answer it with a question. I spent last Saturday visiting with Swiss parliamentarians who were telling me they were worried about the increased surpluses of cheese and milk products in their country. They pointed out to me the cost of those products compared to the cost of the same products here at home. Will the Senator agree that, if we are to accept his approach, the Department of Defense bill should permit purchases of cheese in the world wherever it is cheapest, or any other commodity for that matter? Would he agree with that? Or even permit the Defense Department to purchase these products at the average world price, as whether they be automobiles, tanks, or anything else?

Mr. BOSCHWITZ. The Senator is not going to now make an analogy between tanks, milk, and other things.

Mr. STEVENS. I make an analogy between American shipping, and other American industries. We buy American first in terms of the Department of Defense. Everybody knows that. What is wrong with that for the merchant marine? We could buy tanks a lot cheaper abroad. We could buy cheese a lot cheaper abroad, I can tell you that. There are a lot of agricultural products we could buy abroad that would be a lot cheaper. If you want to push this thing to the extent of saying that the taxpayers somehow or other are harmed by maintaining the merchant marine, you had better look in your backyard because the constituents of every one of the Members of this Senate sell things to the Department of Defense which could be purchased a lot cheaper. There are some people arguing we should begin to do that now. I say, let us maintain the domestic merchant marine; let us maintain your domestic cheese industry and the agriculture industry. Let us remember that the concept of defense purchasing ought to be totally directed toward American products.

Mr. HARKIN. Will the Senator yield?

Mr. STEVENS. I yield the floor.

Mr. BOSCHWITZ. I have the floor. We, of course, are not talking about acquiring the Defense produce. I am very aware that the Senator from Alaska has been quite insistent and quite successful in seeing that various items for the Defense Department are brought from America including, in his State, agricultural products. I am just not sure that there is an analogy between sending agricultural products to the hungry of the world and tanks.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. COCHRAN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. HELMS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HELMS. Mr. President, I ask unanimous consent that the pending amendment be laid aside temporarily so that the distinguished Senator from Oklahoma [Mr. Nickles] can offer his amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 924 TO AMENDMENT NO. 916, AS AMENDED

(Purpose: To limit the applicability of the cargo preference laws to vessels certified as necessary to carry out the defense of the United States and its allies)

Mr. NICKLES. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Oklahoma [Mr. Nickles], for himself, Mr. Harkin, and Mr. Boschwitz, proposes an amendment numbered 924 to Amendment No. 916.

Mr. NICKLES. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of amendment No. 916, insert the following:

"AVAILABILITY OF VESSELS

"Sec.. Section 901 of the Merchant Marine Act, 1936 (46 U.S.C. 1241) is amended by inserting the following after the first sentence in subsection (b):

No United States-flag commercial vessel shall be deemed to be available for the transportation of cargoes subject to

Section 901 of the Merchant Marine Act, 1936 (46 U.S.C. 1241) and the Joint Resolution of March 26, 1934 (48 Stat. 500, 46 U.S.C. 1241-1) unless such vessel has been certified by the Secretary of the Navy, upon the recommendation of the Chief of Naval Operations, as being necessary to carry out the defense of the United States and its allies."

Mr. NICKELS. Mr. President, the amendment that I offer today, on behalf of myself, Senator Harkin, and Senator Boschwitz, is to clarify the purpose of enacting the cargo preference statutes by providing that the Secretary of the Navy, upon the recommendation of the Chief of Naval Operations, shall be required to certify that any vessel eligible to receive cargo preference subsidies is necessary to carry out the defense of the United States and its allies.

When the Cargo Preference Act was signed into law, the United States maintained the world's largest merchant fleet. The cargo preference statutes were intended to keep our fleet a mighty economic force in times of peace and a strong and modern part of our defense capability in times of war or national emergency by reserving half of all Government-generated cargo to U.S. owned and operated ships.

Currently over 50 percent of all Public Law 480 Food-for-Peace Program shipments are transported on U.S.-flag vessels under cargo preference. This is significant tonnage and is over and above all the shipments that are generated by the Department of Defense and all the nonfood tonnage of the Agency for International Development.

This amendment is not an effort to alter the fundamental application of the cargo preference provisions to the export of commodities under Public Law 480. It simply limits the applicability of cargo preference to those U.S.-owned and operated vessels certified by the Secretary of the Navy as necessary to carry out the defense of the United States and its allies.

It was certainly not the intention of drafters of the cargo preference laws to preserve a fleet of ships that would be of little use in the event of hostilities. Cargo preference requirements were designed to provide the United States with a modern merchant marine capable of meeting commercial needs and supporting a war effort, should the need arise. My amendment assures that will continue.

In spite of high costs, the cargo preference laws do not assure a strong U.S. merchant fleet. Maintaining vessels which do not operate at a competitive level is an unreasonable and unnecessary burden on the American taxpayers. Yet, the cargo preference fleet continues to operate under the supposition that the United States must maintain such a fleet for national defense purposes.

If these ships are indeed necessary, and sufficiently operational for service to the U.S. Navy, there should be no problem in having each of these vessels certified by the Secretary of the Navy as being necessary to carry out the defense of the United States and its allies.

Should a particular vessel be unfit for transporting our military or military supplies, surely that vessel should not receive a subsidy aimed at promoting the national defense. We simply must have a system of separating the wheat from the chaff and Congress ought to assign that responsibility to the officials who would ultimately make use of merchant vessels for national security reasons.

In addition should it be necessary to secure a merchant fleet during wartime, the President can requisition the foreign-registered U.S. effective control fleet under section 902 of the Merchant Marine Act of 1936. These ships, which are owned by U.S. citizens or U.S. corporations, are registered under foreign flags for convenience. These available ships have an average age of 12 years.

This amendment would merely clarify that cargo preference ocean freight differential subsidies would be extended only to those vessels that are certified as necessary for our national defense.

According to the Department of Transportation, steps are being taken to update the American merchant marine so that we are not throwing money into a hole in the water, but indeed, are preserving something that would be useful in a

defense effort. Since defense utilization is the original purpose for the cargo preference laws, it should be the responsibility of the Navy to establish which vessels would qualify for service under those conditions.

Under this amendment any vessel that is certified by the Secretary of the Navy as being necessary for defense purposes would automatically qualify for transporting cargos that are subject to the cargo preference laws.

A number of bulk merchant marine ships now receiving cargo preference subsidies are risky liabilities. The loss of the SS POET and the SS MARINE ELECTRIC are cases in point that some vintage ships are simply unable to fulfill a defense mission. Indeed it seems unwise to utilize any vessel that is unsafe, simply because it has been guaranteed business under cargo preference laws. For this reason, I believe this amendment will encourage the modernization of the U.S. merchant fleet and strengthen the U.S. maritime and ship building industries.

Passage of this amendment would provide orderly management in designating those U.S. vessels which could be utilized for defense purposes and national emergencies. I ask its adoption.

Again to clarify for all of my colleagues, this amendment is very simple. I would hope that it would be adopted. A voice vote is certainly fine with this Senator.

I have heard repeatedly today many people justifying the fact that cargo preference is necessary to maintain a viable merchant marine for defense purposes. Basically, all this amendment says is that the Secretary of the Navy, upon a recommendation of the Chief of Naval Operations, would certify that, yes, these vessels are for the defense of the United States or our allies.

I would hope that the amendment would be agreed to.

Mr. STEVENS. Mr. President, I am compelled to oppose this amendment also.

Let me point out we are talking about the cost of sending grain abroad. I think my friend from Oklahoma would agree to that.

I would suggest that, if my friend wants to pursue this course of action, the Secretary of Agriculture should be required to certify that grain was produced on a farm totally in compliance with the limitations set by the Secretary of Agriculture before any grain is purchased. This is an issue of foreign policy. We are using farm surpluses the production in excess of U.S. requirements, to assist unfortunate people abroad.

I am told, for instance, that we could buy wheat in Argentina for \$115 a ton, \$31 a ton less than the cost to the Federal Government in purchasing U.S. wheat surpluses.

If we are really talking about saving the taxpayers money, then maybe we should start buying Argentina wheat and ship it to India or Ethiopia.

The direction of this discussion suggests that supporters of the merchant marine community should accept a requirement that my friend would never accept if imposed on the agricultural community. Would my friend from Oklahoma suggest a limitation that no agricultural product could be purchased from any farmer if it exceeded the limitations set by the Secretary of Agriculture in the previous year? I ask that without being facetious. Would he accept the concept that if we could purchase the same product abroad for less money, we should do so in order to save the taxpayers money while carrying out a foreign policy? As I mentioned, the Swiss say they are anxious to sell us some cheese. We can buy the cheese there, I am sure. The European Community also has a great many surpluses too.

Is the Senator trying to set a precedent with this amendment?

Is he willing for this new principle to apply across the board to the Federal Government? That is the question. I am not trying to be facetious and I am not trying to be argumentative to my friend.

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The policies that the Senator from Oklahoma seeks to impose upon those who support the merchant marine would not be acceptable to him if imposed on agriculture. I do not believe we should have to go to the Secretary of the Navy and say that he should certify that every vessel is necessary for the national defense. It is a national defense requirement to maintain our merchant marine for our national security. We need to make an additional statement indicating the total requirements of the Department of Defense.

Incidentally, we do have the certification about the total sealift required. He will tell you that we do not have it right now. I can assure him that we don't have that capability. This amendment would require certification of every existing vessel.

Shall we do the same thing for the Department of Agriculture?

Mr. NICKLES. Does the Senator want me to respond to the question? I will.

My argument basically is as the Senator from Hawaii mentioned, that we have 409 ships. We have had Senators mention that a lot of these ships are probably obsolete. A lot probably have a questionable value. I do not know.

Again, if we are going to use the argument or the justification for cargo preference that it is in our national interest, that we need it for national defense, possibly it would make sense for those in charge of national defense to say, "Yes, we do need these vessels. These individual vessels would be an asset to us in time of emergency. Therefore, we should be giving them some subsidy for operation."

On the question, "Do we want the same thing to apply to agriculture?" I will be happy to answer that.

I am troubled by the deficits that we are looking at. We talk about cost. I have lost that argument so I did not bring it up this time. But this program that we have right now, Public Law 480, as it applies to agriculture, cost, in 1984, \$129 million. This year it is estimated to cost \$155 million. Under this amendment, the so-called compromise, it will cost over \$200 million.

Mr. STEVENS. Is that cargo preference?

Mr. NICKLES. I am talking about cargo preference.

Mr. STEVENS. How much does it cost for the agricultural portion of the program? Do you have these figures?

Mr. NICKLES. Yes, I do.

Mr. STEVENS. I will be happy to hear them.

Mr. NICKLES. In agriculture, we are talking about wheat farmers, we are talking about a flat wheat price for the next 4 years. We are talking about wheat farmers who are going broke. We are talking about in the House-passed bill a \$4.38 wheat price for the next 4 years. In the Senate, we have a two-tier price but it is basically the same price for the next 4 years.

Under the cargo provisions that we are talking about, the Senator from North Carolina knows that we are looking at this going from \$129 million last year, to \$155 million in 1985, and over \$200 million in the upcoming year.

So we are talking about a tremendous increase. I am not seeking tremendous increases. I do not know if anybody has any amendment that says we are going to be increasing target prices substantially. We are talking about the same target prices that they have had for the last couple of years.

Yes, the total amount of CCC payments, the record was \$18 billion. This year, I think it is \$15 billion. Under the committee proposal, I am not sure. I would guess it is an average of \$15 billion per year. That is the same thing they

received last year. That is the same amount they received last year.

This time, we are talking about a few companies, just a few companies. I am not sure whether these companies fall in the Senator's State or wherever. I do not have these companies in my State.

Mr. STEVENS. Let me assure the Senator, none of those shipping companies do business in my State.

Mr. NICKLES. I appreciate that, Mr. President.

Mr. HARKIN. Will the Senator yield?

Mr. NICKLES. In just a moment, I shall be happy to yield.

The point I am trying to make is yes, we have seen a tremendous outflow of revenues and increase in the subsidies under the guise of Public Law 480. I have heard some say estimates of \$60 million a year, others are saying up to \$100 million a year. The people who were not represented at this so-called compromise were the taxpayers.

If you look at the dramatic increase in the growth of this program, it is enormous. And the justification for it that we have heard over and over again is that we need a strong, viable merchant marine to assist us in some type of emergency. I have heard that. The majority of the Senate has voted for it. I am not going to debate it any longer, but I say if we are going to fall back on that justification, we ought to have the Secretary of the Navy certify that, yes indeed, these vessels are necessary for the defense of the United States and our allies.

Yes, I yield.

Mr. HARKIN. Mr. President, I wanted to be sure in this debate that is going on, what the thrust is of the Senator's amendment. As I understand it, all he is saying in his amendment is that to qualify for this subsidy, the Secretary of the Navy would have to certify that that vessel could be used in our national defense effort. Is that correct?

Mr. NICKLES. The Senator is exactly correct.

Mr. HARKIN. Actually, Mr. President, I think it is a great amendment.

As I understand it, the amendment is not speaking to what level of subsidy or anything like that. It is simply saying again that if indeed this is a national defense necessity, we ought to make sure that the ships could be used, can indeed be used if we need them for national defense purposes. Again, I say to the Senator from Oklahoma, it is a great amendment. I support it. I hope that the Senate adopts it.

Just thinking out loud, Mr. President, it seems to me that in terms of this whole idea of cargo preference and subsidies for American vessels, those who are in charge of the Defense authorizing committees and the Defense appropriations committees would take due care and concern that such moneys are available to meet the legitimate defense needs of this country in terms of keeping a strong maritime fleet. I think if there is one way to dispose of this as an issue that keeps coming up year after year, they ought to adopt the amendment of the Senator from Oklahoma and my amendment, and I doubt that it would ever come up again.

I thank the Senator for yielding.

Mr. HELMS addressed the Chair.

The PRESIDING OFFICER. The Senator from North Carolina.

Mr. BOREN. Mr. President, I wonder if the Senator would yield to me briefly to make a statement on the pending amendment.

Mr. HELMS. Certainly, Mr. President.

Mr. BOREN. Mr. President, I commend my colleague for offering this amendment. It is an amendment that I intend to support. As the Senator from Iowa has just said, I think all of us are concerned about national defense. We want to have sufficient capability to move cargo on American ships in time of national emergency.

That does not mean that it follows that the farmers of this country should bear the full burden of paying for this contribution to our national defense.

In addition, there is the point that if the farmers are going to be saddled with this burden, they should not be required to subsidize more ships than are necessary to meet the military and national strategic need. I think this amendment is a step in the right direction. It is an amendment which I intend to support enthusiastically, as I also intend to support the proposal that will be offered by the Senator from Iowa [Mr. Harkin] a little later on. I commend my colleague for offering the amendment.

Mr. HELMS. Mr. President, aside from all the discussion about equity and fairness and that sort of thing, I think it might be relevant and certainly important to look at the history of the Cargo Preference Act. I am going to pose a question to my friend from Oklahoma [Mr. Nickles].

I know the Senator has done great research on the history of cargo preference because he and I have discussed it. But at the time that the law first was enacted and signed into law, the United States maintained the world's largest merchant fleet. Is that the Senator's understanding?

Mr. NICKLES. The Senator is correct.

Mr. HELMS. The cargo preference standards were intended to do what? As I understand it, to keep our fleet a mighty economic force in time of peace and a strong and effective defense capability in time of war. Is that the Senator's understanding?

Mr. NICKLES. That is correct, Mr. President.

Mr. HELMS. Mr. President, the point is this: I guess I am in a position of the fellow back home with some of my friends on one side and some of my friends on the other and I always like to stand with my friends. But facts are facts and we should not lose sight of the history of what we are talking about.

Currently, I say to the Senator from Oklahoma -- both Senators from Oklahoma -- that over 50 percent of all Public Law 480 food for peace shipments are transported on U.S.-flag vessels under cargo preference. Is that the Senator's understanding?

Mr. NICKLES. The Senator is correct.

Mr. HELMS. This to me is significant tonnage and over and above all of the shipments that are generated by the Department of Defense and all of the nonfood tonnage of the Agency for International Development. So I do not believe that the maritime union needs to have any fear about economic disaster hitting them under the present, existing situation.

Let me ask the Senator this: Am I correct that his amendment is not an effort to alter the fundamental application of the cargo preference provisions to the export of commodities under Public Law 480?

Mr. NICKLES. The Senator is correct. That amendment has already been offered. It did not pass. The Senator from Minnesota had an amendment. I supported the amendment but it did not pass. The basic thrust of this amendment is to have the Secretary of the Navy say that he needs those ships for defense purposes.

Mr. HELMS. It simply limits the applicability to those vessels owned and operated by commercial companies that are certified by the Secretary of the Navy as necessary to carry out the defense of the United States and our allies. Is that correct?

Mr. NICKLES. The Senator is correct.

Mr. HELMS. Mr. President, I say further that it was not the intention of the drafters of the original cargo preference laws to preserve a fleet of ships that would be of little use in the event of hostilities. I think that is what the Senator is focusing on with his amendment. Cargo preference requirements were designed to provide the United States with a modern merchant marine capable of meeting commercial needs and supporting a war effort should the need arise. The amendment of the Senator from Oklahoma assures that that will continue.

Mr. President, before we walk in and vote blindly on what I consider to be a perfectly reasonable amendment, I think that the Senators would be well advised to think a little about the original intent of the cargo preference statute and to consider what is best for the American farmers, best for national defense, and certainly best for the taxpayers.

Mr. President, if these ships are indeed necessary, and sufficiently operational for service to the U.S. Navy, there should be no problem in having each of these vessels certified by the Secretary of the Navy as being necessary to carry out the defense of the United States and its allies.

Should a particular vessel be unfit for transporting our military or military supplies, surely that vessel should not receive a subsidy aimed at promoting the national defense. We simply must have a system of separating the wheat from the chaff and Congress ought to assign that responsibility to the officials who would ultimately make use of merchant vessels for national security reasons.

In addition should it be necessary to secure a merchant fleet during wartime, the President can requisition the foreign-registered U.S. Effective Control Fleet under section 902 of the Merchant Marine Act of 1936. These ships, which are owned by U.S. citizens or U.S. corporations, are registered under foreign flags for convenience. These available ships have an average age of 12 years.

This amendment would merely clarify that cargo preference ocean freight differential subsidies would be extended only to those vessels that are certified as necessary for our national defense.

According to the Department of Transportation, steps are being taken to update the American merchant marine so that we are not throwing money into a hole in the water, but indeed, are preserving something that would be useful in a defense effort. Since defense utilization is the original purpose for the cargo preference laws, it should be the responsibility of the Navy to establish which vessels would qualify for service under those conditions.

Under this amendment any vessel that is certified by the Secretary of the Navy as being necessary for defense purposes would automatically qualify for transporting cargos that are subject to the cargo preference laws.

A number of bulk merchant marine ships now receiving cargo preference subsidies are risky liabilities. The loss of the S.S. POET and the S.S. MARINE ELECTRIC are cases in point that some vintage ships are simply unable to fulfill a defense mission. Indeed it seems unwise to utilize any vessel that is unsafe, simply because it has been guaranteed business under cargo preference laws. For this reason, I believe this amendment will encourage the modernization of the U.S. merchant fleet and strengthen the U.S. maritime and ship building industries.

Passage of this amendment would provide orderly management in designating those U.S. vessels which could be utilized for defense purposes and national emergencies, as I ask its adoption.

Mr. DIXON. Mr. President, will my friend from Oklahoma yield for a question?

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Mr. NICKLES. I will be happy to yield.

Mr. DIXON. First of all, I wonder if he would honor me by letting me join him in cosponsoring the amendment?

Mr. NICKLES. I am most appreciative of the Senator's request.

Mr. DIXON. Has my colleague asked for the yeas and nays?

Mr. NICKLES. I have not. I will withhold because I am hoping that the Senator from Alaska would agree to the amendment. I think that is still a possibility.

Mr. DIXON. At the appropriate time, if he does not, I presume he will ask for the yeas and nays?

Mr. NICKLES. That is correct.

Mr. STEVENS. Mr. President, while I might argue with the Senator from Oklahoma about the way it is written, we can make adjustments to the language when we get to conference so that the Secretary of the Navy is not put in the position of having to go out and inspect every vessel that is going to carry Public Law 480 cargo. I have been conferring with people, in regard to the certification concept. I think that we are not that far apart with the Senator from Oklahoma.

Does my friend from Mississippi have any problem if we agree to take that amendment with the understanding that I may want to rarefy it a little bit when we get into conference?

Mr. COCHRAN. Mr. President, if the Senator will yield, I certainly agree that we should include in the compromise language such as that recommended by the Senator from Oklahoma. I have no problem with accepting the amendment and would recommend to the Senate that it be included in the package. I thank the Senator for bringing this up and suggesting it as a part of the language, and I thank the Senator from Alaska for his contribution.

The PRESIDING OFFICER (Mr. Tribble). Is there further debate?

Mr. NICKLES. Mr. President, I wish to thank my good friends, both the Senator from Alaska and the Senator from Mississippi, for their cooperation. As I stated at the outset, I had hoped that this would be an amendment the Senate would find acceptable. I think it would help alleviate some of the concerns that many have been raised concerning cargo preference. I am hopeful the Senate will adopt it. It is not necessary on this Senator's behalf to have a rollcall vote.

The PRESIDING OFFICER. Is there further debate? If not, the question is on agreeing to the amendment of the Senator from Oklahoma.

The amendment (No. 924) was agreed to.

Mr. HELMS. I move to reconsider the vote by which the amendment was agreed to.

Mr. NICKLES. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. NICKLES. Mr. President, I ask unanimous consent that my colleague, Senator Boren, be added as a cosponsor.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. HELMS. Mr. President, as one of the managers of this bill, I want to thank my friend from Mississippi and my friend from Alaska. I think the process has been improved, and I think the Senator's amendment is certainly more palatable insofar as this Senator is concerned, but I thank him for his reasonableness.

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I suggest the absence of a quorum, Mr. President.

The PRESIDING OFFICER. The clerk will call the roll to ascertain the presence of a quorum.

The bill clerk proceeded to call the roll.

Mr. DIXON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The pending business before the Senate is the amendment of the Senator from Iowa [Mr. Harkin].

Mr. DIXON. Mr. President, I ask unanimous consent that the consideration of that amendment be temporarily set aside in view of the circumstances here; that we are waiting for Senators.

Mr. HELMS. Mr. President, reserving the right to object, and I shall not object, I believe the Senator from Mississippi may want to reserve the right to object.

Mr. COCHRAN. Mr. President, I reserve the right to object. It was my understanding that there were Senators who wanted to be heard on the subject of the Harkin amendment. I am hoping that at about 6:30 we will be able to make a motion to table the amendment of the Senator from Iowa, and the yeas and nays can be obtained and we will have a vote on a motion to table that amendment. Since that is the situation, those who want to speak on that amendment could use this opportunity to express themselves on the Harkin amendment. I know the distinguished Senator from Arizona, the chairman of the Armed Service Committee, has come to the floor because of his concern about the impact of that amendment. So I would suggest that it may be inappropriate to lay this amendment aside now. We could complete debate on the Harkin amendment and then go to a motion to table at about 6:30.

Mr. DIXON. May I say to my friend from Mississippi I thought we had no other business and we were consuming some time. I was going to accommodate the Senate by going to my amendment which would be the next amendment in order, but I have no objection to withdrawing my request and yielding to my distinguished friend, the chairman of the Armed Services Committee.

Mr. COCHRAN. I thank the Senator.

Mr. HELMS. The Senator from Illinois is considerate, as always, and we will proceed in that direction.

Mr. GOLDWATER. Mr. President, unfortunately, I have been detained with Senator Nunn for the last hour discussing with our friends from England some of our joint problems. I did not learn of the Harkin amendment until just a few moments ago. I would like to have it explained to me so I could speak against it.

Mr. COCHRAN. Mr. President, if the Senator will yield, although I am not the author of the amendment, I do recall the Senator's explanation of it as basically a requirement that the expense of cargo preference be paid by the Department of Defense, since it was an important element of our Nation's security that we maintain a merchant marine, and have the capability of shipping goods overseas in emergencies, and we have an active merchant marine fleet. I think that is the import of the Senator's amendment, although he is, I am sure, capable of explaining it better than I.

Mr. GOLDWATER. I thank the Senator. I am sorry that I had to ask for that explanation, but we did not have the amendment available.

Mr. President, I think it is rather unusual to ask that this amount of money be spent by a committee that has had no opportunity to have hearings on the subject. We have never even heard of it before. It is rather unusual for that to happen. I want to call attention to my colleagues that the House is voting today and tomorrow on the subject of money for defense and they want to knock our defense down a little further. They might wind up with \$10 billion less than we

had cut. We cut \$20 billion out of our defense bill.

Mr. President, we cannot continue to attack defense in this country and expect to have a defense that is worthy of its name. I would oppose an amendment like this very vehemently because it should come before the Armed Services Committee for any decisions, yes or no. We might decide it is a good idea. On the other hand, from what I have heard of it in the few seconds I have been on the floor, I think it is a very bad idea. It is procedurally bad to try to go around the committee. It is legislatively bad to attempt it the way it is being attempted.

This whole matter of whose bottoms are going to carry our grain, and so forth, comes up every year, and I know that the measures usually have the full support of the labor unions. Coming from a State that is not too worried about shipping anything on bottoms, I am far more interested in the defense of my country than who carries what.

The committee would be very happy to have hearings on this matter as soon as we possibly can, so that we can come to some decision relative to whether or not it is wise to do this.

I am just opposed to spending any more of our money that we have for defense purposes for nondefense matters.

I rest my case, Mr. President. I think the amendment is very badly conceived. I do not think it has any place to be considered on this floor at this time, and at the proper time I hope we can move to table it.

Mr. HARKIN. Mr. President, in response to the distinguished Senator from Arizona, I find the argument used by the Senator very interesting, in that he said that he did not want any more money spent for nondefense purposes. Yet, every argument I have heard today -- in fact, every argument I have heard for 10 years on behalf of cargo preference -- has been that we need this subsidy for the defense of this country, to keep a merchant fleet, a maritime fleet, that is up to date, modern, and can be called upon in the defense of this country if the need should ever arise.

It seems that the distinguished Senator from Arizona is saying that this is not a defense issue. It seems that everybody else who has debated it today and for years has said that it really is part of our national defense.

So what I have sought to do in this amendment is simply to put the burden where it should be -- not on agriculture, but on the Defense Department. I think they are better able to decide how much is needed for a merchant fleet.

I notice that the amendment offered by the Senator from Oklahoma was accepted. I thought that was a good amendment. But the amendment I have offered simply seeks to transfer the funding for the subsidy. I have not said what the subsidy should be. I have not attacked the subsidy. In fact, in the past I have supported cargo preference on the basis that it was needed for a merchant fleet.

I think the time has come to take it out of the realm of agricultural politics, and agricultural economics, and put it in the Department of Defense, where I think it should have been a long time ago, and probably where the maritime industry and the merchant fleet would have fared a lot better than they have heretofore, being under the Department of Agriculture.

So I take exception to the remarks of the distinguished Senator from Arizona that this is nondefense. I believe it is very much defense oriented.

I repeat that I think that those Senators and Members of the other body who are on the defense appropriations or authorizing committees should take due care and concern to see that the merchant fleet is kept modernized through the use of this kind of subsidy.

So it is really a defense-related matter, and that is where these funds would go. They would go for the defense of this country, and they really should come from the Department of Defense and not from the Department of Agriculture.

Mr. GOLDWATER. Mr. President, in answer to the Senator from Iowa, I will be very glad to hold hearings on this

matter before the Armed Services Committee. But I absolutely am opposed to the usurpation of my committee's prerogative by anybody on the floor of the Senate or in another committee until we have had a chance to hear it.

The Senator is asking that my Committee on Armed Services give up \$150 million. We do not know where we are going to find \$150 million. We do not know where we are going to find \$150 million even if this body votes it.

So I will be very happy to call a meeting as soon as I can, but I will oppose anybody trying to operate around my committee with the committee's money.

Mr. INOUE. Mr. President, earlier this day, I had the opportunity to discuss this amendment with the author, my distinguished friend from Iowa. I am certain that the Senator from Iowa will be the first to suggest that this is quite a departure from what has been the practice.

The Cochran compromise calls for the creation of a 16-member study commission to study transportation problems relating to cargo preference.

I would think that when this Cochran amendment is adopted and the Commission is appointed, one of the first things the Commission would do would be to study the proposal submitted by my dear friend. So I hope that, instead of bringing this matter to a vote, it be, first, referred to the Armed Services Committee for its consideration. Second, I can assure the Senator that when the Cochran amendment is adopted and becomes law and the Commission is formed, I will join the Senator from Iowa in asking the Commission to study this proposal.

I am afraid that if this matter is brought to a vote, the Senator's proposal will be defeated and I do not think he wants that to happen.

The PRESIDING OFFICER. Is there further debate?

Mr. STEVENS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. HARKIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARKIN. Mr. President, it has come to my attention, with respect to this compromise that is being debated now regarding cargo preference, which is going to cost money from the Department of Transportation and from the Department of Agriculture, that no hearings were held in the Commerce Committee on it, either. They did not have any hearings as to whether or not any of this money should come from the Department of Transportation, and we did not have any hearings in the Agriculture Committee, either, as to whether or not we should have this increase in the amount of the subsidy for cargo preference.

So, we never had any hearings on this compromise at all, in response to the distinguished Senator from Arizona.

Maybe they would just like to hold up the whole thing until we have adequate hearings on it in Agriculture, Transportation, and the defense authorization committee.

We could just hold up the whole thing until such time as that takes place.

Again, I do not think that is really necessary. We are just asking again that the proper allocation of funds be made from the Department of Defense for that.

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I just wanted to take this time to point out again that no hearings were held, either in the Commerce Committee or the Agriculture Committee, on this so-called compromise.

Mr. President, I ask unanimous consent that Senator Pryor be added as a cosponsor to the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. INOUE. Mr. President, just to clarify the record, the Commerce Committee did hold hearings on cargo preference on several occasions.

I quite agree with my friend from Iowa that the Cochran compromise was not the subject of the hearing, but we have discussed cargo preference, the role of the Department of Transportation and the role of the Department of Agriculture.

So this matter has been amply considered and covered by the members of the Commerce Committee.

Mr. HARKIN.

Mr. President, will the Senator yield?

Mr. INOUE. I am happy to yield.

Mr. HARKIN. Mr. President, I thank the Senator for clarifying that.

I hope my remarks were not misunderstood. I meant to say the compromise did not have hearings. Actually the Commerce Committee has had hearings on cargo preference, but not on this compromise.

Mr. INOUE. Not on the Cochran compromise.

Mr. GOLDWATER. Mr. President, in answer to the Senator from Iowa, I might point out that many amendments are offered on this floor that have never had a hearing. It is one of the chief problems of the budget process that we so wholeheartedly adopted a number of years ago. I will daresay -- I will not go over 75 percent -- but 75 percent of the amendments that have been offered on this floor today, tomorrow, the next day, and the day after have never had any hearings.

I do not like the idea that they have not had hearings on this before Agriculture. We have had hearings on this subject not once but several times before the Commerce Committee.

I am not speaking only from the Armed Services Committee. But I think it is wrong to go legislatively around any committee, and when you get into a hurry-up situation like we have here on a farm bill with some 70 amendments still pending, many of them having no bearing at all upon agriculture or the plight of the American farmer, I think this is all wrong, and I think the Senator from Iowa has made a very good point that there have not been hearings held on this and because \$150 million, while it does not sound like a lot of money when we are talking about a \$300 billion defense budget, it is a lot of money when we are worrying about whether we can buy this kind of equipment or that kind of equipment or enough equipment to satisfy the needs of our troops in the field.

So, I sincerely hope that possibly the Senator from Iowa would reconsider and offer this amendment in the form of a bill, and I can assure him that the Armed Services Committee will have hearings. Whether Agriculture has it or not is up to them.

The PRESIDING OFFICER. The question is on the amendment.

Mr. STEVENS. Mr. President, I suggest the absence of a quorum.

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The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. HELMS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HELMS. Mr. President, have the yeas and nays been ordered?

The PRESIDING OFFICER. The pending amendment is that of the Senator from Iowa [Mr. Harkin], and the yeas and nays have been ordered.

Mr. HELMS. Let us vote.

Mr. COCHRAN. Mr. President, it is my intention to move to table the amendment of the Senator from Iowa and ask for the yeas and nays. It was my intention to make that motion at 6:30 p.m. because of a request of the majority leader and because of the absence of some Senators for a meeting that includes the President of the United States and others.

So unless there be any -- --

Mr. JOHNSTON. Let us hold the vote.

Mr. COCHRAN. I hope that we would refrain from going into a vote before 6:30 p.m.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. COCHRAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. COCHRAN. Mr. President, I move to table the amendment of the Senator from Iowa [Mr. Harkin] and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Mississippi [Mr. Cochran] to table the amendment of the Senator from Iowa [Mr. Harkin]. The yeas and nays have been ordered and the clerk will call the roll.

The bill clerk called the roll.

Mr. SIMPSON. I announce that the Senator from Wyoming, [Mr. Wallop], is necessarily absent.

Mr. CRANSTON. I announce that the Senator from Mississippi [Mr. Stennis], is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote?

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The result was announced -- yeas 62, nays 36, as follows:

(See Rollcall Vote No. 261 Leg. in the ROLL segment.)

So the motion to lay on the table amendment No. 923 was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the motion was agreed to.

Mr. BOSCHWITZ. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, could I have the attention of my colleagues?

The PRESIDING OFFICER. The majority leader.

Mr. DOLE. Mr. President, I understand the Senator from Illinois has an amendment. I would like to ask unanimous consent that there be 20 minutes on the amendment, equally divided, and that we vote on it at 7:15. I ask that it be an up-or-down vote.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. DOLE. That will be the last vote.

Mr. ZORINSKY. No later than 7:15.

Mr. DOLE. No later than 7:15. If we can do it earlier, fine.

AMENDMENT NO. 925 TO AMENDMENT NO. 916

Mr. DIXON. Mr. President, I have an amendment at the desk. I ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Illinois [Mr. Dixon] proposes an amendment numbered 925.

Mr. DIXON. Mr. President, I ask unanimous consent that further reading of the amendment of dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

In the pending amendment, strike all after "Sec. 131." and insert in lieu thereof the following:

"(a) The Congress finds and declares --

(1) that a productive and healthy agricultural industry and a strong and active United States maritime industry are vitally important to the economic well-being and national security objectives of our Nation;

(2) that both industries must compete in international markets increasingly dominated by foreign trade barriers and the subsidization practices of foreign governments;

(3) that increased agricultural exports and the utilization of United States merchant vessels contribute positively to

the United States balance of trade and generate employment opportunities in the United States.

(b) It is therefore declared to be the purpose and policy of the Congress in this subtitle --

(1) to enable the Department of Agriculture to plan its export programs effectively, by clarifying the ocean transportation requirements applicable to such programs;

(2) to take immediate and positive steps to promote the growth of the cargo carrying capacity of the United States merchant marine;

(3) to expand international trade in United States agricultural commodities and products and to develop, maintain, and expand markets for United States agricultural exports;

(4) to improve the efficiency of administration of both the commodity purchasing and selling and the ocean transportation activities associated with export programs sponsored by the Department of Agriculture; and

(5) to stimulate and promote both the agricultural and maritime cooperative efforts by both industries to address their common problems.

EXEMPTION OF CERTAIN AGRICULTURAL COMMODITIES FROM THE REQUIREMENTS OF THE CARGO PREFERENCE LAWS

Sec. 132. The requirements of section 901(b)(1) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)(1)), and the Joint Resolution of March 26, 1934 (46 U.S.C. 1241-1), shall not apply to any export activities of the Secretary of Agriculture or the Commodity Credit Corporation --

(1) under which agricultural commodities or the products thereof acquired by the Commodity Credit Corporation are made available to United States exporters, users, processors, or foreign purchasers for the purpose of developing, maintaining, or expanding export markets for United States agricultural commodities or the products thereof at prevailing world market prices;

(2) under which payments are made available to United States exporters, users, or processors or, except as provided in section 133(b)(6), cash grants are made available to foreign purchasers, for the purpose described in clause (1);

(3) under which commercial credit guarantees are blended with direct credits from the Commodity Credit Corporation to reduce the effective rate of interest on export sales of United States agricultural commodities or the products thereof;

(4) under which credit or credit guarantees for not to exceed 3 years are extended by the Commodity Credit Corporation to finance or guarantee export sales of United States agricultural commodities or the products thereof; or

(5) under which agricultural commodities or the products thereof owned, controlled, or held as loan security by the Commodity Credit Corporation are exchanged or bartered for materials, goods, equipment, or services, but only if such materials, goods, equipment, or services are of a value at least equivalent to the value of the agricultural commodities or products exchanged or bartered therefor (determined on the basis of prevailing world market prices at the time of the exchange or barter), but nothing in this subsection shall be construed to exempt from the cargo preference provisions referred to in section 132 any requirement otherwise applicable to the materials, goods, equipment, or services imported under any such transaction.

EXPANSION OF CARGO PREFERENCE APPLICATION

Sec. 133. (a)(1) In addition to any quantity of agricultural commodities and the products thereof required under section 901(b) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)(1)), to be transported in United States-flag

vessels, a volume equal to 25 percent of the gross tonnage of agricultural commodities or the products thereof shipped under the agricultural export programs specified in subsection (b) of this section shall be transported on United States-flag vessels.

(2) In order to achieve an orderly and efficient implementation of the requirement of paragraph (1) --

(A) a quantity equal to 10 percent of the gross tonnage referred to in paragraph (1) shall be transported in United States-flag vessels in calendar year 1986;

(B) a quantity equal to 20 percent of such gross tonnage shall be transported in such vessels in calendar year 1987; and

(C) a quantity equal to 25 percent of such gross tonnage shall be transported in such vessels in calendar year 1988 and in each calendar year thereafter.

(3) In implementing the requirements of paragraph (1), the Secretary of transportation shall give due consideration to the availability of United States-flag vessels to transport the commodities referred to in such paragraph.

(b) This section shall apply to any export activity of the Commodity Credit Corporation or the Secretary of Agriculture --

(1) carried out under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.);

(2) carried out under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(3) carried out under the Food Security Wheat Reserve Act of 1980 (7 U.S.C. 1736f-1);

(4) under which agricultural commodities or the products thereof are --

(A) donated through foreign governments or agencies, private or public, including intergovernmental organizations; or

(P) sold for foreign currencies or for dollars on credit terms of more than ten years;

(5) under which agricultural commodities or the products thereof are made available for emergency food relief at less than prevailing world market prices;

(6) under which cash grants are made available to foreign purchasers for the purpose of enabling such purchasers to acquire United States agricultural commodities or the products thereof if the cash grants are in amounts that result in the purchaser (after receipt of such grants) paying less than the prevailing world market price for such commodities; or

(7) under which agricultural commodities owned, controlled, or held as loan security by the Commodity Credit Corporation are exchanged or bartered for materials, goods, equipment, or services produced in foreign countries, other than export activities described in subsection (d).

(c)(1) The requirement for United States-flag transportation imposed by subsection (a) shall be subject to the same terms and conditions as provided in section 901(b) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)).

(2)(A) In order to carry out effectively the requirements of this subtitle, the Secretary of Transportation shall, to the maximum extent practicable within the requirements of this section and section 901(b) of the Merchant Marine Act, 1936, administer this subtitle and section 901(b) of the Merchant Marine Act, 1936, in a flexible manner, giving due consideration to historical trading patterns and to divisions in United States international shipping trades between bulk and liner service to particular geographic areas.

(B) The Secretaries of Agriculture and Transportation shall administer the cargo preference laws in such a way that they preserve the mean historic port range share of cargoes subject to the cargo preference requirements for those processed, fortified or bagged agricultural commodities which are exported as assistance or a donation pursuant to Title II of the Agricultural Trade Development Act of 1954 from all four port ranges. For the purposes of this paragraph, the term, "mean historic port range share," is defined as the average of the annual per centum of any such processed, fortified or bagged agricultural commodities, which are exported as assistance or as a donation pursuant to Title II of the Agricultural Trade Development and Assistance Act of 1954, shipped over the four-year period from calendar year 1980 through calendar year 1983.

(d) As used in subsection (b), the term "export activity", shall not include inspection or weighing activities, other activities carried out for health or safety purposes, or technical assistance provided in the handling of commercial transactions.

(e)(1) The prevailing world market price shall be determined under this subtitle in accordance with procedures established by the Secretary of Agriculture. The Secretary shall prescribe such procedures by regulation, with notice and opportunity for public comment, pursuant to section 553 of title 5, United States Code.

(2) In the event that a determination of the prevailing world market price of any type of materials, goods, equipment, or service is required in order to determine whether a barter or exchange transaction is subject to subsection (b)(6) or (b)(7), such determination shall be made by the Secretary of Agriculture in consultation with the heads of other appropriate Federal agencies.

MINIMUM TONNAGE

Sec. 134. (a)(1) For fiscal year 1986 and each fiscal year thereafter, the minimum quantity of agricultural commodities that may be exported under programs subject to section 133 shall be the average of the tonnage exported under such programs during the base period defined in subsection (b), discarding the high and low years.

(2) The President may waive the minimum quantity for any fiscal year required under paragraph (1) if he determines and reports to the Congress, together with his reasons, that such quantity cannot be effectively used for the purposes of such programs or, based on a certification by the Secretary of Agriculture, that the commodities are not available for reasons which include the unavailability of funds.

(b) The base period utilized for computing the minimum tonnage quantity referred to in subsection (a) for any fiscal year shall be the five fiscal years beginning with the sixth fiscal year preceding such fiscal year and ending with the second fiscal year preceding such fiscal year.

FINANCING OF SHIPMENT OF AGRICULTURAL COMMODITIES IN UNITED STATES-FLAG VESSELS

Sec. 135. (a) The Secretary of Transportation shall finance any increased ocean freight charges incurred in any fiscal year which result from the application of section 133(a). The amount to be financed by the Secretary shall be an amount of the total freight charges incurred from the application of such section in such fiscal year equal to a fraction of the total ocean freight differential incurred in connection with the export activities specified in such section in such fiscal year, the numerator of such fraction to be equal to the percentage in excess of 50 of the tonnage of agricultural commodities or the products thereof that are shipped on United States-flag vessels, and the denominator of such fraction to be equal to the total percentage of such tonnage so shipped.

(b)(1) If in any fiscal year the total cost of ocean freight and ocean freight differential for which obligations are incurred by the Department of Agriculture and the Commodity Credit Corporation on exports of agricultural commodities and products thereof under the agricultural export programs specified in section 133(b) exceeds 20 percent of the value of such commodities and products and the cost of such ocean freight and ocean freight differential on which obligations are incurred by such Department and Corporation during such year, the Secretary of Transportation shall

reimburse the Department of Agriculture and the Commodity Credit Corporation for the amount of such excess. For the purpose of this subsection, commodities shipped from the inventory of the Commodity Credit Corporation shall be valued as provided in section 403(b) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1733(b)).

(2)(A) the National Advisory Commission on Agricultural Export Transportation Policy established under section 136 shall include in its final report to the President and the Congress recommendations for any changes in the provisions of paragraph (1) that would help assure that the cost of ocean freight and ocean freight differential incurred by the Department of Agriculture and the Commodity Credit Corporation on the agricultural export programs specified in section 133(b), is not increased above historical levels as a result of the extra demand for United States-flag vessels caused by this subtitle.

(B) After taking into consideration the recommendations of the Commission referred to in subparagraph (A), the President may, by proclamation, provide requirements for the assumption by the Department of Transportation of a portion of the cost of ocean freight and ocean freight differential that would otherwise be incurred by the Department of Agriculture and the Commodity Credit Corporation on a different basis than that set forth in paragraph (1) in order to accomplish the objectives of subparagraph (A). The provisions of paragraph (1) shall be inapplicable on and after the effective date of the proclamation.

(c) For the purpose of meeting those expenses required to be assumed under subsections (a) and (b), the Secretary of Transportation shall issue to the Secretary of the Treasury such obligations in such forms and denominations, bearing such maturities and subject to such terms and conditions, as may be prescribed by the Secretary of Transportation with the approval of the Secretary of the Treasury. Such obligations shall be at a rate of interest as determined by the Secretary of the Treasury, taking into consideration the average market yield on outstanding marketable obligations of the United States with remaining periods of maturity comparable to the average maturities of such obligations during the month preceding the issuance of such obligations of the Secretary of Transportation. The Secretary of the Treasury shall purchase any obligations of the Secretary of Transportation issued under this subsection and, for the purpose of purchasing such obligations, the Secretary of the Treasury may use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, United States Code, after the date of the enactment of this Act and the purposes for which securities may be issued under such chapter are extended to include any purchases of the obligations of the Secretary of Transportation under this subsection. All redemptions and purchases by the Secretary of the Treasury of the obligations of the Secretary of Transportation shall be treated as public-debt transactions of the United States.

(d) There is authorized to be appropriated annually for each fiscal year, commencing with the fiscal year beginning October 1, 1986, an amount sufficient to reimburse the Secretary of Transportation for the costs, including administrative expenses and the principal and interest due on the obligations to the Secretary of the Treasury incurred under this section. Reimbursement of any such shall be made with appropriated funds, as provided in this section, rather than through cancellation of notes.

(e) Notwithstanding the provisions of this section, in the event that the Secretary of Transportation is unable to obtain the funds necessary to finance the increased ocean freight changes resulting from the requirements of subsections (a) and (b) and section 133(a), the Secretary of Transportation shall so notify the Congress within 10 working days of the discovery of such insufficiency.

NATIONAL ADVISORY COMMISSION ON AGRICULTURAL EXPORT TRANSPORTATION POLICY

Sec. 136. (a) There is hereby established an advisory commission to be known as the National Advisory Commission on Agricultural Export Transportation Policy (hereafter in this subtitle referred to as the "Commission").

(b)(1) The Commission shall be composed of 16 members.

(2) Eight members of the commission shall be appointed by the President.

(3) The chairman and ranking minority members of the Senate Committee on Agriculture, Nutrition, and Forestry, of the Subcommittee on Merchant Marine of the Senate Committee on Commerce, Science, and Transportation, of the House Committee on Agriculture, and of the House Committee on Merchant Marine and Fisheries shall serve as members of the Commission.

(4) (A) Four of the members appointed by the President shall be representatives of agricultural producers, cooperatives, merchandisers, and processors of agricultural commodities.

(B) The remaining four members appointed by the President shall be representatives of the United States-flag maritime industry, two of whom shall represent labor and two of whom shall represent management.

(c)(1) The members of the Commission shall elect a Chairman from among its members.

(2) Any vacancy in the Commission shall not affect its powers but shall be filled in the same manner in which the original appointment was made.

DUTIES OF THE COMMISSION

Sec. 137. (a) It shall be the duty of the Commission to conduct a comprehensive study and review of the ocean transportation of agricultural exports subject to the cargo preference laws referred to in section 132 and to make recommendations to the President and the Congress for improving the efficiency of such transportation on United States-flag vessels in order to reduce the costs incurred by the United States in connection with such transportation. In carrying out such study and review, the Commission shall consider the extent to which any unfair or discriminatory practices of foreign governments increase the cost to the United States of transporting agricultural commodities subject to such cargo preference laws.

(b)(1) The Commission shall submit an interim report to the President and the Congress not later than one year after the date of the enactment of this subtitle and such other interim reports as the Commission considers advisable.

(2) The Commission shall submit a final report containing its findings and recommendation to the President and the Congress not later than two years after the date of the enactment of this subtitle.

(3) Sixty days after the submission of the final report, the Commission shall cease to exist.

(c) The Commission shall include in its reports submitted pursuant to subsection (b) recommendations concerning the feasibility and desirability of achieving the following goals with respect to the ocean transportation of agricultural commodities subject to the cargo preference laws referred to in section 132:

(1) Ensuring that the timing of commodity purchase agreements entered into by the United States in connection with the export of such commodities, and the methods of implementing such agreements, are such as to minimize cost to the United States.

(2) Ensuring that shipments of such commodities are made on the most modern and efficient United States-flag vessels available.

(3) Ensuring that shipments of such commodities are made under the most advantageous terms available, including

--

(A) charters for full shiploads;

(B) charters for intermediate or long term;

(C) charters for consecutive voyages and contracts of affreightment; and

(D) adjustment of rates in the event that vessels used for shipments of such commodities also carry cargoes on return voyages.

(4) Reduction and elimination of impediments, including delays in port, to the efficient loading and operation of the vessels employed for shipment of such commodities.

(5) Utilization of open and competitive bidding for the ocean transportation of such commodities.

INFORMATION AND ASSISTANCE TO BE FURNISHED TO THE COMMISSION

Sec. 138. (a) Each department, agency, and instrumentality of the United States, including independent agencies, shall furnish to the Commission, upon request made by the Chairman, such statistical data, reports, and other information as the Commission considers necessary to carry out its functions under this subtitle.

(b) The Secretary of Agriculture and the Secretary of Transportation shall make available to the Commission such staff, personnel, and administrative services as may reasonably be required to carry out the Commission's duties.

COMPENSATION AND TRAVEL AND SUBSISTENCE EXPENSES OF COMMISSION MEMBERS

Sec. 139. Members of the Commission shall serve without compensation in addition to compensation they may otherwise be entitled to receive as employees of the United States or as Members of Congress, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of duties vested in the Commission.

AUTHORIZATION OF APPROPRIATIONS

Sec. 140. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this subtitle.

TERMINATION OF SUBTITLE

Sec. 141. The operation of this subtitle shall terminate 90 days after the date on which a notification is made pursuant to section 135(e), except with respect to shipments of agricultural commodities and products subject to contracts entered into before the expiration of such 90-day period, unless within such 90-day period the Secretary of Transportation proclaims that funds are available to finance increased freight charges resulting from the requirements of sections 133(a) and 135 (a) and (b).

EFFECT ON OTHER LAWS

Sec. 142. This Act shall not be construed as modifying in any manner the provisions of section 4(b)(8) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(b)(8)) or chapter 5 of title 5, United States Code.

Mr. DIXON. Mr. President, I rise to offer an amendment which would require the Secretary of Agriculture and the Secretary of Transportation to act together to preserve the "mean historic port range share" of allocated title 11, Public Law 480 cargoes to be shipped out of the four coastal ranges. This figure is based on the annual percentage of title 11, Public Law 480 cargoes shipped from the four coastal ranges averaged over the 4-year period from calendar year 1980 through calendar year 1983.

The Cargo Preference Act directs that it shall be implemented "in such a manner as will insure a fair and reasonable participation of the U.S.-flag commercial vessels in such cargoes by geographic areas." I am forced to conclude, however, that this has never been the case. In an effort to meet its 50 percent U.S.-flag mandate, the Department of Agriculture [USDA] allocated only 18 percent of all national title 11. Public Law 480 cargoes to the Great Lakes in

1984. Indeed, this year's shipping on the Great Lakes is running even lower than this slim percentage, approximately 16 percent through September.

In the last several months, USDA has diverted two relief shipments -- originally allocated to the Great Lakes -- to the Port of Seattle. The cost of just one of these diversions to the U.S. taxpayer amounts to \$220,000. In fact, the U.S. Department of Agriculture recently diverted a shipment which had already reached the port of Milwaukee. This grain was put on a train and shipped from Milwaukee to Seattle. I repeat, Mr. President, the title 11, Public Law 480 cargo had already reached the Port of Milwaukee when it was suddenly diverted to the Port of Seattle at the expense of the Milwaukee port, the entire Great Lakes system, and the American taxpayer.

These diversions of cargo fly in the face of the agreement made last year between USDA and the Agency for International Development [AID] on the question of cargo allocation. We understood the agreement to be that no cargoes would be diverted from Great Lakes ports to another coast in order to satisfy the 50-percent requirement. However, I have learned from the Department of Agriculture's Agricultural Stabilization and Conservation Service, however, that the Department does not take cargo preference requirements into account when accepting bids for the shipments of grain. One must assume, then, that due to the administrative burdens, that this type of diversion will continue unless steps are taken now. My amendment is needed to fulfill the clear intent of the original cargo preference legislation, which requires that Government-generated cargoes should be equitably allocated to all four coasts. It is now time for Congress to act on this situation.

This amendment is desperately needed to offset the recent diversions. This diversion of cargoes out of the lakes has been disastrous for the economics of the Northeast and Midwest. This amendment comes at a time when shipping on the lakes is at a low ebb. Figures recently released by the Lake Carriers Association indicate that the shipments of grain, iron ore and coal are down 23 percent -- to 13,265,558 net tons from last August. For the entire shipping season, bulk movements on the lakes are down 20 percent from last year -- to 67,896,478 net tons. In August, grain shipments fell 56 percent from the same month last year. Yet, at the same time, we face a tremendous surplus in our agricultural sector. In the past year, shipments under title II of Public Law 480 have more than doubled. And so it goes.

This amendment is simply one step toward reforming the management of the Food for Peace Program. The General Accounting Office [GAO] has already conducted one study which suggests that USDA can take steps to reduce transportation costs. For example, GAO found that USDA needs to revise its regulations to ensure that when U.S.-flag vessels are involved, the United States pays for commodities and transportation on the basis of lowest landed cost. This would ensure lower costs overall and eliminate confusion over the purchases of commodities and ocean transportation.

In this day of escalating Federal deficits, it makes no sense not to reorder a program which requires that 50 percent of Government cargoes be shipped on U.S.-flag vessels, which can cost up to two to four times as much as foreign-flag vessels. Let me state here that I am a supporter of the concept of cargo preference. I happen to believe it serves a good and worthy purpose in strengthening our defense posture overseas. But I do believe that certain, specific steps must be taken to trim the transportation costs. To redress the wrongs that have been committed against the Great Lakes and to guarantee some consistent Federal policy in the allocation of Government cargo.

Presently, GAO is conducting a study on USDA's management of the program through the lakes. We would hope that many more of the problems arising out of the methods used to handle cargo through the lakes will be addressed through that investigation. Clearly, there is room for reform. This amendment simply places a floor of protection under all the four sea-coasts.

In closing, I think it important for my colleagues to understand that the matter I raise here today does more than grant a little equity to the fourth seacoast. This amendment takes a large step toward reinstating the true transportation savings realized by shippers using the all-water Great Lakes alternative. We on the Lakes have long realized the fact that lower rates on the Great Lakes acts to keep all shipping rates lower. Sadly enough, even though a large percentage of this cargo is grown or manufactured in the Great Lakes region, it is often diverted, at greater Government expense, to

other coastal ranges for overseas transportation. Traditionally, freight rates from other ports increase by \$40 to \$50 per ton when the Great Lakes shipping season ends. Farmers, shippers and taxpayers -- we can all benefit from these reductions in rates. The point is, the Great Lakes ports and the seaway system serve as a source of competitive balance during the length of its shipping season. Today we are asking to retain that balance and to take a first step in reforming a system sorely in need of reform.

Mr. President, I ask unanimous consent that my distinguished colleague from Illinois, Senator SIMON, be added as a cosponsor of this amendment, and the distinguished Senator from Minnesota [Mr. Boschwitz]. Others may care to join.

This is the Great Lakes amendment.

The PRESIDING OFFICER Without objection, the Senators' names will be added as cosponsors.

Mr. DIXON. To oversimplify what the amendment does in the cargo preference language, it provides that in the respective four port areas of the country, the East, the West, the South and the Great Lakes port areas, each port area is allowed to receive its mean historic port range share."

This is a very significant piece of language that has permitted the Great Lakes to receive a fair share of the shipments under the title of this bill, notwithstanding the provisions of the cargo preference law.

In the compromise that took place, our interest in those States was not taken into consideration.

What we do in this amendment is simply to say that, so far as the words "mean historic port range share" are concerned, the Act means the shipment of goods under this act over the 4-year period beginning with calendar year 1980 through calendar year 1983.

So all we are attempting to do in this amendment, under the provisions of this act and everything that has ensued as a consequence of the act, and in view of the compromise that has taken place, is to say that we will continue to enjoy our historic share, no more and no less, in consideration of what is allowed to the respective ports in the country.

I consider it to be an eminently fair amendment in every particular. It is an amendment that I believe will enhance the probabilities of fair consideration of this amendment in due time in the conference.

I think my distinguished friend from Minnesota will want to share with us some remarks concerning his support for this particular amendment.

Mr. BOSCHWITZ. Mr. President, this is the compromise that we have been trying to amend and improve. We have gone to great lengths concerning this amendment. Some may call this a compromise, Mr. President, but we are actually still losers. We were not involved in the negotiations. Indeed, there is no way that we can gain one iota from this compromise. As a matter of fact, we can only lose.

If this is a compromise, Mr. President, I would point out that not a single bill has been introduced in this body. This is the first time that this compromise has been brought to the attention of the Senate. It has not had 1 minute of hearing in any of the committees. It is a compromise worked out by the maritime interests together with some others, to be sure. It is a compromise that means that all are in some way to be served. The Great Lakes have no part of it, no part of it and no gain. Everything is taken.

The present law, Mr. President, says that 50 percent of the cargoes generated by the Federal Government shall be shipped in American bottoms and the other 50 percent is available to foreign bottoms, where the rates are indeed cheaper.

This compromise says that 75 percent of the shipments shall be in American bottoms.

The Great Lakes, Mr. President, has been served not from American vessels but from foreign vessels. As a result, we have not received shipments from that half but we have gotten it from the half where the foreign shippers come into the Great Lakes.

Now, if only 25 percent of the shippers are going to be allowed to be in foreign vessels, we expect to get little or nothing. The Port of Green Bay may indeed close. They are talking about closing a portion of the Port of Duluth. The Great Lakes will be hit very, very hard.

This amendment asks for simple equity. That is that we will continue to enjoy our historic share.

We were not part of these negotiations, Mr. President. We are total losers in this matter. We want to continue to enjoy our historic share. The ports on the Great Lakes are suffering. We ask the consideration of our colleagues on this amendment. We really deserve their support.

The PRESIDING OFFICER. Is there further debate?

Mr. DIXON. Mr. President, I ask unanimous consent that my distinguished colleague from Michigan [Mr. Levin], at his request, be added as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DIXON. Let me say in conclusion, as my distinguished friend from Minnesota said, this is a compromise that adversely in a dramatic way affects major ports in the country, the ports on the Great Lakes. They were not a party to it.

The passage of the compromise without this language would be to very, very sharply reduce the amount of shipping on the Great Lakes to the disadvantage of all of the ports on the lakes and all of the Great Lakes States.

We are only asking not for an increase but that we be entitled to continue our historic port range share.

The language has not been changed in the bill. But as my friend from Mississippi and others know, when you shrink the pie and take 75 percent and leave only 25 percent, you are dramatically reducing the amount of the share that can be pro rata shared in the country so you do adversely affect the Great Lakes.

As a matter of fairness, since we did not participate in the accommodations or the compromise, I ask my colleagues to give us the same kind of fair consideration we would give them and permit us to continue to enjoy our share of the shipping that has occurred in the past.

Mr. WILSON. Will the Senator yield?

Mr. DIXON. Yes.

The PRESIDING OFFICER. Who yields time?

Mr. WILSON. Mr. President, will the Senator yield for a question?

Mr. DIXON. Yes, I will yield.

Mr. WILSON. I thank the Senator from Illinois.

Do I understand that the amendment the Senator from Illinois is offering will require that 25 percent of Public Law 480 donations shipments be shipped from Great Lakes ports?

Mr. DIXON. May I say to my friend from California that we do not provide any percentage. All we are saying is that the terminology "mean historic port range share," which has always existed in the bill and been honored, will

continue to be honored on the basis of the method with which it was treated in the last 4 years of the life of this particular law. That is all we are saying. We are not saying any percentage, we are saying give us the same as we have always received historically.

Mr. WILSON. Mr. President, perhaps the Senator from Illinois can clarify what, then, is the effect of that amendment. How would he translate that into a percentage of total share?

Mr. DIXON. It can be done by simple mathematics on the basis of the shares that have been received by the various ports of the country over the last 4-year life of the law. All we are saying is that it is quite apparent that when you enter into this accommodation, you do shrink the amount of the pie that has been ordinarily distributed. We are only saying that we want our means historic share as has been true in the last 4 years of the life of this law. We do not say percentage.

Mr. BOSCHWITZ. If the Senator will yield, this only applies to title II of Public Law 480, which is the grant portion of Public Law 480. It applies to the aggregate of the 4 years. It is about 21 percent. It has been as high as 26.1 percent and as low as 14.8 percent. So about 21.8 percent of this would be Public Law 480.

Mr. CHAFEE. Mr. President, I would like to ask a question, if I may, of the Senator from Illinois.

Mr. COCHRAN. May I inquire how much time remains under the agreement?

The PRESIDING OFFICER. The Senator from Illinois has 1 minute remaining. The Senator from North Carolina has 12 minutes remaining.

Who yields time?

Mr. HELMS. Mr. President, I yield to the distinguished Senator from Rhode Island 2 minutes.

Mr. CHAFEE. If the Senator from Illinois could give me a brief answer, I understood one of the problems with the Great Lakes participating in the Public Law 480 program was that American bottoms do not come into the Great Lakes. So how is he going to get a portion of the increased percentage, namely, the 75 percent, when American ships do not go into the Great Lakes, which was his original argument?

Mr. DIXON. There are less than two. One of the problems with the Great Lakes is that there are fewer American bottoms. We also ship cheaper there but we have been given a historic percentage over the years. When we change this law, we reduce our historic percentage unless we say we should maintain the historic percentage we have had for the last 4 years.

Mr. BOSCHWITZ. Mr. President, I might say to the Senator that we do not get the shipments under the -- --

Mr. DIXON. I thought that was understood.

Mr. CHAFEE. Is the Senator then saying that if this amendment goes through, if they maintain their historic percentage, the provision that has been voted -- though I did not vote for it -- to go to 75 percent thus would be reduced what, back to 50?

Mr. DIXON. No, but I would concede that we would probably have a modification of the amendment to give us our historic share, because we do not have that many American bottoms.

Mr. CHAFEE. But if we reduce it, we would thus reduce their 75 percent. Is that correct?

Mr. DIXON. Yes.

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Mr. BOSCHWITZ. No.

Mr. CHAFEE. Mr. President, one Senator says yes, one Senator says no. Who is answering for the team? I would say there is confusion about this amendment.

Mr. BOSCHWITZ. Will the Senator yield to me?

Mr. HELMS. I yield to the Senator from Minnesota as much time as he desires.

Mr. BOSCHWITZ. It is my understanding that our historic share for the Great Lakes, which has been about 20 percent of the 100 percent, would be retained; not that there would be any reduction or diminution of the share that goes in American bottoms or that goes on foreign bottoms simply that the historic share of the Great Lakes would be maintained.

Mr. DIXON. My colleague is correct.

Mr. BOSCHWITZ. The Senator from Illinois also made a very interesting statement earlier. That is when the Great Lakes are not available to ship, all freight rates around the country rise. All freight rates, not on rails but ocean freight rates, rise when Great Lakes shipments are cut off due to the weather.

Mr. CHAFEE. So as I understand the explanation, since you get 20 percent of the total and no American ships come into the Great Lakes, you therefore are getting all but 5 percent of the nonsubsidized portion.

Mr. BOSCHWITZ. Not quite.

Mr. CHAFEE. Well, all but 5 percent.

Mr. BOSCHWITZ. Some American ships do come into the Great Lakes. One shipping line does serve the Great Lakes so that some, but not very much would be the nonsubsidized portion.

Mr. STEVENS. Mr. President, will the Senator yield me 1 minute?

Mr. HELMS. Certainly.

Mr. STEVENS. Mr. President, in the amendment of the Senator from Mississippi [Mr. Cochran], there is a provision for a study of this very problem because we have had the issue raised before. Under this amendment, we will now get some facts to deal with this issue rather than deal with it on the basis of regional preference or assumption. I suggest that it is premature to have this amendment considered until we get the result of the study which would be mandated by the basic amendment before the Senate.

Mr. WILSON addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. HELMS. Mr. President, I yield such time as the Senator from California may desire.

Mr. WILSON. I thank the distinguished manager.

Mr. President, I shall await with eagerness the results of the study just described by my friend, the Senator from Alaska, but until such time as that or some other bit of evidence not now available makes a persuasive case, it seems to me the effect of this amendment is inevitably to distort the market. In fact, as the Senator from Rhode Island has pointed out, if there is but a single shipment on an American-flag carrier operating within the Great Lakes, it seems to me the great beneficiary of this amendment will not be American carriers but, in fact, foreign-flag carriers.

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I also wonder if, during those months the Great Lakes are frozen, we will not suffer needlessly a reduction to those other remaining American carriers operating out of other ports. It seems to me that is true. So reluctantly and with sympathy for the concerns that have prompted my friend from Illinois to offer this amendment, I urge that it be opposed because it seems to me that inevitably, it is going to prejudice the interests of American employees of American carriers. It will not benefit American-flag carriers. To the contrary, it seems obvious on the face of it that this is going to reduce their share and only be to the benefit of the foreign-flag carrier. With regret, if this is to be tabled, I urge a vote in support of that motion.

Mr. HELMS. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from North Carolina has 6 minutes remaining.

Mr. HELMS. I yield 2 1/2 minutes to the Senator from Mississippi.

Mr. COCHRAN. Mr. President, this compromise that is before the Senate tonight reflects a great deal of hard work to arrive at an agreement to end the cargo preference controversy that has existed and continues to come up, from time to time, as we take up legislation that affects the Public Law 490 program and other efforts to export our U.S. grown commodities. It is difficult to satisfy all of the interests involved and there are many interests involved -- different commodity groups, different maritime industry groups and organizations. But this compromise that has been crafted reflects the agreement of most of them. I hope we can continue to work within the framework of the compromise that provides for this advisory commission to work on unsolved problems such as the Great Lakes diversion problem so that we can have a fair and equitable arrangement that satisfies all interests.

But for the moment, this is the best that we can do. I hope Senators will reject the amendment and continue to support the compromise.

Mr. DIXON. Mr. President, I have 1 minute remaining, and I yield it to my distinguished friend and colleague from Illinois [Mr. Simon].

The PRESIDING OFFICER. The Senator is recognized.

Mr. SIMON. Mr. President, I thank my colleague from Illinois. I join in behalf of this amendment. Frankly, I was tied up on other matters when the major amendment was being debated. I was not aware that this adversely impacts on the Great Lakes States. I think there are others who may want to take a good, hard look at this whole amendment and the full implications of it, but particularly those of us from the Midwest States ought to be voting in support of the Dixon amendment. I am pleased to support it. I hope it can receive a majority of this body.

The PRESIDING OFFICER. The Senator from North Carolina has 4 minutes remaining.

Mr. HELMS. Mr. President, in a moment, I am going to yield back what time I have remaining.

Let me call the Chair's attention to the fact that a technical error was made by the Senator from Oklahoma [Mr. Nickles]. I ask unanimous consent that the language of amendment No. 924, adopted by the Senate unanimously as an amendment to amendment No. 916, be added to the end of amendment No. 915.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. HELMS. I thank the Chair. I yield back the remainder of my time.

Mr. COCHRAN. Mr. President, I move to table the amendment of the Senator from Illinois and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll.

Mr. SIMPSON. I announce that the Senator from South Dakota [Mr. Abdnor], the Senator from North Carolina [Mr. East], the Senator from Arizona [Mr. Goldwater], the Senator from Pennsylvania [Mr. Specter], and the Senator from Wyoming [Mr. Wallop] are absent on official business.

I further announce that, if present and voting the Senator from Wyoming [Mr. Wallop] would vote "nay."

Mr. CRANSTON. I announce that the Senator from New York [Mr. Moynihan] and the Senator from Mississippi [Mr. Stennis] are necessarily absent.

I further announce that if present and voting, the Senator from New York [Mr. Moynihan] would vote "yea."

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced -- yeas 71, nays 22, as follows:

(See Rollcall Vote No. 262 Leg. in the ROLL segment.)

So the motion to lay on the table the amendment (No. 925) was agreed to.

Mr. COCHRAN. Mr. President, I move to reconsider the vote by which the motion to lay on the table was agreed to.

Mr. HELMS. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, as I have indicated, this will be the last vote. I assume there will be a few more exciting amendments, and then there are things coming up.

But there are two or three amendments, I guess, on cargo preference. Is that correct?

Mr. COCHRAN. Mr. President, if the distinguished majority leader will yield, I am advised that the Senator from Illinois [Mr. Dixon] has two or three amendments and Senator Boschwitz, from Minnesota, may have one. I know of no other amendments to the cargo preference compromise.

I hope we can dispose of those amendments quickly, maybe with voice votes.

I do not know what the intention of the Senators would be, but I hope we can wind up this part of the bill very quickly in the morning.

Mr. HELMS. Mr. President, if the majority leader will yield, I might inquire of the Senator from Mississippi can he be here by 9:45 a.m. in the morning so we can get into the business?

Mr. COCHRAN. Mr. President, if the Senator will yeild, I will be happy to be here at that time and be willing to work with the chairman to move this along as quickly as we can.

Mr. HELMS. I appreciate it. I thank the Senator very much.

ANIMAL WELFARE AMENDMENT OFFERED BY SENATOR DOLE

Mr. WILSON. Mr. President, I rise in support of the animal welfare amendment offered by Senator Dole, of which I am pleased to be a cosponsor.

I wish to commend the distinguished Senator from Kansas, as well as my two colleagues from Utah and Montana, for succeeding in working out a compromise on this sensitive issue of animal welfare. I believe my colleagues have found a solution which achieves the delicate balance between public concern over the care of laboratory animals and the need to continue to achieve medical advances.

We all know that the ability of the scientific community to enhance the quality of lives for both humans and animals rests upon the advancement of knowledge.

This is made possible by conducting research, much of which involves the use of laboratory animals. While this use of animals may need to continue until alternative methodologies which do not use animals or which reduce the number of animals used can be developed, I believe that Congress must ensure that the entire scientific community exercise its responsibility to provide humane care for experimental animals.

I would hope for the most part, Mr. President, that the research community is indeed exercising this ethical responsibility. However, as we have seen in recent instances, such as the University of Pennsylvania Head Injury Clinic, this is not the case. As a consequence, Congress must act to help alleviate the unnecessary suffering and pain of laboratory animals to the extent possible without jeopardizing much-needed research.

I believe that the Dole animal welfare amendment represents an effective and reasonable approach to the problems of experimental animal abuse. It will ensure proper animal care through strengthening existing law, the Animal Welfare Act, and will increase penalties for violations of this act. I commend my colleagues for finding a good compromise which I feel both the public and the scientific community can support, and I applaud its adoption on Monday.

ROLL:

[Rollcall Vote No. 259 Leg.]

YEAS -- 70

Andrews	Baucus	Bentsen
Biden	Bingaman	Bradley
Bumpers	Burdick	Byrd
Chiles	Cochran	Cohen
Cranston	D'Amato	DeConcini
Denton	Dodd	Domenici
Eagleton	Evans	Exon
Ford	Garn	Glenn
Goldwater	Gore	Gorton
Harkin	Hart	Hatch
Hatfield	Hawkins	Hecht
Heflin	Heinz	Hollings
Inouye	Johnston	Kennedy

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Kerry	Lautenberg	Laxalt
Leahy	Long	Mathias
Matsunaga	Mattingly	Melcher
Metzenbaum	Mitchell	Moynihan
Murkowski	Nunn	Packwood
Pell	Pryor	Rockefeller
Rudman	Sarbanes	Sasser
Simon	Specter	Stafford
Stennis	Stevens	Trible
Warner	Weicker	Wilson
Zorinsky		

NAYS -- 30

Abdnor	Armstrong	Boren
Boschwitz	Chafee	Danforth
Dixon	Dole	Durenberger
East	Gramm	Grassley
Helms	Humphrey	Kassebaum
Kasten	Levin	Lugar
McClure	McConnell	Nickles
Pressler	Proxmire	Quayle
Riegle	Roth	Simpson
Symms	Thurmond	Wallop

[Rollcall Vote No. 260 Leg.]

YEAS -- 66

Andrews	Baucus	Bentsen
Biden	Bingaman	Bradley
Burdick	Byrd	Chiles
Cochran	Cohen	Cranston
D'Amato	DeConcini	Denton
Dodd	Eagleton	Evans
Exon	Ford	Glenn
Goldwater	Gore	Gorton
Harkin	Hart	Hatfield
Hecht	Heflin	Heinz

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Hollings	Inouye	Johnston
Kennedy	Kerry	Lautenberg
Laxalt	Leahy	Levin
Long	Mathias	Matsunaga
Mattingly	Melcher	Metzenbaum
Mitchell	Moynihan	Murkowski
Nunn	Packwood	Pell
Pryor	Riegle	Rockefeller
Sarbanes	Sasser	Simon
Specter	Stafford	Stennis
Stevens	Trible	Warner
Weicker	Wilson	Zorinsky

NAYS -- 34

Abdnor	Armstrong	Boren
Boschwitz	Bumpers	Chafee
Danforth	Dixon	Dole
Domenici	Durenberger	East
Garn	Gramm	Grassley
Hatch	Hawkins	Helms
Humphrey	Kassebaum	Kasten
Lugar	McClure	McConnell
Nickles	Pressler	Proxmire
Quayle	Roth	Rudman
Simpson	Symms	Thurmond
Wallop		

[Rollcall Vote No. 261 Leg.]

YEAS -- 62

Armstrong	Bentsen	Bingaman
Byrd	Chafee	Chiles
Cochran	Cohen	Cranston
D'Amato	Denton	Dodd
Dole	Domenici	Eagleton
East	Evans	Garn
Glenn	Goldwater	Gorton

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Gramm	Hatch	Hatfield
Hecht	Heflin	Heinz
Helms	Hollings	Humphrey
Inouye	Johnston	Kassebaum
Kennedy	Lautenberg	Laxalt
Levin	Long	Mathias
Matsunaga	Mattingly	McConnell
Mitchell	Moynihan	Murkowski
Nunn	Packwood	Pell
Quayle	Rockefeller	Roth
Rudman	Sarbanes	Specter
Stafford	Stevens	Symms
Thurmond	Trible	Warner
Weicker	Wilson	

NAYS -- 36

Abdnor	Andrews	Baucus
Biden	Boren	Boschwitz
Bradley	Bumpers	Burdick
Danforth	DeConcini	Dixon
Durenberger	Exon	Ford
Gore	Grassley	Harkin
Hart	Hawkins	Kasten
Kerry	Leahy	Lugar
McClure	Melcher	Metzenbaum
Nickles	Pressler	Proxmire
Pryor	Riegle	Sasser
Simon	Simpson	Zorinsky

NOT VOTING -- 2

Stennis

Wallop

[Rollcall Vote No. 262 Leg.]

YEAS -- 71

Andrews

Armstrong

Baucus

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Bentsen	Biden	Bingaman
Boren	Bradley	Bumpers
Burdick	Byrd	Chafee
Chiles	Cochran	Cohen
Cranston	D'Amato	DeConcini
Denton	Dodd	Domenici
Evans	Exon	Ford
Garn	Gore	Gorton
Gramm	Hart	Hatch
Hatfield	Hawkins	Hecht
Heflin	Heinz	Hollings
Humphrey	Inouye	Johnston
Kassebaum	Kennedy	Kerry
Lautenberg	Laxalt	Leahy
Long	Mathias	Matsunaga
Mattingly	McClure	McConnell
Melcher	Mitchell	Murkowski
Nunn	Packwood	Pell
Pryor	Rockefeller	Rudman
Sarbanes	Sasser	Stafford
Stevens	Symms	Thurmond
Trible	Warner	Weicker
Wilson	Zorinsky	

NAYS -- 22

Boschwitz	Danforth	Dixon
Dole	Durenberger	Eagleton
Glenn	Grassley	Harkin
Helms	Kasten	Levin
Lugar	Metzenbaum	Nickles
Pressler	Proxmire	Quayle
Riegle	Roth	Simon
Simpson		

NOT VOTING -- 7

Abdnor	East	Goldwater
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Moynihan

Specter

Stennis

Wallop

SUBJECT: LEGISLATIVE BODIES (79%); FARMERS & RANCHERS (79%); AGRICULTURAL LAW (79%); RURAL DEVELOPMENT (59%); BUDGET (59%); AGRICULTURAL SUBSIDIES (59%); AGRICULTURAL PRICES (59%); BANKING & FINANCE (59%); AGRICULTURAL MARKETING (59%); WINE (59%); GRAPE VINEYARDS (59%); AGRICULTURE (59%); GOVERNMENT BUDGETS (59%); AGRICULTURAL LENDING (59%); CENSUS (59%); POLLS & SURVEYS (59%); SALES TRAINING (59%); CATTLE FEEDLOTS (59%); NATIONAL DEBT (59%); US FEDERAL GOVERNMENT (59%); COMMODITIES TRADING (59%);