EMERGING MARKETS FOR RED MEATS

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Mr. Carlson's illustrations are presented on the following pages.

Jan-Oct '95 Exports

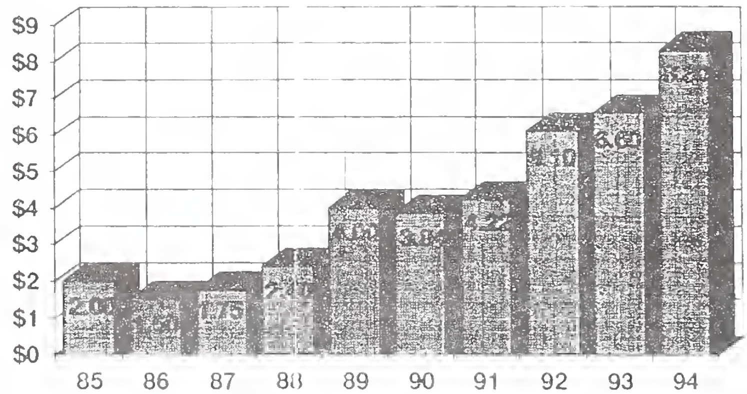
760,976 M/T Beef up 17 %
310,094 M/T Pork up 39 %

1996 Beef Exports Will Increase 15-18 %

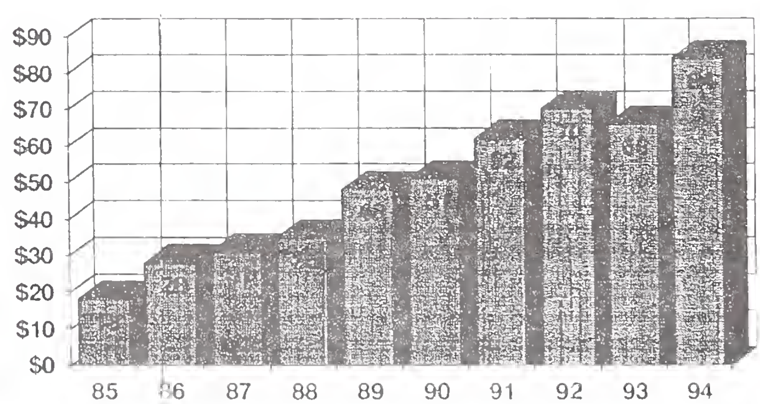
Foreign Markets Will Absorb
50 % of Beef's 1996
Production Increase

Market Increase in Japan,
Korea, Russia, Hong Kong,
Taiwan in 1995 More Than
Made Up for the Over 50 %
Decline in the Mexican Market

Export Impact on Hog Prices
($ per head)



# Export Impact on Fed Steer Prices
$ per head (1,150 lb. steer)



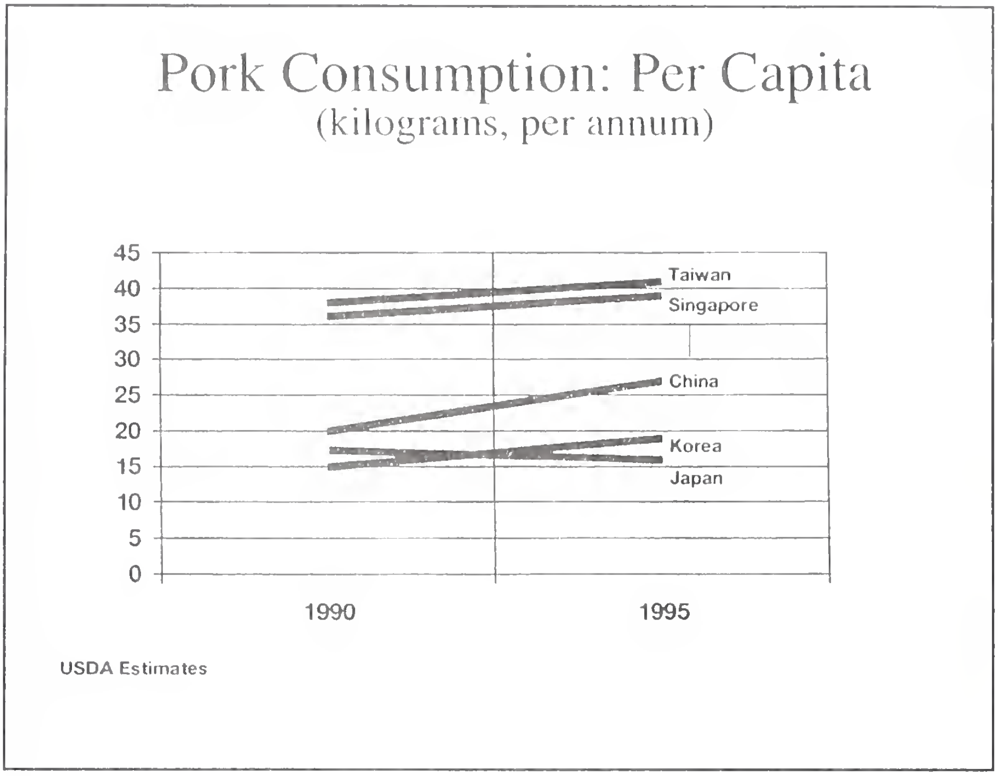
Major Reasons for Growth:

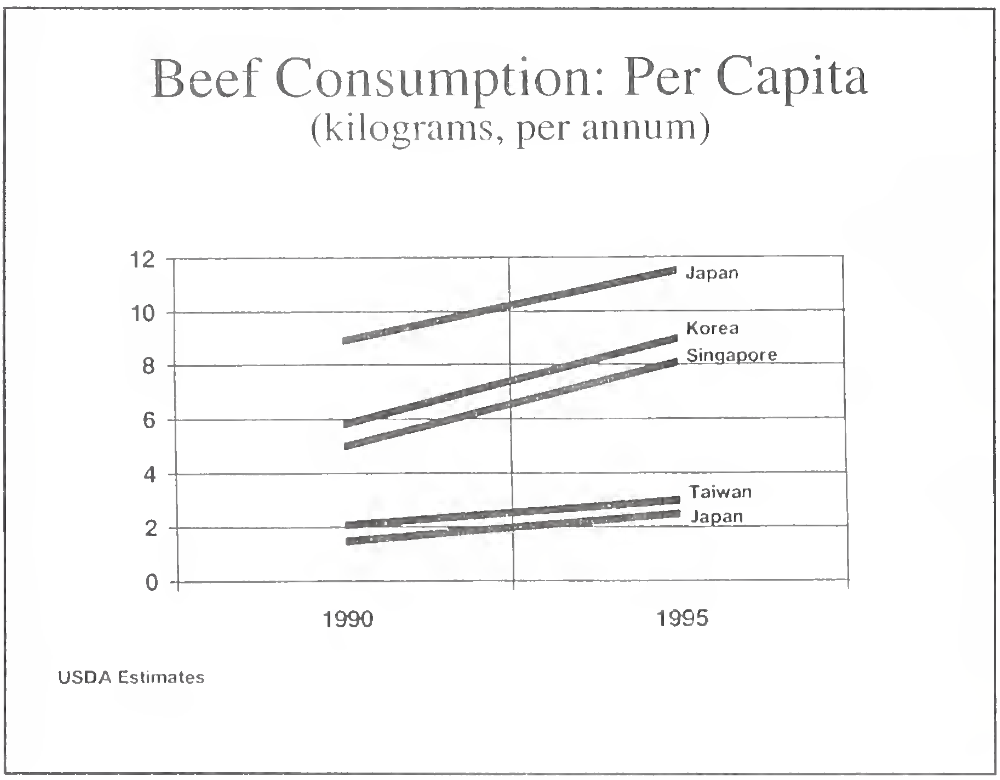
Expanding World Economics
Less Trade Barriers
U.S. Products are Consistent and High Quality
Large Volumes
Good Value

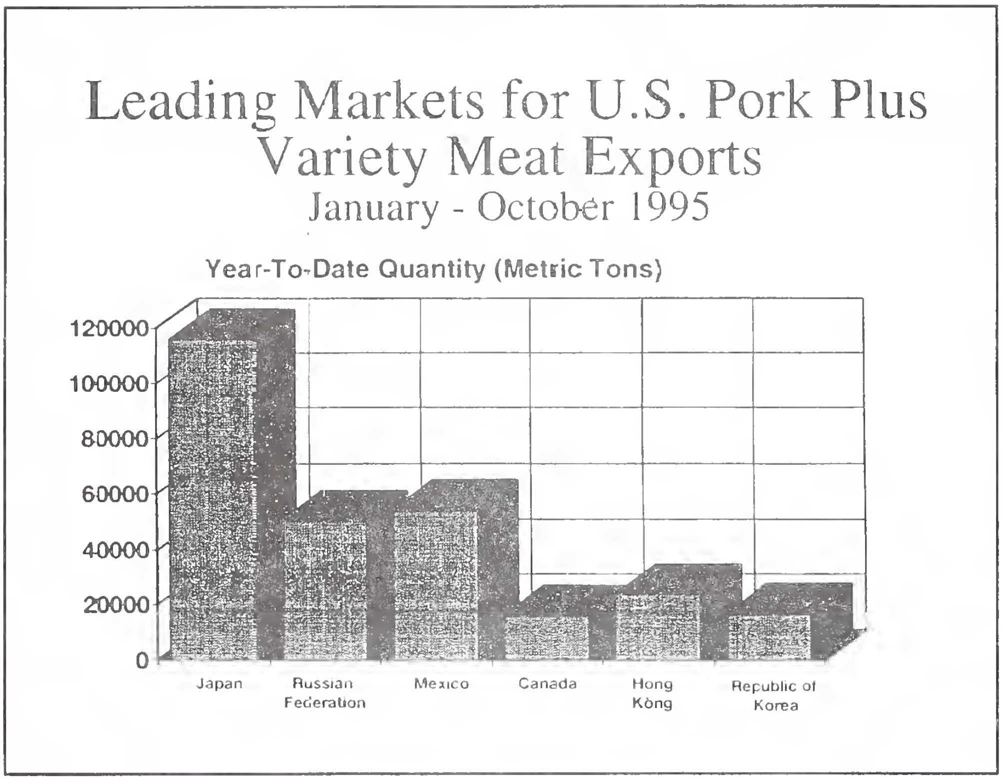
The U.S. is the Most Efficient Lowest Cost Producer of Red Meat in the World

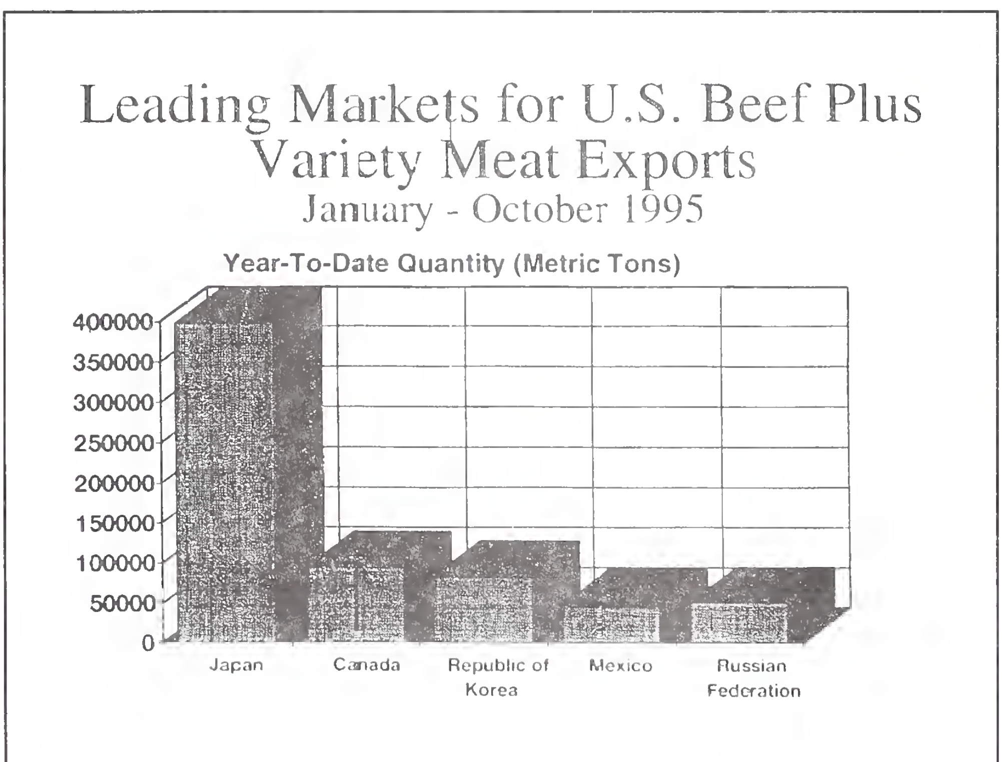
Income Rises -
Diet Improves

Competition from our Foreign Competitors will Increase as most depend on the Global Market Place


Pork Consumption: Per Capita
(kilograms, per annum)
45
40
35
30
25
20
15
10
5
0
Taiwan
Singapore
China
Korea
Japan
1990
1995
USDA Estimates


Beef Consumption: Per Capita
(kilograms, per annum)
12
10
8
6
4
2
0
Japan
Korea
Singapore
Taiwan
Japan
1990
1995
USDA Estimates


Leading Markets for U.S. Pork Plus Variety Meat Exports
January - October 1995
Year-To-Date Quantity (Metric Tons)
120000
100000
80000
60000
40000
20000
0
Japan
Russian Federation
Mexico
Canada
Hong Kong
Republic of Korea


Leading Markets for U.S. Beef Plus Variety Meat Exports
January - October 1995
Year-To-Date Quantity (Metric Tons)
400000
350000
300000
250000
200000
150000
100000
50000
0
Japan
Canada
Republic of Korea
Mexico
Russian Federation

Asia-Pacific Self-Sufficiency: Production as a % of Consumption

	1990	1995
Pork	88 %	86 %
Beef	51 %	43 %

USDA Estimates: Excluding China.

Key Countries:

Asia
China
Japan

Most Production Increase
is Taking Place
in China

Total Meat Consumption
in China is Growing 10 %
per year
(4,000,000 tons annually)

China's Economy is Booming

Red Meat Output*

U.S. 20,325,000 M/T
China 46,500,000 M/T

* 1996 USDA Forecast.

China has 21 % of the World's Population but only 7 % of the Arable Land

Korea
Taiwan
Russia
North America
Mexico
Latin America
Africa
South America

SWEETENER SESSION
February 22, 1996
Carol M. Brick-Turin
World Perspectives, Inc.

To best analyze the world of today and to speculate about the world of tomorrow, we must understand the world of yesterday. When Senator Dole earlier this month urged farm program reform on the floor of the Senate, he compared continuation of the current farm policy to driving a truck while only using the rear view mirror. Well, in order to keep that truck moving forward on the right road, avoiding as many pot holes and hills as possible, we've got to use the front window and side view mirrors as well. But only after we fully understand the road already traveled -- a road which included numerous legislative detours during this past year. And so I'll start by offering a bird's-eye review of the past year, since our last Outlook conference, to try to allow us to better understand why we are where we are today -- still awaiting the passage of the 1995 Farm Bill in February of 1996!

Before the election in November, 1994, USDA was signaling that farm programs would stay the course, that they would be simply tightened around the edges. In the aftermath of the resounding Republican victory in November, the new majority party in Congress (with 75 Republican Freshman--a majority they hadn't enjoyed in 40 years) used its newfound power to reconsider the value and construct of all federal programs. Intent on balancing the federal budget, they put price supports and, indeed, the very structure of farm program themselves, front and center in the intense effort to slash federal red ink.

In January 1995, newly appointed House Agriculture Committee Chair Pat Roberts indicated that EVERY agricultural program was on the table, including those that don't cost the taxpayers through budgeted outlays Programs were going to have to pass the test of market orientation and reduced government involvement.

By the end of February, Senate Agriculture Committee Chair Richard Lugar caused a near revolt in the agricultural community , after implying a possible farm policy package composed of tax code benefits and deregulation as replacements for traditional farm programs; he then shifted to the more traditional approach, but slashed price support by 3%/year for five years. He speculated that the "cartel" commodities would also witness an ultimate reduction; in fact, he had two months earlier promised a bottoms up review of ALL agricultural programs, promising a farm bill fair not only to farmers but to consumers and taxpayers as well. At the same time, by the way, he confirmed his commitment to abolishing the sugar program.

But, please keep in mind, through all of this, that as a colleague of mine often reminds me, politicians are renowned for their ability to rationalize differences between their rhetoric and their actions. Also remember that reform politics and campaign politics often conflict.

By May, policy formation began in earnest; and identical bills in both the House and Senate were introduced to repeal the current sugar price support program. Congressmen Miller/Schemer and 81 members co-sponsored a bill with a broad-based, bipartisan, regionally diverse coalition in the House, and Senator Bill Bradley sponsored the bill in the Senate, with support from industrial users, environmentalists, and public interest organizations.

Meanwhile, a producer industry-wide consensus proposal was released to the House Agriculture Committee during its May hearing on the sugar program -- a consensus proposal which would later be dramatically modified.

In June the Budget Resolution set parameters for cuts in agricultural programs-- $13.4 billion over seven years; Cuts which would ultimately set the stage for the most radical reform of agriculture programs in decades

In July, during the Agriculture Appropriations process, the House Republican leadership committed themselves to sugar program reform and promised program opponents a shot at an "up/down" vote if REAL reform were not accomplished in the Agriculture Committees (and do keep in mind that like beauty, the definition of reform is in the eyes of the beholder)

August and September witnessed the emergence of new policy platforms from both the cane refiners and Producers, the former proposing to cuts sugar loan rates and to offer support on a decreasing scale and the latter, to **ELIMINATE** marketing allotments and to OPERATE the program with recourse loans, triggering a conversion to non-recourse at certain levels of imports.

Meanwhile, House Agriculture Committee Chairman Roberts was on the brink of passing his sweeping new farm program legislation -- legislation which would implement the most dramatic reforms to program structure in over 50 years, known as Freedom to Farm. F to F would:
--eliminate most of the familiar program structures such as target prices, deficiency payments and annual set asides
--base support on fixed, declining annual payments, with full flexibility on crops planted
--cut $12.3 billion from the agricultural budget over 7 years
--eliminate permanent legislation for farm programs (for our most recent 5-year farm bills were indeed amendments to the 1938 and '49 laws)

Congressman Roberts needed every vote he could muster for passage of his bill; But Freedom to Farm was defeated in the Agriculture Committee on September 20 by 5 votes. House leadership then by-passed the traditional committee route and added the plan to the budget reconciliation package during a Rules Committee mark-up. Four members with districts important to the sugar industry would not support Freedom to Farm without extracting similar support for a producer backed proposal; their votes were crucial and Roberts was ready to deal. Leadership, as they would in ANY critical piece of legislation in need of passage, had to weigh the importance of...Freedom to Farm contained sugar provisions, which unlike those which Congress leadership had earlier supported, such as a reduction in the loan rate, reflected the producer platform. I'll review those provisions a little later on, and one could argue the extent to which they reflect real reform, but my point here is to underline the shift in position of the leadership to accept provisions which had previously been rejected as short of meeting the criteria of necessary market orientation.

But one must keep the sugar title in perspective -- when members count votes and weigh the importance of passage of an overhaul of the entire agricultural support system against radical reform of a single program, the degree of reform to which members are willing to agree can readily shift.

In September, Senator Lugar's effort towards radical reform in the Senate Agriculture Committee was similarly defeated. Although talk was tough and certain members were committed to radical reform of the sugar program, including expiration of the program in 2 years, votes were needed to pass Mr. Lugar's compromise plan and Senator Craig, in particular, carried the water for the producer sector.

In November, the Sen. and House Agriculture Cites agreed to a compromise Sugar Title, based on the Freedom to Farm language. The overall bill became part of the Budget Reconciliation -- the tax and entitlement bill which was subsequently vetoed by the President.

The Presidential veto created problems for farmers who had to make spring 1996 planting decisions -- would they have the full flexibility provided for in Freedom to Farm? Would they have deficiency payments as included in a Democratic alternative proposal? Would parity payments come into play if Congress reverted to permanent law? Would programs be extended for a year or 2? Vital program decisions had not been finalized because of the breakdown in the budget negations between the Democratic White House and the Republican Congress. Farm policy was being held hostage to the greater social policy and philosophical differences separating Republican from Democrat, with the entire farm sector made an unintentional victim to this ideological war and political grandstanding.

And so in February, after 33 hearings in the Senate, and roughly 30 in the House, and 12 months of activity, a free-standing farm bill was introduced in both the House and Senate Agriculture Cites.

In the Senate, the strategy was to pass a free-standing farm bill out of the Agriculture Committee , and take it to the floor of the Senate before the February recess. And, after days of intense negations between Democrats and Republicans, the bill did, indeed pass by a wide margin on February 7. A bill which reflected Freedom to Farm, with various modifications based on the Democrats needs.

The House is another story... An attempt to move the bill to the floor of the Houses failed, and certainly one of the reasons is of interest. House opponents of the sugar program wanted to ensure that consideration of any farm bill would afford them an opportunity to offer an amendment to repeal the program. Chairman Roberts felt that if he agreed to an "open rule"; that is, consideration of the bill under conditions which would allow amendments, would slow down the process -- that the House would not pass the bill. Also, some would argue that because the chances of an up/down vote to repeal the program, would succeed, opponents simply would not be given their chance.

And so, that brings us to this week, when there will again be an attempt to bring the bill to the House floor for a vote. Then, of course, the differences in the two versions -- the Senate plan and the House plan -- must be reconciled in a House-Senate conference. So...the fat lady hasn't sung and we cannot yet write the last chapter this story. But we can speculate, we can hypothesize, we can analyze..the outcome and its impact on the sweetener industry.

Let me now highlight the sugar provisions contained in the Freedom to Farm package:
--No cost provision remains
--The price support level of 18-ct loan rate for raw cane frozen BUT there would be a 1-cent penalty for forfeiting (9 mo-loan term same)
--Loans are switched to a recourse program - triggered only to non-recourse when imports hit 1.5 mln st
--Marketing assessments of 1.1 pct of the loan rate (introduced in Budget Reconciliation Act in 1991 and increase in 1993) increased 25%
--Allotments are eliminated

Why is the outcome of the farm bill debate so important to today's discussion? Because although some argue that the above proposal represents radical reform, while others argue they constitute cosmetic changes at best, all must agree that whatever plan is enacted, the outcome is indeed important to today's discussion of the outlook for sugar. For the United States sugar and sweetener industry is the largest in the world. The market is one in which the availability of ample supplies of high quality product, delivered on a timely basis surpasses any other. And yet, it is a market significantly affected by government intervention, intervention which many argue creates distortions in the marketplace.

And, as Peter Buzanell pointed out this time last year, "U.S. sugar is not only an important part of the U.S. agricultural sector, but it also is a pivotal segment to the global sugar economy in terms of production, consumption and trade."

And so we are indeed fortunate to have with us today three people who are imminently qualified to discuss the U.S. and world outlook for sweeteners. They are able to both bride the relationship between the two, and to discuss how government policy does, in the real world outside of Washington, effect the marketplace, both on a domestic and
international arenas.

First Dan will discuss the supply/demand situation and outlook for sugar in the US and world, as well as the HFCS market in the US.

Pat will then build on this theme, focusing on the world situation for sugar, including how world and internal markets are inter-related. His analysis will of course reflect the traders viewpoint, distinct from that of either a government official, or from our third speaker, Craig. Craig is a beet grower in.....

Farm Bill 2 - To extend non-budgetary provisions of farm programs -- trade, research, agricultural credit, rural development