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December 2, 1996

MEMORANDUM FOR CAROL RASCO

FROM: Paul Weinstein

SUBJECT: **Fund For Rural America Meeting**

Background

The purpose of this meeting is for USDA to provide you with a briefing on how they plan to utilize the Fund For Rural America. As you will recall, the 1996 Farm Bill authorized the creation of the Fund, which is the Clinton Administration's initiative to promote rural economic development. This program is currently authorized at $100 million a year for three years, with the monies coming out of the mandatory side of the budget. The funds become available January 1.

USDA postponed their earlier scheduled briefing with you because they wanted to get direction from Secretary Glickman on how he wants the Fund to target its resources. USDA has not yet indicated to us the results of their conversations with the Secretary.

Issues

I have talked with Tom Kalil and Dorothy Robyn of the NEC, and we believe you should consider raising the following issues with USDA:

1. As you may remember, when the Administration issued its Statement of Policy regarding the Farm Bill in 1995, we asked that funds be provided for telecommunications infrastructure. Tom Kalil believes we should underscore with USDA our belief that the Fund should focus on promoting the connection between rural economic development and access to the internet/greater telecommunications infrastructure investment.

2. Dorothy Robyn and I believe it is important that we make it clear to USDA that the Fund should not be used to make up shortfalls in others areas of USDA's budget. We recommend that you ask them how they plan to differentiate between the Fund's activities and other USDA programs.

3. Because there are limited Fund dollars, we believe it is important that the money be distributed on a competitive basis and be leveraged with resources from State and local governments, the private sector, and/or from non-profits.

4. Bill Galston has pointed out in the past that the Administration could get considerable "bang for the buck" if we used some of the Fund's dollars for "telemedicine."

5. You may want to follow up with USDA on our meeting with Bob Rapoza and the rural CDFI group. In particular, you could ask them to meet with the CDFI Fund and its director Kirsten Moy about how to develop a joint funding process.

Mark Weatherly 5-4941

AGRICULTURE

- **The Federal Agricultural Improvement and Reform Act Of 1996 (F.A.I.R.) includes greater planting flexibility and decreasing levels of government income support. Would your Administration propose any modifications to the law before it runs its seven-year course? If yes, what would these proposals be?**

To make farm programs simpler and more flexible, President Clinton fought for and won provisions in the farm bill that increase planting flexibility. Under his leadership, the USDA made it easier for farmers to participate in federal farm programs and achieved a record level farm program enrollment this year--99 percent. In 1996, 334 million acres are planted to principal crops -- an increase of 15 million over last year.

The President, however, signed F.A.I.R. into law with reservation. He believes the bill fails to provide an adequate safety net for family farmers. The fixed payments in the bill do not adjust to changes in market conditions, leaving farmers and the rural communities in which they live vulnerable to reductions in crop prices or yields. President Clinton is committed to submitting legislation and working with the Congress next year to strengthen the farm safety net.

The President was disappointed that the Congress rolled back an important reform of the crop insurance program, which had been enacted just 18 months before. But F.A.I.R. does embody a clear commitment to maintain crop insurance as an alternative to costly and unreliable ad hoc crop disaster programs of the past. In this respect, the Clinton Administration strongly supports the development of new "revenue insurance" approaches over the coming years so that the crop insurance safety net can play an increasingly large role in the farm economy. This is a key component of the President's strategy to continue to help farmers manage the risks they face.

FUTURE OF AGRICULTURE

- **What initiatives would you begin to surface over the next four years to guard against shifts in the predominantly family-owned-and-operated structure of American agriculture?**

President Clinton keeps working to strengthen the overall economic position of family farmers throughout the U.S. There is much encouraging news. Interest rates are low and the U.S. economy remains steady. The value of land and other farm assets continues to rise. Net farm income is projected to increase by as much as $15 billion this year. Farmers are also realizing higher prices. From June 1995 until June 1996, farmers received 19 percent more for crops and livestock. Farm cash receipts are expected to approach $200 billion in 1996, up $25 billion since 1992. Corn and wheat reached record high prices this year, up $6 billion over 1995 and $10 billion over 1992.

President Clinton continues to help the average farmer by ensuring that prices are competitive. His Administration has created an advisory committee to investigate the effects of concentration in the meat packing industry on producer prices. The President is already responding to committee recommendations by fighting anti-competitive practices.

The Administration has also proposed estate tax relief to aid families in transferring the farm to the next generation. We have to increase the value of the estate that is eligible for deferred payment of estate taxes and to reduce further the interest rate on the taxes that are paid over time. These changes would reduce a family's need to sell farm assets to pay taxes.

TRADE

- **What steps would your Administration take to negotiate new and monitor the implementation of existing foreign trade agreements to create opportunity and ensure fairness for American agriculture?**

Since President Clinton took office, agricultural exports have risen dramatically, by roughly $18 billion. U.S. farm exports are expected to reach a record $60 billion in 1996, 42 percent above 1992 levels. For two consecutive years, for the first time in history, U.S. agricultural exports top $1 billion each week. Agriculture's record $29 billion trade surplus in 1995 leads all other sectors.

The Administration has negotiated 200 plus trade agreements, helping generate record U.S. exports. Export growth has been especially strong in Asia which takes 46 percent of U.S. agricultural exports. Exports to Japan are $12 billion, up 50 percent from 1992 while combined exports to Korea, Taiwan, Hong Kong, and Malaysia are up nearly 70 percent at a record $8.9 billion. And the North American Free Trade Agreement has helped open Mexico's agricultural market; this year agricultural exports are projected to reach all-time highs.

The President's policies have helped increase farm income. Net farm income is projected to increase by as much as $15 billion this year, totaling $55 billion. The Clinton Administration's trade and other economic policies can be credited with much of this growth.

May 15, 1996

Mr. Willie Nelson
Ms. Carolyn G. Mugar
Farm Aid
Suite 5
334 Broadway
Cambridge, Massachusetts 02139

Dear Carolyn and Willie:

Thank you so much for your advice regarding H.R. 2854, the Federal Agriculture Improvement and Reform Act of 1996.

As you know, I signed H.R. 2854 into law on April 4, 1996. I did so reluctantly, however, because, as you point out, this legislation fails to provide an adequate safety net for family farmers. The fixed payments established in the bill do not adjust to changes in market conditions, leaving farmers and rural communities susceptible to reductions in crop prices or yields. Be assured that I am committed to working with Congress next year to strengthen the farm safety net.

Nevertheless, the bill does include many of my Administration's proposals that will help us to achieve our environmental and economic development goals. For example, planting flexibility provisions allow farmers to plant for the market -- not for government programs -- thereby improving U.S. competitiveness in world markets and simplifying farm programs.

I am especially pleased with the rural development, research, and conservation programs provided by the legislation that will ensure our commitment to traditional infrastructure while expanding investments in information infrastructure and human capital. The Performance Partnership Initiative provides flexibility for states to use federal program funds to fit their needs. The bill also provides $300 million in additional resources for rural development and agricultural research through the new "Fund for Rural America." I also support the bill's conservation provisions, which will improve environmental quality, enhance contributions to farm income from the Conservation Reserve Program, and provide more than $1 billion over 7 years for on-farm conservation measures, including assistance for livestock.

Thanks again for the active involvement of Farm Aid in this important issue. I will certainly keep your ideas in mind as I work with Congress to improve the farm safety net and to use the farm bill's new tools to benefit American farmers.

Sincerely,

BILL CLINTON

BC/~~KMB/JFB/JRS/ckb-lynn~~ (Corres. #2900278)
~~(5.nelson.w)~~
cc: Elizabeth Drye, DPC, w/incoming

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FARM AID
Keep America Growing!

President Bill Clinton
The White House
1600 Pennsylvania Avenue
Washington, DC 20050

April 8, 1996

Dear Mr. President:

On behalf of Farm Aid, and the millions of Americans who support family farmers, we are writing to urge you to move as quickly as possible to reopen the farm bill to improve provisions that are harmful to family farmers.

We are disappointed at your decision to sign farm legislation that favors agribusiness and industrial farms over family farmers. While there was improvement in some titles of the farm bill, the commodity provisions of the bill leave family farmers without a safety net that will allow farmers to earn an adequate income from the land. This farm bill will put even greater pressure on the already limited resources of Farm Aid and the rural service agencies that we support, as we attempt to deal with increased foreclosures and farm financial problems.

We are encouraged by your pledge to introduce legislation to strengthen the farm safety net and improve family farm income. We would like to offer some specific recommendations to increase opportunities for family farmers to survive in a market that continues to favor industrial agriculture.

•Restore the rural safety net for family farmers to give them a chance to earn a decent living from the land. Lift the cap on loan rates to help farmers survive when prices are low.

•Change the commodity provisions that guarantee payments for seven years, whether or not the land is farmed. These guaranteed payments are an insult to the hard-working family farmers who work the land and till the soil. New provisions should require that farmers plant a crop and farm in order to get any benefits.

•Restore and increase programs that help young people get started in farming. The average age of farm operators is rising every year, and fewer and fewer young people are choosing farming as a career. The new bill will lock thousands of young people out of the chance to get started in farming.

•Restore borrowers' rights provisions that were removed in the new legislation, and increase the number of direct loans to family-sized farms. The lack of direct loans is another factor that keeps young people out of farming.

Farm Aid will work with you to reopen this farm legislation and take this debate to the American public.

Thank you for your consideration.

Sincerely,

Willie Nelson
President

Carolyn G. Mugar
Executive Director

334 Broadway • Suite 5 • Cambridge, MA 02139 • Tel. (617) 354-2922 • Fax (617) 354-6992

To: E. Dye
L. Elsworth
F. Hatta

Farm Bill Signing Ceremony
Stmt?

STATEMENT BY THE PRESIDENT

I am today signing into law H.R. 2854, the "Federal Agriculture Improvement and Reform Act of 1996". H.R. 2854 would authorize most agriculture programs for FYs 1996-2002, including commodities, credit, conservation, rural development, trade, and nutrition.

I am signing H.R. 2854 with reservation, because I believe the bill fails to provide an adequate safety net for family farmers. The fixed payments in the bill do not adjust to changes in market conditions, which would leave farmers, and the rural communities in which they live, vulnerable to reductions in crop prices or yields. I am firmly committed to submitting legislation and working with Congress next year to strengthen the farm safety net.

I am, however, keenly aware that farm legislation is long overdue and American farmers need to know now the conditions under which they are operating. In addition, the bill includes a considerable number of the authorities my Administration proposed in its "Blue Book" of farm bill proposals last year. I believe these authorities will enhance our environmental and economic development goals. They will form a lasting legacy of the 1996 farm bill.

The hallmark of the bill's commodity title is the planting flexibility provisions. At long last, farmers will be free to plant for the market, not for government programs. The expansion of planting flexibility will improve U.S. competitiveness in world markets. In the years to come, these markets will make the difference in the growth of farm income. In addition, this legislation will reduce the adverse environmental effects of production agriculture, and greatly simplify farm programs.

I am very pleased with the rural development title of the bill. Congress has incorporated the Administration's principle that we must continue our investment in traditional infrastructure while expanding the investment in information infrastructure and in human capital. These investments will ensure that all Americans, regardless of how remote an area they live in, will have the opportunity to better their lives and share in the economic growth spurred by the revolution in information technology.

My Administration is keenly aware that there is no "one size fits all" Washington solution to local economic development needs. That is why we proposed the Rural Performance Partnership Initiative, which provides flexibility to States to tailor Federal program funds to their unique situation. I salute the Congress for enacting this proposal, as well as providing $300 million in additional resources for rural development and agricultural research through the "Fund for Rural America".

I also wholeheartedly endorse the bill's conservation provisions. The bill will enhance contributions to environmental quality and farm income from the Conservation Reserve Program, a program whose importance I have repeatedly stressed. H.R. 2854 provides more than $1 billion over seven years for on-farm conservation measures, including assistance for livestock producers, that will help prevent soil erosion and clear our streams and air. I am also glad to see that farmers will still have the choice to enroll permanent easements in the Wetlands Reserve Program.

In addition, the bill would provide $200 million, with the possibility of an additional $150 million, for restoration of the Everglades. This project is one of the Administration's top environmental priorities, and the funds in this bill are a good down payment toward our goal. Moreover, I call on Congress to enact the Administration's comprehensive Everglades restoration plan, including the one-cent per pound marketing assessment on Florida sugar. This assessment would ensure that the benefitting industry pays its fair share.

I am also generally pleased with the trade title, which includes almost all of the Administration's proposed export program enhancements. While the Administration opposed the reduced funding for certain export programs in the bill, it will use these, and newly authorized tools, to expand upon the record levels of agricultural exports we have achieved. This will ensure that America's farmers continue to take advantage of the growing opportunities in the world market.

I am disappointed Congress has rolled back an important reform of the crop insurance program, which was enacted just 18 months ago, to ensure that every farmer has crop insurance where it is available. Still, the farm bill embodies a clear commitment to maintain crop insurance as an alternative to costly and unreliable ad hoc crop disaster programs of the past. In this respect, the Administration strongly supports the development of new "revenue insurance" approaches over the coming years so that the crop insurance safety net can play an increasingly large role in the farm economy. This is a key component of our strategy to continue to help farmers manage the risks they face.

While commodity and conservation programs remain the core of any farm bill, much of the future of agriculture and rural America will be determined by many other factors outside the traditional scope of those programs. This bill recognizes the growing importance of those forces, and incorporates many of the reforms the Administration sought. While seeking improvements in the farm safety net, I will also charge my Administration with using the bill's new tools to ensure that agriculture sustains the growth it has achieved, that the pace of environmental improvements is accelerated, and that we create new economic opportunities for farmers and rural citizens.