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COPS

MAKING RURAL AREAS SAFER

Facts & Figures:

- More than $2.3 billion in COPS grants have been awarded to 10,500 law enforcement agencies serving small communities

- 49% of grants were awarded to law enforcement agencies serving populations of fewer than 10,000.

- 83% of the grants were awarded to agencies serving populations of fewer than 50,000.

- 31,417 full time officers have been funded to serve small communities under the COPS program

- Small towns need COPS grants: In many small towns, COPS grants permit the police to offer 24-hour coverage for the first time ever.

- Small Community Grant Program: Later this year, COPS will announce approximately $15 million in grants to help communities with populations of less than 50,000 retain the officers they have hired under the COPS Phase 1, FAST, and Universal Hiring Programs (UHP).

- Methamphetamine Initiative: Last month, COPS awarded $5 million in grants to six cities to combat the growing problem of methamphetamine usage.

Stories from the Field:

Vilas, Wisconsin
Officer Lila: Patrolling the Streets and Teaching in the Classroom

Most school resource officers patrol the halls interacting with the students; Officer Brad Lila, one the other hand, has taken the program one step further by moving from the halls in to the classroom. Officer Lila, a COPS funded officer with the Vilas, Wisconsin Police Department, runs a number of educational programs in the Northland Pines School District. Officer Lila:

- Teaches a unit on legal issues in political science classes
- Instructs students about accident prevention and driving under the influence in driver's education classes.
- Makes presentations to the school on the importance of using seatbelts
- Teaches students on how to use 911 through reenactments
- Teaches a unit on controlled substances in social problems classes

In addition to his teaching responsibilities and keeping the school a safe environment for learning, Officer Lila also administers a career exploration program, speaks at D.A.R.E. events, and acts as a liaison between the police, the school, and the student body to communicate school policy.
Phone: (715) 479-4441

Iowa
COPS and the DEA: Cleaning Up Methamphetamine

The state of Iowa is benefiting from the $34 million Congress appropriated COPS to combat the growing methamphetamine problem. COPS has enlisted the DEA to work with local law enforcement agencies on the proper collection, removal, and destruction of clandestine methamphetamine laboratories. Methamphetamine laboratories are severe environmental hazards, which present a grave danger to law enforcement officials and the local population.

Hastings, Nebraska
COPS Problem Solving Partnership to Help Combat Underage Drinking

The Hastings Police Department is using a $66,758 Problem Solving Partnership grant from the COPS Office to tackle the problem of underage drinking. The Problem Solving Partnerships Program provides policing agencies with an opportunity to work together with other organizations in the community to address persistent crime problems. According to [former] Police Chief James Montgomery, "Usually the youths we arrest under 21 are … involved with alcohol. So, before we can fix the problem, we need to know all the information, and I believe this program will help us solve it." The police department has partnered with Hastings College to produce a crime analysis of the relationship between underage drinking and crime. Once the information has been collected, the department will start an education campaign consisting of television commercials and a web page. "We will use this data for even greater police enforcement," Montgomery said. "This is going to give us a handle we've never had before. We expect to lay the foundation for this program and have it continue on."
[*Hastings Tribune*, 5/19/97]

USDA

U.S. DEPARTMENT OF AGRICULTURE

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MESSAGE: Clips on Ag

Food Safety

NY Times

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NY Times 7/24/98 A24

A Food Fight Worth Waging

President Clinton has asked Congress to provide $101 million to bolster Government efforts to insure the safety of the nation's food supply. The funds would be used to deploy more food safety inspectors and new technology, expand research into the causes of and solutions to food-related illness, and educate consumers and retail food outlets on the safest food handling practices.

There is growing public concern about the large number of food-caused illnesses, including some from unexpected sources like the salmonella in cereal that sickened 200 people in 11 states last month. Indeed, Mr. Clinton's initiative could well be stronger. But he is having a hard time getting the Republicans who control the House and Senate to furnish even the modest sum he has requested.

The House has allocated just $16.8 million for the program, far short of the amount required to make serious headway against the hazards associated with bacteria, viruses and parasites in food. The Senate's original response was even more grudging. The Agriculture spending bill that hit the Senate floor last week set aside a measly $2.6 million. But it finally dawned on lawmakers that this could be a tough position to defend to voters. Senator Tom Harkin, Democrat of Iowa, then won approval for an amendment to increase the appropriated amount to $68 million. That is progress, but well short of what is required. Surely food safety is at least as important as some of the pork-barrel projects buried in the transportation bill.

The issue now moves to a House-Senate conference committee. Some lawmakers have argued that money for new programs is tight this year, and that some of the Food and Drug Administration's responsibilities could be delegated to state and local governments. But health officials estimate that food-borne diseases account for up to 30 million cases of illnesses and 9,000 deaths a year. Imported foods, which are only rarely inspected now, increasingly contribute to the problem. This is hardly a time to be diminishing the Federal Government's role. Congress should find the money to finance the White House food safety initiative, and then promptly attend to the Administration's proposals to strengthen the policing authority of food agencies.

100 White House announces more aid for U.S. farmers

WASHINGTON, July 23 (Reuters) - Farmers and ranchers in all Texas counties qualify for federal disaster assistance because of crop damage from the severe drought that has parched the state, President Clinton said on Thursday.

Agriculture Secretary Dan Glickman will tour Texas and Oklahoma next week to determine what other federal assistance is necessary, Clinton said. The disaster aid was announced by the White House as part of a four-step plan to help rural America.

Clinton, who was scheduled to talk with farm state broadcasters later on Thursday, also urged the Republican-controlled Congress to help relieve farm financial stress with a packag of emergency funding. The Senate and House are to appoint a conference committee soon to iro out differences in the 1999 Agriculture Department budgets adopted by each chamber.

Specifically, the president asked lawmakers to approve supplemental crop insurance benefi for farmers who have had losses in three of the past five years. "This option avoids market intervention while providing assistance to areas in greatest need and would benefit about 45,000 to 50,000 farmers," a White House statement said.

Congress should also fund crop and pasture compensation for farmers whose land is under water, Clinton said. Farmers in the northern plains states, who saw crops and livestock destroyed by spring flooding, would receive payments equal to the rental value of the land.

A disaster fund for livestock feed losses also should be replenished by Congress, he said "The 1996 Farm Bill limited the disaster reserve to about $60 million in resources, and thos resources are now almost exhausted," the statement said. ((Washington commodities/energy desk, 202 898 8467 email: washington.commodsenergy.newsroom@reuters.com))

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Clinton-Heat, Bjr,0737
Clinton orders aid to drought, heat victims

WASHINGTON (AP) With scorching heat destroying crops and killing more than 100 p ple, President Clinton rushed disaster relief to Texas farmers Thursday and authorized $100 milli to help Americans pay their electric bills and buy air conditioners and fans.

``In times of human crisis, we have an obligation to act,'' Clinton said at the White House. To farmers whose crops have been shriveled by drought, he said, ``I wish I could seed the clouds and make it rain.''

Clinton released $100 million from the low-income home energy assistance program to peop in 11 Southern and Western states where temperatures are 16 to 26 percent above normal this summer.

``Those who cannot afford air conditioning are at real peril of further health risks as the heat wave goes on,'' Clinton said. He said it would be an act of ``political irresponsibility'' if Republican leaders in the House carried out plans to eliminate the energy assistance program.

The 11 states eligible for emergency aid are Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee and Texas.

``This is an especially difficult time,'' Clinton said, noting that the summer of 1998 i on track to being the hottest on record. ``This scorching heat shows no sign of abating,'' th president said. ``It has destroyed crops, led to widespread power outages and, worst of all, has resulted in the deaths of over 100 people.''

Hit by drought, floods and declining export markets, farmers saw their income plunge 35 percent in the first three months of this year, compared with the same period in 1996 when crop prices were unusually high. The election-year crisis has Democrats and Republicans scrambling to respond.

``In Texas, almost three quarters of the cotton crop is lost,'' Clinton said in a radio broadcast from the Oval Office to farm states. ``And in North Dakota, retired auctioneers are being pressed into duty just to handle all the families who are being forced to sell all thei farms.''

Clinton declared all Texas counties eligible for disaster assistance, making federal aid available to farmers. He also said he will send Agriculture Secretary Dan Glickman to Texas and Oklahoma next week to inspect areas hit hardest by the drought and harsh temperatures.

The president urged House Republicans to support the Democrats' $500 million emergency ai package passed by the Senate. House Speaker Newt Gingrich has tentatively endorsed the plan.

Gingrich and Clinton also are together in supporting legislation to speed up the $5.5 billion in payments that many farmers are due to get later in fiscal 1999, which begins Oct. 1.

``We must never turn our backs on farmers when Mother Nature or the world economy turns a callous eye,'' Clinton said.

He expressed sympathy with farmers' complaints that the government's crop insurance program, which is supposed to protect against disaster, is not working after Congress r ote farm laws two years ago to end automatic government payments.

``This is one where an honest error was made and we want to correct it,'' Clinton said. He invited farmers to suggest ways to make the program more affordable and fairer. Clinton also called on Congress to approve $18 billion to replenish the International Monetary Fund, which would loan money to foreign governments to buy American farm products.

``American farmers cannot afford to wait,'' the president said. ``They need help now.''

Clinton acknowledged that the fast-track trade legislation supported by many Republicans but opposed by most House Democrats probably would not be approved before next year, after the November elections. Many farmers believe it would help increase agricultural exports once new trade deals are negotiated.

``I would support voting on fast track whenever we think we can pass it,'' he said. ``I believe it will pass early next year.'' He said Congress should focus its attention on other problems, such as the IMF funds and emergency aid for farmers. ``Why not pass what we can pass now?'' he said.

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Farmers Face a 'Harvest of Despair'

(10) *Low Prices, Severe Weather Devastate Growers in Plains*

By William Claiborne
Washington Post Staff Writer 7/24/98 A1

VALLEY CITY, N.D., July 23—Like a lot of farmers in these parts, David Maasjo is living on the edge, forced by bad weather, global economic forces beyond his control and shifting agriculture policies in Washington to take risks that until recently he never dreamed of taking.

Maasjo, a fourth-generation wheat farmer whose Norwegian great-grandfather homesteaded here in the mid-1800s, already has sold his grain inventory and livestock herd and refinanced a mortgage that would have been paid off in three years—all to cover an operating loan he took out last year. Now he is taking the chancy steps farmers tend to take when they feel failure closing in—cutting corners by not spraying and by diversifying into sunflower and soybeans because wheat has become so unprofitable.

Still, he is struggling to make his loan payments and maintain the $8,000 net income he expects to live on this year.

All the while, Maasjo, 54, says he cannot get out of his mind the story he heard as a boy, of his grandfather sitting on the steps of the Barnes County Court House in the Depression 1930s holding his head in dejection while waiting to sign away his farm when someone ran up and jubilantly announced that the state government

FARMERS, *From A1*

had just declared a moratorium on farm foreclosures.

"I think back on that and I get emotional because he made it and I may not," Maasjo said. "But I guess, honestly, in the back of my mind, I may be facing auction. This is my life, and I may be the last generation of Maasjos to own this farm."

Maasjo's fears are real. And they are real for many other farmers this summer on the northern Plains from Minnesota to Montana, where the combination of bad weather and declining prices has hit harder than anywhere else in America's Farm Belt. Some estimates project that in North Dakota alone nearly 2,000 of 30,000 farms will fold this year in the wake of a staggering 98 percent plunge in farm income—from $764 million in 1996 to $15 million last year.

But farmers in other traditionally fertile zones also have grappled with disastrous conditions this year, particularly in southwestern states that have baked under a heat wave for two months. Although forecasters promised at least a slight drop in temperatures by the weekend, thermometers rose to 100 in the Dallas area for the 18th day and heat blanketed the rest of the South as well.

President Clinton released $100 million in federal funds to help low-income people in 11 southern states pay electric bills inflated by air-conditioning. He declared all of Texas eligible for disaster assistance, making federal funds available to help farmers there hurt by the heat.

"In Texas, almost three-quarters of the cotton crop is lost," Clinton declared in a radio broadcast from the White House, adding at another point: "We must never turn our backs on farmers when Mother Nature or the world economy turns a callous eye."

Most of the farm shutdowns in North Dakota are not the result of bank foreclosures as they were in the mid-1980s, when farmers rose up in anger and marched on Washington. They are part of what is called here a "stealth" crisis, the hopelessness that many farmers feel when they plant crops they know will not bring enough on the market to recoup their investment. It is then that they decide to look for a job in town or, if they are young enough, move away and seek a new career.

However, some farmers in this flat expanse 60 miles west of Fargo said they cannot even afford to voluntarily shut down because the taxes on the sale of their expensive combines and other machinery would be ruinous.

This year, the net farm income of Great Plains farmers is expected to be near or below the poverty line for a family of four, forcing many to draw down on their equity, look for second jobs off the farm or give up. Last year, the average North Dakota wheat farmer suffered a loss of $23,000.

Tony Heinse, a local auctioneer, said he has put 32 farms on the block this year, compared with a normal three to five farms for a similar period in previous years. It is the most he has auctioned in his 31 years in the business. All the farms were owned by "darned good farmers" 30 to 50 years old who were unable to negotiate new operating loans, Heinse said.

"I grew up with some of them. We'd sit at the kitchen table, and some of them would cry because they'd put in 25 to 30 years and were walking away with absolutely nothing," he said.

Elsewhere in the state, farm auctioneers report putting 40 to 50 farms up for bids in the past year. One auctioneer who retired from farm sales three years ago and was doing only small antique auctions came out of retirement because of the demand this year.

Overall, farm income in 32 states is projected by the Agriculture Department to fall $5.2 billion this year from 1996, and farm debt nationally could reach $172 billion. That is the highest level since the height of the 1980s farm bankruptcy crisis. Officials blame collapsing crop prices, declining exports in the face of stiffer global competition and natural calamities ranging from searing drought in Texas to recurring wet cycles and wheat disease in the Plains states.

With foreign competitors putting more land into intensive—and often heavily subsidized—production, bumper crops around the world have pushed prices for corn, wheat and soybeans down an average 39 percent from their peaks in 1995. In June 1996, the price of wheat was $5.20 a [illegible] week it was $3.10.

Particularly devastating [illegible] region on the western edge [illegible] Red River Valley have bee[n] [illegible] years of heavy rains tha[t] [illegible] inflicted on wheat—North [Dako]ta's trademark crop—di[sease] such as scab, a fungus that [illegible] seed development [illegible] sever[ely] [re]duces the quality of yields.

Driving through the North [Da]kota prairie, flat as a board [illegible] seemingly endless, can be dec[eiv]ing. The farms look verdant, [illegible] and abundant. But appearan[ces] mask the almost invisible fu[ngi] that hollow out wheat ke[rnels] [illegible] cut the grain yield— [illegible] they [re]veal nothing of the market for[ces] driving down the price of [illegible] crops.

"Yes, the crops look great. [illegible] they're not worth anything if [you] can't get a decent price," [illegible] A[illegible] Skogen, who farms 4,000 a[cres] west of here and who is [illegible] president of the North Da[kota] Grain Growers Association.

"It's truly a harvest of des[pair] out there," Senate Minority Lea[der] Thomas A. Daschle (D-S.D.) [said] in a telephone interview.

See FARMERS, A15, Col. 1

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situation in rural America is as bad as it has been for perhaps 15 years."

Daschle spoke as Congress tried to cobble together an emergency relief package two years after Republicans pushed through a "Freedom to Farm" law that is gradually phasing out federal price supports that once insulated farmers from economic swings.

The Senate passed last week a Democratic-sponsored $500 million "indemnity" aid package aimed at helping farmers ride out the low commodity prices and weather-related disasters. Then House Republicans rushed in with their own election-year response, which would accelerate as much as $5.5 billion in "transition" payments next year as farmers continue to be weaned off Depression-era subsidies by 2002.

Because of its short growing season and traditional dependence on wheat, this region has relied heavily on the kinds of federal support programs being phased out under the 1996 legislation.

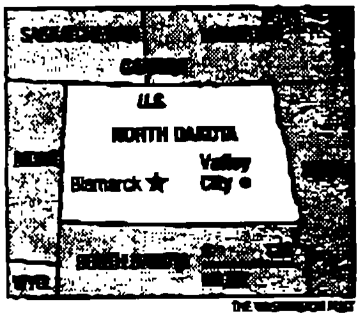
If there was any doubt that the worsening farm economy was going to be a major campaign issue here and in other farm states in November, it was dispelled when Clinton on Saturday announced an Agriculture Department plan to purchase 80 million bushels of U.S. wheat for use in humanitarian aid programs.

As the Fargo Forum editorialized the other day, "Politicians of all stripes have jumped on the wagon . . . to rush some sort of emergency assistance to farmers." But despite the sudden attention to farmers in Washington, the crisis—and its perceived link to the Republicans' 1996 Freedom to Farm law—remains a central campaign issue in hard-hit farm states.

Rep. Earl Pomeroy (D-N.D.), whose seat the Democrats cannot afford to lose in their bid to retake the House, said he intends to squarely lay the blame for the crisis on the 1996 deregulation and free market-oriented law, which his GOP opponent, Kevin Cramer, supports.

"The heart of it [the law] is decoupling support for farmers from times of trouble. I think that if the Republican Congress fails to respond to agriculture in crisis, there will be a tough price for them to pay in farm country at election time," Pomeroy said.

Similarly, the "totally different views of the role the federal government should play in agriculture" will be a key issue in Sen. Byron L. Dorgan's reelection bid



against Republican state Sen. Donna Nalewaja, said Jerry Kelsh, executive director of the North Dakota Democratic Party.

To farmers like Tom Langemo, who has 1,800 acres of wheat, soybeans, sunflowers and barley in Fingal, about 30 miles southeast of here, restoring elements of the farm safety net—harvest loans, subsidy payments, credit programs and crop insurance—is just a starting point. More crucial to his survival, Langemo said, are factors that are even harder for the federal government to influence and are beyond his control: the continually escalating cost of equipment and fertilizer, and the falling grain prices caused by increased foreign competition and global economic trends like those occurring in financially-troubled Asia.

"If we can't control the Canadians who are dumping their wheat across our border every day, if we can't control European governments that are giving their farmers unfair advantage with huge subsidies, and if we can't control an Asian economy that has lowered the demand for our crops, we have zero control over our survival as farmers," Langemo said.

Kenneth DeKrey, who retired last year as a banker in Valley City and is now running as a Republican for the state legislature, said, "The fun in lending money to farmers disappears pretty quickly when you see them borrowing against equity just to pay operating debt. We really do love to help farmers, but when you lend someone $75,000 to put in a crop that's going to get $60,000, is that helping?"

Many farmers have opted for second jobs off the farm, like Marcy Svenningsen, 37, who with her husband, Greg, 39, farms 1,1 acres southwest of here. Sitting in the kitchen of her farmhouse, she displayed tax returns showing es of over $30,000 a year 1994.

"The hard part is knowing when you put a crop in the ground that it won't even meet expenses. We always figured we could make it up if we had a good yield, but with the scab and wet weather and all, we're not getting good yields," said Svenningsen, who works full time as business manager for a training center for disabled people "to ance off our losses."

As in all farm crises, businesses that are dependent on farmers are also suffering. Local merchants wonder if their communities withstand another sustained downturn. "If the farmer doesn't make it, Main Street doesn't make it," goes an adage in communities like Valley City, population 7,200.

Gene Lueb, general manager of the Cenex farm supply firm here, which supplies fertilizers, pesticides, seed, fuel and other necessities to more than 300 area farms, said sales are down 14 percent from last year and that he has had to cut jobs and eliminate some services, including an auto repair shop.

"They [farmers] are cutting corners on things we supply that would give them higher yields. With today's [commodity] prices, it's just not worth putting a lot of money into the ground," Lueb said. "I feel sorry for my salesmen when I send them out, because it's really tough out there."

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Clinton r ishes eat aid o Texas

Cites obligation to act in crisis

WTimes 7/24/98 A5

CIATED PRESS

President Clinton yesterday rushed disaster relief to heat-plagued Texas farmers and authorized $100 million to help Americans pay their electric bills and buy air conditioners and fans.

The scorching heat has destroyed crops and killed more than 100 persons.

"In times of human crisis, we have an obligation to act," Mr. Clinton said at the White House. To farmers whose crops have been shriveled by drought, he said, "I wish I could seed the clouds and n it rain."

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Hit by drought, floods and declining export markets, farmers saw their income plunge 35 percent in the first three months of this year, compared with the same period in 1996 when crop prices were unusually high. The election-year crisis has Democrats and Republicans scrambling to respond.

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The president declared all Texas counties eligible for disaster assistance, making federal aid available to farmers. He also said he will send Agriculture Secretary Dan Glickman to Texas and Oklahoma next week to inspect areas hit hardest by the drought and harsh temperatures.

The president urged House Republicans to support the Democrats' $500 million emergency aid package passed by the Senate. House Speaker Newt Gingrich has tentatively endorsed the plan.

The Georgia Republican and the president also are together in supporting legislation to speed up the $5.5 billion in payments that many farmers are due to get later in fiscal 1999, which begins Oct. 1.

Mr. Clinton expressed sympathy with farmers' complaints that the government's crop insurance program, which is supposed to protect against disaster, is not working after Congress rewrote farm laws two years ago to end automatic government payments.

Photo by Roger Richards/The Washington Times

President Clinton speaks in the Oval Office about assistance to farmers affected by the nationwide heat wave.

Drought, heat victin s to get federal aid

$100 million allocated for needy families

By Michelle Kibiger
USA TODAY 7/24/98 4A

As forecasters predicted continued searing weather for Texas at least through the weekend, President Clinton approved financial relief on Thursday for The Lone Star State and 10 other states in the southern and western USA hardest hit by this summer's drought and heat wave.

The state of Texas was declared a disaster area by the president. That means state farmers previously pressed by floods and shrinking export markets are eligible for federal aid programs.

Clinton also freed $100 million from the low-income home energy assistance program to help needy residents of the 11 stricken states keep cool.

Nearly $33 million of that will go to Texas and $18 million to Florida.

The remaining $49 million will be split among Alabama, Arkansas, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina and Tennessee. Each state will get from $2 million to $9 million.

The aid will help low-income families who officials say are being forced to choose between eating and staying cool.

"Those who cannot afford air conditioning are at real peril of further health risks as the heat wave goes on," Clinton said.

The $100 million is designated specifically for fans, air-conditioning units or utility payments for needy families, Michael Kharfen, a spokesman for the U.S. Department of Health and Human Services, said that about 70% of fam ilies have to make do with about $8 annually. The money will boost existing programs in each state, he said.

Texas Gov. George W. Bush matched the federal grant Thursday with $1 million from his office.

Officials estimate the aid will reach about 10,000 Texas households.

The drought, Bush said, has the Texas economy about $5 billion, including $1.5 billion in agricultural losses a

But the widespread heat wave is coming to an end, weather forecasters said.

It will disappear from most of the USA starting today, and the eastern of the country will get a taste of autumnal temperatures for the next week.

Texas will stay hot, but regional ers and thunderstorms will b the streak of 100-degree days in the ern part of the state by Sunday, said Scott Yuknis, a meteorologist for Weather Services Corp.

The heat wave is blamed for at 136 deaths in seven states, including a 21-month-old girl left strapped in a family's hot minivan for 10 hours in Philadelphia on Wednesday. Police are investigating.

The toll includes at least 90 people in Texas, including 49 illegal immigrants found along the Texas-Mexico border; 26 in Louisiana; 13 in Oklahoma; three in Missouri, two in Pennsylvania and each in Arizona and California.

Contributing: Shannon Tangonan

▶ Full weather, 16A

Clinton: President declares the entire of Texas a disaster area.

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Clinton sees fast track approval early next year

WASHINGTON, July 23 (Reuters) - President Bill Clinton said on Thursday that he expecte Congress to approve new fast track trade negotiating authority "early next year." He said a more important issue was replenishing funds for the International Monetary Fund.

"I would support voting on fast track whenever we think we can pass it," Clinton said ir telephone conference call with farm broadcasters. "I believe it will pass early next year."

Last year, Clinton failed to muster enough support from legislators in his own Democratic party to pass fast track.

"I don't believe any votes have changed" since then, Clinton told the farm broadcasters

A higher priority right now is getting Congress to approve funding for the International Monetary Fund, Clinton said.

"I think the IMF funding will do more in the short run to boost American farm prices" helping to stabilize important overseas markets for U.S. farm goods, he said.

"We've got to get the fast track authority so we can open more markets," Clinton said. B even with that authority, it would be years before farmers see the benefits of any new trade agreement that are negotiated, he said.

((Doug Palmer, Washington newsroom + 1 202 898 8341 fax + 1 202 898 8383, washington.commodsenergy.newsroom@reuters.com)) REUTERS Rtr 15:52 07-23-98 Copyright (c) 19 Reuters Received by NewsEDGE/LAN: 7/23/98 3:57 PM

Clinton says IMF funding would help farmers

WASHINGTON, July 23 (Reuters) - President Bill Clinton on Thursday called on Congress to pass funding to replenish the International Monetary Fund, saying it would boost export prospects for U.S. farmers.

In a conference call with farm radio broadcasters, Clinton said he was disappointed by House Republican efforts to block approval of the IMF package, which he said would help stabilize important agricultural markets.

Clinton also said it was vital that the United States strengthen its safety net for farmers by improving crop insurance and giving USDA the authority to extend commodity loan repayment periods.

((Doug Palmer, Washington newsroom + 1 202 898 8341 fax + 1 202 898 8383, washington.commodsenergy.newsroom@reuters.com))

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Clinton says commodity loan rate cap set too low

WASHINGTON, July 23 (Reuters) - President Bill Clinton said Thursday the cap on commodity loan rates is set too low and should be raised to help farmers cope with low prices and destructive weather.

"I think it's clear the commodity loan cap is not working and it needs to be modified," Clinton said in a telephone news conference with farm radio reporters.

"The present cap is too low," he said.

But Clinton note that raising the loan rate would cost money, which could present an budget obstacle.

Clinton's comments came after the Senate last week voted against legislation that would have lifted the cap on loan rates to provide more money for farmers.

However, House and Senate Democrats say they will continue the push the issue of raising the loan rate to help farmers with their cash flow problems.

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US must be ready to donate food generously-Clinton

WASHINGTON, July 23 (Reuters) - The United States must "be prepared to donate food generously" to hungry nations as part of its efforts to help boost prices for farmers at ho President Bill Clinton said on Thursday.

In a wide-ranging telephone news conference on farm issues, Clinton also urged Congress immediately approve funding to replenish the International Monetary Fund but said it would better to wait until next year for a vote on new "fast track" trade negotiating authority.

Last Saturday, Clinton used his weekly radio address to announce U.S. plans to buy 2.5 million tonnes of wheat for donation overseas.

At a briefing afterward, Agriculture Secretary Dan Glickman left the door open to other possible commodity purchases for export donation.

Neither Clinton or Glickman offered any more specifics during the Thursday news conference.

But the United States "should also be prepared to donate food generously to those arounc the world that risk malnutrition and starvation," Clinton said.

USDA aides are still working on implementing the wheat purchase and donation plan in a w that will avoid displacing commercial sales.

While other commodity purchases and donations are possible, a good deal of work remains be done on the wheat initiative, they said.

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Clinton urges passage of emergency ag funding bill

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WASHINGTON, July 23 (Reuters) - President Clinton on Thursday urged Congress to pass legislation that would provide $500 million in emergency funding for farmers who have endure repeated crop failures and severe income losses.

"They are our neighbors in need," Clinton said of the farmers who would be eligible for the assistance.

The measure passed the Senate last week and now must be considered by House members.

Half of the money is expected to go to Northern Plains farmers who have faced crop-damaging weather and persistent wheat disease. Farmers in Texas and in the Southeast ar also expected to benefit.

Clinton also expressed his support for a bill on Capitol Hill to allow farmers to collect their fiscal 1999 transition payments at the start of the fiscal year on October 1. The measure was announced by House Speaker Newt Gingrich last week.

"I think it will be quite helpful," Clinton told farm radio reporters in a telephone new conference.

The payments are made to help farmers adjust to declining government financial support as mandated by Congress in 1996, when it removed most restrictions on what farmers grow in exchange for a cap on farm subsidies. Farmers currently can receive half of their payment on either December 15 or January 15.

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10b

More US gov't commodity buys possible - Stenholm

WASHINGTON, July 23 (Reuters) - A leading farm state congressman said Thursday that it possible the Clinton administration could announce more commodity purchases to help boost prices for farmers.

"I believe that is possible," said Rep. Charles Stenholm, a Texas Democrat, at a press conference to stress the importance of Congress approving funding to replenish the International Monetary Fund.

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14:01 23 Jul RTRS-More US gov't commodity buys possible - Stenholm

WASHINGTON, July 23 (Reuters) - A leading farm state congressman said Thursday that it was possible the Clinton administration could announce more commodity purchases to help boost prices for farmers.

"I believe that is possible," said Rep. Charles Stenholm, a Texas Democrat, at a press conference to st the importance of Congress approving funding to replenish the International Monetary Fund.

On Saturday, President Bill Clinton announced that the Agriculture Department would buy 2.5 million ton of wheat for donations overseas in order to prop up wheat prices.

"I know there's been some discussion of the purchase of beef because of the dispersal of herds in some drought-affected areas," Stenholm said.

Asked about a rumor that Clinton might use a telephone news conference with farm radio reporters on Thursday to announce the purchase of 500,000 tonnes of corn, Stenholm said he "wouldn't be surprised" it was true.

However, he could not independently confirm the speculation and a USDA spokeswoman refused to comment on the issue.

Earlier, Senate Minority Leader Tom Daschle, a South Dakota Democrat, said he did not expect Clinton to make a major farm aid announcement during the news conference.

Instead, Clinton would likely use the opportunity to push for Congress to finish its work on the fiscal 1999 agricultural appropriations bill before the August recess.

The Senate version of that package contains $500 million in disaster payments for farmers who have suffered repeated crop losses in recent years.

Stenholm agreed that it was important that Congress finish its work on that bill before the recess, but said the current situation is not encouraging.

The House approved its version of the bill several weeks ago, but has not yet appointed negotiators to work out a final compromise package with the Senate, he said.

Knight-Ridder MoneyCenter 23-Jly-1998 1:54P

Story #15980 23-Jly-1998 12:49P

[B] Talk circulates Clinton will add US corn to food donation plan

By Myrle Croasdale, Bridge News

Chicago--Jly 23--Talk is circulating among traders at the Chicago Board of Trade that President Bill Clinton may add 500,000 tonnes of US corn to his plan for USDA food donations.

Clinton is scheduled to speak at 1400 CT via radio to answer questions from farmers on the impact of falling commodity prices.

Earlier this week Clinton announced a plan for USDA to buy 2.5 million tonnes of US wheat for donation.

The announcement brought brief support to the US wheat market, but futures have continued in their downward spiral on abundant supplies and sluggish demand.

Floor traders said if corn were added to the plan, support would be passing at best.

Senate Minority Leader Thomas Daschle spoke earlier today saying something needed to be done to keep US farmers solvent but indicated that Clinton would not announce any new proposals in his address on the farm crisis later today. End

Bridge News, Tel: (312) 454-3483

Send comments to Internet address grain@bridge.com

La

Political pressure grows for more farm-state aid

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By Doug Palmer

WASHINGTON, July 23 (Reuters) - A steep drop in commodity prices has put thousands of family farms in financial jeopardy and Congress should move swiftly to approve new aid for farmers, two Democratic leaders said Thursday.

The plea by Senate Minority Leader Tom Daschle and House Minority Leader Richard Gephard came amid growing pressure on lawmakers to step in and help farmers battling low wheat and corn prices, severe weather and growing international competition from producers like Argentina and Brazil.

President Clinton was scheduled to meet farm broadcasters later Thursday and was expecte to announce new measures to help farmers.

"We're looking at it," the President told reporters, referring to general assistance for 11 states that have been scorched by high temperatures for several weeks. "If I can determine there is anything else I can do, believe me I'll do it."

In addition to blistering weather, American farmers are feeling the impact of the landma 1996 farm bill, which phased out virtually all federal subsidies. At the time the legislation was adopted, world prices for grains and livestock were at high levels.

Unless Congress approves new assistance for farmers before leaving on its August break, "thousands, if not hundreds of thousands, of family farmers will be gone by the end of the year," said Daschle, who is from of South Dakota.

Farmers' incomes plunged 17.2 percent in the first quarter of the year while the entire nation posted a 1.6 percent gain, according to Commerce Department figures.

Farming was the only sector to see a decline in incomes in the first quarter, the department said Wednesday in its quarterly report on state incomes.

In some parts of the country the situation for farmers is akin to the 1980s, a period of widespread depression in the farm sector, Daschle said.

Daschle and Gephardt, speaking at a briefing for reporters, urged Congress to wrap up wor on the 1999 agriculture spending budget by next week.

The Senate version of the spending bill contains $500 million in "indemnity" payments for farmers who have suffered repeated crop losses in recent years. The House version of the same spending package does not contain that provision, but House Speaker Newt Gingrich has endorsed the measure.

"If we can get that done before we leave next week, we'll be in a strong position to help a lot of farmers," Daschle said.

The top Democrats also urged House Republican leaders to stop blocking passage of legislation to replenish the International Monetary Fund, following its multi-billion bailouts of Russia and three Asian economies.

"We think that's very important right now to help farmers with exports," said Gephardt, who is from Missouri.

On the other hand, Gephardt and Daschle said it was less urgent that Congress to give Clinton new "fast track" trade negotiating authority. Any benefits stemming from new trade agreements negotiated by the administration would not show up in farmers' pockets for at least two to four years, they said. "If you're going to deal with trade, the most important thing right now is to fund the IMF," Gephardt said.

On Saturday, Clinton announced that the United States would buy 2.5 million tons of American wheat for donations overseas in order to prop up wheat prices.

Rep. Charles Stenholm, a Texas Democrat, said Clinton could announce further purchases of commodities.

"I know there's been some discussion of the purchase of beef because of the dispersal of herds in some drought-affected areas," Stenholm said.

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Farm Downturn,0447

Farmer income down 35 percent since high point in 1996

WASHINGTON (AP) Farmer income in the first three months of 1998 was down 35 percent fr the same period in 1996, when prices for crops were unusually high, according to Clinton administration figures released today.

Sen. Tom Daschle of South Dakota and Rep. Dick Gephardt of Missouri, the two congression Democratic leaders, released the Commerce Department estimates of farmer personal income to underscore their effort to persuade Republicans to support additional economic relief.

``They need this help right now,'' Gephardt said.

The income figures show that in the first quarter of 1996, farmers' personal income topp $27.2 billion and remained virtually the same last year. But as export markets dried up and big crops were harvested, income for the first quarter of this year plummeted to $17.8 billion.

The income figures are based on a 1996 crop year that was highly unusual, because demand stayed high despite big harvests. Prices paid to farmers have actually returned closer to their 1990-94 average this year, according to Agriculture Department figures.

But with some farmers suffering from repeated crop losses due to drought and wet weathe Daschle said the lower income ``is as critical as it gets'' and called on the GOP to back a return to the price supports scrapped in the 1996 ``Freedom to Farm'' law.

The Senate last week passed legislation providing $500 million in emergency aid for farmers repeatedly struck by disaster and reduced income. In addition, House Speaker Newt Gingrich, R-Ga., said lawmakers will shortly pass legislation accelerating $5.5 billion in payments many farmers are due to get later in fiscal 1999, which begins Oct. 1.

President Clinton also announced the purchase of 80 million bushels of wheat for donation to needy countries in an effort to boost domestic wheat prices. Democratic lawmakers planned to meet later today with Clinton to discuss the overall downturn and offer some disaster initiatives to address the Texas drought.

Republicans and many Democrats are supporting a range of trade initiatives such as replenishment of International Monetary Fund accounts and fast-track negotiating authority fo the president to strengthen export markets for farmers. But Daschle and Gephardt said more immediate help is necessary now.

``We can't trade ourselves out of the crisis in the short term,'' Daschle said.

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USDA officials meet to discuss wheat donation

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WASHINGTON, July 23 (Reuters) - Agriculture Department officials held a meeting on Thursday to hammer out details of the government's plan to buy 2.5 million tonnes of U.S. wheat for donation to foreign countries, an aide said Thursday.

Tim Galvin, associate administrator of the Foreign Agricultural Service, declined to discuss if any concrete decisions were made.

"I can't say what was discussed there," Galvin told Reuters. "All I can say is the purpo: of the meeting was to discuss operations."

On Saturday, President Clinton announced the United States will buy 2.5 million tonnes of wheat to help boost sagging prices at home. He identified five countries -- Sudan, Ethiopia, Eritrea, North Korea and Indonesia -- that would be initial recipients of the donation.

Galvin would not discuss if the breakdown of the donations to the countries had been decided. He did, however, reiterate that the Clinton Administration may decide to buy more wheat or other commodities for foreign donation.

"We reserve the right to look at additional quantities or other commodities," he said.

On another topic, Galvin said the USDA had not been informed by France its decision on genetically modified corn. However, he said that decision should come soon.

"We haven't heard yet but I think it's clear they are getting close to a decision," Galvi said.

In April, the European Commission approved the two varieties of genetically modified corn produced by U.S. pharmaceutical giant Monsanto Co. and German agrochemical company AgrEvo.

But as one of the countries that sponsored the application of both varieties for European Union approval, France still has to give its approval before the commission decision is final and U.S. exports to EU countries can resume.

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WORLD PERSPECTIVES, INC.
Confidential Report to Clients

Ag Perspectives **Thursday, July 23, 1998** **1800EDT**

TOPIC	SUMMARY
WEATHER:	1. US: Northern Plains Need Rain. 2. WORLD: Flooding Resumes in China.
MARKETS:	3. CLOSING FUTURES PRICES. 4. COMMENTARY: Another Slow Day. 5. EUROPE: Brussels Raises the Ante.
ANALYSIS:	6. EU Wheat Market--What's Going On Here? 7. Iran Missiles and the President's Sanctions Policy.
POLICY:	8. President Weighs In on the State of Rural America.
CALENDAR:	9. Tomorrow.

WEATHER

1. US: NORTHERN PLAINS NEED RAIN: ***Angela Smith***

Rain is needed in parts of the Northern Plains, especially Montana and areas west of the Red River Valley, where recent hot, dry weather has stressed grain and oilseed crops. Prospects for rain may improve slightly next week, but none is likely over the next few days. Hot, dry weather will also continue in the Pacific NW, particularly the Columbia and the Snake River Valleys. Unirrigated crops are stressed, and winter crop maturation and harvesting has accelerated. No change in drought conditions is forecast anytime soon for the Southern Plains. Rain fell in eastern Kansas, Colorado, and other parts of the Central Plains overnight, bringing some relief for stressed corn, sorghum, and soybean crops. Scattered showers continued across the Great Plains and Midwest last night and this morning, but tapered off this afternoon. The two regions will remain mostly dry through Friday, with temps in the 70s and low 80s. Weather in the Southeast is expected to be hot and humid with periodic showers. Crops will develop normally, but no major improvements in yields are anticipated.

2. WORLD: FLOODING RESUMES IN CHINA: ***Angela Smith***

Rain is expected across CANADA's Prairie Provinces this weekend, restoring soil moisture in some of the drier areas. Northeastern MEXICO remains in a serious drought, but rain will continue elsewhere in the country. Conditions for coffee, cocoa, and sugar cane are good, and rice and sorghum growing areas have improved with recent rain. Monsoon rain in INDIA is still rather weak, but an increase in rain activity is expected this weekend, mainly in central, southern, and eastern areas. Net drying will continue in northwestern areas. Flooding has returned to parts of southeastern CHINA with the recent heavy rain, and the rain will likely continue for the next day or two. Seasonal dryness continues in SOUTH AFRICA with no change expected anytime soon. SOUTH AFRICA's winter wheat crop is being planted and is establishing, but soil moisture is not as plentiful as last year, so yield potentials will be lower.

Just to carry along with this exercise a step further, would a sale now of say, 1 mln tons of French wheat to China have great market significance? The answer would depend on whether you count the sales as part of the 2-3 mmt China is expected to import, or whether you saw it as a forerunner of more.

In any case, we offer it as food for thought on an otherwise slow market day. Give us your comments.

7. **IRAN MISSILES AND U.S. RELATIONS AND SANCTIONS PLICY:** ***Carole Brookins***

Intelligence reports released today that Iran conducted its first test flight of a new medium-range missile, utilizing technologies provided by North Korea, Russia and China are going to de-rail the tentative steps by the Administration to warm up US/Iranian relations. Iran is a particular problem due to the Israeli lobby's strong stance against the Iranian Govt. In fact, it has the Israeli lobby was the force behind last week's Toricelli Amendment to the Senate Ag Approps bill which gutted the Dodd Amendment's provision that would have ended all ag trade sanctions.

WPI ANALYSIS: The unfortunate result for the US agriculture of this new apparent strategic threat to the US will be to take away any flexibility for the President to use his authority in lifting the ag embargo on Iran--at least prior to the fall election.

We believe this is unfortunate, because Iranian cash purchases of US grains or oilseeds would not contribute to a strategic threat to the US. To the contrary, it would help build a cornerstone to improve relations with the government of Iran—a Govt that is very much engaged in a dynamic transition. In fact, we believe that the internal debate in Iran is likely to accelerate over the next year and US allies--who are very active in marketing commodities to Iran--command the influential position.

Moreover, there could well be efforts to over-ride the President's veto now of the Iran Missile Proliferation Act—with serious new sanctions effects on both Russia and China (particularly Russia).

Importantly, however, Pres. Clinton's press conference today for agriculture had some valuable OFFICIAL statements and responses on agricultural sanctions. The President said that as a general principle, food and other human necessities should not be used as a tool of foreign policy except in extraordinary circumstances. He was then asked if he favored lifting the sanctions against the sixth so-called terrorist countries (Iran, Iraq, Cuba, Libya, North Korea and Sudan. He said that he would not support lifting the sanctions "at present"; However, he did say that when we begin to look at measures to improve relations, lifting sanctions on food and medical supplies would be an "appropriate first step."

POLICY

8. **THE PRESIDENT WEIGHS IN ON THE STATE OF RURAL AMERICA:** ***Gregg Doud***

The President held a press conference with several farm broadcasters across rural America today to talk about the problems farmers in Texas, Oklahoma and the Northern Plains are facing today and to offer the federal government's help in several areas. For US grain trading interests, the press conference was more notable for what the President didn't say rather than what he did say.

Two of the hottest rumors floating around Washington this morning before this afternoon's press conference were that the President was going to announce that

500,000 mt of corn was going to be donated as food aid along with the 2.5 MMT of wheat announced on Saturday. There was no such announcement.

Second, there are strong suggestions around town that USDA is working on a 300,000 mt flour EEP initiative even though we could find no one to confirm this rumor. Early on this morning there were ideas floating around that the President would announce such an initiative but he did not.

The President said that the way to revive the rural economy is with exports and that crop on 1 out of every 3 acres grown in the US is exported. He advocated 4 steps that would boost farm exports:

1. Congressional approval of IMF funding

The President noted that House Republicans delayed this bill yesterday and that they need to come around on this issue. He was referring to opposition from Rep. Armey (R-TX) who seems to be holding this issue hostage for philosophical reasons. The President said that IMF funding would help farmers immediately while fast track is a longer term solution. This was the theme being advertised by Rep. Pomeroy (D-ND) yesterday in the House Ag Cmte when he asked panelists which was more important, IMF funding or fast track.

(For those keeping score at home historically speaking, the GOP normally would be the ones touting backing the IMF while Democrats are usually not strong supporters of this kind of thing. This being an election year though, anything's possible.)

2. Food Aid/Sanctions

In what was hopefully some foreshadowing of what this administration has in mind after the election, the President stated that ''commercial exports of food should not be a tool of foreign policy.'' Of course the news that Iran tested an ICBM with an 800 mile range today didn't help those favoring lifting sanctions on Iran at all today. The President cited the law exempting GSM for Pakistan and India from sanctions and the recent 2.5 MMT wheat donation as ways the federal govt has assisted farmers recently.

3. An Expanded Farm Safety Net

Here the President cited the use of guaranteed loans to producers, improving crop insurance and providing early the full amount of ''transition'' or AMTA payments to producers to provide them with more income at this time. He noted and we agree that there is now support for providing AMTA payments early, particularly because it does not ''cost'' anything additional, as the entire payment would still fall in the same fiscal year.

4. Improved Rural Infrastructure:

The President cited a need for further improvement in rural telephone, school/internet, transportation and health systems in rural communities. There isn't much here pertaining to immediate grain producer assistance.

WPI ANALYSIS: Farm broadcasters from seven states were allowed to ask the President one question live on the air. It seemed as though the President began to get a little uncomfortable for a moment after the first two questions were about where the President stood on fast track.

The President stated that fast track wouldn't help farmers right now, but getting money for the IMF would. He stated that he believed fast track would pass next year (read: after the election, not before). We were particularly interested to note that the President cited lower US exports to China and Japan as reasons why IMF funding is so critical. We have to admit we were a little spooked by this reference.

We think BOTH IMF funding and FAST TRACK are critically important to not only the farm economy but to the entire country. There is a new GAO study out that says the fund has reached the lowest liquidity levels in its history. What's going to happen when these two measures eventually get attached to each other as the congressional calendar draws to an end?

Clinton stated that he didn't think Congress had the votes for fast track and that the vote count hasn't changed. House Ag Cmte Chairman Bob Smith (R-OR) now says his proposal could raise the number of House Agriculture Committee members who support fast track from 12 to 30 (see our commentary yesterday).

Clinton was asked if he thought that the "Freedom to Farm" bill dubbed "Freedom to Fail" by farm state democrats was the reason for the crisis and if he would support uncapping marketing loan rates. Without saying it was or wasn't the cause, Clinton stated that the reasons for the "price crisis" were:

--More than adequate world grain supplies
--A Decline in economic capacity in Asia
--A stronger US dollar
--A regional situation where farmers had both low prices and no crop

The President touted the Conrad-Dorgan 500 mln dlr emergency relief package currently in the ag appropriations conference committee process as the best way to help farmers in crisis areas. Provisions include extending the term of marketing assistance loans from 9 to 15 months, advancing AMTA payments and rewriting the "One strike policy" that prevents farmers from ever getting another guarantee loan if they have already had one debt write down.

In a surprise move that may represent a shift in President Clinton's stance on farm policy since he has been in office, the President stated that the cap on USDA marketing loan program created in the 1996 Farm Bill was not working and should be modified. Secretary Glickman chimed in that USDA did not propose in its version of the 1996 farm bill a cap loan rates. The President admitted that there was a (2 bln dlr) budget issue to address regarding this issue.

Lastly, the President said farmers in Arkansas told him over the weekend that USDA's crop insurance program "was a joke." Clinton told everyone listening that if farmers had an idea regarding crop insurance to please contact the White House or Secretary Glickman.

Mr. President, we have an idea! It's called the Farm Production Insurance Corporation (FPIC).

All of Texas was made available to receive disaster assistance today as the President cited that 75 pct of the state's cotton crop was a complete loss. Secretary Glickman will be going to Texas and Oklahoma next week to assess the situation and see what other steps need to be taken.

FACSIMILE COVER SHEET

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Rural agenda

TO: Tom Freedman

Company/Agency: White House

Phone:

Fax:

FROM: Laura Trivers

DATE:

Pages (including cover sheet) 3

Comments: USDA will put this out this afternoon after the conference call

Thanks

Laura

If you have trouble with this transmission, please call 202-720-4623.

USDA NEWS RELEASE

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PRESIDENT CLINTON ANNOUNCES DISASTER ASSISTANCE FOR DROUGHT-STRICKEN TEXAS FARMERS

WASHINGTON, July 23, 1998-- President Bill Clinton today announced that disaster assistance will be available throughout Texas for agriculture producers suffering losses because of this summer's drought. Secretary of Agriculture Dan Glickman has designated the entire state of Texas as a disaster area due to drought and excessive heat.

The drought has damaged most Texas crops to the extent that many fields may not be worth harvesting. Crops adversely affected by the dry, hot conditions include cotton, sorghum, popcorn, forage, and corn. Many areas of Texas have received less than a third of their normal annual rainfall, and soil conditions in the entire state are classified as "severely" to "extremely dry." The National Weather Service predicts a high probability of continued drought throughout the rest of the 1998 growing season.

"We can't make it rain, but we can extend help to farmers who are suffering losses through no fault of their own," said Clinton. "This administration will move as quickly as possible to get assistance to qualifying agricultural producers."

Under this designation, The U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA) makes available low-interest loans to eligible farmers who have suffered a loss of 30 percent or more on any single crop. Qualifying producers must be creditworthy, unable to obtain credit elsewhere, and have adequate collateral to secure the loan.

USDA's Risk Management Agency estimates that more than 14 million acres of insured crops have been damaged by the drought, and that total insurance claims for crops covered by federal crop insurance could reach as high as $700 million.

USDA expects a large number of requests for assistance under the Noninsured Crop Disaster Assistance Program (NAP). This program, which is administered by FSA, provides payments to growers of crops damaged by a natural disaster when crop insurance is not available. To help handle the heavy load of NAP requests, FSA has approved a Critical Loss Designation for Texas. The designation allows the agency's county office employees to carry out preliminary inspections to clear pending notices of loss under the program. Because such duties normally are performed only by contractors, this will allow for quicker response times.

-more-

FSA also authorized emergency haying and grazing of conservation Reserve Program (CRP) acreage in counties with significant losses in hay and pasture production. Producers cannot both hay and graze the same CRP land. USDA's Natural Resources Conservation Service (NRCS) is providing haying and grazing plans for producers.

Farmers and ranchers can request that the NRCS State Conservationist give them an emergency waiver for Environmental Quality Incentives Program (EQIP) cost share contract applications before they are approved by the FSA committee. This waiver will allow specific farmers to start their conservation practices such as livestock water pipelines, irrigation systems, etc. immediately to save crops or livestock, without becoming ineligible for the contract, if selected..

"We're going into action to make sure that Texas farmers have access to assistance as soon as possible," Glickman said. "USDA employees and all Administration officials will do everything they can to serve agricultural producers in Texas with speed and effectiveness."

Farmers and ranchers who have suffered damages are encouraged to contact their local USDA Service Centers or FSA county offices for further information. These are listed in telephone books under "U.S. Government, Department of Agriculture. Farmers who have crop losses should notify their crop insurance agent immediately.

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NOTE: USDA news releases and media advisories are available on the Internet. Access the USDA Home Page on the World Wide Web at *http://www.usda.gov*

Rural agenda

COPS
MAKING RURAL AREAS SAFER

Facts & Figures:

- More than $2.3 billion in COPS grants have been awarded to 10,500 law enforcement agencies serving small communities

- 49% of grants were awarded to law enforcement agencies serving populations of fewer than 10,000.

- 83% of the grants were awarded to agencies serving populations of fewer than 50,000.

- 31,417 full time officers have been funded to serve small communities under the COPS program

- Small towns need COPS grants: In many small towns, COPS grants permit the police to offer 24-hour coverage for the first time ever.

- Small Community Grant Program: Later this year, COPS will announce approximately $15 million in grants to help communities with populations of less than 50,000 retain the officers they have hired under the COPS Phase 1, FAST, and Universal Hiring Programs (UHP).

- Methamphetamine Initiative: Last month, COPS awarded $5 million in grants to six cities to combat the growing problem of methamphetamine usage.

Stories from the Field:

Vilas, Wisconsin
Officer Lila: Patrolling the Streets and Teaching in the Classroom

Most school resource officers patrol the halls interacting with the students; Officer Brad Lila, one the other hand, has taken the program one step further by moving from the halls in to the classroom. Officer Lila, a COPS funded officer with the Vilas, Wisconsin Police Department, runs a number of educational programs in the Northland Pines School District. Officer Lila:

- Teaches a unit on legal issues in political science classes
- Instructs students about accident prevention and driving under the influence in driver's education classes.
- Makes presentations to the school on the importance of using seatbelts
- Teaches students on how to use 911 through reenactments
- Teaches a unit on controlled substances in social problems classes

In addition to his teaching responsibilities and keeping the school a safe environment for learning, Officer Lila also administers a career exploration program, speaks at D.A.R.E. events, and acts as a liaison between the police, the school, and the student body to communicate school policy.
Phone: (715) 479-4441

Iowa
COPS and the DEA: Cleaning Up Methamphetamine

The state of Iowa is benefiting from the $34 million Congress appropriated COPS to combat the growing methamphetamine problem. COPS has enlisted the DEA to work with local law enforcement agencies on the proper collection, removal, and destruction of clandestine methamphetamine laboratories. Methamphetamine laboratories are severe environmental hazards, which present a grave danger to law enforcement officials and the local population.

Hastings, Nebraska
COPS Problem Solving Partnership to Help Combat Underage Drinking

The Hastings Police Department is using a $66,758 Problem Solving Partnership grant from the COPS Office to tackle the problem of underage drinking. The Problem Solving Partnerships Program provides policing agencies with an opportunity to work together with other organizations in the community to address persistent crime problems. According to [former] Police Chief James Montgomery, "Usually the youths we arrest under 21 are ... involved with alcohol. So, before we can fix the problem, we need to know all the information, and I believe this program will help us solve it." The police department has partnered with Hastings College to produce a crime analysis of the relationship between underage drinking and crime. Once the information has been collected, the department will start an education campaign consisting of television commercials and a web page. "We will use this data for even greater police enforcement," Montgomery said. "This is going to give us a handle we've never had before. We expect to lay the foundation for this program and have it continue on." [*Hastings Tribune*, 5/19/97]

GW

MEMORANDUM

TO: Tom Freedman, Mary Smith
FROM: David Hochschild
RE: Civic Disengagement and What the President Can Do About It
DATE: July 22, 1998

Bowling alone

In 1995, Harvard professor Robert Putnam wrote an article for the Journal of Democracy entitled "Bowling Alone: America's Declining Social Capital" which chronicled the diminishing levels of civic participation in America over the last few decades. Putnum is troubled by this trend because, as he points out, the quality of governance and the vibrancy of democracy throughout the world are closely correlated to civic engagement. Regions with high voter turnout, newspaper readership, membership in community organizations and churches are more likely to have successful governments and thriving democracies. However, participation in all of those sectors in America has declined over the last generation. This has reduced our nation's "social capital" - the networks of social organization that create community and undergird democracy.

What has declined

Direct engagement in politics and government

- Since the 1960's, voter turnout has declined by nearly a quarter in state, local and national elections
- Since 1973 the number of Americans who report that they have "attended a public meeting on town or school affairs" has fallen nearly a third
- The proportion of Americans who say that they trust the government in Washington only "some of the time" or "almost never" has risen steadily from 30% in 1966 to 75% in 1992

Traditional civic organizations and fraternal groups

- Volunteer membership for the Boy Scouts is down by 26% since 1970
- Volunteer membership for the Red Cross is down by 61% since 1970
- Lions club membership down by 12% since 1983
- Elks club membership down by 18% since 1979
- Shriners club membership down by 27% since 1979
- Jaycees club membership down by 44% since 1979
- Masons club membership down by 39% since 1959

Membership in other mainline organizations

- Union membership, which stood at 33% in 1953, has fallen to 16% today
- Parent-teacher association membership, a particularly productive form of social capital, has declined from 12 million in 1964 to about 7 million today

Women's organizations

- Membership in the League of Women Voters is down by 42% since 1969
- Membership in the Federation of Women's Clubs is down by 59% since 1964

Trust in each other (a consequence of civic disengagement, Putnam argues)

- The proportion of Americans saying that most people can be trusted fell by more than a third between 1960 when 58% chose that alternative and 1993 when only 37% percent did

The irony in all this is that civic disengagement is occurring at a time when, more than ever before, Americans are in social circumstances that foster associational involvements (higher education, middle age etc.). Putnam explores the possibility that the decline is due to some sort of displacement effect as people transition from involvement in traditional groups to new kinds of organizations. Membership for some organizations, like the AARP and the Sierra Club, have increased dramatically in the last few decades. But from the point of view of social connectedness, these organizations don't contribute much because "membership" consists mostly of writing checks and reading newsletters instead of forming close bonds with other people.

In any case, the Labor Department's Current Population Surveys make it clear that serious volunteering of any kind has declined significantly. And Putnam's findings have been confirmed by others including, most recently, the National Commission on Civic Renewal (headed by Sam Nunn and William Bennett). They concluded in a report released three weeks ago that there has been a 25% decline in civic life from 1972 to 1996.

Why is this happening?
Putnam offers a few possibilities:

- Women have moved into the labor force, reducing the pool of time and energy available for building social capital
- The automobile, suburbanization and increased mobility have diminished social rootedness, a precondition for civic participation
- A higher divorce rate, lower real wages and fewer children might have slackened the civic engagement levels because married, middle-class parents are generally more socially involved than other people
- Television has created a culture that fosters individual leisure rather than collective activity

Television is the principal offender
In an article published a year later in the American Prospect, Putnam puts almost all the blame on television, calling it "the culprit" and agreeing with another social scientist who called it the "800 pound gorilla of leisure time." He suggests that the increase in television viewing of the magnitude that the US has experienced in the last four decades might account for as much as half of the total drop in social capital. Though the average American watches 28 hours of television a week, Putnam claims that viewership among children, the population most susceptible to television's influence, averages 40 hours a week.

More than simply supplanting time that would otherwise be spent on more constructive activities, excessive television viewing appears to create skepticism among viewers about the benevolence of other people and can skew perception of reality. Heavy TV watchers consistently overestimate crime rates, for example. This is part of the reason why the American Academy of Pediatrics recommends that children watch no more than 1-2 hours of television per day.

Controlling for education, income, age, race, place of residence, work status and gender, TV viewing is strongly and negatively related to social trust and group membership (the same correlations with newspaper membership, incidently, are positive). For the sake of restoring civic participation, excessive television viewing is a problem that merits being addressed by the President.

What the President can do:
Endorse the National TV-Turnoff Week

Robert Putnam is a member of the advisory board of TV-Free America, a nonprofit organization whose mission is to "encourage Americans to reduce, voluntarily and dramatically, the amount of television they watch in order to promote richer, healthier and more connected lives, families and communities." For the last four years, this organization has coordinated the National TV-Turnoff Week. The next one will be held from April 22-28, 1999. Publicized primarily through schools, libraries and churches, the National TV-Turnoff Week is essentially a voluntary, planned, week-long recess from television in order to encourage people to spend more time engaging in socially constructive activities.

It has been endorsed by 38 governors (AL,AK,AR,AZ,CT,DE,FL,HI,IA, IL,IN,KS,LA,ME,MD,MA,MI,MS,MO,NE,NV,NH,NJ,NM,NC,ND,OR,OK, PA,RI,SC,SD,TN,UT,VT,WA,WV,WI). Other endorsers include the American Medical Association, the American Academy of Pediatrics, the American Federation of Teachers, the National Association of Elementary School Principals, and the Big Brothers/Big Sisters of America.

Conclusion

The evidence is overwhelming that civic disengagement threatens the country's long-term well-being. Reengaging Americans with society must be a national priority but it is a task that requires solutions of many stripes. By intent or not, many of the President's initiatives have already addressed the issue. The Americorps program, for example, probably serves to strengthen civic engagement among participants after they leave the program (although the final study of the program's impact on its members won't be out until this fall). And events like the President's Summit for America's Future help draw attention to the value of volunteering. But the President should directly address the need for Americans to turn off the TV more and turn on to civic life. Obviously, this is only part of the solution to a colossal and complex problem. Still, a presidential endorsement of the National TV-Turnoff Week would do a great deal to highlight the need for citizens to participate more actively in our society and draw attention to an issue that the nation must begin talking about, together.

...er map and details appear on page 32

Printed in California FOUR DOLLARS

Common Ground Is Missing In Battling Plains Farm Ills

Senators, Usually in Accord on Local Issues, Can't Agree on Government's Role

By DAVID E. ROSENBAUM

WASHINGTON, July 11 — With the national economy booming, lawmakers have begun to focus on one of the few places in the country where times are bad: the Northern Plains, where wheat and livestock prices have plunged and many farmers are desperate.

"This is an especially bad year in terms of wheat prices," said Senator Richard G. Lugar, the Indiana Republican who is chairman of the Agriculture Committee and who helped through the Senate on Thursday a bill to allow farmers to sell wheat to Pakistan.

Senator Tom Daschle, the Democratic leader, said that the situation on the farms in his state, South Dakota, was the direst in 15 years and worsening. "We've got to take action now," he said. "It must be done this summer."

But while Republicans and Democrats have weighed in with proposals to what both sides describe as a crisis involving an important election-year constituency, they are addressing the situation from entirely different angles.

Republicans like Senator Lugar favor a free-market agriculture policy and believe the Government can best help farmers by staying out of their hair and promoting export markets for their products.

That was the basis of the legislation approved by the Senate on Thursday to exempt food exports from the sanctions the United States imposed on India and Pakistan after those countries conducted nuclear tests in May. The House Republican leadership has promised to follow suit in time for American farmers to bid on Wednesday on a large Pakistani order for wheat.

Democrats like Senator Daschle believe that it is more important for the Government to restore some Government farm subsidies that were developed in the New Deal and repealed by the Republican Congress in the 1996 farm bill. Democratic lawmakers promised this week to press for more Government assistance for farmers.

President Clinton plans to meet on the situation early next week with Democratic senators. Agriculture Secretary Dan Glickman said in an interview that the Administration would announce its response to the farm problem in the next week or two.

The matter could come to a head next week, if the Senate takes up the agriculture appropriations bill. The outcome could affect the Congressional elections this fall.

Few other issues so vividly illustrate the fundamental split between the parties on the proper role of Government in the society.

Generally, politicians from the same state but different parties vote alike on questions that are of primarily local concern. In New York, for instance, Senator Alfonse M. D'Amato, a Republican, and Senator Daniel Patrick Moynihan, a Democrat, walk in tandem on such issues as mass transit acid rain.

But in Iowa, Nebraska, Minnesota,

Continued on Page 14

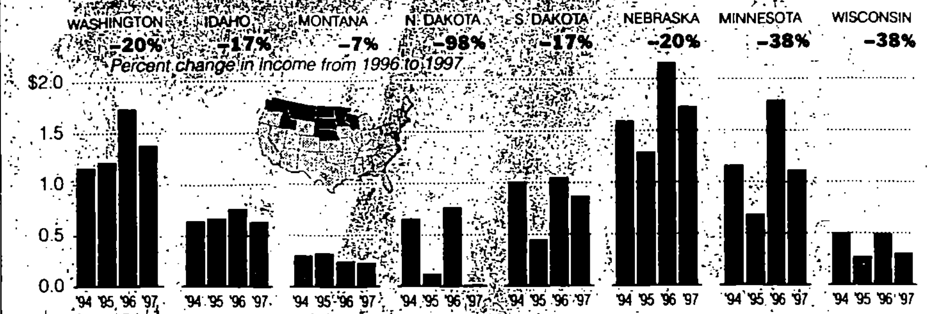
Senators Can't Find Common Ground in Plains Farm Crisis

Continued From Page 1

THE BOTTOM LINE

Across the Northern Tier, Farmers' Income Drops

With wheat and livestock prices falling, farmers on the northern Plains are facing the prospect of a bad year on top of a drop in income from 1996 to 1997. Total net income of farmers in each state, in billions of dollars.



Source: Bureau of Economic Analysis

The New York Times

Montana and Washington — states with mounting trouble on the farms and with one Republican and one Democratic senator each — the senators are walking the party lines and taking opposing positions on farm policy.

Senator Charles E. Grassley, Republican of Iowa, described the division this way: "They have great confidence in Washington bureaucrats. We have confidence in Iowa farmers to manage their own destiny."

But Iowa's Democratic Senator, Tom Harkin, has a completely different view.

"For Republicans, the 1996 farm bill is like holy scripture, and any change would show they were wrong," he said. "I simply do not believe you can trade your way out of a farm disaster. I think the Government has got to step in."

Nationwide, the farm picture is not entirely bleak. Corn farmers in Indiana, Ohio and Illinois are anticipating a good year when their crop comes in this fall. Cotton producers in Arkansas and Mississippi are doing well. Rice growers in the South are prospering.

But so many farmers lost money in North Dakota last year that net farm income was down 98 percent from 1996, and the situation has deteriorated this year. Senator Byron L. Dorgan, Democrat of North Dakota, said that in his state, auctioneers had to be called out of retirement to handle all the farmers who were selling out.

The problem is also severe in South Dakota, western Minnesota and the other states along the Canadian border to the Pacific. Senator Patty Murray, Democrat of Washington, said that her constituents were facing "the worst crisis ever seen in the Pacific Northwest."

The farmers' troubles stem from several unrelated events: farm exports are way down, mainly because of the staggering economies in Asia; wheat production is strong because of warm weather worldwide, driving down prices; many farmers in the Northern Plains have not recovered from last year's floods; a disease called scab has affected much of the wheat in the Middle West.

No issue better shows the fundamental split between two parties.

"Prices today for wheat and corn and soybeans and barley are at a level equal to what they were when I was born, 50 years ago," said Senator Daschle. Farmers, he continued, are expected "to live on salaries and income that was generated right after World War II, and you can't do that."

Democrats hold that the plight of farmers has been worsened by the Republican legislation Congress approved two years ago called the Freedom to Farm Act. The law reduces crop subsidies in increments until they will no longer exist after 2002 and gives farmers freedom to switch crops in response to market demand.

Most Democrats voted against the measure. President Clinton signed it with serious reservations, he said at the time, because he feared the bill would not "provide an adequate safety net for family farmers."

Now, Democrats want to roll back that legislation by raising the ceiling on Government-guaranteed loans to farmers and by introducing a new emergency-relief program that would help farmers affected by floods, drought and other natural disasters.

Their prospects for success are not strong. Senator Lugar said that he and his fellow Republicans would fight hard to preserve the 1996 law. Farmers, he said, "should rely on a market approach, not a political fix."

In the House, Speaker Newt Gingrich promised last month that he would promote legislation to stimulate farm exports. He said he would press to renew the President's fast-track authority to negotiate trade agreements, an authority that Congress failed to re-enact last year. He said he would also seek financing for the International Monetary Fund and continuation of normal trade relations with China, both of which would presumably help farm exports.

The Democrats are sure to turn this conflict into an election issue in a year when they need a swing of only 11 seats to regain control of the House. In Montana, for instance, Robert Deschamps, the Democrat challenging the state's only Congressman, Rick Hill, a Republican in his first term, is making changes in the 1996 farm law a major part of his platform.

According to Congressional Quarterly, an authoritative source of information about Congress, Republicans hold nearly two-thirds of the 57 Congressional seats representing districts in which at least 60 percent of the population lives outside metropolitan areas. A clear majority of these districts favored President Clinton in 1996.

But John Morgan, a Republican political consultant, said he did not think his party needed to worry on this score. "There aren't that many seats left that turn on farm issues," he said.

Russell Ross, professor emeritus of political science at the University of Iowa and a specialist in rural politics, agreed with Mr. Morgan's assessment that farm issues would not cause many Congressional seats to change hands. "The cities and the small towns," he said, "that's where the votes are."

DRAFT
7/10/98

MEMORANDUM FOR NEC Deputies Working Group

SUBJECT: Revised paper on PROPOSALS TO ASSIST AGRICULTURE

The US farm economy is weakening in several sectors after strong performance in recent years. Of most immediate concern is the financial stress in specific regions of the country, including the Northern Plains, plains areas of Texas, and areas in the Southeast. However, these natural disasters are being viewed by the farm community with apprehension caused by the cyclical downturn in farm prices and income and concern about the adequacy of the safety net provided by the 1996 Farm Bill.

NEC Principals are asked to consider several initiatives proposed to address specific stresses afflicting sectors of the farm economy. These would fulfill the President's call to strengthen the farm safety net, show compassion to afflicted farm communities, and be consistent with Administration policy of helping farmers to manage risk and increasing market opportunities. None of the proposals represent fundamental rewriting of the 1996 farm bill, and are consistent with first, the Administration's position that that law went too far in undermining the farm safety and second, previous legislative and administrative actions Secretary Glickman has advanced to improve the farm safety net.

<u>Background</u>

1. <u>State of the US Agricultural Economy</u>

After two years of record or near record farm prices, farm-gate prices for key commodities have dropped precipitously as global production has reached record levels and US exports have slackened. Even including the 1996 farm bill's generous payments, net farm income for key sectors will fall to or below the average for the 1990s because of the dramatic decline in the value of production. In one month, from May to June, the prices farmers receive for wheat, corn, and soybeans dropped 11%, 6%, and 4% respectively. At the same time, domestic supplies for those commodities are 63%, 22%, and 20%, respectively, over 1997 levels, just as farmers prepare to harvest the largest corn crop in more than a decade and the largest soybean crop ever -- portending continued weak prices. Many sectors of the farm economy continue to prosper or exhibit improvements -- the benchmark USDA milk price increased in June by 20% over the May level and USDA projects some mid-to-long term strengthening of huge US livestock markets, helped by lower grain prices, for example -- as these trends in key grains and oilseeds markets continue.

<u>Nationwide there is not a crisis at this time, but a cyclical weakening of the farm economy after peak performance since 1996</u> (which resulted from a coincidence of poor crops worldwide and

strong export demand). Crop prospects are excellent in the US and around the world, leading to declines in export demand, commodity prices, and farm income in the US. In general, these factors have returned inevitably to their average levels. Wheat prices are lower: lowest since 1991, about 20 percent below the recent (high) five year average but near the previous five year average, and nowhere near record lows. Commodity stocks are building, after historic tight levels, and the Asian crisis and strong dollar is hurting US farm exports.

Net cash farm income will likely decline in 1998 by 7 percent to the five-year average level from the 1997 record of $60.5 billion, mainly from softer prices. Farm debt is rising, but so are asset values. The 1998 debt-to-asset ratio is likely to be 15 percent, well below the 23 percent prevailing in the 1980s. Significantly, the Administration has enabled farm costs (interest, energy, inflation) to remain low and thus protect farm income. Overall, the farm sector remains healthy, and better-able to weather a significant economic downturn than in the 1980s, for instance.

<u>The economic stress is worse in certain regions and crops</u>. North Dakota's plight is real, but it is more a problem of low yields (from successive years of bad weather and wheat scab disease) and high production costs (via USDA's sugar program in the Red River Valley) than low prices. However, the Northern Plains economy remains strong by the standard indicators. Agriculture has become relatively less important as the economy has diversified into services and manufactures. Administration officials met twice with the North Dakota delegation recently and the package of actions by Sec. Glickman was well received on his 6/8 trip to North Dakota. Other regional problems could emerge, as drought takes hold in Texas, Florida and Georgia.

Appendix A presents a more comprehensive review of the farm economy.

2. <u>The 1996 Farm Bill and Administration Policy</u>

The "Bluebook" publicly presented the Administration's proposals to Congress for the Farm Bill in May 1995. It represented the interagency effort directed by a WH steering group chaired by Bo Cutter of NEC, and involving scores of participants over about six weeks. Its main features were:

- Basic traditional commodity subsidy programs were to be continued, with some reform, consistent with farm policy trends since 1985. For budget <u>savings</u> and greater <u>market orientation</u>, the 1990 Farm Bill "triple base" provision was expanded. For planting <u>flexibility</u> for farmers, a "total acreage base" concept was proposed. For budget savings and <u>fairness</u>, payments were targeted to farmers earning less than $100,000 in off-farm income. For <u>risk management</u>, revenue-based insurance products and a "farm income stabilization plan" was proposed.

- Conservation and environment programs were extended, and made simpler and more flexible for farmers. CRP would stress environmental purposes, and a "conservation farm option"linked commodity payments to whole-farm conservation plans.

- Rural development and export programs were to be continued and improved.

- The Administration's principles include "continued support for farmers, but more market orientation, competition, efficiency and flexibility to respond to market forces to enhance farm income."

The 1996 Farm Bill itself abandoned the traditional farm programs in favor of fixed, declining payment and no supply management restrictions on farm plantings for most crops. [More Farm Bill description to be written.]

USDA believes political pressure on current farm policy will intensify, especially to address problems in regions of the country particularly stressed by weak prices and peculiarities of repeated natural disaster and disease. To date, the congressional leadership has expressed little interest in and even some opposition to meaningful farm policy refinements – content to rest on the terms of the 1996 farm bill.

The question before the Administration, acknowledging that it did indeed sign that bill – it contained a number of provisions the Administration not only supported, but advocated – is whether it adopts the same posture or whether it advances an agenda to respond to conditions in agricultural significantly different from those of 1996 and 1997 and an agenda consistent with the President's statements on signing both the farm bill and the recently enacted agricultural research bill:

> I am signing HR 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 the Congress next year to strengthen the farm safety net.
>
> *From the President's 1996 statement*

> And it is clear, that in addition, we need to strengthen the farm safety net for the future. The legislation that we signed today is a very good start, but there are some more things I believe we should do.
>
> *From the President's 1998 statement*

Recent Administration Actions and Initiatives

1. Actions

The Administration has a strong record of support for US agriculture. For example, this spring alone, the Administration has initiated an unusual number of actions aimed to improve farm income. These 14 steps were responses to events or conditions-- foreign trade, legislation, market changes. They are described fully in **Appendix B**.

2. Initiatives

Consistent with the Administration's commitment to restore the farm safety net, it has already proposed several legislative actions to deal with stresses in the farm economy, discussed fully in **Appendix C:**

Give farm borrowers who have received debt forgiveness a second chance to become eligible for both direct and guaranteed loans.

Borrowers should be able to use guaranteed operating loans to pay the principal of real estate loans.

Reduce the burden on borrowers subject to shared appreciation agreements by shortening the length of the agreements and recapture terms.

Allow the secretary to extend marketing loans by six months when prices are low and transportation problems prevent orderly marketing; increase flexibility for farmers to plant fruits and vegetables, especially when their primary crops fail; and provide farmers more flexibility to determine when they want to receive farm payments.

Provide multi-year funding for the Export Enhancement Program (EEP), providing the secretary the ability to carry forward any unused EEP funds and will soon submit legislation to allow the secretary to transfer unused EEP funds to PL 480's Title I or Food for Progress programs for the purchase of wheat and other commodities and support other market development programs

These past proposals either have not been acted upon or accepted by the Congress. The Administration should reemphasize these pending proposals.

Proposals For Decision

1. Supplemental Crop Insurance Benefit

Beyond low commodity prices themselves, the Northern Plains crisis is the product of repeated crop losses during the 1990s: floods in 1993, 1995, and 1997, and moisture-related outbreaks of wheat scab. Northern Plains farmers are among the strongest users of Federal crop insurance and other risk management tools as envisioned by the 1996 Farm Bill and 1994 Federal Crop Insurance Reform Act. However, they were also among the largest recipients under annual crop ad hoc disaster aid bills before these were eliminated in 1994. The current crisis exposes two gaps in the resulting crop insurance "safety net":

> First, as a prospective matter, year-after-year disasters generally erode a farmer's insurable yield (which is based on a producer's average actual production history or "APH") while increasing premium rates (which are based on the risk of loss, calculated from historical data). As a result, many farmers can no longer obtain or afford insurance at high enough levels to cover either their cost of production or to secure operating credit.

USDA will address such problems for future years by initiating a pilot program allowing Northern Plains farmers to purchase higher insurance levels within the existing program framework. The extra insurance would be financed by underwriting changes such as limiting a farmer to a single insurance "unit," for example, a parcel containing several field rather than one field).

Second, as an immediate matter, year-after-year disasters create farm cash-flow problems beyond the ability of insurance to cover. Crop insurance is no substitute for farm income. Because of deductibles and other factors, insurance does not make a farmer fully whole from a crop loss. Rather, it provides a cushion sufficient to keep most farmers solvent and operating for another year. As a result, the cumulative financial impact of repeated loss years can be painful even for fully-insured farmers. Today, record numbers of Northern Plains producers are experiencing cash-flow crises. Many cannot service their debts and are seeing their capital disappear. Auction sales are at record levels. This accumulating financial stress is generically different from the type of exposure created by single-year or sporadic losses.

The "Supplemental Crop Insurance Benefit" proposal addresses this immediate cash need of Northern Plains and other farmers in hard-hit areas within the crop insurance framework while avoiding the flaws of traditional "ad hoc disaster" programs.

Under the plan, USDA will pay a supplemental crop insurance benefit to the producer (insured person) when the following conditions exist for the years 1993-1997:

One, an individual county has an accumulated loss ratio -- total indemnities divided by total premium -- of 1.20 or greater on insured crops accounting for at least 60 percent of the total premium written within the county. Total premium includes the producer premium subsidy. All coverage levels will be combined to make this calculation.

Two, an insured person's crop will be eligible in a given year when the total indemnities exceed the total premium, including premium subsidy, for that crop for that year.

Three, an insured person had at least one eligible crop in at least 3 of the 5 years.

An insured person who qualifies under these conditions will be paid 25 percent of the total indemnities received during those years for each eligible crop as a supplemental benefit for repeated disasters. USDA is still calculating potential budget effects based on available data.

The Risk Management Agency (RMA) will calculate the supplemental benefit from information in its databases and make the payment to the insured entity from monies appropriated to the Insurance Fund. As a supplemental "benefit" all payment amounts are final and not subject to appeal or reconsideration.

The Secretary would direct the RMA to develop a plan of insurance that provides the producer an option of purchasing protection against repeated years of crop loss if the producer also purchases a policy for the same crop or crops for each of those years. This product is to be offered not later than the 2001 crop year where practical and feasible. As a result, the proposed supplemental benefit program would be in effect for four years, covering the periods 1993-1997 through 1996-2000.

USDA estimates that the proposal, as currently structured, would provide benefits to some 61,500 farmers nationwide in its first year, at a cost of about $350 million. The cost would drop significantly in subsequent years. Should the program be applied nationwide to all farmers with 3 or more losses -- that is, without the county trigger -- the first-year cost would increase to approximately $550-600 million and provide payments to about 90-95,000 farmers. In each case, these costs include an estimated amount of $300,000 to cover unbudgeted administrative expenses such as software development and public outreach needed to deliver to program. USDA would coordinate closely with the private-sector crop insurance industry on implementation plans.

In addition, the Administration may want to consider asking Congress for additional risk management education funds, which would be consistent with the Administration's work to improve the corp insurance program, develop new products, and increase farmer participation.

The Northern Plains crisis also dramatizes the increased importance of knowledge and education for farmers in today's high-risk, market-oriented environment. The 1996 Farm Bill greatly increased farmers' dependence on business-based risk management markets and tools. A bad business decision -- the failure to insure, a flawed business or financial plan, failure to use available financing techniques, or a mistake in using futures markets -- can today be as catastrophic as any hurricane, blizzard, or flood.

At the same time, resources for USDA's recently-launched Risk Management Education program were significantly reduced by the 1998 Research Act -- part of a series of budget off-sets to achieve "permanent finding" of Federal crop insurance. This program, mandated by the 1996 Farm Bill, has been administered as a joint public-private partnership, relying heavily on private-involvement and the use of "seed money" grants to spur education efforts across the country. The initial-year request for proposals (RFP) elicited 107 high-quality grant requests, of which RMA was able to fund only 17, even at 1998's funding level of $5 million.

It would send an important signal to farmers nationwide for this package to include a strong Risk Management Education element. The emergency funding being provided in this package should be tied to a commitment to help farmers learn to prepare themselves better for working within the new framework of markets and programs. USDA proposes $10 million, earmarked specifically for restoring and enlarging the recently-launched Risk Management Education and related outreach efforts. This relatively small investment would be targeted toward high-leverage, high-impact projects involving partnerships among the public, private, and academic communities, with an emphasis on special needs of minority and limited-resource farmers. All would ultimately be aimed toward bringing to farmers the knowledge they need as their best long-term prevention against disaster.

2. Crop and Pasture Flood Compensation Program

This proposed program is similar to the Disaster Reserve Flood Compensation Program recently announced by Secretary Glickman, except that it will not be limited to only livestock producers. If this proposed program is approved and implemented, the Disaster Reserve Flood Compensation Program will no longer be needed.

Weather in and the topography of certain parts of the United States have resulted in long-term flooding of agricultural lands. In some areas this long-term flooding has been occurring since 1992 and in the areas most severely impacted, additional acres of crop land and pasture land have been flooded and submerged since 1993.

The topography and soil of the affected regions provide no outlet for drainage; the land will return to production only after the water has evaporated. Many of these farmers and ranchers will have their most productive land out of production for two to three years.

The proposed multi-year program would provide the Secretary authority to use CCC funds to compensate farmers and ranchers who have crop or pasture land under standing water. Eligible land would include crop land or pasture land under standing water that is expected to continue to be under water for at least one crop year. Such land must also be unfit for crop or livestock production Flooded acreage covered by crop insurance would become eligible once prevented planting coverage ends.

For FY 1998 through FY 2002, USDA would pay annual compensation payments equal to the rental value of the land each year the land remains flooded. If additional land is flooded during the term of the program, that acreage would become eligible for payment in the year it can be so used.

The program would allow producers nominal cash flow for productive land that has been temporarily unavailable for economic use. The program would be administered in such a way to permit soil building crops and to ensure that the land is not used in a manner that might harm wildlife or cause other environmental harm.

It is projected that approximately 1 to 1.5 million acres could be eligible for this program in each of the years FY 1998 through FY 2002. At an average rental rate of $40 per acre annual expenditures could be $40 to $60 million.

Weather in and the topography of certain parts of the Northern Plains has inundated thousands of acres of farm and ranch land. In North Dakota, nearly 800,000 acres, that would normally be planted or used for pasture, are unfit for production and in South Dakota, 400,000 acres are similarly effected.

The topography and soil of the region provide no outlet for drainage; the land will return to production only after the water has evaporated. Many of these farmers and ranchers will have their most productive land out of production for two to three years.

This is a regional problem. While there is a possibility that similar conditions could exist in California and in parts of the Southeast, the amount of acreage is very small – the topography is different as are the soil types, minimizing the potential and severity of the problem.

The proposal would provide the Secretary authority to use CCC funds to compensate farmers and ranchers who have crop or pasture land under standing water. Eligible land would include crop land or pasture land under standing water that is expected to continue to be under water for at least one crop year. Such land must also be unfit for crop or livestock production. Flooded acreage covered by crop insurance would become eligible once prevented planting coverage ends.

For FY 1998 through 2002, USDA would pay an annual compensation payment equal to the rental value of the land each year the land remains flooded. If additional land is flooded during the term of the program, that acreage would become eligible for payment in the year in which it is flooded and rendered unfit for cropping or livestock coverage. Acreage that can be cropped or used by livestock would become ineligible for payment in the year it can be so used.

The program would allow producers nominal cash flow for productive land that has been temporarily unavailable for economic use. The program would be administered in such a way to permit soil building crops and to ensure that the land is not used in a manner that might harm wildlife or cause other environmental harm.

3. Replenishing the Disaster Reserve for Livestock Feed Losses

The 1996 farm bill capped the disaster reserve at 20 million bushels, and deleted the Secretary's authority to replenish it with commodities forfeited to USDA.

Over the last two years, USDA has sold the grain it had on hand when the farm bill was enacted and disbursed it to livestock producers to compensate them for livestock losses and to provide emergency feed as a result of natural disasters.

Congress should provide USDA authority to use commodities forfeited to it to replenish the reserve as well as standby authority to use CCC to acquire commodities to replenish the disaster reserve and for use to provide feed assistance to livestock producers during times of drought, floods, or blizzards.

Livestock Disaster Programs

During the past two years, ad hoc livestock disaster programs have been funded from the sale of grains in the disaster reserve established under Section 813 of the Agricultural Act of 1970. Remaining funds from the sale of disaster reserve stocks are not sufficient to meet potential future losses from natural disasters.

Changes mandated by the farm bill and the FY97 supplemental appropriations bill:leaves USDA without authority to replenish the disaster reserve with forfeited loan collateral; and, capped the Disaster Reserve at 20 million bushels.

Congress should provide authority and funds to provide for a Livestock Producer Disaster and Indemnity Program, a 4-part program would consisting of –

1) Dire Livestock Emergency Assistance Program to provide emergency assistance to producers of foundation livestock in danger or perishing and isolated from normal feed supplies,

2) Emergency Livestock Products Loss Program to cover losses of milk and egg production caused by natural disasters,

3) Livestock Indemnity Program to reimburse livestock owners for livestock deaths caused by severe weather, and

4) Foundation Livestock Feed Assistance Program to provide feed assistance for livestock feed losses.

These programs would benefit all livestock producers nationwide. Similar programs were implemented with ad hoc authorizations, using disaster reserve funds over the past two years. Even though benefits were paid to producers from almost all States under those programs, the largest number of ranchers who benefitted were from North Dakota, South Dakota, Kansas, California, Texas, Oklahoma, Colorado, New Mexico, and New York.

USDA estimates outlays for these programs is $77 million annually.

Two less desirable options would be for Congress to provide authority to use commodities forfeited to it to replenish the disaster reserve or to provide authority to acquire commodities to replenish the reserve. The quantity of forfeited commodities has decreased significantly as intended by the 1996 farm bill so this option would provide very limited assistance. The feasibility of purchasing grain limits the amount obtainable for this use.

4. Expanding Food for Progress Exports

Food for Progress provides developing countries, particularly emerging democracies, with U.S. food assistance. Having targeted the countries of the former Soviet Union and Eastern Europe in the past, USDA is now providing increasing amount of Food for Progress assistance to Africa and Latin America.

USDA funds Food for Progress through two mechanisms: (1) by transferring funds appropriated for the Title I, P.L. 480 program, or (2) through the Commodity Credit Corporation (CCC), which can either purchase commodities or use commodities it has acquired through its price support activities.

USDA is authorized, through FY02, to provide 500,000 metric tons of commodities annually and spend no more than $30 million annually in CCC funds for non-commodity costs such as ocean transportation. USDA can also use up to $10 million each year to assist Private Voluntary Organizations (PVO) in the administration of the program.

To keep pace with increasing food-aid demand, USDA proposes 1) increasing the CCC-funded freight cap of $30 million to $50 million; 2) waiving the 500,000 metric ton commodity cap to cover additional shipments; and 3) providing approximately $7 million to support the PVO administration of the program.

This proposal is consistent with Secretary Glickman's draft bill submitted to Congress on July 7 to use unobligated EEP funds in the last quarter of the year for food aid, one provision of which would allow the secretary to use unallocated EEP funds to purchase commodities for the Food for Progress Program and would exempt those shipments from the annual ceilings.

USDA estimates that this proposal will provide an estimated 150,000 to 200,000 metric tons of additional commodities such as wheat and wheat products, vegetable oil, soybean meal, and rice to Africa and Asia.

5. Uncapping Marketing Loan Rates but Capping Payments

During the Senate's consideration of the FY99 agricultural appropriations bill, Democratic Senators may also seek to uncap the commodity loan rates established in the 1996 farm bill. Although the Administration opposed the farm bill's imposition of a ceiling on loan rates, favoring instead continuation of a formula permitting loan rates to increase as well as decrease, and though the Administration has not formally put forward a legislative proposal revising the loan rate formula, the secretary has expressed his support for such a change. This proposal will be seen by many – primarily those who oppose any amendments to the farm bill whatsoever – as a fundamental rewrite of the 1996 bill. Notwithstanding the fact that the proposal has the support of the minority leaders in both the Senate and House, its chances of enactment are slim, because of the policy opposition it will generate and its cost. Nonetheless, Democratic Senators and Members, and some farm groups, in embracing the proposal, will seek the Administration's view and this paper poses that question.

The Administration opposed the provision in the 1996 farm bill which freezes loan rates for the life of the bill, arguing that failure to permit the loan rate to fluctuate based on market conditions weakened the farm safety net Of course, the Administration favored retaining the Secretary's authority to limit crop production and supplies in order to temper budget costs..

The Administration has not formally proposed this to Congress, largely because of its costs; however, the Secretary has indicated his general support for it. In Congress, both minority leaders support the proposal and, as noted below, Senator Daschle and other Democrats in the Senate may raise this issue when the Senate considers the FY99 agricultural appropriations bill and will want to know the Administration's position.

This proposal has little likelihood of passage and while politically popular among many, strays beyond the theme of the previous proposals, those mentioned immediately above and already submitted to Congress or executed by administrative action, of refining the farm bill, strengthening the farm safety, responding to specific sectoral or regional problems, but not undoing the basic provisions of the 1996 bill. However, as noted just above, senior policy officials in the Administration should be cognizant that this issue may confront them in the very near future.

The proposal is to uncap the loan rates for one year, the period of the current financial problems, but to limit individual payments to $2500 above the amount implied by the capped loan rate. This would tend to concentrate assistance to smaller producers and to limit budget costs. Still, it would fail to target assistance to the regions in need and would be difficult to avoid repeating whenever prices are just below the five-year average, which could be often.

6. Expanding Farm Operating Loans

[To be written]

CONCLUSION

As noted, these proposals may be taken up on the Senate floor during consideration of the FY 1999 agriculture appropriations bill starting the week of July 13. The first three discussed on the previous section are targeted, measured responses to specific problems in the farm economy, which, while some trends have reversed from the past two years, remains mostly healthy when viewed from a decade-long perspective. That said, the areas where stress is evident are feeling it particularly acutely and while the current year may approximate a longer term average, coming on the heels of near record prices, current trends are stirring growing general unease and questioning of current farm policy.

To date, although some Republican Members of Congress and Senators have resisted reopening the farm bill, a notable few have expressed some interest in some of the ideas proposed in this paper. They and the leadership of most farm groups have, instead, concentrated on pushing an agricultural trade-related agenda, which is consistent with the actions the Administration has either taken or advocated.

Democratic Members of Congress and Senators can be expected to be increasingly vocal about raising farm issues, particularly as farm prices stagnate. However, they need to respond with something more than negative criticism of the 1996 farm bill as does the Administration. Most voted for the bill, the Administration signed it, and for two years, it was almost universally popular among farmers and still enjoys support -- it contains a number of provisions the Administration advocated.

The Administration has an opportunity to advance an agenda which would be viewed positively by farmers most in stress, by congressional Democrats seeking leadership on this issue and a set of proposals around which they could coalesce, and stands a reasonable chance of enactment since it does not threaten the basic tenets of the farm bill.

APPENDIX A: STATE OF THE FARM ECONOMY

After a generally strong performance during 1996 and 1997, the U.S. agricultural economy is now declining. Net cash farm income for 1998 is forecast to be $54.6 billion, down $5.9 billion from 1997's record high and down $5.3 billion from 1996. The Asian economic problems combined with large global crop production have reduced U.S. agricultural exports from nearly $60 billion in FY 1996 to the current estimate for FY 1998 of $55 billion.

Increased supplies and reduced overseas demand have sharply lowered prices, particularly for wheat, feed grains and soybeans. Crop receipts are forecast down $3.4 billion from 1997, led by a $2.3 billion drop in sales of feed crops, mainly corn. Crop receipts for 1998 are also $2.3 billion below the 1996 level. Changes in government payments have not been a major contributor to declining income. They are forecast at $7.4 billion for 1998, compared with $7.9 billion in 1997 and $7.3 billion in 1996.

Total farm production expenses have been rising and are expected to be $4.3 billion higher in 1998 compared with 1996, which also contributes to the drop in net farm income between 1996 and 1998. Much of the income drop is concentrated in grains. Wheat net cash income is forecast to be 48 percent below 1996 levels, while net cash income levels for corn and soybeans are expected to decline 37 percent and 44 percent from 1996 levels.

The income decline since 1996 is not uniform across sectors. The livestock and poultry sectors have benefitted from lower feed costs and improved forage conditions that have helped to offset generally lower prices. Dairy prices have fluctuated sharply, but remain above 1996 levels. Export markets for rice have continued strong despite problems in the Asia, and cotton prices remain strong relative to average levels over the 1990s, although weather is reducing production prospects.

Despite the drop in farm income, there are several positive indicators. First, net cash farm income for all of agriculture, while down, is still near the average of the 1990s. Second, although farm debt is rising, the debt-to-asset ratio of farm operators is expected to remain stable at about 15 percent in 1998, compared with over 20 percent during the farm financial crisis of the mid-1980's. Third, stable interest rates, low oil prices and low inflation are helping to contain production expenses.

However, there are also indications of increasing financial stress for many producers and prospects for more widespread difficulties. First, there have been particularly sharp declines in prices for some commodities, such as grains and oilseeds. Second, grain and oilseed stocks are rising, and weather thus far suggests large fall harvests, which, if realized, will drive down prices further. Third, farmers are increasingly taking on more debt relative to their repayment capacity from current income. Following recovery from the mid 1980s farm financial crisis, farm debt fell by the early 1990s to 45 percent of the maximum debt producers could repay given current income, so-called debt repayment capacity utilization. This year, utilization is expected to be up to about 60 percent. Fourth, low prices coupled with several consecutive years of below average crops have greatly increased the financial vulnerability of certain areas, particularly the Northern Plains.

Commodity Outlook: The following table shows USDA official season-average price forecasts for commodities in comparison to other years of the 1990s:

Commodity	1990/91-97/98 Average	1998/99 Forecast	Percent Change
Wheat ($/bu)	3.47	3.10	-11
Commodity	1990/91-97/98 Average	1998/99 Forecast	Percent Change
Corn ($/bu)	2.49	2.25	-10
Soybeans ($/bu)	6.16	5.25	-15
Fed cattle ($/cwt)	71.4	65.5	-8
Hogs ($/cwt)	47.1	37.5	-20
Broilers (cents/lb)	55.4	58.0	+5
Milk ($/cwt)	13.1	13.7	+5

Because production costs have risen during the 1990s, the forecast reductions in net cash farm income by crop are greater than the expected price declines indicated in the table. For 1998/99 wheat net cash farm income is forecast to be 35 percent below the average of the 1990s, corn income is forecast to be down 27 percent, and soybean income, down 18 percent.

Crops. Record global production caused wheat prices to plummet this year following two years of strong prices. Wheat prices are down nearly 25 percent from 1 year ago and the lowest in 4 years. For the 1998/99 season, wheat prices are projected to average $3.10 per bushel, down from $3.40 per bushel last year and $4.30 two years ago. The average farm price during June was only $2.72 per bushel. This season, wheat prices will be pressured by large beginning carryover stocks, a large winter wheat crop and strong foreign competition. U.S. wheat stocks on June 1 compared with consumption were the highest since 1991.

Corn, cotton and soybean prices are also down. During June, farm level corn prices were down 14 percent and soybeans down 26 percent, compared to 1 year ago. Assuming normal weather patterns over the remainder of the growing season, large U.S. and global production of corn and soybeans are expected to further pressure prices for these crops next season. For the 1998/99 season, corn prices are projected to average $2.25 per bushel, compared with an estimated $2.45 this season. Soybean prices are expected to fall from $6.45 per bushel this season to $5.25 in 1998/99. Cotton prices have also been under pressure as China took the unusual step of exporting large amounts of cotton. In May, cotton prices were down slightly compared with a year ago. However, price prospects for cotton could improve in coming months, since U.S. cotton production in 1998/99 will be down substantially in California and Texas due to weather problems.

Livestock, poultry, and milk. Record large per capita meat and poultry supplies and reduced exports to Asian countries have depressed livestock and poultry prices. The drop in hog prices has been especially severe with prices down by nearly one-third during the first 5 months from 1 year ago levels. So far, this year, cattle and broiler prices are down 3 and 4 percent, respectively. Over the coming months, hog supplies are projected to continue to remain high, with lower prices expected this fall and winter, keeping prices below production costs for many producers. Little improvement is also expected in poultry prices in the months ahead, although most producers appear to be operating in the black. Fed cattle prices continue to be below cash expenses. Prices had been expected to strengthen during the second half of 1998, following 2 years of herd liquidation. However, price recovery now appears more distant as producers continue to reduce herds, increasing nearby beef supplies.

Dairy prospects are improving. For the first 5 months of 1998, the all-milk price averaged $14.24 per cwt., up 7 percent from 1 year ago. Recent strength in product markets marked by strong increases in butter and cheese prices suggest that milk prices will remain strong over the coming months. Lower feed prices and better forage quality and availability will reduce production expenses.

Regional Problems. Several consecutive years of poor weather and crop disease along with the decline in wheat prices has hit the Northern Plains States particularly hard. The combination of low production and prices is projected to reduce net farm income to about $5,000 per producer this year, compared with over $37,500 in 1996 and $14,500 in 1997. The percentage of farms with repayment difficulty is projected to increase from less than one-fifth 2 years ago to over one-third in 1998.

Farm receipts in the Northern Plains fell in 1997 10% from 1996 levels and USDA projects they will fall another 14% this year, due to generally lower prices, disease problems, and weak exports – of all regions of the country, farmers in this are among the most export dependent, deriving 45% to 60% of their income from exports and thus exposed to commensurate losses as exports fall, as they are this year.

Disease problems are compounding these problems, leading many farmers to abandon plans to plant spring wheat; for example, spring wheat plantings in North Dakota have dropped 10% and by nearly 25% in Minnesota, making this year's crop in that state one of the smallest on record.

Similarly, producers in western Texas are also suffering from low prices and poor production prospects. After a devastating drought in 1996, Texas cattle and dairy producers are again suffering from dry forage and pasture conditions. Higher feed costs are causing many of these producers to liquidate their herds at a time when beef prices have been falling. Due to dry conditions, Texas cotton producers have abandoned an estimated 25 percent of their acreage this year and production prospects could be reduced further if weather conditions do not improve.

Unlike producers in many other parts of the country, climatic conditions prevent many of these producers from switching to alternative crops or enterprises when prices and returns fall sharply.

APPENDIX B RECENT ADMINISTRATIVE ACTIONS

North Dakota announcements - Sec. Glickman unveiled on 6/9 a package of USDA program changes ($12 million for disaster relief; numerous improvements in Federal crop insurance, including a pilot program for the Northern Plains; research funding for wheat diseases; $100 million to finance wheat exports).

Wheat gluten safeguard relief - The President decided 5/30 to protect the beleaguered US wheat gluten industry from unreasonably low-price EU imports by imposing an import quota for three years under Section 201 authority.

Defense of US barley - The NEC decided 5/27 to use Export Enhancement Program (EEP) subsidies to export US barley to EU markets in retaliation for EU subsidized sale of barley to California over the Administration's protests.

Innovative use of EEP - The NEC Deputies decided 5/6 to subsidize targeted sales of US commodities in response to specific foreign trade injuries. Poultry sales to EU markets were approved in light of the unsatisfactory result of negotiations with the EU over veterinary equivalency. EEP would be used also to offset transport costs to markets presenting "risk" to US exporters through unfair trade barriers.

Dairy exports - The NEC Deputies decided 5/6, in response to EU intentions, to authorize sales of 30,000 additional tons under the Dairy Export Incentive Program (DEIP) that had been announced in previous years but not actually used.

WTO speech - The President's 5/18 speech in Geneva to the World Trade Organization gave prominence to agriculture as he emphasized the urgency of continued worldwide reductions in trade barriers and subsidies, and the need to accept biotechnology's help in feeding the world's population.

EU labeling - The President helped to avert a potentially huge impediment to US crop exports on 3/17 by urging Irish Prime Minister Ahern to cast the deciding vote in favor of the EU's decision to not allow product labels to discriminate against US grain crops developed with biotechnology.

Ethanol - White House statements on 6/9, 5/29, and 5/22 (and statements from the Vice President on 5/7, 3/26, and 3/20) support the use of ethanol, popular with corn growers, and the Federal tax incentive for ethanol production. Sec. Rubin, Glickman and Slater similarly wrote on 4/28.

Protecting US corn markets - In the face of France's resistance to European imports of US corn produced with biotechnology, Amb. Barshefsky warned the EU in April, sent a formal demarche and protest on 6/4 and 6/8. Actions are continuing.

Sugar - USTR initiated a WTO challenge on 5/8 against Mexico for its dubious impediments to US high fructose corn syrup exports. On 5/18 USTR initiated an investigation of these unfair trade practices by Mexico under Section 301.

Asia crisis - USDA is actively protecting Asian markets for US agricultural products since the currency crisis appeared, mainly through its export financing programs. The latest initiatives are 1) guaranteeing the cost of freight for shipments made to Indonesia, thus speeding the completion of such deals (6/8); and 2) an additional $60 million of financing for exports to South Korea (5/5) joined the $440 million announced 4/24, and brought the level of USDA export financing to its highest level in six years.

Hormone barrier - Following the EU's 1996 ban on US meat exports produced with growth hormones, despite scientific approval, and repeated US challenges in the WTO, the US filed arguments on 5/6 for the EU to promptly adjust its livestock regime to permit imports from the US. and on 5/27 the WTO arbitrator agreed with the US position, clearing the way for increased US meat exports in 1999.

Crop insurance - USDA has made changes to the crop insurance program to help farmers deal with repeated crop losses; provided livestock disaster assistance to certain weather-troubled producers; increased the export credit program by over thirty percent over last year's level; purchased commodities to send abroad for food aid; utilized fully the Dairy Export Incentive Program; and bought surplus commodities for school lunch and other feeding programs.

Livestock assistance - On June 8, 1998, the Secretary made $12 million remaining from the sale of disaster reserve commodities available to compensate livestock producers who have suffered losses due to long term flooding. Procedure and regulations are being developed for this program with sign up anticipated to start September 1. Eligible land must be in a county that has experienced higher than normal water tables every year beginning in 1993, and, due to flooding, is incapable of crop production, grazing, or haying at any time during the 1998 crop year. Eligible acres for this program cannot receive payment from any other USDA or Federal program. It is also proposed that an eligible producer be defined as a current livestock producer or a producer who was engaged in the production of livestock during the period the eligible land was flooded. An eligible producer also owns eligible flooded land or is bound by a lease to compensate an owner for eligible flooded land.

The majority of land meeting the eligibility requirements of this program is in North and South Dakota. It is estimated that 3,000 livestock producers would be eligible to receive DRFCP payments for 250,000 acres in North Dakota. In South Dakota estimates are that 1,000 producers would be eligible to receive payments for 200,000 acres. At an average rental rate of $40 per acre, the FY98 expenditure could be $12 to $18 million, with individual producer payments factored in order not to exceed $12 million. If the Multi-Year Crop and Pasture Flood Compensation Program proposals are approved and implemented, this program will no longer be needed.

APPENDIX C PENDING ADMINISTRATION PROPOSALS

Farm Credit Improvements: The Administration has proposed that Congress give farm borrowers who have received debt forgiveness a second chance to become eligible for both direct and guaranteed loans; borrowers should be able to use guaranteed operating loans to pay the principal of real estate loans; and reduce the burden on borrowers who remain subject to shared appreciation agreements by shortening the length of the agreements and the recapture terms.

Give farm borrowers who have received debt forgiveness a second chance to become eligible for both direct and guaranteed loans.

Status: The Administration proposed the Agricultural Credit Restoration Act. This was introduced in the House as HR 3513 by Congresswoman Eva Clayton. Senator Charles Robb was successful in attaching the same language as an amendment to S. 2561, the 1998 Supplemental Appropriations bill. This language was removed in Conference and was not included in the final version of the bill.

Possible action: The administration modified its original proposal in a manner that improves its chance of success. Senator Robb is considering introducing the administration's suggested language in the Senate. It should be noted that Congressman Larry Combest is considering legislation that would restore eligibility for guaranteed loans to many borrowers who have received debt forgiveness. Congressman Combest's proposal does not go as far to address the problem of restored eligibility as USDA would like to see.

Who will this change help? Since 1989, over 73,000 farmers have had all or a portion of their Farm Service Agency (FSA) farm loan program debt forgiven. Approximately 11,500 of these farmers are still active FSA borrowers. Many of these producers would benefit from new loans.

Borrowers should be able to use guaranteed operating loans to pay the principal of real estate loans.

Status: This proposal will allow borrowers to use guaranteed operating loan funds for principal and interest payments on real estate installment loans. Currently, only interest payments can be included under an operating loan. The Department submitted this change to Congress in February, 1998.

Cost: USDA does not expect any additional budgetary cost resulting from this proposal. The addition of real estate payments would be incorporated into FSA's operating loan program as an additional loan purpose for lines of credit.

Who will this change help?: Allowing the unrestricted use of funds to service the principal debt of real estate loans will assist family size farmers by making more guaranteed operating credit available in a manner consistent with standard industry practices.

Reduce the burden on borrowers subject to shared appreciation agreements by shortening the length of the agreements and recapture terms.

Status: The administration proposed a draft bill that reduces the term of new shared appreciation agreements from 10 years to 5 years. This change was proposed to Congress in February 1998, and no action has been taken.

Who will this change help? This change will reduce the term of all shared appreciation agreements for borrower who receive debt write downs on loans secured by real estate after the effective date of the legislation. This change will not impact any of the shared appreciation agreements currently in effect.

Commodity Program Improvements: The Administration has proposed that Congress allow the secretary to extend marketing loans by six months when prices are low and transportation problems prevent orderly marketing; increase flexibility for farmers to plant fruits and vegetables, especially when their primary crops fail; and provide farmers more flexibility to determine when they want to receive farm payments.

Who will be helped? About 1.4 million producers grow commodities that are enrolled in the farm program and are eligible for the marketing assistance loan program. Additional producers who grow oilseeds or ELS cotton, but do not have a PFC would also benefit. Most producers are expected to take advantage of the 6-month loan extension if circumstances similar to last year persist and rail cars are unavailable to move grain. The same 1.4 million producers would benefit from increased planting flexibility for those producers choosing to plant fruits and vegetables and for farmers choosing when to receive farm payments.

Senate Minority Leader Daschle, introduced the Agriculture Safety Net Act of 1997 (S.26) on Jan. 21, 1997, the first day the Senate allowed introduction of legislation in the 105th Congress. There are six Democratic cosponsors to this initiative. On March 25, 1998, House Minority Leader Richard Gephardt, D-Mo., introduced the Family Farm Safety Net Act of 1998 (H.R. 3550). There are 13 Democratic cosponsors to the measure.

These legislative initiatives, incorporate some but not all of the Administration's proposals and add other provisions; they would:

one, remove the cap on commodity support rates;
two, allow the Secretary to extend the term of commodity loans by 6 months; and
three,give "high priority" to projects that encourage farmer-owned, value-added processing

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one, remove the cap on commodity support rates;
two, allow the Secretary to extend the term of commodity loans by 6 months; and
three,give "high priority" to projects that encourage farmer-owned, value-added processing

facilities.

Daschle may offer this initiative as an amendment to the Senate's FY99 agriculture appropriations legislation, but the measure will probably fail. Senate agriculture committee chairman, Richard Lugar, R-Ind., and several other Republican Senators who havpubliclyly expressed their opposition to the proposal. It is extremely unlikely to see either the Daschle or Gephardt legislation pass as free-standing bills.

A similar legislative initiative has been introduced by Sen. Bacus, D.-Mont., (S. 1762) and Rep. Hill, R-Mont., (H.R. 3455) to extending the marketing assistance loan period, but would not remove caps.

Trade: The Administration has proposed that Congress provide multi-year funding for the Export Enhancement Program (EEP), providing the secretary the ability to carry forward any unused EEP funds and will soon submit legislation to allow the secretary to transfer unused EEP funds to PL 480's Title I or Food for Progress programs for the purchase of wheat and other commodities and support other market development programs

Congress rejected the proposal for multi-year EEP funding; however, there seems to be increasing bipartisan interest in the proposal to permit the use of unexpended EEP funds for foreign food aid programs.

Ew

Rural Agenda

rural

Overall, voters are generally favorable towards the idea of helping improve rural and farming areas. So in light of the number of Swing districts in the Congressional elections, a rural agenda with some of these components would be effective in bringing Democrat support for these voters to the forefront.

When Americans know the goal of trade is to sell more American product, they strongly support encouraging free trade and other proposals to help with marketing. Improving transportation is also popular.

Following are some things the President could announce to help people living in rural areas. For each one, please tell me if this would make you much more favorable...	Much More Fav	More/ Less Fav	Among Rural Voters (33%)
Encouraging free trade so that Americas agricultural products can be sold in many markets.	43%	84/11%	87/6
Improving roads and highways in rural areas.	47%	80/13%	79/9
Strengthening laws that promote cooperatives which would allow farmers to gather together to market their products	31%	78/14%	75/14
Bringing new technologies to rural America such as making medical expertise and educational programs available via computer or over the Internet.	40%	73/18%	68/19
Expanding programs that help farmers manage risk, such as giving them more crop insurance	35%	68/22%	68/21
Promoting small farms by taking a tough stance on concentration in agricultural industries like railroads and meatpacking.	28%	63/20%	65/16
Supporting specific programs like ethanol: subsidizing the use of crops that can be used for fuel even if the price Is higher.	17%	46/38%	39/39

If President Clinton announced a package of reforms to aimed at improving rural and farming areas, including many or all of these proposals mentioned above, **83/14%** would be more/less favorable towards President Clinton.

83% more favorable (34% much + 49% somewhat)

14% less favorable (3% much + 11% somewhat)

Among rural voters: 83/13%

E-Rate
~~campaign~~
Safety net

rural
empowerment
zones

School construction

DEPARTMENT OF AGRICULTURE
OFFICE OF CONGRESSIONAL RELATIONS
WASHINGTON, D.C. 20250-0100

Russell Anderson

FAX COVER SHEET

Date: 10/7/98

To: Tom Freedman

Fax #:

From:

- ✓ David Carlin
- ___ Cheryl Tates-Macias
- ___ Vince Ancell
- ___ Judy Baldwin
- ___ Julie Allen
- ___ Hannah Richert
- ___ Nat Otis
- ___ Chuck Jones
- ___ Debbie Brenchick

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Cover sheet plus ______ **page(s)**

Remarks:

CARL WHILLOCK
2905 28th St, NW
Washington, DC 2[illegible]
October 2, 1998

Dear Mr. President,

It is my suggestion that a one day conference be held to discuss the farm economy and the unfortunate plight of many farmers. It can be a mini-version of the Economic Roundtable in Little Rock in December of 1992.

You should be the keynote speaker. Your remarks should be along the line of those you delivered to the members of the National Farmers Union a few weeks ago.

The event should be held in a city that is in the midst of a large farming area, such as Des Moines, Minneapolis, Kansas City, Springfield, Illinois or Sioux Falls, South Dakota.

The sponsors could be some of the national and/or regional farm organization

As you know a large number of family farmers are in dire circumstances. Last month the average price farmers received for wheat was \$2.37 per bushel, compared to \$3.66 a year earlier, and for corn \$1.76 per bushel, compared to \$2.52 a year earlier. The prices of these two products as well as the low prices for soybeans, cotton, hogs, beef cattle and poultry are causing severe hardship.

A discussion of these matters at a conference and your remarks as the keynote speaker, will focus attention on the need for Congress to approve the plan you recommended to help farmers. It will also show that the plan advanced by the majority party in Congress is inadequate.

The people with whom I have talked about this think such a meeting will help convince people in the farm belt to support and vote for candidates for Congress who will work with you to implement your agenda for farmers and for all Americans. Some friends have told me that they think there is a sizeable number of people in rural areas who are ready to switch. In the past they have supported candidates who were opposed to your agenda. Now many of these people are saying, "Perhaps I will vote for candidates who will work for the President's agenda."

Such a meeting, with your participation, can make a significant difference. I hope you can agree to do this.

Sincerely,

Carl

P.S. You are continuing to do a great job. Keep it going.

CD