"The Rural Rebound," *Wilson Quarterly Spring 1998*

Summary

"The Rural Rebound" suggests that economic, social, and technological changes are driving a current rural revival. Between 1990 and 1996, the population of rural counties grew by nearly three million, or 5.9 percent, and as of July 1996, about 53.8 million Americans, or just over 20 percent of the U.S. population lived in rural areas. Although rural counties suffered from economic disruptions in the 1980s, measurable growth resumed in the 1990s.

Issues

Population Deconcentration

Census bureau data indicates that the United States is experiencing population deconcentration. People are gradually moving to less densely populated areas and scattering across the country. Most Americans are not returning to farming or moving in large number to small towns. Rather, they are moving to houses along country roads, trailer parks, or even subdivision similar to those in suburban neighborhoods. Whereas economic necessity instigated the rural exodus in the 1930's, economic and technological advances now provide many people with the freedom to choose where they live.

The sudden growth in rural counties is due to net in-migration. Whereas population growth in rural areas was once attributable to relatively high rural birthrates, population growth in rural areas today reflects the trend that fewer rural residents are leaving and more metropolitan residents are choosing to move in. Between 1990 and 1996, the rate of in-migration of rural areas exceeded that of metropolitan areas, 3.6 percent versus 1.8 percent.

Technology and transportation

Today, rural areas are less isolated. Technology, long-term state and federal investments in roads and airports, and subsidies for equipment have all had a major impact on rural accessibility. Congestion in metropolitan areas has also been a factor -- decreasing the appeal and importance of urban proximity -- and advances ranging from the Internet to four-lane highways have enabled businesses to take advantage of perceived advantages of rural areas: lower labor and land costs, the absence of unions, the work ethic of the rural labor force, and economic incentive programs offered by state and local governments.

Manufacturing

Between 1985 and 1993, rural areas increased their share of manufacturing jobs from 20 percent to 23 percent. Since 1960, manufacturing has supplied more rural jobs than farming and it currently accounts for almost one-sixth of rural employment. Rural industries include poultry processors, clothing manufacturers, auto parts makers, and manufacturers of computer equipment.

Prison construction

More than 50 non-metropolitan counties that have rebounded from population losses in the 1980s have been helped by the boom in prison construction. A new state prison in Tennessee, for example, provided 350 jobs and brought more than 1,000 inmates (whom the federal census counts as residents).

Rural lifestyle

Many people prefer to live in rural communities and national prosperity, job growth, and communications technology enable them to move away from urban areas. In a 1995 Roper survey, 41 percent (up from 35 percent in 1989) said that they would like to live in a small town or rural area within 10 years.

Retirees

Retirees are among the most significant contributors to rural growth. Of the 190 rural counties classified as "retirement destination" counties (those with a history of large influxes of retirees), every county gained population between and 1990 and 1996, and 99 percent experienced net-in migration.

Middle-class workers

Older, middle-class workers who are tied to jobs, but have decreased their work week or who largely utilize communications technology, have also contributed to rural growth. In addition, other rural migrants are returning to areas where they were born, now that jobs are available, wanting to raise their children in the kind of atmosphere in which they grew up.

"Recreational destinations"

Rapid growth occurred in 285 rural counties classified as "recreational destinations." Winter sports areas of the West or forested lake counties of the North Woods, for example, typify these areas. Ninety-three percent of the counties classified as recreational destinations grew between 1990 and 1996, and 88 percent experienced net-in migration.

Edge cities

Edge cities, such as Clarke County, Virginia (located more than 65 miles from Washington, DC), which are technically metropolitan but on the periphery of the county, have also contributed to the rural revival. Quasi-urban office parks and shopping centers have made it easier for people to move far beyond downtown areas. More than 85 percent of the rural counties adjacent to urban areas gained population in the early 1990's, and 77 percent experienced net in-migration. The next tier of counties farther out also benefitted from metro-area workers willing to commute long distances to their jobs.

Considerations

- Revenue sources are limited and unlikely to grow at the same rate as the demand for roads, schools, and other services.
- Newcomers often demand not just a greater quantity of services, but also a higher quality of services.
- Other newcomers, such as retirees, might not be amenable to increase spending on services such as public schools
- Sprawl
- Growing need for doctors, difficulty in attracting and retaining doctors, cutbacks in federal programs designed to attract and retain rural physicians
- Will the revival of rural counties pose a long-term threat to the health of cities?

Hill Briefs

Senate Probe Of China Fundraising Allegations Begins

■ A REPUBLICAN LEADERSHIP task force today will begin guiding several Senate investigations into the role campaign contributions may have played in President Clinton's approval of technology exports to China.

Getting down to business quickly after the Memorial Day recess, **Senate Majority Leader Lott** scheduled the first meeting of the latest Hill effort targeting the Clinton administration.

All eight GOP members of the task force, including five committee and subcommittee chairmen, are expected to attend the organizational session.

They are: Lott, **Armed Services Chairman Thurmond, Foreign Relations Chairman Helms, Governmental Affairs Chairman Thompson, Intelligence Chairman Shelby, Governmental Affairs International Security, Proliferation and Federal Services Subcommittee Chairman Thad Cochran**, R-Miss., and **Sens. Jon Kyl**, R-Ariz., and **Tim Hutchinson**, R-Ark.

Lott pulled together the task force to coordinate the many approaches to reports by *The New York Times* that Democratic Party contributions came from China's People's Liberation Army.

Cochran's subcommittee has already held one hearing; Shelby's panel plans two meetings this week, and Helms is setting up a meeting of his committee for next week.

Shelby's first meeting will be an organizational session today. His second is a full scale inquiry behind closed doors Thursday.

Asked to the Thursday hearing are CIA Director George Tenet, Attorney General Reno and FBI Director Freeh.

Specter Undergoes Double Bypass

■ SEN. ARLEN SPECTER, R-Pa., Monday afternoon underwent a heart bypass operation following discovery of arterial blockage earlier in the day.

Specter came through the three-hour, double-bypass procedure well and is expected to fully recover, his spokesman said.

The 68-year-old senator, who is seeking re-election to a fourth term this year, is expected to remain in the hospital for five to seven days.

He had admitted himself to the hospital Saturday after experiencing chest pains. Despite the blocked artery, tests performed over the weekend indicated Specter is in excellent condition, the *Associated Press* reported.

Tauzin Unveils, But Won't Push, PUHCA Repeal Bill

■ STAFF MEMBERS for **Rep. W.J. (Billy) Tauzin**, R-La., say he has no intention of pushing for a stand-alone Public Utility Holding Company Act bill — the likes of which Tauzin introduced in the House just prior to the Memorial Day recess.

Tauzin's bill, which is virtually identical to PUHCA legislation introduced by **Senate Banking Chairman D'Amato**, will instead serve as a "marker" for next year, a Tauzin staffer said.

D'Amato is seeking to move his PUHCA-repeal bill on a stand-alone basis — but **House Commerce Chairman Bliley** is committed to doing PUHCA repeal only in the context of a larger electric utility restructuring bill.

Given that, the Tauzin staffer said he only wants to "put his proposal out there" to ensure any comprehensive bill that moves next year includes strong PUHCA repeal language.

Glickman Files Papers Backing Cattlemen's Suit

■ CATTLE PRODUCERS should proceed with a federal lawsuit claiming the nation's largest meat packer is engaged in monopolistic practices, Agriculture Secretary Glickman says.

According to the *Associated Press*, legal documents filed on Glickman's behalf say the 10 cattlemen who brought the lawsuit in Montgomery, Ala., against IBP Inc. have no recourse at the Agriculture Department, even though the agency has an antitrust arm set up to regulate packers and stockyards.

The producers who are suing IBP and trying to represent the class of all cattlemen Monday said Glickman's stance is a victory that should allow the case to go forward.

"It's swinging our way, big time," said Mike Callicrate, a plaintiff who runs a cattle feedlot in St. Francis, Kan. "The stand taken by the secretary gives us hope."

The lawsuit contends that Dakota City, Neb.-based IBP is violating antitrust laws by using large purchases of captive supplies of cattle — rather than bidding on open auction markets — to unfairly depress prices paid to producers.

IBP controls more than a third of U.S. beef packing and last year processed more than 9 billion pounds of beef and pork.

In a written statement Monday, IBP said it was "disappointed but not surprised" at Glickman's comments and contended that the secretary "abdicated his responsibility" by deferring to an Alabama judge.

The cattlemen's lawsuit asks U.S. District Judge Harold Albritton to force IBP to bid for cattle in open markets and order the company to pay unspecified monetary damages. Last month, Albritton asked Glickman whether such a case should be brought first to the USDA.

Chris -
There may be something of interest here.
Bru

GW

MEMORANDUM

TO: TOM FREEDMAN, MARY L. SMITH

FROM: DREW HANSEN

RE: PRIORITY DISEASES

DATE: JULY 22, 1997

SUMMARY

The following is a suggested list of ten diseases that merit federal attention. These diseases were selected according to several criteria, including their contribution to mortality, the frequency with which they are contracted, the expense in treating them, and the research funding that they receive. Some of the sources used in compiling the list are recorded below.

THE TOP TEN DISEASES

1. **Heart disease**
2. **Cancers**
   ***especially lung, colon/rectum, breast, and prostate.**
3. **AIDS**
4. **Depression**
5. **Stroke**
6. **Hypertension**
7. **Alzheimer's**
8. **Diabetes**
9. **Influenza**
10. **Common Cold**

SOURCES

NIH Research Grants (Top Five)

NIH Institute	*Total Grants*
National Cancer Institute	$1,367,637,291
National Heart, Lung, and Blood Institute	$1,022,295,284
National Institute of Allergy and Infectious Diseases	$795,017,509

National Institute of Diabetes & Digestive & Kidney Diseases	$614,173,301
National Institute of Mental Health	$485,146,425

Source: Summary of FY 1996 Awards by Administering Component, NIH, 1996.

Causes of Death (Top Five)

Disease	*Percent of Total Deaths*
Diseases of heart	31.9%
Malignant neoplasms, including neoplasms of lymphatic and hematopoietic tissues (cancer)	23.3%
Cerebrovascular diseases	6.8%
Chronic obstructive pulmonary diseases and allied conditions	4.5%
Pneumonia and influenza	3.6%

Source: CDC, Monthly Vital Statistics Report, Vol. 45 No. 11(S)2, June 12, 1997. *Note: "Accidents" are actually the fifth leading cause of death (4.0%)

Acute Conditions (Top Five)

Type of Acute Condition	*Occurrences per 100 persons per year*
Influenza	52.1
Common cold	28.6
Infective and parasitic diseases	18.5
Acute upper respiratory infections (not common cold)	11.7
Acute ear infections	10.3

Source: Statistical Record of Health and Medicine, 1995.

Chronic Conditions (Top Five)

Type of Chronic Condition	*Occurrences per 1,000 persons: 1991*
Arthritis	125.2

High blood pressure (hypertension)	111.8
Hearing impairment	91.2
Heart Disease	82.6
Back impairment	71.2

Source: Statistical Record of Health and Medicine, 1995.

Diseases by Age Group

- The three most common causes of death for children (ages 1-14) in 1990 were accidents (6,216), malignant neoplasms (cancers) (1,607), and congenital anomalies (1,364).
- The four most common causes of death for teenagers (15-24) in 1990 were accidents (16,241), homicide (7,354), suicide (4,859), and cancer (1,819).
- The two most frequent diagnoses of the elderly by office-based physicians are essential hypertension and diabetes mellitus, with cataracts and chronic ischemic heart disease especially important for the elderly over 80 years of age.

Source: Statistical Record of Health and Medicine, 1995

Diseases Showing Increased Mortality

- The age-adjusted death rate for Alzheimer's disease increased by 8% from 1994 to 1995 (probably because of improvements in reporting and diagnosis rather than prevalence).
- The age-adjusted rate for HIV infection has increased consistently since 1987.
- Diabetes mortality has been increasing consistently since 1986, and the age-adjusted death rate has increased at an apparently accelerating rate since 1990.

Source: CDC, Monthly Vital Statistics Report, Vol. 45 No. 11(S)2, June 12, 1997.

Cancer

- The cancers that caused the most deaths in 1994 were lung (153,000), colon/rectum (56,000), breast (46,000), and prostate (38,000).
- The cancers with the lowest 5-year survival rate in 1994 were pancreas (3%), lung (13%), leukemia (38%) and ovary (39%).

- The cancers with the most new cases in 1994 were prostate (200,000), breast (182,000), lung (172,000), and colon/rectum (149,000).

Source: Statistical Record of Health and Medicine, 1995.

Depression

- "Approximately 11 million Americans suffered from depression and other affective disorders in 1990. More than $12 billion was spent on their treatment, including inpatient care and drugs. In total, depression costs close to $44 billion dollars annually when lost work time and lost productivity are included in the calculations."

Source: Statistical Record of Health and Medicine, 1995.

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Rural agenda - EW

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

FAX COVER SHEET

Date: 6-3-98

To: Tom Freedman

Fax #: 456-7431

From:

✓ David Carlin
___ Cheryl Tates-Macias
___ Vince Ancell
___ Judy Baldwin
___ Julie Allen
___ Hannah Richert
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Cover sheet plus 1 page(s)

Remarks: ___

Daschle Agriculture Priorities for 1998

1. Eliminate/raise caps imposed on commodity market loans

2. Eliminate/revise Farm Bill language which prohibits a farmer who has received a write down from obtaining future loans from USDA

3. For one year, mandate price reporting for all sales transactions conducted by any entity engaged in the slaughtering of livestock

4. Establish permanent authority for a livestock disaster feeding program

5. Extend the ethanol tax credit provisions until 2007

6. Pass the Food Safety Enforcement Act (S. 1264)

7. Pass a Research Title Reauthorization bill

8. Provide additional funds and extend the Fund for Rural America

9. Provide a property tax credit for wetlands restoration

Gephardt Agriculture Priorities for 1998

1. Extend the ethanol tax credit provisions until 2007

2. Eliminate/raise the caps on marketing loans (H.R. 3550)

3. Establish an emergency price floor for dairy farmers

4. Pass the Clayton credit bill which would provide family farmers with increased access to USDA's loan programs

5. Give priority to loan and grant applications that encourage farmer-owned value-added processing facilities (H.R. 3550)

6. Expand crop revenue insurance program (H.R. 3550)

Mark Nord

Go on agenda

Overcoming Persistent Poverty—And Sinking Into It

Income Trends in Persistent-Poverty and Other High-Poverty Rural Counties, 1989-94

Post-1990 income and population trends in persistent-poverty and other high-poverty rural counties suggest that, in general, economic conditions are improving in those counties. Recent per capita income growth in the persistent-poverty counties was more than twice that in other rural counties. Improvements are concentrated in the East, while trends are mixed in the Southwest, the Ozarks, and the upper Midwest. Most high-poverty counties with predominantly Black poor experienced substantial income growth, while income declined in a substantial minority of high-poverty counties with high proportions of Hispanic and Native American poverty.

The poor are not spread evenly across the landscape with the nonpoor, but are disproportionately concentrated in the centers of large cities and in remote rural areas. In some rural areas, very high poverty rates have persisted over many decades. In 535 rural counties (almost one-fourth of all rural counties), poverty rates have exceeded 20 percent in each decennial census year since 1960. In addition to these "persistent-poverty" counties, 232 "new high-poverty" nonmetro counties had poverty rates in excess of 20 percent in 1989, although they had poverty rates lower than 20 percent in at least one of the earlier census years.

The high-poverty rural counties (including both persistent-poverty counties and new high-poverty counties) are home to 44 percent of the rural poor, and are of particular concern to policymakers for several reasons. Where poverty rates are very high, resources of local government, local business, and local social networks are often inadequate to provide public services such as health and education, and to support families and individuals with serious income inadequacies. Also, high concentrations of poverty can result in economic, social, and cultural milieus that depress aspirations and expectations of young people, making it difficult for them to develop to their full potential. For these reasons, a number of Federal programs are targeted to high-poverty counties, and several federally supported regional commissions focus resources and efforts on multicounty areas of concentrated poverty.

After two decades of substantial reduction in rural poverty in the 1960's and 1970's, progress in rural poverty reduction virtually stopped during the 1980's. In fact, more counties reverted to high-poverty status (above 20 percent poverty rate) during the 1980's than escaped from high poverty. It is of considerable interest, therefore, to know whether economic well-being in the high-poverty rural counties has improved, deteriorated, or remained unchanged since the 1990 census. Reliable county-level poverty data are available only once every 10 years, from the decennial census. However, annual county income and population data are available, and I draw on those data to provide a picture of household economic trends in the persistent-poverty and new high-poverty counties during the 5 years following the 1990 census.

Mark Nord is a research associate of the Department of Rural Sociology at the University of Wisconsin-Madison. The research was supported through a cooperative agreement (43-3AEN-4-80098) between the U.S. Department of Agriculture's Economic Research Service and the University of Wisconsin College of Agriculture.

Per capita income trends in the persistent-poverty and new high-poverty counties during the 5 years since the 1990 census are generally quite encouraging. Per capita income grew 10.7 percent (adjusted for inflation) in the persistent-poverty counties, well above the all-nonmetro growth rate of 6.15 percent. As in the 1970's, income rose more rapidly in the higher poverty counties. It is likely that poverty rates have declined in a majority of the persistent-poverty counties. If these trends continue through the rest of the 1990's, a substantial number of these counties will have poverty rates below 20 percent by the 2000 census, thus escaping persistent-poverty status.

In 26 of the 535 persistent-poverty counties, however, real per capita income declined during 1989-94. Income also declined in 31 of the 232 new high-poverty counties. Some of these counties are probably becoming the persistent-poverty counties of the future. Many of the high-poverty counties with declining per capita income have the following characteristics: remoteness from urban centers, high proportions of Hispanic or Native American population, high rates of natural increase, and high employment share in agriculture, forestry, and fisheries. Very few of the high-poverty, declining-income counties had substantial population loss or substantial international inmigration.

Income trends in the high-poverty counties followed a regional pattern. The persistent-poverty counties with high rates of per capita income growth are located disproportionately in the Appalachian Mountains and the Southeast, while those with deteriorating economic conditions are almost all west of the Mississippi River. The pattern of spatially concentrated poverty appears to be shifting westward and away from predominantly Black areas toward areas with high proportions of Hispanics and Native Americans. (See box on "New Intercensal Poverty Estimates" for comparison with newly available county poverty statistics.)

High-Poverty Rural Counties—Background

Persistent-poverty counties are concentrated in geographic clusters, and each cluster has a distinctive racial or ethnic character. In the Black Belt (across the Southeast from the Carolinas to Alabama) and the lower Mississippi River Valley, Blacks predominate in the poor population. In the Southern Highlands—the Appalachian, Ozark, and Ouachita mountains—Whites predominate among the poor. In the Rio Grande Valley and the high plains of the Southwest, Hispanics predominate. And in the persistent-poverty counties of the central Southwest, the northern Great Plains, and western Alaska, it is predominantly Native Americans who are poor. Most of the "new" high-poverty counties are located in or near the persistent-poverty clusters.

Changes in economic well-being in the high-poverty rural counties during the 1980's differed markedly from those of the previous two decades. During the 1960's and 1970's, rural poverty rates declined substantially (fig. 1). Of the 2,249 rural counties with poverty rates above 20 percent in 1959, only 1,220 persisted in the rural high-poverty category through 1969. (An additional 75 counties retained high poverty rates, but were reclassified as metro.) The number of persistent-poverty rural counties declined further to 646 by 1979. However, this trend did not continue into the 1980's. In general, rural poverty rates remained more or less unchanged during the 1980's, and the number of persistently poor counties declined more slowly, falling only to 535 by 1989. This decline in the 1980's was more than offset by the 171 rural counties that reverted to high poverty in 1989 after having escaped from persistent-poverty status in 1979. The discontinuity of economic trends in the 1980's raises important questions about how the high-poverty counties have fared during the 1990's:

- Are the persistent-poverty counties falling further behind other nonmetro counties, or are they holding their own or gaining ground?

New Intercensal Poverty Estimates (1993)

The Census Bureau recently released county poverty estimates for 1993, the first intercensal county poverty estimates in its new Small Area Income and Poverty Estimates series. These estimates are based on rather complex weighted regression techniques using a wide range of data sources, including decennial census data, Current Population Survey data, annual population estimates, Bureau of Economic Analysis income data, and administrative data from tax returns and welfare programs. The reliability of the estimates is uncertain. Confidence intervals (as published by the Census Bureau) are quite large, and the poverty estimates are not directly comparable with those produced by the decennial census because they are based on slightly different populations and concepts of income. This makes comparisons of *changes* in poverty rates from 1989-93 particularly problematic. In spite of these limitations, I used the 1993 poverty estimates to verify trends observed in the income data.

The poverty trends in rural high-poverty counties, as indicated by the intercensal poverty estimates, are broadly consistent with the income trends described in the article. However, the regional patterns are less pronounced. Both data sources point to some improvement in economic well-being in the lower Mississippi River Valley and to worsening economic conditions in a number of high-poverty counties in the Southwest, especially in New Mexico and western Texas. In the Appalachians and the Black Belt, on the other hand, the intercensal poverty estimates do not reflect the improving economic conditions suggested by the income trends.

- Are the new high-poverty counties falling further behind other nonmetro counties, perhaps to become additional peristent-poverty counties, or were their high poverty rates in 1989 temporary?

- Do the spatial patterns of change in rural economic well-being resemble those of the 1960's and 1970's or those of the 1980's?

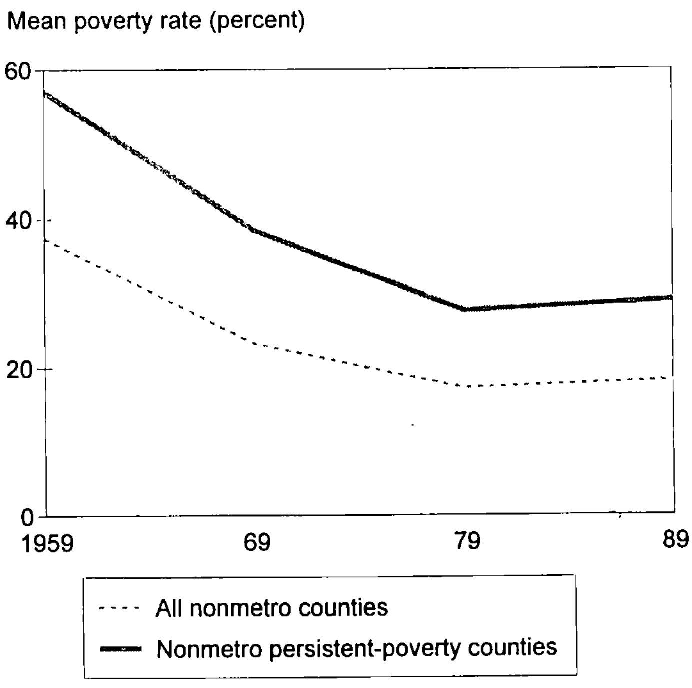
- Are there regional differences in the post-1990 income trends in the persistent-poverty and new high-poverty counties?

- Are there persistent-poverty or new high-poverty counties where income trends point to serious economic deterioration that may indicate a need for special policy attention?

Income Growth Well Above National Average in High-Poverty Counties

To provide a general picture of income trends from 1989 to 1994 in the high-poverty counties, I calculated per capita income change (adjusting for inflation) in three categories of rural counties: persistent-poverty counties, new high-poverty counties, and other nonmetro counties. I also calculated the proportion of counties in each category that had declining per capita income, the proportion with income growing but more slowly than the national nonmetro average, the proportion with income growing at one to two times the national nonmetro average, and the proportion with income growing more than twice as rapidly as the national nonmetro average (table 1). The results indicate that the persistent-poverty counties as a group have done rather well. Per capita income (adjusted for inflation) grew 10.7 percent in the persistent-poverty counties, more than twice the growth rate in the "other" nonmetro counties. Of the 535 persistent-poverty counties, 77 percent experienced per capita income growth higher than the national nonmetro average, and 40 percent had income growth greater than twice the national nonmetro average.

Figure 1
Poverty rates in nonmetro and persistent-poverty counties, 1959-89
Nonmetro poverty rates declined in the 1960's and 1970's but increased slightly in the 1980's



Note: County categories are held constant for all years based on metropolitan status in 1993 and persistent-poverty status in 1989.
Source: Prepared by ERS using decennial census data, 1960, 1970, 1980, 1990, from the Bureau of the Census.

In the new high-poverty counties, income growth was only moderately higher than that in the "other" nonmetro category (6.7 percent compared with 5.1 percent). This was reflected in a modest overrepresentation of new high-poverty counties with income growth more than twice the national nonmetro average.

Per capita income adjusted for inflation declined in 26 (4.9 percent) of the persistent-poverty counties and in 31 (13.4 percent) of the new high-poverty counties. In most of these counties, the declines were not large, and the income trends would perhaps be better characterized as stagnant than declining. Nevertheless, it seems likely that the high poverty rates in almost all of these counties have at least persisted, if not increased. Many of the new high-poverty counties with declining income will become the persistent-poverty counties of the future unless their economies are revitalized.

Per capita income grew, but at less than the national nonmetro average, in 18 percent of the persistent-poverty counties and in 30 percent of the new high-poverty counties. The implications for poverty rates in these counties depend on the rate of income growth and on how the distribution of income has changed.

The large proportion of persistent-poverty counties in the two highest income-growth categories suggests that poverty rates have declined in a substantial majority of the persistent-poverty counties. This is true for almost all those with income growth more than twice the national nonmetro average, for most of those with income growth between one and two times the national nonmetro average, and for at least some of those with income growth less than the national average. If these trends continue through the rest of the decade, many of these counties will escape persistent-poverty status.

Personal income in a county can be broken down into three sources: income from earnings, income from property (dividends, interest, and rent), and income from government transfers (such as social security and welfare assistance). From 1989 to 1994, the growth in per capita income in the persistent-poverty counties resulted from increases in earnings and transfers, while income from dividends, interest, and rent declined substantially. This pattern strengthens the conclusion that poverty rates declined in the persistent-poverty counties, because income from earnings and transfers tends to benefit lower income households more than does property income:

Income Grew in Most Southeastern High-Poverty Counties; Trends Mixed in West

Income change in the persistent-poverty counties during the first half of the 1990's followed a regional pattern (fig. 2). With only a few exceptions, real per capita income increased in the persistent-poverty counties of Appalachia, the Black Belt, the lower Mississippi River Valley, and in the predominantly Native American persistent-poverty counties of the Southwest, the northern Great Plains, and Alaska. Further, income growth in a substantial majority of these counties exceeded the national nonmetro average. On the other hand, in the persistent-poverty counties of the Ozark-Ouachita Plateau, the Rio Grande Valley, and the high plains of the Southwest, per capita income growth was less robust and many counties experienced income declines. Farther west and north, per capita income declined in two counties in northern Montana, and one southwestern Idaho county.

The same general pattern characterized the new high-poverty counties (fig. 3). Of the 31 new high-poverty counties with declining real per capita income in the early 1990's, only 4 were east of the Mississippi River. With the exception of one county in Ohio, all the new high-poverty counties in Appalachia experienced increasing per capita income, most at rates higher than the national nonmetro average. There were only a few new high-poverty counties in the Black Belt and the lower Mississippi River Valley, and almost all of them recorded income growth higher than the national nonmetro rate. Across the Ozark-Ouachita Plateau and on the high plains of the Southwest, the pattern was mixed, with a number of declining-income counties. Finally, per capita income declined in a dozen or so new high-poverty counties scattered across the upper Midwest and the intermountain West.

It appears, then, that the pattern of spatially concentrated poverty may be shifting westward. The counties that are likely to escape from high-poverty status are disproportionately in the Appalachian Mountains and the Southeast, while the persistent-poverty and new high-poverty counties with deteriorating economic conditions are almost all west of the Mississippi River.

Table 1

Income and poverty characteristics of nonmetro counties

Income growth in most persistent-poverty counties was well above the national nonmetro mean

County characteristics	Persistent-poverty(a)	New high-poverty(b)	Other nonmetro
Number of counties	535	232	1,519
Poverty rate, 1989 (percent)	28.7	22.7	13.3
Per capita income, 1989 (in 1994 dollars)	12,879	14,497	17,022
Per capita income, 1994 (in 1994 dollars)	14,253	15,464	17,892
Per capita income growth, 1989-94 (percent)	10.7	6.7	5.1
Per capita income (PCI) change categories, 1989-94		----- Percent of counties ------	
PCI declined	4.9	13.4	14.9
PCI increased 0 to 6.15 percent(c)	17.9	29.7	35.3
PCI increased 6.15 to 12.30 percent(c)	37.0	35.8	34.7
PCI increased more than 12.30 percent(c)	40.2	21.1	15.1
Total	100.0	100.0	100.0

Notes: Poverty rate, income, and income growth statistics in the top panel were calculated by aggregating data within each category of counties (that is, they are equivalent to county means weighted by county population).

(a) Persistent-poverty counties had poverty rates higher than 20 percent in each decennial census: 1960, 1970, 1980, and 1990.

(b) New high-poverty counties had poverty rates higher than 20 percent in 1990, but lower than 20 percent in at least one of the previous three censuses.

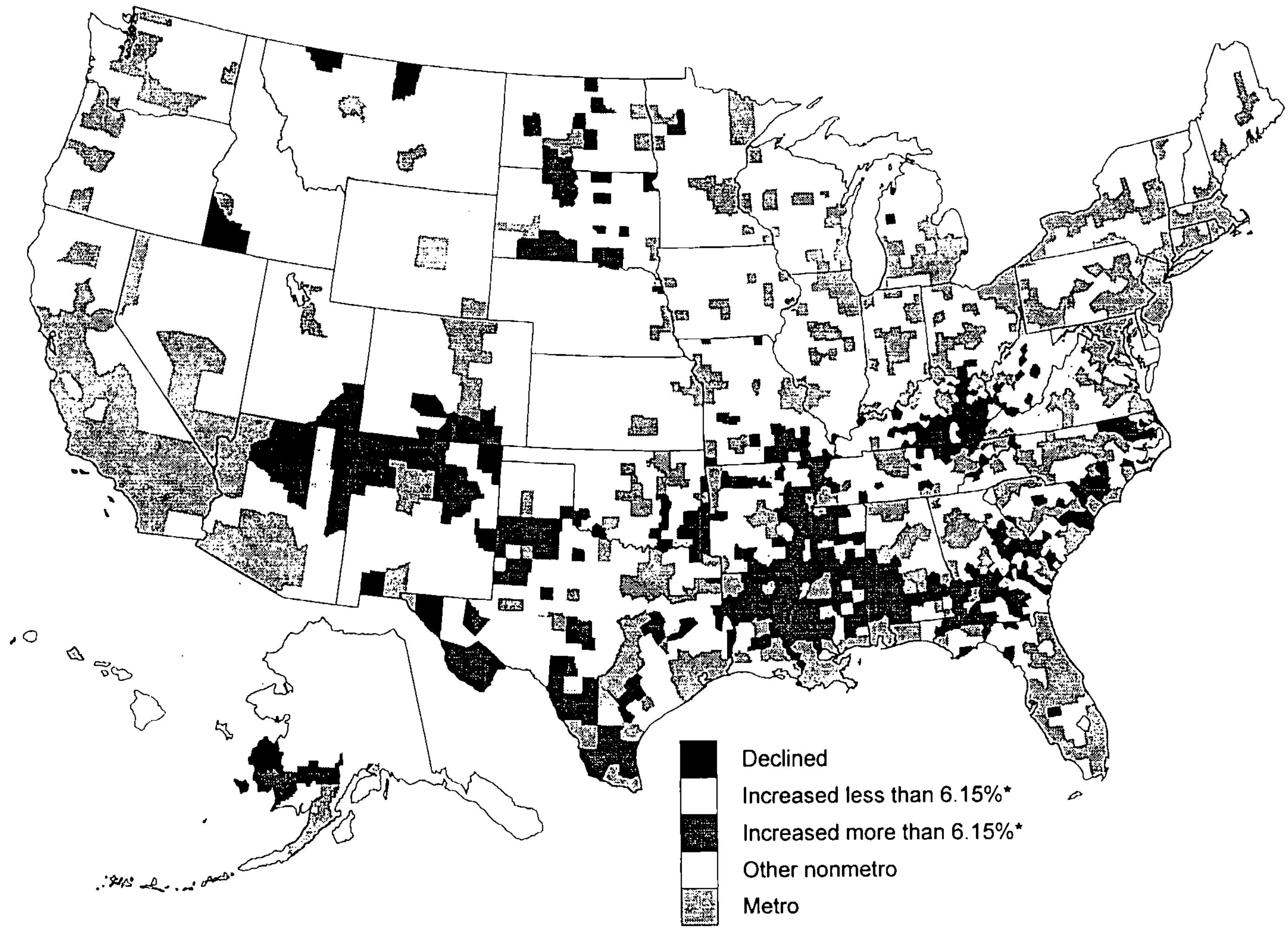
(c) Nationally, nonmetro per capita income grew 6.15 percent from 1989 to 1994.

Source: Calculated by ERS using data from the Bureau of the Census Summary Tape File 3C, 1990, and the Bureau of Economic Analysis Regional Economic Information System 1969-94 Income File.

Figure 2

Change in per capita income, 1989-94, in persistent-poverty nonmetro counties

Income increased in almost all the persistent-poverty counties in Appalachia, the Black Belt, and the lower Mississippi River Valley; trends in other areas were mixed



*U.S. nonmetro per capita income increased 6.15 percent during this period.

Source: Prepared by ERS using data from the Bureau of the Census STF3C, 1990, and the Bureau of Economic Analysis Regional Economic Information System 1969-94 Income File.

Spatial Patterns of Poverty and Income Change, 1959-94

To assess current spatial patterns of change in the high-poverty counties, it is helpful to relate them to patterns of change over the previous decades. Do changes in the early 1990's follow the spatial pattern of the 1960's and 1970's, or that of the 1980's?

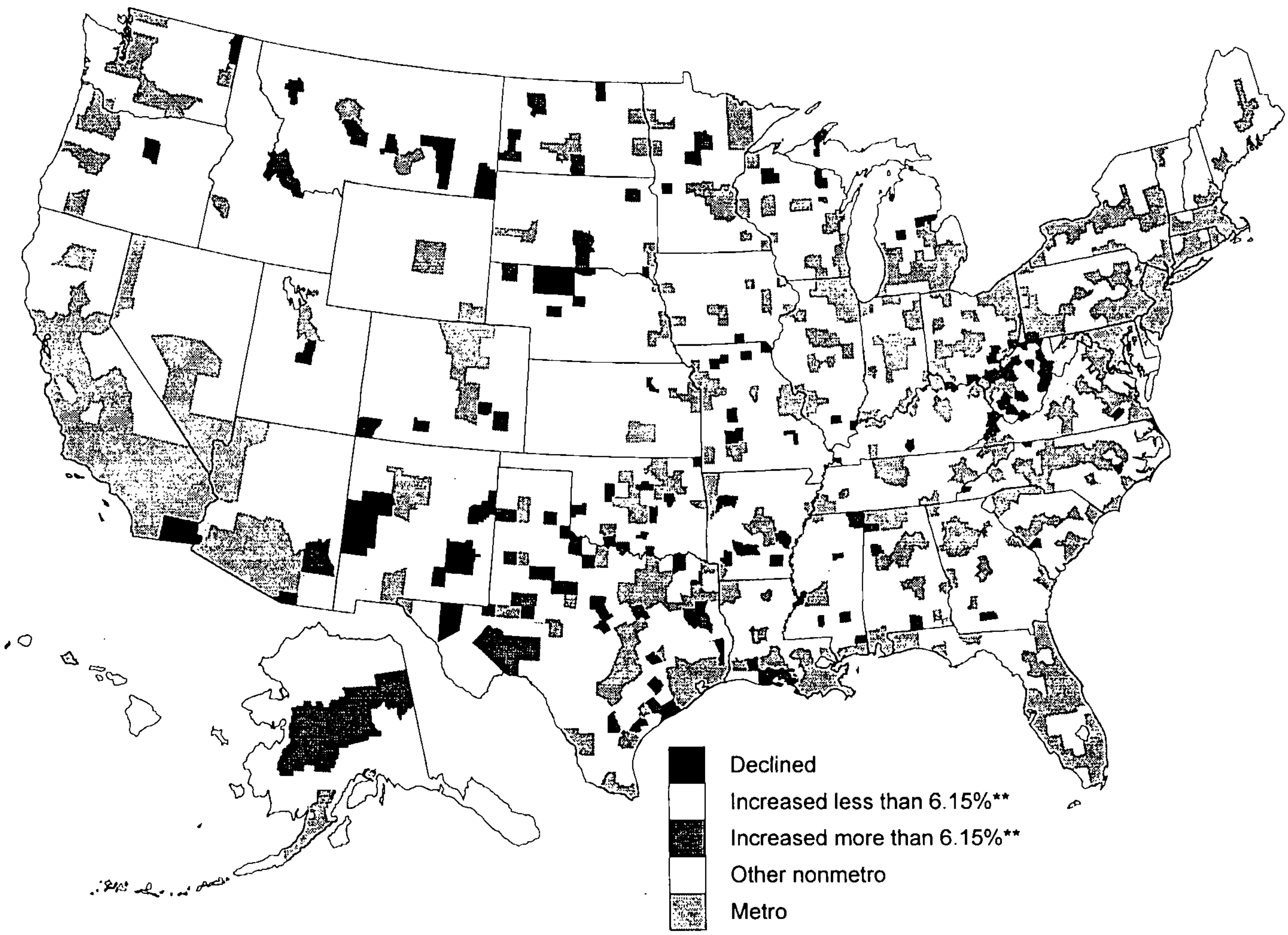
In the 1960's and 1970's, two patterns are notable: first, overall rural poverty declined substantially, and second, economic conditions improved more in the higher poverty areas than in other rural areas. The average poverty rate of nonmetro counties declined from 37.4 percent in 1959 to 23.2 percent in 1969, and declined further to 17.3 percent in 1979 (fig. 1). (These averages are for counties that were still classified as nonmetro in 1993, but the averages are nearly the same if all counties that were nonmetro in 1963 are included.) Most of the counties that escaped from persistent poverty in those two decades did so as a result of the general improvement in rural economic well-being, not because their own improvement was outstanding. For example, poverty rates in the counties that escaped from persistent-poverty status during the 1960's declined an average of 13.5 percentage points—substantially less than the 17.9-percentage-point decline in the counties that remained in persistent poverty (table 2). What distinguished the escapees were their much lower poverty rates at the beginning of the decade. The same pattern is apparent in the 1970's.

This general rural economic improvement was good news for high-poverty rural areas in the 1960's and 1970's, and the second pattern—the more rapid improvement in eco-

Figure 3

Change in per capita income, 1989-94, in new high-poverty nonmetro counties*

Per capita income increased in most of the new high-poverty counties, but declined in a few, mostly located in the West



*New high-poverty counties had poverty rates above 20 percent in 1989 but below 20 percent in at least one of the previous three decades.
**U.S. nonmetro per capita income increased 6.15 percent during this period.

Source: Prepared by ERS using data from the Bureau of the Census STF3C, 1990; and the Bureau of Economic Analysis Regional Economic Information System 1969-94 Income File.

nomic conditions in the higher poverty areas—was even better news. This second pattern is apparent in the greater declines in poverty rates in the higher poverty counties (table 2). Statistical analysis using correlation techniques confirmed that this pattern was pervasive and quite strong both in the 1960's and 1970's. The same pattern is reflected in the income statistics for the 1970's (comparable income statistics are not available for the 1960's). Real per capita income during 1969-79 grew more rapidly in counties with higher poverty rates at the beginning of the decade, and this association was moderately strong both for all nonmetro counties and among persistent-poverty counties.

In the 1980's, both of these patterns disappeared or were greatly attenuated. The average poverty rate of nonmetro counties actually increased by about 1 percentage point from 1979 to 1989, and that of persistent-poverty counties increased about 1.5 percentage points. Only 104 counties escaped from persistent-poverty status during the 1980's—a much smaller proportion of persistent-poverty counties than in the previous two decades—and that was more than offset by the 223 counties that either reverted to high-poverty status or entered high-poverty status for the first time in 1989. By way of comparison, only 5 counties entered high poverty in 1969, and only 32 entered or re-entered high poverty in 1979. The counties escaping from persistent-poverty status in the 1980's, unlike those in the previous two decades, were distinguished from counties that remained in persistent poverty by their greater declines in poverty rates as much as by their lower pre-decade poverty rates (table 2). Further, the negative association of poverty change with the poverty rate at the beginning of the decade that had been strong in the 1960's and 1970's all but disappeared in the 1980's. Similarly, the association of change in per capita income with pre-decade poverty rate weakened substantially.

Now, what is the spatial pattern of economic change in rural areas in the early 1990's? National-level Current Population Survey data indicate that the nonmetro poverty rate increased somewhat from 1989 to 1993, then declined in 1994 to about the 1989 level. However, nonmetro real per capita income grew by over 6 percent from 1989 to 1994, and it grew more rapidly in counties with higher 1989 poverty rates. The association was much stronger than it was in the 1980's and nearly as strong as it was in the 1970's. Taken in combination, this general spatial pattern and the income changes in the high-poverty counties outlined earlier suggest that recent spatial trends in economic well-being resemble those of the 1960's and 1970's rather than those of the 1980's, even though overall rural poverty has not declined as it did in the 1960's and 1970's. This provides grounds for at least cautious optimism that poverty rates are falling in the high- and persistent-poverty rural areas.

Remote Agricultural Counties with Large Share of Hispanics or Native Americans More Likely to Experience Declining Income

Although most of the high-poverty counties appear to be experiencing improving economic conditions, some continue to face serious economic challenges. To understand these counties and their economic challenges better, I focus attention in this final section on the 26 persistent-poverty counties and 31 new high-poverty counties in which real per capita income declined from 1989 to 1994.

The high-poverty counties that experienced declining per capita income during 1989-94 do not fit the popular stereotype of rural regions in general decline. Population declined during the period in only 10 of these counties (out of a total of 57), and the decline was substantial in only 4. Average population growth was 7.0 percent in the persistent-poverty counties with declining per capita income and 10.2 percent in the new high-poverty counties with declining per capita income—population growth rates well above the national nonmetro average of 4.2 percent.

Most, but not all, of the declining-income high- and persistent-poverty counties have one or more of the following characteristics:

Table 2

Characteristics of nonmetro counties by persistent-poverty status over three decades

In the 1960's and 1970's, counties that escaped from persistent poverty differed from those that remained in persistent poverty primarily in their lower poverty rates at the beginning of the decade; in the 1980's, change in poverty rate during the decade was the more important difference between the two categories of counties

County poverty characteristics	1959-69	1969-79	1979-89
Counties that remained in persistent-poverty status through the end of the decade:			
Number of counties	1,295	652	542
Poverty rate at beginning of decade (percent)	49.3	37.0	27.6
Change in poverty rate during decade (percent)	-17.9	-10.2	+1.5
Counties that escaped from persistent-poverty status during decade:			
Number of counties	954	568	104
Poverty rate at beginning of decade (percent)	28.5	25.4	22.7
Change in poverty rate during decade (percent)	-13.5	-9.1	-4.9
Counties that were not in persistent-poverty status at beginning of decade:			
Number of counties	427	1239	1727
Poverty rate at beginning of decade (percent)	16.0	14.0	13.6
Change in poverty rate during decade (percent)	-4.7	-1.9	+1.2

Notes: All counties that were nonmetro at the beginning of each decade are included in the analysis for that decade; persistent-poverty counties are those that had poverty rates of 20 percent or more in 1959 and in each succeeding decennial census up until the time of measurement.

Source: Calculated by ERS using data from the Bureau of the Census decennial censuses of population and housing, 1960, 1970, 1980, and 1990.

CHARACTERISTICS
OF HIGH AND
PERSISTENT
POVERTY
COUNTIES

(1) They are remote from urban centers

Of the 26 persistent-poverty counties with declining per capita income, none includes an urban area with population of 20,000 or more, and only 3 are adjacent to metropolitan counties. More than half are fully rural, with no population center of 2,500 or more persons. The new high-poverty counties with declining per capita income are less remote than the persistent-poverty counties but are, nonetheless, disproportionately remote compared with nonmetro counties in general. In contrast, the high-poverty counties with per capita income growth higher than the national nonmetro mean were distributed across the rural-urban continuum similarly to all nonmetro counties.

(2) They have a high proportion of Hispanics and Native Americans

In about two-thirds of all persistent-poverty counties, a majority of the poor are either Black, Hispanic, or Native American. The declining-income persistent-poverty counties include a disproportionate share of counties in which Hispanics or Native Americans predominate, but relatively few counties in which Blacks predominate. Among the persistent-poverty counties, predominantly Hispanic counties comprise 34.6 percent of those with declining income but only 12.6 percent of those with increasing income; predominantly Native American counties comprise 11.5 percent of those with declining income but only 5.9 percent of those with increasing income; while predominantly Black counties comprise 23.1 percent of those with declining income, compared with 47.9 percent of those with increasing income. Among the new high-poverty counties with declining per capita income, the predominance of Hispanics and Native Americans also is notable, although somewhat less so than in the persistent-poverty counties. In about one-third of these counties (10 out of 31), Hispanics or Native Americans make up 40 percent or more of the poor, whereas only 1 county has a similarly high proportion of Blacks among its poor.

In spite of the predominance of Hispanic counties in the high-poverty, declining-income categories, only four of these counties recorded substantial rates of international inmigration. Just two persistent-poverty counties and two new high-poverty counties had 4-year international inmigration rates in excess of 3 percent.

(3) They have high rates of net natural increase (excess of births over deaths)

A high rate of natural increase, with the resulting large young population, tends to lower per capita income. It is not surprising, then, to find that many of the persistent-poverty counties with declining per capita income had high rates of natural increase. Over 1990-94, the aggregate nonmetro rate of natural increase was 1.6 percent. In the persistent-poverty counties with declining per capita income, the rate was 2.1 percent, and in the new high-poverty counties with declining per capita income it was 3.2 percent. In 12 of the 26 persistent-poverty counties with declining per capita income, the rate of natural increase exceeded twice the nonmetro average, and this was true in 12 of the 31 new high-poverty counties with declining per capita income. Most of these very high natural-increase counties (18 of 24) had predominantly Hispanic or Native American populations.

(4) They are disproportionately agricultural

Many, though by no means all, of the high-poverty, declining-income counties had higher proportions of their workforce employed in agriculture, forestry, and fisheries than did the average nonmetro county. This is not surprising because these sectors employ a disproportionate share of persons with relatively low levels of education and work experience, and wage rates are generally low in these sectors. In the average nonmetro county in 1990, 10.8 percent of employment was in the agriculture, forestry, and fisheries sectors. In 62 percent of the persistent-poverty counties with declining per capita income, the employment share in agriculture, forestry, and fisheries exceeded the nonmetro average, and 31 percent had employment shares in that sector higher than twice the national nonmetro average. The corresponding proportions were similar in the new high-poverty counties with declining per capita income.

For the persistent-poverty counties with the highest rates of per capita income decline, the four characteristics described above predominate and coincide. Of the 10 persistent-poverty counties with the most precipitous income declines, all 10 had net natural increase rates higher than twice the national nonmetro mean, all 10 had Hispanic or Native American population shares among the poor in excess of 35 percent (8 in excess of 50 percent), and 9 had employment shares in agriculture, forestry, and fisheries higher than the national nonmetro mean.

Characteristics commonly adduced to explain declines in household economic well-being provide only a partial explanation of the declining per capita income in the high-poverty, declining-income counties. Nearly half of the counties had neither very high rates of net natural increase, nor very high shares of employment in agriculture, forestry, and fisheries, nor substantial population decline, nor substantial international inmigration. The income decline in many of these counties may well be associated with characteristics, events, or processes (or measurement errors) more or less unique to the county, and not consistent with a general pattern.

Increasing Per Capita Income Does Not Always Mean Declining Poverty

I have been cautious in inferring that increasing per capita income has translated into declining poverty rates. County poverty rates depend on family structure and on the distribution of income among families as well as on average income. Further, not all income recorded by the Bureau of Economic Analysis (BEA) is included in the income used to calculate poverty rates. In particular, part of government outlays for medicare, medicaid, and food stamps are included in BEA income, but not in poverty income.

During the decade from 1979 to 1989, the last period for which we have reliable county poverty data, the nonmetro poverty rate increased 1.3 percentage points in spite of an increase in real per capita income of 11.3 percent. For the period under study here, 1989-94, county-level poverty data are not available, but national nonmetro poverty statistics from the Current Population Survey indicate that the nonmetro poverty rate increased 0.7 percentage points from 1989 to 1994. During the same period, nonmetro per capita income, based on the the BEA data, increased 6.15 percent. Only part of this disparity reflects an increase in income inequality. Other factors include:

(1) Poverty thresholds are adjusted by the Census Bureau using the consumer price index, whereas I have used the personal consumption expenditure index to adjust for inflation in calculating per capita income growth (see box on Data and Methods). Using the CPI to adjust for per capita income growth would lower the 1979-89 per capita income growth rates by about 2.2 percentage points and those for 1989-94 by about 0.5 percentage points.

(2) Government transfers for medicare, medicaid, and food stamps increased as a proportion of total income. These are included in income as reported by BEA, but are not included as income in calculating the poverty rate.

(3) Average household size decreased from 2.8 persons in 1979 to 2.6 persons in 1989. From 1989 to 1994 it remained about constant at 2.6 persons. Because of assumed economies of scale, more income is required to keep the same number of persons above the poverty line if they are in smaller households.

For these reasons, I have not assumed that poverty rates have gone down in all counties with increasing income. Nevertheless, in the counties with income growth much higher than the national nonmetro mean, it is likely that poverty is, in fact, declining. On the other hand, the national-level associations of poverty change and income change are grounds for concern that poverty rates may be increasing substantially in those counties with declining per capita income, even in counties where the decline is not large.

For Further Reading . . .

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Glenn V. Fuguitt and Calvin L. Beale, "Recent Trends in Nonmetropolitan Migration: Toward a New Turnaround?" *Growth and Change*, Vol. 27, 1996, pp. 156-174.

Mark Nord, "Rural Poverty Rate Stabilizes," *Rural Conditions and Trends*, Vol. 7, No. 3, USDA-ERS, 1996, pp. 37- 39.

Data and Methods

Income and population data for 1969, 1979, 1989, and 1994 are from the Bureau of Economic Analysis Regional Economic Information System 1969-94 Personal Income File. Income statistics were adjusted for inflation to 1994 dollars using the personal consumption expenditure (PCE) index. The PCE index handles housing costs somewhat differently than does the more familiar consumer price index (CPI), and yields slightly lower inflation estimates, especially for periods prior to 1990. The CPI has been criticized recently for overstating inflation in cost of living, and the PCE is less problematic in this regard. Poverty data are from the decennial censuses of 1960, 1970, 1980, and 1990. These data refer to poverty status in the calendar year prior to the respective census, thus 1959, 1969, 1979, and 1989. Natural increase rates and international inmigration rates for July 1990-July 1994 are based on the U.S. Bureau of the Census Population estimates 1990-95 data file. These are 4-year rates since 1989-90 data were not on that file. Data to calculate the proportion of employment in agriculture, forestry, and fisheries are from the Bureau of the Census Summary Tape File 3C, 1990.

*Virginia independent cities were combined with their surrounding counties, and a small number of counties in other States were combined with neighboring counties to provide consistent units among the three data sources and among the years of analysis. All data were aggregated within the multicounty units.

LEVEL 1 - 1 OF 50 STORIES

American Demographics

May, 1998

SECTION: NEW FRONTIERS; Pg. 21

LENGTH: 638 words

HEADLINE: Wealth and **Poverty;**
America's wealthiest counties fall into four categories, three of which are predictable. There are also 625 U.S. counties where high **poverty** lives side-by-side with extreme wealth.

BYLINE: Brad Edmondson/map by Josh Galper

BODY:

Our economy may be robust, but the American middle class isn't what it used to be. In 1970, uptown apartments in (1) Manhattan (New York Country, NY, pop. 1,500,000) were often occupied by middle-income families. One generation later, Manhattan has gone to extremes. It ranks fifth among all U.S. Counties in the proportion of wealth households: 7.1 percent of its residents had household incomes of $ 150,000 or more in 1993, compared with a national average of 0.74 percent. Yet Manhattan is also in the top one-fifth of counties for share of households living in **poverty:** 22 percent of its households were poor in 1993, compared with a national average of 12 percent.

Extremes of **poverty** and wealth are usually associated with cities in the developing world, but they are also found across America. Studies have shown that places with a weak middle class are more likely to experience government, corruption, voter apathy, and a host of social ills. In this map, the nation's wealthiest counties -- those in the top one-fifth for the proportion of households earning more than $ 150,000 -- are shown in dark blue. The poorest counties, those in the top one-fifth for share of households below the **poverty** line, are in light red. Counties in the top one-fifth for both wealth and **poverty** are in light blue. Counties with high income equality -- those in the lowest one-fifth for both wealth and **poverty** -- are in dark red.

America's wealthiest counties fall into four categories, three of which are predictable. Some are the most exclusive suburbs of big metro areas. In top-ranked (2) Fairfield, CT (pop. 828,000 in 1993), 8.3 percent of households earn $ 150,000 or more. Others are financial centers like Manhattan, where the suburban royalty earns its money. The third category is places where big money goes to play and retire, such as (3) Palm Beach County, FL (pop. 934,000). But the fourth category is where old money never goes. It is in sparsely populated counties like (4) Glasscock, TX (pop. 1,500), where a lucky few own oil wells, and (5) Hayes, NE (pop. 1,200), a table-flat expanse of 713 square miles and about 300 huge grain farms.

Poverty is most widespread in **rural** counties where the economic engine has broken down, like those on the Texas-Mexico border, Appalachia, and the Deep South. The county with the highest **poverty** rate in the U.S. in 1993 was (6)

East Carroll, LA (pop. 9,400) where 52 percent of households were below the official government line. The poorest counties also include those with large Indian reservations, like (7) Apache, AZ (pop. 64,100); and in urban areas with large slums, like (8) Orleans Parish, LA (pop. 488,000).

There are also 625 U.S. counties that are in the highest one-fifth for both **poverty** and wealth. Some of these are big urban places that contain both financial centers and slums; in central (9) Atlanta (Fulton County, GA, pop. 678,000), 23 percent of households were below the **poverty** line and 4.4 percent earned more than $ 150,000. The rich-poor contrast is also extreme in areas with huge irrigated farms that hire hundreds of migrant workers, such as (10) Tulare, CA (pop. 339,000). And a few rich-poor counties are manufacturing centers with large numbers of illegal-immigrant workers, like (11) Santa Cruz, AZ (pop. 34,000).

Our analysis also revealed 55 U.S. counties where wealth and **poverty** are relatively unknown; they are in the bottom one-fifth both for households earning $ 150,000 or more and for households below the **poverty** line. All of these counties are outside of metropolitan areas. Only one -- (12) Preble, OH (pop. 41,000) -- has more than 40,000 residents. These counties could be the places where Thomas Jefferson's democratic ideal -- an America of small towns and small farms -- is still alive.

GRAPHIC: Map, (high wealth, high **poverty**, and high equality by U.S. county, 1993), Source: U.S. **Census Bureau** and Woods & Poole Economics, Inc.

LANGUAGE: ENGLISH

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Off the Land

On the Northern Plains, Free-Market Farming Yields Pain, Upheaval

After Deregulation, Drop In Wheat Prices Compels Many Growers to Quit

The Effect Spreads South

By SCOTT KILMAN
Staff Reporter of THE WALL STREET JOURNAL

KENNEDY, Minn. – Cheap wheat and bad weather are doing to Nathan Johnson what they couldn't do to three preceding generations of his farming family.

They are defeating him.

Last year, a disease called scab wiped out half the wheat he planted on the land around his family's 1887 homestead near the Canadian border. And now, a glut of foreign wheat is pushing down the grain's price at the local elevator to an unprofitable $3 a bushel. These days, Mr. Johnson is trying to rent out his land and looking for work in the city.

Ignoring the plate of homemade cookies on the dining table, the lanky 33-year-old blond listens to the spring rain pelt the kitchen windows and contemplates moving his wife and two daughters out of the tidy farmhouse where he grew up. "We can't afford to lose any more money, and we know farming is only going to get riskier," Mr. Johnson says. "It's a heck of a deal."

An Ill Wind Blows

Across the Northern Plains, the long migration away from agriculture is turning into a stampede. From Montana to Minnesota, thousands who made their living growing wheat are quitting the bald prairie. A blizzard of barnyard auctions is sending chills down the Main Streets of the towns that live off farmers.

"We're doing a sale every day," says Brad Olstad of Steffes Auctioneers Inc. in Fargo, N.D. "Wheat is a dying crop."

Bad years are nothing new around here. Wheat prices were lower in 1990, when a similar coincidence of bumper harvests around the globe swamped the market. The drought of 1988 destroyed wheat fields. But none of that was as deadly to farmers as what is happening now: deregulation.

Two years ago, Uncle Sam began withdrawing from the decades-old business of protecting farmers against the vagaries of weather and markets. Grain and cotton farmers no longer receive "deficiency" payments when prices are below target levels. Shelved, too, was the disaster-aid program that pumped $18 million into Kennedy and the rest of Kittson County after the 1988 drought.

Farming still has its perks. About 1.4 million growers are receiving federal checks to ease their transition to a free market – in fixed amounts, declining each year until the payments end in 2002. The payments will total $5.5 billion this year.

But the federal dollars now coming to Kittson County's 350 farm operations amount to far less than in bad times past. They are to get $6.4 million this year, 25% less than in 1996, when wheat prices were 33% higher and harvests were bigger.

The bottom line: Many of Kittson County's farmers are suffering their biggest financial losses ever. "Deregulation is turning into a disaster for us," says Duane A. Lyberg, president of the Northwestern State Bank in Hallock, the county seat.

So much land and used farm equipment are flooding onto the local market that prices are sinking. The number of acres Kittson County farmers plant this month to wheat, long the staple of the local economy, could fall to the lowest level since World War II. Some fields might go fallow for the first time in generations.

For lack of wheat, one grain elevator was sold. For want of cash, growers are far behind on paying their bills from Main Street merchants. The merchants worry that the 40 or so farmers who are quitting might be joined next fall by scores more. It is a crushing loss for a county already so sparsely populated – mostly with descendants of Scandinavian immigrants – that the county atlas makes room for family pictures.

A Spreading Malaise

In North Dakota, so many are throwing in the towel that state officials got a federal grant last month to retrain hundreds of growers for other jobs. "I've never seen it as bad as this," says Roger Johnson, North Dakota Commissioner of Agriculture.

In the early stages of deregulation, the Northern Plains were the hole in the doughnut. Most everywhere else, the changes were a boon for growers. The Republican-controlled Congress repealed crop subsidies – along with controls on what and how much farmers could plant – at a time when soaring exports to the growing economies of Asia had lifted crop prices above Washington's old targets.

With prices higher and the freedom to plant without restrictions, growers in the Midwest and the Mississippi Delta have been furiously switching among crops, chasing the hot commodities. Corn has stormed the South. Soybean acreage has swelled by an area equal to all the farms in Michigan. Flush with cash, these farmers have been on a shopping spree. Sales of row-crop tractors jumped 12.9% last year. The average price of Midwest farm land climbed 9%.

But now, the inevitable is happening. U.S. stockpiles of grain are ballooning just as the currency crisis in Asia is strangling demand for American goods. Crop prices are sinking back to earth. The price of soybeans is 27% lower than a year ago. Corn is down 16%. And on top of this, the transition checks are beginning to shrink. Agriculture Department economists are slicing their forecast of this year's net farm income by $2.6 billion to $43 billion, down 17.6% from the 1996 record.

Deregulation is facing its first big political test. Across the Plains, wheat growers are crowding into town halls, co-op meeting rooms and high-school gymnasiums to listen to sympathetic legislators. Agriculture Secretary Dan Glickman, stumping in Aberdeen, S.D., in April for a farmer "safety net," addressed a standing-room crowd of 1,600 growers, twice what organizers had expected.

No Fight Left

Sen. Richard Lugar, chairman of the Senate Agriculture Committee and an architect of deregulation, is busy swatting down proposals to roll back the "Freedom to Farm" law. But food executives, whose companies benefit from unrestricted planting, are nervous. "We're really worried about a political backlash," says Mike Anderson, president of a Maumee, Ohio, grain-processing company that bears his family name.

The situation in Kittson County suggests that deregulation is staying, and for a grim reason: Farmers are giving up. Nobody is organizing the type of protests that attracted national attention the last time so many farmers here were in trouble. That was the mid-1980s debt crisis, when Randy Swenson would travel from this Kittson County farm to Fargo and Bismarck to join demonstrators demanding a federal bailout. Now, the 46-year-old grower is just quitting.

"It's hard to make it here without government help," Mr. Swenson says. "But I'm tired of farming the government. I'm washing my hands of it," he says of what was a 1,100-acre wheat farm.

Indeed, farmers aren't as attached to their land as they were a decade ago. They learned a hard lesson from neighbors who hung on to their farms too long, losing their financial security for the trouble. The survivors of the 1980s are quicker to cut their losses and protect the family balance sheet.

After all, farming is becoming more a business and less a way of life. To keep up, growers today have to understand everything from genetically engineered crops and satellite mapping of soil types to hedging on the futures exchanges. The typical grain farm has assets of roughly $800,000.

Mr. Swenson's math is simple. The government subsidy that generates about a quarter of his wheat income is evaporating. Growing something more profitable is difficult this far north. So he has taken a job in a neighboring county at a bus-manufacturing plant where the starting wage is $12.80 an hour.

"I'm glad we got the chance to raise our kids in the country," Mr. Swenson says as his teenage sons chatter in the living room. "But they're almost grown up. . . . Now I've got to protect what we have."

Local bankers say they have never seen so many farmers quit on their own. While that is bad news for the local economy generally, it is limiting the fallout. With former farmers finding other ways to make a living, bad debts aren't snowballing as they did a decade ago; most farm banks on the Northern Plains are still healthy.

So Little Time

"Unless the bankers get worried, nothing will get changed in Congress," says Bob Bergland, Agriculture Secretary during the Carter administration, who lives in nearby Roseau, where his family grows wheat. "The hourglass is running out for a lot of farmers around here."

Wheat prices will surely rise again. But the long-term outlook is gloomy for places such as Kittson County, which was built on wheat and now seems handcuffed to it. The short summers stunt most other crops so farmers here can't navigate the markets as well as growers in the Midwest and the Delta.

And wheat prices are only going to get more volatile under deregulation. It grows here because it's so hardy. That also makes it a popular crop in a lot of other countries, so U.S. wheat faces the most foreign competition of any major crop—competition that many farmers can no longer meet.

Up the road in Kennedy, population 337, so many farmers are quitting that power-boat dealer, farm-chemical dealer and City Councilman Jay E. Larson has stopped posting farm-auction notices on the walls of his business. "It got too damn depressing," Mr. Larson says, seated at his desk beneath brightly colored fishing lures that dangle from the ceiling.

Farmers have yet to pay him $380,000 for the field chemicals they applied last year. So this spring, he is doing business on a cash-only basis. "It's never been this rough," says Mr. Larson, 38.

With farmland coming fast onto the market, real-estate prices in the county are slipping for the first time in a decade. Good-quality farmland that last year fetched $1,000 an acre now goes for $850. And while many farmers are quitting on

Difficult Refusals

"I've had to cut off a handful of guys, guys I've known forever, guys who are my friends," says Wayne Gjervold, manager of the Hallock branch office of local lender Farm Credit Services. "It hurts."

In the courthouse basement, the federal Farm Service Agency office is so swamped with requests for emergency loans that a copy-machine room and junk room were cleared out for space to take applications. "A lot of these farmers were your blue-chippers," says Kelly Turgeon, county director.

Jim Tunheim, the state legislator here, sits at his dining-room table, pointing all round him, in the direction of farmers he knows who are quitting. "Arnold, Lamar, Troy," he says. He stops at eight. "They should have called it 'Freedom to go broke.' We're going to disappear at this rate."

While most merchants are turning against deregulation, one exception is Steve Holmgren, manager of the Harvest States elevator, which buys farmers' grain and also sells farming supplies such as fertilizer. Mr. Holmgren expects half his customers to quit over the next several years. But he also figures that the farmers who pick up that land will be so big they probably will want help throughout the season, applying seed and fertilizer and pesticides. And they will need lots of advice.

"Farming used to be a no-brainer. You grew wheat, and if you couldn't sell it, the government bought it," Mr. Holmgren says, puffing on his pipe as wheat-futures prices flicker on the computer screen on his desk. "Deregulation is going to swallow the farmers who won't change."

He is sending employees to marketing workshops, setting up a Web site for customers and experimenting with crops such as canola, an oilseed popular north of the border. He is arranging for 35 farmers to grow a genetically engineered version under contract with Monsanto Co., the St.

Louis biotechnology company that designed the crop as a healthier substitute for cocoa butter.

Among those farms is one owned by the Rynning brothers, Robert and Timothy, fourth-generation wheat growers. About one-third of their 3,000-acre farm now grows canola.

"If we planted everything to wheat like we used to, we'd surely have lost the farm by now," says Robert Rynning, 34.

A Signature Scent

Changing crops has been hard. It requires different gear and knowledge of different diseases and bugs. The first time Robert planted canola, he left bare spots in the field; he hadn't properly adjusted the equipment for the tiny seed. Other surprises: The yellow flower smells like a wet diaper, and the bees attract bears.

The Rynnings made money on canola

last year. But they can't plant much more; fields must be rotated to prevent disease. "We're still pretty much stuck with wheat," says Timothy Rynning, "and that makes us vulnerable."

A warm spring is letting farmers get into their fields earlier than normal, raising hopes for a good growing season. Standing in their barnyard, the Rynnings spot sandhill cranes flying toward the fading sun. They laugh as their black Labrador leaps at frogs croaking from inside a pothole.

Eventually the conversation turns to buddies and neighbors who are leaving farming. Timothy Rynning worries about his wife, a teacher. School attendance is certain to shrink. "Even if we make it," Timothy Rynning says in the gathering darkness, "it's probably never going to be as much fun."

LEVEL 2 - 30 OF 52 STORIES

Star Tribune (Minneapolis, MN)

March 8, 1998, Metro Edition

SECTION: Pg. 7B

LENGTH: 1048 words

HEADLINE: Legislators vow help in 'silent crisis'

BYLINE: Chuck Haga; Staff Writer

DATELINE: Crookston, Minn.

BODY:

After meeting Saturday with hundreds of northwestern Minnesota **farmers** humbled by five years of adverse weather, crop diseases and low crop prices, legislative leaders promised they'd get right to work on a relief program.

But there's a limit to what the state can do, they warned the **farmers,** many of whom indicated they're close to **failing.**

"We'll have a bill in Monday morning to make a difference," said Rep. Steve Wenzel, DFL-Little Falls, chairman of the Minnesota House Agriculture Committee.

Wenzel said he'll seek to have some of the state's current budget surplus earmarked for special tax relief. The state also could shore up federal crop insurance programs, which many **farmers** said don't come close to covering their losses.

"We've got some other things we can reach back and dust off from the old farm crisis [of the 1980s]," Wenzel said.

Sen. Paul Wellstone, D-Minn., who helped organize farm protests in the 1980s, winced when he saw a sign that read "Farm crisis meeting" outside the auditorium at the University of Minnesota at Crookston.

"I didn't want to see another sign like that," he said. "But you can see it in people's faces here: This is not good."

Saturday's meetings in Crookston and Hallock, Minn., were organized by U.S. Rep. Collin Peterson, D-Minn., and state Rep. Jim Tunheim, DFL-Kennedy, to call attention to "a silent crisis" that threatens family farming in the upper Red River Valley.

"We are a little pocket of the country," Peterson said. "The rest of the country doesn't notice, because the rest of the country is doing pretty well."

Others attending included state Attorney General Hubert Humphrey III; Senate Majority Leader Roger Moe, DFL-Erskine; House Speaker Phil Carruthers, DFL-Brooklyn Center, and Senate Tax Chairman Doug Johnson, DFL-Tower.

"Some of the ideas the farmers shared are kind of interesting," Moe said, such as a state funding pool for credit backup and supplements for crop insurance.

"We'll look at some changes in the property tax," he said. "We'll probably put some additional money into research, but that's a longer-term solution."

Bob Bergland, a retired farmer from Roseau, Minn., who represented northwestern Minnesota in Congress and was President Jimmy Carter's secretary of agriculture, said state researchers are working to find wheat and barley varieties resistant to scab, a fungus that thrives in wet years and cuts grain yields and quality.

"So far, we've found no miracle solution," he said.

A silent sorrow

Larry Smith, superintendent of the Northwest Experiment Station at Crookston, held up a regional farm publication with seven pages of farm auctions.

"These are farmers I grew up with in northwestern Minnesota," he said. "The most prosperous business in northwestern Minnesota now is the auction business."

Tim Dufault, president of the Minnesota Wheat Growers Association, said scab has cost Minnesota farmers $ 1.5 billion and North **Dakota** farmers $ 1 billion since the current wet cycle started five years ago. And those losses are sending farmers packing.

Rod Nelson, president of First American Bank in Crookston, said that 20 of the farmers financed by his bank are quitting or significantly downsizing this year, "and many more are thinking about next year or the year after."

And the bank has main-street business customers drowning in accounts receivable that can't be collected, he said.

"That's just our bank," Nelson said, "and that's just the start of what's going to happen if we don't get relief."

The Rev. Greg Isaacson, pastor at Grace Lutheran Church in Ada, Minn., noted similarities between last spring's flood disaster and the regional farm crisis. In both cases, people felt that they had lost control, he said.

"But in this silent crisis, there are no groups coming in to help like during the flood," he said. "There isn't the media coverage. Our people have not felt the compassion and understanding coming their way.

"They have a sense of failure, and that changes the way a community lives and operates. It changes not only the economy, but also the character of the community."

One farmer's story

When the politicians and other featured speakers finished, people from the audience spoke.

Don Fredrickson started telling his story slowly, softly, as if he were talking with a few friends at a coffee shop, not addressing 350 fellow farmers, a dozen legislators, two members of Congress and the attorney general.

By the time he finished, he had gone through many emotions and seemed close to tears. So did more than a few of the people listening.

"I started farming when I was 4, milking the cows," said the 79-year-old potato farmer from Bagley, Minn. "At 5, I remember my dad putting me on the binder with four horses."

When he was 10, his grandfather lost the family farm. It was the Depression. A few years later, with Franklin Roosevelt's help, "we got it back," he said.

He was married at 21; his wife was 17. After their honeymoon, they returned to the farm. They had $ 5 and a dream, he said, and through the next decades, the dream came true as they built a large, profitable farming operation.

"It's been a great life," Fredrickson said. "But now, after working hard all my life, I daresay that if I sold out today, I wouldn't have $ 5 in my pocket."

Fredrickson has watched as his equity was savaged by bad weather, crop diseases, depressed prices and the dismantling of traditional safety nets in the name of free-market farming.

"Our 1996 crop was the best crop we've ever had," he said. "But there was no price. We gave it away."

Last year, he lost his crop when 15 inches of rain fell from late June to mid-July. "We are not going to be able to farm this year because we lost that crop," he said.

"I've got two sons who should be farming. How am I going to tell them, 'You take over this debt'? I can't sleep nights thinking about it.

"I'm tired. I'm depressed. I'm crabby. You spend all your life raising food that's essential, and . . ."

His voice trailed off. He smiled at the politicians and thanked them for listening, and he sat down.

Everybody else stood, and sent him to his seat with a thundering ovation because he had said what they were feeling.

GRAPHIC: Photograph; Photograph; Photograph; Cartoon; Cartoon

LANGUAGE: ENGLISH

LOAD-DATE: March 11, 1998

LEVEL 1 - 7 OF 50 STORIES

The Ethnic NewsWatch
Los Angeles Sentinel

May 21, 1997

SECTION: Vol. 63; No. 8; Pg. A17

LENGTH: 525 words

HEADLINE: **Poverty** Entrenched In **Rural** Black South

BODY:
Poverty Entrenched In **Rural** Black South

Today's urbanized South is prosperous, but its legacy of **poverty** is deeply rooted among **rural** African Americans communities, according to a recent report.

Researchers Ronald Wimberly, a North Carolina State University professor and Libby Morris, a University of Georgia professor, document that the South has 53 percent of the country's black population as well as 57 percent of the nation's poor African Americans.

Poverty is particularly acute in the "Black Belt," a 623-county crescent that runs from Virginia through the Carolinas and into east Texas. The "Black Belt" represents 18-20 percent of the U.S. population--almost as much as the urban Northeast. But, **poverty** in the "Black Belt" also exceeds that of any other region except the South as a whole.

"Many recognize that race and rurality (connect), but what we've lost track of is the importance of region. Wimberly said. "And the South is where all these things--race, region and rurality--come together.

"Several times in this century, the poor conditions in the South have been recognized, during the Depression and the War on **Poverty** in the 1960s, but attention has dropped off. Too often, national studies make it seem that impoverished conditions, including poor **rural** conditions, are spread rather evenly throughout the **United States.** They are not. In the effort to eliminate **poverty** and improve educational attainment, the South loses by great distances relative to other major U.S. regions."

The South, which has 34 percent of the U.S. population, has 45 percent of America's nonmetropolitan people and 55 percent of noncity dwellers living in **poverty,** according to U.S. **Census** data. In terms of employment, 6.3 percent of Southerners are without jobs, the same as the national average. But the study cautions that poor and **rural** under-employment coupled with the nation's largest population base translates into up to as many as one million more unemployed there as in any other region.

Regardless of region, in nearly every category, data shows that whites are better off than blacks and metropolitan residents are better off than people living in **rural** areas. A lack of education was also noted as a factor.

Fifty-three percent of African Americans living in the "Black Belt's" nonmetropolitan areas do not have a high school diploma, compared to 25 percent for the rest of the population.

The numbers on African American **poverty** point out the severity facing blacks in the South, said Alton Thompson, chairman of the Department of Agricultural Education, Economics and **Rural** Sociology at North Carolina A & T State University in Greensboro. "It's a very good scientific analysis of socioeconomic conditions of a region that has a significant number of people and yet has been neglected," he said.

The measure of **poverty** used in the Wimberly-Morris report is the same as that used by the **Census Bureau.** A single person under 65 and living alone was considered poor if he or she had an annual income of less than $6,451, while a family of four was considered poor if its income was less than $12,675.--HERBERT L. WHITE

ETHNIC-GROUP: African American/Caribbean/African

LANGUAGE: English

LOAD-DATE: October 16, 1997

LEVEL 1 - 30 OF 69 STORIES

Omaha World-Herald

September 15, 1997, Monday SUNRISE EDITION

SECTION: NEWS; Pg. 1

LENGTH: 2556 words

HEADLINE: When Money Doesn't Grow Like Crops Farmers Strain for Financial Survival A Tough Row to Hoe

BYLINE: KENNETH FREED

SOURCE: WORLD-HERALD STAFF WRITER

DATELINE: Burton, Neb.

BODY:

For Jerry Glodowski, Zane Snyder and thousands of other Midlands farmers and ranchers, the good times of today's America come disguised as debt collectors, nonexistent health insurance, secondhand clothes and pensionless futures.

At a time of nearly unprecedented nationwide economic confidence and with hopes of record corn and soybean crops in the Midlands, some segments of **family farm** and rural life somehow have become unhinged from a prosperous agriculture.

By the accounts of farmers, ranchers, academics and other experts, a sizable number of Midlands **family farmers** and ranchers still struggle financially to maintain a way of life that has many of them, in the words of one **failed** farmer, "just one year away from destitution."

The nation may not be facing the same level of rural problems that marked the farm crisis of the 1980s, when heavy borrowing and collapsing land prices sent agriculture into a death spiral for many **family farmers.** But for many survivors of that earlier danger, now comes a squeeze in the form of rising costs and dropping or stagnating grain prices.

"People like to talk about sustainable agriculture," said Snyder, a 39-year-old farmer and rancher from Keya Paha County. "But in this country we're practicing survival agricultural, and we're barely doing that."

Some are not surviving. Over the past 10 years, including the first six years of the prosperous '90s, more than 5,000 Nebraska farms have failed.

A 3 1/2-hour drive southeast from Snyder's ranch is the Glodowski farm 10 miles northeast of North Bend. Prospects don't seem any better for him.

"My dad's been farming here for 51 years," Glodowski, 33, said, "and he's at the same place he started."

At least the elder Glodowski was able to send his six children to college.

"Now," the son said, "you can't save anything and you can't do what you ought to do, like put a couple of dollars away for college for the kids."

Snyder and Glodowski don't like to admit it - even talking about it makes them uncomfortable - but they are among the more than 20,000 rural Nebraska families counted as living in official poverty.

In the case of Snyder and Glodowski, neither runs a particularly small operation. Snyder owns 1,900 acres and rents another 640, about average for Keya Paha County. Glodowski rents 440 acres for a dairy operation, smaller than many neighbors, but still, on the face of it, a sufficient place in fertile Dodge County.

Nonetheless, they and their families are part of the state's largest poverty sector-white, rural, working and young.

"Poverty increasingly is concentrating in rural areas, and children more and more are the largest group," said John Allen, a University of Nebraska-Lincoln expert on rural and farm life.

This is particularly true, he said, when you consider all the working poor on farms and small towns, people who work but earn low wages.

State and federal statistics say that in Nebraska more than eight of 10 families living below the poverty line had at least one adult working.

Nationwide, about 3 million people living on farms or in rural communities - 17 percent of the total - live at or below the federally designated poverty line of $ 14,800 a year for a family of four.

In Nebraska, 11.1 percent of the people on farms and in rural areas are below the poverty line. Sixty-six rural counties have poverty rates exceeding 10 percent, and in four of them the percentage tops 15 percent.

The number of people considered in poverty would grow even more if put against state government estimates that a family of three needs $ 19,900 a year to have a "sustainable" lifestyle, that is, a living standard in which no more than a third of disposable income is necessary for food.

There are programs in place to help. Food stamps. Head Start. Aid to Dependent Children. School breakfast and lunch programs. The Women, Infants and Children supplemental food program. But officials who administer those programs say farm and rural people use far less of their eligibility than do urban residents.

For example, an estimated 23,000 Nebraska rural households use food stamps. That is more than 21/2 times the figure of 1980 but still about 30 percent short of the farm and small town families eligible for the food assistance. In other words, nearly a third of Nebraska's rural poor don't even apply for an entitled benefit.

Kathy Bigsby Moore, executive director of Voice for Children in Nebraska, a private, nonprofit anti-poverty agency, said there is a stigma attached to being poor in rural areas that keeps many people from getting the assistance they need. Snyder is as sensitive about his situation as anyone but agreed to talk about it "if it will help (urban) people understand what is happening to farmers and ranchers."

Allen expressed the same sentiment.

"Most people don't even know where their food comes from," he said, "and they don't understand the connection between the farmer and their own lives."

Snyder didn't go to college, but he speaks with straight-ahead knowledge and insight.

"This is still a way of life, still worthwhile. These are good people," he said as his eyes swept over the landscape dotted with cattle and browning grass. "These are people who help each other. This is a community where everyone comes at spring branding and at harvest time to help. No one asks. They just come."

His great-grandfather began farming on an adjoining homestead in 1889. His family took over the current spot in 1940. Snyder's retired parents also live on the ranch in a separate house.

The gate to the Snyder place is more than four miles from Burton, which is more a state of mind for mapmakers than a town. It isn't even a wide spot on the road, and you don't need to reduce speed to drive through.

Once through the gate, it is another couple of miles before the farm buildings are sighted.

"I put 36,000 miles on my pickup last year," Snyder said, "and most of that was on the place."

His kids drive 40 miles round-trip each day to Springview, Keya Paha County's only high school. Snyder's wife, Joann, a licensed practical nurse, drives an average of 70 to 100 miles a day in her work.

All the driving costs more than time behind the wheel, particularly with gasoline at $ 1.27 a gallon, and that doesn't count the price of fuel to run the farm equipment. At least, Snyder said, his wife's job makes them eligible for health insurance. Still, he has to pay more than $ 250 a month for the family's share of the premiums.

Snyder lives with his wife, three teen-age daughters and a 10-year-old son in a two-story house, the white paint peeling off the siding.

"Place needs painting, doesn't it," Snyder remarks to a visitor. "It's not just that I don't have time, but if I spend the money on paint, that means something else won't get paid, and I'll have another bill collector calling me."

Bill collectors and debt are a constant part of life for many a family farmer. If your income depends on $ 2.75-a-bushel corn or netting $ 8 for a 50-pound pig or clearing 20 cents for a gallon of milk, while a new combine costs more than $ 100,000 or the price of seed corn is $ 100, you have a good chance of going into debt.

"I don't know anyone around here who isn't maxed out on their credit cards," Snyder said. "They use them even to buy groceries."

Snyder said because of debt, he had no choice last year but to liquidate his cattle herd.

"I did it voluntarily," he said, "rather than let the bankers do it. If there is a foreclosure only the secured loans get paid, not the credit card companies or others who gave me credit. This way I can try to pay everybody something."

Now "I lease 60 head of cows and 60 head of sows. Thirty years ago, I could have made decent living with that. Now, you need at least 200 head of cattle."

Then there are taxes, the bane of nearly all landowners, but a burden low-income farmers like Snyder think is disproportionately heavy for them.

"Taxes went up 27 percent last year," the year he had to sell off his herd, "and I paid close to $ 10,000," three times the levy of 20 years ago.

In reality, he said, "I would need 10,000 acres and from 500 to 1,000 cows to make $ 30,000 a year," which is a sliver above the median Nebraska household yearly income.

Instead, he made less than $ 12,000 last year, including some day work off the ranch, a figure augmented by the $ 14,000 his wife grossed at clinics.

Glodowski spoke of his devotion to the rural lifestyle.

"You get satisfaction out of making things grow. It is satisfying to know that you've done your best."

There is no question that Glodowski works hard. Running a dairy farm with its unforgiving twice-a-day, seven-day-a-week milking schedule requires hard work as the minimum effort.

Add to that the time spent planting and harvesting the beans, corn, hay and grain needed for his 50 cows, and the concept of work takes on an eternal aspect.

But doing your best on a rented, undersized dairy farm with no cash crop but the milk he must share with the land's owner may not be enough.

"You can do a real good job, have a real good crop and still not have anything to show for it at the end," Glodowski said. "I made $ 16,000 last year, gross. But after paying off what bills I could, made repairs, bought and leased some equipment, paid for insurance (over $ 400 a month for his family), there isn't much left.

"The biggest problem," he said, "is that there is no balance between what you put into it and what you get as a return."

To make $ 30,000 a year, Glodowski believes, he would need at least 680

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acres.

"But you still wouldn't put anything in the bank," certainly not enough to pay off the loan to buy such a large farm at the $ 2,500 an acre he said land in his area now brings.

"You can't go to the bank if you're a rent farmer," Glodowski said. "The average guy just can't go out and put up money for machinery or upkeep. Any return goes back into the farm."

That leaves little for what most people would consider basic requirements. Both farms have a TV set, and Snyder owns a microwave oven and a computer, although one too old to connect to the Internet.

"And you don't go hungry when you have cows and hogs," he said.

Silence followed that remark. Then while watching his son play nearby, he talked about how his daughters worked as baby sitters as well as doing the considerable chores that come attached to ranch life.

"You know," he said, "everyone around here buys secondhand clothes. I don't know anyone who doesn't go to Grand Island or Norfolk to shop at Goodwill."

"When was the last time you had a vacation?" Snyder was asked.

"What do you mean by vacation?" Snyder responded.

Well, putting the kids in the van and taking a week off, driving to Colorado or up to the Black Hills, something like that, he was told.

"Never," was the answer.

There has been a weekend off now and again, he said, but most likely a "vacation" for the Snyders was what took place a couple of weeks ago.

"My kids told me that they would do the chores if I wanted to take mom somewhere. So after church on Sunday my wife and I spent the afternoon in O'Neill."

If there is little or no time for rest or recreation now, the future and retirement don't offer much better prospects.

Snyder's father, for instance, has retired and, though he still lives on the family ranch, his arthritis is bad enough that it limits what he can do.

"He has no pension, no savings," Snyder said, "only $ 770 a month in Social Security payments."

Glodowski's father also lives on their farm and is essentially in the same condition.

Although both Snyder and Glodowski have health insurance, many farmers - some estimates run as high as 90 percent - don't.

"I know I can't do without it, but it's getting to be more and more of a stretch," Glodowski said.

What about the future for the Snyders, Glodowskis and the thousands in the state living the same way?

"Most can easily end up going out of business," said Arlie Sholes, a former farmer who runs the Farm Crisis Hot Line and advises hundreds of farmers on what is needed to survive. Some can prolong it, but unless they can find a way to increase their size and operations they won't make it."

The family farm, Sholes said, "needs to be at least 800, more like 1,000 acres. I had an implement dealer tell me that he couldn't in good conscience justify selling a new combine to a farmer with less than 1,000 acres."

But even if Glodowski were to get to 800 acres and Snyder to 10,000, it could be just a temporary fix.

"This is progressive," Sholes said. "It used to be a quarter section (180 acres), then a half. Now a full section isn't near enough and it 20 years 1,200 acres probably won't be."

But bigness is no guarantee, especially if you remove any tax benefits corporate farms and ranches may receive.

"The best return on investment in agriculture is about 4 percent," said one rural banker. "More often it is 2 percent. You can get more than that in a yearly CD (certificate of deposit) with no risk, so there isn't a whole lot of outside money there."

Still, some family farmers keep trying.

"A trend is not destiny," said Martin Kleinschmit, another former farmer who works for the Center for Rural Affairs, a nonprofit group based in Walthill, Neb., that promotes alternative crops and more involvement by farmers in processing, packaging and marketing products.

"We can change," he said in his office in Hartington, Neb., "and we can't wait for other people to do it for us."

Glodowski agrees, and he puts his hope in becoming more businesslike.

"I got to go now," he said. "I've got an appointment with the University of Nebraska guys in Fremont to go over the figures and see if there's some way to put the farm on a more businesslike footing.

"I'd still like to be on the farm in 10 years, but I don't know."

His wife, Ann, listening nearby and holding their daughter in her arms while their little boy clutched her knee, made her only remark of the interview.

"I know I won't be here in 10 years," she said. "Not me."

If he can help it, Snyder still will be on his place, if not his children.

"From a financial point of view, I wouldn't want my kids to do this," Snyder

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said. "But I'm not unhappy, I like what I'm doing."

Then he grinned and said what farmers have been saying for centuries: "I look for things to turn around."

A Tough Row to Hoe

During the past 10 years more than 5,000 Nebraska farms have failed.

17 percent of rural Americans live at or below the federally designated poverty line of $ 14,800 a year for a family of four.

11.1 percent of rural Nebraskans live at or below the poverty line, but 66 rural counties have poverty rates exceeding 10 percent, and four have poverty rates exceeding 15 percent.

An estimated 23,000 Nebraska rural households use food stamps, more than 2 1/2 times as many as in 1980, but only about two-thirds of the number currently eligible.

GRAPHIC: Color Photo/1FARMING LIFE: Jerry Glodowski with his wife, Ann, and children Vincent, 1, and Carmen, 4. B&W Photo/1AT WORK: Jerry Glodowski on his farm near North Bend. "My dad's been farming here for 51 years," he said, "and he's at the same place he started."; Phil Johnson/World-Herald/1sf/1

LANGUAGE: ENGLISH

LOAD-DATE: September 15, 1997

Tom F.

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

MEMORANDUM TO GENE SPERLING

From: **Secretary Dan Glickman**

Dan Glickman

Subject: **Review of Business Concentration**

I urge you to include the Department of Agriculture in your review of concentration of U.S. business. Not only does USDA administer an antitrust type statute (the Packers and Stockyards Act), but probably no industry has been affected more by concentration and consolidation than agriculture. You will note the actions we have taken in response to concentration in meat packing and railroads, which I have described below, but as a general rule the trend towards consolidation in banking, health care, transportation, and other industries has a particularly direct and hard hitting impact on rural and agricultural areas.

Concentration in the Meatpacking Industry

In 1982, the top 50 meatpacking firms controlled 82 percent of the market. Today, four meatpacking companies control over 80 percent of the market. As a result, concentration in the meat processing industry is a strong concern for many agricultural producers and Members of Congress. To address this issue, I appointed an Advisory Committee on Agricultural Concentration (Committee) in 1996. The Committee issued a series of recommendations to address the effects of concentration in the livestock, poultry and rail sectors. The recommendations covered antitrust and regulatory enforcement, market information, vertical linkages, and cooperatives and bargaining. I am attaching a copy of that report for your information.

Since then, I have announced an array of administrative, legislative and regulatory responses to the Committee's report. USDA has increased reporting on market activities including more information on meat and live animal trade, forward contracting, and animal slaughter. The added information will help farmers compete in the marketplace with well informed buyers. The Department also announced a new education and outreach initiative to help farmers use market information more effectively. USDA has also asked Congress to strengthen enforcement of the Agricultural Fair Practices Act of 1967 by providing USDA with administrative and civil penalty enforcement authority and to expand the authority under the Packers and Stockyards Act to provide USDA with enforcement authority for violations of live poultry dealers.

Our most recent initiative, which we announced several weeks ago with Senator Daschle as well as other Midwestern Senators, is the reorganization of the Grain Inspection and Packers and Stockyards Administration (GIPSA) to strengthen its ability to investigate anticompetitive practices. If Congress approves our budget increase, GIPSA's legal, economic and statistical expertise will be expanded and investigation, review and enforcement activity will be increased.

I also announced that the Administration supports Senator Daschle's legislation to give USDA the authority to mandate price reporting for the full range of transactions (spot market, captive supplies) in livestock and livestock products . USDA's current price reporting programs, which have been expanded as described above, are voluntary, and there is great interest in giving USDA the authority to mandate price reporting to address concerns that the meatpacking industry uses captive supplies to manipulate the price of live cattle to the detriment of producers.

Rail Transportation

USDA has also been actively involved in monitoring and responding to problems with rail service over the past few years, an issue which is also of great concern to many Members of Congress. The Secretary of Agriculture is charged with responsibility under the Agricultural Adjustment Act of 1938 and the Agricultural Marketing Act of 1946 to represent the interests of agricultural shippers and producers in improving transportation services and facilities by, among other things, initiating and participating in Surface Transportation Board (STB) proceedings involving rates, charges, tariffs, practices, and services.

Agriculture is fundamentally dependent on rail transportation, and USDA has watched with mounting concern the consolidation of the Class I railroads over the past three years. In 1982, there were 33 Class I railroads; today, there are 9, and only 3 of those are west of the Mississippi.

USDA studies have demonstrated that agricultural shippers pay more for service as competition declines. In addition, there have been repeated, serious problems in rail service for agriculture as well as other industries in the wake of the UP-SP merger, and such problems with inadequate rail service can affect U.S. competitiveness in world markets.

In 1995, USDA expressed concern about reduced competition from the proposed merger of the Burlington Northern Railroad and The Atchison, Topeka and Santa Fe Railway. In 1996, USDA, as well as the Department of Justice and the Department of Transportation, aggressively opposed the consolidation of the Union Pacific and Southern Pacific railroads. USDA has also expressed concern about the proposed acquisition of ConRail by the CSX and Norfolk Southern railroads.

USDA has an ongoing program to monitor the structure, conduct, and performance of U.S. railroads, particularly railroads which have merged. USDA has held five public hearings since August to gather information on the impact of recent rail mergers on agricultural shippers, concerns about proposed mergers, and railroad service problems. Since October, Assistant Secretary Michael Dunn has testified three times before the STB regarding rail service problems in the Western part of the United States and resulting adverse impacts on agriculture. Following the STB's first hearing, the STB announced emergency actions to ease rail congestion. On

December 4, following USDA's second testimony, the STB took additional actions in this regard.

Most recently, USDA has actively challenged the STB to address the concerns of agricultural shippers, particularly small shippers, and the STB has addressed some of our recommendations. We continue to actively monitor the situation and plan to host an agricultural summit on transportation issues later this summer. While we appreciate the STB's response to our concerns, we continue to be greatly concerned about the ability of U.S. agriculture to have fair, reasonable, and ready access to rail transportation in the wake of the recent rail mega-mergers.

National Commission on Small Farms

In addition to the Concentration Committee, I also established a National Commission on Small Farms (Commission) last July, several members of which met with President Clinton last December in the Roosevelt Room. As part of developing a national strategy to help small farmers compete in an increasingly concentrated agricultural marketplace, the Commission was charged with addressing "(t)he role of USDA in assisting small farms and ranches in vertically integrated agricultural systems, such as producer education and contract production or regulatory action to ensure fair contracts and practices, as well as any additional steps USDA should take to address issues of agricultural concentration."

The Commission issued a report earlier this year containing 146 recommendations for USDA action to assist small farmers, and USDA currently has an interagency team developing a comprehensive response to the Commission's recommendations. One of the Commission's recommendations was the establishment of a Presidential Commission on Market Concentration, and I understand that a Commission member reiterated this recommendation directly to the President during his meeting with tobacco growers last month. I am enclosing a copy of that recommendation for your information.

Conclusion

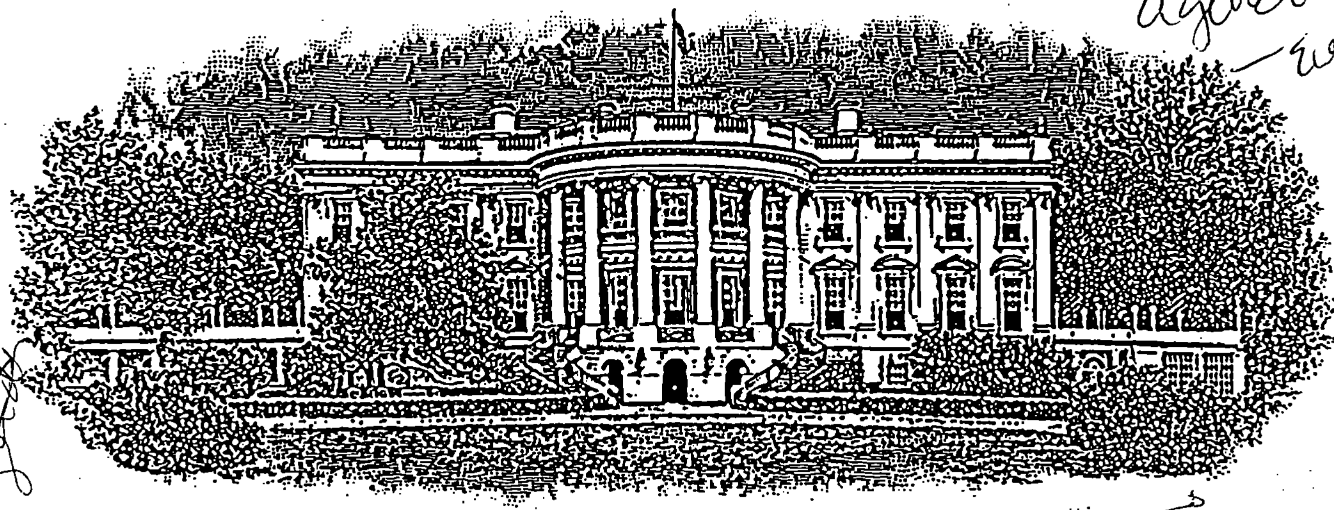
The issues relating to the growing concentration of American business are very significant, and I applaud the move to look at how effective our statutory and regulatory regimes are in the area. These are especially big issues in rural America, where it is felt that the slew of corporate mergers produces particularly undesirable effects in underpopulated and underserved areas. In addition, no sector of the American economy has witnessed more consolidation since World War II than the agricultural sector. In that regard, the Members of Congress who have visibly been raising concerns in this area often come from agricultural states.

cc: Bruce Reed

Enclosures

The White House

Rural agenda — Ev



DOMESTIC POLICY

FACSIMILE TRANSMISSION COVER SHEET

TO: DAVE CARLIN

FAX NUMBER: 720 8077

TELEPHONE NUMBER:

FROM: Tom Freedman

TELEPHONE NUMBER:

PAGES (INCLUDING COVER): 6

COMMENTS:

Draft rural agenda we've mentioned briefly in meetings & with Greg & the Secretary. Can you share w/ them & I'll call & get reactions. The reaction here from the highest levels has been good to the idea of doing an event.

Tom

June 1, 1998

DRAFT MEMORANDUM FOR

FROM:

SUBJECT: Rural Agenda

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The policy initiatives described below include: (1) connecting rural communities with the advantages of new technologies like telemedicine, long distance learning, and a digital library; (2) promoting small farms by highlighting our efforts to avoid illegal concentration in agricultural-related industries; (3) expanding programs that help farmers manage risk; (4) expanding world markets and trade because it is crucial to the future of rural communities (5) strengthening legislation that promotes cooperatives; and (6) supporting specific programs like ethanol that make sense for America. The initiatives are described in varying amounts of detail, and are intended to offer a menu. The speech should also re-emphasize the importance of measures that have already been announced but have special import to rural communities, including funds for rural crime-fighting, care for the elderly, school construction, and welfare to

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- **Farm Income Stabilization Accounts/"Farmers IRAs".** There has been much interest in the agricultural sector in developing subsidized savings accounts for producers. Most of the proposals have been patterned after the NET Income Stabilization Account (NISA) that has operated successfully in Canada since the early 1990s. Under NISA, producers contribute up to 20 percent of their receipts in a savings account. The government matches contributions up to 3 percent of their gross receipts. In addition, the account receives an interest subsidy of 300 basis points. Producers may withdraw from the account whenever their gross margin is less than the average margin of the previous 5 years. Withdrawals are voluntary. Other proposals would allow producers to shelter income from taxes until they were withdrawn in times of emergency.

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VI. Promotion of Free Trade

The dismantling of the price support programs has made access to global markets the key issue for the agricultural sector. The ability of the U.S. to sell beef and other agricultural-related products abroad is now as much a necessity for farmers as price supports used to be. This address offers a chance for the President to stand for free trade in a region area where the need for trade is obvious and the linkages between domestic economic health and trade policy are clear. For instance, estimates show that farm exports to Asia alone increased by nearly one-third from 1993 to 1996. The recent decline in Asian economies makes it imperative that we assist Asian markets so that they can continue to export agricultural products from the U.S.

A recent article in the Washington Post indicated the possible fault lines among Republicans on this issue. Midwestern Republicans, such as Senators Hagel, Roberts, and Grams have helped lead the fight to replenish IMF reserves to promote Asian markets because their constituency recognizes the need for expanding markets abroad.

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Rural
agenda

USDA

U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

Telephone (202) 720-3631 Fax (202) 720-5437

FAX COVER SHEET

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NUMBER OF PAGES______, INCLUDING COVER SHEET

PLEASE DELIVER TO: Tom

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- ☐ GREG FRAZIER, CHIEF OF STAFF
  - ☐ KOFI DEGRAFT-JOHNSON, EXECUTIVE ASSISTANT
- ☐ REBA PITTMAN EVANS, DEPUTY CHIEF OF STAFF, INTERNAL AFFAIRS
- ☐ PATRICK STEEL, DEPUTY CHIEF OF STAFF, EXTERNAL AFFAIRS
  - ☐ JOSE VENZOR, ASSISTANT TO THE DEPUTY CHIEFS OF STAFF
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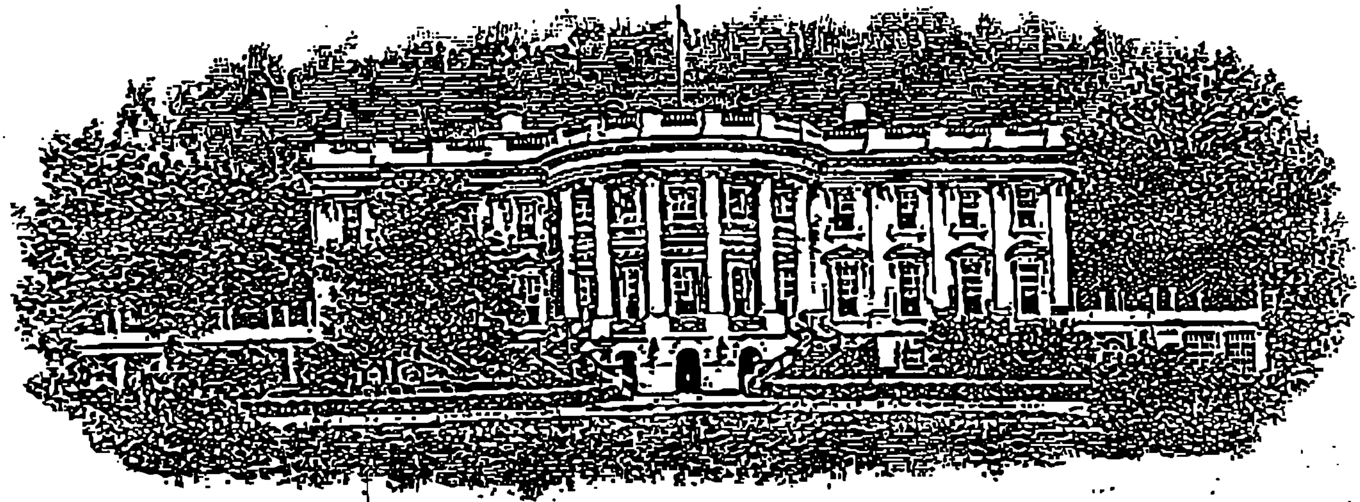

ERIC

DOMESTIC POLICY

FACSIMILE TRANSMISSION COVER SHEET

TO: ~~Eric Olsen~~ Tom

FAX NUMBER:

TELEPHONE NUMBER: 720 5437

FROM: ~~Tom~~ Er

TELEPHONE NUMBER:

PAGES (INCLUDING COVER): 6

COMMENTS:

DRAFT

THIS IS OK, BUT IT READS JUST LIKE WHERE IT CAME FROM — IT LACKS PERCEPTION OF REAL TOP PRIORITY ISSUES IN RURAL AREAS, AND MEANINGFUL RESPONSES THAT WILL RESONATE. GF

DRAFT

June 1, 1998

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work programs.

INTERESTING & A GOOD IDEA; HOWEVER, NOT THE WAY TO LEAD THIS SPEECH — NOT EVEN A HIGHLIGHT

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OK, BUT NOT THE #1 CROP INSURANCE ISSUE NOW; EXCEPT TO CEA

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OK — [illegible] has, [illegible] will, the Administration endorse?

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MORE EXPLAIN

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OK, BUT NEEDS MORE SUBSTANCE

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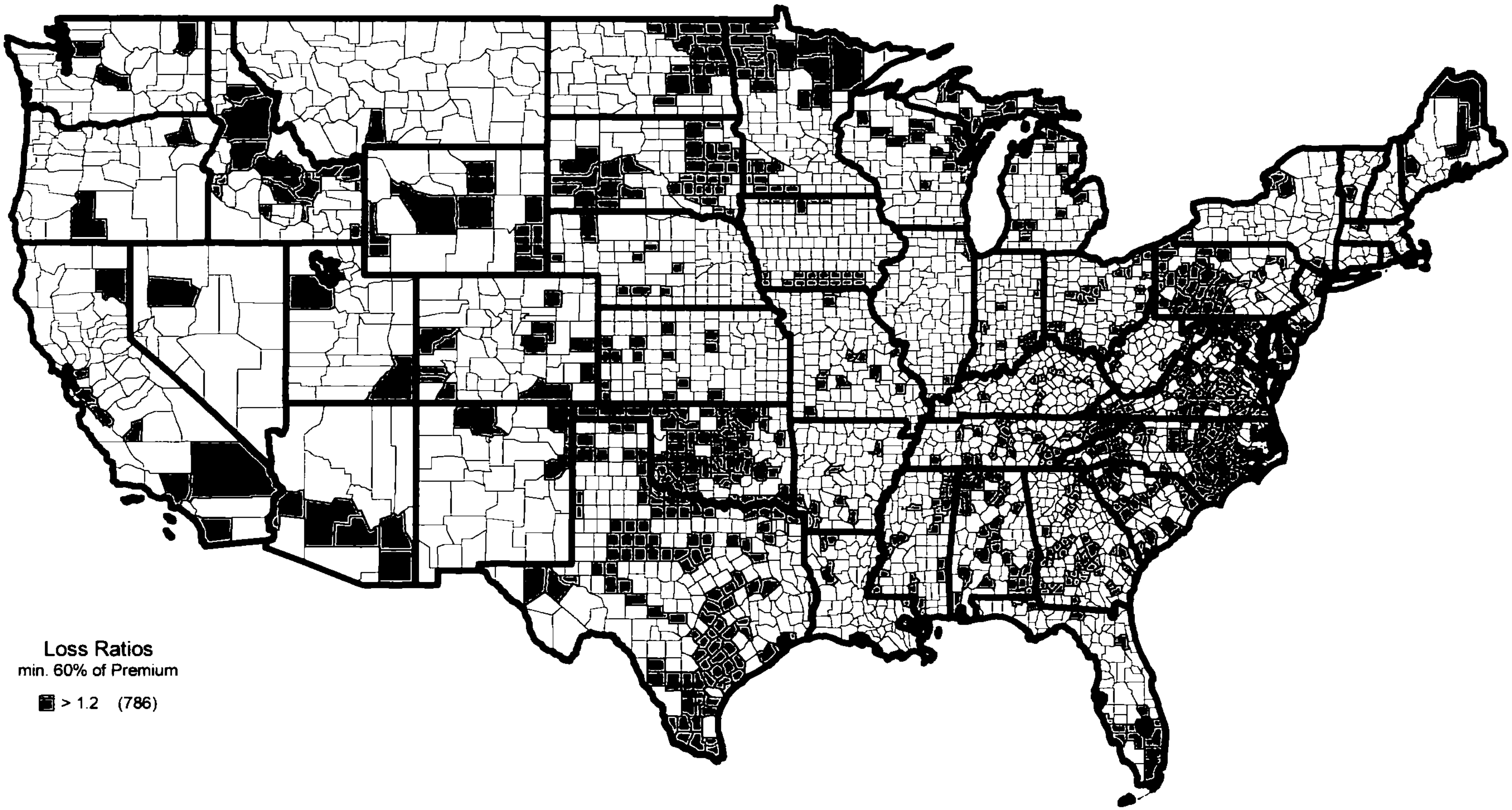
Rural agenda

Loss Ratios (93 - 97) - 60% of Total Premium



Total Premium: $ 1,744,309,235
Total Indemnity: $ 2,930,728,588

Supplemental Crop Insurance Indemnity

Description: Producers qualify for supplemental crop insurance payment if the county has suffered a loss ratio exceeding 1.20 on 60 percent of the crop premiums during 1993-1997. Once a county qualifies, those producers with 3 or more losses receive a supplemental payment equal to 25 percent of the losses previously paid.

Impact: Nationally, 786 counties qualify. Within these counties for the years 1995-1997:[1]

	Number	$ of losses
Producers with losses	292,556	$2,540.6
Producers with 1 loss	215,965	1,250.3
Producers with 2 losses	48,290	842.5
Producers with 3 losses	14,404	447.8 / 1.4 bil.

Assuming that 25 percent of the producers with 2 or more loss years have 1 additional loss in 1993 or 1994, and that 10 percent of those with 1 loss had losses in both 1993 and 1994, the total estimated losses are $1.4 billion. At a payment rate of 25 percent of the indemnities, the total cost for the years 1993-1997 is about $350 million.

Costs would decrease in subsequent years if this supplemental payment were continued since the payments for 1993-1997 would offset the amounts owed to the same producers for the 1994-1998 crop years and subsequent 5 year periods. No estimate of the reduction is available at this time.

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[1] Due to changes in authority to use taxpayer identification numbers, the years 1993 and 1994 still are being analyzed to match producers with the 1995-1997 experience. These identifying numbers were not stored with all data for those years.

MEMORANDUM FOR AGRICULTURAL MEETING PARTICIPANTS

FROM: Sally Katzen

SUBJECT: USDA - options paper

Treasury - David Wilcox 622-2633
CEA - Chad Stone 5-6809
OMB - Mark Weatherly 5-4941
COS - John Podesta
USTR - Sean Darragh
DPC - Tom Freedman, Paul Weinstein 6-7431
Leg Affairs - Chuck Brain 6-2604
State - Stu Eizenstat 647-2302

July 1, 1998

I. Restoring the Farm Safety Net

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 statement on signing the 1996 farm bill

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 statement on signing the Agricultural Research, Extension, and Education Act of 1998

II. State of the Farm Economy

Overall, the U.S. economy, propelled by the President's balanced budget plan, is performing extremely well. Farmers, in particular, have benefitted tremendously, saving billions from low interest rates. However, the Asian economic crisis and the appreciation of the dollar against many foreign currencies are reducing agricultural exports and the U.S. competitiveness in affected markets. As a result, the Department of Agriculture (USDA) has been steadily reducing its export projections since last summer. While demand has eroded, global grain production has been at or near record levels the last two years in many countries, and USDA expects large world production again in 1998. Consequently, U.S. grain and oilseed stocks are rising to high levels, market prices are falling sharply, and farm debt is rising.

After a generally strong performance during 1996 and 1997, the U.S. agricultural economy is now declining. Falling commodity prices are expected to cause net cash farm income to drop to $56 billion this year, down from a record $60.5 billion in 1997 and $60 billion in 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 of $56 billion.

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. Wet weather has reduced California production prospects, and hot, dry weather is causing serious problems in Texas and some southeastern states.

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 ($/bu)	3.47	3.10	-11
Corn ($/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.

Situation in the Northern Plains: 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 nearly $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. Unlike producers in many other parts of the country, climatic conditions prevent many Northern Plains producers from switching to alternative crops or enterprises when prices and returns fall precipitously.

While the problems in the farm economy have to date been restricted to farmers and ranchers in certain regions and unless steps are taken now to help arrest and ameliorate the effects of these trends, conditions may spread and severely stress the entire sector. The economic stress is particularly acute in some geographic regions, such as the Northern Plains, where repeated bad weather, disease and other factors have reduced crop yields.

III. Actions to Date

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.

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.

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

In addition, the President has called upon Congress to support funding for the International Monetary Fund, extend Most Favored Nation status to China, to approve legislation exempting USDA export credit programs from mandatory sanctions, and to give him fast track negotiating authority.

Administrative Actions of USDA: 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

'96 Farm Act

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.

IV. Proposals

Supplemental Crop Insurance Benefit

Under the proposal, 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. Replant payments will not be considered as an indemnity to qualify counties or individuals, nor will these payments be considered in computing the additional payment. 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.

Crop and Pasture Flood Compensation Program

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.

90% to N.D. S.D.

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.

Separate provision

$245 mil
~~[illegible]~~
since '96

$730 m – $3.7 bill.

Uncap Marketing Loan Rates

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.

Congress should remove the caps on loan rates, permitting them to move up, or down, under the formula in the bill and as market conditions dictate.

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 FY agriculture appropriations bill and will want to know the Administration's position.

Dairy

The 1996 farm bill did not provide dairy farmers the same transition assistance provided to grains, cotton, and oilseeds farmers. It simply phases out the dairy program, and two years sooner than the other programs, and requires USDA to reform the federal milk marketing order system. USDA's has proposed two options for milk marketing order reforms. Its preferred option would make the program modestly more market-oriented, but even that is very controversial and strongly opposed by some dairy interests.

Although USDA expects to see dairy prices begin their normal, seasonal upturn in July, neither the milk marketing order reform process or any other remaining policy tool at the Secretary's disposal will address the fundamental income stresses that dairy farmers have experienced in the last several months; that will take legislative action, as the Secretary has previously pointed out to Congress.

<u>*V. Legislative and Political Outlook*</u>

Several of these legislative recommendations may be taken up on the Senate floor during consideration of the FY 1999 agriculture appropriations bill immediately following the Fourth of July congressional recess.

For example, Senator Daschle plans to offer an amendment that would uncap marketing loan rates and provide the Secretary with the authority to extend marketing loans by six months. USDA has been told that an amendment or amendments may be offered to create an indemnity program for farmers who have suffered losses over a period of years due to a series of natural disasters, replenish the Disaster Reserve Assistance Program, and create a land diversion program for flooding land. Finally, Senator Robb may offer language to improve farmer access to USDA's credit programs.

Administration support for these proposals could also prove helpful to a number of Democratic Members and challengers who hope to represent rural America during the 106th Congress. Senators Daschle and Dorgan, both of whom are running for reelection this year, have been very interested in advocating legislation that would strengthen the farm safety net.

In the House, Congressman Stenholm, who serves as the Ranking Democratic Member of the House Agriculture Committee, has voiced strong support for the Administration's proposal to provide farmers with more flexibility with respect to the receipt of farm program payments. Strong Administration support for these legislative recommendations could also positively affect competitive congressional races in North Dakota, Montana, Idaho, Illinois, Iowa, and Kansas.

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.

The extent to which Republicans can and will adhere to this position will depend on conditions in commodity markets, which USDA expects will remain weak or even weaken over the next several months and the extent to which and manner in which congressional Democrats and the Administration are able to raise these issues, which is why the Secretary has advocated not a rewriting of the farm bill, but a refinement of it, consistent with the proposals already advanced and those outlined here.

Finally, the extent to which the Administration is viewed favorable by farm interests will turn in part on whether it simply accepts conditions in the farm economy and the underlying farm policy, which are generally viewed as creations and proposals of a Republican Congress, or whether it proposes changes to address problems that are, presently, localized, but severe.

####

→ Crisis / Urgent
→ [illegible] forward [illegible]

EW

June 1, 1998

DRAFT MEMORANDUM FOR

FROM:

SUBJECT: Rural Agenda

This memorandum describes options for a possible address by the President on rural issues to be given in the Midwest sometime this summer. The list was compiled in a collaboration between the DPC, NEC and USDA.

This is a time of promise and problems for rural areas. After the economic turmoil of the 1980's, rural areas enjoyed faster job growth in the first half of the 1990's than metropolitan areas. For some rural areas the challenge will be simply maintaining economic growth and helping communities support a continuing agricultural sector, provide adequate access to education and medical care, and meet new industries' and residents' demands for roads and other services. A Presidential address should also acknowledge that there are other areas, so-called "persistent poverty counties" remote from urban centers, disproportionately minority and agricultural, where there has been inadequate growth or even declines and special efforts will have to be made.

The theme of the speech is that America's rural communities are at a fork in the road, with the possibility of making life better by harnessing new technologies and world markets, but that there are crucial steps to take to make sure prosperity reaches small farmers and all communities.

The policy initiatives described below include: (1) connecting rural communities with the advantages of new technologies like telemedicine, long distance learning, and a digital library; (2) promoting small farms by highlighting our efforts to avoid illegal concentration in agricultural-related industries; (3) expanding programs that help farmers manage risk; (4) expanding world markets and trade because it is crucial to the future of rural communities (5) strengthening legislation that promotes cooperatives; and (6) supporting specific programs like ethanol that make sense for America. The initiatives are described in varying amounts of detail, and are intended to offer a menu. The speech should also re-emphasize the importance of measures that have already been announced but have special import to rural communities, including funds for rural crime-fighting, care for the elderly, school construction, and welfare to

work programs.

I. New Technologies: Distance Learning, Telemedicine, and Digital Library

Rural areas benefit in particular from new technologies that free rural people from the constraints of physical proximity to intellectual resources. Among the opportunities:

Distance Learning

President Clinton has proposed legislation that would make it easier for Americans to gain access to new skills using distance learning. In its proposal for reauthorization of the Higher Education Act (HEA), the Administration is seeking to broaden opportunities for distance learners by:

- Including computers in the "cost of attendance" for purposes of financial aid;
- Allowing institutions that offer more 50 percent of their courses using distance learning to be eligible for student aid;
- Giving the Secretary of Education the ability to waive regulations that block greater use of distance learning; and
- Providing grants to "virtual universities" and other experiments with distance learning with a program called "Learning Anytime, Anywhere Partnerships."

Telemedicine

- The President has set a goal of connecting all rural clinics and hospitals to the "information superhighway." In 1996, he signed the Telecommunications Act, which expanded the definition of universal service to include rural health care providers (hospitals, clinics, community health care centers, local health departments, and medical schools).
- These institutions are now applying for universal service support -- which will be available starting January 1, 1998. The program (administered by an independent corporation established by the FCC) -- is designed to ensure that rural health care providers pay no more than their urban counterparts for telecommunication services. This

will help improve the quality of care in rural America by allowing patients to receive advice from the best specialists in the country.

A Digital Library for Rural America

The goal of this initiative is to dramatically increase the quantity, quality and accessibility of networked information related to agriculture and rural development -leveraging USDA's existing investment in research and education at our nation's land-grant colleges.

Recently, R&D (National Science Foundation, DARPA, NASA) agencies and a variety of private sector firms have made substantial investments in digital library technology. This technology will revolutionize the way information (text, multimedia, geo-spatial information, databases, etc.) is published, organized, and retrieved. A USDA initiative in this area could leverage this technology by creating digital libraries in areas of agriculture and rural development that are important to the department and to rural America (e.g. water, housing, business development, integrated pest management, animal husbandry, food safety, etc.) An explicit goal of the program should be to present the information in ways that are accessible to different classes of end-users (e.g. farmers, K-12 teachers, state and local officials, etc.)

Ask if Farm Bureau wants to do.

II. Concentration Issues

Anything new

In 1982, the top 50 meatpacking firms controlled 82 percent of the market. Today four meatpacking companies control over 80 percent of the market. In 1982 there were 33 Class I railroads, today there are 9, and only 3 west of the Mississippi. Secretary Glickman has spoken to this issue to much positive response across rural America.

The USDA has taken a number of steps to make sure laws against illegal concentration are enforced all over America. Among the steps taken are establishment of offices in: Des Moines to coordinate antitrust activities for the meat industry in an 11-state area; in Denver to handle all antitrust matters in the cattle and sheep industry; and in Atlanta to handle competition issues relating to poultry.

The Department is ready to announce other steps to enhance USDA's ability to conduct investigations and combat unfair anti-competitive practices in the marketplace, and to enforce the Packers & Stockyards law, which is the antitrust law of the USDA.

Take out for Summit in July.

what do they have

III. Risk Management for Farmers

Currently, federal crop insurance is available for over 60 crops. However, there is strong interest in rural communities in programs that could give farmers better control over risk in the new free market environment. Among the options:

Great!

- **Whole farm insurance.** USDA is exploring the feasibility of a Whole Farm Coverage Insurance Program, based on the farmer's income tax information. The appeal of such a product is that producers could insure their whole farm, not just individual crops as under the current program. Whole farm insurance could also potentially address the problem of insuring minor crops and livestock. However, there are a number of rating issues that need to be addressed and USDA lacks legal authority to insure livestock under permanent programs. USDA hopes to pilot a program in 1999.

Ask Treasury

- **Farm Income Stabilization Accounts/"Farmers IRAs".** There has been much interest in the agricultural sector in developing subsidized savings accounts for producers. Most of the proposals have been patterned after the NET Income Stabilization Account (NISA) that has operated successfully in Canada since the early 1990s. Under NISA, producers contribute up to 20 percent of their receipts in a savings account. The government matches contributions up to 3 percent of their gross receipts. In addition, the account receives an interest subsidy of 300 basis points. Producers may withdraw from the account whenever their gross margin is less than the average margin of the previous 5 years. Withdrawals are voluntary. Other proposals would allow producers to shelter income from taxes until they were withdrawn in times of emergency.

Joe Gutentag

Larry Summers

On May 13, Sen. Charles Grassley (R-IA) and others proposed Farm and Ranch Risk Management accounts to encourage producers to put away money during good years so they could make it through years when crops are bad or prices are low. Farmers would be allowed to make tax-free contributions to the accounts of up to 20 percent of their annual taxable income. The money could beheld in the accounts for up to five years without penalty and would be taxable on withdrawal. Money held more than five years would be subject to a 10 percent penalty.

→ David Wilcox [Wilcox]

VI. Promotion of Free Trade

The dismantling of the price support programs has made access to global markets the key issue for the agricultural sector. The ability of the U.S. to sell beef and other agricultural-related products abroad is now as much a necessity for farmers as price supports used to be. This address offers a chance for the President to stand for free trade in a region area where the need for trade is obvious and the linkages between domestic economic health and trade policy are clear. For instance, estimates show that farm exports to Asia alone increased by nearly one-third from 1993 to 1996. The recent decline in Asian economies makes it imperative that we assist Asian markets so that they can continue to export agricultural products from the U.S.

A recent article in the Washington Post indicated the possible fault lines among Republicans on this issue. Midwestern Republicans, such as Senators Hagel, Roberts, and Grams have helped lead the fight to replenish IMF reserves to promote Asian markets because their constituency recognizes the need for expanding markets abroad.

V. Expansion of Agricultural Cooperatives

Over the years, USDA has supported the creation of cooperatives as a business vehicle for agriculture, agra-related and non-agriculture-related businesses in rural areas of our nation. The President has been very supportive of these efforts. The following are some of the current USDA efforts in the area of coops:

- Business and Industry Loan Guarantee Program set-aside of $100 million for FY 98 and $200 million FY 99. The Secretary has earmarked this amount from the $1 billion B&I Program for Small Farmers and other non-agriculture related cooperatives. 6/4 F.

- Family farmers cooperative stock share purchase. The 1996 Farm Bill authorized the Secretary to make loan guarantees to family-sized farmers who wish to purchase stock in a value-added cooperative for which the farmer produces the commodity. USDA is currently implementing this provision.

- Providing Specialist Support to Coops. Rural Business Cooperative Service (RBS) offers professional staff to provide ongoing technical assistance to foster the development of cooperatives and each USDA rural development state office has a designated cooperative development specialist. In addition, new programs at the Farm and Foreign Agriculture Service (FFAS), is helping coops reach foreign markets.

VI. Renewing the Ethanol Subsidy

The President has been a strong advocate for the ethanol tax exemption. Last month, the House Ways and Means Committee, led by Chairman Archer, voted to permit ethanol's tax exemption to expire by December 31, 2000. However, the House budget baseline still assumes that the subsidy is paid out, and the Senate voted 71-26 to extend the subsidy until 2007 in the Intermodal Surface Transportation Efficiency Act (ISTEA) bill. The issue will be resolved in the House-Senate conference and be part of the transportation bill which has a number of provisions of interest to rural voters that the President can express support for.

April 13 1998 BRITAIN

New deal pledged for rural Britain

BY NICHOLAS WOOD

A "NEW VISION" for the countryside is to be set out by ministers in a White Paper on the future of rural Britain.

The policy will be a direct and detailed response to the Countryside March in Central London last month, when nearly 300,000 people paraded their grievances about the decline of rural life.

Plans for the White Paper, which is scheduled to be published towards the end of the year, were disclosed by Michael Meacher, the Environment Minister, to *The Times* yesterday. The document will cover all aspects of country life, including housebuilding on greenfield sites, the closure of schools, the shortage of medical facilities, the slump in farm incomes and rural poverty.

Mr Meacher also said that the Government was prepared to change the law to give ramblers the "right to roam" across open spaces. He said that, if landowners would not accept a voluntary agreement placing strict conditions on rights of access to up to 4.5 million acres of uncultivated land, the Government would legislate in next year's parliamentary session. "Tony Blair is the one who has said we will legislate if necessary. If that can be done voluntarily, fine, but if it cannot, I think it is perfectly clear that the Government really has no alternative."

The Environment Minister said that the march had demonstrated the need for policy changes across the spectrum of rural life and, with about 170 Labour MPs representing rural seats, the Government had a strong political interest in responding to its new constituency

Britain: Son of the soil

Leading article: Country converts

Next page: Engineers 'flood one town to save another'

in the shires. Action had already been taken in areas such as housebuilding and rural bus services. More needed to be done.

"I genuinely believe that what is needed is an overarching new vision. I know these words are easily used nowadays, but I really do believe that we have got to convey to people that we are listening to their complaints," Mr Meacher said. "We have to show we do have a vision of not only how we can preserve the beauty and tranquillity of the countryside and protect wildlife, but that we have a practical and radical vision of how we can make it prosper.

"I don't think we have got the answers at this moment, but I am convinced that I need to talk to all the interest groups and I would like to bring forward a countryside White Paper to project that vision in the course of the next year."

The Government had to do more to strengthen education, medical and transport services in remote places: "We need to have a section in the White Paper on how we are dealing with these particular issues in rural areas, which are different from urban ones."

He floated the idea of "satellite hospitals" to redress the concentration of medical services in district general hospitals in towns and cities. People living in villages often had too far to travel. He was worried about the closure of post offices and hinted that the 50 per cent rate rebate they currently enjoy might be increased.

He also highlighted the 40 per cent slump in farm incomes as the trigger for much rural anger.

Mr Meacher expected that the Department of the Environment, Transport and the Regions and the Ministry of Agriculture would be the main authors of the White Paper, which would contain a section on increasing jobs in rural areas. New regional development agencies would be instructed to draw up strategies for tackling rural poverty and would be given the money, political clout and expert personnel to make a difference.

He said: "I cannot come up with all the solutions, but what I will be doing is talking to colleagues about the rural dimension of their policies. It is for them to decide in their areas how best that should be done."

R/ Sal Agr

USDA

U.S. DEPARTMENT OF AGRICULTURE

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MESSAGE: I wanted to make sure you saw this article from the Des Moines Register

USDA office to enforce antitrust law

■ The new facility in Des Moines will target manipulation of hog and meat prices.

By GEORGE ANTHAN
REGISTER WASHINGTON BUREAU CHIEF

Washington, D.C. — Agriculture Secretary Dan Glickman on Tuesday said the USDA will establish a national antitrust enforcement office in Des Moines to help ensure that increasing concentration in the pork industry does not result in large producers and processors manipulating prices for live hogs and consumer meat products.

Glickman said the Des Moines office also will coordinate antitrust activities for all segments of the meat industry in an 11-state Midwestern area.

Glickman
Tells plans

The secretary said the USDA also plans to establish an office in Denver to handle all trade practice issues relating to the cattle and sheep industries.

An office in Atlanta will handle competition issues relating to poultry. The Atlanta and Denver offices also will coordinate all meat industry antitrust matters in their regions.

USDA officials said the Des Moines office will be staffed by statisticians, economists, price-reporting investigators and experts on competition and trade-practice issues from the national headquarters of the department's Packers & Stockyards Administration in Washington and from several existing field offices.

USDA officials said it isn't known how many people will staff the regional office, which will represent an addition to current price information and reporting activities in Des Moines of the Agricultural Marketing Service. The new office is expected to open sometime over the next several months.

Manipulation Concerns

Glickman has expressed concern over the potential for market manipulation in the beef, poultry and pork industries, which are increasingly dominated by large processors and producers. He said the new monitoring and enforcement setup "will enhance our ability to conduct investigations and combat unfair anti-competitive practices in the marketplace."

He said, "We need the muscle and ability to enforce the Packers & Stockyards law, which is our antitrust law in USDA. We will shift resources to areas where the beef, pork and poultry industries are concentrated."

The secretary said the three offices will conduct audits to determine whether meat and poultry processors and producers are complying with efforts by the USDA to collect and make public accurate information on prices being paid for hogs, cattle and poultry.

Assistant Agriculture Secretary Michael Dunn said the Des Moines office will determine whether "there is a monopoly problem in the pork industry. We want to see if they (large processors and producers) are using their positions to manipulate markets. Producers want to know what everyone else is getting for the same hogs that they're selling."

Packers' Practices

The National Commission on Small Farms reported to Glickman recently of concern throughout U.S. agriculture that packers have begun a practice called "captive supplies," as a way of securing livestock for their operations.

The commission said processors control these supplies either through direct ownership or through contracts with large producers.

The practice, the commission said, can allow processors to dump supplies onto the market when prices are high. The commission also said it had reports that packers pay above-market prices to certain large producers under condition that those prices not be reported to the USDA.

Glickman said the USDA will propose to make it illegal for anyone to purchase livestock or poultry with the condition that the price not be publicly reported.

He also said the USDA proposes to require meat exporters to report weekly on the quantity and destination of all overseas sales of beef and pork so that all industry segments will be aware of changing supply and demand conditions.

New Program

Glickman said the USDA will expand to Iowa, Illinois and Wisconsin a pilot program begun in Missouri under which producers and processors report a full range of prices paid for hogs under various marketing arrangements.

The secretary appeared in the Capitol after meeting with several Midwestern Democratic senators, including Tom Harkin of Iowa and Bob Kerrey of Nebraska.

The senators last week sent a letter to Glickman emphasizing that accurate information on prices being paid by packers to all producers — large and small — is necessary to the operation of free livestock markets.

Tuesday, Kerrey said, "Something is happening out there, something is not working in the market."

Reporter George Anthan can be reached at anthang@news.dmreg.com or (703) 907-5002.

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