NLWJC - Kagan

DPC - Box 001 - Folder 020

Agriculture - General [1]

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 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.

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.

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.

V. Legislative and Political Outlook

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.

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Agriculture - general

PRESIDENT CLINTON:
HELPING AMERICA'S FARMERS DURING A DIFFICULT TIME

August 12, 1998

"Whenever disaster strikes, Americans join together as one community to help see their neighbors through. That is what we will do throughout rural America, to save the farmers who are losing their homes and whose crops are dying in the field. At this moment of broad prosperity for our nation, we can -- and must -- help our rural neighbors through this current crisis and strengthen rural communities for the 21st Century."

-- President Bill Clinton

HELPING FARMERS DURING A DIFFICULT TIME. Today, President Clinton signs into law S. 2344, which will allow farmers to receive their regular support payments earlier than usual. This measure is necessary because America's farmers have been hit hard by lower crop prices, a string of natural emergencies, and financial stress on the agriculture market. By speeding up these payments, this law will help many farm families, particularly those facing financial difficulty through no fault of their own. This new legislation builds on steps the President has taken to help farmers during this difficult year. Earlier this month, the Department of Agriculture purchased 535,000 tons of wheat for donation overseas. This purchase is the first step in the President's plan to purchase more than 80 million bushels of wheat to help strengthen our crop prices and meet our humanitarian needs overseas.

WE MUST DO MORE TO HELP FARMERS. President Clinton has called on Congress to move quickly to provide emergency assistance for the farmers and ranchers who have been most directly affected by natural disasters and low prices. That legislation would help farmers by:

- Providing a supplemental crop insurance benefit to producers with multiple-year losses;
- Compensating farmers whose crop and pasture land is flooded; and
- Providing emergency feed assistance to livestock producers suffering from drought.

The President supports the amendment proposed by Senators Dorgan and Conrad to provide at least $500 million of this emergency funding --a provision that has passed the Senate, and received the support of Speaker Gingrich. President Clinton wants Congress to send him this legislation as soon as possible so hard-pressed farmers can get the relief they need.

THE PRESIDENT WANTS TO STRENGTHEN THE FARM SAFETY NET. President Clinton has challenged Congress to improve the farm safety net in a number of very specific ways. The President's proposals would extend the term of marketing assistance loans; allow more flexibility in planting; make credit more readily available and modify the "one strike" policy for farmers who have had a debt write-down; use leftover EEP funds in future years for food aid and other purposes; let farmers use USDA guaranteed operating loans to refinance; and expand and improve crop insurance.

FIVE AND A HALF YEARS OF PROGRESS, BUT CHALLENGES REMAIN. For five and a half years, President Clinton and Vice President Gore have worked to expand opportunity for rural Americans and farm families. The Administration has provided critical disaster assistance to rural homeowners, farm owners, and business owners, as well as to ranchers who have lost livestock, fought to expand U.S. agricultural exports, improved our school lunch programs by buying surplus commodities, and worked to diversify the sources of enterprise and income in rural America. In an effort to continue this work, the President has announced a four-point plan that will help strengthen rural America for the 21st Century by: (1) expanding the rural economy through exports and development; (2) improving the farm income safety net; (3) strengthening rural infrastructure; and (4) promoting health, welfare, and a clean environment.

Agriculture - general

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.)

II. Concentration Issues

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.

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:

- **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.

- **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.

  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.

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.

- 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.

Agriculture - general

Mary L. Smith
07/08/98 04:30:29 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP

cc: Thomas L. Freedman/OPD/EOP
Subject: Daschle Amendment to Agricultural Appropriations bill

There are a couple of farm issues coming up that you should be aware of , including a possible meeting with the President.

Daschle wants to meet with the President on his proposed amendment to the Agricultural Appropriations bill which would do the following: (1) remove the caps on commodity loan rates imposed under the 1996 Farm Bill, allowing the rate to be calculated as an average of the past five years' market prices; and (2) extend the term of marketing assistance loans for any commodity for up to 6 months (basically extending loan terms from 9 months to 15 months).

With respect to the extension of the loan terms to 15 months, USDA and OMB are both in favor of it. This part of the amendment should have no net cost.

With respect to the removal of the caps, USDA says that Glickman is on record being in favor of it, but OMB is not in favor of it because it requires significant funding and it moves away from the market-oriented approach taken by the 1996 Farm Bill. OMB says that CBO's costing of this provision is $1.9 billion in FY99 with a five-year cost of $3.5 billion. USDA reports that they heard estimates that are significantly less than this. USDA feels that there is no harm in supporting it because it will not pass anyway.

Agriculture - general

Thomas L. Freedman
07/20/98 11:33:40 AM

Record Type: Record

To: Elena Kagan/OPD/EOP, Bruce N. Reed/OPD/EOP

cc: Mary L. Smith/OPD/EOP, Laura Emmett/WHO/EOP, Paul J. Weinstein Jr./OPD/EOP
Subject: Rural agenda

As you know, Podesta pushed to have a Thursday presidential event on rural issues. NEC clearly wants to take the lead on the event, but does not have a clear picture of what to announce.

The most likely scenario is we end up pushing for the rural agenda items that are currently pending in Congress. These could include: funding the Fund for Rural America; the Disaster Assistance plan done last week; rural school construction and food safety. In addition, we can talk about telemedicine, long distance learning, the transportation bill and push for free trade (maybe saying something on sanctions). This is what I talked about with Greg Frazier, Glickman's COS. Sperling may have a different picture, if so, Sally and Jon Kaplan haven't said.
If this sounds ok, I'll push it at the 1 pm meeting. I mentioned to Paul we will would need the telemedicine and school construction pieces put together by Chris and Mike. There was a rumor Sperling was coming to the meeting (they scheduled it so he could attend).

Agricultural - general

PRESIDENT CLINTON'S RURAL ACTION PLAN FOR AMERICA
July 23, 1998

FIVE AND A HALF YEARS OF PROGRESS, BUT CHALLENGES REMAIN. For five and a half years, President Clinton and Vice President Gore have worked to expand opportunity for rural Americans and farm families. The Administration has provided critical disaster assistance to rural homeowners, farm owners, and business owners, as well as to ranchers who have lost livestock, fought to expand U.S. agricultural exports, improved our school lunch programs by buying surplus commodities, and worked to diversify the sources of enterprise and income in rural America. But rural America still faces challenges -- with the economic crisis in Asia weakening some of our best customers for farm products, strong world crop production bringing prices down, and farmers facing floods and fires and drought and crop disease.

TODAY, PRESIDENT CLINTON ANNOUNCES IMPORTANT STEPS TO ADDRESS THESE CHALLENGES.

- ***An Action Plan for Rural America.*** President Clinton today is laying out a four-point action plan for rural America that:
  - ✔ Expands the rural economy through exports and development;
  - ✔ Improves the farm income safety net;
  - ✔ Strengthens our rural infrastructure by improving transportation, protecting universal service, and improving our schools; and
  - ✔ Promotes health, welfare, and a clean environment for rural America.

- ***Agriculture Disaster Assistance for Texas Counties.*** President Clinton today is announcing that all Texas counties are eligible for disaster assistance, making additional help available to producers whose crops have been ravaged by drought. The President will dispatch Secretary Glickman to Texas and Oklahoma next week to survey the hardest-hit regions and to report back on other steps that we should take.

A FOUR-POINT ACTION PLAN FOR RURAL AMERICA

1. EXPANDING THE RURAL ECONOMY THROUGH EXPORTS AND DEVELOPMENT

- ***Implementing the Wheat Purchase Initiative.*** On Saturday, President Clinton took strong steps to help our family farmers by reducing crop surpluses. He directed the Secretary of Agriculture to purchase 80 million bushels of wheat, which will lift prices for all wheat. The President launched a new initiative to press the struggle against world hunger, donating U.S. wheat to countries where the need is greatest -- places such as Sudan and Indonesia.

- ***Fighting for Full Funding of the IMF to Shore Up America's Customers Around the World.*** We must keep the market for our products growing by giving the International Monetary Fund the resources it needs to stabilize Asian economies that are critical customers for America's farmers. Farm and other exports are responsible for 30% of the economic growth we have enjoyed since 1993.

- ***Exempting Food Exports from U.S. Sanctions Policy.*** The President believes that commercial exports of food and other basic human necessities should be excluded from economic sanctions as a matter of general principle -- except under compelling circumstances. President Clinton signed into law an exemption for US food exports from economic sanctions required by the nuclear non-proliferation law. This law allows American farmers to continue selling wheat to Pakistan, the market for 7 percent of US wheat. But Congress should do more to give us the flexibility we need to protect our domestic interests, without harming our foreign interests. This could best be accomplished by including in any sanctions legislation authority for the President to determine whether exempting food would be in the national interest.

- ***Promoting an Aggressive Regional Approach to Free Trade.*** The Clinton Administration has a comprehensive approach to opening agricultural markets in our key export markets. NAFTA opened Mexico and Canada to U.S. exports. We have established an agricultural negotiating group in talks for a Free Trade Area of the Americas and kicked off discussions on specific agricultural products among our Asian partners. We are also working ~~to~~ with the Europeans to approve the sale of genetically modified organisms there.

- ***Enforcing Our Trade Agreements.*** This administration has fought and won a number of important agricultural disputes, including the European Union's restrictions on hormone grown beef, and pork to the Phillippines. We have been aggressive in using every tool at our disposal to ensure that agreements made are agreements kept. And now, the President and Vice President are pressing France to clear the way for $100 million in U.S. corn exports.

- ***Promoting Farm Exports.*** The Clinton Administration has nearly doubled USDA export financing in the past year to nearly $6 billion. On July 7, the Administration proposed legislation to ensure the flexibility to move Export Enhancement Program (EEP) balances left at the end of the year into other programs to fund additional sales of US crops. This year, the President proposed that unused balances be carried over into subsequent years to expand US exports. Congress should move quickly to approve these initiatives.

- ***Increasing Access to Capital in Rural America.*** The Clinton Administration has invested more than $175 million in the nation's three rural empowerment zones and 33 rural enterprise communities (EZ/ECs) since 1995, creating or saving over 7,000 jobs. And more than 700,000 rural citizens now receive additional services in the EZ/EC's as a result of USDA loans, grants, and programs. The Administration wants to build on this effort to bring economic development to distressed rural areas by providing $40 million in mandatory grants to each of the five new rural EZ's over the next 10 years.

2. IMPROVING THE FARM INCOME SAFETY NET

- ***Urging Congress to Help Farmers and Ranchers in Need through Emergency Funding.*** Last week, President Clinton called on Congress to relieve farm financial stress, urging emergency funding to address extraordinary conditions in many regions of the country. The bill is now going to conference, and the Administration urges the conference committee to include emergency funding for the three purposes the President recommended:

- Supplemental Crop Insurance Benefits would make new supplemental crop insurance payments to farmers who have had losses sufficient to trigger regular crop insurance indemnity payments in three out of the last five years (on the condition that the indemnity payment was greater than the insurance premium paid by both the farmer and USDA). This option avoids market intervention while providing assistance to areas in greatest need and would benefit about 45,000-50,000 farmers.

- Crop and Pasture Flood Compensation would make payments to farmers and ranchers whose crop or pasture land is under standing water (a problem particularly in parts of the Dakotas). They would receive payments equal to the rental value of the land each year the land is flooded.

- Replenish the Disaster Reserve for Livestock Feed Losses to replenish a fund used to provide emergency feed and livestock assistance to cover and prevent losses due to natural disasters. The 1996 Farm Bill limited the disaster reserve to about $60 million in resources; these resources are now almost exhausted and there is no authority to replenish the fund. The program has helped get feed to cattle after blizzards in the Dakotas, New Mexico and the Midwest, but has also aided livestock producers in New York and California.

The Administration is assessing the damage that farmers and ranchers have suffered, because of natural disasters and will be providing the most current estimates to Congress.

- ***Enhancing the Fund for Rural America.*** The Fund provides additional resources for rural development and innovative agricultural research that are vital to improving the quality of life in rural America and increasing the productivity of U.S. farmers. The Administration proposed creating the Fund in 1996 to boost the overall Federal investment in these activities. Unfortunately, Congress is not giving a penny to the Fund for Rural America this year. We will continue to fight for full funding -- $300 million over the next five years.

- ***Modernizing Agricultural Research***. The President recently signed into law the Agricultural Research, Extension, and Education Reform Act of 1998, which puts funding for crop insurance on a sure footing for the future, and boosts investment on agricultural research and rural development. Unfortunately, the House has moved to block $120 million of this mandatory funding for next year.

- ***Improving Crop Insurance.*** The President has instructed Secretary Glickman to redouble his efforts to augment the current crop insurance program to more adequately meet farmers' needs to protect against farm income losses. Federal crop insurance represents a fundamental fabric of the farm safety net, yet circumstances in some regions reveal the shortcomings of the current program.

3. Strengthening Rural Infrastructure by Improving Transportation, Protecting Universal Service, and Improving our Schools

- ***Investing in Rural Transportation Systems.*** President Clinton recently signed the Transportation Equity Act for the 21st Century (TEA-21), which guarantees $198 billion over six years to continue rebuilding America's transportation infrastructure. Rural America will benefit from new and rebuilt roads, expanded life-line paratransit services, a greater voice in transportation investment decision-making to ensure that rural areas receive their fair share of federal funds. TEA-21 also dedicates funding to help rural welfare recipients get to jobs, and extends the Ethanol Tax Credit through 2007.

- ***Developing a Long-Term Agricultural Transportation Strategy.*** In Kansas City on July 27-28, Secretary Glickman will host a summit on "Agricultural Transportation Challenges for the 21st Century." Transportation Secretary Rodney Slater will join Secretary Glickman in announcing plans to develop a Long-Term Agricultural Transportation Strategy to help meet these important challenges.

- ***Continuing Air Service.*** President Clinton has continued the record $50 million in annual Essential Air Service operating subsidies to smaller, more isolated communities that otherwise would not be served by commercial carriers.

- ***Protecting Universal Service.*** President Clinton strongly supports universal service to ensure that all Americans have access to affordable telephone service for telecommunications. More than 38 million residential and business subscribers are served by telephone companies that receive support for serving "high cost" (rural) areas. Without universal service, telephone rates would be prohibitively expensive for many Americans living in rural areas, and they would not be able to access the Internet or phone service. All Americans would then lose, since our telecommunications system is much more valuable to the nation when we are all connected. The President strongly supports expanding universal service to include schools, libraries, and rural health care providers. Unfortunately, some members of Congress are threatening repeal of the e-rate and undermine universal service.

- ***Pushing for Rural School Modernization.*** Almost one-half of the nation's 80,000 public elementary and secondary schools are located in rural or small town areas. According to the U.S. General Accounting Office, 30 percent of those rural and small town schools (educating 4.5 million children) have at least one building in need of extensive repair or replacement. We must move forward this year with a comprehensive effort to address the needs of rural schoolchildren.

- ***Improving Distance Learning.*** President Clinton has proposed legislation to make it easier for Americans to gain access to new skills using distance learning. In his new Higher Education Act proposal, the President seeks to broaden opportunities for distance learners by including computers in the "cost of attendance" for purposes of financial aid; allowing institutions that offer more than 50 percent of their courses using distance learning to be eligible for student aid; and providing grants to "virtual universities" and other experiments with distance learning with a program called "Learning Anytime, Anywhere Partnerships." The Administration's Distance Learning initiative includes loans and grants to help bring the most modern technology and education to rural America.

4. PROMOTING HEALTH, WELFARE, AND A CLEANER ENVIRONMENT FOR RURAL AMERICA

- ***Advancing 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. The program 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.

- ***Improving Food Safety.*** The President's Food Safety Initiative is a comprehensive plan for improving food safety, including education, new technology, standards and more inspectors to make sure all food, including food that is imported, is safe. Congress should fund this $101 million initiative when it is raised in conferences on appropriations bills. The President has also called on Congress to pass the Food Safety Enforcement Enhancement Act, which gives USDA the ability to assess civil fines and to order mandatory recalls of unsafe meat and poultry products.

- ***Welfare-to-Work.*** One of the biggest barriers facing people who move from welfare to work, particularly in rural areas, is finding transportation to get to jobs, training, and child care centers. The President's new transportation bill authorizes $750 million over five years for his initiative to help those on welfare get to work. Last year's balanced bill included $3 billion to help move the people who are hardest to place people into jobs -- $700 million of it to be awarded on a competitive basis -- about 30% to rural areas.

- ***Promoting Clean Water.*** To promote private conservation efforts, the President's new Clean Water Action plan includes about $100 million a year in new resources for farmers to help control polluted runoff, create 2 million miles of buffer zones next to waterways, and develop pollution prevention plans covering more than 35 million acres.

- ***Providing Safe Drinking Water***: In 1994 President Clinton launched the Water 2000 Initiative to help upgrade and expand drinking water service in rural communities plagued by some of the nation's worst water quality, quantity, and dependability problems. Water 2000 has already improved drinking water quality or provided a public water supply for the first time to some 2.5 million people in over 1,300 rural communities nationwide.

- ***Making Rural Areas Safer.*** The President has awarded more than $2.3 billion in COPS grants to 10,500 law enforcement agencies serving small communities. 49% of the grants were awarded to communities with populations of fewer than 10,000.