

NLWJC - Kagan

DPC - Box 001 - Folder 021

Agriculture - General [2]

**Briefing Book for Rural Press Conference
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- Tab C** Anticipated Q&A from Journalist - The attached document describes the radio hosts, their radio networks, and markets who will actually participate on tomorrow's call. The Department of Agriculture surveyed their general areas of interest and provided short guidance on those topics. Understandably, many of the questions cover similar ground, so tomorrow the questions may well be broader-ranging as reporters try to avoid being duplicative.

Background One-Pagers and Q&A on Rural America

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July 22, 1998

**CONGRESSIONAL MEETING ON AGRICULTURE AND
RURAL RADIO CONFERENCE CALL**

DATE: July 23, 1998
LOCATION: Oval Office
TIME: 3:00 PM EDT
FROM: Mike McCurry &
Megan Moloney

I. PURPOSE

This event will give you an opportunity to outline your plans for dealing with the immediate crisis affecting America's farms, point out areas where Congress has failed to act, and to speak more broadly about your agenda for rural America.

You will discuss these issues first with Members of Congress in the Roosevelt Room. You will then participate in a conference call with 7 farm broadcasters on the same issue.

II. BACKGROUND

For five and a half years, you have worked to expand opportunity for rural Americans and farm families. The Administration has helped farmers manage risk and address market volatility; provided critical disaster assistance to rural homeowners, farm owners, and business owners, as well as to ranchers who have lost livestock; expanded 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 you will announce important steps to address these challenges.

- 1) 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 and welfare for rural America

- 2) Policy to exempt food exports from U.S. sanctions policy
- 3) Agriculture disaster assistance for Texas counties

III. PARTICIPANTS

Briefing: 1:15 - 2:15 PM

The President
Secretary Glickman
Rahm Emanuel
Mike McCurry
Gene Sperling
Bruce Reed
Daniel Heath
Lowell Weiss
Greg Frazier, USDA Chief of Staff
Tom Amontree, USDA Public Affairs

Congressional Pre-Meeting: 2:15 - 2:20 PM

The President
Secretary Glickman
Sen. Daschle
Rep. Gephardt

Congressional Meeting: 2:20 - 2:55 PM

The President
Secretary Glickman
Sen. Daschle
Rep. Gephardt
(See attachment for members invited to attend)

Conference Call: 3:00 - 3:45 PM

The President
Secretary Glickman
7 Farm Broadcasters (see attachment)
6 Future Farmers of America Officers (see attachment)
Megan Moloney
Julianne Corbett
White House Communications (WHCA) Personnel
White House Television (WHTV)
White House Photographer

IV. PRESS PLAN

The Congressional Meeting is **POOL PRESS** coverage. Following the event, Members will do interviews with their local television, radio and print outlets from both the North Lawn and Capitol Hill.

The Conference Call is **STILLS ONLY** at the conclusion of the call. Audio from the call will be available to radio stations and print reporters by way of a listen-only phone line being set up by the USDA. In addition, the National Association of Farm Broadcasters is making the program available to its nearly 2000 member stations. The call will also be simulcast on the White House Web site.

V. SEQUENCE OF EVENTS

- 1:00 Briefing begins
- 2:15 You greet Rep. Gephardt and Sen. Daschle
- 2:20 You proceed to the Roosevelt Room for remarks to Members of Congress
(Note: Your remarks will be covered by the pool. Upon conclusion of the remarks, you will need to briefly exit the room so that the press can be pulled out of the Roosevelt before you speak individually with the Members.)
- 2:55 You proceed to the Oval Office
- 3:00 Conference call begins with opening remarks from Secretary Glickman, followed by your opening remarks. Secretary Glickman will then moderate the call as each reporter asks one question.

VI. REMARKS

There will be brief opening remarks at the beginning of the call. Remarks will be provided by the Office of Speechwriting.

VII. ATTACHMENTS

- Congressional invitation list
- Farm Broadcasters information
- Future Farmers of America Officers information
- Q&A

CONGRESSIONAL INVITATION LIST

The following Members of Congress have been invited to attend the meeting and listen to the conference call on agricultural issues.

Sen. Tom Daschle	Rep. Lane Evans
Sen. Max Baucus	Rep. San Farr
Sen. Barbara Boxer	Rep. Virgil Goode
Sen. Dale Bumpers	Rep. Earl Hilliard
Sen. Max Cleland	Rep. Holden
Sen. Kent Conrad	Rep. Darlene Hooley
Sen. Byron Dorgan	Rep. Jay Johnson
Sen. Dick Durbin	Rep. Chris John
Sen. Russ Feingold	Rep. Ron Kind
Sen. Bob Graham	Rep. Nick Lampson
Sen. Tom Harkin	Rep. Mike McIntyre
Sen. Fritz Hollings	Rep. David Minge
Sen. Tim Johnson	Rep. Collin Peterson
Sen. Bob Kerrey	Rep. Earl Pomeroy
Sen. Herb Kohl	Rep. Glenn Poshard
Sen. Mary Landrieu	Rep. Max Sandlin
Sen. Patrick Leahy	Rep. Ike Skelton
Sen. Carol Mosley-Braun	Rep. Vic Snyder
Sen. Patty Murray	Rep. Debbie Stabenow
Sen. Harry Reid	Rep. Charlie Stenholm
Sen. Charles Robb	Rep. Ted Strickland
Sen. Jay Rockefeller	Rep. Bennie Thompson
Sen. Paul Wellstone	Rep. Jim Turner
Sen. Ron Wyden	
Rep. Dick Gephardt	
Rep. Scotty Baesler	
Rep. John Baldacci	
Rep. Marion Berry	
Rep. Sanford Bishop	
Rep. Leonard Boswell	
Rep. George Brown	
Rep. Eva Clayton	
Rep. Gary Condit	
Rep. Jerry Costello	
Rep. Bud Cramer	
Rep. Pat Danner	
Rep. Cal Dooley	
Rep. Bobby Etheridge	

FARM BROADCASTERS PARTICIPATING IN CONFERENCE CALL

Agrinet Farm Radio Network

Based in Kill Devil Hills, North Carolina, this network has 300+ affiliates in Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia, North Carolina, South Carolina, New York, Illinois, Ohio, South Dakota, Texas and Wisconsin

Interviewer: Bill Ray

Brownfield Network

Based in Jefferson City, Missouri, this network has 200+ affiliate stations in Arkansas, Colorado, Illinois, Indiana, Kansas, Missouri, Nebraska and Tennessee

Interviewer: Shelley Beyer

Texas State Agricultural Network

Based at KRLD-AM in Dallas, this network has 50 affiliate stations throughout Texas. This network is also affiliated with the Texas State Radio Network, which has an additional 60 stations (total of 110 statewide stations).

Interviewer: Tony Purcell

Arkansas Radio Network Agriculture

Based at KARN-AM/FM in Little Rock, this network has 29 Ag stations and 67 statewide affiliates. Stewart Doan will be the interviewer and is a farm broadcaster based in Little Rock. Mr. Doan is also the current president of the National Association of Farm Broadcasters. The NAFB will make audio from the entire program available to its more than 2000 radio station affiliates nationwide.

Interviewer: Stewart Doan

Red River Farm Network

Based in Grand Forks, North Dakota, this network has 14 affiliate stations in Northwest Minnesota, and Eastern North Dakota.

Interviewer: Mike Hergert

WHO-AM, Des Moines, Iowa

WHO-AM is a 50,000 watt clear-channel radio station that reaches most of Iowa and several surrounding states. The President has previously interviewed with WHO-AM.

Interviewer: Gary Wergen

WGNS-AM, Murfreesboro, Tennessee

WGNS-AM is 1,000 watt radio family owned and operated talk-news-sports station in Murfreesboro. The station does heavy early morning and late afternoon news and ag coverage and has high listenership among the local farm community.

Interviewer: Bart Walker

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.

NO MENTION OF TOBACCO
BUT "PROMOTING FARM EXPORTS"
" "

NO MENTION OF TOBACCO

x

- ***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 Phillipines. 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/aEC'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 continuing to assess the damage that farmers and ranchers have suffered because of natural disasters and will be providing the most current estimates to Congress so that the final conference report responds to all the disasters.

- ***Enhancing the Fund for Rural America.*** The Fund provides additional resources for rural development and innovative agricultural research that are vitally needed to improve the quality of life in rural America and increase 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. 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, protecting the environment by encouraging the use of ethanol in gasoline.
- ***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 more than \$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.

Audio-bridge with President Clinton and Secretary Glickman
Thursday, July 23 @ 3:00 p.m. ET
Questioner list

Brownfield Network

Interviewer: Shelley Beyer

Phone: 573-893-5700

Topic: What can we do about low farm prices? Also interested in fast track and IMF.

Based in Jefferson City, Missouri, this network has 200+ affiliate stations in Arkansas, Colorado, Illinois, Indiana, Kansas, Missouri, Nebraska and Tennessee.

Q: What are you going to do about the rapid decline in farm income?

A: The first thing that we need to recognize is that this is a major drought coupled with other things that are beyond the control of the farmer -- severe weather and a serious economic downturn in Asia where many of our biggest customers are. That's why government must respond quickly to farmers and ranchers who are suffering.

That's why we are pushing Congress to approve emergency assistance for farmers and ranchers who are experiencing financial stress from natural disasters and low prices. In addition, we are purchasing surplus wheat which will be used to help needy people overseas. We are also challenging Congress to improve the farm safety net in a number of very specific ways. We are also looking for ways to strengthen crop insurance, which is a key component of the safety net so that those who suffer repeated disasters are adequately compensated.

Q: Why is IMF funding so important to farmers and ranchers?

A: When major U.S. agricultural markets like Indonesia, Korea, Russia, and other countries in Southeast Asia experience an economic crisis, they can't afford to buy our goods. The IMF helps stabilize those economies, while they make important structural reforms to open their economies. This provides U.S. farmers and ranchers with both benefits, because it ensures that our customers around the world are strong enough to buy American farm products.

That's why it is so disturbing that Congress has failed to act to provide full funding for the IMF. Delaying this important legislation is a mistake that puts American jobs, farmers, and savers at risk. There is no doubt that the resources of the IMF are stretched dangerously thin -- especially in the wake of the Russia package. Failing to act responsibly now only increases the risks to American jobs and exports.

Q: What about Fast Track?

A: Fast track is critical to our long term ability to negotiate strong agreements to break down unfair trade barriers around the world. I applaud the agricultural community's support for free trade. Agriculture stands to gain perhaps more than any other sector of our economy from breaking down trade barriers overseas. That's why we have put agriculture at the top of the agenda for WTO trade negotiations set to begin in 1999.

But the most important thing we can do this year to give the IMF the funds it needs to improve help American farmers. The IMF helps stabilize those economies, while they make important structural reforms to open their economies. This provides U.S. farmers and ranchers with both benefits, because it ensures that our customers around the world are strong enough to buy American farm products.

That's why it's so disturbing that Congress has failed to act to provide full funding for the IMF. Delaying this important legislation is a mistake that puts American jobs, farmers, and savers at risk. There is no doubt that the resources of the IMF are stretched dangerously thin -- especially in the wake of the Russia package. Failing to act responsibly now only increases the risks to American jobs and exports.

WHO-AM, Des Moines, Iowa

Interviewer: Gary Wergen

Phone: 515-242-3550

Topic: Gary will ask what we can do about low farm prices -- uncapping loans; accelerating payments. And, trade, specifically, IMF, sanctions and fast track.

WHO-AM is a 50,000 watt clear-channel radio station that reaches most of Iowa and several surrounding states. The President has previously interviewed with WHO-AM.

See above, for farm prices Q&A

See above, for IMF Q&A

Arkansas Radio Network -- Agriculture

Interviewer: Stewart Doan

Phone: 501-661-7612

Topic: Will ask about low commodity prices and reaction to the Democratic Congressional proposals to improve the safety net. Also interested in IMF funding and fast track.

Based at KARN-AM/FM in Little Rock, this network has 29 Ag stations and 67 statewide affiliates. Stewart Doan will be the interviewer and is a farm broadcaster based in Little Rock. Mr. Doan is also the current president of the National Association of Farm Broadcasters. The NAFB will make audio from the entire program available to its more than 2000 radio station affiliates nationwide.

Q: How would you strengthen the Farm Safety Net?

A: When I signed the 1996 Farm Bill, at a time when prices were strong, I made clear my concern that there was not an adequate safety net for farmers. The bill had to be signed to avoid putting farmers in an even more difficult situation under the old 1949 Farm Bill.

We have also proposed legislation to Congress to improve the 1996 Farm Bill to strengthen the safety net for family farmers. Our proposals would extend the term of marketing assistance loans; increase planting flexibility; allow flexibility in farmers can receive advance AMTA payments, improve credit availability and modify the "one strike" policy for farmers who have had a debt writedown; let farmers use USDA guaranteed operating loans to refinance; expand and improve crop insurance; compensate farmers whose crop and pasture land is flooded; and provide emergency feed assistance to livestock producers suffering from drought, and allow us to use leftover EEP funds in future years for food aid and other purposes.

Texas State Ag Network

Interviewer: Tony Purcell (Julius Graw as backup)

Phone: 817-543-5525

Topic: Concerned about drought relief for Texas. Also, the recent decision to purchase surplus wheat for humanitarian efforts.

Based at KRLD-AM in Dallas, this network has 50 affiliate stations throughout Texas. This network is also affiliated with the Texas State Radio Network, which has an additional 60 stations (total of 110 statewide stations).

Q: Why can't you do more to help livestock producers who suffer losses due to drought?

A: Unfortunately, the 1996 Farm Bill suspended USDA's emergency feed programs until 2002. This is authority we would like to have back. We expended all available funds from the sale of grain in the Disaster Reserve Assistance Program addressing last year's livestock emergencies and have no congressional authority to replenish those stocks. Last week, I proposed emergency legislation to replenish this reserve with commodities forfeited to the USDA. Congress should move quickly to get this legislation to my desk to sign it.

Red River Farm Network

Interviewer: Mike Hergert

Phone: 701-795-1315

Topic: Wants to follow up on Saturday's announcements. And, are we considering any changes to crop insurance?

Based in Grand Forks, North Dakota, this network has 14 affiliate stations in Northwest Minnesota, and Eastern North Dakota.

Q: What are you doing to improve crop insurance?

A: In addition to all our recent announcements, I have asked the Secretary to look at other ways we can help get our farmers through these tough times. We have already made several changes to crop insurance and we are studying new ways to make it better.

Agrinet Farm Radio Network

Interviewer: Bill Ray

Phone: 919-480-1372

Topic: What are the Administration's suggestions for long term help for farmers. Would we consider returning to provisions from the pre-1996 farm bill?

Based in Kill Devil Hills, North Carolina, this network has 300+ affiliates in Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia, North Carolina, South Carolina, New York, Illinois, Ohio, South Dakota, Texas and Wisconsin

Q: Would you consider returning to provisions from the pre-1996 Farm Bill

A: I have no intention of returning to the supply management programs of the past. We don't want to go back to the days when government micro-managed farmers, telling them what to plant and when to plant. The Farm Bill's flexibility has proven to be very beneficial to American agriculture in our global economy. Today, our farmers and their products are second to none in innovation and productivity.

But, when I signed the Farm Bill two years ago, I said I was very concerned about its failure to provide an adequate safety net. Unfortunately, that bill took away our authority to respond quickly to disasters. We still are not satisfied that the 1996 Farm Bill provides an adequate safety net for farmers and we have put forward a number of proposals to strengthen it.

WGNS-AM, Murfreesboro, Tennessee

Interviewer: Bart Walker

Phone: 615-893-5373

Topic: What can we do to save the family farm. And, what do you see as the differences between the Republican and Democratic proposals to help farmers.

WGNS-AM is 1,000 watt radio family owned and operated talk-news-sports station in Murfreesboro. The station does heavy early morning and late afternoon news and ag coverage and has high listenership among the local farm community.

Q: What can we do to save the family farm?

A: I am very concerned about the decline in family farms. We believe a comprehensive approach is needed to help keep farmers on the land. That's why we are working to expand markets abroad for American farm products and to make sure that there is a safety net when unforeseen events devastate people's lives and livelihoods.

Family farmers also need access to credit and that's why we have endorsed legislation which would give farmers a second chance by modifying the "one strike and you're out" provisions in the 1996 Farm Bill. The Agriculture Department has also established an Office of Outreach to provide technical assistance to farmers so they can remain competitive. In addition, we're targeting our agricultural research to address their needs.

Q: What is the difference between the Republican and Democratic proposals to help farmers?

A: There are some in Congress who just think we should leave the market alone and leave these families to the ups-and-downs of the market. They are apparently content to ride out this economic downturn and focus on increasing exports, even though many of our farmers and ranchers are suffering from economic and natural disasters that require action.

We believe the farm safety net needs to be strengthened. We have put forward proposals to address the inadequacies of the safety net which have not been acted upon by Congress. In the meantime, we have exercised what administrative authority we have to help farmers and ranchers -- buying surplus wheat and donating it to people around the world facing real hunger..

On the trade front, we are pushing Congress to provide full funding for the International Monetary Fund, which can help restore stability to the Asian economies, which are such critical customers for America's farmers. We are also pushing for a more rational sanctions policy that exempts basics such as commercial exports of food and medicine except under compelling circumstances.

STATE OF THE FARM ECONOMY

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

Increased supplies and reduced overseas demand have sharply lowered prices, particularly for wheat, feed grains and soybeans. Crop receipts are forecast down \$3.3 billion from 1997, led by a \$2.3 billion drop in sales of feed crops, mainly corn. Crop receipts for 1998 are also \$2.3 billion below the 1996 level. Changes in government payments have not been a major contributor to declining income. They are forecast at \$7.4 billion for 1998, compared with \$7.9 billion in 1997 and \$7.3 billion in 1996.

Total farm production expenses have been rising and are expected to be \$4.3 billion higher in 1998 compared with 1996, which also contributes to the drop in net farm income between 1996 and 1998. Much of the income drop is concentrated in grains. Wheat and corn net cash income is forecast to be 48 percent below 1996 levels, while net cash income levels for cotton and soybeans are expected to decline 43 percent and 40 percent from 1996 levels.

The income decline since 1996 is not uniform across sectors. The livestock and poultry sectors have benefitted from lower feed costs and improved forage conditions that have helped to offset generally lower prices. Dairy prices have fluctuated sharply, but remain above last year's and 1996's record levels. Export markets for rice have continued strong despite problems in the Asia, and cotton prices remain strong relative to average levels over the 1990s, although production will be down sharply due to reduced plantings and drought in the Southern Plains and Southeast.

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

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

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

<u>Commodity</u>	<u>1990/91-97/98 Average</u>	<u>1998/99 Forecast</u>	<u>Percent Change</u>
Wheat (\$/bu)	3.48	2.90	-17
<u>Commodity</u>	<u>1990/91-97/98 Average</u>	<u>1998/99 Forecast</u>	<u>Percent Change</u>
Corn (\$/bu)	2.49	2.15	-14
Soybeans (\$/bu)	6.16	5.35	-13
Fed cattle (\$/cwt)	71.4	64.0	-10
Hogs (\$/cwt)	47.1	36.5	-23
Broilers (cents/lb)	55.4	60.0	+8
Milk (\$/cwt)	13.1	13.7	+4

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 39 percent, and soybean income, down 12 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 7 years. For the 1998/99 season, wheat prices are projected to average \$2.90 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 \$2.15 per bushel, compared with an estimated \$2.45 this season. Soybean prices are expected to fall from \$6.45 per bushel this season to \$5.35 in 1998/99. Cotton prices have also been under pressure as China took the unusual step of exporting large amounts of cotton. In June, 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 6 months from 1 year ago levels. So far, this year, cattle and broiler prices are down 2 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-year-old 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 6 months of 1998, the all-milk price averaged \$14.08 per cwt., up 7 percent from 1 year ago. Recent strength in product markets marked by strong increases in butter and cheese prices suggest that milk prices will remain strong over the coming months. Lower feed prices and better forage quality and availability will reduce production expenses.

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

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

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

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

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

COMMODITY PRICES AND THE FARM ECONOMY

Question: Is the farm sector in a crisis?

Answer: Overall, the U.S. agricultural economy is performing well, but some sectors of agriculture are under stress, and in certain states, considerable stress. Declining commodity prices are taking their toll, particularly on farmers in the Northern Plains, where wheat accounts for roughly 45 percent of the value of all agricultural production. In recent weeks, the Kansas City market for wheat dropped below \$3 per bushel for the first time since 1991. In the Northern Plains, farm income has fallen sharply due to three straight years of record and near-record world wheat production, declining exports, and repeated years of sustained crop losses.

The problems are not limited to the Northern Plains: this year, farm income from wheat, corn, and soybeans will be well below the five year average. With corn, cattle, and soybean prices all down, these regional problems are growing and are a cause for national concern.

Question: Why are prices weak for major commodities?

Answer: There are many reasons. For one, world grain production is up: this is the third year in a row of record and near-record wheat, corn, and soybean crops. At the same time, demand is down: this year our producers face a triple challenge on the export front: weak demand in Asia, increased export competition due to large world supplies, and a stronger U.S. dollar.

RECENT ADMINISTRATIVE ACTIONS TO ASSIST FARMERS AND RANCHERS

North Dakota announcements - Sec. Glickman unveiled on June 9, 1998 a package of USDA program changes (\$12 million for disaster relief; numerous improvements in Federal crop insurance, including a pilot program for the Northern Plains; research funding for wheat diseases; \$100 million to finance wheat exports).

Wheat gluten safeguard relief - The President decided on May 30, 1998 to protect the beleaguered US wheat gluten industry from unreasonably low-priced EU imports by imposing an import quota for three years under Section 201 authority.

Defense of US barley - The NEC decided on May 27, 1998 to use Export Enhancement Program (EEP) subsidies to export US barley to EU markets in retaliation for EU subsidized sale of barley to California over the Administration's protests.

Innovative use of EEP - The NEC Deputies decided on May 6, 1998 to subsidize targeted sales of US commodities in response to specific foreign trade injuries. Poultry sales to EU markets were approved in light of the unsatisfactory result of negotiations with the EU over veterinary equivalency. EEP would be used also to offset transport costs to markets presenting "risk" to US exporters through unfair trade barriers.

Dairy exports - The NEC Deputies decided on May 6, 1998, in response to EU intentions, to authorize sales of 30,000 additional tons under the Dairy Export Incentive Program (DEIP) that had been announced in previous years but not actually used.

WTO speech - The President's May 18, 1998 speech in Geneva to the World Trade Organization gave prominence to agriculture as he emphasized the urgency of continued worldwide reductions in trade barriers and subsidies, and the need to accept biotechnology's help in feeding the world's population.

EU labeling - The President helped to avert a potentially huge impediment to US crop exports on March 17, 1998 by urging Irish Prime Minister Ahern to cast the deciding vote in favor of the EU's decision to not allow product labels to discriminate against US grain crops developed with biotechnology.

Ethanol - White House statements on June 9, May 29, and May 22 (and statements from the Vice President on May 7, March 26, and March 20) support the use of ethanol, popular with corn growers, and the Federal tax incentive for ethanol production. Secs. Rubin, Glickman and Slater similarly wrote in support of ethanol on April 28, 1998.

Protecting US corn markets - In the face of France's resistance to European imports of US corn produced with biotechnology, Amb. Barshefsky warned the EU in April, sent a formal demarche and protest on June 4 and June 8, 1998. Actions are continuing.

Sugar - USTR initiated a WTO challenge on May 8, 1998 against Mexico for its dubious impediments to US high fructose corn syrup exports. On May 18, 1998 USTR initiated an investigation of these unfair trade practices by Mexico under Section 301.

Asia crisis - USDA is actively protecting Asian markets for US agricultural products since the currency crisis appeared, mainly through its export financing programs. The latest initiatives are 1) guaranteeing the cost of freight for shipments made to Indonesia, thus speeding the completion of such deals (June 8, 1998); and 2) an additional \$60 million of financing for exports to South Korea (May 5, 1998) joined the \$440 million announced April 24, 1998, and brought the level of USDA export financing to its highest level in six years.

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

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

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

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

Removal and Disposal of Surplus Commodities - On July 18, 1998, President Clinton announced that USDA's Commodity Credit Corporation, under Section 5 of its Charter Act, will purchase \$250 million worth of wheat that will be donated to countries struggling to control chronic hunger. In his address, the President said USDA would work with the U.S. Agency for International Development "to oversee substantial donations of U.S. wheat to countries where the need is greatest." The purchases will total more than 80 million bushels of wheat, which could lift prices as much as 13 cents per bushel. USDA currently projects this year's total supply of wheat at 3.336 billion bushels. Thus, USDA purchases will approximate 2.4 percent of total supply.

PENDING ADMINISTRATION LEGISLATIVE PROPOSALS

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

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

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

On July 16, 1998, the Senate passed the FY1999 agricultural appropriations bill, which includes an amendment by Senator Robb to reform agricultural credit programs, including a provision clarifying the definition of debt forgiveness to exclude restructuring, write-downs or net recovery buyouts as part of the resolution of discrimination complaints against USDA. This amendment further excludes as "debt forgiveness," restructurings and write-offs where the financial problem of a borrower is due to a natural disaster or a medical condition.

Possible action: Congressman Larry Combest is considering legislation that would restore eligibility for guaranteed loans to many borrowers who have received debt forgiveness. Congressman Combest's proposal does not go as far to address the problem of restored eligibility as USDA would like to see.

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

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

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

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

Who will this change help?: Allowing the unrestricted use of funds to service the

principal debt of real estate loans will assist family size farmers by making more guaranteed operating credit available in a manner consistent with standard industry practices.

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

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

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

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

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

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

These legislative initiatives, incorporate some but not all of the Administration's proposals and add other provisions; they would (1) remove the cap on commodity support rates; (2) allow the Secretary to extend the term of commodity loans by 6 months; and (3) give "high priority" to projects that encourage farmer-owned, value-added processing facilities.

Daschle offered this initiative as an amendment to the Senate's FY99 agriculture appropriations legislation, but the measure failed. Senate agriculture committee chairman, Richard Lugar, R-Ind., and several other Republican Senators who have publicly expressed their opposition to the proposal.

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

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

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

Emergency Assistance for Farmers and Ranchers: On July 15, 1998, President Clinton in a letter to Senator Daschle, indicated that he was instructing the Secretary of Agriculture to redouble his efforts to augment the current crop insurance program to more adequately meet farmers' needs to protect against farm income losses. Further, the President expressed support for an amendment by Senator Conrad to the FY1998 agricultural appropriations bill, providing emergency assistance for farmers and ranchers. The President suggested that the emergency funding should be used for a supplemental crop insurance program for farmers who experience repeated crop losses, a compensation program for farmers and ranchers whose productive land continues to be under water, and extended authority for the livestock disaster program. These proposed programs were further described in a letter from Secretary Glickman to Senator Conrad on July 16, 1998.

U.S. AGRICULTURAL EXPORTS

The U.S. Department of Agriculture (USDA) currently estimates fiscal year 1998 exports at \$55 billion -- \$2.3 billion lower than 1997 sales and \$4.8 billion below the 1996 record.

Farmers and ranchers are facing three challenges: weak demand in Asia, increased export competition due to large world supplies, and a strong U.S. dollar. Our once strong, vibrant markets in Asia have turned sluggish due to the financial crisis affecting the region. Major competitors around the world have produced bumper crops. Our strong currency is making our products less price-competitive in overseas markets, particularly in many Asian markets where currency has devalued. Competitor currencies have also fallen, especially those of Australia and Canada.

However, there are some bright spots in the export picture. We are seeing strong gains in exports to our North American Free Trade Agreement (NAFTA) partners, Mexico and Canada, up 19 percent and 8 percent, respectively, over 1997. We also expect increases to South and Central America and the Caribbean -- our exports to Latin America are up nearly 18 percent over 1997.

Exports are vital to U.S. agriculture and the entire American economy. Crops from about one of every three acres are exported. American agriculture is one of the largest positive contributors to our balance of trade, and it is expected to net \$17 billion this year. We estimate that every \$1 billion in exports generates at least an additional \$1.3 billion in economic activity, resulting in increased jobs, profits, and a stronger economy.

That is why we are pushing a comprehensive trade agenda that seeks new opportunities for U.S. agriculture around the world. This includes our preparations for the next round of multilateral trade negotiations where we will be seeking fewer export subsidies, strong disciplines on state-trading enterprises, and elimination of unfair trade barriers such as unscientific import regulations. We will also be looking for better ways to encourage trade in agricultural products produced through biotechnology.

Other trade issues important to America's farmers and ranchers include support for the work of the International Monetary Fund, normal trade relations with China, full implementation of NAFTA, negotiation of a Free Trade Area of the Americas, work for better access for U.S. products through the Asian Pacific Economic Cooperation forum, and improved relations with key trading partners throughout the world such as the European Union.

We are looking at innovative ways to use our programs to help American farmers, such as last week's announcement that USDA would purchase more than 80 million bushels of wheat to donate to other countries that are facing famine and starvation.

AGRICULTURAL EXPORTS

Question: Why have U.S. agricultural exports fallen so sharply?

Answer: There are three main causes for this year's decline. The first has been the Asia crisis which is largely to blame for U.S. exports to the region falling by 17 percent over the first eight months of the year. This region accounts for almost 40 percent of worldwide U.S. exports. The second has been lower commodity prices, especially for grains, which has largely been responsible for the 12 percent decline in the value of our worldwide bulk commodity exports. The third is the strength of dollar, which has made U.S. exports less competitive against major exporters including Canada, Australia, and the European Union.

Question: What are you doing to boost commercial U.S. agricultural exports?

Answer: For one, we are making substantial credits available under USDA's export credit guarantee programs. In response to the Asia crisis, we made available \$2.4 billion in export credit guarantees in fiscal year 1998 to countries in Asia. Overall, we have announced export credit guarantees of nearly \$5.8 billion for fiscal year 1998, up from \$3.9 billion at this time a year ago. Our export credit guarantee program has proven to be the right tool at the right time.

We also continue to help U.S. producers develop foreign markets through a variety of programs (Market Access Program, Foreign Market Development Program, Cochran Fellowship Program, and Emerging Markets Program).

Question: Why is IMF funding so important to farmers and ranchers?

Answer: When major U.S. agricultural markets like Mexico, Korea, and those in Southeast Asia experience a macroeconomic crisis, the ensuing chaos and capital flight can sharply reduce U.S. agricultural exports to those markets. IMF loan programs helps stabilize those economies and induces them to undertake structural reform and trade liberalization. This provides U.S. farmers and ranchers with both short term and long term benefits. Should another crisis break out, we are concerned about their ability to offer assistance and the negative impact that would have on U.S. agricultural export interests.

Question: Why are normal trade relations with China important for farmers and ranchers?

Answer: MFN is critical for agriculture. At stake is the fate of \$3.3 billion in U.S. agricultural products. MFN will keep China in the market for U.S. agricultural products. If we were to revoke MFN, it is very likely that China would retaliate and turn to other countries, such as Australia, Canada, and the European Union, all of whom would line up quickly to fill the void left behind by the United States. Moreover, revoking normal trade relations with China would undermine our efforts to resolve several key issues (i.e., access for U.S. wheat from the Pacific Northwest, citrus, plums and tobacco) and jeopardize ongoing WTO accession negotiations.

Question: How has agriculture fared under NAFTA?

Answer: NAFTA is now the number one regional market for U.S. agricultural exports. Although agricultural exports are down overall, we are seeing strong gains in exports to our NAFTA partners, Mexico and Canada. This year, U.S. agricultural exports to Mexico are up 19 percent over 1997 and exports to Canada are up 8 percent over 1997. **NOTE:** U.S. imports from Canada and Mexico are up as well. We are now running a substantial deficit in agricultural trade with Canada.

Question: Is the Administration still concerned about imports of wheat from Canada?

Answer: We continue to be concerned about high levels of Canadian wheat and barley imports are of significant regional importance to producers in the northern Plains who believe that excessive Canadian imports disrupt their market. Trade must be fair as well as free. We continue to monitor very closely shipments of wheat and barley from Canada. For the past five years, imports of wheat from Canada have been at historically high levels. As you know, the Canadian Wheat Board controls all wheat and barley exports. We are concerned that this gives Canada the opportunity to compete unfairly in international markets. This is of particular importance to producers in the Northern Plains compete with the CWB. For these reasons, we have requested a full audit of Canadian Wheat board sales, and hope to work with Canadian officials to address our concerns.

Question: Will USDA's purchase of wheat encourage more wheat imports from Canada?

Answer: This should not draw additional wheat into the United States. We expect typical trade patterns between the United States and Canada to continue. We are now in a global marketplace. To the extent our actions have a positive effect on price, it will be because we are increasing wheat utilization world-wide, not displacing commercial sales.

Question: How are you responding to the EU's continued refusal to allow imports of U.S. corn?

Answer: We continue to press the Europeans, specifically France, to approve unapproved corn varieties for import. The Vice President called the Prime Minister of France on this very issue on Tuesday morning. We believe these products are safe. Biotechnology offers great promise for improving farmers income and environmental protection.

EXPORT SUBSIDIES

Question: Why are we subsidizing dairy product exports under the Dairy Export Incentive Program (DEIP) and driving up the cost of butter?

Answer: DEIP sales were not a factor in driving up the price of butter in the United States. In July 31, 1997, it was anticipated that the full quantity of dairy products permitted by the Uruguay Round agreement would be exported under the DEIP in the 1997/98 (July/June) year. This commitment was fulfilled for three of the four eligible products: nonfat dry milk, whole milk powder, and cheese.

For butterfat, less than half was accepted for export under the DEIP. After January 1, 1998, only 342 tons were sold under the DEIP. High prices and strong demand within the United States are the principal reasons for the relatively low level of DEIP butterfat exports.

Question: What is USDA doing about subsidized EU barley?

Answer: We objected very strongly when the EU subsidized a shipment of barley to California last April, and then we retaliated with a shipment of US barley to their market using the Export Enhancement Program (EEP.) We remain very concerned over the continued high level of EU barley subsidies - still \$50 per ton, and are closely monitoring the situation to ensure that there is no repeat of last April's subsidized EU sale to California. Global import demand is weak, yet competition has intensified with abundant supplies of cheap barley available for export from a number of countries. Consequently, EU subsidies tend to exacerbate the downward price spiral as well as disrupt normal, free-trade patterns.

Question: Are you going to authorize an Export Enhancement Program (EEP) for wheat?

Answer: It is not fair, but American farmers and ranchers still have to compete with subsidized exports from the European Union and elsewhere. That is why EEP remains an important tool and we will use it where conditions warrant. Under the current market circumstances, we believe an EEP for wheat would result in lower prices for our farmers. Clearly in these circumstances an EEP for wheat would not be productive.

Question: What is your current position on the recent legislation submitted by the Department of Agriculture to allow the use of EEP money for several food aid programs?

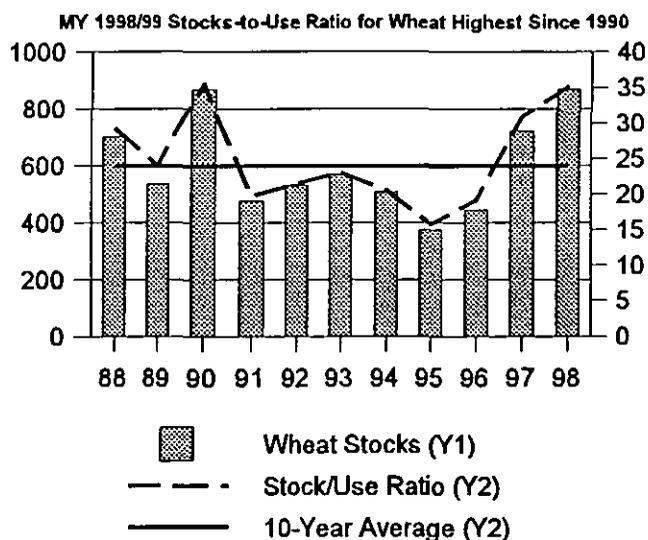
Answer: I continue to support this legislation and would hope that Congress would act on this proposal. Our legislation would provide the Secretary of Agriculture the ability to assure that funds designed to benefit U.S. agriculture do just that. My budget for next year also proposed that unused EEP balances be available for use in future years.

CCC PURCHASES OF SURPLUS WHEAT AND FOREIGN FOOD AID

On July 20, you announced that within days, the United States government will begin to purchase more than 80 million bushels of wheat, which could lift prices as much as 13 cents a bushel. With this wheat, you instructed Secretary of Agriculture Dan Glickman to launch a new food aid initiative to press the world struggle against hunger.

Our authority to purchase surplus wheat and other commodities is based on the Commodity Credit Corporation (CCC) Charter Act, which dates back to 1948. Under the Charter Act, CCC has the authority to “[r]emove and dispose of or aid in the disposition of surplus agricultural commodities.” This authority has not been used since at least 1985, when Congress narrowed the authorities delegated to USDA for Charter Act use. With the passage of the 1996 Farm Bill, however, Congress, perhaps unknowingly, restored much of this Charter Act authority. Once acquired by the Corporation, the surplus wheat is eligible to be utilized under applicable donation authorities.

On July 17, Secretary Glickman determined there to be a surplus of wheat based upon a comparison of the current stocks-to-use ratio for wheat to the ten-year average. This year’s 35.2-percent stocks-to-use ratio for wheat far exceeds the previous 10-year average of 23.9 percent.



Projected ending stocks for the 1998 U.S. wheat crop are pegged at 868 million bushels--an 11-year high. The stocks-to-use ratio is forecast to reach 35.2 percent--the highest since 1990 (35.7 percent), when the surplus precipitated a 15-percent acreage reduction program for wheat. Beginning stocks for the 1998/99 marketing year are estimated at 723 million bushels--a 63 percent increase from the 1997/98 level. Even though 1998 harvested acreage is expected to be about 4.4 million acres lower compared with the 1997 level, because of higher yields 1998-crop production is estimated to be only 5 million bushels below the 1997 crop of 2,527 million bushels. Thus, wheat supplies are expected to be 273 million bushels above the 1997 level. Total use for 1998/99 is projected at 2,468 or 128 million bushels above the 1997/98 level.

As a result, the 1997/98 ending stock level is projected to increase to 868 million bushels. The increasing stock levels are causing a precipitous drop in farm prices. The mid-point of the projected 1998-crop average farm price range is now forecast to be only \$2.90 per bushel--down \$0.50 from the 1997-crop average and the lowest since the 1990-crop average of \$2.51.

CHARTER ACT AND FOOD AID

Question: Under what authority are you operating the initiative you announced last Saturday?

Answer: The CCC Charter Act of 1948 provides broad authority to remove and dispose of, or aid in the removal and disposition of, surplus agricultural commodities. The wheat will be used for humanitarian donations under the authority of Section 416(b) of the Agricultural Act of 1949.

Question: When was the last time these authorities were used?

Answer: We are currently using the Section 416(b) authority and have used it extensively during the last 15 years. The Charter Act authority we are using has not been used since at least 1985. In 1985, Congress narrowed the authorities delegated to USDA for Charter Act use. With the passage of the 1996 Farm Bill, Congress restored much of this Charter Act authority including the authority to remove and dispose of, or aid in the removal and disposition of, surplus agricultural commodities.

Question: Are you going to expand the initiative beyond wheat?

Answer: At this time, we are focusing on wheat, but I have directed Secretary Glickman to continue to review the surplus situation facing other commodities.

DROUGHT ISSUES

Severe drought conditions exist from New Mexico, Oklahoma, and Texas across Louisiana, Arkansas, Mississippi, Alabama, Georgia, Florida, and South Carolina. As State Governors request Secretarial Disaster Designations for individual counties in their States, USDA evaluates their requests and approves the designations as quickly as possible. A more streamlined approach has been adopted in both Texas and Florida which allowed the entire States to be designated as disaster areas without the delay of the normal verification process.

Producers in counties with Presidential or Secretarial Disaster Designations are eligible for low interest emergency loans up to the amount of their loss. The emergency loan program is administered by the Farm Service Agency.

In Texas, New Mexico, and Oklahoma, the wheat harvest has ended, and, although wheat yields were impacted by the drought, wheat production in those States was not severely impacted. The cotton, corn, and grain sorghum crops in these three States have been devastated by the drought. In the Mid-South to the East, corn and soybean crops are the most effected. Livestock producers throughout the region are suffering.

The Farm Service Agency has approved emergency haying and grazing of Conservation Reserve Program acreage in counties with significant losses of hay and pasture production. This allows livestock producers to utilize environmentally sensitive acreage devoted to grass cover under the program.

Producers who purchased Federal Crop Insurance and experience significant crop losses will be eligible for indemnity payments under that program. In cases where insurance is not offered for certain crops, producers of those crops may be eligible for payments under the Non-insured Crop Disaster Assistance Program if there has been a 35% loss of production for the overall crop in the area.

The most recent crop moisture condition map is attached.

EXEMPTING FOOD AND AGRICULTURAL PRODUCTS FROM INTERNATIONAL SANCTIONS

Remarks by the President responding to the question “should food always be off the table—should food ...products always be excluded from sanctions?” Interview with CBS news, Cox Newspapers, and McClatchy Newspapers on June 20, 1998

“Well, I believe they should—I think our policy they should be they should always be excluded from sanctions. And then if something comes up in the future where a country seems, or a government seems so bad and they’ve done something so horrible that the Congress believes at that time, the president believes at that time it ought to be done, then they can do it. But I think it ought—the rule ought to be that we don’t do it. And then if there is some compelling reason for an exception, it can be entertained when the exception arises. But that’s why I am supporting Senator Murray and others in their attempts to exempt food from the sanctions I imposed on India and Pakistan. I just think on balance we’re better off not doing that.”

Remarks by the President at the signing of Agricultural Research, Extension, and Education Reform Act of 1998 on June 23, 1998

“In addition to strengthening the safety net for farmers we must protect our exports by passing the legislation sponsored by Senators Murray and Roberts, and Representative Pomeroy to allow our farmers to continue to export wheat to Pakistan and India. It was never intended, I don’t believe, to use food as a weapon in foreign policy even in this extreme circumstances.”

Remarks by President Clinton in a Radio Actuality on Agricultural Research, Extension, and Education Reform Act of 1998 on June 23, 1998

“...I support legislation that ensures that U.S. wheat will not be the unintended victim of an important non-proliferation law. Our policy has been and will continue to be that food should not be used as a weapon. We will resist any action that would lead to a de facto grain embargo.”

Statement by the President on Legislation on India-Pakistan Sanctions Bill on July 9, 1998

“...U.S. food exports should not become an unintended victim of an important non-proliferation law. Food should not be used as a weapon, and I will resist any action that would lead to a de facto grain embargo.”

Statement of Vice President Gore on Exempting Agriculture Credits from the India-Pakistan Sanctions on July 10, 1998

“...[B]oth the President and I feel that in implementing sanctions we must never forget their humanitarian impact. Whenever possible, basics, like food and medicine, should not be withheld.”

Remarks by the President on Signing S. 2282, the Agriculture Export Relief Act on July 15, 1998

“We need to make sure that our sanctions policy furthers our foreign policy goals without imposing undue burdens on our farmers. . . . When implementing sanctions, we must never forget their humanitarian impact. . . . Whenever we can, we should look for ways to expand our agricultural exports, not restrict them.”

SANCTIONS AND AGRICULTURAL EXPORTS

Question: Do you support Congressional efforts to exempt agricultural goods from unilateral sanctions?

Answer: First, we should be prepared to donate food to those around the world at risk of malnutrition or starvation. Moreover, I believe as a general principle that commercial exports of food and other human necessities should be excluded from sanctions, except under compelling circumstances. In implementing sanctions we must never forget their humanitarian impact. On July 14, I signed into law a bill to exempt USDA credit guarantees from mandatory sanctions under the Arms Export Control Act. This allowed U.S. exporters to sell 300,000 tons of wheat to Pakistan the very next day.

And I urge Congress to go further, and to include in any sanctions legislation Presidential authority to determine whether exempting food would be in the national interest.

Question: Does this mean you support lifting current restrictions on food and medicine exports to Cuba, Iran, North Korea, Sudan or Libya?

Answer: I currently could not support legislation lifting or modifying sanctions on any of those countries.

AGRICULTURE TRANSPORTATION

The current situation with agricultural transportation is complicated. A lot of U.S. grain moves directly into the export markets or is exported in value-added forms like pork chops or drum sticks. But because of the Asian economic crisis, U.S. exports have really fallen off, so prices are low and we have a lot of grain in storage right now. The problem is that as we head into the peak harvest period, growers may decide to move out the old grain all at once to make room for the new grain. That's the recipe for a real mess, particularly when the railroads are really struggling just to provide "routine" service levels.

USDA is doing something about transportation issues. Next week, Secretary Glickman will be in Kansas City with Transportation Secretary Slater at a national agricultural transportation summit. There will be over 200 industry leaders there representing railroads, barge companies, shippers, receivers, and farm organizations. We'll be talking about what we can do now and how agricultural transportation is changing. A lot of the conference is going to focus on long-term issues like the impact of biotechnology, railroad capacity issues, the investments some countries like Argentina and Brazil are making in their inland waterways, but we'll also take time to review the current grain logistics situation.

Earlier this year, Secretary Glickman signed a memorandum of understanding with the Surface Transportation Board, agreeing to work cooperatively to develop better information on grain logistics -- such as how the railroads are performing and where the grain piles are. We hope that this kind of information will help shippers, receivers, and railroads know where the budding problems are and where to focus their attention.

Rail car shortages simply cannot be an annual event. What is apparent is that it doesn't matter what farmers grow if they can't move it to market. The Freedom to Farm Bill gave farmers more flexibility in their planting decisions, but also meant that they have to bear more risk. U.S. agriculture needs an efficient and responsive transportation system -- railroads, barges, and trucks.

RAIL TRANSPORTATION PROBLEMS

Question: What is the current situation with agricultural transportation?

Answer: Complicated. A lot of U.S. grain moves directly into the export markets or is exported in value-added forms like pork chops or drum sticks. But because of the Asian economic crisis, U.S. exports have really fallen off, so prices are low and there's a lot of grain in storage right now. The problem is that, as we head into the peak harvest period, folks may decide to move out the old grain all at once to make room for the new grain. That's the recipe for a real mess, particularly when the railroads are really struggling just to provide "routine" service levels.

Question: What's USDA doing about the rail transportation problems?

Answer: Next week, Secretary Glickman will be in Kansas City with Transportation Secretary Slater at a national agricultural transportation summit. There will be over 200 industry leaders there representing railroads, barge companies, shippers, receivers, and farm organizations. We'll be talking about what we can do now and how agricultural transportation is changing. A lot of the conference is going to focus on long-term issues like the impact of biotechnology, railroad capacity issues, the investments some countries like Argentina and Brazil are making in their inland waterways, but we'll also take time to review the current grain logistics situation.

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NATIONAL ORGANIC PROGRAM

On December 16, 1997, USDA announced the proposed rule governing national standards for growing, processing, labeling, importing, and certifying organically grown food and fiber. The comment period was open until April 30, 1998. The proposed rule was accessible on the Internet at its own website and comments were accepted online, and put back out on the Internet for public viewing, a government first. More than 275,000 comments were received, which will be considered in formulating a second proposed rule, due out by the end of 1998. USDA is committed to standards that the organic community can embrace.

The first proposed rule did not take a position on the "big three"--products of biotechnology, the use of irradiation in food processing, and the application of biosolids (municipal sludge) in organic food production. Instead, the proposal asked for public comment on these items. Biotechnology, irradiation, and biosolids are safe and have important roles to play in agriculture, but as the comments made clear, they neither fit current organic practices nor meet current consumer expectations about organics. Therefore these products and practices will not be included in the revised proposal, and food produced with these products and practices will not be allowed to bear the organic label.

ORGANIC REGULATIONS

Question: **How close are we to getting national organic standards?**

Answer: On December 16, 1997, USDA announced the proposed rule governing national standards for growing, processing, labeling, importing, and certifying organically grown food and fiber. The comment period was open until April 30, 1998. The proposed rule was accessible on the Internet at its own website and comments were accepted online, and put back out on the Internet for public viewing, a government first. More than 275,000 comments were received, which will be considered in formulating a second proposed rule, due out by the end of 1998. USDA is committed to standards that the organic community can embrace.

Question: **Why did USDA rule out the “big three”—products of biotechnology, the use of irradiation in food processing, and the application of biosolids (municipal sludge) in organic food production?**

Answer: The first proposed rule did not take a position on these issues; instead, the proposal asked for public comment on these items. Biotechnology, irradiation, and biosolids are safe and have important roles to play in agriculture, but as the comments made clear, they neither fit current organic practices nor meet current consumer expectations about organics. Therefore these products and practices will not be included in the revised proposal, and food produced with these products and practices will not be allowed to bear the organic label.

MILK MARKETING ORDER REFORM

USDA is currently reviewing the comments that were submitted in response to the federal milk marketing order reform proposed rule issued in January. Almost 4,500 comments have been received with more than 3,350 comments being submitted by dairy producers. Over half of the comments have been received from the Northeastern United States. The comments primarily address the issues of the Class I price structure (fluid milk) and the consolidation of the Federal milk orders which were set forth in the proposed rule.

After the comments have been reviewed, additional information obtained, and further analysis completed on various proposed options, USDA will prepare a final decision that will set forth the specifics of the consolidated Federal orders. Producers will be provided the opportunity to vote to determine approval or disapproval of the consolidated orders. Once the voting process is completed, a final order will be issued that will implement the new orders.

The 1996 Farm Bill mandates that the new orders be effective no later than April 4, 1999. Currently there is legislation being considered by Congress that would extend the effective date by six months.

"UPDATE ON STATUS OF THE NATL TOBACCO SETTLEMENT"

UPDATE ON STATUS OF THE NATIONAL TOBACCO SETTLEMENT

On June 20, 1997, the tobacco manufacturers and various state attorneys general agreed to a settlement in which the tobacco manufacturers would pay \$368 billion as part of a National tobacco settlement which included restrictions on advertising and sales to minors in exchange for immunity and caps on future lawsuits. The proposed National tobacco settlement initially did not include tobacco quota owners and producers. However, Congressional and farm leadership groups fashioned various proposals to include compensation for tobacco quota holders and producers. Although the Administration did not introduce a specific bill to address the tobacco farmer issue as part of any tobacco settlement, it expressed strong support for the concept of compensation to quota owners, producers, communities, and special programs for limited resource farmers.

The three bills that received the most attention were the Ford Bill, the Lugar Bill, and the Robb Bill. The Ford Bill would have continued the current tobacco program with payments for lost production, the Lugar Bill would have bought out quotas and eliminated the current program, and the Robb Bill would have shifted the program from a Federal to a privatized program. The tobacco farm leadership adopted the Ford Bill as a "farmer portion" of any tobacco settlement incorporating some provisions of the Robb Bill for flue-cured tobacco.

The McCain Bill (S. 1415) became the major vehicle for the comprehensive National tobacco settlement which included the modified Ford Bill as the farmer portion. After 4 weeks of debate, the full Senate could not agree to a final bill. The manufacturers withdrew their support citing the prohibitive cost (\$525 billion) and the lack of an immunity clause in the much amended McCain Bill. On June 17, 1998, the full Senate, citing budget problems, remanded the McCain Bill back to the Commerce Committee. This effectively eliminated prospects for comprehensive National tobacco settlement legislation.

However, there is still a good chance that a streamlined tobacco bill could be enacted during this session of Congress. This legislation would likely focus on reducing teenage smoking and probably include a modest cigarette excise tax increase. It is anticipated that this bill would not include any safety net for our tobacco producers or their communities as provided for in the comprehensive tobacco settlement. State attorneys general and tobacco manufacturers are discussing their options for settling various State tobacco related lawsuits on a State by State basis. In addition, tobacco companies recently had a favorable court decision with respect to second-hand smoke issues.

These events reduce tobacco manufacturers' incentives to be a part of any comprehensive National tobacco legislation. Due to recent Congressional actions and court rulings, tobacco manufacturers support of U.S. tobacco producers and the current tobacco program are uncertain.

Falling domestic demand for cigarettes, uncertain export demand, and the possibility of substitution of imported leaf for U.S. leaf could cause tobacco marketing quotas to be reduced and no-net-cost program assessments to increase. After tobacco farmers' uncertainties were eased on hopes of compensation and program stability provisions in the proposed National tobacco settlement legislation, these uncertainties and the future of their long standing tobacco program are greater now than ever before.

TOBACCO

Question: What will happen to tobacco farmers if Congress passes a streamlined tobacco bill?

Answer: I support a comprehensive approach to resolve the tobacco issue. I have made clear on many occasions that any tobacco legislation must protect tobacco farmers and their communities.

I am concerned that the Congress is considering legislation that does not address the concerns of tobacco growers. I am also concerned that the individual settlements with the State Attorneys General do not address the growers. Most tobacco farmers live and work on small family farms; in many cases, their families have been growing tobacco for generations. In some states, entire communities rely on income from the tobacco crop. I am committed to working with Members of Congress in both parties to ensure that we protect the financial well-being of tobacco farmers, their families, and their communities.

TOBACCO SETTLEMENT CONTINUED

USDA RURAL DEVELOPMENT

USDA, through its Rural Development Agencies — Rural Business-Cooperative Service (RBS), Rural Housing Service (RHS) and Rural Utilities Service (RUS) — provides a wide range of assistance to rural communities: grants and guaranteed loans to existing and start-up businesses, distance learning and telemedicine technologies, clean drinking water and proper disposal systems, assistance to help rural citizens become homeowners, essential community facilities (hospitals, childcare centers, fire stations) and numerous other services designed to help communities and their citizens realize a better quality of life.

In addition, the Empowerment Zone/Enterprise Community (EZ/EC) Initiative works with traditionally distressed and under-served communities in a comprehensive manner to create jobs, build infrastructure, spur investment through leveraging and partnerships, and build stronger communities that endure. After a very successful first round of designations that invested \$60 million in designated communities, we are now ready to designate a second round of communities to participate in this bottom-up approach to community development .

USDA Rural Development program levels (including grants and loans) is nearly \$10 billion annually nationwide. Obviously everything being done is important. Successful economic development means that you not only create jobs in a community, but also that there is affordable housing, safe and reliable utilities, adequate infrastructure, good schools and hospitals, and access to opportunities. Presently, home ownership levels in rural areas are at record highs. Water 2000 which is working to ensure that every rural citizen has access to clean, safe drinking water. Our Self-help housing Initiative partners rural residents with not-for-profit organizations to build their own homes. The "sweat equity" that they provide from physically building their homes is treated as a down-payment that they otherwise would not have had.

In 1997, more than 150,000 rural jobs were saved or created thanks to the rural business programs.

RURAL DEVELOPMENT

Question: What can the Federal Government do in rural areas to promote economic growth?

Answer: USDA, through its Rural Development Agencies — Rural Business-Cooperative Service (RBS), Rural Housing Service (RHS) and Rural Utilities Service (RUS) — provides a wide range of assistance: grants and guaranteed loans to existing and start-up businesses, distance learning and telemedicine technologies, clean drinking water and proper disposal systems, assistance to help rural citizens become homeowners, essential community facilities (hospitals, childcare centers, fire stations) and numerous other services designed to help communities and their citizens realize a better quality of life.

In addition, the Empowerment Zone/Enterprise Community (EZ/EC) Initiative works with traditionally distressed and under-served communities in a comprehensive manner to create jobs, build infrastructure, spur investment through leveraging and partnerships, and build stronger communities that endure. After a very successful first round of designations, we are now ready to launch a second round.

Question: How much funding does the Federal Government provide for these programs?

Answer: USDA Rural Development program levels (including grants and loans) is nearly \$10 billion annually nationwide. In South Dakota, Rural Development expects to award \$90 million this year to help South Dakotans meet their housing, business and utility needs.

Question: What types of specific initiatives are presently being done?

Answer: Obviously everything being done is important. Successful economic development means that you not only create jobs in a community, but also that there is affordable housing, safe and reliable utilities, adequate infrastructure, good schools, hospitals, etc. Presently, my Administration has a home ownership that has pushed home ownership levels to record highs. We also have Water 2000 which is working to ensure that every rural citizen has access to clean, safe drinking water. As I mentioned, the second round to EZ/EC is coming up. We also have a Self-help housing Initiative where groups of rural residents partner with a not-for-profit organization to build their own homes. The “sweat equity” that they provide from physically building their homes is treated as a down-payment that they otherwise would not have had.

Question: What is the REAP Initiative?

Answer: The Rural Economic Area Partnership (REAP) Initiative was established to address the unique problems of the Northern Great Plains: low-density settlement patterns, historic dependence on agriculture, continued population loss and outmigration, stagnant or declining employment, and isolation that has led to disconnection from markets, suppliers, and centers of information and finance.

Two Zones were designated with each zone completing a strategic plan for economic revitalization. As part of this process, federal funds were targeted to the zones. To date, nearly \$30 million has been invested in the REAP area.

Question: What is the Administration's position on the House- and Senate-passed versions of the FY 1999 appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies?

Answer: The President's senior advisers have serious reservations about certain aspects of both the House and Senate versions of the bill.

Farm Issues: • The total funding in both bills is close to request (\$13.7B), but both achieve these levels in part by cutting key programs including 2 in the Ag research bill signed last month: the Fund for Rural America in FY 1999 (-\$60M); and agriculture research investment (-\$120M in FY 1999).

- The Senate bill provides \$500M in contingent emergency funds to assist farmers and ranchers suffering income loss due to repeated natural disasters and low commodity prices ("the Conrad Amendment")
- Both the House and Senate fail to fund the proposed \$7M increase for Outreach for socially disadvantaged farmers. Both versions of the bill include the requested statute of limitations waiver for civil rights complaints.

Other issues: • The House has not funded the \$7M increase for additional research as part of the Climate Change Technology Initiative or the \$23M increase for the Clean Water Action Plan.

- Neither bill accepted increased user fees proposed by the Administration -- the largest was \$473M to cover meat/poultry inspections by USDA's Food Safety and Inspection Service.
- There are no objectionable environmental riders in either bill.

- The House bill contains a provision that would prohibit the Food and Drug Administration from using funds for the testing, development, or approval of any drug for the chemical inducement of abortion. **The Secretary of Health and Human Services would recommend that the President veto any bill that includes this provision. No Senate provision.**
- Both the House and the Senate fail to fund the proposed \$100M increase for FDA's efforts to reduce tobacco use among young people.
- The House bill would freeze WIC funding at the FY 1998 level of \$3,924M. This level is \$157M below the request and would result in cuts to the proposed participation level of 7.5M of over 100,000 participants. Senate bill \$24M more than the House.

AGRICULTURAL RESEARCH

The entire agriculture community looks to research, coupled with extension and education to fill in where government and market stabilization left off. New sustainable, efficient, and environmentally sound technologies based upon either genetic engineering, traditional breeding, integrated pest management, new production practices, or advanced manufacturing methods will enable U.S. farmers and processors to produce readily affordable high quality food and fiber to feed and cloth our country and the world.

New technologies can create new industrial uses for crops and new economic opportunities for rural communities. The Agriculture Research Service is finding new plant and animal germplasm (59 new varieties, 89 new germplasm lines in 1997) that naturally resists disease, requires lower inputs, and provides optimum quality to the consumer. Agriculture research has been critical to the growth of productivity as evidenced by the finding that the aggregate social rate of return to public agricultural research is 40-60 percent. The recently signed Agricultural Research, extension, and Education Reform Act will provide additional funds that will competitively be offered to conduct research around the country to provide a safer more nutritious food supply, and a more profitable, efficient and environmentally sound way of farming. From finding a solution to the wheat scab problem so important to the Great Plains to solving the mystery of psiferia to eliminating food borne pathogens in meat and poultry agricultural research is making an important difference in every American home.

The Agriculture Research Service working in partnership with colleges and universities and with the private sector to leverage federal funds with others will fill the vital need to find answers to meet the demands for agriculture in the new century. It is only through research and education that we will create a sustainable agriculture system.

AGRICULTURAL RESEARCH

Question: What kind of research is being funded by the Agriculture Research Service?

Answer: ARS research has made significant contributions in the areas of food safety with new tests to quickly detect food borne pathogens as well as preventative measures to eliminate salmonella in baby chickens. Other research to control wheat scab, so vital to the great plains ,to eliminating phosphates in livestock waste and control of pfisteria, ARS research is providing the technology to attain a sustainable, efficient, and environmentally sound agricultural system.

Question: How will the recently signed Agricultural Research, Extension, and Education Reform Act of 1998 support the needs of farmers, ranchers, and consumers?

Answer: Needed funds to continue research to provide a safer more nutritious food supply while protecting our environment will be made available. Production agriculture will gain through research in genomics to produce disease resistant, higher yielding crops as well as alternative uses of agricultural products to provide new avenues of revenue.

FOOD SAFETY INITIATIVE

"We have built a solid foundation for the health of America's families. But clearly we must do more. No parent should have to think twice about the juice they pour their children at breakfast, or a hamburger ordered during dinner out."--*President Bill Clinton, Radio Address, January 25, 1997*

Every year, an estimated 6.5 to 33 million people become sick from food-borne illnesses. The medical costs and productivity losses associated with these illnesses range from \$6-\$34 billion a year. After making revolutionary changes in our meat, poultry, and seafood food safety systems, we have dramatically expanded its food safety efforts by launching the Food Safety Initiative, a comprehensive strategy to improve food safety from the farm to the table. The Initiative, which has five major components, was first funded in Fiscal Year 1998.

- **Improve inspections and expand preventive safety measures;**
- **Increase research to develop new tests to detect foodborne pathogens and to assess risks in the food supply;**
- **Build a national Early Warning System to detect and respond to outbreaks of foodborne illness earlier, and to give us the data we need to prevent future outbreaks;**
- **Establish a national education campaign that will improve food handling in homes and retail outlets; and**
- **Strengthen coordination and improve efficiency among USDA, CDC, FDA and EPA**

Joint Institute for Food Safety Research. You directed the Secretaries of the U.S. Department of Agriculture (USDA) and Health and Human Services (HHS) to report back to you within 90 days on the creation of a Joint Institute for Food Safety Research that will:

- (1) develop a strategic plan for conducting food safety research activities consistent with the President's Food Safety Initiative; and
- (2) efficiently coordinate all Federal food safety research, including research conducted with the private sector and academia. The Institute will provide an even stronger and better focused research strategy for food safety than the interagency food safety research working group already established under the Initiative.

Mandatory Recall and Civil Penalties for Unsafe Meat and Poultry. We also called on Congress to pass the Food Safety Enforcement Enhancement Act, sponsored in the Senate by Senators Harkin, Daschle, Johnson, and Leahy; and recently introduced in the House by Rep. B of Maine. The legislation gives USDA the ability to assess civil fines and to order mandatory recalls of unsafe meat and poultry products. Currently, the USDA can respond to food safety violations only by bringing criminal actions or withdrawing inspections; all recalls are done on a voluntary basis and no civil penalties are available. This new legislation will give USDA additional enforcement tools to prevent consumers from becoming ill from dangerous meat and poultry.

FOOD SAFETY BUDGET

Question: What did the President ask for in the FY 1999 Budget request with respect to food safety?

Answer: The FY 1999 Budget included a \$101 million (or 12 percent) increase over the FY 1998 level for the Administration's inter-agency food safety initiative. Of this total amount, \$25 million would finance FDA's improved capability to ensure the safety of imported foods. Another \$24 million of the Initiative would go towards: developing a rapid test for the detection of pathogens; improving slaughter and processing systems to avoid contamination of food products; and establishing a baseline of data to better assess the risk of contamination in the US food supply. In addition, \$7.8 million would be used to expand consumer education initiatives, especially for high risk populations (the elderly and children).

FOOD SAFETY

Question: What is the status of the Food Safety Initiative in the FY 1999 Appropriation bills?

Answer: The Senate-passed Agriculture Appropriations bill would provide \$68 million of the \$95.6 million requested increase for USDA and FDA. The Senate bill requires USDA's tobacco program administrative costs to be fully-funded by the tobacco industry, and used the savings to offset the cost of expanded food safety programs for both USDA and FDA. The House-passed Agriculture Appropriations bill would provide \$16.8 million of the requested increase: \$7 million for FDA import inspections and \$9.8 million for USDA activities. The Administration hopes that the Conference Committee will fully fund the President's food safety initiative.

Question: Is all the \$101 million that the President asked for necessary for food safety?

Answer: Without additional funding for the Food Safety Initiative, the Administration will not be able to fully develop appropriate responses, prevention, and control strategies for reducing the level of food-borne illness in the United States.

In addition to the funding requested to strengthen FDA's import inspection and expand USDA's and FDA's research and education activities, funding is requested to continue to improve FDA's food safety infrastructure, as started in the FY 1998 Food Safety Initiative. Also, significant resources are targeted to strengthening both USDA's and FDA's risk assessment capabilities. Risk assessment is important in helping to identify foods and processes that are most likely to lead to food-borne illness. Finally, funding is requested to expand the USDA's and HHS's ability identify and track food-borne illnesses.

APPROPRIATIONS PROCESS - AG BILLS

Question: What is the Administration's position on the House- and Senate-passed versions of the FY 1999 appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies?

Answer: The President's senior advisers have serious reservations about certain aspects of both the House and Senate versions of the bill.

Both the House and Senate fail to fund the proposed \$7 million increase for outreach to socially disadvantaged farmers. Both versions of the bill also reduce funds to assist the most needy farmers and members of the rural communities. Additional funds are needed in both bills for the farm labor housing program and the Emergency Food Assistance Program.

Both bills would block the use of the Fund for Rural America in FY 1999.

The Senate reductions to conservation and environmental program, such as the Conservation Farm Option and the Wetlands Reserve Program, are objectionable.

Other Issues: The House bill contains a provision that would prohibit the Food and Drug Administration from using funds for the testing, development, or approval of any drug for the chemical inducement of abortion. The Secretary of Health and Human Services would recommend that the President veto any bill that includes this provision.

Both the House and the Senate fail to fund the proposed \$100 million increase for FDA's efforts to reduce tobacco use among young people.

The House bill would freeze WIC funding at the FY 1998 level of \$3,924 million. This level is \$157 million below the request and would result in cuts to the proposed participation level of 7.5 million of over 100,000 participants. Both bills would limit the ability of the USDA to transfer funds. The House has not funded the \$7 million increase for additional research as part of the Climate Change Technology Initiative or the \$23 million increase for the Clean Water Action Plan.

STRENGTHENING THE FARM SAFETY NET

Question: What are you going to do about the rapid decline in farm income?

Answer: We are purchasing surplus wheat which will be used to help needy people overseas. We are also pushing Congress to provide emergency assistance for farmers and ranchers who are experiencing financial stress from natural disasters and low prices. And we are challenging Congress to improve the farm safety net in a number of very specific ways.

Question: How would you assess Freedom to Farm?

Answer: We have seen that it works well during good economic times, but it fails to provide an adequate safety net. However, planting flexibility has certainly been a success, as have been the conservation programs.

Question: What is the difference between the Republican and Democratic proposals to help farmers?

Answer: The Majority really hasn't put forward any new proposals. They are apparently content to ride out this economic downturn, even though many of our farmers and ranchers are suffering from economic and natural disasters that require action.

We on the other hand, believe the farm safety net needs to be strengthened. We have put forward proposals to address the inadequacies of the safety net which have not been acted upon by Congress. In the meantime, we have exercised what administrative authority we have to help farmers and ranchers.

On the trade front, we are pushing Congress to provide full funding for the International Monetary Fund, and a more rational sanctions policy that exempts basics such as food and medicine -- except under compelling circumstances.

Question: Would you consider returning to provisions from the pre-1996 Farm Bill

Answer: We have no intention of returning to the supply management programs of the past. We don't want to go back to the days when government micro-managed farmers, telling them what to plant and when to plant. The Farm Bill's flexibility has proven to be very beneficial to American agriculture in our global economy.

But, when the President signed the Farm Bill, he made clear his concerns about the adequacy of the safety net. It took away much of our authority to respond quickly to disasters. We still are not satisfied that the 1996 Farm Bill provides an adequate safety net for farmers and we have put forward a number of proposals to strengthen it.

Question: How would you strengthen the Farm Safety Net?

Answer: When I signed the 1996 Farm Bill, at a time when prices were strong, I made clear my concern that there was not an adequate safety net for farmers. The bill had to be signed to avoid putting farmers in an even more difficult situation under the old 1949 Farm Bill.

We have also proposed legislation to Congress to improve the 1996 Farm Bill to strengthen the safety net for family farmers. Our proposals would extend the term of marketing assistance loans; increase planting flexibility; allow flexibility in farmers can receive advance AMTA payments, improve credit availability and modify the "one strike" policy for farmers who have had a debt writedown; let farmers use USDA guaranteed operating loans to refinance; expand and improve crop insurance; compensate farmers whose crop and pasture land is flooded; and provide emergency feed assistance to livestock producers suffering from drought, and allow us to use leftover EEP funds in future years for food aid and other purposes.

Question: Do you support Speaker Gingrich's call to make over \$5 billion in payments to producers in October?

Answer: We should give farmers the opportunity to receive their AMTA payments earlier than December 15, as the 1996 Farm Bill provides. Secretary Glickman proposed this earlier this year. I must remind everyone that the Gingrich plan does not offer additional income to family farms - it simply accelerates payments by a few months. We need more substantiate improvements in farm policy if we are to provide a proper safety net for family farmers.

Question: What has USDA proposed to improve access to credit for financially strapped borrowers?

Answer: Currently under the 1996 Farm Bill imposes a lifetime ban, without exception, on FSA loans to family farmers who have previously received FSA debt forgiveness. We have requested Congressional authority to give creditworthy USDA borrowers a second chance. Unless this provision changes, many of these borrowers will be forced out of business, even though they have the ability to repay the loans they need.

DISASTER ASSISTANCE

Question: What does your disaster designation mean for Texas farmers?

Answer: This makes available low-interest USDA emergency loans.

Question: Why can't you do more to help livestock producers who suffer losses due to drought?

Answer: Unfortunately, the 1996 Farm Bill suspended USDA's emergency feed programs until 2002. This is authority we would like to have back. We expended all available funds from the sale of grain in the Disaster Reserve Assistance Program addressing last year's livestock emergencies and have no congressional authority to replenish those stocks. Last week, I proposed emergency legislation to replenish this reserve with commodities forfeited to the USDA.

ESTATE TAX RELIEF FOR FARMERS

Question: Farm leaders have called for Congress to provide farmers and ranchers with relief from the Estate Tax. Do you support this?

Answer: Last summer when I signed tax relief legislation into law, we completely exempted 96 percent of this nation's farm households from estate taxes and significantly reduced the estate tax burden on the remaining four percent. The topic of today's discussion should be on improving economic opportunity for all farmers and ranchers rather than providing additional relief for just the wealthiest four percent.

RURAL ENVIRONMENTAL

Question: Isn't it the case that many of your own environmental initiatives and regulations pose an especially heavy burden for rural communities? Like the Clean Water Action Plan you announced earlier this year?

Answer: We have worked closely with farmers and rural communities in developing our environmental initiatives, many of which are designed to help these communities better protect the environment and public health.

For example, Secretary Glickman co-chairs our clean water initiative with EPA Administrator Browner to make sure that the concerns of farmers and other rural Americans are heard. To carry out this initiative, we are proposing a \$2.3 billion increase over five years, and most of that will go to state and local governments, and to farmers, to help them protect water quality. That includes a \$100 million increase each year in direct USDA assistance to farmers, so they can work with us to clean up our waterways.

Similarly, our Water 2000 initiative is delivering the resources that rural communities need to assure clean, safe drinking water. Just last week, Vice President Gore announced an additional \$158 million in help for rural communities where right now, unfortunately, parents can't trust the water that comes from their tap.

Unfortunately, Congress is making it harder, not easier. Rather than increase USDA help for farmers as we've requested, the Republican leadership is actually cutting this funding at a time when farmers need it most.

Question: There's growing concern in rural areas about pollution from large hog operations and other so-called factory farms. How does your Clean Water Action Plan address that? And will the new regulations hurt farmers?

Answer: These concerns are very legitimate. We've been very successful in reducing water pollution from factories and sewage plants. Now we need to tackle the dirty runoff, much of it from agricultural operations, that is our largest remaining source of water pollution.

USDA and EPA are developing a joint strategy to reduce pollution from these large animal operations, and they're working closely with Pork Producers and other commodity groups to make sure their concerns are taken into account. We want to develop tough standards to clean our waterways, and we want to help farmers meet them. We're doing all we can to make sure this new strategy is not an extra burden. I expect the strategy will be announced sometime later this year.

Question: What about the new pesticide decisions --don't they threaten to wipe out commodity producers already hard-hit by low commodity prices?

Answer: This is another area where we responded to the concerns of rural America by "reinventing" the traditional regulatory approach. On April 8, Vice President Gore directed EPA and USDA to revamp the process of implementing new and tougher pesticide standards [under the Food Quality Protection Act] to make sure that the concerns of agriculture are taken into account. The Vice President worked closely with producer groups, and his directive will ensure that EPA's development of new standards will be based on sound science and full participation by affected growers. The directive also recognizes the need for reasonable transition rules for our growers where pesticide use must change.

Here again, the Republican Congress is turning a deaf ear to our farmers, by refusing to provide the funds we've requested so USDA can participate fully in this process and assist farmers with transition under the new Food Quality Protection Act.

Question: Many growers support extending the Clean Air Act's 2001 phaseout date for methyl bromide because of its wide use as an agricultural pesticide. Do you support extending the phaseout date?

Answer: First we should focus on developing safe and effective alternatives, and I have included significant funding for research into substitutes in my budget. Methyl bromide is highly toxic and a threat to the ozone layer. Although the Montreal Protocol calls for the chemical to be phased out by 2005, extending domestic use past 2001 would require an amendment to the Clean Air Act. If alternatives are not available, we would consider legislative changes as the 2001 phaseout date approaches.

**PRESIDENT CLINTON:
STRENGTHENING RURAL AMERICA**

July 23, 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
July 23, 1998

A PRESIDENTIAL PLAN OF ACTION. President Clinton is announcing a four-point plan for rural America that: (1) expands the rural economy through exports and development; (2) improves the farm income safety net; (3) strengthens rural infrastructure; and (4) promotes health, welfare, and a clean environment.

EXPANDING THE RURAL ECONOMY. President Clinton's plan:

- Implements the Wheat Purchase Initiative to purchase 80 million bushels of wheat, reducing wheat surpluses and lifting prices on the wheat crop;
- Calls for full funding of the International Monetary Fund to stabilize Asian economies that are critical customers for America's farmers;
- Exempts food exports from U.S. economic sanctions called for under the nuclear non-proliferation law.

IMPROVING THE FARM INCOME SAFETY NET. Last week, President Clinton called on Congress to relieve farm financial stress:

- The President supports emergency funding for:
 - Supplemental crop insurance benefits to those in the greatest need;
 - Crop and pasture flood compensation for farmers and ranchers whose crop or pasture land is flooded;
 - The Disaster Reserve For Livestock Feed Losses to cover and prevent losses due to natural disasters;
- Modernizing agriculture through legislation that secures crop insurance and boosts investment in agricultural research and rural development.

STRENGTHENING RURAL INFRASTRUCTURE. The President's plan targets critical infrastructure that:

- Invests in new roads, construction to rebuild older roads, and gives rural America a greater voice in transportation investment decisions in their area;
- Develops a long-term agricultural transportation strategy implemented through the Departments of Agriculture and Transportation;
- Supports rural school modernization.

PROMOTING HEALTH, WELFARE, AND A CLEANER ENVIRONMENT. The President's plan:

- Sets a goal of connecting rural clinics and hospitals to the Internet, allowing access to advice from specialists nationwide;
- Improves food safety through new technology, standards, and more inspectors to make sure all food is safe;
- Promotes a welfare-to-work initiative that provides transportation resources so people can get to their jobs and work;
- Supports a clean water initiative that will provide farmers with resources to control polluted runoff, create 2 million miles of buffer zones to waterways, and develop pollution prevention plans covering 35 million acres;
- Provides safe drinking water by upgrading and expanding drinking water services in rural communities plagued by poor water quality, quantity, and dependability;
- Makes rural areas safer by funding grants for communities to hire more police officers.

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.