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

The Honorable John Podesta
Chief of Staff
The White House
Washington, D.C. 20500

Dear John:

I just want to let you know that the important Farmland Protection Program (FPP) called for in the President's budget submission is going unfunded in any of the appropriations measures currently being considered by Congress.

Specifically, the President requested $65 million for FPP in FY 2001. So far, no funds have been provided by Agriculture Appropriators. Moreover, I understand that the $50 million authorization in the CARA bill may be in jeopardy (and FPP has not been included in CARA appropriations discussions on the "Lands Legacy Trust" Interior Appropriations). While there is a very small sum ($10 million) contained in the Risk Management Bill approved earlier this year, this amount is inadequate for us to move forward in any substantial fashion.

Any assistance that you can give in an effort to move forward, on what you and I both know is an important issue, would be appreciated.

Regards,

Dan

DAN GLICKMAN
Secretary

With our emphasis on "sprawl", I would hate to see this program go unfunded.

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06-4152169
OSEC

CHIEF OF STAFF TO THE PRESIDENT
THE WHITE HOUSE

April 11, 2000

The Honorable Daniel Glickman
Secretary of Agriculture
1400 Independence Avenue, S.W.
Washington, DC 20250

Dear Dan:

I wanted to write and congratulate you on your five-year anniversary as Secretary. I was disappointed that I was not able to make it to your celebration. The President is fortunate that you have stayed with him for all of these years. Thank you for your service.

Sincerely,

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Rural America is lucky to have you + so is the President.

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USDA

United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

July 25, 2000

TO: THURGOOD MARSHALL, JR.
Assistant to the President and Cabinet Secretary

FROM: DAN GLICKMAN
Secretary of Agriculture

Dan Glickman

RE: PROPOSAL FOR A PRESIDENTIAL MISSION TO AFRICA ON HUNGER, FOOD SECURITY, AND AGRICULTURAL TRADE

Purpose:

First, to provide immediate famine relief and development assistance for countries suffering from hunger and malnutrition (via food aid/surplus commodity stocks and other measures) in Africa. Second, to promote long-term, community-based school nutrition assistance programs and self-sufficiency, with a particular focus on the international school meals program that the President announced at the G-8 Summit. Third, to address existing and potential future agriculture and general trade issues with each of the host governments. And fourth, to highlight the Clinton Administration's work to assist the African countries combat the HIV/AIDS epidemic. Findings from the Mission could also be presented to the United Nations and the Food & Agriculture Organization (FAO) for appropriate additional action.

Rationale:

Hunger and severe malnutrition in Africa have been the subject of a number of recent articles in the New York Times and Washington Post, as well as by non-governmental organization (NGO) agency staff and officials from the World Food Program (WFP) and the FAO. Drought, natural disasters, civil strife, AIDS, and inefficient agricultural techniques, coupled with explosive population pressures in these countries have resulted in severe food shortages, malnutrition, and starvation in certain regions of Africa.

In the United States unprecedented economic growth and soaring levels of wealth and job creation make the time ripe for the U.S. to begin a substantial attack on global hunger and a high profile U.S. Presidential Mission, led by the Secretary of Agriculture, would be an effective vehicle to aid these countries by calling attention to the human tragedy and offering immediate assistance in the form of food aid and other measures. The WFP has stated, "a wide-spread crisis can still be averted, with prompt and appropriate action." The United States, in the spirit of this statement, should take action, especially in the current atmosphere which promises substantial Congressional, NGO, and media interest in the vast and compelling issue of hunger and food insecurity.

In addition to short-term aid composed of food donations, the international school meals program that the President announced at the G8 summit in Okinawa, Japan, could be presented in Africa in conjunction with USDA, the WFP, and various other NGOs. The pilot project of this endeavor, which would combine private sector contributions with donor government support, would include a small number of undernourished/food insecure countries that have the capacity and access to resources necessary to sustain the meals program after its initial development.

We also propose that attention be focused on long-term solutions to the problem of food insecurity, such as technical assistance for farmers, improving infrastructure needs, and promoting self-sufficiency This could include developing irrigation systems and improving existing wells, building agricultural commodity facilities (including ports) and providing technical expertise and education.

With regard to the trade issues component of the trip, the delegation will address a wide range of country specific agriculture and trade issues at each location. Such issues will include rural development, specifics to the Africa/Caribbean Basin Initiative bill, tariff and other trade barriers for U.S. exports, self-sufficiency, the World Trade Organization (WTO) issues, and continued cooperation.

Last, the delegation will highlight the U.S. Administration's work to assist the African countries combat the HIV/AIDS epidemic.

Travel Dates:

Saturday, July 29, 2000, through Tuesday, August 8, 2000.

Locations/Stops:

Lagos and Abuja, Nigeria
Nairobi & the Northern region (Kakuma), Kenya
Johannesburg/Pretoria, South Africa

Description of Deliverables & Announcements for each of the Stops:

1) Lagos and Abuja, Nigeria:

Basic Information:	Population growth has declined due primarily to AIDS.
Undernourishment Statistics:	20-25%, with Children 23% underweight & stunted.
Potential Immediate Food Aid:	School feeding program announcement, Africare monetization agreement.
Existing Technical Cooperation:	Leland, PARTS; REDSO; AELGA; Tuskegee & Louisiana State University; EAGER/GHAI; Africa Rural Decentralization; Africa Private Sector Development; Grade/Standards & Transportation; FAO Special Program on Food Security.
Potential Technical Cooperation:	JEPC Agreement announcements.
Existing Scientific Cooperation:	Institute of International Tropical Agriculture, various universities projects.

2) Nairobi & the NW region (Kakuma), Kenya:

Basic Information:	Population growth has slowed due to AIDS, birth control, and starvation.
Undernourishment Statistics:	41%, with Children 23% underweight & 34% stunted.
Food Aid already provided:	1999: 20MT-2.6 million / 1998: 20MT-2.6 million
Potential Immediate Food Aid:	Kakuma (850mt from USDA), school feeding program, $10 million in GSM, and additional tonnage of corn and wheat through the WFP - announcements.
Existing Technical Cooperation:	Leland, PARTS; REDSO; AELGA; Africa Grades; EAGER/GHAI; Africa Rural Decentralization; Africa Private Sector Development; Grade/Standards & Transportation; FAO Special Program on Food Security.
Potential Technical Cooperation:	JEPC Agreement announcements, and rural development.
Existing Scientific Cooperation:	Chick mortality evaluation; agro-forestry effects on soil organic matter.

3) Johannesburg/Pretoria, South Africa:

Basic Information:	Suffers from the HIV/AIDS epidemic worse than any other African country in the region. Hunger and food security are persistent problems, but have been overshadowed by the AIDS issue/plague.
Undernourishment Statistics:	20-25%, with Children 55% underweight & stunted.
Potential Immediate Food Aid:	School feeding program announcement.
Existing Technical Cooperation:	FAO Special Program on Food Security
Potential Technical Cooperation:	DC Teachers, rural development, and Village Bank Project.

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

May 2, 2000

MEMORANDUM FOR JOHN PODESTA, CHIEF OF STAFF TO THE PRESIDENT

FROM: SECRETARY GLICKMAN

SUBJECT: International Food Assistance and Hunger Mission

I would like to suggest that the President send a special mission to Africa and Asia this summer to focus on international food assistance and hunger.

I think the effort ought to be led by USDA with USAID as the sub-lead, and should focus more broadly on the specific food needs and distribution requirements in the areas of Africa and Asia with the greatest need. Currently, there are significant stocks of bulk food commodities available for distribution, both in the U.S. and throughout the world. However, the World Food Program of the U.N. and various members of the NGO community constantly complain about the lack of resources to deal with hunger and famine in the Third World, and quite frankly I don't believe that all the resources of the U.S. Government have been fully mobilized to deal with the staggering needs, particular in East Africa and South Asia, as well as other areas of the world. I think that a focused mission, perhaps led by me, accompanied by Brady Anderson of USAID, would send a clear signal that the Clinton Administration intends to highlight and feature international food assistance in its remaining days and that we will enhance the supply and delivery of an infrastructure of food assistance for the next Administration and future Congresses.

I would suggest that in addition to USDA and USAID, we include a representative group comprised of Members of Congress, the NGO community and American business leaders. I intend to submit to you a more detailed proposed draft agenda (i.e. locations) shortly. Let me know if there's anything I can do to facilitate this effort.

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

May 2, 2000

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THE OFFICE OF THE SECRETARY
WASHINGTON
20250-0100

5/2/2000

To: ~~President Bill Clinton~~
John Podesta

From: DG

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THE SECRETARY OF AGRICULTURE
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5/5/98

Dear Erskine -

Here is a copy of a memo I have sent to the President about the state of the farm economy and some of the things we are doing in response - it tracks a lot of what was reported in today's *Wall Street Journal*!

One other issue - a very sensitive and critical one. We have several export initiatives pending before an interagency Trade Policy Review Group. They are currently being blocked on purist, philosophic grounds - this could become a serious political liability among farm state Democrats. I will continue to work this in the normal way, but I may need your help.

Dan

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

May 5, 1998

Dan Glickman

MEMORANDUM FOR THE PRESIDENT

From: Secretary Dan Glickman

Subject: State of the Agricultural Economy and USDA Actions

I. OVERVIEW

After a generally strong performance during 1996 and much of 1997, the U.S. agricultural economy is weakening. Agricultural prices, net farm income, and export sales set records in 1996 but have since fallen, with especially sharp declines for some commodities and in some geographic regions, such as the Northern Plains -- as reported in a front page article in today's The Wall Street Journal, "On the Northern Plains, Free-Market Farming Yields Pain, Upheaval."

A few key indicators illustrate the magnitude of the adjustment now taking place in U.S. agricultural markets. The Asian economic problems combined with lower U.S. commodity prices have reduced the value of U.S. agricultural exports from nearly $60 billion in fiscal year 1996 to $56 billion -- and this, our current forecast, is likely to be reduced further in late May. We expect net cash farm income to fall to $51 billion in 1998, down $4 billion from last year, and down 15% from 1996's $60 billion. The drop is primarily due to lower crop receipts and higher production expenses.

The weakest commodity markets are wheat and hogs. Wheat prices have hit their lowest level in 5 years, falling over 25 percent during the last 12 months. U.S. stocks compared with consumption are the highest since 1991 and, with the warm winter, a very large winter wheat crop is likely to be harvested starting in late May, putting further heavy pressure on prices. The weak wheat market, combined with several years of crop disease, has been especially punishing for farmers in the Northern Plains. Hog prices are down 30 percent

In other markets, corn and soybean prices are below year-a[illegible]evels, although they are still near the 5-year average. Cotton prices have rec[illegible]ly weakened as China began the unusual step of exporting cotton into a decl[illegible]g market. Rice farmers, after some initial misgivings following enactment of [illegible] 1996 farm bill, have actually seen their prices stabilize and remain fairly st[illegible]. Cattle prices have been low, but after 2 years of herd reductions, pric[illegible]re expected to strengthen as the year unfolds. Broiler prices have been ave[illegible]e and producers are earning positive returns. Milk prices were record high dur[illegible] the first quarter of 1998 but are now rapidly declining, although prices ar[illegible]ill expected to average a little higher this year and feed costs lower, comp[illegible]d with 1997.

Crop conditions around the world are generally favorabl[illegible]d longer term weather forecasts do not suggest problems for the 1998 gr[illegible]ng season here or abroad. With limited sales expected to Asia this summer a[illegible]nto the fall and tough export competition expected from South America, favo[illegible]e U.S. growing conditions could further aggravate the current decline in cr[illegible]rices and farm financial conditions.

In response to these developments and the concerns I am in[illegible]asingly hearing from farmers and ranchers, particularly during the farm fo[illegible]ms the Deputy Secretary and I conducted last month, I have initiated several actions to provide assistance and am proposing additional measures. While these steps will help, the prospects for improvement in the state of the farm economy this fall will depend heavily on the size of this year's crop harvests in the U.S. and abroad and the pace of recovery of Asian economies.

II. ACTIONS TAKEN TO DATE

International. USDA reacted quickly to the Asian financial crises and since late 1997 has made available $2 billion worth of export credit guarantees to countries throughout the region. On April 24, USDA announced a further $400 million allocation to South Korea.

USDA has made $4.5 billion in export credit guarantees available worldwide, up 50% from the $3 billion allocated at this time last year. USDA and the Agency for International Development have also allocated the full amount of available funding, $1.1 billion, for exports under PL 480.

USDA has aggressively awarded export assistance under the Dairy Export Incentive Program (DEIP) to boost dairy exports. In fact, we expect to reach this year's limit permitted under the Uruguay Round Agreement on Agriculture well before the agreement year concludes.

USDA and USTR have successfully concluded farm market access initiatives to open the Brazilian market to U.S. wheat, Taiwan to meats and rice, and which allow U.S. pork producers to sell to the Phillippines.

Domestic. Thus far this fiscal year, USDA has purchased $442 million worth of beef, pork, and poultry for domestic food assistance programs. USDA has also purchased about $55 million of nonfat dry milk under the dairy price support program, which is being phased out by the 1996 farm bill.

The emergency supplemental appropriations bill you signed will provide $105 million in additional farm operating loans and $43 million in additional farm ownership loans for this fiscal year, actually slightly above the amounts the Administration requested. Without these funds, USDA would now be running out of money in some of these accounts. Although the Senate version of the legislation included the Administration's proposal to fix the 1996 farm bill's provision that denies farmers from receiving additional USDA loans if they receive a write down, the conference report dropped it from the final bill; I will continue working to get Congress to fix this onerous credit provision.

Last month, I met with several Northern Plains Senators and Congressmen and announced a package of reforms we will initiate to revise crop insurance regulations to provide more effective assistance to farmers in the Northern Plains and other regions where successive disasters have sharply raised premiums and reduced coverage.

III. FURTHER ACTIONS PROPOSED

International: USDA has developed a series of recommendations to simulate additional exports that are pending final approval before the relevant interagency groups. These actions include new export credit initiatives, including direct credit for selected countries; limited export subsidy activities for certain commodities; and proposed legislation to use unexpended export subsidy funding for alternative programs to strengthen exports and prices.

Domestic. USDA will to continue supporting commodity prices through the use purchases for domestic feeding programs and price support purchases, where possible and will press Congress to enact its legislative agenda to provide me more authority to respond to emergency situations and to strengthen the farm safety net.

In addition, I have begun preparing an initiative designed to bring all of USDA's resources to bear on helping farmers adjust to and compete in the changed farm policy and farm economy environment described in the Journal article. While your Administration has made profound changes in USDA's conservation and natural resource policies and has had innumerable farm trade successes, we have not been as successful as I would like in advancing an initiative designed at traditional production agriculture. Without undoing the premises of the current farm bill, we can still, nonetheless, play a more active and constructive role in helping farmers, rancher, and rural communities adjust to the changes they face and my initiative will be designed to meet those needs. To do something meaningful and to leave a legacy in this area, we need to develop a much bolder proposal to stabilize family farm agriculture.

IV. CONCLUSION

In closing, the administrative and legislative items of critical, and immediate, interest to U.S. agriculture are:

- The appropriate interagencies need to support the USDA recommendations for expanding and amending American agricultural export programs.

- Congress must pass the vital agricultural research bill shortly, as it resolves a funding insufficiency for crop insurance , strengthens funding for agricultural research and rural development, as well as providing food stamps for certain legal immigrants.

In the longer term, we have proposed a series of legislative items to the Congress that would enable me to provide emergency assistance, within the confines of the current farm bill. Beyond that, I am developing a longer term initiative, perhaps for consideration as part of the fiscal year 2000 budget, designed at better helping farmers adjust to the changing farm economy.

Finally, it is my judgment that most on Capitol Hill believe the Administration has been responsive to their concerns. While we continue to respond to the individual and immediate crises in farm country, I remain concerned about the political and economic ramifications of further market weakness.

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- Congress must pass the vital agricultural research bill shortly, as it resolves a funding insufficiency for crop insurance , strengthens funding for agricultural research and rural development, as well as providing food stamps for certain legal immigrants.

In the longer term, we have proposed a series of legislative items to the Congress that would enable me to provide emergency assistance, within the confines of the current farm bill. Beyond that, I am developing a longer term initiative, perhaps for consideration as part of the fiscal year 2000 budget, designed at better helping farmers adjust to the changing farm economy.

Finally, it is my judgment that most on Capitol Hill believe the Administration has been responsive to their concerns. While we continue to respond to the individual and immediate crises in farm country, I remain concerned about the political and economic ramifications of further market weakness.

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*** TX REPORT ***
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UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

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☐ BOB EPSTEIN, SCIENCE ADVISOR TO THE SECRETARY
- ☐ LAURETTA MILES, ADMINISTRATIVE ASSISTANT
- ☐ JANNA PASCHAL, STAFF ASSISTANT

MESSAGE: SEE ATTACHED STATEMENT. THIS GROUP WAS AUTHORIZED BY THE 1996 FARM BILL, AND RECENTLY MET WITH THE PRESIDENT.

Commission on 21st Century Production Agriculture
Room 3702 South Building
1400 Independence Avenue, SW
Washington, DC 20250-0524

FOR IMMEDIATE RELEASE

CONTACT: Timothy M. Peters
Phone (202) 720-4860
Fax (202) 690-4420
E-mail tpeters@agcommission.org

COMMISSION ISSUES STATEMENT ON CURRENT FARM SITUATION

Washington, DC –July 9, 1999– The Commission on 21st Century Production Agriculture met today in Washington, DC to continue their study of public policy options for agriculture in the next century. Some discussion, however, was devoted to the more immediate problems facing America's farmers and ranchers. Farm prices have fallen dramatically and farm income continues to weaken as a result of shrinking export demand and bumper crops worldwide. To address these short-term problems, the Commission agreed there is an urgent need for Congress and the Administration to come together and provide supplemental financial assistance to farmers and ranchers.

Chairman Barry Flinchbaugh pointed out that the Commission continues to work toward the long-term task it was assigned by Congress. Defining the role of the Federal Government in support of production agriculture beyond the 1996 Farm Bill remains the central focus of the Commission. The Commission's final report is due January 1, 2001.

To aid them in this effort the Commission is hosting six public listening sessions around the country to gather ideas from producers and other agricultural interests on future public policy for agriculture. Listening Sessions are scheduled for August 12, 1999 in Fresno, California; August 14, 1999 in Spokane, Washington; August 16, 1999 in Denver, Colorado; September 21, 1999 in Chicago, Illinois; September 23, 1999 in Montgomery, Alabama; and September 25, 1999 in Scranton, Pennsylvania. For information on how to register for the public listening sessions please visit the Commission's web site, http://www.agcommission.org; or contact Tim Peters at 202-720-4860.

END

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

2-11-99

To John Podesta —

Please see the attached story in today's Wall Street Journal. The situation is not projected to improve for some time. We may need to act again.

Dan

ECONOMY

Outlook for Farm Economy Is Darkening

WSJ 2/11/99

192

As More Commodity Prices Sink, Speculation Grows Of Another U.S. Bailout

1012 — 118

By Scott Kilman
Staff Reporter of The Wall Street Journal

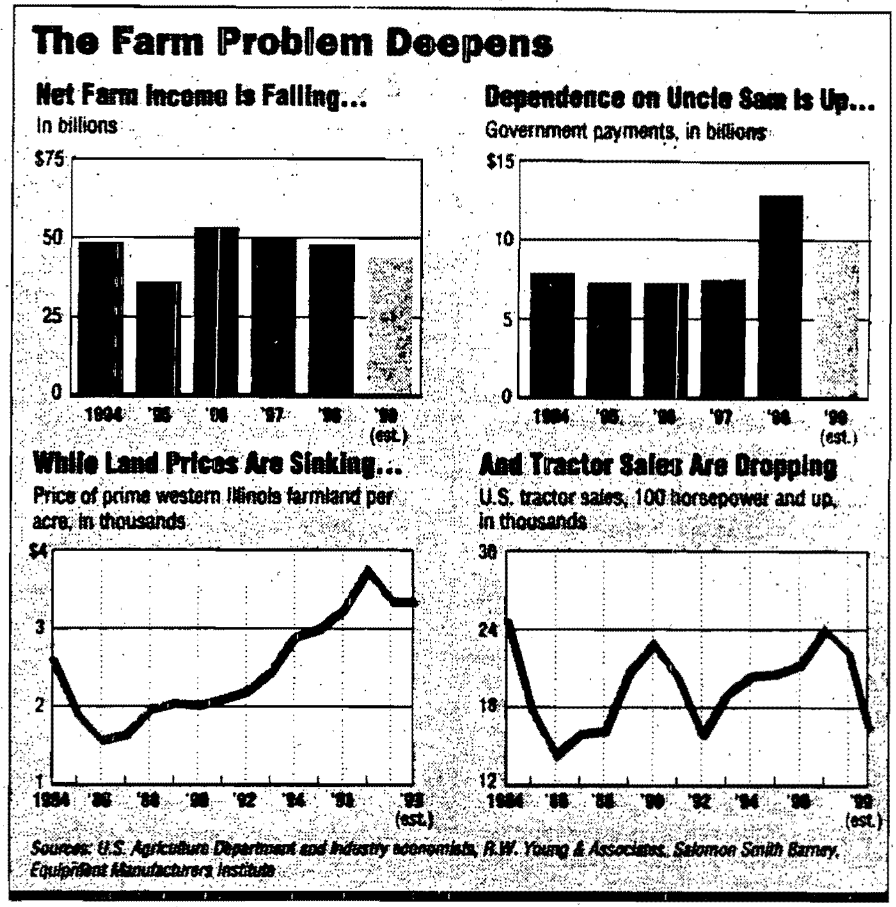
CHICAGO—The farm economy's problems are spreading, suggesting that rural America is heading for a prolonged downturn and raising speculation that farmers may seek another federal bailout.

Last year, as the Asian financial crisis doused that region's appetite for U.S. farm goods, prices of wheat, corn and hogs collapsed, reducing incomes for Midwest farmers. While prices of those commodities are still depressed, now prices of Southern crops such as cotton, soybeans and rice are sinking. The reasons range from global gluts to the devaluation of the Brazilian real. Even Wisconsin dairy farmers, who reaped record high prices for raw milk last year, are seeing their business sour.

"A lot is going wrong all at once," said Steven Elmore, an economist at Pioneer Hi-Bred International Inc., the biggest U.S. seed company. "The whole agriculture sector is a lot more stressed than last year."

Robert E. Young, co-director of the Food & Agricultural Policy Research Institute at the University of Missouri, said he will likely reduce his forecast of 1999 farm profits by $800 million to $44 billion, which would be 8% lower than the $48 billion earned last year and 18% lower than the record profits generated by farmers just three years ago.

Although the agricultural downturn isn't taking much steam out of the national economy, it is depressing the businesses that supply farmers with everything from tractors to chemicals. Agriculture is also one of the nation's biggest exporters and a drop in farm shipments worsens the U.S. trade deficit.



Sources: U.S. Agriculture Department and industry economists, R.W. Young & Associates, Salomon Smith Barney, Equipment Manufacturers Institute

Mr. Young's institute makes farm-economy forecasts for Congress, which last year passed a $5.6 billion bailout package. His darkening outlook increases the likelihood that some farm groups will approach Washington for another bailout this year. If that happens, it would ignite a debate in Congress over whether to stick to its plan for gradually weaning farmers from government subsidies by 2002. Opponents of the deregulatory 1996 farm bill would use such a request as evidence that agriculture can't go it alone.

Some grain traders think Washington might even have to bring back planting controls, a glut-busting tactic it gave up as part of the 1996 "Freedom to Farm" bill. "I'm all for the free market but things are getting out of control," said Richard A. Loewy, president of AgResource Co., a Chicago commodity-research firm. "Soon we're going to be swimming in grain if the government doesn't do something."

Without a second bailout, some economists expect to see a bigger drop in farm numbers this year, something for which many in Congress have little stomach.

And as farm income and commodity prices fall, industries that cater to agriculture are feeling the pain, too. Farm-equip-

Please Turn to Page A8, Column 1

ment makers are cutting tractor production again this year. Agco Corp., Atlanta, is reducing its production of tractors and harvesting combines an additional 13%. That follows a 13% cut by Agco in 1998, when its annual sales fell 8.8% to $2.94 billion. New Holland NV, a maker of construction equipment and farm equipment with headquarters in the Netherlands, expects industrywide unit tractor sales across North America to drop as much as 15% this year. New Holland's 1998 revenue declined 5% to $5.7 billion.

Meanwhile, farm bankers, hoping to avoid the mistakes that saddled them with bad debts during the agricultural downturn of the 1980s, are moving to cull weakened farmers. So may farmers are turning to the Agriculture Department for loans that some government credit programs are being exhausted.

Cotton-industry officials said hundreds of growers in Texas can't get loans for spring planting. Cotton prices have fallen to unprofitable levels for growers, despite a drought that slashed production last year. Thanks to a string of big overseas harvests, the globe is awash in cheap cotton. The world has a six-month supply on hand, the biggest reserve in 13 years. As a result, the price of the spot cotton-futures contract at the New York Cotton Exchange has dropped 21% since October.

Some lenders are beginning to foreclose on Northern Plains wheat growers, who have been battered by a string of poor harvests. In Minnesota, Kittson County Sheriff Ray Hunt recently sold off the property of three farmers who had lost their mortgages. "I don't like doing it but it's the law," said Mr. Hunt. "I suspect I'll being doing more."

About 20 Kittson County farmers have quit voluntarily over the past several months, according to local officials, even though the federal government increased farm aid to the county by 50% last year.

Janet Olsonawski and her husband, both 49 years old, plan to auction off their wheat and sugar-beet farming machinery in March. Discouraged by forecasts for low crop prices, their 24-year-old son quit the family farm to design log homes in Wyoming. The price of wheat has dropped 29% over the past two years to a national average of $2.86 a bushel in January.

All this is a big change from just three years ago, when U.S. farmers were cashing in on an export boom they thought would outlast the decade. Then the Asian economic crisis killed the appetite of U.S. agriculture's single largest customer, catching everybody from Iowa farmers to fertilizer companies and grain millers in the middle of big expansion plans.

Hog farmers, who geared up to sell 10% more pigs in 1998, are now going through their biggest shakeout ever. Economists expect tens of thousands to quit the business this year.

U.S. grain farmers, who usually sell about one-third of their crops abroad, saw the value of their corn exports drop 18% during the first 11 months of 1998, compared with the similar 1997 period, according to the Agriculture Department. Wheat exports fell 11%.

Now the shrinking value of Brazil's currency is undermining U.S. soybeans. Brazil, a major soybean exporter, is preparing for a record harvest next month. The currency move makes its crop far cheaper to foreign buyers than U.S. soybeans. As a result, some grain traders expect the price of U.S. soybeans to sink to the mid-$4-a-bushel range by summer if Midwest growing conditions are good. That price would be the lowest for U.S. soybeans since the mid-1980s farm crisis.

The commodity slump is hard to turn around without a big jump in foreign demand, which doesn't appear likely anytime soon.

When demand drops, most manufacturers cut production or make something else. But farming is made up of hundreds of thousands of small producers. They all know output is too high, but each sees his best chance for recouping last year's losses by producing more this year.

The upshot: Seed company surveys suggest that Midwest farmers are making plans to plant almost as much of their land this spring to the same crops they grew last year. If normal weather materializes this season, the U.S. could easily produce bumper corn and soybean crops for the fourth year in a row.

WASHINGTON, D.C.
20250-0100

2/3/99

Dear John —

Thanks for dropping by the USDA event last night. Your appearance was a real morale booster for our employees.

My best —

Dan

The Honorable John Podesta
Chief of Staff to the President
The White House
Washington, DC 20500

Personal Attention Requested

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

December 2, 1998

MEMORANDUM FOR JOHN PODESTA, CHIEF OF STAFF TO THE PRESIDENT

FROM: Greg Frazier, Chief of Staff to Secretary Glickman

SUBJECT: Justification for Secretary Glickman's Participation in the President's Trip to the Middle East

Because of Secretary Glickman's relationships with the Jewish community and Israeli leaders and USDA's role in Israel and the Middle East, he will be a valuable addition to the President's delegation.

The Secretary accompanied the President and Vice President to the recent AIPAC meetings in Washington, D.C., and and to former Prime Minister Rabin's funeral. He frequently speaks before national Jewish organizations due to his background, service in the Congress, his membership and chairmanship of the Permanent Select Committee on Intelligence, and USDA's ties to Israel's agriculture and forestry programs.

In addition to several trips to the region as a Member of Congress , while Chairman of the intelligence committee, he led a CODEL to Egypt, Israel, Jordan, and Syria, during which he participated in serious discussions about the role of the U.S. intelligence community in the Middle East.

USDA has significant relationships with Egypt and Jordan. In recent years Egypt has been the largest purchaser of U.S. wheat. Jordan has been a major participant in USDA's credit guarantee and recipient of P.L. 480 assistance; the Secretary has been personally involved in expediting and accelerating food sales and assistance to Jordan.

USDA also has a major relationship with Israel. The Forest Service and the Jewish National Fund, Israel's forest service, cooperate in many areas – in fact, the USDA's Forest Service will provide the tree the President will plant in Bethlehem during his visit. In addition, the Binational Agricultural Research Development (BARD), a joint US/Israeli agricultural research effort, has provided millions of dollars in agricultural research projects between our two countries - especially in arid land research. These efforts are part of the U.S./Israel/Egypt peace agreement begun nearly twenty years ago, and have quietly and significantly provided transfer of agricultural technology to other countries in the region as well - perhaps something in which the Palestinians could participate.

The Secretary and I appreciate your consideration.

Thanks John

GF

USDA

United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

July 16, 1999

MEMORANDUM FOR THE CHIEF OF STAFF

From: Secretary Glickman

Subject: Farm Assistance Package

The farm economy continues to slump – USDA's most recent monthly supply-demand estimate released last Monday confirms that and projects a soft farm economy through the end of next year, the Senate will soon turn again to the agricultural appropriations bill and consideration of another farm aid package, and the President said he will be proposing recommendations for assistance, but we seem to be stuck on dead center, notwithstanding the many discussions and meetings we have had the last several months on this subject.

I am convinced Congress will pass some form of emergency farm package this year, thus the longer we wait before proposing one, the more our political vulnerability increases. I think the President well be best positioned if asserts leadership and stakes out a position and proposal, especially before the congressional majority begin to criticize him for failing to carry through on that comment and their request for recommendations. While there develop another bidding war akin to what unfolded last year, and we may find ourselves playing catch up nonetheless, unless we advance something now, or very soon, I think we lose almost any political advantage we could realize and our silence may relegate us to acquiescence, again.

While our first task should be proposing assistance to mitigate low prices, falling income, and, in all likelihood, falling land values that if in fact come about, well set off a spiral of foreclosures and banking problems like we witnessed in the mid-1980s, we must also address the supply side, which we can do buy proposing ways to reduce production and dispose of the building surpluses. Therefore, I propose the following:

- ***INCOME ASSISTANCE:*** We should propose a $2 billion program of direct

more

payments to farmers, up to $15,000 per person, based on declining crop income from falling crop prices – this is the proposal USDA has put before the interagency group for some time. It is counter cyclical, unlike the current farm bill which has been one of our most effective critiques of that, and addresses the immediate crisis.

- ***Expansion of the CRP***: Call it what you will, but we need to do something to reduce production and while we may want to consider asking for stand-by set-aside authority, which we advocated in 1996 but which this congress will turn down flatly, we should come out for some form of multi-year but short-term land retirement program. Farmers would get an annual payment, like CRP, and like CRP too would also have to demonstrate some conservation and environmental benefits, in return for idling farm land for 3 to 5 years. We ought to propose a program of up to 15 million acres – enough to have some production effect. Also, this is another mechanism to transfer income to farmers.

- ***Direct Purchases***: The President should direct me to buy $1-$2 billion of surplus commodities off the market, like the wheat purchase and donation program announced last summer, for foreign donation and domestic uses, such as ethanol and biodiesel.

- ***Farm Storage***: All these crops have to go somewhere, and we are already running at 95% plus utilization rates for storage in many parts of the country, even before taking in another record soybean crop and the largest corn stocks since 1993. We should advocate an on-farm storage program whereby USDA would guarantee financing for the construction of such facilities.

We are already on record on crop insurance reform, so we have that base covered, and need to worry less about it now since it will provide emergency aid and the two committees are starting to mark up and we can work through that process. We, USDA, have also talked about some other items that I think merit consideration to the 4 key points I noted above, and they are: extension of the dairy price support program and more cotton export subsidy funds for the step 2 program.

I understand the budget complexities we face, and I certainly know the political problems, but overarching everything right now on this subject is, in my view, a lack of leadership – not just from the Administration, but also in Congress, in both parties. This package provides that, as well as offering a meaningful and responsible solution.

Daniel R. Glickman

To: John Podesta 6/9/99

Re: An Issue Outside My Jurisdiction

John - I am an aviation safety fanatic. As a result of the Little Rock crash, it is clear that all commercial airports handling jet service should have terminal doppler radars <u>immediately</u>. The President should instruct the FAA to expedite the installations.

Dan

Office of the Secretary
Washington, D.C. 20250-0100

The Honorable John Podesta
Chief of Staff
Executive Office of the President
The White House - West Wing
Washington, DC 20500

To John for filing

MEMORANDUM FOR JOHN PODESTA AND GENE SPERLING

FROM: Sally Katzen

SUBJECT: Status of Agriculture Issues

DATE: March 26, 1999

The President very much wants to travel to farm country the week after next, and is looking for a message to deliver on such a trip. To that end, the NEC has conducted interagency meetings to review various policy options and the political implications of pursing them.

I. Background

Through the 1994 crop insurance reform bill and the 1996 farm bill, the Administration and Congress attempted to move away from ad hoc disaster and price-support programs and toward market-oriented programs, such as crop insurance. After the 1994 Reform Act, producers were required to participate in the crop insurance program in order to remain eligible for other USDA program benefits. Under this policy, participation soared (from 35 to 80 percent of insurable acres); it has, however, tapered off (to 63 percent) since the 1996 farm bill eliminated this "link." The 1996 farm bill replaced ad hoc disaster payments with Agricultural Marketing Transition Act (AMTA) payments that declined over a seven year period. The amount of AMTA payments was based on a slight cut from CBO projections in 1996 on what USDA would have spent on income support through "deficiency payments." On signing the 1996 farm bill, the President expressed concern that the bill did not provide for an adequate safety net in years with low levels of farm income.

U.S. agriculture experienced strong growth from 1994 through 1997. Net cash farm income reached a record $61 billion in 1997 as export demand grew and world commodity stocks tightened. In 1998, however, regional weather problems and multi-year production losses, as well as nation-wide low prices for many commodities, revealed shortcomings in the safety net.

In response, the Administration negotiated a $6 billion disaster assistance package in the FY 1999 Omnibus Appropriations Bill to enhance farm income, $400 million of which was used to increase 1999 crop insurance subsidies. The disaster assistance payments helped to maintain farm income in 1998 near the record level set in 1997. Nonetheless, these funds were distributed based on past participation in USDA programs (AMTA), with the result that roughly six percent **???** of the largest farms received thirty-six **???** percent of the payments. Once again, in the course of the discussions about the omnibus bill, the President expressed concern that the bill did not adequately protect those at the greatest risk.

II. Recent Developments

This year, in the face of USDA projections of continued low prices that might persist through 2001, the Administration sought to seize the initiative and repair the safety net. The President, in his State of the Union Address, and the FY 2000 Budget, emphasized that the primary means of fixing the safety net would be through crop insurance reform. Although the budget did not include funds for crop insurance reform (because of the absence of agreement on how to pay for it), Secretary Glickman issued "The Administration's Principles and Preliminary Proposals for Reforming Crop Insurance" on February 1st (the day the Budget was released). Secretary Glickman stated that it was important to obtain bipartisan agreement on how to finance the changes. To that end, he planned a series of regional meetings to listen to farmers, other stakeholders and members of Congress. Secretary Glickman tentatively plans to begin these meetings in early April in ___, ___ and ___. (Note: On March 10th, the Administrator of the USDA's Risk Management Agency, which administers the crop insurance program, testified before the House Agriculture Committee and on the outline of the Administration's crop insurance reform proposal, stating it would cost between $2 and $2.5 billion per year.)

The Chairman's Mark of the Senate Budget Resolution includes a reserve of $6 billion for "risk management and income assistance for agricultural producers," meaning that the Agriculture Committee can report a bill costing $6 billion without identifying offsets. Because, however, the resolution also states the reserve is only available if crop insurance and other legislation would not result in an on-budget deficit (budget totals excluding the Social Security surplus), it would not be available for FY 2000 unless other legislation reduces spending by $12 billion under the Administration's forecast, or by $3 billion under the Budget Resolution's assumptions. This flaw in the Budget Resolutions has not been identified by the stakeholders or the press; instead, the Republicans are getting credit for allocating $6 billion for crop insurance. The House Budget Resolution reportedly also contains a similar $6 billion reserve for "crop insurance."

Senators Kerry (NE) and Roberts (KS) have sponsored a bill that Senators Grassley and Conrad (and a number of other Senators) have co-sponsored, entitled the "Crop Insurance for the 21st Century Act," that includes many components of the Administration's package (e.g., increasing premium subsidies, livestock coverage, and multi-year coverage). In the House, Congressman Pomeroy (MD) is circulating a draft "Crop Insurance Improvement Act of 1999" that also is similar to the Administration's proposal, although it includes deeper subsidies.

Overall, White House Legislative Affairs believes that it is unlikely that crop insurance reform will pass the House and the Senate this year. Both bodies are having oversight hearings and developing proposals, but neither has tackled the difficult question of how to pay for any reforms. Some Senate Democrats, in particular Senators Harkin, Daschle, Leahy, and Durbin, have approached the White House about working together on a strategic plan for reforming crop insurance; some remain committed to promoting uncapping the loan rates, expanding antitrust authority and other proposals that we have not been enthusiastic about supporting. As with most agriculture issues, they believe that they can achieve an important objective by helping America's farmers, but they also believe it represents a good political message. In the House, the effort is bipartisan, but it will be slow.

III. Proposals to Reform the Safety Net

There is consensus among members of the interagency group that crop insurance reform is the key to enhancing the safety net. There is somewhat less enthusiasm, but nonetheless general agreement, that some form of income protection should also be a part of any proposal. Finally, there is a consensus that the AMTA payments that are currently in effect are the least effective means of protection against counter-cyclical downturns and least able to put money in the pockets of those who need it the most. Accordingly, the interagency group agreed that if it were working on a clean slate (and contrary to fact there were no vested interests at stake) we would recommend shifting funds from AMTA payments to crop insurance and income protection programs. However, not only are we faced with disappointing farmers' reasonable expectations that the AMTA payments (a fundamental benefit of the farm bill) would continue until the expiration of the current farm bill, but as a practical matter, virtually all AMTA payments for FY 1999 have already been disbursed. Accordingly, no reallocation of program monies could be made effective until FY 2000 at the earliest.

With this background, we looked at two ends of the spectrum. First we examined what we would do if all proposals had to be paid for out of existing USDA programs. USDA and OMB have been able to identify only the AMTA payments as a source of funds. Because of the vested interests in these payments, and the political fallout from disrupting existing expectations, there are relatively limited resources available. (Note: USDA estimates no more than $1 billion in FY 2000; possible a little bit more, but not much in the following years. OMB has observed that any AMTA cut could be targeted by farm size or income to those who are in more need of income assistance, rather than simply reducing payments to all farmers. For example, targeting AMTA payments to farms with less than $100,000 in gross farm sales would provide payments to 85 percent of farms while saving an estimated $2 billion annually.) This would support only a relatively modest funding increase for crop insurance and a relatively modest income protection program, along with a complement of no-cost items such as mandatory price reporting, extension of loan repayment schedules and ________. We could spend more money by cutting more deeply into AMTA; the political hurdle of doing so, however, is likely to be high.

At the other end of the spectrum, we examined what it would take to fix the safety net without regard to whether we could identify offsets, or where they might come from. Under this alternative, we would propose substantial funding increases to reform and enhance crop insurance, substantial income protection, and several other components totaling almost $3 billion, along with the no cost items identified above. The two cases are discussed in greater detail below.

A. Base Case: No Additional Money to Agriculture

In the absence of new (additional) funding for agriculture programs, USDA would substantially scale back its $2.5 billion crop insurance proposal to roughly $500 million. (Recall that the NEC deputies had generally agreed to a $2.5 billion program consisting of increased CAT coverage and "buy-up" premium subsidies ($1.5 billion); multi-year coverage ($0.4 billion); increased non-insured assistance (NAP) coverage and extending NAP to livestock ($0.4 billion); providing incentives to private industry to spur product development ($0.15 billion); and, producer risk management education ($0.05 billion)). From this menu, USDA would pick up increased premium subsidies only, and limit them to the "buy-up" portion of the policies at a cost of approximately $500 million.

In addition, USDA would propose a $500 million income assistance program. The most salient criticism of the 1996 farm bill, is that the bill lacks the counter cyclical protection of past programs. In order to address that concern, the Administration considered last year proposing a one time only payment to farmers equal to 30 percent of the amount by which gross income was less than the average of the preceding 5 years; that proposal, which was never formally advanced**???**, would have cost approximately $1.8 billion. Such a program could be dialed down and presented not as a single year plan but as a standing program *costing approximately $500 million a year*. This program has the advantage of beginning to address the counter cyclical flaw discussed above, but would not attract the same criticism as uncapping the rate on marketing loans.

The combined cost of the crop insurance reform and the income assistance program would be $1 billion. Because AMTA is a $5 billion program, it would leave more than 80 percent of AMTA funding in place. Moreover, some of the funds redirected from AMTA would end up in the hands of the same farmers, thereby reducing the adverse reaction. Nonetheless, we cannot understate the difficulty of changing the rules midstream. Also, we should be clear that the proposals would not address the real problems and will likely be viewed as a wholly inadequate response. If would, however, relieve the Administration of the need to identify larger offsets or spending the surplus.

B. The Responsible Wish List: Assuming Additional Monies for Agriculture

If USDA did not have to rely exclusively on reductions to other USDA programs in order to enhance the safety net, USDA would substantially enhance the crop insurance and income assistance programs. In addition, USDA advocates a short term conservation program, continuation of dairy price supports and financing for on-farm storage. This package would also include the no-cost items identified above.

Crop Insurance Reform: As noted above, crop insurance reform would be the centerpiece of any Administration plan to restore the farm safety net. Even so, USDA is prepared to scale back the $2.5 billion proposal to approximately $1.5 billion. These fund would be used to increase the buy-up subsidy, increase NAP coverage, develop livestock pilot program and fund farmer education programs. (The objective to which all members of the interagency group subscribe is to increase premium support in a manner that encourages farmers to purchase higher levels of insurance; while additional analysis need to be done, we believe that placing the emphasis on supporting the buy-up levels achieves this objective.) USDA would offset, in part, the increased expense of the program by reducing the CAT subsidy, increasing CAT fees or a combination of both.

Farm Income Protection: As noted above, farm income protection presents an opportunity to address the concern that current farm programs lack the counter cyclical protection of past programs. Accordingly, even with a much scaled up venison of crop insurance, USDA is strongly advocating a significant farm income protection program such as that described above (which pays a certain percentage of the farm income in a given year if farm income drops below a five year average income by a specified amount). USDA would dial up the level of support from he base case to an amount that would *cost approximately $1.1 billion a year.*

Short Term Conservation Reserve: Last year, the Administration developed a proposal that ultimately was not included in the omnibus legislation to pay farmers to idle farm land for 3 to 5 years if they agreed to implement conservation practices on the land during that period. The proposal grew largely out of our desire to help farmers (including many in the Upper Plains states) whose land was submerged temporarily or unproductive because of disease. The idea still resonates for those reasons, and because of the increasing concern about growing surpluses. In addition idling more land serves as a supply-control mechanism (thereby constraining production) similar to those used during the pre-1996 Farm Bill regime. If USDA were to establish a program, modeled on the current Conservation Reserve Program, but only requiring farmers to idle their land for 3 to 5 years, it would *cost approximately $200 million per year.*

Dairy Price Supports: Very recently, USDA has raised the prospect of continuing price supports beyond December 31, 1999, at which time they were scheduled to end. USDA is reacting to recent plummeting prices (after having hit record highs in December, in February, dairy prices registered their sharpest one-month drop ever). USDA estimates that if it were to extend the program for two years at $10 per hundredweight, a slight increase over the current level of $9.80 per hundredweight would cost approximately $100 million a year. Announcing such a proposal is particularly timely because USDA recently announced a new milk marketing reform plan, that is now pending before Congress.

On-Farm Storage: In the early 1980's, USDA had authority to finance on-farm storage. USDA could seek to reinstate the program at an *approximate cost of $50 million a year.* This would represent sufficient funding to finance the construction of approximately $1 billion of farm storage facilities.

Taken together, these proposals would certainly be viewed as a serious statement and a real attempt to fix the safety net. At the same time they are very costly. USDA believes that it cannot fund them solely form their own programs, but is willing to donate about $1 billion from

AMTA payments. This means that the Administration would either have to spend a portion of the surplus or look for offsets in non-agriculture programs (a challenging task, to say the least).

IV. Recommendation

If the President were to speak to farm communities in the next several weeks, his first emphasis should be on the failure of Congress to pass the supplemental. He could also -- indeed should also -- lay out the kinds of things that we think need to be done -- the broad parameters of crop insurance reform, income assistance programs, the short term conservation reserve, dairy price supports, and on-farm storage. But he has to be clear that we need bipartisan bicameral agreement on how to finance the improved safety net. Where is the money to come from in the short term and over the longer term? He can then say that he has directed Secretary Glickman to conduct the listening and learning sessions and challenges the Congress to roll up its sleeves and think realistically about these problems. He can appeal to bipartisanship, demanding that Congress put the financial security of the farmers ahead of politics.

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

September 4, 1998

MEMORANDUM FOR THE HONORABLE ERSKINE BOWLES, CHIEF OF STAFF

From: Secretary Glickman

Subject: Farm Assistance Proposals

Dan Glickman

I. SUPPLEMENTAL CROP INSURANCE BENEFITS
INDIVIDUAL VS. COUNTY TRIGGER

We premised this proposal on providing assistance to individuals -- not counties -- who have suffered repeated losses from natural disasters. The proposal measures losses and delivers benefits through the crop insurance program which as a result of reforms this Administration has advocated and implemented, has likewise become grounded on individual, not county experience.

A county trigger would contravene both principles, reversing the reforms we have made, be less effective and less targeted causing enormous inequities, and dramatically increase the workload on the already stressed USDA county office workforce.

One of the most persistent, and valid, complaints about the old crop insurance program was that farmers were not insured based on their own experience; premiums were based not an individual's farm, but the average performance of all farms in a county, thus coverage was limited for the most efficient farmers and capped for the ones who suffered larger than county-average losses. In the years since we successfully pushed the 1994 crop insurance reform bill, we now tailor coverage, and thus provide indemnities, on a specific farm's experience. Why, especially when losses are so severe, do we want to reverse this policy and stipulate that farmers can benefit only if they farm in a county that has been declared a disaster, irrespective of their own losses?

Triggering supplemental crop insurance benefits based on whether a county is declared a disaster and not one the individual's losses will be less targeted, not more, and less effective in providing assistance to the farmers the proposal is designed to help. It will deny assistance to many farmers who have suffered very real and substantial losses, just

.... more

because weather conditions in the rest of their county were not as severe.

Not only would a country trigger be inequitable and undercut our goal of providing aid to every farmer who has been hit by successive natural disaster, the appeals that will result will swamp USDA field offices, at the very time they are under pressure to deliver the assistance in the package, provide farm credit, operate the CRP, and cope with the enormous increase in loan activity we are seeing.

In the end, we will pay out the same, or nearly the same, amount of benefits, but will have created an administrative and bureaucratic nightmare for farmers, and ourselves. Finally, proposing a county trigger will subject us to criticism and in the end, Congress will not endorse it; why propose it?

2. INCOME LOSS ASSISTANCE PROGRAM

Having for weeks and weeks described the crisis in the farm economy as twofold – natural disaster losses and weak prices – I remain concerned that the proposal address income losses, both on the merits and for political reasons.

I described the prices we are now experiencing; we do not believe they will improve over the next several months. In fact, next week, just when we may be releasing this proposal, USDA will also be releasing on Friday, September 11 its next regularly scheduled forecast of farm prices. Those projections will show prices going down, substantially. If we do not offer a proposal to address this, I believe we are vulnerable for not addressing a problem we have correctly acknowledged.

One of our biggest critiques of the 1996 farm bill has been and remains that it does not provide counter-cyclical assistance, which is primary function of increasing the cap on marketing loans. Not only would the income loss assistance proposal we developed address that concern, it is consistent with our continual statements about our intent to fix the farm bill's flawed safety net.

Finally, I expect the majority in Congress to propose a package addressing farm income losses that may look very much like what USDA has suggested, and that I expect we will ultimately embrace. As I said earlier, I believe this is an opportunity to lead, and that we ought to seize it.

I am, of course, ready to discuss this with you further.

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❑ LAURETTA MILES, ADMINISTRATIVE ASSISTANT

MESSAGE:

Iowa has trouble of its own

Poor farm economy threatens cities, too

By KENNETH PINS AND GEORGE ANTHAN
Register Washington Bureau

Washington, D.C. — While the stock market is getting most of the attention this week, experts say the farm economy may present a bigger threat to Iowa.

Corn is selling at its lowest price in 12 years, and falling farm income is starting to rattle through the larger economy, causing slack sales of tractors, pickup trucks and other farm nonessentials.

Deere & Co., for example, will close its Waterloo plants for a week at the end of this month because of weak demand, idling 3,300 workers who not long ago had to work overtime to keep up.

Denny Kinnard of Local 838 of the United Auto Workers said the effects will be felt in dozens of smaller subcontractor plants as sales of tractors overseas and in the United States begin to slow.

Troubles in Asian markets and elsewhere have limited the potential to increase exports to counter the effects of what's expected to be a large corn crop.

"I don't think the worst has happened yet," said David Lawrence, an economist at Drake University. "The farm economy could be lagging for a period of years."

While agriculture doesn't dominate the state's economy as it once did, it still has the potential to pack a punch.

"Direct farm income is only 2 percent of Iowa's total," said Beth Ingraham, a University of Iowa economist. But it translates into a much larger factor because so much of Iowa's food, retail, durable manufacturing and other sectors are related to farming.

"In its various dimensions — production, processing and selling inputs (seed and fertilizer) — the farm economy comes to about 20 percent of the state's economy," said Dan Otto, an Iowa State University economist now on leave in Oregon.

The stock market's 512 point slide Monday hurt many Iowans, but there seems to be more optimism about Wall Street's chances for recovery than a resurgence in the farm economy. Many experts in and out of Iowa were predicting the stock market would eventually rebound.

"I just don't think there's much hope for the stock market to stay down," said Martin Holdrich, an economist for Woods & Poole Inc.

He said there is still a large group of people in their peak earning years who will continue driving the market up just as they did with homes in the early 1980s.

Iowa Business Council leader Mert Levin said the stock market is not troubling her. "I'm glad I'm not retiring today," she said. "Other than that, I don't worry about it." The fundamentals of most companies are strong.

Iowa's economy has diversified since the farm crisis in the 1980s, and many experts are confident Iowa can weather a downturn in its agricultural economy.

Few at the Iowa Department of Economic Development — from director David Lyons to export head Mike Doyle to economist Harvey Siegelman — say they think falling farm income will be a real problem for the state. A year from now, said Lyons, Iowa will still be more concerned with finding enough skilled workers than with layoffs caused by troubles in farm export markets.

Lyons said Iowa has already made adjustments, focusing more on selling goods in less-troubled areas like Canada and South America, and on so-called value-added processing of farm products.

Others, however, say trouble on the farm can still translate into some pain for white-collar Iowans. There will be no federal farm program to step in and provide income for farmers, thanks to the 1996 Freedom to Farm Act that replaced farm subsidies with a more market-oriented approach.

"Freedom to Farm is a good theory to have when prices are high," said Lawrence.

The Center for Agriculture and Rural Development at ISU projects Iowa farm income at $2.8 billion this year, well below last year's $4.2 billion. Next year could be even worse, the center says.

No one at this point expects a repeat of the 1980s — a nearly decade-long deflation and income drop. But some are getting a little bit uneasy.

Dennis Prouty of the Legislative Fiscal Bureau said state government passed $136 million in additional tax cuts to be phased in. Now low corn prices will cut into expected state income when farm taxes come due next January through March. Prouty and others said that when farmers don't have money, people in town feel it.

Reporter Kenneth Pins can be reached at 703-907-5006, or pinsk@news.dmreg.com

Farm economy also threatens urban areas

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

MEMORANDUM FOR WHITE HOUSE CHIEF OF STAFF ERSKINE B. BOWLES

FROM: Dan Glickman
Secretary

Dan Glickman

SUBJECT: Your May 21 Meeting with the North Dakota Congressional Delegation

ISSUE:

Senators Kent Conrad, Byron Dorgan, and Representative Earl Pomeroy have requested a meeting with you to convey their strong concern about low farm commodity prices, declining farm income, and the need, in their view, for more assertive trade actions on the part of the Administration to reverse the decline in farm exports. Their meeting comes at a time when farmers in North Dakota and elsewhere in the Northern Great Plains are growing increasingly vocal about the falling prices and their dissatisfaction with some features of the 1996 Farm Bill.

DISCUSSION:

Commodity prices have fallen significantly over the past 18 months. Wheat prices, for example, have declined by more than $1.00 from year-ago levels, to around $3 per bushel. U.S. agricultural exports will likely fall below the current official estimate of $56 billion for FY98, which is already down from last year's $57.3 billion and the FY96 record of $59.8 billion. Although total U.S. farm exports declined 4.3 percent for the first six months of FY98, the fall off has been more dramatic in a number of our key Asian markets: Korea (-40 percent), Japan (-8 percent), Indonesia (-31 percent), and so on. Compounding the problems is record agricultural production worldwide, especially among key exporting countries like Argentina, Brazil, and Australia, which means that commodity prices are likely to fall still more and remain low at least through the remainder of this year.

While there are early warning signals throughout U.S. agriculture, the problem seems to be much worse in North Dakota, where there are few alternatives to wheat production and where disease and natural disasters have seriously reduced production and farm income for the past three seasons. Neighboring states in the Northern Great Plains share this fate to a slightly lesser degree (see May 5 Wall Street Journal article, attached). Continued large inflows of Canadian wheat has heightened the sensitivities of Northern Plains farmers, and recent reports that the European Union is sending a shipload (30,000 tons) of heavily subsidized ($60/ton) barley to California has fueled a public outcry among farmers in the Northern Plains, and their Congressional delegations, that the Administration is not doing enough to ensure fair trade for agriculture.

The North Dakota Delegation's Request for EEP. Recognizing that the markets offer the only hope for a significant upturn in demand, the Delegation has focused its attention on the Export Enhancement Program (EEP). The EEP is our export subsidy program for agricultural commodities. Under it we calculate and award to the exporter a "bonus payment" that buys down the price of U.S. commodities to world price levels, making us price competitive. The EEP has become a mantra for farmers and their representatives in this part of the country, remembering as they do our use of the program to move millions of tons of wheat and lesser quantities of barley as recently as three years ago. In your meeting with them, the Delegation will again request that the program be activated for wheat and probably barley.

EEP's Effectiveness. My Department has looked carefully at the economic and political case for EEP in recent weeks. Our analysis shows that reactivating the program for bulk grains would at best have a modest, temporary effect on farmgate prices under current world market conditions. This is largely because the EU has been measured in the quantity of subsidized wheat they have put into world markets -- their wheat exports this year are down about 20 percent from a year ago. Also, reactivating the program for bulk grains could weaken our credibility in the new trade round. In the just-concluded WTO Ministerial, we took a strong position in favor of further trade liberalization, and we want to negotiate away export subsidies, not increase them.

The case is different for a processed grain product like flour where the EU has aggressively subsidized its way to dominance of the world market and basically removed us as a player. Here every ton sold under EEP would result in additional exports. This led to my proposal to the Trade Policy Review Group three weeks ago that we initiate use of EEP for flour. This was opposed by economic agencies, largely I believe on philosophical grounds, and in the interest of a timely decision on related proposals I temporarily withdrew the request.

Recommended Response. In my view we must show a more aggressive response to the combination of falling farm income and trade policy provocations. The Administration is being viewed as passive and reactive and we need to turn this around. I recommend three specific actions:

1) We should reactivate the EEP for wheat flour.

2) We should immediately constitute a task force comprised of representatives of U.S.Trade Representative (USTR), U.S. Department of Agriculture (USDA) and U.S. Department of Commerce (USDOC) to explore all options available to us to respond to any further sale of subsidized EU barley into this country. The task force should bring its report with options to the Trade Policy Review Group within 30 days.

3) The President should write a letter to Prime Minister Chretien endorsing USTR Barshefsky's and my request to the Canadian Wheat Board for a full audit of all their wheat and barley sales to the U.S. and third countries (The Canadian-U.S. Free Trade

Agreement commits them to an audit of durum sales only, but we have requested a full audit).

If you would convey to the North Dakota Delegation that we will be taking these three actions, I believe this would go a long way toward addressing their concerns. I will undertake during the meeting to explain our decision not to proceed with using EEP for wheat at this time.

Attachment

Off the Land 101 /102

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

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

WSJ — 5/5/98

The Effect Spreads South

A1

By Scott Kilman

Staff Reporter of The Wall Street Journal

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

They are defeating him.

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

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

An Ill Wind Blows

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

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

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

Two years ago, Uncle Sam began withdrawing from the decades-old business of protecting farmers against the vagaries of weather and markets. Grain and cotton farmers no longer receive "deficiency" payments when prices are below target levels. Shelved, too, was the disaster-aid program that pumped $13 million into Kennedy and the rest of Kittson County after the 1988 drought.

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

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

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

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

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

A Spreading Malaise

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

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

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

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

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

No Fight Left

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

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

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

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

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

Mr. Swenson's math is simple. The government subsidy that generates about a quarter of his wheat income is evaporating. Growing something more profitable is difficult this far north. So he has taken a job in a neighboring county at a bus-manufacturing plant where the starting wage is $12.60 an hour.

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

(GCL 2-12

A14 THE WALL STREET JOURNAL TUESDAY, MAY 5, 1998

On the Plains, Deregulation Yields Pain and Upheaval

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

So Little Time

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

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

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

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

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

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

Difficult Refusals

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

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

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

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

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

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

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

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

A Signature Scent

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

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

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

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

U.S. EXPORTS OF AGRICULTURAL, FISH & FORESTRY PRODUCTS TO *ALL COUNTRIES*
FY 1993 - 1997 AND YEAR-TO-DATE COMPARISONS
(IN THOUSANDS OF DOLLARS)

EXPORT MARKET: *ALL COUNTRIES*

PRODUCT	FISCAL YEARS (OCT-SEPT) 1993	1994	1995	1996	1997	OCTOBER - MARCH COMPARISONS 1997	1998	% CHANGE
BULK AGRICULTURAL TOTAL	18,913,731	17,966,741	24,452,852	28,792,244	24,143,573	14,490,061	13,154,671	-9.22
WHEAT	4,739,535	4,025,716	4,956,250	6,886,695	4,123,679	1,887,512	2,023,806	7.22
COARSE GRAINS	5,093,583	4,568,545	7,411,379	9,337,941	6,920,673	4,190,175	2,786,615	-33.50
RICE	768,082	890,875	1,050,286	1,003,899	961,755	577,637	641,244	11.01
SOYBEANS	4,606,097	4,160,933	5,274,426	6,312,093	6,950,019*	4,961,477	4,972,366	0.22
COTTON	1,537,660	2,306,374	3,496,438*	3,028,083	2,737,264	1,546,799	1,516,387	-1.97
TOBACCO	1,442,763	1,260,181	1,329,050	1,392,705	1,611,617*	892,576	756,071	-15.29
PULSES	206,322	255,306	276,600	264,333	261,913	142,524	160,570	12.66
PEANUTS	219,891	170,365	274,136	215,011	232,986	111,536	120,358	7.91
OTHER BULK COMMODITIES	299,798	328,445	384,284	351,485	343,667	179,823	177,252	-1.43
INTERMEDIATE AGRICULTURAL TOTAL	9,141,756	9,569,222	11,458,781	10,954,889	12,323,946*	6,552,215	6,864,396	4.76
WHEAT FLOUR	214,663	201,921	244,508	144,823	138,846	71,989	64,614	-10.24
SOYBEAN MEAL	1,146,291	1,013,243	1,079,083	1,304,653	1,746,494*	1,113,063	1,373,128	23.36
SOYBEAN OIL	327,381	432,830	808,532*	271,785	515,575	340,778	546,141	60.26
VEGETABLE OILS (EXCL SOYBEAN OIL)	495,900	607,929	917,500*	836,388	855,817	393,050	513,718	30.70
FEEDS & FODDERS (EXCL PET FOODS)	1,724,045	1,718,881	1,891,213	1,949,734*	1,928,166	989,977	877,138	-11.40
LIVE ANIMALS	482,177	588,473	517,995	547,865	622,082	331,155	410,427	23.94
HIDES & SKINS	1,271,308	1,422,854	1,719,435	1,649,306	1,672,653	851,164	715,905	-15.89
ANIMAL FATS	509,809	536,795	810,164*	637,366	513,726	242,343	298,646	23.23
PLANTING SEEDS	664,124	615,223	679,331	726,674	923,988*	595,610	572,078	-3.95
SUGARS, SWEETENERS, & BEVERAGE BASES	561,573	638,366	667,480	659,740	720,290	345,599	327,090	-5.36
OTHER INTERMEDIATE PRODUCTS	1,744,485	1,792,707	2,123,539	2,226,556	2,686,307*	1,277,487	1,165,511	-8.77
CONSUMER-ORIENTED AGRICULTURAL TOTAL	14,747,283	16,320,585	18,717,630	20,047,654	20,793,043*	10,199,055	10,456,182	2.52
SNACK FOODS (EXCL NUTS)	952,801	1,099,766	1,063,196	1,142,970	1,251,786*	627,241	668,799	6.63
BREAKFAST CEREALS & PANCAKE MIX	256,343	284,999	270,322	317,618	341,993*	166,596	180,561	8.38
RED MEATS, FRESH/CHILLED/FROZEN	3,100,335	3,193,569	4,012,862	4,306,998*	3,944,105	1,823,009	2,014,586	10.51
RED MEATS, PREPARED/PRESERVED	198,702	248,698	276,595	338,369	396,594*	196,958	214,232	8.77
POULTRY MEAT	1,030,729	1,420,335	1,892,070	2,384,234	2,516,107*	1,310,849	1,192,678	-9.01
DAIRY PRODUCTS	870,373	783,817	808,064	737,676	873,542*	378,870	493,908	30.36
EGGS & PRODUCTS	141,590	157,457	165,595	208,610	215,385*	116,254	121,316	4.35
FRESH FRUIT	1,657,383	1,901,064	1,960,860	1,982,133	2,083,766*	935,061	887,270	-5.11
FRESH VEGETABLES	997,305	968,665	1,136,564*	979,614	1,068,169	524,279	570,407	8.80
PROCESSED FRUIT & VEGETABLES	1,619,414	1,665,801	1,902,240	1,918,293	2,054,184*	1,008,818	1,040,481	3.14
FRUIT & VEGETABLE JUICES	460,611	516,096	631,735	665,145	684,695*	320,314	311,102	-2.88
TREE NUTS	919,750	1,124,037	1,108,236	1,374,151*	1,282,777	775,815	705,698	-9.04
WINE & BEER	386,793	481,742	623,246	673,569	717,613*	330,320	356,075	7.80
NURSERY PRODUCTS & CUT FLOWERS	210,363	191,861	196,162	201,142	221,346*	115,978	136,488	17.68
PET FOODS (DOG & CAT FOOD)	471,797	558,552	619,772	676,922	744,720*	372,500	384,545	3.23
OTHER CONSUMER-ORIENTED PRODUCTS	1,472,995	1,724,127	2,050,113	2,140,211	2,396,261*	1,196,192	1,178,036	-1.52
FOREST PRODUCTS (EXCL PULP & PAPER)	7,297,271	7,054,119	7,419,152	7,097,640	7,484,831*	3,811,603	3,163,698	-17.00
LOGS AND CHIPS	2,962,175*	2,683,610	2,876,933	2,654,307	2,433,708	1,287,436	887,560	-31.06
HARDWOOD LUMBER	1,061,700	1,101,869	1,196,207	1,185,382	1,418,007*	666,508	647,685	-2.82
SOFTWOOD AND TREATED LUMBER	1,431,542*	1,333,708	1,311,923	1,144,150	1,208,155	666,935	419,657	-37.08
PANEL PRODUCTS (INCL PLYWOOD)	895,836	940,886	1,014,050	996,928	1,121,541*	562,657	575,573	2.30
OTHER VALUE-ADDED WOOD PRODUCTS	946,019	994,046	1,020,039	1,116,874	1,303,420*	628,067	633,222	0.82
FISH & SEAFOOD PRODUCTS, EDIBLE	2,927,684	2,912,246	3,172,280	2,867,170	2,686,990	1,393,231	1,142,410	-18.00
SALMON, WHOLE OR EVISCERATED	592,280	526,982	538,337	470,207	312,033	58,473	42,788	-26.82
SALMON, CANNED	169,296	137,825	190,939*	158,897	135,380	72,461	74,628	2.99
CRAB & CRABMEAT	423,719	373,173	241,587	157,072	147,771	122,077	95,425	-21.83
SURIMI (FISH PASTE)	230,576	309,369	371,893*	239,337	322,810	191,321	193,076	0.92
ROE & URCHIN (FISH EGGS)	400,584	408,600	501,060*	472,250	395,343	269,853	174,501	-35.33
OTHER EDIBLE FISH & SEAFOOD	1,111,229	1,156,299	1,328,463	1,369,408	1,373,653	679,046	561,991	-17.24
AGRICULTURAL PRODUCT TOTAL	42,802,770	43,856,548	54,629,263	59,794,787*	57,260,562	31,241,330	30,475,249	-2.45
AGRICULTURAL, FISH & FORESTRY TOTAL	53,027,725	53,822,913	65,220,695	69,759,597*	67,432,383	36,446,164	34,781,356	-4.57

ANALYSIS BY: COMMODITY AND MARKETING PROGRAMS/FAS/USDA
SOURCE: U.S. BUREAU OF THE CENSUS TRADE DATA
NOTE: * DENOTES HIGHEST EXPORT LEVELS SINCE AT LEAST FY 1970

FOR MORE INFORMATION OR QUESTIONS, CALL ANNE PLAYER AT (202) 720-9146 TO DISCUSS 'BICO' REPORT

CHIEF OF STAFF TO THE PRESIDENT

Dave —

Got your note on CREP proposal —
Our folks will follow up with Ross —
The folks in Minn. are lucky to have
you — I'm sure glad you're there
Call if I can ever help — [signature]

EBB
I'll forward
to Leg Affairs
+ POTUS Sch
also to Katy [illegible]
Brad [illegible]
Gore

FAX TRANSMISSION

U.S. REP. DAVID MINGE
1415 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20015
(202) 225-2331
FAX: (202) 226-0831

To:	The Honorable Erskine Bowles	**Date:**	February 11, 1998
Fax #:	(202) 456-1907	**Pages:**	2, including this cover sheet.
From:	U.S. Rep. David Minge (MN)		
Subject:	Minnesota CREP Proposal		

Mr. Bowles,

I am writing as a follow-up to our conversation of Tuesday, Feb. 10, regarding the possibility that the President or the Vice President might be interested in participating in the announcement of Minnesota's Conservation Reserve Enhancement Program (CREP).

I understand that USDA has tentatively selected Feb. 19 as the likely date for the event, which will take place at the Minnesota Valley National Wildlife Refuge in Bloomington, Minnesota. Deputy USDA Secretary Richard Rominger is expected to attend, as are Minnesota Governor Arne Carlson, U.S. Sen. Paul Wellstone and myself. It would be a great honor if President Clinton or Vice President Gore could attend this monumental event.

CREP is a USDA program, administrated through the state's Reinvest In Minnesota (RIM) program, that will set aside up to 190,000 acres of agricultural land in easments in the Minnesota River Basin. These easements would consist of buffer strips along the river as well as acreage in flood prone and wetland areas in an effort to reduce both soil erosion and seepage of toxins into the river.

The CREP initiative first became a reality last fall with the approval of Maryland's proposal in a ceremony attended by Vice President Gore. Both Minnesota and Illinois are awaiting final approval of their proposals; Minnesota is expecting to receive final confirmation this week.

This excellent program reflects the true dedication of this White House administration toward achieving much-needed environmental improvements through economic incentives that benefit communities in a wide range of ways. I applaud President Clinton and Vice President Gore, as well as officials at CEQ and USDA, for their work on behalf of this important project. Their participation in this event would make this event even more spectacular.

If you have any questions regarding the program or the event in Minnesota, please feel free to contact me or my Legislative Assistant Ross Bennett at 225-2331.

Again, my thanks for your interest in the Minnesota CREP proposal.

Sincerely,

D Minge

DAVID MINGE
Member of Congress

CHIEF OF STAFF TO THE PRESIDENT

Dave —

Got your note on CREP proposal —
Our folks will follow up with Ross —
The folks in Minn. are lucky to have
you — I'm sure glad you're there
Call if I can ever help — [illegible]

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EBB
I'll forward
to Leg. Affairs
+ POTUS Sch
also to Katy [illegible] Brad [illegible] Gov't

FAX TRANSMISSION

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Sincerely,

DMinge

DAVID MINGE
Member of Congress

USDA

U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

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

FAX COVER SHEET

DATE: 1/6

NUMBER OF PAGES 2, INCLUDING COVER SHEET

PLEASE DELIVER TO: Jason Goldberg

FAX NUMBER: ( ) 456-6212 PHONE NUMBER: ( )

FROM:
- ☐ DAN GLICKMAN, SECRETARY
  - ☐ JOHN GIBSON, SPECIAL ASSISTANT
- ☐ GREG FRAZIER, CHIEF OF STAFF
  - ☐ KOFI DEGRAFT-JOHNSON, EXECUTIVE ASSISTANT
- ☐ REBA PITTMAN EVANS, DEPUTY CHIEF OF STAFF, INTERNAL AFFAIRS
- ☒ PATRICK STEEL, DEPUTY CHIEF OF STAFF, EXTERNAL AFFAIRS
  - ☐ JOSE VENZOR, ASSISTANT TO THE DEPUTY CHIEFS OF STAFF
- ☐ PAUL DRAZEK, SPECIAL ASSISTANT FOR POLICY
- ☐ ANNE KENNEDY, SPECIAL ASSISTANT FOR POLICY
- ☐ ERIC OLSEN, SPECIAL ASSISTANT FOR POLICY
- ☐ JANET POTTS, COUNSEL TO THE SECRETARY

MESSAGE: The Secretary asked if you could pass this note on to Erskine.

USDA

From the desk of Dan Glickman, Secretary

1/6/98

To: Erskine Bowles

From: Dan Glickman

Erskine, I am a keynote speaker at the American Farm Bureau Federation National Convention in Charlotte, N.C. on Monday morning January 12.

If there's anything you want me to do there or anyone to speak with, just let me know through Patrick Steel.

****
*** TX REPORT ***
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USDA

U.S. DEPARTMENT OF AGRICULTURE

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- ☐ JANET POTTS, COUNSEL TO THE SECRETARY

02/19/99 15:09 FAX 202 690 2119 USDA OSEC 001

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*** TX REPORT ***
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UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY

TELEPHONE (202) 720-3631 FAX (202) 720-5437

FAX COVER SHEET

DATE: 2/19/99

NUMBER OF PAGES, INCLUDING COVER SHEET: 3

PLEASE DELIVER TO: Leon Panetta

FAX NUMBER: (831) 582-4082 PHONE NUMBER: ( )

FROM:

- ☑ DAN GLICKMAN, SECRETARY
  - ☐ JOHN GIBSON, SPECIAL ASSISTANT
- ☐ GREG FRAZIER, CHIEF OF STAFF
  - ☐ JOSE VENZOR, EXECUTIVE ASSISTANT & BRIEFINGS DIRECTOR
- ☐ PATRICK STEEL, DEPUTY CHIEF OF STAFF
  - ☐ SEAN O'SHEA, EXECUTIVE ASSISTANT
- ☐ TIM GALVIN, SPECIAL ASSISTANT FOR FOREIGN POLICY
- ☐ ERIC OLSEN, COUNSEL TO THE SECRETARY FOR DOMESTIC POLICY
- ☐ JANET POTTS, COUNSEL TO THE SECRETARY

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY

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FAX COVER SHEET

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NUMBER OF PAGES, INCLUDING COVER SHEET: 3

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- [ ] ERIC OLSEN, COUNSEL TO THE SECRETARY FOR DOMESTIC POLICY
- [ ] JANET POTTS, COUNSEL TO THE SECRETARY
  - [ ] LAURETTA MILES, ADMINISTRATIVE ASSISTANT

MESSAGE: Leon — Hope this helps. See you March 18.

Dan

Notes for AMI Remarks

In general, AMI's members tend to be the larger companies; the smallest companies belong to another trade group. Also, this group has a reputation for being fairly conservative. In addition to the USDA-specific topics noted below, they will also be interested in your observations on Washington in general.

FOOD SAFETY

New meat and poultry inspection system – HACCP, for Hazard Analysis and Critical Control Points – is entering its 2nd year of operation. The large and medium sized plants are operating under it; the small plants come under it next year. Initial reports are very promising: salmonella rates are way down, for example, and consumer groups are extremely supportive.

While very wary before implementation, and even hostile – AMI referred to it as the mega-reg – this group is coming around and beginning to be supportive. They know and are beginning to take to heart a simple message: Safe food sells. USDA's latest quarterly report on enforcement shows that, notwithstanding the high-profile recalls and plant closures, compliance is running at 92%.

What is coming up?

- USDA Budget: Again this year, USDA has proposed user fees for meat and poultry inspection service. The industry hates it, and will, like it has for the last 20 years, kill it in Congress.

  We have proposed a $35 million dollar increase in USDA spending as part of the President's Food Safety Initiative – mostly research and help for state inspection programs; AMI will be supportive, in general.

- Single Food Agency: Last year's budget included $300,000 for the National Academy of Sciences study on whether there should a single food agency – combining USDA's Food Safety Inspection Service, FDA, and parts of Commerce, who has seafood, EPA, and others – and Durbin has re-introduced his bill to create one. The next step for the Administration is to respond to the initial phase of the report and to date, the Administration line is that its highest priority is implementing HACCP and other regulatory improvements before considering organizational changes.

- Enhanced Recall Authority: In the wake of the August, 1997 Hudson Food recall, I asked Congress to give me mandatory recall authority and the authority to impose civil penalties. AMI fought it, bitterly; Harkin re-introduced the bill and I expect this group to fight it again.

CONCENTRATION

While a continuing concern, the recent drop in hog prices in November and December greatly heightened the attention that the concentration of the meat packing industry has received considerable more attention from farm groups and Congress in recent weeks. The industry will argue that while it is indeed concentrated, it is not anticompetitive and that the concentration is not adversely affecting farmers and ranchers.

MANDATORY PRICE REPORTING

Several Democratic Senators and Members have for the last couple of years introduced bills to require the livestock packers to report to USDA the prices they pay for all transactions. The argument being that with the growing concentration of the industry and the dramatic drop in the number of transactions that occur on the spot market – more and more they involve private contracts – the market ought to be more transparent to farmers and ranchers.

AMI fought getting a provision added to the FY99 budget bill to require this -- on paperwork grounds as well as business confidentiality – and got Congress to adopt, instead, a very limited pilot program.

- Senator Daschle re-introduced his bill, which has begun to attract some limited Republican support, and the Administration indicated it will send its own legislation to Congress this spring.

- Meanwhile, I announced last week that I am looking into whether I can set up my own system using existing authorities – I made it at the cattlemen's association annual convention last week, and they support it. AMI will, I expect, continue to fight the concept.

TRADE

- EU Hormone Ban: The EU has until May 13 to lift the ban on imports of beef from the US grown with hormones, but has indicated it is not likely to do so and is readying another study. Meanwhile, we are drawing up a retaliatory list – if this is not resolved, it has the potential of a major trade war between us.

- Korea: The industry is growing concerned about Korea's failure to abide by its Uruguay Round commitment on beef imports, specifically from the US; I have raised the issue, but it remains a sore point.

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

Honorable Franklin D. Raines
Director
Office of Management and Budget
252 Old Executive Office Building
Washington, D.C. 20503

Dear Frank:

I am writing to ask for your personal intervention to facilitate settlements of discrimination complaints related to the Department of Agriculture's (USDA) programs, one of the most difficult civil rights problems at USDA. I am committed to settling these complaints in a fair and timely way, so it is crucially important that USDA have a reliable source of funding that can be used when needed and without detriment to USDA's ongoing programs. Let me repeat and emphasize that last point: If the financing mechanism we are forced to use cannibalizes our credit programs, the settlements we are making may, ironically, undermine our broader civil rights initiatives and the progress we are making.

In April 1997, USDA proposed to OMB to use the financing and liquidating accounts established under the Credit Reform Act of 1990 to pay these settlements. We believed this to be a prudent and reasonable approach to this problem and still do. In June 1997, your staff requested that we draft a letter to the Attorney General to request the use of the judgment fund because OMB intended that the judgment fund would be used to cover these settlements. After further discussion, USDA staff submitted a draft letter to your staff for review in September.

We have now been advised that your staff proposes to use a combination of the judgment fund and liquidating accounts for settlements of complaints regarding loans obligated or guarantees committed prior to the October 1, 1991 effective date of the Credit Reform Act, but that all settlements related to loans made subsequent to credit reform must be paid from program or salaries and expenses accounts. This proposal is not acceptable.

Many of the settlements are likely to apply to actions which have occurred since 1991. Every dollar of new program budget authority used for this purpose will result in a reduction of $15 in new direct farm operating loans or $85 in new guaranteed loans. Thus, every $500,000 settlement which is charged to new program budget authority would have the effect of reducing our direct farm operating loan program by almost $8 million or our guaranteed farm operating loan program by over $42 million. These loans are significantly targeted to the same audiences we are trying to help with the settlements, thus, accounting for them in this way will reduce, dramatically, the positive work we are beginning to do assisting these borrowers.

Every dollar of the settlements applied to our salaries and expenses accounts will aggravate the already serious problem we are having with reductions-in-force and buyouts as we live within the amounts appropriated by the Congress for these expenses.

I am also concerned that we have been working on this issue for many months and still have not reached an acceptable solution. Several of these settlements are now due, so I am instructing that they be paid out of program accounts with the caveat that these accounts will be repaid as quickly as possible after better sources of funding are identified. As I said, we continue to assert that our initial position, that we proposed to OMB seven months ago, to use the liquidating and financing accounts is the most appropriate, and preferred, method to settle these claims.

Frank, I really need your help on this issue. At a very fundamental level, our credibility, specifically the credibility we are earning by improving USDA's civil rights performance, depends on solving this problem.

Sincerely,

DAN GLICKMAN
Secretary

cc: Erskine Bowles, Chief of Staff to the President

Erskine – This relates to the civil right issue at USDA, and specifically to issues that Eva Clayton is interested in. It is very important. Thanks

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20250-0100

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