

103

**ECONOMIC SITUATION FACING U.S.
AGRICULTURE AND RURAL AMERICA**
(Secretary Mike Espy)

Y 4. AG 8/1:103-1

Economic Situation Facing U.S. Agri...

HEARING
BEFORE THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

FEBRUARY 3, 1993

Serial No. 103-1



Printed for the use of the Committee on Agriculture

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ECONOMIC SITUATION FACING U.S. AGRICULTURE AND RURAL AMERICA

WEDNESDAY, FEBRUARY 3, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The committee met, pursuant to notice, at 10:05 a.m., in room 1300, Longworth House Office Building, Hon. E (Kika) de la Garza (chairman of the committee) presiding.

Present: Representatives Brown, English, Glickman, Stenholm, Volkmer, Penny, Johnson, Long, Condit, Peterson, Clayton, Minge, Hilliard, Inslee, Barlow, Holden, McKinney, Baesler, Thurman, Bishop, Roberts, Emerson, Gunderson, Lewis, Smith, Combest, Camp, Allard, Barrett, Nussle, Boehner, Ewing, Doolittle, Kingston, Goodlatte, Dickey, Pombo, and Canady.

Staff present: Vernie Hubert, chief counsel and legislative director; Fred J. Clark, deputy chief counsel; Gary R. Mitchell, minority staff director; William E. O'Conner, Jr., policy coordinator; John E. Hogan, minority counsel; Dale Moore, legislative coordinator; Glenda L. Temple and Jan Rovecamp, clerks; and Howard Conley.

OPENING STATEMENT OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The CHAIRMAN. The committee will be in order.

We meet today for the first time in the new Congress in the Committee on Agriculture. Unfortunately, there are other meetings going on today. There is a meeting of the Steering Committee from which I have just come; there will be a meeting of the Democratic Caucus, and we have a couple of regional meetings. Our first witness, the distinguished Secretary of Agriculture, is running a trifle late as he came in early this morning from Washington State. So we are going to have to improvise as we go along.

Fortunately, the second witness this morning was to be our distinguished colleague and the chairwoman of the Congressional Rural Caucus. She is agreeable to proceed with her statement at this time.

I had a prepared statement, which I will submit for the record at this time.

Likewise for our distinguished ranking minority member, Mr. Roberts, and for any other member who may wish to submit a statement for the record at this point.

[The prepared statements of Mr. de la Garza, Mr. Roberts, Mr. Smith, and Mr. Kingston follow.]

Opening Statement by Rep. Kika de la Garza, D-Texas
Chairman, House Agriculture Committee

Hearing on Economic Situation Facing
U.S. Agriculture and Rural America
Wednesday, Feb. 3, 1993

Today we kick off our public hearing schedule for the 103rd Congress by focusing our attention on the economic health of the U.S. agricultural sector and the rural economy in general.

Much of what this Committee has jurisdiction over revolves around the central question: how should government respond to the economic needs of farmers, ranchers and rural residents. To begin to answer that question, we must seek input from the Administration and all who are share our interest in this area.

So we extended an open invitation to the Secretary of Agriculture and for any individuals or organizations to present their views on this question today. This is merely the start of a hearing process that we will continue at the full Committee and Subcommittee levels throughout this year and next.

We are pleased and honored to have our former colleague, Mr. Espy, with us today. He is making his inaugural appearance before the Committee as our distinguished Secretary of Agriculture. I would like to say publicly what I have told him privately: as Chairman of this Committee, I look forward to working with the Secretary to improve the agricultural and rural economy and in helping shape and achieve the President's goals on areas within our jurisdiction.

One of the issues that this Committee is very interested in are proposals to reorganize and streamline the U.S. Department of Agriculture. I believe the time has come to seriously consider reform of the organizational structure at USDA. However, we must approach this subject thoughtfully, deliberatively and with great sensitivity to its impact on the people served by USDA programs.

Since Secretary Espy has had only two weeks on the job to consider this issue, I have invited him to appear before the Committee again later in the month to discuss the Administration's views on USDA reorganization. After this next hearing, the issue will be pursued through our Department Operations subcommittee chaired by Mr. Stenholm as well as the other subcommittees in their respective areas of jurisdiction.

Today's hearing is focused solely on the issue of the economic situation facing U.S. agriculture and rural America. I would suspect that most of the people in this room today agree that all is not well out in farm country or on the Main Streets of our rural communities. Where we disagree is on what the cause of the problems are and what the solutions should be.

Hopefully, today's hearing will serve to help the Congress and the Administration set our priorities for action on issues that affect the economic health of agriculture and rural America.

The Honorable Pat Roberts
Statement: Economic Outlook Hearing
February 3, 1993

Thank you Mr. Chairman. Mr. Secretary, welcome back. Rest assured, we will keep a seat warm for you anytime you would like to visit. I said warm, not hot.

We look forward to your initial assessment on the state of Agriculture at today's hearing.

In that regard, we have had change since November to be sure but there are constants that are self evident.

First, the deficit remains our number one policy consideration. This is not only true here in Washington where farm program, rural development and administrative policy decisions will be deficit directed, but also throughout rural and small town America where getting our economic house in order should be and is the priority issue.

Every farmer, every rancher, every small business person, every citizen concerned about the continued loss of essential services that we must maintain to remain economically viable, also knows we in rural America must do our part in helping to reduce the deficit, that it is in our best interests.

But, Mr. Secretary and Mr. Chairman, we should make clear to the new administration that our economic situation in farm country is precarious at best. We may be in pretty good shape for the shape we are in, but there are obvious reasons for legitimate concern:

First, I can report to you that in Kansas we have a bumper crop of wheat under snow cover. The same is true for other commodities and our competitors world wide. I have often made the point in this committee that we have impossible task in trying to meet our budget responsibilities when our actual outlays are determined by such uncontrollable variables as the weather, infestation, value of the dollar and other foreign currencies, foreign policy and trade negotiations.

Now, due to world wide crop prospects and problems on the export front, we apparently face the challenge of dealing with a \$7 billion increase in CCC outlays for federal farm programs for fiscal year 1993.

Mr. Secretary, add on to that the commitment by the administration to invest \$20 billion annually into our nation's infrastructure as we work to enhance and restore the economic viability and vitality of rural America.

Roberts, 2-3-93, page two

Yet, unless we can convince a majority in this Congress and those on the Budget Committee, that these are priority national needs and we can obtain the funds from someone else's budget pasture, the money is not there and we will again be faced with very difficult choices.

We have already mandated cuts in program payments to hard pressed producers. I want to serve notice that any attempt to fund additional programs at the expense of producer income will be opposed.

Since the mid-1980's, the Chairman has stressed over and over again that we in agriculture have taken the often bitter but necessary medicine of deficit reduction. We have done our share. As the Chairman has pointed out by use of his well recognized budget chart, they waste more in other federal agencies than we spend in agriculture.

Let everyone understand we will continue to do our part. If this Congress enacts a freeze or decides to exact budget cuts, rest assured we will meet our responsibilities but we will not shoulder the budget problems alone. We will fight to make sure budget freezes and cuts apply to all federal outlays.

In addition, the 1990 farm bill put in place several innovative programs to provide income assistance to farmers, provide incentives to enhance the performance of conservation provisions and re-emphasized the need for USDA research efforts to focus on farm management methods that met both economic and environmental goals.

Because we have been forced over the past few years to make real, binding cuts in outlays, the viability of the 1990 farm bill's provisions are clearly threatened. Simply put, we do not have the funds to back up what we said we should do in the farm bill not to mention funding any partnership efforts to assist farm country work through all of the mandates within the farm bill.

Mr. Secretary, we also face equally difficult challenges in regard to our exports and trade negotiations. There is much disagreement on what constitutes a good GATT or NAFTA treaty. But the fact remains we must make progress on these trade agreements if there is to be any hope for producers to compete on the so-called level playing field in world commodity and high value produce markets. The alternative is to continue down the road to being a residual supplier and that is a dead end trail.

The most immediate challenge regarding export policy however, is what the Administration will recommend to deal with the Russian credit problem.

Roberts, 2-3-93, page 3

There is the matter of late payments and the bleak prospect of no additional shipments of U.S. commodities to Russia before the end of the wheat marketing year, depressed prices at the country elevator, increased budget exposure, and a further deterioration of the Russian economy. We must develop new options and we look forward to working with you.

One final point. We have all been closely watching and studying the efforts to "restructure" the USDA. This issue must be approached with common sense and with facts -- and to date, with all due respect to some of my colleagues here and more especially in the Senate -- much of the commentary and criticism has simply not been factual. We must be resolute in our position to ensure that the USDA can continue to fulfill its mission: helping agriculture feed and clothe this nation and a troubled and hungry world.

Our goal should be to strengthen USDA's ability to accomplish its mission, not subservient to other departments, agencies and committees who place farm income and the economic viability of rural America far down their priority lists.

(Attachment follows:)

Roberts
2-3-93
addendum to
Statement

And in that regard, we should all take note of yesterday's public release by EPA of a list of 35 pesticides that might be subject to sanctions under the Delaney Clause. This action, which could lead to the effective commercial withdrawal of these valuable input chemicals, was not mandated by law or logic and was done without consultation with the Congress. My question is: Did EPA act alone or was USDA consulted before this major step was taken?

I hope the Department entrusted with the responsibility of assuring an affordable and abundant food supply for this nation would not have agreed with this precipitate and unnecessary action. If USDA was not a part of this decision, can we be assured that the Secretary will act in the future to protect the interests of farmers and consumers in this type of situation?

Mr. Chairman, we are here today to discuss the economic state of agricultural America. We will hear talk of loan rates, target prices and the importance of expanded trade, but all of this will mean nothing if farmers lose the means to produce their crops. This Committee and Secretary Espy are apparently going to have to devote a significant portion of our energies to maintaining some sense of balance in the activities of our friends in the regulatory community.

STATEMENT OF ROBERT F. SMITH
BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE
FEBRUARY 1, 1993

Mr. Chairman, I'd like to thank you for calling this hearing to discuss economic conditions for agriculture and rural America.

It is appropriate at the beginning of each Congress to pause a moment in order to take stock of current conditions and to consider our objectives. And while much of today's hearing will doubtless focus on problems, I would like to be more positive.

I would like to talk about the importance of exports to American agriculture and I will use the beef industry as my example.

Domestic demand for beef has flattened. From a high in 1976 of 88.8 pounds per capita, domestic consumption has stabilized at around 64 pounds per capita. While some of the stabilization comes as a result of the checkoff and promotion, it is clear that exports present our best opportunity for growth. This growth is helping to eliminate the traditional cycles that have threatened our industry for so long.

The US exports about 5.1 percent of our production. From a value of \$500 million in 1980, exports have grown to about \$1.7 billion today. If we can sustain this level of international market penetration, beef exports are projected to grow to \$4.75 billion by the year 2,000.

The Japanese Beef & Citrus Agreement taught us the value of export markets in a dramatic way. From being virtually shut out, the US now relies on Japan to purchase 62% of its beef exports. We have achieved the \$1 billion mark and are driving towards a \$2 billion market share.

April 1st will mark the beginning of the 6th year of the Beef & Citrus Agreement. Tariffs on beef imports will fall from 70 percent to 50 percent. It is anticipated that negotiations about future tariff discussions will start sometime this year and industry representatives are hopeful that these will prove fruitful.

The beef agreement negotiated with South Korea in 1989 set import quotas of 52,000 metric tons in 1990, 56,000 metric tons in 1991, and 60,000 metric tons in 1992. They have exceeded this greatly each year, with over 100,000 metric tons for 1992.

Consumer demand has been very high as a result of exposure to American product and domestic production remains inefficient. South Korea remains as a tremendous potential for growth. Talks are scheduled for next month to try to obtain a truly free market.

Currently, importers have to market through their domestic co-op. Also, the Koreans have not officially accepted GATT rules of trade for beef. In any event, prospects for keeping and expanding this market are extremely favorable.

The success stories of Japan and South Korea hold for other Pacific markets such as Malaysia, Thailand, Philippines, Singapore and Hong Kong. The region is experiencing strong growth in both economic and population.

However, one of the greatest potential markets is right at our back door. I am speaking, of course of Mexico.

The proposed North American Free Trade Agreement will prove valuable to the livestock industry generally, and the beef industry specifically, for a number of reasons.

It will eliminate the potential for tariffs on US beef like the ones imposed by Mexico in December. Our competitors in Europe, Australia and New Zealand will not have this advantage.

When Mexico's economy grows so does their beef consumption. Mexican beef consumption expanded 60 percent from 1986-89 as per capita GNP increased 35 percent. This, coupled a population growth has dramatic consequences. Mexico's population is expected to go from 84 to 102 million by the year 2000; that's quite a market.

A cross-border market leads to a more efficient industry. By improving carcass utilization, one USDA economists suggests we could see a 3-5 percent price increase.

And, while all this is happening, it is important to remember that Mexico will have to improve its infrastructure to increase beef production while we're ready to go right now. Our cattle industry is ten times the size of Mexico's.

I'm regarded as a shameless advocate of the beef industry, and I'm comfortable with that role. However, my colleagues should understand that the health of the beef industry has implications for all of agriculture. Its important to remember that beef exports represent a value-added commodity, a very popular concern these days.

The 100 million head of cattle in this nation have to put on weight to be profitable to their owners. They eat grain. When the beef industry gets a chill, the rest of agriculture gets a cold.

Over 22,000 feedlots and 4,300 packing plants are backed by almost a million cattle operations. The beef industry involves countless others in transportation, retail marketing at home and, as I've mentioned, our export sector.

When we examine the full plate of issues before us this year; FIFRA reauthorization, Department reorganization, food safety, conservation compliance, export credit guarantees, and all the others, we must keep one critical thought in mind. The future of agriculture in America is exports.

We need to resolve GATT. We have to finish NAFTA. We need to keep EEP, GSM 102 and 103, and MPP healthy. We must examine every policy decision effecting agriculture with an eye towards international competitiveness.

To do anything less is to undermine the future economic health of agriculture and rural America.

Opening Statement
Honorable Jack Kingston
House Committee on Agriculture
Wednesday, February 3, 1993

Mr. Chairman:

Thank you for arranging this hearing today, and for allowing us to get an early start in examining the outlook for agricultural programs under our committee's jurisdiction. It is also vitally important that we begin the monumental task of examining the various suggestions for the 1994 Federal Budget, and the role of agricultural programs as a part of that budget process.

Before coming onto the committee, Mr. Chairman, I attempted to do some research into these matters. I was impressed by the fact that agricultural programs require such a very small portion of the overall Federal budget, and even more with the fact that you have been able to guide this committee in a way which has dramatically reduced the costs of the farm programs over the past six or seven years. To read the popular press accounts, the average American would think that current farm programs are outlandishly expensive, and that agricultural producers are nothing more than a bunch of lazy bums demanding a "handout" from the U. S. Treasury.

Honorable Jack Kingston
House Committee on Agriculture
Wednesday, February 3, 1993

My research revealed quite the opposite, Mr. Chairman. With 1992 costs of operating the farm programs at less than eight-tenths of one percent of the total budget, I have concluded that American consumers are really the true beneficiaries of these efforts which ensure an abundance of the world's most healthful foodstuffs at prices far below those paid by the consumers in any other country in the world.

Let me close these brief remarks by saying that I will work enthusiastically with my Colleagues on the committee in those areas where we can identify costs which can reasonably be reduced even further. But, we should let the American public know the real truth about U. S. agricultural programs. We should make them fully aware that even if we totally dismantled the Department of Agriculture, there would be no significant cost savings to the taxpayer -- in fact, increased costs to American consumers would likely be far higher than the paltry budget savings we would accomplish.

We should insist that our agriculture budget not spend one dime more than absolutely necessary to effectively and efficiently operate the

Honorable Jack Kingston
House Committee on Agriculture
Wednesday, February 3, 1993

farm programs and the soil and water conservation mandates entrusted to the department. There are minor savings which can reasonably be accomplished over a period of years by adopting portions of former Secretary Madigan's proposal regarding county Field Service Offices.

However, I think we must be careful to move with caution as we examine such proposals. We must not succumb to a "knee-jerk" temptation which will make producers less efficient or add significantly to the already heavy burden of record-keeping and reporting required under modern farm legislation.

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The CHAIRMAN. With that, I am happy—and this is her first venture as chair of the rural caucus—to welcome our distinguished member, our colleague, Jill Long, from Indiana. We will be happy to hear from you at this time.

Your full statement will appear in the record and you may proceed as you see fit.

**STATEMENT OF HON. JILL L. LONG, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF INDIANA**

Ms. LONG. Thank you, Mr. Chairman. I believe I will just summarize my remarks.

We are obviously, as a government and as a Congress, going to be moving forward on economic development and growth. I think it is very important that in the Agriculture Committee we do everything we can to ensure that rural communities are served well in any policies we move forward.

I would like to just make several points before the committee, one of which is that the poverty rate is higher in rural areas than in urban regions. In fact, at the end of the 1980's, rural poverty was still higher than in 1972. A higher percentage of kids and elderly in rural areas are poorer than in urban areas. Since 1980, rural residents have been faced with higher unemployment rates than their urban counterparts. And during the 1980's more than half of all nonmetropolitan counties lost population.

It is very important that in developing an economic growth strategy for the future that rural America must be a full partner in rebuilding our country's greatness.

We must begin by examining current policies that either intentionally or unintentionally disadvantage rural areas. Let me give a few examples of what I'm talking about.

Currently, many of the Federal programs are uncoordinated and very complex. With 90 percent of the towns outside of metropolitan areas having populations of less than 5,000, these smaller areas, by and large, don't have the staffs or the people with the experience and expertise needed to advance and sustain innovative types of economic development.

We must also recognize and respond appropriately in our policy to the fact that rural areas are unable to fund a local share for many projects due to their low population density. It is also tough, if not impossible, for many rural communities to comply with certain mandates. When we reauthorize the Elementary and Secondary Education Act I think we need to make sure that we change the provisions which currently give a funding advantage to more urban school districts.

As we are moving forward on economic growth strategy and policy, because of fiscal constraints I think we're going to have to look to be more innovative and to look for additional sources of funding. I think innovation is going to be a key.

We have to recognize that a strong rural economy is going to be dependent upon more than just a strong farm sector. I think we need to rebuild our economy and make sure that we don't forget our rural areas. We need to make sure that we are working to expand local industries with an understanding that the informa-

tion age and better education can have a very significant and transforming impact on rural communities.

With that, I will close my testimony.

[The prepared statement of Ms. Long appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

I must commend you for the excellent and very accurate presentation of the problems of rural America. I am so happy to see that you, as a leader not only in our committee but in the Congressional Rural Caucus, are going to focus on education. I like your theory that periodically our schools should be laboratories rather than just factories pumping out someone with a little paper that says "diploma." This should be emulated not only in the rural but the urban areas as well.

Your statement is true that we in rural America have the same problems as urban America but suffer a much larger consequence with unemployment, lack of infrastructure, and all the benign neglect that we have had to live under. Hopefully, this new beginning and this changing of the course might help in that endeavor.

I commend you for this excellent statement. We look forward to working with you not only in our committee but in your position as leader of the Congressional Rural Caucus.

We know that the economics—on which we will be delving today—as it relates to money infusion from Washington to the rural areas is a major problem. Unfortunately, there are still those that at the first indication of need for cut they point at agriculture and rural America. I am not going to bother you with my chart at this time. [Laughter.]

But there isn't any more room on that chart to go down. Not that we haven't shared our responsibility. In the last 12 years we have reduced outlays by \$57 billion from the agricultural budgets. We're not given any credit for that. But we are willing to do the responsible thing and help meet the appropriate needs of the country. We will share in sacrifice with our responsible allocation. But pointing fingers at this program or that program is not the answer. Maybe I shouldn't even mention it, but there was this investigative reporter whose first question asked of me was, "How dare you use taxpayers' money."

I said, "There is no taxpayers' money involved. The money comes from a duty on imports." They said, "I didn't know that."

So from the beginning, there seems to be this mindset: How do we bash agriculture? They pick a program that sounds like a sexy issue for an exposé and they begin not even knowing that it wasn't taxpayers' money.

Maybe we need to look at the program. Maybe there is streamlining necessary. Maybe there are areas we need to look at. But also I think we have another major responsibility: The education of those not acquainted with the plight of rural America. We must educate our brethren.

We thank you for your excellent statement.

If any member has a question or a brief statement, our next witness is here.

Ms. LONG. Thank you, Mr. Chairman.

Mr. ROBERTS. Could I ask a question, Mr. Chairman?

I would simply like to make an observation and associate myself with the remarks of the chairman in reference to your fine work on the committee and how happy we are that you are now heading up the Congressional Rural Caucus.

On page 5 of your testimony, you talk about health care. Mr. Stenholm and I are the cochairmen of an outfit called the Rural Health Care Coalition. There are 175 of us who are worried about really preserving whatever is left of the rural health care delivery system as we look at the possible alternatives in regard to national health care.

It just struck me that perhaps in your position you could encourage all members of the caucus to join the Rural Health Care Coalition, and then we in turn could encourage them to take part in the caucus. We could then work out a better bipartisan team effort to do what we would like to do.

I am also very happy you mentioned the Clean Water Act and the Clean Air Act. Many small communities are now getting dictates in regard to a new yardstick the EPA is using on parts per million in regard to nitrates.

A small community in my district was instructed to completely build a new waterworks for \$600,000. They don't have the money. Nobody is sick. Nobody locally had a problem with it. So if we have solutions, hopefully we need to hear from them and the Rural Caucus will be most important in that effort.

I thank the gentlelady and encourage her to head up the Congressional Rural Caucus posse in the right direction and give us some help in this regard.

Thank you so much.

Ms. LONG. Thank you very much.

The CHAIRMAN. Thank you very much.

If any members have any questions to direct to Ms. Long, I know she will be agreeable to answer them in writing if you will submit them for the record.

Otherwise, we thank you very much. We wish you luck and we look forward in working with you in your other job. But we want this to be your main committee, as it has been in the past.

Ms. LONG. Thank you, Mr. Chairman.

The CHAIRMAN. We now have our next witness. It is my personal privilege and high honor to welcome back to our committee Secretary Mike Espy, a colleague who has done yeoman work in his own right in this committee. It is said that when one of your own is honored, the honor is shared by all who served with him.

That is the case today. We are very fortunate that the new administration has chosen one of our members to be the Secretary of Agriculture. We all wish you well, Mr. Secretary. We want you to know that on the Hill this is your home and we are here to work with you—shoulder to shoulder—to counsel with you when you may need it, to run down rumors if you have any you want us to run—[Laughter.]

To work with you in every way possible so that the honor which you have brought to us may be enhanced and that we together might make you the best we have had as Secretary of Agriculture.

I know that all the members, including the new members, are very proud of the fact that you, who come from rural Mississippi,

have been chosen. We know of your expertise. We know of the areas where you may need our support and counsel. We will be here at all times.

I might mention also that we wanted you to be the first to appear here. The forum today, of course, is going to be the economics of agriculture and rural America as it impacts directly on us. But you are the Secretary for all Americans and we, the committee, for all Americans, urban or rural.

The urban areas would be in very difficult circumstances were it not that we have producers of food and fiber in rural America. We share that responsibility with you.

I know that you will come back later this month for a more formal meeting in relation to the Clinton administration's agenda. We will not bother you at this point or expect to hear from you in the finite areas related to the Clinton administration's proposals or agenda for rural America.

Basically, we wanted to welcome you, to have you come to the Hill and your first appearance after your nomination would be at this committee. Mainly, I want to tell you that we are proud of you and that we look forward to 4 years of working together to make America better from the perspective of the responsibilities that you have as Secretary of Agriculture.

Mr. Roberts.

OPENING STATEMENT OF HON. PAT ROBERTS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. ROBERTS. Thank you, Mr. Chairman.

Mr. Secretary, welcome back. Rest assured that we will keep a seat very warm for you any time—I said warm and not hot. [Laughter.]

We look forward to your assessment on the state of agriculture at today's hearing.

We have had a lot of change, Mr. Chairman, since November to be sure, but there are several constants. You have already gone over the deficit as our No. 1 policy consideration. I think that is shared by every person throughout our rural areas. We know we have to do our part.

But Mr. Secretary and Mr. Chairman, we should make clear to the new administration that our situation in farm country is precarious at best. We may be in pretty good shape for the shape we're in, but there are obvious reasons for very legitimate concern.

We have a bumper crop under snow cover in Kansas, and that bumper crop situation is true for many of our major commodities and also our competitors worldwide. I have often said to the committee, "I wonder how we can set any budget priorities when you have things like the value of the dollar, the weather, and some kind of major infestation throughout the world, or the value of foreign currency, or any kind of a trade negotiation." But we have to do that.

Now with the worldwide prospects in terms of crop production and also with some real challenges ahead on the export front, we are looking at a \$7 billion increase in CCC outlays for Federal farm programs for fiscal year 1993.

I know the transition team advising the President had hoped we could spend \$20 billion a year in regard to infrastructure. We would all hope that would be the case. I know Ms. Long just indicated that in her statement increases.

But we have already mandated cuts not increases in the farm program payments. The chairman has stressed over and over again, ever since the mid-1980's, that we in agriculture have taken the often bitter but necessary medicine of deficit reduction. We have done our share. The chairman has pointed out—I don't have his chart as of this morning—I wish I did have his now infamous and well-recognized chart. He is now looking for it. [Laughter.]

Secretary ESPY. I have that chart memorized, Mr. Roberts.

Mr. ROBERTS. We will do our part. But if this Congress does enact a freeze or decides to exact some budget cuts, rest assured we will meet our responsibilities, but we will not shoulder the budget problems alone.

I also want to say that the 1990 farm bill put in place several programs in regard to conservation, research efforts, farm management methods that we have to have, and we simply do not have the money to go ahead and do what we wanted to do with the farm program.

I think the one thing that I want to tell people here, at least in terms of our side and in terms of my personal opinion, we have already mandated the program cuts to producers. When we go through the additional budget cuts, I know Republicans are going to look very, very skeptically on any kind of add-ons to other programs that would take away from the hard-pressed producer.

We also have challenges in regard to GATT, NAFTA, and export policy, but in the interest of time, I am not going to go into that this morning.

A final point. We have all been closely watching and studying the efforts to restructure the USDA. I know you have a meeting scheduled for Friday and I will be a party to that. We want to work with you.

My goodness, this issue must be faced with some common sense and with some facts. To date, with all due respect to some of my colleagues here and more especially in the Senate, much of the commentary and the criticism has simply not been factual. I will repeat that a lot of it has not been factual. We must be resolute in our position to ensure that the USDA can continue to fulfill its mission in helping agriculture feed and clothe this Nation and a very hungry and troubled world.

Our goal should not be to have the USDA be subservient to other Departments and agencies and committees who place farm income and the economic viability of agriculture far down the priority list. In this regard, Mr. Chairman, I am a little concerned that the EPA yesterday made public a list of 35 pesticides that might be subject to sanction under the Delaney clause.

This action, which could lead to the effective commercial withdrawal of these very valuable input chemicals, was not mandated by law or logic. My concern is that while we all want to see some legislative progress in the food safety arena, and more especially reform of the Delaney clause, I think this is a poor way to go about it.

I guess my first question would be—and this is a little unfair because you haven't had your statement yet.

The CHAIRMAN. I would hope that the gentleman would withhold his questions.

Mr. ROBERTS. I think you see where I am headed. There are two chemicals on rice, five on wheat, five on corn, five on cotton, et cetera, et cetera. What happens when those particular chemicals are listed in this fashion could be very counterproductive.

I am saying that we will work with you and hopefully we will have a partnership effort with EPA so that this kind of action wouldn't be necessary in the future.

With that, welcome back, Mike. [Laughter.]

Secretary ESPY. Thank you, Pat.

The CHAIRMAN. You didn't have to unload the whole wagon. [Laughter.]

This is the first appearance of our colleague. We want him back.

Mr. ROBERTS. Mr. Secretary, I have a whole bunch of wagons. That was just the first. [Laughter.]

The CHAIRMAN. Mr. Secretary, as I stated before, we welcome you back in your new position. We look forward to working with you.

We know that your tenure thus far has been of such short a period that you may not be able to address many of the questions that we have in mind, but there will be other days and other hearings.

For now, we welcome you here for your initial statement as the new Secretary of Agriculture.

STATEMENT OF MIKE ESPY, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY KEITH COLLINS, ACTING ASSISTANT SECRETARY, ECONOMICS; RON BLACKLEY, CHIEF OF STAFF; JOE O'MARA, ACTING UNDER SECRETARY, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS; AND ROBIN RORAPPAUGH, ACTING ASSISTANT SECRETARY, CONGRESSIONAL RELATIONS

Secretary ESPY. Mr. Chairman, I appreciate the opportunity of being here as your second guest on the first hearing of this new congressional session. I appreciate the warm words and I accept the challenge both you and Mr. Roberts have outlined.

I want to let you know that these challenges are community challenges. The USDA does not operate in a vacuum. As a member of this committee for the last 6 years, a committee in which I cut my teeth in agricultural policy, I remember very clearly that this was not a highly partisan committee. Yes, we had our problems over the range of commodities, but not over the range of parties.

I would like to extend my hand to you and to Mr. Roberts and to each and every member of this committee to tell you that when it comes to regulations, policies, and practices I will be working with you, talking with you, consulting with you as we undertake the broad range of responsibilities that we have.

Mr. Chairman, I have a long statement here. It is submitted in writing. It is about 12 or 13 pages with all of the appendages apper-

taining thereto. It reads very well. But I don't want to impose on this committee by reading it.

The CHAIRMAN. Without objection, your prepared statement will appear in the record.

Secretary ESPY. I would relate what Alice Rivlin said the other day. She said that oftentimes she would sit here and wonder, as you would wonder, why those of us on this side of the table would give these long, boring speeches. She said, "Now I know."

And so do I.

[Laughter.]

President Clinton, I am sure, perhaps more than any predecessor, believes in free speech. Although we love, revere, and respect Leon Panetta, a former member of this committee and now Director of OMB, let me tell you that after 13 days in office, I have come to the conclusion that OMB is OMB is OMB is OMB. [Laughter.]

So they have approved this statement. It reads very well. I will just let you have it. [Laughter.]

I would like to repeat a couple of promises that I made to the confirmation committee.

The CHAIRMAN. If I might interrupt you at this point, I look for prepared statements that say, "Not cleared by OMB." Then I feel more comfortable.

Secretary ESPY. You won't find that.

Thank you, Mr. Chairman.

I would like to take it in three parts and try to be quick about it. One is to make some promises and to repeat some promises that I made to the Senate Agriculture Committee during my confirmation proceedings. They apply just as well to this committee as to that committee.

The second is that there are some pretty important areas outlined in the prepared statement. I would like to pick through it and highlight some of the areas.

Then I would like to make two requests from you and from the relevant subcommittee chairmen. There have been breaking events in agriculture over the last 13 days. I just returned this morning at 2 a.m. from a trip I made to Washington State, Olympia, to meet with the senate committee there to address this problem of food-borne illness and the outbreak of the *E-coli* pathogen.

I have directed members of the FSIS staff at USDA to present to me this Thursday, tomorrow, certain options that we have with regard to that. I would like to right away come to you, Mr. Chairman, and come to the subcommittee chairmen to talk about these options. I would like to do so next week, if possible. I would like to respectfully request that you make a hearing available to us for that purpose.

Also, we have done some work on the reorganization of the Washington bureaucracy. As Pat mentioned, we have been doing a lot of work early on that. I have some ideas, some of which Dan has worked on. I would like to share some of those with you, in a very informal session, Friday morning and to try to set up a very quick hearing on that so that we can get moving further.

I come before this distinguished committee, Mr. Chairman, to ask for your support, your help, and counsel as I undertake this tremendous task. In order to successfully execute the duties of the

Secretary of Agriculture, I will need your assistance on a bipartisan basis, and I will need the help of the thousands of dedicated employees at the Department.

As Secretary of Agriculture, I want you and each member of this committee to know that I will dedicate myself and this agency to the economic health of rural America. I agree with just about everything that Jill Long said with regard to the health of rural America.

I want to help to provide basic services which other areas of the country take for granted, including them fully in President Clinton's strategy for economic revitalization, the encouragement of capital investment, and the promotion of job growth.

Mr. Chairman, there is a hearing right now in the other body before the Banking Committee chaired by Senator Riegle. I have a statement there. I had asked to appear there because there was a bill that I had introduced before I left this body with regard to community development banks in the rural areas of our Nation. That bill has been accepted and I can say that it fit well within the campaign focus of the President-Elect, at that time. I hope that bill will be moving forward in that body.

I will seek to reach out to all USDA constituents and to become an honest broker for their responsible concerns inside the agency. To the American farmer, and to the family farmer in particular, I will dedicate myself. I will promote farm income, seek to cut unnecessary regulation, streamline expenses at the local level, and guard against Government-generated overhead expense.

Mr. Roberts, we will aggressively seek out new international markets and insist that our export competitors comply with trading rules that are fair and equitable. I will ensure that agriculture's voice is heard on trade matters, on food safety matters, on the environment, and on other areas.

This Department is huge. It has the fourth largest budget of any Federal agency, with over 14,000 offices within our country and abroad. The best estimate is that there are 112,000 employees with a portfolio of about \$62 billion. If the Department were a bank, it would rank first in U.S. loan assets above Chase Manhattan, above Bank of America, and above CitiBank.

It is a huge Agency, but one with broad and very important responsibilities which touch and concern almost every facet of American life. Americans need not be reminded that if they eat they are involved in agriculture. Perhaps we should be reminded, that it is because of our success in agricultural production that Americans still enjoy an abundant supply of food and fiber for the least amount of disposable income. Agriculture contributes over \$900 billion annually to the U.S. economy and is one of the few sectors that still maintains a positive balance of trade.

There are many who question the effectiveness of the Department of Agriculture. The perception—and I hope not the reality—in many quarters is that it has become an outmoded and unresponsive bureaucracy, no longer considered farmer friendly, or interested in reaching out beyond the traditional farmer client base to others, who also have legitimate concerns, who are the recipients of other USDA programs.

We are endeavoring to change that perception, indeed, to change that reality.

Nonetheless, Mr. Chairman, I am very excited about heading an agency which does so much good for our country. Each weekday 24 million children have a healthy lunch. Many also have a healthy breakfast. Infants receive needed formula under the WIC Program. And millions more benefit from the receipt of food stamps.

As you know, I was the chairman of the Domestic Task Force of the Select Committee on Hunger. I was privileged to have served on that committee with Bill Emerson. I know that hungry children don't just exist in Somalia. They exist in the district I had the pleasure to represent for the last 6 years. They still exist there. They exist in Georgia, Alabama, and unfortunately all over the Nation.

It is incredible to me, Mr. Chairman, that as we approach the dawn of a new century in just 7 years from now, that people still don't have running water in our Nation. We simply have to do something about it. Whether we include it as a facet of REA, whether we include it as a facet of RDA, I really don't care. I know that we have to do something about it.

So Mr. Chairman, in conclusion, there are many, many problems inside of USDA which, with your help, I am eager to correct. But there are also many positive aspects to USDA services. These results have not happened by accident. With your help and with the advice and guidance of the members of this committee, I am going to try to represent the positive aspects of the Department of Agriculture and try to make this Department all that it should be.

Finally, I would like to say three more things. If you will, I will not read this. I will respond to questions, if you have any, and certainly to written questions.

I would also like to introduce Keith Collins, the economist at USDA and Joe O'Mara who is someone I believe you all know.

Joe was the principal negotiator on the GATT and to a great degree had a lot to do with the NAFTA agreement, such as it is. Now he is the Acting Under Secretary for International Affairs and Commodity Programs.

Ron Blackley, is my Chief of Staff. Ron is on board at USDA, although not too many others are.

Mr. Chairman, over in the other body during my confirmation I talked about my father. My father graduated from Tuskegee Institute with a degree in agriculture. He got his first real job in 1937 as an agricultural extension agent in Crittenden County, Arkansas. At that point they called him the Negro county agent of Crittenden County, Arkansas and West Memphis, Arkansas.

Since the confirmation hearing, I had a chance to go down into the bowels of USDA into the archives. I have had a chance to read his quarterly reports to the USDA as the Negro county agent.

Everything I said over there with regard to his interest in maintaining the programs of the Extension Service and promoting the livelihood of the farmers he represented are just tripled and quadrupled. He talked about improving farm income. He talked about reducing overhead. He talked about alternative crop development. He talked about expanding trade. Of course, at that time he wasn't talking internationally, rather domestic trade and trade options.

And he talked about the budget savings, rural development, and just improving the quality of life for those he was responsible for.

I would say to you, Mr. Chairman, and to this committee that I am really going to try to honor his memory. I am going to try to do in my capacity as Secretary of Agriculture, one with added responsibilities and a little bit bigger budget, everything he tried to do for Crittenden County and West Memphis in Arkansas. I am really going to try to do that and I am going to need your help if I am to achieve that purpose.

Last, let me report on two items and then pause and take any questions you might have.

I returned this morning from the State of Washington, the first official trip that I have had a chance to take as Secretary. Before I embarked on it, I discussed it with President Clinton over the weekend while we were at Camp David. It didn't take a lot of convincing, but I did talk to him about the importance of the mission and the critical sense of what we do. Mr. Chairman, 52 percent of everything we do at USDA involves food and nutrition.

A large part of that involves assuring the American public that we have an adequate and a safe food supply. Mr. Chairman, you don't have to raise your charts to talk about everything that we discussed with regard to Alar in apples. We do not need another fit of hysteria in this Nation.

It just sent chills down my spine when I learned not too long ago of the death of a small child, the death of another child, 18 with critical illness, and perhaps as many as 350 children extremely sick because of their ingestion of a tainted hamburger from a very popular franchise establishment. It sent chills down my spine to think that some way, somehow, along the chain the stamp of the USDA had been put on those tainted patties.

I impressed upon our President—and again, it didn't take a lot of convincing—that this was a critical situation and such that the Secretary should be allowed to go to Washington and do everything he could do to assure our public that this was not a national incident and to try to contain it where we can.

I did make that trip. It was upgraded to a Presidential mission. I had a chance to meet yesterday with some of the parents of those children and to meet with the Governor and the members of the State senate.

Let me say two things about that situation. The FSIS, the meat inspectors, all complied with current law and current authority. As you know, we operate under the Meat and Poultry Inspection Act and everything relative to this act and those regulations were followed. But I am still concerned that those standards are a little bit too lax.

Right now, as you know, Mr. Chairman, they relate only to the organoleptic factors. Those are pathogens of those germs that you can see, smell, and touch. I am concerned that perhaps we should do more to begin to move on the path toward more of a microbiologically based or science-based inspection system.

I will be meeting with FSIS tomorrow. We will be presenting these options to you. Hopefully you can schedule a hearing early on, to allow us to present our findings and our recommendations.

Second, we have begun to move on the front of reorganization. It has been reported accurately that we have sort of suspended former Secretary Madigan's plan to consolidate and to close these local offices. Not that we won't have a plan very soon, it is just in my opinion and the opinion of our President that we need to show the American people that we can get our own house in order first. I have talked to Mr. Stenholm about this. We will be presenting these findings hopefully to a hearing he will have very soon to consolidate our shop and to get our house in order.

With that, Mr. Chairman, I thank you again for the privilege of testifying before you. I am open to any questions you might have at this time.

[The prepared statement of Secretary Espy appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Secretary.

Let me mention that Mr. Stenholm, as you know, will be leading the effort on the reorganization of the Department, and then the respective subcommittees within their area of jurisdiction will be studying that issue. Then we will come back to the full committee.

So from time to time you may be consulted by these subcommittees—principally Mr. Stenholm—for your input at any time.

Secretary ESPY. Mr. Chairman, I have been consulted by many already on the reorganization.

The CHAIRMAN. The Food Safety and Inspection Service—Mr. Stenholm has that responsibility also. He was already working prior to the incident in Washington State and is working with interested groups and parties. We will continue dedicating our time to that effort.

I wish that all of the inspection services were at USDA, including seafood. We don't know what the end result of our efforts, but we will continue working in that regard because that is where the responsibility and expertise should be. That is where the area of food inspection belongs.

Let me add that we share much together and I knew of your father's history, and certainly coming from Tuskegee he came well-prepared for that endeavor. I have worked with and visited Tuskegee periodically. I assure you that our effort has been to assist them. Many great individuals have come from Tuskegee, most unfortunately not receiving the recognition deserved. But maybe you and I can help in that respect because when you visit Tuskegee, when you visit their museum, when you see who has gone through there and what they have done, you wonder why America hasn't heard from these great heroes of American agriculture who have come through the halls of Tuskegee.

I share with you something of your father's experience, for my father in his later years, worked for APHIS and worked in a program called the Screwworm Eradication Program. It has been probably the most successful program in APHIS.

What these people were doing was trying to work themselves out of a job when the pest was no longer. We have rid it from the United States, we have eliminated it through Mexico. We are in Guatemala and Belize now and we hope to rid it throughout Central America.

Unfortunately, I was asked by one of these investigative reporters, "Why your commitment to the Screwworm Eradication Program? Is it because your father worked there?"

My father has long since departed APHIS and this life, but I have continued to have a great interest in APHIS.

So together you and I will work to see that these people, unheard of by most, who have contributed greatly to USDA, that their efforts will be recognized. Certainly, you being where you are and me being where I am brings some recognition to at least two individuals. But we have to bring it to all the rest.

Mr. Secretary, I am going to give you a copy of my chart. You have mentioned, almost unthinking, what it does here. I was so very proud that in your confirmation hearing you mentioned the story that has been quoted by so many.

Mr. ROBERTS. What is that story, Mr. Chairman? [Laughter.]

The CHAIRMAN. In order to identify the members of our committee, we have designed a cap for the Committee on Agriculture which I have bought. These are not appropriated funds, if anyone would ask. [Laughter.]

But we wanted you to have the first one before we hand them out to all of the members.

Secretary ESPY. Thank you, Mr. Chairman.

The CHAIRMAN. You are now a member emeritus. You are the most important one of the Agriculture Committee.

We have our usual—I don't know how much time you have—but our usual practice is that those who were here when the gavel sounded on seniority, and then on time of arrival for comment or questions.

Secretary ESPY. I would like to comment on the budget.

Again, OMB, while approving statements and editing statements, they also admonish you not to make news. [Laughter.]

If I could then just reflect upon my history as a member of this committee and a member of the Budget Committee, where I tried to counsel against wanton budget cuts, particularly with regard to agriculture, we are only 4 percent of the Federal budget. And 52 percent of that involves money spent surrounding the promotion of food and nutrition programs.

When it comes to the commodity programs, it has recently averaged only between \$10 and \$16 billion. So we don't have a lot of deep pockets there.

I also told them that with regard to our target prices and our price support levels and what we spend for these programs, I wanted to make sure that the left hand realized what the right hand would be doing when it came to international trade. As we reduce these domestic levels, we should make sure of the ramifications it will have in the GATT.

I really then expressed doubt that we realized what we had been doing. I counseled against it.

The CHAIRMAN. We thank you very much.

Again, we welcome you and look forward to working with you.

The clerk advises me that since I had not advised her, she did not note the time of arrival of the members, so we will just go from right to left. And as is our custom before this session, we will take one from the Democratic and one from the Republican senior level,

and then we will go down to the lower level and take one and one, and rotate from upper tier to lower tier.

This is democracy to the utmost in this committee, Mr. Secretary.

Secretary ESPY. Yes.

The CHAIRMAN. Mr. Roberts.

Mr. ROBERTS. Thank you, Mr. Chairman.

First of all, I want to thank you for this hat on behalf of all the people who have haircuts like I do. [Laughter.]

The CHAIRMAN. Don't say it. [Laughter.]

Mr. ROBERTS. And I note that it is green in regard to our working relationship with the Environmental Protection Agency.

The CHAIRMAN. No, that is because I am Irish. [Laughter.]

Mr. ROBERTS. Mike, may the luck of the Irish be with you. You made a most pertinent and moving statement in reference to your dad. I would only add that you are following in your dad's footsteps in example and outstanding fashion. We are all very proud of you.

Mr. Stenholm and I in the last session of Congress went to six States to ask our farmers, ranchers, and employees with ASCS, Farmers Home, and SCS what they would like to do to make the farm program more farmer friendly and in regard to restructuring. The report we got back was most helpful. I will bring it with me when we have our meeting as of Friday.

However, there are some States that are pretty hard hit in regard to some of the recommendations. And in regard to restructuring, Mr. Kingston of Georgia had a specific question or concern, and I would like to yield my time to him at this particular time.

The CHAIRMAN. To whom are you yielding?

Mr. ROBERTS. To Mr. Kingston of Georgia.

Mr. KINGSTON. Thank you, Mr. Roberts.

Mr. Secretary, I would like to say thank you very much for comments you made in Yazoo, Mississippi, last weekend and also the ones you made today about starting at the top and cleaning the house up there first. I think the farmers in my area certainly appreciate that.

One thing that I wanted to mention to you is that the farmers in our area are ready to do their part to help increase efficiency in the Federal Government. We would like you to consider satellite offices in areas where you will be closing offices, or come to the conclusion that you have to. In some areas I think you will have to do that. But if you could consider some satellite offices that are manned on Tuesdays and Thursdays, or Monday, Wednesday, and Friday that would serve the farmers.

I just want to thank you for being sensitive to the needs of the farmers.

Secretary ESPY. Thank you.

I appreciate it and that is a good suggestion. We are going to be moving first, as we have said already, with reorganization at the Washington level, then the regional level, and then the local level. I would imagine that once we get to that point we would have input from many of you on options that we would implement.

Many on this committee have good ideas—Dan Glickman, Pat Roberts, and others—that we will be reviewing. I am fully conscious of the geographic differences between farm service offices in

one State as opposed to farm service offices in another State. I am saying generally that we don't want to have an office located where farmers no longer exist. But if the farmers exist there in significant numbers, we will have an office there.

So we just have to work it out as far as the numbers and the budget aspect. But we have enough time to do it. We are not going to rush headlong into any comprehensive cutting of local offices. We are going to do it deliberately, methodically, and with an eye toward improving farmer services and streamlining taxpayers exposure.

Mr. ROBERTS. In reclaiming my time, Mr. Chairman, I would like to submit for the record a statement of our colleague, Mr. Bob Smith from Oregon.

The CHAIRMAN. Without objection, his prepared statement will appear in the record at the beginning of the hearing.

Mr. ROBERTS. I yield back the balance of my time.

The CHAIRMAN. Mr. Brown.

Mr. BROWN. Thank you, Mr. Chairman.

Mr. Secretary, we are pleased to see you and of course extend our offer, as the chairman has already done, for full cooperation in addressing some of those problems which have proven intractable over the years that I know you are familiar with.

You made some statements about the need for the USDA to reach out to all of its constituents. I think that is going to involve some changes. The world has changed a lot since your father was an agent, the country has, and even the Congress has.

Secretary ESPY. Yes, sir.

Mr. BROWN. The President has indicated that he wants to have a government that looks like America and respects the needs of America. It seems likely that the USDA may not have changed as much as the rest of the world has. I am rather interested in how you're going to make the USDA look like America and how you're going to make it act like we want Americans to act like, which sometimes it doesn't do.

I don't expect you to spell it out, but I want you to emphasize, if you can, your commitment to doing that.

Secretary ESPY. Thank you for the question.

I would suggest that we have already seen some changes at USDA in the person of this individual sitting before you. To have an African-American male as Secretary will be pretty different over there.

I would endeavor—if you are speaking in terms of construction of the deputies and the subdeputies, I would say to you that we are well on the way toward presenting the final list to the President on filling these very important jobs over at the USDA.

I have to tell you that as he had no quota in mind with regard to ethnics and minorities and any degree with regard to sex-based numbers, I don't either. We want to get qualified people. But we want to make sure that it looks like America. We want to make sure that the folks who end up occupying these positions don't just reflect one point of view and that they will reach out to sectors and constituent groups who have felt left out.

All I can say to you right now is that we're in the final stages of promoting the top two or three people who, in my consideration,

would be qualified for these jobs. Then they have to go through the FBI check, they have to go through the vetting process, and they have to pass the veto power of the President himself.

So it may be just awhile before we finish that, but I hope you will be pleased. I am consulting with members of this committee with regard to those folks we have put forward.

Mr. BROWN. Thank you, Mr. Secretary. That is encouraging, but changing a large bureaucracy, even when you start at the top, can be difficult. We wish you well in making those changes all through the organization.

I have just one additional question.

The impact of reducing personnel and offices around the country of the Department of Agriculture can be serious. On the other hand, it can be compensated by the adoption of modern technology. For example, there is no reason in the world why every county in the United States can't be connected through regional hubs or State hubs directly to your office through a video conferencing capabilities in which you can almost sit face-to-face with somebody out in a rural county and discuss their problems with them.

That capability is quite feasible today. We would like every agency of the Government, as a matter of fact—some of them already do—to recognize that they can achieve great efficiencies—and we can in the Congress—by using modern technology in ways we haven't done so before.

I want to just ask you if you may have given some thought to that as you look at restructuring the personnel and the offices of the Department of Agriculture.

Secretary ESPY. We have certainly done that, Mr. Brown. When we get to the restructuring concept for the local offices, I hope I will be ready to also present to this committee a concept of farm simplification which is going to rest in a large way on increasing the technology and computer capabilities of these local offices. We can collocate; we can combine; we can do a lot of these things that are now within the public domain. We can make farmers computer-literate.

We also have an idea of enhancing the Extension Service and make them computer-literate.

So the construction of these farm plans can be input into the computer and the farmer won't have to stand in line at the local office forever. A lot of this would be in the computer base.

I would like to go back and add to something I said earlier.

Some are frustrated that they have not seen good people behind their desks over at USDA. Let me tell you that it is a huge agency. We have been there 13 days. Events are moving rapidly. I want to take my time and carefully select the best men and women to occupy these positions.

But we have a significant challenge. Here I am telling you that I am going to restructure Washington, and some of these offices may no longer exist. Some of these assistant secretaries structured on this piece of paper will be obliterated. So I wanted to be faithful. I want to in good faith conduct these interviews and not interview someone for a job that may not exist or be merged with another one.

In a lot of that construction and reconstruction this committee will help because a lot of these divisions are statutorily based. So just hold on and be patient and I think you will be pleased.

Mr. BROWN. Thank you, Mr. Secretary.

The CHAIRMAN. Thank you, Mr. Secretary.

Let me mention your statement that you would visit with us. Without interfering at all in the advice and consent clause of the Constitution, I think that we have in this committee and in this House the ability to counsel with you.

Secretary ESPY. Yes.

The CHAIRMAN. I do hope that you would avail yourself of that without any infringement on the advice and consent side for we are coequal partners in this endeavor. We do hope that we can work with you in that respect.

Now we go to a gentleman that sits where I sat many years ago, Mr. Bishop.

Mr. BISHOP. Thank you very much, Mr. Chairman.

I would like to commend the Secretary for his remarks. I would certainly like to thank him for the courtesies he has extended to this Member because I, too, come from Georgia as Mr. Kingston. In regard to the closing of many of the ASCS and the SCS offices, there is great concern in Georgia because Georgia was targeted for the biggest hit.

It helps us to feel a lot more comfortable and the people in my district are very grateful to you, Mr. Secretary, for your deliberate fashion in approaching this reorganization.

We would also like to ask the Secretary if he would be sensitive to the needs of the people in our area with regard to NAFTA and GATT. There are very serious concerns in the Second Congressional District, particularly, and throughout south Georgia about the ramifications that GATT and NAFTA will have on south Georgia agriculture and ultimately agriculture for the entire Nation.

We are very concerned about that and would hope that there would be some dialog, that they would have an opportunity to participate in that dialog, and really seriously look at what the ramifications will be in agriculture in south Georgia and how that will affect rural development, the quality of life, and how it could possibly devastate the total south Georgia economy.

With that, Mr. Secretary, I am very grateful for your courtesies. If there is any way we can be of help to you, we will certainly be available to do so.

Secretary ESPY. Thank you, Mr. Bishop. I appreciate the question.

We will be sensitive to the impact of NAFTA and GATT on the economy of your district. Let me say to you that you are aware that the President has already embraced NAFTA. This was a subject in the Presidential campaign and it is one that he has talked about in a little detail since he was sworn in.

NAFTA is going to be good for agriculture in general, particularly cattle, dairy, and corn. It is going to be good for agriculture. I am aware that when it comes to peanuts and perhaps sugar there are concerns. Before the election, I had a chance to go up to North Dakota and talk to the sugar beet farmers about the impact of NAFTA on their industry. We sat and shared a lot of theories.

So I am concerned about that. Even today, there are officials from the commodity programs and the international affairs division in Mexico meeting with them on the impact of NAFTA on the sugar industry.

I hope that we can begin to resolve these kinds of things.

GATT, of course, is a little more difficult. The authorities and the negotiations are due in March. We had hoped that there would have been a successful resolution. March is right around the corner. I don't think it is going to happen. So we have to sit and counsel to see where we're going with regard to GATT.

They have made significant progress on reducing the export subsidies and the internal support, but there are some market access problems that I don't believe will be resolved in a month's time.

Having had a chance to travel with the chairman a couple of times to Geneva and Brussels to review the discussions on GATT, I have always had problems with the success of that ongoing negotiation. I have had problems with regard to the seriousness of the EC negotiators and our Japanese competitors. I hope that we can get them to become a little more serious than they are right now.

Mr. BISHOP. Mr. Secretary, if I might follow-up for just a moment, the President had indicated that in considering NAFTA and GATT—of course, more NAFTA because it is now sort of a done deal, in a sense—that he would explore the possibility of some side agreements. It is our hope that in approaching the side agreements that consideration will be given to the tremendous economic impact that will result to our rural areas, particularly the peanut-growing areas in south Georgia, as a result of NAFTA.

Of course, GATT is still in the negotiation stage and that is still up for discussion and open. The jury is still out on that, but we really need some help with those side agreements in NAFTA.

Secretary ESPY. The side-bar agreements that you mentioned have traditionally been considered restricted to environment, labor areas, and food safety. Perhaps we can expand it. I will look into it.

Mr. BISHOP. Thank you very much, Mr. Secretary.

The CHAIRMAN. Thank you very much.

Mr. EMERSON.

Mr. EMERSON. Thank you, Mr. Chairman.

Mr. Secretary, it is a very special privilege to welcome you to your old home here, back to this committee, albeit you in a different capacity than we have come to know each other over the years.

One of the great highlights of the opportunity I have had in serving in the Congress has been to work closely with you and to get to know you over the years on this committee and on the Select Committee on Hunger where you have provided great leadership, and in our mutual interests relating to the Lower Mississippi Delta region of our country, and in the House at large.

Throughout our association I have certainly come to know you as a person of great integrity, competence, understanding, and compassion. I know that in your new job you are going to bring all those qualities to bear in abundance.

So for my part this morning, I just want to say welcome. I am sure we will have an opportunity for a substantive discussion of issues down the road, but it is particularly heartwarming to have a person of your ability sitting where you're sitting. I want to con-

gratulate you and pledge to you my desire to continue to cooperate with you and work with you as we have had the opportunity to do so many times in the past.

Thank you.

Secretary ESPY. Mr. Emerson, thank you for the kind comments. We have worked together and all the kind sentiments you expressed are certainly mutual. We have worked together and you have been an acknowledged leader when it comes to food aid and food trade programs and streamlining USDA services. You are famous for one-stop shopping techniques. When it comes to humanizing the dissemination of food stamps through certain technological programs, you have been right on the forefront of that.

I want to continue this with you, particularly as it comes to welfare reform, streamlining, and one-stop shopping, and the WIC Program, TEFAP Program, and all of the programs administered by the USDA. I respect you and I want to continue to work with you. I do appreciate the kind words.

The CHAIRMAN. I thank the gentleman.

Mr. English.

Mr. ENGLISH. Thank you very much, Mr. Chairman.

Mr. Secretary, I too would like to welcome you home and to ask you a question with regard to rural development.

We have three different studies that have been recently published. One from the Department of Commerce, a second which came from the Office of Technology Assessment, and the third from the Aspen Institute. All of these pointed to the fact that if we are going to have a successful Rural Development Program that the REA was going to have to play a very major role.

In fact, the Aspen Institute was rather critical of the 1990 farm bill. I believe the way they described the efforts we put forth was that we were rather timid in this area, which I have a tendency to agree with.

But as you know, the last administration and the administration before that were very critical of the REA, did not really use the REA, and in fact submitted budgets to eliminate the REA. So we have a difference on one hand of independent studies and another seems to be philosophy.

Do you anticipate that the REA under this administration and your leadership will be much more aggressive and return more to its traditional role of being a leader in rural development?

Secretary ESPY. Let me say that some of those in OMB are still there. They frown on the existence of the REA.

You are aware of how they prefer that it be abolished. We have had to fight those inside the Budget Committee and inside this committee as well. They see this as an agency whose time has long since gone. Roosevelt provided electricity to rural America and beyond that they did not see REA having a mission, so therefore it is an agency with a lot of money in search of a mission.

I disagree with that. I think the REA is a legitimate entity. It has a mission. Perhaps we can expand upon that mission.

In my opening remarks I mentioned that hopefully we can use them to provide water services to those in parts of America without water services. We should examine that. Right now, that pro-

gram is within the range of RDA programs. We can sit and talk about it.

But just in general, I can tell you that I believe in the REA. I believe in the loan guarantee programs of the REA. In many ways they are legitimate and beneficial and should be continued.

There is a lot within REA that can be changed. I am going to sit with you and work it out.

Mr. ENGLISH. Of course, this committee and the Congress both in 1987 and again to a much greater extent in this timid section of improving rural development, we charged the REA with the responsibility to become very actively involved in inter-rural development. We have not seen that happen.

The real question, I suppose, it comes down to is whether the administration, OMB or no OMB, is going to obey the law. That law is very clear as to what they have been charged with.

The difficulty, it appears, is that we are into some who philosophically don't believe that they should be involved as opposed to what is mandated by the law. Will you and the administration follow the dictates of the law in this regard?

Secretary ESPY. I think we all have a part to play in the development of rural America. The promotion of rural America depends upon the success and participation of all enterprises under the broad heading of USDA.

So this is an agency with some money. I think we should not ignore their tremendous resource base as we endeavor to empower our regions. We should use REA and RDA and all of them. I would be in favor of it.

Mr. ENGLISH. With regard to another area of great concern, dealing with the environment—there has been a great deal of attention focused in the last few years on agriculture's role in the environment. We have a number of different practices that were put into play in the 1990 farm bill. Farmers have to have conservation plans. Those have to be approved.

There is a growing concern that we had not seen an aggressive use by the Department of Agriculture's Soil Conservation Service in helping farmers get those plans in place and get those plans approved. As you are well aware, if we don't get this done by 1995, we have farmers that are going to be declared ineligible for the farm program.

Is the Department now looking at meeting that timetable and what they can do to assist farmers to make sure that no qualified farmer is left out because of insufficient personnel or resources in approving his particular plan?

Secretary ESPY. To be honest with you, since I have been there we have not met on this particular subject. But I would hope that we could move very quickly to this subject. It is caught up in, as you know, the establishment of simplified farmer services. I would hope that we could do that and do that very quickly. I don't want to be responsible for farmers being left holding the bag on certain funding mechanisms because they have not complied with certain conservation practices through no fault of their own.

So if it comes to staffing a local office in the field, if it comes to a personal message from the Secretary, if it comes to certain funding of a program, then we will do that.

Mr. ENGLISH. Thank you very much, Mr. Secretary.

The CHAIRMAN. I thank the gentleman.

We go to Mrs. Thurman.

Mrs. THURMAN. Thank you, Mr. Chairman.

Mr. Secretary, I am from Florida. As you well know, we find that in Florida agriculture is only next to tourism in our State. Like Mr. Bishop, there has been a lot of conversation about NAFTA. Certainly I hope we can extend and talk about that. For many of us who are freshmen and never having had any input into the agreement, it becomes a very big issue within the State of Florida.

Our commissioner has been to Washington, D.C. to discuss and try to get some agreement. I hope we can continue those kinds of conversations.

Just so you will know, a couple of issues I am very concerned about are some water issues, not only in Florida but across the country, and there seems to be more fights going on as Florida grows between urban and rural, which will certainly have an impact on our farmers in Florida.

One I believe the President spoke of to the Democratic caucus a couple of weeks or months ago was the preservation of the family farms. I hope that as time goes on we will be able to have more conversations about this and certainly I am looking forward to helping the Agriculture Department be more friendly to our farmers.

Secretary ESPY. Thank you. I appreciate the statement.

Let me say in reaction that there are those who have had the feeling that in times past the USDA had not been a full partner in the discussion of the international trade programs and trading agreements. I am not suggesting whether or not that has been true, but I know that under this administration USDA will have a seat and will have a voice in NAFTA and GATT. Ambassador Kantor and I have already talked about this. We will be there.

The CHAIRMAN. I thank the lady.

Mr. Gunderson.

Mr. GUNDERSON. Thank you very much, Mr. Chairman.

Mr. Secretary, welcome. I offer you both my sincerest congratulations and my deepest sympathies at the same time. I am reminded of Bob Bergland's story. On becoming Secretary of Agriculture he got on a plane like you apparently did yesterday and he went to Iowa to speak to the corn growers, who immediately told him that unless he raised the price of corn there was no way they could succeed.

He finished that meeting and got on the plane and went to Atlanta and spoke to the National Turkey Federation who said that unless he did something to reduce the cost of feed and corn in this country, there was no way they could succeed.

He immediately knew that from then on the likelihood of him being a popular and successful Secretary of Agriculture were not very good. [Laughter.]

I share that bit of wisdom for whatever it pretends for your future.

I also want to thank you—and I don't think anybody on this side has done this yet—for your action yesterday. I think your action in

regard to the tragedy that occurred in the State of Washington has been a firm, direct, complete, and most importantly accurate.

Secretary ESPY. Thank you.

Mr. GUNDERSON. You need to know that all of us in production agriculture deeply appreciate the way in which you have handled what probably can be termed the first crisis in your administration.

I think it is essential that we make clear at this point that this is not a problem with red meat, but rather a problem with the processing of red meat.

Secretary ESPY. Yes.

Mr. GUNDERSON. We need to take whatever steps are necessary to respond to that.

I have a suggestion as you seek to reduce the size of your Washington bureaucracy in USDA that one way in which you could solve a very difficult and contentious problem is to look at the bureaucracy in the milk marketing agency. There is a way you could reduce that that I think would be frankly an acceptable way to people of all regions of this country to solve a contentious problem.

But I would like to ask you—because as I read your statement and your summary that was attached you even allude to the fact that we are looking at reduced milk prices in 1993. All the indications I see are that we are looking at about a 70-cent reduction per hundred weight.

I don't have to tell you that that is a level of income which most dairy farmers in this country will not be able to survive at.

As difficult as it is, as you know from your years here, can we anticipate some kind of a proposal from USDA on dealing with the milk program? Or do we anticipate that you will look forward to working with us? What do you see happening in this area?

Secretary ESPY. I can tell you that this is one of the areas where I have been asked not to emit signals very early. [Laughter.]

It is a problem. With regard to marketing orders and with regard to geographic distinctions within marketing orders, we have a problem.

If I can just get away with saying that farm income and increasing farm income across the range of commodities and producers is a goal that we have. I will be sitting down with you to come up with strategies and mechanisms to do that.

Mr. GUNDERSON. Once your budget numbers are complete, are you then open to sitting down and opening up various commodity programs in a way in which we can increase income within that budget limitation?

Secretary ESPY. Yes. We have already had preliminary discussions with OMB with regard to the budget submission for this year. We won't see a lot of change, let me say that to you. We won't see a lot of changes now. But in the future, we have to discuss some changes.

Mr. GUNDERSON. By that do I read that you don't anticipate a number of changes in fiscal year 1993, but that the potential for changes in fiscal year 1994 could be more significant?

Secretary ESPY. That would be a good interpretation of what I said. [Laughter.]

Mr. GUNDERSON. Thank you.

The CHAIRMAN. Mr. Glickman.

Mr. GLICKMAN. First of all, Mike, it is a pleasure to have you here. You're going to have to put up with Pat Roberts as the ranking minority member of this committee. His bark is really worse than his bite. He is a very affable soul. As I am going off for 2 years to try to get a little more intelligent so that I can come back and do a better job on this committee than I have before. But Pat and I will still be around to monitor this.

One thing we do hope is that you can get out to the Midwest, to the heartland, as quickly as possible. You may get invitations into Kansas City or other areas, but we want you out there to talk with wheat farmers and corn farmers in the heartland. We will be talking more about that as time goes on.

I would also like to say, just listening to you I am very impressed. I think this Department has needed somebody in the Secretary's office with a big picture view. This is more than just a farmers' Department, although it is the farmers' Department. But it is also the consumers' Department and the rural Americans' Department. For some time, I have even thought we need to change the name of the Agency to the Department of Agriculture and Food Policy, or the Department of Food and Agriculture.

As the chairman talks about so much, in the submarine story you can stay on the submarine so long as there is food. I take it that you have the right perspective on the function of the Department.

The Department is an embattled Department. There are an awful lot of people who would like to minimize its function and maybe squeeze some of those functions and move them into other agencies. If we have a Secretary like yourself who shows that he is a big picture Secretary, and not excessively parochial, even though you still have to recognize that the farmers' interests are paramount—I think that is a real important thing. I am really delighted that you are starting down that road.

Quite frankly, I think that is something your predecessors didn't do as much as they should have. I think it is an important thing for you to do. I am glad you said it.

Secretary ESPY. Thank you.

I am concerned that there are those who might want to pick this Department to death and pick off certain parts and certain functions. For instance, yesterday we talked about the food safety aspects. There are those who want to pick off our food safety function and transfer it over to the Food and Drug Administration. There are some who want to pick off our ability to manage forests and chuck it off to the Interior Department. There are those who want to pick off our food nutrition functions and give it over to Health and Human Services.

We should expect some turf battles and some turf problems as my predecessors have had to face. But I would say to you honestly that I had a chance to go to Camp David this weekend with the rest of the Cabinet Secretaries and the senior White House staff. We talked about how to operate as a team, how to lay out on a sheet of paper the top six, seven, or eight of President Clinton's programs and how to work together to implement these programs across the range of our Cabinet divisions with less of any chance to

discuss turf battles and turf problems because we can say that we are a member of the team and he is the quarterback.

So I would hope that while I expect some discussion about this, I would hope that we can retain what we do in total as we move forward to try to implement his programs.

Mr. GLICKMAN. With your public statements about seeing the function of the Department as manifold, particularly as it deals with consumers' interests as well, I think you will help that process along.

I have a couple of things on reorganization. I know Mr. Stenholm is going to be involved with it, but I am going to introduce a bill similar to what I did last year. This bill consolidates ASCS, SCS, Farmers Home, and Federal Crop Insurance into one agency, a Farm Services Administration, so that farmers go to one group to get their data and their information. I just hope you take a look at it in this process.

It may not be the perfect idea, but its goal is to make it easier for farmers go to one office instead of three or four and have one central place where they deal with the Federal Government.

Secretary ESPY. I think that is a good idea.

Mr. GLICKMAN. At one time, I thought there was somebody else who might be down there. But I think you are the guy. [Laughter.]

Secretary ESPY. I reviewed the proposal and I have tried to call you to discuss it and want to invite you to the same meeting. Your idea is one with a lot of merit.

Mr. GLICKMAN. And then the final thing is more parochial. Let me ask you this question on State ASCS farm home Directors State committees.

A lot of us would like to get those people staffed up in our States. How should that be done? What is the best way for us to communicate to you those people that we think ought to be in? For example, the ASCS Directors, particularly, running the farm programs in our individual States?

I would like to not have hold-overs in that area stay on too long. What do you suggest?

Secretary ESPY. Maybe I should invite the transition Director in to answer that question.

First of all, we had a change of administration, obviously, so there will be some changes in personnel both in Washington and in the field. My concern is that delivery of services would not be negatively impacted out in the field. We are obviously moving forward in our crop year and loans and payments have to be made. I didn't want the farmer to suffer because someone was being vetted or under scrutiny by the FBI.

So right now I have asked the transition officials over at the White House to implement the status quo, to let those that are there stay, subject to termination by the Secretary. Some of them desired not to remain under those circumstances and they have gone. Some of them have decided to stay.

For those who have gone, I can say to you honestly that the State delegation should put forward a name because you are more familiar with the personalities and the circumstances than I am. I more likely than not will accept that name and put it forward to the personnel office at the White House.

So for those offices where there is no person, you should submit a name immediately.

Mr. GLICKMAN. And it should be to you?

Secretary ESPY. Yes.

The CHAIRMAN. The time of the gentleman has expired.

Ms. McKinney.

Ms. MCKINNEY. Thank you, Mr. Chairman.

I would like to first begin by saying congratulations to Mr. Espy. We are all proud of you.

As you remember America's heartland, I would like you to also know that Georgia's 11th District, too, has a heartland. It is a heartland that is poor, that is undereducated, and that is underemployed. The choice, too often, is between no work and work that entails danger to both the environment and to the health of our residents.

Mr. Secretary, I need your help and I need it in the most desperate kind of way in terms of help for our small farmers but also help in rural development. So I will be listening to you, talking with you, and probably bringing some farmers to you to assist in whatever way you can to help us in rural development.

Secretary ESPY. Thank you.

We have discussed this briefly and I would be very eager and willing to accept whatever delegation you might want to bring to me at the USDA and give them my time and honestly try to help you work out the problems that you have in your district.

I will tell you why I am going to do it for you. Where you sit now is where I sat before during the 6 years I was on this committee. This seat has the most direct line into this microphone, whoever is sitting there. The person in that seat can look in the eye of whoever is sitting here testifying more clearly than perhaps anybody else can, save the chairman—although he is a little further back. So you can see, hear, and feel the truthfulness coming from whoever is sitting here.

You have a very valuable seat. I hope you know that. [Laughter.]

Ms. MCKINNEY. Thank you, Mr. Chairman.

The CHAIRMAN. That is a very wise statement and I am glad that she is there because prior to her I had Mr. Sarpalius in front of me and I couldn't see over him. [Laughter.]

I welcome her to that seat.

Thank you very much.

Mr. Nussle.

Mr. NUSSLE. Thank you, Mr. Chairman.

First, welcome, Mr. Secretary. I am honored to have the opportunity to have served with you in my first term and look forward to your work.

There are some, including myself, that would say that President Clinton's focus on the economy has been anything but a laser. It has been more like a dim flashlight.

Based on what I have seen from your leadership and administration, I think I know where the brightness is going to come from in the future, particularly with regard to rural economic development, which is my concern. I know that concern is shared on your part.

When Iowa farmers asked me, Who is this Mike Espy that has been appointed to this slot and what is he like? I tell them that there is good news and bad news. The bad news is that he is not an Iowa corn grower. But the good news is that he shares our concerns about rural economic development, and that was demonstrated early on in your administration with the help you provided with regard to the ethanol issue.

Based on your statements here today, including the statement you have prepared where your first item and goal is economic development in rural areas—that demonstrates to me and demonstrates to the people I represent that this is going to be your biggest concern.

You are our advocate in the Cabinet meetings and in the administration on behalf of those of us who represent rural areas to make sure that rural economic concerns are brought forth to the new administration. I encourage you to continue that advocacy because it is already showing itself in the kinds of policies and the words that have been used in addressing some of the new goals from the administration. I hope that continues.

Secretary ESPY. Thank you, sir. I really do appreciate it.

Let me assure you that any brightness I have, any light I can give, is intensified by the shower of light coming on me by President Clinton. And I say that honestly. He chose me for certain purposes. One objective, of course, is to include rural America in the economic life of this entire Nation, to bring into the formula certain areas which have historically been left out.

Yes, I am a deep and strong advocate for rural development simply because I come from rural America. But so does this President. He was the Governor of Arkansas. So he is most familiar with rural economic strategies.

So you don't have to shout as loud. You don't have to scream and plead as much because he is already disposed to understand the problems of the region. He is more adept at understanding how we can resolve it.

All you have to do is pick up a book called "The Lower Mississippi Delta Development Commission." This was a Commission created in 1988 or 1989. I was an author of it along with Senator Dale Bumpers on the Senate side. It simply said that America is a great chain and in order to make the chain stronger we have to focus on the weaker links. A weak link in this national chain is the 9 or 10 States bordering the Mississippi River which have similar economies that are the weakest and most impoverished in the Nation.

So we created this law, Ronald Reagan signed it into law, and we created this Commission. Governor Clinton was the chairman of the first ever Delta Development Commission. They produced a book, "400 Reasonable Ways to Improve the Quality of Life in Rural America." They cut across the whole scope of transportation, agriculture, water, rural development, and energy. Now all we have to do is to flip through the book and see which ones we can enact quickly, which ones will take a little bit more time, which are inexpensive, and which will take a little bit more money.

That is why I am so eager to get on with this job.

Second, let me say to you that I am not a corn farmer, but I am the Secretary of Agriculture for all commodities across the Nation.

Some have associated me with cotton, soybeans, and certainly catfish. But let me tell you that I don't want to be regional in scope or commodity specific. I want to be one who is concerned across the broad range of commodities.

Mr. NUSSLE. I understand that and I respect you for that.

In conclusion, let me just say that you are very correct that we are going to have in rural America the chance to have the ear of our new President, because of the fact that he comes from rural America. But as I have learned, being in Washington the brief time I have been here, the longer you are here the easier it is to forget where you came from. Having you in there reminding him where he came from I think is going to bode well for us in the long run.

Secretary ESPY. I will certainly do that.

Mr. NUSSLE. Thank you.

Secretary ESPY. Thank you.

Mr. NUSSLE. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Mr. Secretary, we know that you have a constraint on time, and I would like to have every member that remains to at least welcome you, so if there is no objection I am going to ask the members to limit their questions or comments to 2 minutes so that we can accommodate the rest of the members that would have an opportunity to visit briefly with you.

Mr. Stenholm.

Mr. STENHOLM. Thank you, Mr. Chairman.

Secretary Espy, welcome to the committee. I will very quickly say, in the area you have already discussed, that our subcommittee looks forward to working with you on the reorganization question. As you and I have discussed, I think you're going to find that there is a substantial amount of agreement on this committee working with you and expediting this matter. This is a very timely issue as we look at the budget problems heading our way.

I also serve on the Budget Committee, and know that we are going to have to make some changes on this committee, as every other one will. Your timeliness on this is going to be appreciated by all by the end of this year.

With regard to the Food Safety and Inspection Service, Mr. Volker and I will be sitting down and working with you on that. I commend you for your statement yesterday.

My frustration today has been that we have been unable to make the changes that you are suggesting we ought to look at. We should have done it 5 years ago, but the reorganization will allow this to happen.

In the area of nutrition, the hunger question, this committee needs to do more. We will be doing more. We are already reaching out to the various groups involved in looking at how we can better coordinate this effort. We look forward to working with you in this area also.

My final comment is in the area of research. An overview is way overdue. I have been discussing this issue with Mr. Brown and we have some ideas when you get your appropriate people into place. We will look forward to sitting down and sincerely starting to prioritize in regard to our research efforts. When you look at what we're doing and then the real needs, like you pointed out in your

statement yesterday concerning the most unfortunate *E-coli* outbreak out in the West, we need some research in some of these areas. We need to find out the answers to these questions.

So all in all I welcome you here. We look forward to working with you. I couldn't agree more with your comments on rural electrification, the water corporations, and even with Ms. Long's testimony in the area of health care reform. Rural America is unique and must be looked at. In doing so, I believe you're going to find that rural electrification can play an extremely important part in seeing that health care delivery is there, foreign to most people that don't understand the uniqueness of rural electrification or the uniqueness of rural America.

I look forward to working with you.

Secretary ESPY. Thank you, Charlie. I do appreciate the statement. I look forward to working with you as well.

On the research aspects of the statement, let me say that I agree with you. I think that research from the Department, and perhaps even from this committee, takes on the character more of dispensational pork rather than prioritization of programs. Where do we need to go in the out-years on agricultural research?

It came to me clearly yesterday in the State of Washington when we endeavored to ask whether or not there was a test to isolate this *E-coli* culture in a timely way such as not to frustrate the inspection of the carcasses down the line. If you try to inspect every carcass, that is very tough to do and I doubt that we could ever do it. But we can take samples. But while we're sampling the carcasses trying to find this culture, how long can you hold it before you do it?

So there is such a study that identifies this *E-coli* culture within 24 hours, but this research had not been funded by USDA. I may stand corrected on that. I don't think it was. I think it was funded by a private group, an industry and trade group.

We should be doing that. We shouldn't have to respond and react so. We should target and we ought to identify these emerging problems and then the best university, we ought to go for it.

The CHAIRMAN. I thank the gentleman.

Mr. Holden.

Mr. HOLDEN. Thank you, Mr. Chairman.

Mr. Secretary, I am from Pennsylvania, and I am the first Pennsylvanian to serve on this committee in almost 20 years. I am very pleased to be a member of this committee because agriculture is the No. 1 industry in the Commonwealth of Pennsylvania. It is also the No. 1 industry in my congressional district.

So Mr. Secretary, I would just like to say to you that I look forward to working with you and with this committee to see that Pennsylvania has a voice in this Nation's agricultural policy.

Secretary ESPY. Thank you. It does and it will.

Mr. HOLDEN. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Doolittle.

Mr. DOOLITTLE. Thank you, Mr. Chairman.

Mr. Secretary, I am new to the committee and didn't have the pleasure of being acquainted with you on this committee when you served here. I appreciate very much your open and fair approach to

these important issues. Your focus on the condition of the rural communities I think is very important. Many of us across the country are concerned about this.

I represent a facet of it that I would be interested in hearing your views concerning the rural timber communities in northern California. My district is northeastern California along the Nevada border. We have a great deal of timber and we are heavily impacted now by issues concerning the California spotted owl.

I was pleased to hear your reference defending your jurisdiction. I would hate to see the Agriculture Department lose jurisdiction over the forest. I think it is important to be maintained and I think it is important that this committee maintain a role in that area.

I am very concerned about the tremendous acreage set-aside that is now being recommended by the Forest Service concerning trees where the California spotted owl is felt to be nesting. I believe it is 300 to 400 acres per tree. We talk about the problems of the rural economy, and this will be economically devastating.

As you know, in northern California and throughout the Pacific Northwest we have suffered about a one-third reduction from historic average yields in the 1980's down to the point where what we're cutting today is about one-third of what used to be cut. People and whole families are thrown out of work. They are moving out of the area. These areas are devastated.

This is one of the last great manufacturing industries in the Pacific Northwest. We can have healthy forests. My question to you is, What plans do you have to help us in this area so that we don't basically devastate completely the economy?

Secretary ESPY. I appreciate the question.

You are from a very important State, some think the most important State when it comes to the breadth and range of agricultural production. I am out to California a great deal. I graduated from law school there and I get out there often meeting with various producers and growers.

As you know, I was in the State of Washington yesterday. And although my subject wasn't the spotted owl and timber sales, let me tell you that certain groups approached me wanting me to make a statement on those subjects.

It is a very controversial subject. I hope this is one of the areas, frankly, where I can be considered as an honest broker between unemployment concerns, job growth and protection concerns, agricultural production concerns, and concerns of environmental quality.

President Clinton, as candidate Clinton, talked about a timber summit somewhere in the great Pacific Northwest that would be held soon after he had been sworn in. I would like to discuss this with him very soon because we don't really have a lot of time to waste. I would like to talk to him about it, get a good date, and convene such a summit very, very quickly. We're going to be moving on that front.

I am concerned about it. It is a controversial issue and we will be moving to resolve it.

Mr. DOOLITTLE. Thank you. I look forward to working with you on it.

The CHAIRMAN. Mr. Volkmer.

Mr. VOLKMER. Thank you very much.

Mike, I, too, wish to add my congratulations to everybody else and wish you well. I know that your time is very pressed right now.

You mentioned the electrical cooperatives in national rural electric and how much they can help in rural development. We have an instance where that is just what has happened in my district.

We had a coal mine that was furnishing coal for our rural electric generating plant. They had used Wyoming coal because of clean air, et cetera. So the mine is closing down. The rural development people from the University of Missouri have now set up an office in that area because you have about 450 miners and it has a big impact on the whole economics of the whole area.

This is not the farm now. This is people putting together—like job training, everything else—into one office and trying to work it out. The funding requirements are going to be difficult. Associate Electric is going to fund it for a while.

I need to discuss that with you and perhaps with the Appropriations Committee later on to see if we can't continue that. I see this as a way that in the future we can maybe stop some of this decline in rural areas.

As you know, we have communities out there that are dying on the vine. I think agriculture, which has been a mainstay in our past history—we have fewer and fewer farmers and you have fewer and fewer people in the communities. We need to work on that and I would like to discuss that with you.

I appreciate what you said to Dan Glickman. Would that apply to my State? I don't have an ASCS State Director. We're going to have sign-ups come up. I know we have good people on the staff in the State office and we have good people out in the county, but we would like to have a new Director overseeing it and getting it going for this spring when the sign-ups come about.

Secretary ESPY. If I can meet with you after this session, then I will take your ideas.

Mr. VOLKMER. I will stick around. I want to talk to you about it. Secretary ESPY. I would be glad to.

Mr. VOLKMER. Best wishes to you. We will work with you all the way.

And I am not for moving the Forest Service over to Interior any time.

Secretary ESPY. I need your help. Thank you.

The CHAIRMAN. Mr. Barlow.

Mr. BARLOW. Thank you very much, Mr. Chairman.

In the interest of time you don't need to respond to these comments, right now, Mr. Secretary. But I want to second what Mr. Brown said about the video conferencing.

I have seen this working in western Kentucky. As you may know, in western Kentucky we have a network already working with the colleges and the high schools. I am very interested about getting this technology into the USDA offices. I think it will save time and travel out there in the western end of the State. When people have to go to Lexington and Frankfort from the Federal offices they are gone for 1 or 2 days for a meeting. I think this can save time and budget.

I also think that as farming becomes more technical all the time, farmers can come into these centers and be brought up to date on ideas. Also, if they're looking to move into other areas of farming, they can get engineering education which can help them develop alternative crops. This is an area that is just waiting for some creative money to be put into it. USDA can do it. I think we can see a great benefit for rural America in helping people feel that they have many options and opportunities to improve their circumstances.

Second, are you going to give the Inspector General in USDA targets on areas of savings that can be made in such things as travel and moving expenses? These budget items can be quite large within the agency's budget but often get overlooked from up here. I hope you do that.

One other thing. The Department of Natural Resources in our State has come down on concentrated animal facilities with the possible requirement of putting in test wells. I would just like to compliment the Soil Conservation Service for having stepped forward quickly and worked with farmers to come up with artificial wetlands as a much less expensive and practical way to get at water pollution problems and head off this financial trouble that the Department of Natural Resources had proposed with these test wells, which as you know are after the fact testing of a problem that we want to be heading off in a practical cost-efficient way before it even comes up. SCS has done a good job there.

Thank you very much.

Secretary ESPY. Those are three good questions and three good statements.

If I could respond quickly to at least two of them, when it comes to restructuring and cost savings and those types of things, of course the Inspector General will be involved and the recommendations of that office will be taken very seriously. There are some clear targets. If you have been over there even the briefest of times, you can see very quickly that they have a lot of different divisions. Each division has a press secretary and a press office. There are at least 55 or 56 press officials over there.

When it comes to lawyers, each division has a bank of lawyers. There are probably 150 or 160 lawyers over there.

Personnel offices. Each division has its own personnel office.

I hope that these are some areas that we can consider for consolidation first. We can see some cost savings immediately and in the near future. We should operate down the line by function and maybe consolidate these areas.

Also when it comes to economic development in the rural areas, in my confirmation proceedings I was impressed with a Senator who told me how much the Prodigy software costs to use in an urban area of a State and how much more it costs in a rural area of a State that was about 12 miles away because the infrastructure is not there. The computer capability is not there. The telephone lines are not there.

It doesn't take a genius to see that because of the economies of scale and because these areas are less dense, they have suffered from not having the same kind of technology of the future that the urban areas have.

If I can do anything as Secretary of Agriculture, it is just to bring to the attention of our President something that I am sure he already knows. If you are talking about enterprise zones, computer technology, information, or other capabilities, the rural area ought to be treated just like the urban area. And I think we can do that.

The CHAIRMAN. If members will bear with me, Mr. Secretary, we are pleased to have visiting with us a group of members of the Polish Senate and the Polish House. They are here to learn more about agricultural cooperatives and agricultural policy. We welcome them to this committee.

[Applause.]

The CHAIRMAN. Mr. Goodlatte.

Mr. GOODLATTE. Thank you, Mr. Chairman.

Mr. Secretary, I regret that the overlap of our service on this committee was only a few days, but I welcome you in your new capacity and look forward to working with you.

The one concern or complaint I receive from farmers and others in agribusiness in my district is the overregulation of the farm economy, as they perceive it, by this Federal Government. I wonder if you have any comments in that area. It seems that the impact is greatest on those who can least afford it, the small family farmers that are confronted with enormous amounts of paperwork, equipment they need to purchase, their economies of scale being so small that it has a tremendous impact, but it affects the profitability of all agribusiness. And it affects food prices in this country as well.

Do you have any thoughts on how you would proceed with that? Secretary ESPY. I have a few thoughts I could relate to you.

Part of our mission, an essential part of our mission, would be to improve farm income and what the farmer can keep. Part of that has to concern reduction in overhead expenses. A lot of that we have no control over, but some of that we do. What we have control over would relate to regulation, redtape, communication with ASCS, and all the other farm service organizations.

If we could minimize the contact—make sure it is of the same quality or perhaps improved quality—so that the farmer can remain on the field doing what he or she is supposed to do and not be in the Farmers Home or the ASCS office waiting in line.

I would hope, as has been suggested here today, that a lot of this can be done with computer technology and improved training at the service level on the part of USDA. Perhaps I am speaking ahead of myself, but there are certain parts of this that we can change. The farm plans are submitted with regularity. We should computerize these farm plans. Perhaps the USDA can be the first point of contact, sending the farm plans of last year to the farmer and asking if there are any changes. If there are no changes, you don't have to come in as much as you do now.

I hope that—maybe it isn't that simple. Perhaps it is a lot more complicated. But then perhaps it is not. I think we ought to consider these kinds of farm simplified changes. With an emphasis on technology, with an emphasis on education, and with an emphasis on outreach, we can make sure that we can continue down that path.

Mr. GOODLATTE. I hope also that we can work well with this committee in enacting new legislation and in implementing the regulations from that legislation that will take into account the cost/benefit analysis of some of the things we impose on farmers. Certainly we do need to protect the environment, but I don't think anybody is more dedicated to doing that than the American farmer. They have the clearest interest in being sure that the land is properly preserved for their future use and that some kind of review mechanism that is independent of those who are imposing the regulations can be put in place to again see that sensible regulations are imposed that do not add unnecessary costs.

Thank you, Mr. Chairman.

The CHAIRMAN. Ms. Long.

Ms. LONG. Thank you, Mr. Chairman.

Let me extend a welcome to you, Mr. Secretary, and tell you how good I feel about you serving in this capacity, not just as a Member of Congress who represents a rural district, but as someone who lives on a farm and whose family derives their income from farming. I think your commitment to rural development is a very important commitment for this country, particularly at this point in our economic crossroads.

I would like to ask you a question about the Rural Development Administration. When we established the RDA in the 1990 farm bill we gave the administration quite a bit of latitude in an attempt to allow it to consolidate various economic development programs and make it more cost-efficient in delivering those programs, but also to make it easier for the rural communities to access the programs that are available.

We are attempting, I think, to move in the direction of one-stop shopping for the rural communities since they don't have the same kinds of professional resources, the many individuals they can employ with expertise, and a whole variety of areas including working with Federal programs.

I wouldn't expect, certainly, that in the less than 2 weeks you have been in this position you would have had any time to work on that consolidation yourself, but do you know what kind of progress has been made in the Department, and then specifically in the Rural Development Administration, in consolidating the various Federal programs?

Secretary Espy. Thank you for the question, Jill.

Let me first congratulate you on assuming the helm of the Congressional Rural Caucus. That is a very important position. You are highly qualified for it and I congratulate you for taking it.

I want to work with you in that. I was the vice chairman of the Congressional Rural Caucus, so I know the importance of your task.

I have been here for 13 days. I have not specifically reviewed the programmatic relationship between Farmers Home and RDA. As a Member of Congress, I know that the establishment of the relationship is problematic. You have Farmers Home with the farm loan and housing function and the RDA, a new agency without a lot of money at this point, but with the business and industry and the so-called rural economic development, water, and sewer loan function, which is very important as well.

We had a staff-sharing program between the Farmers Home and the RDA where the Farmers Home would detail staff members to staff up the RDA. We have had a significant transfer of employees just since President Clinton has been sworn in.

I am not prepared at this moment to go into any great detail except that it was a good move on our part to create the RDA. They have a function and they have a significant mission. They should get the resources they need to enable them to carry out this function. They ought to get qualified staffpersons who consider themselves dedicated to RDA and not surrogates from Farmers Home.

Ms. LONG. If I could just follow up, I think it would be a good way to serve the rural communities. The better we are able to consolidate the various efforts and programs targeted to rural economic development, the easier it is going to be for those out in the rural communities and also the more cost-efficient we're going to be able to deliver those services.

I know that you are very committed to that, but I just want to be on record as stating that position.

Thank you, Mr. Secretary.

The CHAIRMAN. Mr. Inslee.

Mr. INSLEE. Thank you, Mr. Chairman.

Mr. Secretary, I am from the State of Washington, and I want to tell you that your red-eye flight had great dividends in building confidence levels to stop repetition of this problem. It was well worth it.

I would like your comments on the Delaney clause and what you think the Department could do in helping us fashion a solution to this anomaly in the law that does not add anything to food safety and yet could prevent us from using useful tools. How can you help us in that regard?

Secretary ESPY. Thank you for the question.

First, let me say to you that I appreciate your statement on the Washington visit. It was an incredible visit for me. I would have hoped that my first visit could have been to the Midwest. I had planned for my first official visit as Secretary of Agriculture to have been into corn and wheat country—and I will be doing so very soon.

I talked to Tim Penny about where I should go and I am relying upon him to help prepare the itinerary for this visit I am going to take.

But this was a very important issue. It was a breaking issue, if you will. Some here today called it a crisis. We had to move very quickly to assure the public that we continue to have a safe food supply. They should not be fooled, though. We will never be able to get down to the level of zero pathogens in hamburger, for instance, but we can do more in identifying and in educating the public on safe cooking methods. If this particular hamburger had been cooked perhaps a few seconds longer, then these children would have never become ill.

But at a point along the chain, it was stamped USDA. Although they were stamped in full compliance with the meat inspection laws, I think we can do better. As I said, we will be proposing these improved regulations for you and for this committee.

When it comes to the Delaney clause, let me tell you that this is also a breaking issue. I have had a chance to talk to Carol Browner of the EPA about this. I am slightly concerned about the timing of this release and the nature of this release. We realize that we should communicate a little bit better in the future on these types of things.

Let me just say that I will be talking to her today about what we can do to make sure that we can jointly assure America that there are certain categories of chemicals that are injurious, but there are certain others that should continue to be considered for use and not harmful to the American public. We can be a little bit more careful about which ones we identify and which ones we don't.

The CHAIRMAN. The gentleman's time has expired.

Mr. Dickey, the gentleman from Arkansas.

Mr. DICKEY. Mr. Secretary, I represent the most important district in the United States, and I want to know what you plan to do to help the people of the Fourth District of Arkansas in the next 30 days.

The CHAIRMAN. The gentleman's time has expired. [Laughter.]

Secretary ESPY. I guess Arkansas is almost a protected State now. [Laughter.]

Seriously, I am going to help the constituents of your district as I will help the constituents of the various districts sitting at this table, no better and no worse. But certainly to the extent of my capability I will.

The CHAIRMAN. Mr. Pombo.

Mr. POMBO. Mr. Secretary, I won't ask you a big, long question. I do appreciate you being here and all the time you have spent with this committee. It does me a lot of good to see a person of your background and your integrity sitting in your position. I was one of those that asked Jim Nussle about who this Espy guy was because I didn't know you before.

I can give you the assurances that every member of this committee that I asked about you gave you glowing remarks. That is a good compliment coming out of a committee such as this.

I came out of production agriculture directly into the House. A year ago, I was on a cattle ranch when I decided that I was going to run for Congress. The concerns of protecting agriculture as an industry is what is important to me because I believe the industry has been under attack for a number of years and that one of the most important things we can do to protect it as an industry is to protect the property rights and to protect the water rights that these farmers and ranchers so desperately depend on in order to make a living.

In terms of the Delaney clause that was brought up a few times this morning, those of us in production agriculture are counting on you to be that voice, that commonsense voice and that voice of sanity, coming out of the Agriculture Department in trying to protect us and in trying to protect agriculture as an industry.

Thank you.

Secretary ESPY. Thank you. Thank you for the question.

All I can say is that I will be that common sense voice, but also an honest broker between the differing groups. I have always felt

that if we sat down a little bit longer we would find that the divisions are far fewer than we would otherwise think.

Yesterday, one of the more important witnesses before the Washington State senate committee was a very astute woman from the trade group promoting meat. If you would compare our statements, they were almost the same. I would think that there were others that wouldn't have believed that that would have happened. It is to all of our benefits to assure Americans that it is a safe, quality food supply.

When it comes to your statement of who I am, I am who I am. I am someone who cares—from a cotton, soybean, rice, and catfish region—but someone who has participated across the range of commodity discussions as we crafted the last farm bill, and somebody who knows now that I have to protect all the farming income of all the farmers whatever they grow, whatever they raise, and whatever they produce. And I am going to do that.

I am someone who traveled with the chairman and others to these important international trading discussions, someone who cares about GATT and NAFTA, and knows that if agriculture is to be more successful in the future, we have to consider the opening of new markets as the strength and the area in which we must move more strongly than we have heretofore.

Agriculture is going to be all about market development, whether it is multilateral or even bilateral. I am all about that.

And then I am all about rural development. You have heard here that I am responsible for a bunch of different things promoting rural economies and I am going to continue to do that.

I am all about hunger. I am also a bipartisan person. I come from a district with many different types of folks. I have been able to represent them all adequately while I was here and I will represent you and your interests as well as others.

The CHAIRMAN. The Chair will recognize very briefly, because of the constraint on the time of the Secretary, Mr. Allard and Mr. Penny.

Mr. ALLARD. Thank you, Mr. Chairman. I appreciate that.

I would like to congratulate the Secretary on his appointment and say that I do look forward to working with you. I would like to spend my time, as brief as it is, to invite you to come to visit the district that I represent, particularly Colorado. We have a lot of dryland farming there and we have a lot of issues that are very special. You don't really appreciate the significance until you get on the farm, put your foot on the soil, and see what is happening as far as soil conservation issues, for example.

We also do a lot of irrigated agriculture, so that does bring up a lot of water issues—Clean Water Act—and how you're going to manage those farms, as well as the Endangered Species Act and a lot of other issues related to irrigated farming.

Again, I would hope that you would take time to visit districts such as I represent because until you are right there and see the problems, it is pretty difficult to understand exactly what they're talking about. Obviously, I am delighted to hear your comments on rural economic development. I agree that rules and regulations are disproportionately affecting small communities in rural areas.

Again, I congratulate you on your appointment and I look forward to working with you.

Thank you.

Secretary ESPY. Thank you. I appreciate those comments and I accept your invitation to come and see your district. Let's find a good date to do it.

The CHAIRMAN. Mr. Penny.

Mr. PENNY. Thank you, Mr. Chairman.

I want to take this opportunity to officially congratulate you on your appointment and to wish you the very best.

I have noted in the last few weeks that you have repeatedly made reference to your desire to reorganize and restructure the Department and want to make an offer to you that you have at least one very strong and willing ally on the committee as you start down that path. I think it is an undertaking that certainly poses great challenges but we can do a lot more for agriculture if we get our own house in order.

I applaud your commitment to that goal.

I want to be a bit more parochial, in terms of a couple of programs in which I have a direct interest. In the 1990 farm bill we created the Ag Research Commercialization Program. As we talk about rural development, new uses for farm crops is certainly a direction we need to pursue. I urge your close attention to that and would like to see you make that one of President Clinton's investment priorities.

The second area is the beginning farmer bill, which we passed as part of a major Farm Credit Act last year, which will take some of the existing money at Farmers Home and dedicate it to down payment, loan assistance, and other help for beginning farmers. I think a very ambitious attitude on the part of the Department of Agriculture will be critical if we're going to make that program work out there in farm country.

And last but not least, I chair the Foreign Agriculture Subcommittee and value-added exports are where it is at. Your attention to that as a priority for our farm producers in the next several years I think will pay tremendous dividends.

Any reactions you might have? I just wanted to share those viewpoints with you.

Secretary ESPY. I agree with you on all three counts. When it comes to value-added exports, the statistics reflect that they have now exceeded bulk products when it comes to the balance of trade item. That is the wave of the future and that is how it looks. It looks good. We will continue to emphasize that, Mr. Penny.

Also, we do have a problem when it comes to our GSM Program and the integrity of these programs with regard to the extension of credit to the former Soviet Union and the now-CIS States. We have a real problem there. As you know, we will be meeting soon and talking with them about restructuring, if possible, and where we go. We in the Department have now received claims by certain banks that have extended funds to these new democracies under our Credit Guarantee Program. It is a big problem.

We have to move with all deliberate speed to try to make sure that we can have a viable program, one that promotes these new democracies, but also one that has integrity where we are able to

receive repayment from those new nations. We will be talking about that.

Sure, President Clinton will have an economic short-term strategy and economic stimulus package. I am not privy to all the details, but we have already discussed with OMB the inclusion of the one that you mentioned in that program. We have to get the appropriate dollar figure and attach that to it, but I am in favor of that as well.

Mr. PENNY. Thank you, Mr. Chairman.

I do look forward to pinning down a date when we can get you to the upper Midwest and get you introduced to our farmers up there.

The CHAIRMAN. Mr. Secretary, we have covered a lot. The members have been able to express some of their concerns and some of their ideas. Your contribution has been tremendous. I thank you very much. We look forward to working with you.

I might add as a final word, aside from thanking you for coming here and being so patient and listening to all our members, is that as far as budget is concerned, we have always contributed our fair share. Our commitment is to continue that. We do hope that within the administration you see that we are not overburdened because it is very popular in 30-second bites to aim at agriculture.

We have done our part. We will continue to do our part. We hope that you assist us in that respect.

We do hope that we will have joint meetings periodically to enlighten the members between you and Ambassador Kantor, you and Secretary Ron Brown, all of the Secretaries that impact on agriculture, so that we might have some communal endeavor with the other Departments.

And there's the issue of health. My chart shows that 52 percent of USDA is nutrition-related including WIC, school lunch, feeding the elderly, and food stamps. I have a different idea that is not being presented on this issue. All I hear about health care is cost containment. I haven't heard much yet about preventive health measures. There has recently come from the new administration an idea about the vaccines. I think this is good.

But the prevention of health problems begins with nutrition, with diet, and I hope they recognize that. I put in a call to Mrs. Clinton's office, as she will head the group looking at that issue. They very graciously returned my call. Unfortunately, I wasn't here. I look forward to visiting with her or pertinent staff.

I do hope that you are a part of that endeavor. If you're not, we hope that they listen because the best way to save money on health care is to have people be healthy and not get sick. We are now living longer, thanks to nutrition, diet, and alternative medicine, the cost of reforming health care is going to be tremendous. I don't think we can handle it solely under cost containment without causing injury to someone or some place.

So the best way to contain costs is to see that we begin preventing. Preventive nutrition begins with agriculture and farmers. They now have the ability to genetically engineer fruit or vegetables that may well be an antidote for some illness. I do hope that as we're moving into the next century that the focal point will be how we keep people healthy and prevent disease. That is the best way to save the cost out there.

I do hope that you, working with us and the other committees of jurisdiction, will take a major or at least educational stand to see that we keep our people healthy. I think we are missing the boat if we think we're going to solve the health care problem solely with new taxes or containing the cost of the doctors or the hospitals. That isn't going to do it.

As for all the reasons that we live longer, I think we should have people who live longer in a healthy and contributing manner. That is going to be your responsibility. It begins with 50 percent of your budget. We hope to work with you in that respect.

Secretary ESPY. If I can summarize, are you saying that we are what we eat? [Laughter.]

The CHAIRMAN. You are right. Sometimes we outdo ourselves because of the availability, thank God, in this country.

We could stay on this subject forever, but remember what happened in the Soviet Union, what happened to our brethren in Poland and Hungary when agriculture failed everything else went down. Now that they have the ability to use a democratic process, I think they will be able to get back on their feet.

We will be working with them, but we begin here with the American people.

We thank you.

Mr. VOLKMER. Mr. Chairman, are you starting a new phrase like "An apple a day keeps the doctor away"?

The CHAIRMAN. It goes much further than that now. A genetically engineered onion from south Texas or something like that. [Laughter.]

Mr. Secretary, very seriously, we hope the good Lord has His hand on your shoulder as you carry out the responsibility of your office.

Secretary ESPY. Mr. Chairman, thank you for being here today. Let the record reflect that I leave here with three items. One is a green cap, another is your chart which has been personally autographed and handed to me, and the last is a lot of good will. I hope that I continue to earn your trust not just because I am a former member of this committee but because you know we have our priorities straight.

I promise to you in return that I will consult with you and Pat Roberts and all the other members of this committee on a very regular basis on policies, procedures, and programs that we will institute in USDA.

The CHAIRMAN. We will be here for you.

If there is no other business at this point, and it will not disaccommodate any of the other witnesses, we will stand recessed until 2 p.m.

[Whereupon, at 12:30 p.m., the committee was adjourned to reconvene at 2 p.m. the same day.]

AFTERNOON SESSION

The CHAIRMAN. The committee will be back in order.

I apologize to our witnesses. The best laid plans often go astray and we had a series of votes. I am informed here that someone needed to leave promptly after 2 p.m., Mr. Huber.

Is he still here?

Would you like to submit your statement for the record and then tell us what you can within the available time? I apologize but it was beyond our control.

**STATEMENT OF STEWART G. HUBER, PRESIDENT, FARMERS
UNION MILK MARKETING COOPERATIVE**

Mr. HUBER. Thank you very much, Mr. Chairman.

Members of the committee, my name is Stewart Huber. I am a dairy farmer in Wisconsin. I am also president of the Farmers Union Milk Marketing Cooperative. I appear here today on behalf of that membership of 10,880 in eight Upper Midwestern States.

We appreciate the opportunity to appear here today. Unfortunately, I do not have written testimony to distribute. My remarks are going to be off the cuff. We will provide the committee later with testimony.

At the outset, let me say that the dairy situation in the Upper Midwest as the price situation has deteriorated dramatically in the last 9 months. The cheese price has fallen out of bed. It has gone down dramatically. The milk price, the M-W price for March is expected to be at the 10/30 level with some people predicting it going all the way down to the support level.

Many good farmers who have done very well in past tough times are in tough shape. They have gone to their lenders and have been told that under the pricing situation their situations will no longer cash flow. They are very disturbed and angry. They want something to get done.

Obviously, if we're going to deal with price it seems that there are three areas you have to deal with: Supply, demand, and external forces. I know the committee does not deal very often with the demand side. It is a little bit out of your purview. It is primarily the responsibility of farmers themselves. We have allowed dairy to be pictured as an excessively expensive farmer-monopolized commodity that is highly subsidized and maybe even dangerous to your health. That is too bad because the truth could have been our very best public relations.

But of some concern to this committee I would think would be the effort to recall the National Dairy Board. There is a petition going around to get that job done. I would not speculate at this time if there was a referendum of how it would come down. If a check-off program is to continue, however, we would suggest to the committee that you investigate the possibility of assessing imports on the same basis that our domestic producers are assessed.

We would also suggest that you also look at possibly revising the generic program for advertising to also include dually funded branded advertising. We think the search should go to looking to the desires and needs of a newly ethnic public population that has not been too well served by our programs in the past.

Let me say that the Dairy Export Incentive Program that was initiated by the former Secretary in the last days of the past administration has alleviated some of the pressure on the supply side. Maybe a little bit of it will help the supply side. We know that that is not a long-term fix, but we did appreciate it because the situa-

tion on the supply side in dairy has in the past months surprisingly grown. The growth in the dairy section has happened basically in parts of the country that have not traditionally been in the manufacturing milk business.

We are thinking that that may have some real long-term effects on the supply side that will be detrimental. I think most dairy farmers recognize that it no longer makes any sense to produce 100 percent product if it only takes 96 percent to supply the market and let the 4 percent take the price.

The committee will recall that in the last session in 1991 you did try to help us put in an inventory control program. When it became clear that neither target price nor two-tier was going to be put into effect, we all signed onto the Leahy bill, which was a revised diversion-type program. As you know, at the very last hour before the vote, National Milk withdrew its support. So today, we end up with only a purchase program and also a producer assessment program, neither of which are working.

We think—although I know there are probably some reluctance on the members of the committee—we have to go up to the Hill one more time and try to put together in this session another inventory control program. I know it won't be easy. If we can't get that job done, then we have to look at a surplus disposal program.

Finally, I would like to say to the committee that we want you to take a hard look at the upcoming GATT and NAFTA things that you will be reviewing, particularly on the side of the dairy issues. We're almost ashamed to bring this to your attention because our information certainly on NAFTA is to support any effort that will open the market up between Canada, Mexico, and the United States.

Unfortunately, looking at the fine print of the dairy section, we find it seriously flawed. Let me just outline a couple of our major concerns.

The first is what we call the Canadian exclusion. Canada will be able to retain its article XI exclusion under GATT while our section 22 was traded away. That means that the Canadian producers will be assured \$22 per hundredweight for as far into the future as we can see while our producers are going to have to struggle to maintain even 10/10 price support levels.

It also means that dairy products produced in the United States are going to be shut out of the Canadian market to protect the quota system that is in place in Canada. That, of course, seems upside down to the intention of the whole NAFTA agreement.

They say, "Maybe we are locked out of the Canadian market, but look at the potential in the Mexican market. Here we have 90 million new customers just waiting to gobble up our dairy surplus." But some of the research that has been done and been analyzed by Dr. Larry Hamm of Michigan State University suggests that short-term and intermediate-term prospects for exporting to Mexico of dairy are very limited indeed, with the exception of nonfat dry milk.

Here Dr. Hamm says the Mexicans, however, will be served by the lowest cost producer in the world, and that is New Zealand. As it turns out, however, Mr. Gunderson of your committee has pointed out that it is actually the high cost producer in this hemisphere,

Canada, that is supplying the Mexican with nonfat, 76 percent. That is going to be locked in under GATT for the foreseeable future. This means that our limit in the next 15 years into the Mexican market is going to be held to 40,000 metric tons.

We also have concerns about Mexico becoming a staging area. We think the rules of origin need to be looked at very critically for export into our country because milk is a very fungible product and some of the multinationals may look at subsidized nonfat to be reprocessed and shipped into our market.

We are concerned about one other thing, and that is the food safety angle. On poultry and beef they have agreed between Mexico and the United States on cross-border inspections. There is no agreement in this area in terms of dairy at all. It should be addressed.

And certainly the access into NAFTA of the other hemisphere countries, including nonhemisphere countries of New Zealand and Australia are also of concern to us. We certainly hope that you will ask the Clinton administration to look favorably to an agreement in agriculture and to deal specifically with the very issue.

We thank you very much for the time.

The CHAIRMAN. Thank you very much, Mr. Huber. Your remarks, of course, are being transcribed. If you care to make any additions and you can get it to us within the next 72 hours we will be happy to incorporate them as additions to your oral testimony.

We thank you for being here.

Mr. HUBER. Thank you very much.

The CHAIRMAN. I thank the other witnesses for allowing us to go out of order.

The next panel is Michael V. Dunn, vice president for government affairs, National Farmers Union, Washington, D.C.; Grant B. Buntrock, director, National Farmers Organization, Washington, D.C.; Keith W. Eckel, president, Pennsylvania Farmers Association, on behalf of the American Farm Bureau Federation, Washington, D.C.; Larry Mitchell, acting national director, American Agriculture Movement, Washington, D.C.; and Curt Rohland, president, National Family Farm Coalition, Washington, D.C.

I would invite you all to the witness table. Since we have been delayed throughout the process first by the very good and extended visit of the Secretary, which was his first visit to our committee as Secretary, and then the delay on the vote, I would hope that the witnesses will submit your prepared statements for the record and then try to summarize briefly your concerns and your information to us if you can do it within 2 or 3 minutes.

But proceed as best you can so that you can get your point across and into the record. We will have the opportunity to review it at a later point.

We will begin with you, Mr. Dunn.

**STATEMENT OF MICHAEL V. DUNN, VICE PRESIDENT,
GOVERNMENT AFFAIRS, NATIONAL FARMERS UNION**

Mr. DUNN. Thank you, Mr. Chairman. We appreciate you holding these hearings and we are indeed honored to be here at the

first full meeting of your committee. On behalf of the 250,000 members of the National Farmers Union, I thank you.

You will notice in my testimony that I go through and do a recap of what came out of the 1993 Outlook Conference represented by USDA. They are showing that next year, 1993, farm income would drop to a range of \$42 to \$48 billion. This will be about a 12-percent drop from this year or a 17-percent drop if we have the worst case scenario.

Dr. Donald, who predicted this, also said there will be a decline to \$41.5 billion in 1993 in exports. Other economic indicators report that the record for 1992 production would lead to lower prices in 1993 and again reiterating the \$42 to \$48 billion of net farm income.

The change in inventory—the carryover stocks will have a tremendous impact on that.

Expensewise, farmers' costs will rise about \$3 billion in 1993. That is a gain of 2 percent. We are anticipating planted acreage to be less in 1992, but higher costs will offset the reduced rate of input use. There will be a continued trend to use reduced tillage and to use less large equipment.

Energy prices for 1993 will be a large factor. We are seeing an increase in crude oil of 6.5 percent. Diesel increase of around 5 percent. In 1993, seed use is expected to increase by 1 or 2 percent.

U.S. fertilizer prices declined in 1992. It will be a slight increase in 1993 as a result of the surge in natural gas prices. Pesticide costs will rise about 4 to 6 percent. However, pesticide use may decrease by 3 percent from the 1992 rate.

The high crop production in wheat and feed grains in 1992 will remain. There will be a large carryover stock, which will keep prices low and will affect the livestock and dairy industries. We are looking at a \$1 to \$2 per hundred weight drop in 1993 for pork and about \$1 per hundred drop in milk prices.

Past and present situation—Mr. Chairman, if you will look at my testimony, there are some charts in there. Figure 1 shows a snapshot of what has been happening in the farm sector since 1988. Even though net cash income is rising, the real net cash income is declining. Net income is showing a decline in both the net farm income and real farm income.

Farm assets in both real estate and nonreal estate are remaining somewhat constant. Farm debt is showing a mild rise in the real estate sector and a somewhat higher increase in the nonreal estate sector. Cash receipts are declining and most disconcerting to us is the Government payment which after 6 years of decline has begun to increase. In the charts it shows an increase of about \$13 billion. Since the time this chart was developed it is now projected to be \$17 billion.

This chart shows an increase in Government spending at absolutely the wrong time.

If you will look at the next chart on page 5, Mr. Chairman, you will see what has happened to top entitlements. Of the 12 entitlement programs, the farm program ranks No. 12. It is the only one that has had a decline in the average percent between 1985 and 1991. And worst of all, it shows from 1991 a projected decline while all other entitlement programs are going to have an increase.

I do make reference there on page 6 to the chairman's favorite charts—his most famous charts that we have talked about earlier this morning. Mr. Chairman, this is of great concern for us because every time we talk about budget cuts, agriculture is the first on the chopping block, as your charts well point out.

Let me jump to page 7 with the charts. On figure 3 you will notice that although it is showing somewhat of an increase in the balance sheet for the agricultural sector, in real terms we see that equity has declined from the \$636 billion in 1988 to somewhere projected between \$570 to \$580 billion in 1993.

This is a very bad trend for our folks. Many of them think they are working harder and not seeing any increase in their income.

If you will drop down to the bottom chart on that page, it looks at who is making agricultural loans. You will see that short-term loans with the commercial banking institutions are going up. You will see a slight increase in individuals and others. That is primary suppliers offering operating loans to producers. Usually that is at a much higher rate of interest than what they might get from the old production credit associations or a commercial bank.

Probably the worst figure on that is the Farmers Home Administration role. You will see that it is declining there at a time when Farmers Home should be getting in to help beginning and younger farmers increase. Farmers Home has sent out some 31,579 notices of service to its borrowers. Only 7,952 of those have responded. That is, 75 percent have not responded. So we are going to see them getting foreclosure notices and we're going to have another go-around, Mr. Chairman.

Finally, the marketing loan program that has been developed as a part of the Snap Act provision without the GATT is not going to be workable in our estimation. We don't think the loan rate is high enough. If it was high enough to actually operate, the cost would be tremendous.

Mr. Chairman, as I looked at your committee this morning, I saw a lot of new faces. There has been change; there is a new administration; the American voters have asked for change. If we do not see a change, Mr. Chairman, we think the outlook is bleak for agriculture. We at Farmers Union stand ready to work with you and the new Secretary of Agriculture to help develop that change for the good of all America.

Thank you, sir.

[The prepared statement of Mr. Dunn appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. We appreciate your excellent testimony. It will be very helpful to us.

Mr. Buntrock.

STATEMENT OF GRANT BUNTROCK, DIRECTOR, WASHINGTON OFFICE, NATIONAL FARMERS ORGANIZATION

Mr. BUNTROCK. Thank you, Mr. Chairman.

On behalf of the National Farmers Organization, I too want to commend the chairman and vice chairman for allowing us the opportunity to appear before you today.

Based on USDA projections that Mr. Dunn just pointed out to the committee, but in addition to that some specific discussions with members of the National Farm Organization, I think we can all agree that the economic outlook in agriculture is at best very fragile.

As I am sure the chairman and the vice chairman are aware, many of these midrange and even some of the larger farms that survived this recession of the mid-1980's have never really fully recovered from that period. A few cents a bushel or pound difference one way or the other will literally make the difference between survival for a lot of these farming operations or being around next year.

I also think it is important to point out to this committee that the circumstances between many of these midrange producers will vary considerably, depending upon their individual circumstances. I am talking about circumstances on their land costs, the type of commodity they happen to produce, et cetera. All these factors make a big difference.

I also want to make it clear that many of these producers to which I am referring—I am not comparing the efficiencies between producers. I am basically talking about good efficient farmers that are still hanging on and farming out there today. I think possibly a good way to illustrate this and bring it a little closer to home is to use an example of our family farm in South Dakota, which is approximately a 2,000-acre farm operated by my brothers.

The farm is diversified. It raises beef, hogs, some row crops, and small grain. The debt-to-asset ratio on that farm is about 55 to 60 percent. Whether that is representative I wouldn't say. But in any case, I think it is an illustration. I also wanted to point out that they are renting some land where they pay \$40 to \$50 per acre for rent.

That rental charge on rented land is pretty close to what it costs them to service their debt with a 55 to 60 percent debt-to-asset ratio in that area.

The major cash crop on the farm is wheat. Their production cost on wheat is approximately \$3.50 a bushel. Mr. Chairman, 40 percent of that production cost is land cost with interest, taxes, and so on.

The 1992 wheat crop in our area, was very good. However, the protein was a little less than what it normally is. As a result of that, we fall below the line on protein content. The price drops rather significantly. The average price for wheat in that area today is about \$3.30 a bushel based on 14 percent or less protein.

The ASCS yield is about 30 bushels. The payment yield on the farm is a little less. Their actual yield in recent years is about 15 to 20 percent higher than that. When you subtract 15 percent flex acres, and take the difference in the disparity between the yield, you come out with about 60 to 65 percent of their production that is actually covered by deficiency payments. This would net them about \$3.74 per bushel across the board on wheat with the \$3.30 market price. The bottom line is that they will net about \$10 per acre for their wheat.

In the case of cattle, the picture looks much brighter, at least today. Feeder cattle are bringing 80 to 85 cents when they put

them into the feed lot to feed them. The value of the corn in that area, because of the lightweight and so on, sells for about \$1.70 per bushel. Using that factor, their cost per pound of gain on those feeder calves will run about 35 to 40 cents. With 76 to 78 cents per pound, they will show a good profit on backgrounded or finished cattle, they are making money today in livestock.

Unfortunately, the major reason that they are is because it is at the expense of their feed grain production. The price is simply too low for feed grain. Our national vice president, John Garland, who farms in Indiana in the Corn Belt tells me that his cost of production for corn is running about \$2.50 a bushel.

In the case of hogs, they are at about a break-even price today. They are selling for 40 to 41 cents per pound. I talked to my brothers this morning. They are about 42 cents. Again, a lot of that cost of production is related to the cheaper feed. Using a study that recently came out with somewhat higher corn price cranked in, the University of Iowa and the University of Nebraska came out with about \$44.23 per hundredweight for finished hogs.

I also want to talk a little bit about the production costs referred to earlier that are going up. Many of these production costs are attributable to factors that farmers really have no control over. Real estate taxes on the farm. As a result, a loss of tax base in many of these communities. The real estate taxes on most farms in this area are going up. On the home quarter where the buildings are located, taxes went up 34 percent last year. They have been going up 10 to 15 percent per year on the unimproved land.

Another cost factor involved, of course, are some of the environmental requirements. I talked to some of the Midwest farmers today and they say that in the case of corn they have approximately 25 cents a bushel for conservation and environmental standards that they must maintain.

Farm equipment is another factor. There has been some upgrading in recent years. However, a lot of them have delayed purchases of farm equipment. If you go in to replace machinery or buy machinery today, it just simply won't cash flow with the projected prices we're looking at.

In summary, Mr. Chairman, the good news is that we're close in some of these commodities. A 15- to 20-percent increase in price on some of these commodities would make a world of difference. I am talking in terms of 40 to 50 cents a bushel would make a tremendous difference in the outlook.

The down side of it is that if prices drop by even as much as 5 percent, it will literally make the difference between survival and being able to continue farming for several of these farmers, particularly the ones who are more dependent upon cash grain.

I know the chairman and members of this committee, the new administration and new Secretary are going to be dealing with a lot of important issues that will affect these things. The manner in which the budget is handled will have a very large bearing on the outcome and the way it is handled in the commodity programs, the Russian credit problem, the final outcome of some of these international trade agreements—all of these obviously will have a direct bearing. It doesn't have to have too much of an impact to tip that

scale one way or the other. We are literally running that close for a lot of these farms.

Again, I will close by commending again the chairman and the committee for allowing us the time to speak today.

Thank you.

[The prepared statement of Mr. Buntrock appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. We appreciate your contribution.

Mr. Eckel.

STATEMENT OF KEITH W. ECKEL, PRESIDENT, PENNSYLVANIA FARMERS ASSOCIATION, ON BEHALF OF THE AMERICAN FARM BUREAU FEDERATION

Mr. ECKEL. Mr. Chairman and distinguished members of the committee, my name is Keith Eckel. I serve as president of the Pennsylvania Farmers Association and serve on the board of directors and executive committee of the American Farm Bureau. Today I present the testimony of the American Farm Bureau Federation, representing in excess of 4 million members.

I make my living as a farmer. I am a tomato and grain producer located near Clarks Summit, Pennsylvania and farm in partnership with my brother. I will attempt to summarize, Mr. Chairman, in the interest of time, the concerns I would raise.

Obviously, most agricultural outlook sessions focus on the traditional issues of supply and demand for agricultural products, world trade developments, agricultural credit, and availability of the input. These are absolutely important parts that need to be examined. I am confident that the people who have testified previously, including USDA, will provide and have provided sufficient information to the committee as far as agricultural outlook in those terms.

As a farmer, I am always optimistic. We wouldn't sow seed this next spring if we didn't have some optimism about crop or about price. But today I come to you to raise not a new issue but I believe raise an issue to you at a higher level than the American Farm Bureau has ever done before.

I report to you today, Mr. Chairman, that in that optimism that I have I must confess that I, along with my colleagues, face a growing pessimism across this country amongst our farmers. The root of it is the regulatory constraints that continue to infringe on private farm activities.

I would indicate to you, Mr. Chairman, that I fully recognize that the greatest challenge facing American agriculture today is to achieve our environmental goals and maintain our competitiveness in this global economy. And yet I would be remiss to you if I did not report that I have strong concerns as far as how much of an economic burden American agriculture can continue to bear with the regulations we currently face and are currently increasing.

A recent economic study indicated that as much as 10 percent of the gross domestic product of this country is devoted toward regulatory compliance. I think that is a growing pressure that agriculture certainly is facing the burden with today.

I would point out to you that I was extremely encouraged with Secretary Espy's testimony this morning reminding us of President Clinton's commitment to the encouragement of private investment for economic growth here in this country. But gentlemen, I raise a flag of caution. Those of us in the private sector, not understanding where the regulatory requirements will take us, are going to be hesitant to make that investment. It is a concern that I share with the committee today.

The Secretary also indicated that a farmer should have the opportunity to stay in the field and be productive. I can tell you gentlemen and the lady member of the committee that that is probably where I would prefer to be today. Unfortunately, the regulators do not allow us to do that.

We could touch upon the wetlands issue. We could touch on scenic rivers. We could touch on endangered species. We could touch on seasonal farm labor regulations. And we could give instance after instance where farmers continue to exhibit and use a disproportionate share of their time in complying with regulations instead of enhancing productivity.

Our delegates at our immediate past meeting concluding in Los Angeles just a couple of weeks ago adopted the following guidelines that we would urge this committee and the Congress and the administration to look at as they look at the regulatory maze we have created.

Our delegates said, "New regulations should adhere to the following important principles:

"The regulations are based upon sound scientific data, which has been subject to replication and peer review;

"The costs as well as the benefits of the regulation have been carefully weighed;

"The regulations have been subject to independent analysis and public scrutiny;

"Alternatives to regulation have been considered, especially the provision of market-based incentives; and

"The regulations respect the practicality of doing business in the industry being regulated."

The adoption of a policy framework such as this would allow Congress to know what it is mandating for production agriculture. It would guide the executive branch in implementing congressional intent and ensure producers that regulation is well thought out, designed to achieve policy goals set by Congress, and respect the rights of individuals to use their private property.

Gentlemen, I would urge you as you sit on this committee to take a look at the cost of regulation that is being imposed upon American agriculture today. If we are going to consider a successful economic enhancement program for the future, part of that package has to be regulatory review and responsible consideration of the individual expected to comply.

Mr. Chairman, I appreciate the opportunity to testify on behalf of the American Farm Bureau Federation before your committee.

[The prepared statement of Mr. Eckel appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. We appreciate you bringing us the views of the American Farm Bureau Federation and certainly your personal comments are very much appreciated.

Mr. Mitchell.

STATEMENT OF LARRY MITCHELL, ACTING NATIONAL DIRECTOR, AMERICAN AGRICULTURE MOVEMENT, INC.

Mr. MITCHELL. Thank you, sir.

Thank you, Mr. de la Garza and the members of the committee. I appreciate the chance to appear before you today to discuss the economic situation facing U.S. agriculture and how best Government policies can respond to these situations. The economic situation in rural America is critical, as you know. There are isolated spots of moderate prosperity, but they are few and far between. A good indicator of how rural America perceives its own economic situation could be summed up in this past November's Presidential election.

People tend to vote their pocketbooks. According to Sharon O'Malley, the Washington correspondent for the Texas Co-op Power, concerns about economy and health care costs caused traditionally conservative rural Americans to vote Democratic this past fall for the first time in nearly 30 years. In the Presidential election, Bill Clinton received 43 percent of the rural vote to President Bush's 38 percent and Ross Perot's 19 percent.

Agriculture is the life breath of the rural economy. It has been through some tough times over the past 10 years. We saw U.S. farm policies abandon self-sufficiency in favor of selling more for less overseas. The export-driven farm policy has been an all-or-bust, all-the-eggs-in-one-basket scenario which has driven down prices for farmers to historic lows in real dollars.

We were told in the early 1980's that the reduction in these prices would be paid back to farmers and made up of Federal Treasury dollars in the form of deficiency payments, but those payments have been severely reduced with increased budget problems. That export-driven policy has caused as many as 800,000 farmers to leave the land in the last decade. Those who are left have been forced to use up all available capital reserves and mortgage their futures in order to survive financially.

Now when natural disasters have come along—and they have been brutally frequent lately—there is nothing left in the rainy day accounts to cover the shortfalls. This committee has been very helpful in obtaining Federal disaster aid for those situations, but now we're experiencing appropriation problems where we have one season's appropriations being spread or prorated over two seasons and now maybe three seasons. Again, we can't really depend upon the Federal taxpayer dollars to bail us out of these situations.

In addition, the recession has not been kind to rural America. The recession has resulted in lower demand for many of our products. The recession has also affected off-farm jobs that farmers and their families have been forced to take in order to survive. After all, net farm income today now includes about 60 percent or more of off-farm sources. The results of these many economic problems has resulted in economic carnage in the heartland.

The answer to all the aforementioned and to this committee's question of the day, How well are current programs and policies meeting their intended objectives? Not very well at all today.

As I alluded to before, the citizens of rural America voted for a change last November. I feel it is our duty to fulfill that mandate. We should start by restoring the buying power of rural America. We must raise prices at the farmgate. The only mechanism for doing that is raising the support prices. There are no other viable options that we can see at this time because we can no longer depend upon Federal taxpayer dollars to support farm income, and we never should have. To do so would be foolish on our part and unfair to America's taxpayers.

It now appears that there will not be a solution to the trade problems facing agriculture for some time to come, with rumors of trade wars dominating the news. And we cannot depend on only an export-driven program.

Most of you have noticed some better economic news in the past few days. Economic indicators are up. We also realize that the programs and policies of this brand new administration probably had little to do with that. It had a lot to do with consumer confidence.

What caused the turn-around? People feel better about the future. Let me offer you an example.

I have a friend who sells automobiles for a living in a large metropolitan area. He sold three cars for the entire month of September and one in October. But he sold three cars on November 4 and sold seven more before Thanksgiving.

That is not a great success story, but it does have a point. People are feeling better about the future. They are satisfying pent-up demand. Nowhere in the U.S. economy is there more pent-up demand than that on the farm. America's farmers are attempting to make a living with worn-out equipment. Some surveys show the average age of the newest tractor on the farm today is over 12 years old.

Do you realize that many of the tractors that graced the Mall around the Washington Monument 14 years ago today are the newest ones on those farming operations if they haven't already been foreclosed on and sold? But to get to the optimism, and to get people to purchase those tractors, if every farmer were to buy a tractor, we would need assurances of higher prices supported by higher loan rates.

Has anyone pondered what would happen to the Nation's economy if every farmer replaced just one wornout tractor or one worn-out pickup truck? If nothing else, it would make President Clinton's economic recovery program much easier.

AAM has asked Secretary Espy to increase loan rates since it is within his discretionary jurisdiction. We are now asking this committee to make those higher support levels law.

I want to thank all the members of this committee who have fought for fair prices for farmers and for better programs. Your help has not gone unnoticed.

Thank you again for this opportunity to present our views.

[The prepared statement of Mr. Mitchell appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. We appreciate very much your contribution.

Mr. Rohland.

STATEMENT OF CURT ROHLAND, PRESIDENT, NATIONAL FAMILY FARM COALITION

Mr. ROHLAND. Thank you very much. I, too, thank you for the opportunity to speak today, Mr. Chairman.

I am here representing the farmers of the National Family Farm Coalition, a coalition of otherwise independent organizations from around 30 States across the country. We appreciate the theme or subject of this hearing today. That is, it strikes at the heart of what must be addressed: The state of the rural economy.

On a personal note, I might say that I began farming on my own approximately 17 years ago. In fact, my first 4 years of farming were the last 4 years of a Democratic administration until now. I might say that even as a relatively young and inexperienced farmer, those first 4 years were the best years in my farming life. It has been more or less a misery ever since.

For these last 12 years, and today, as the other speakers have pointed out, with whom I concur in the statistical material they have provided—and I will try not to repeat any of that—prices have been on the decline. Dairy prices are again going down. Corn farmers have had the lowest harvest price on record. Wheat farmers are facing record low net farm income. We, the Nation's food producers, are indeed troubled.

Current programs and policies are certainly neither meeting the needs of family farmers nor those of the citizens of our rural communities and, as it has been pointed out, are not even meeting the real needs of the American citizens whether as consumers or taxpayers. They are paying too much for their groceries compared to what we, the farmers, are getting for those groceries. They are paying too much to keep a faulty food production system in existence through tax-paid subsidies. Neither are necessary if the situation were corrected.

If the intended objectives of the current farm policies are to produce an abundant crop without regard to the producers, then they have succeeded with this year's 9 billion bushel corn crop. But the benefits of our productivity as farmers are lost when our prices continue to fall below the cost of production. And farmers must constantly ask ourselves why we struggle to remain in a business that is void of any financial reward.

The only beneficiaries of this policy are the grain companies, the processors, the food industry conglomerates who continue to reap record profits both here and abroad, again through a faulty policy and a false ideology or philosophy of what food production and farming is all about.

The real impact of both these trading practices and the implications of the 1990 farm bill here in 1993 cannot wait until 1994 on the way to 1995, but can and must be addressed and reexamined closely right now.

Our time is short and so much of what needs to be said has been said by the previous speakers. I would like to speak, perhaps both

reading my submitted written testimony and some off the cuff comments about what this is doing to rural America in particular and by implication what the lack of a farm economy is doing to the U.S. economy as a whole.

You can see this if you read such studies as the Purdue University's "Ag 2000" which tries to plot the trends between now and the year 2000, a very short 8 years, what is happening to agriculture and to our rural communities.

They have been and they continue to crumble. In our relatively lowly populated townships in northern Wisconsin, all of us as citizens of a township have a pretty good working knowledge of what happens to our local government. We in our township government have foregone taxing ourselves so that we can keep up, not to add to but simply to maintain our own local township roads and bridges.

We're having a harder and harder time doing it and our roads are deteriorating. What is going to happen to the mail trucks, the school buses, and all the rest of the economy that depends on a workable road, a transportation system?

The same can be said of our schools. In my lifetime I attended an eight-grade country rural school. That was closed down in the consolidation a number of years ago and we all went into town. Now the talk in Wisconsin is to close down these consolidated school districts and move into even larger ones because the tax base isn't there. In some cases even the school population isn't there.

So much of this is a result of a faulty farm policy at the producer level. Is this what the country wants to continue, the depopulation of rural America until we get to the point of what we see in the Third World with all the attendant social, political, and even military unrest and violence it involves?

This vicious cycle of being trained in a very efficient university and extension service and so forth, year by year, to produce more and more, and yet for lower and lower prices that have nothing to do with our cost of production—the cycle being that farmers are leaving the land, businesses are leaving our rural communities and going to cities where the jobs are already scarce and moving somebody else out of a job, let alone the ones that are fleeing south because of what corporate America sees as the lure of lower wages and cost of production in our trading partners.

This cycle must be broken in order to achieve real economic revitalization in this country. That revitalization can only occur on the basis of a vital rural economy, one in which farmers begin to receive a more equitable share of the value of the commodities we produce. Frozen and even declining farmgate prices and target prices are compounded by increasing costs for all of our purchase inputs which continue to jeopardize our survival in our communities where we live and do business.

We face the same problems with inadequate health coverage and weakened infrastructure as the rest of the country is right now.

Something is fundamentally wrong when Kellogg's and General Mills can implement—and I am not picking them out in particular because it is true of the whole industry—but when they can put across a 3-percent increase on every box of cereal while the farm

share continues to decline and the consumer's purchasing power is not keeping pace as well.

Kraft, Incorporated, big in the dairy industry, controls the Green Bay Cheese Exchange. There is no doubt about that, as recently documented in the Milwaukee Sentinel investigative report. Mr. Chairman, if you want a copy of that report, ask me and I will see that a copy of that report by the Milwaukee Sentinel is sent to your office.

The CHAIRMAN. We would appreciate that.

Mr. ROHLAND. I will see to it that you get one.

This imbalance in where the consumer's dollar is going in agriculture directly impacts the consumer and the producer in every place we live. The dairy prices—I am, of course a dairy farmer—are again dropping and the existing Dairy Program as well as the other commodity programs need emergency attention. The squeeze continues to be on us both as farmers and as consumers.

But where are we today, then? The subject of this hearing—again, as has been mentioned, I am more optimistic now than I have been for 12 years—it will provide Congress a new and renewed USDA with a unique window of opportunity to develop actions and to push policies to change the face, the structure, and the basis of rural America. Change it not in some sort of radical, wild-eyed sense of the term, but to change it back to where we were when the agricultural economy was solid and stable and was the basis for a solid national economy.

There needs to be a new commitment in leadership by the Agriculture Committee. Real issues, trends, and changes in the countryside need to be dealt with and not ignored or left to some illusory free market.

We urge review of congressional oversight and investigative hearings that have exposed and documented the myriad of agency problems. These concerns range from low farm income, lack of civil rights enforcement within USDA, lack of enforcement of the Packers and Stockyards Act, failure of the USDA appeals process, among a myriad of other concerns.

For farmers and farm advocates, these hearings have been an opportunity to state the problems, yet the solutions have been consistently ignored. I am referring to the hearings that have been held over the last number of years. Attention has been called to these things and we know what this committee was up against when it came to trying to find out what was really going on in the implementation of the laws and the programs that you put together with a lot of difficulty.

There is now a chance to put these reams of hearings into action and see improvements in the delivery of existing programs and new programs that have been consistently ignored. We urge the House Agriculture Committee to join with us in urging the new USDA—perhaps I should say that we will join with you, sir—to implement policies that begin to revert the devastating losses facing our Nation's farmers and rural communities.

Some of the specific suggestions we have made are in an attachment to my testimony, sir.

The first challenge is to use the discretion within the 1990 farm bill to provide flexibility that will start to promote changes for

family farmers and their communities. We also urge the committee to consider new initiatives and policies to accelerate the progress that is so critically vital to our future.

The Tashkent hit is great for us to sustain our lives and our livelihood as a farm-based agriculture, and I feel very deeply a farm-based agriculture and an economic democracy.

Mr. Chairman, earlier today you referred to the collapse of agriculture in the former Soviet Union and made mention of the fact that we certainly don't want to go in that direction. I would say with perhaps some slight hyperbole that where we have been going in these last 12 years is in fact in the direction of a command-and-control farm economy from which the former Republics of the Soviet Union are now trying to extricate themselves. We still have time to avoid that problem.

You and we share in the responsibility to reclaim the direction of our farm and food policy. As family farmers, we have lost a great deal over the past decade. Our farm-based rural communities have been depopulated. If this trend is not reversed, the entire economy and the entire country will be paying the price and the social costs of these shifts. I might say that it already is.

There is something else that I am seeing. I am 51 years old and I am starting to look around at my community and how people live and deal with each other and in my State of Wisconsin especially. I see a crumbling, a breakdown, and a weakening of the moral structure—in this case, I want to make an illustration specifically of the dairy situation in Wisconsin.

In the State of Wisconsin for the last 2 years the State government has held hearings on the legitimacy for above border premiums that dairy plants, processors, and co-ops are paying to farmers. It has come out in investigation and in testimony that these premiums have little to do with the—there is little economic justification for some of the premiums that are paid for volume and so-called quality in milk, but are in fact a subterfuge on the part of the processors, the buyers, to subsidize at the cost of the average dairy farmer those farms that are very much larger or have given indication that they are willing to expand and produce even more milk and are given free televisions, free hauling, premiums that are way above any economic justification for the value of the milk in terms of the natural market.

When the co-ops and the farmers themselves are asked about this, they say, "What can we do? It's a new day."

In effect, not to quote anybody in particular, but in effect they are saying that it is dog-eat-dog. It's every person for themselves.

That is not the way it used to be in rural America. Perhaps that is the way it was and is on Wall Street. Perhaps that is what happened in the savings and loan industry. That is not the way it was in rural Wisconsin, but that is what we're seeing happening now. It doesn't have to be that way.

I can tell you personally and representing family farmers in rural communities across the country, that there is once again a glimmer of optimism with the arrival of this new administration. This optimism must be translated, however, into real changes and a commitment toward rebuilding our chances for economic survival.

al, for economic prosperity, and to provide the rest of the country a basis on which true prosperity can be built.

I would suggest to you, Mr. Chairman, that this committee can and must take back leadership of farm policy from those who have controlled it these past years. We look forward to working with the committee both here in Washington and around the country to forge a common sense workable approach to solving our current problems and creating new policies and programs that will restore prosperity to farmers and therefore an economic recovery for us all.

Thank you for this opportunity to present our concerns. I don't believe there will be questions.

[The prepared statement of Mr. Rohland appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

I thank all of you for your contribution. This is our beginning process to document the economic situation in agriculture, rural America, how it impacts on our urban brethren also. At further hearings we will continue adding to what you have contributed today, and then begin the process of considering some of your recommendations. The solutions won't be easy, if there are solutions. But we need to document as accurately as possible the technical aspect and then hear from the people, which is what you have brought us today.

Hopefully, we can put all that together and see where we go from there. The fact is that I sense in this committee with 17 new members that they are eager, willing, and certainly appear to be very knowledgeable with the problems that we face.

As you know, many of the concerns you have, like Mr. Eckel and Mr. Rohland, are beyond the shores of this Nation and beyond our ability to control, such as the value of the dollar, the value of the Deutschmark, the weather, and all of those areas that we can't directly address.

But if there is a niche for governmental policy and/or legislation, I assure you we will endeavor to find it. There are other uncontrolables that we can't address—not here in this committee, not in the Congress, and maybe not even as a nation. The way the world lives now is certainly in most parts of the world contrary to that promise of the future that all of us look to. We may have to turn the world around.

You mentioned the former Soviet Union. That is exactly what happened. We were way over in Tashkent in the west and they had this beautiful cotton about 8-feet high. I asked them how they were going to pick it because it was almost beyond someone reaching up. They said, "We have machinery. We're going to pick it by machine."

I said, "It's too high for your machine."

They said, "We think we may cut it down and then run the machine over it to pick it up."

So I asked the obvious question, "Why didn't you plant seed that will give you cotton for the height of your machine?"

He said, "This is the seed they sent us."

Someone had made the decision some other place. I don't know that we are at that stage or that we would be close to that stage,

but certainly someone had made that decision away from the needs of that sector of agriculture. This may well happen to us here when other agencies of Government bypass agriculture and the Congress and impose on us some of the problems that we now face.

We will work at it, I assure you.

Mr. Eckel, you mentioned that you wished you were back on the land. There is an old Spanish saying in my area, "If you go on the land and you don't feel the vibration inside of you, then you don't belong and it's not going to work for you." Those are the ones that we want to keep on the land. Certainly, Government has some responsibility to see that those people are kept on the land.

Mr. Roberts.

Mr. ROBERTS. Thank you, Mr. Chairman.

I want to associate myself with your remarks, but more especially I want to thank the witnesses for persevering here on a long afternoon and for your patience and perseverance.

Mr. Eckel, I want to compliment you on a very fine statement.

Mr. Chairman, my staff has brought to my attention a letter that I wrote to President Bush about a year ago, warning that "Federal redtape and overregulation are hurting ag profits and will threaten America's ability to defeat a hungry world by the end of the century."

I pointed out at that particular time that the cost of Federal regulation hit a high of \$5,800 per household in 1977, was cut to \$4,100 in 1988, and then we lost control and the cost is climbing again to \$4,300 this year, \$4,500 by 1996. Mr. Eckel mentioned many of the things that I mentioned to President Bush such as wetlands, pesticides, endangered species, USDA, redtape, and bureaucracy as problem areas for the Nation's farmers and ranchers.

I went on, but I am not going to read the whole thing. I wanted the panel to know in regard to really trying to get a hold of the regulatory overkill, which is a real cost to the producers. You have a yield that you expect and a price. Obviously your cost factor is another part of that equation.

As a consequence of Mr. Stenholm and myself traveling to six States to try to improve the farm program and make it more farmer friendly, the chairman instructed us on this committee to take a good hard look in regard to the oversight responsibility we have in terms of the legislation we passed a decade ago. We made mention to years past as a yardstick. That farm bill was 25 pages long. It was 750 pages long in 1990 with 4,000 report pages full of mandates.

The chairman, in a fit of responsibility, accountability, honesty, and candor, has warned all of us on the committee that what we would like to do is to legislate, but there is a cost to that.

So as we go down the road here in this session, part of our responsibility here will be that we will work for rural development, but we want to prevent rural dismantlement from the mandates that are coming down from the Federal Government. I am not saying, by any means, that I am opposed to the Federal Government. They have a very important role to play.

Thank you for your perspective, Mr. Eckel.

Again, I want to thank all the people on the panel.

The CHAIRMAN. We thank all of you for being here. This is to be continued.

Thank you very much.

Our next panel is Ms. Vivian Lucas Wynn, director, United Church of Christ Commission for Racial Justice's Office for Rural Racial Justice, Rocky Mount, North Carolina, on behalf of the Southern Rural Development Initiative; and Ms. Marcia Merry, agricultural editor, Executive Intelligence Review, Washington, D.C.

STATEMENT OF VIVIAN LUCAS WYNN, DIRECTOR, UNITED CHURCH OF CHRIST, COMMISSION FOR RACIAL JUSTICE'S OFFICE, RURAL RACIAL JUSTICE, ON BEHALF OF THE SOUTHERN RURAL DEVELOPMENT INITIATIVE; ACCOMPANIED BY KATE MCKEE, SELF-HELP DEVELOPMENT BANK AND DOLLIE B. BURWELL, PRESIDENT, FRANKLIN CENTER, INC.

Ms. WYNN. Thank you very much for the opportunity to speak with you today. I am here on behalf of the Southern Rural Development Initiative. Frankly, we represent 27 different organizations which are community-based. This initiative is made up of funders and organizations working together to try to bring about social and economic change in poor and disenfranchised communities throughout the rural South, a little bit different from some of the people I have talked to today in that the organization is in the process of trying to bring forth recommendations and hopefully new policy which will have the cohesive and hopefully comprehensive plan to suggest in terms of rural development.

We have submitted to you a policy paper and it is in the blue cover. We also submitted to you some major recommendations that we would like for you to look at as short-term considerations. I won't go through all of that, but I do want to say that this initiative is made up of community economic development corporations, funding organizations, and private and public philanthropy as well as land-based institutions throughout the rural South.

One of the things that is unique about this organization is that we are trying to partnership to bring more resources into the South. We are interested in the rural community throughout the United States, but we find that within the 12-State area of the rural South there is a disproportionate number of people who are in poverty.

For example, we have found that there are about 9.1 million poor people living in the United States, but more than half of those people live in the South, about 5 million out of that 9.1 million. Out of the 242 rural counties which have been reported by USDA as being the most persistent poverty-stricken counties in the United States, 223 of those counties are in the rural South. As a region of the United States, the South is 34 percent of the population. However, we have a disproportionate number of poor people.

We are submitting to you, hopefully, a plan which will address the needs of poor people in the South and all over the United States of America. Our mission is to call greater attention to the critical needs in the southern region and to place rural development issues on par with prevailing public and private philanthropy that is seen in the urban areas.

Economic development on a national level will not happen until the development and recovery happens in poor rural communities. Our rural communities have just as many young people as there are in the urban areas. Historically, the members of the Southern Rural Development Initiative have a record for significant accomplishments which have achieved relatively great impacts. There has been more "bang for the buck" considering the amount of resources being made available in the rural South.

Southern people seem to feel that we have been forgotten. Sometimes, we feel like we have been forsaken by many of our Nation's policies. There is more substandard housing, poor access to health care, lower educational attainment, deeper problems of job growth and creation, capital development and technology transfer, we have greater outmigration, more family incomes, weaker infrastructure development, tougher environmental threats, and generally more severe societal problems in our rural communities than our Nation as a whole.

We have submitted to you some specific short-term recommendations that we would like you to look at. Also, we have submitted to you some general principles and practices that we would like to see considered as you consider the development in the rural United States, particularly the rural South.

Rural America, especially the rural South, involves more than agricultural America. While farming is very critical in rural life, agriculture directly provides less than 20 percent of all rural jobs. Programs and policies to rebuild rural America must address the range of needs which cut across environment, jobs, health, transportation, education, labor, commerce, and other sectors.

Ultimately, we also believe that it is the rural people who are committed to improving the jobs and quality of life in their community who will make the difference for rural America. Strategies for rebuilding rural America must be built with citizens' involvement at every level and driven by community leaders with the skills and resources to create jobs and develop their communities.

This morning, I heard a lot about changes that will be going on from the top. We believe that while those will be helpful, that there are many, many skilled people in the local communities who can also be helpful from the bottom up in changing rural America. Rural America has vast regional differences in geography, resources, and culture. A national, regional, and rural development program must be sensitive to, and allow for, the regional differences in its implementation and impact.

I heard many people identify the parts of the Nation that they are from and they indicate different types of problems. Many of the States have a high degree of agriculture. In the rural South, while most people think that we have a high degree of agriculture, we just have a high degree of poverty.

The national policy agenda for rebuilding rural America must involve major public and private investment. In distressed rural areas, investment in capital capacity-building and economic development and private industry job creation strategies must provide the stimulus necessary for recovery and revitalization.

Major public investment in distressed rural areas should be incorporated into the administration's short-term economic stimulus

program. Federal deficit reduction, while critical to the Nation as a whole, should not be done at the expense of the poorest of the poor in rural or urban areas. Only by providing a national plan for rural America to allow rural communities to help themselves can rural America be rebuilt and revitalized effectively for tomorrow and for the next generation.

We realize that the Federal Government cannot do this alone. Within rural America partnerships must be created with religious, philanthropic, and corporate interests to support rural development. Many organizations will need to be activated and involved to accomplish this task. This third sector must be included as partners with environment, Government, and business to rebuild and revitalize rural communities.

In the past, resources and capacity of this sector to deliver services to rural communities have been seriously underutilized. We are here as members of many groups which represent many grass-roots people. We work every day and come across so many situations that I have heard described.

I can tell you about young A students who live in families with unpaintable houses and no toilets. I can tell you about families who have no health care. I can tell you about families who are not able to feed the children in spite of wonderful programs this country has.

We are looking at ways to love and to feed the sick, to make the sick well, to feed the hungry, to put clothes on the naked, and to bring freedom and liberty to our people who are underutilized and underappreciated. We come together today to say that we believe that the best investment is in our people, in developing technical skills, and developing people who are our resources.

Thank you.

[The prepared statement of Ms. Wynn appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. We appreciate your excellent statement and your written statement. I must tell you that in seven words you have very eloquently stated what I have been trying to do with many words for a long time. "Rural is no longer equivalent to farming." There you said it all. We can't seem to get that across, but we are going to keep trying because the needs of rural America, as you stated, are different. Our urban brethren have the same needs, but if we don't have rural America and what it supports in the farming sector, then all of us are gone.

We thank you very much for your contribution.

Mr. Roberts.

Mr. ROBERTS. Ms. Wynn, it may be 4:30 in the afternoon and the press may have left and the crowd may have left, but you made a most pertinent and moving and, as far as I am concerned, very valuable appearance before this committee.

We have your Southern Rural Development Initiative. I have been going through it while listening to your testimony. I married a girl from the South, so in terms of my in-laws—I represent 66 counties out on the prairie—our problems are your problems, although obviously not as severe in some areas.

I just want to thank you for a very good statement. You have a friend in the Secretary of Agriculture without question. You have heard the testimony today that there will be new directives.

I don't know where we will find the budget money, but I would say to you that if we do not—let me put it the other way. A dollar invested in a human life that you have described—it's either invest now, or pay a whole lot later.

I want to thank you for your testimony, your patience, and your perseverance to come before the committee. We really do appreciate it.

Ms. WYNN. Thank you.

The CHAIRMAN. Thank you very much.

The same goes for Marcia Merry who has waited along with our other guests. We will hear from you at this time.

STATEMENT OF MARCIA MERRY, AGRICULTURAL EDITOR, EXECUTIVE INTELLIGENCE REVIEW

Ms. MERRY. Thank you, Mr. Chairman and members of the committee.

I thank the committee especially for having its first hearing of the year on the topic of the economy. I think that is to be commended because it is a vital question.

What I have to say is not approved, as far as I know, by the OMB. So I presume I have your attention even though it is late in the day. And even though I am last, I thank you for giving me the last word.

As for my own background, I have everything in writing. I would just like to speak extemporaneously to stress a few points today.

First let me say by background that I, myself, come from many generations of dairy farming and dairy business in Pennsylvania. I am familiar with Federal entities because our Merry Dairy was the first one to have a suit filed against us by the Interstate Commerce Commission because we were selling buttermilk to the canal drivers coming from Ohio to Pennsylvania. But that seems like a long-gone innocent age.

What I would like to discuss now is the state of the economy in general, including agriculture. I have been writing on agriculture news for the Executive Intelligence Review for about 20 years. I think the situation we face today in the economy is a catastrophe. As you see in today's Washington Post, whose business section has as a front-page article how the economy is going up and that it looks good—this up-and-down stuff is for the amusement parks.

I think what the committee member said this morning to Secretary Espy about problems in their district adds up to a national picture where the entire physical economy is in an emergency situation.

If you figure the actual unemployment as we did in the 1930's is at least 17 percent overall. Basic industry—aerospace just announced 31,000 layoffs. That is our most important sector if we're going to build any capital goods, for example, that are deeply needed in certain parts of the country.

In agriculture, the average age of the farmer is one way to look at things. It is approaching 60. We don't have the new farmers.

People are being driven off from farming. In fact, if you take the entire diet spectrum, we are a net importer, in certain respects, because of the free trade policies of recent years.

There are 26 million people on food stamps. That doesn't even account for the people who aren't on food stamps. And the food stamps don't go far enough. Last summer it was announced in the Georgia food bank warehouse that the USDA didn't have the commodities to provide for the needs.

Also, without going into it, urban water, irrigation systems—there are trade-offs, fights, the systems are breaking down.

We have this *E-coli* outbreak that was discussed this morning. We already have cholera, as a matter of fact, in the Rio Grande River Basin. It's not just on the south bank. It is in Texas. This is not publicized, but this is just an example of the degree of breakdown that we have in the country.

The point I would like to make about this is that if we continue any kind of legislation that adjusts for this—in other words, that accommodates to this—that is madness. So if we have things like free enterprise zones where we have low input agriculture, low wage employment, low capitalization, no infrastructure, no sanitation, we're going to get more cholera. We're going to get a bigger death rate.

In Iowa they just instituted animal enterprise zones. You talk about *E-coli*. Watch out.

Another thing, if we think exports are going to do it for us, a bigger share of the world market that was discussed—the world market is being crushed. There may be 80 million plus people in Mexico but they don't have the means to buy the milk powder or the corn. The market itself—there is a world depression. Let me leave it at that.

The means to buy abroad is not just being cut in the former Soviet Union. Look at Africa. After all, people are starving. They don't have the means to either buy or to produce for themselves. So much for that.

So what do we do? This is where I think we simply have to expand agricultural activity, basic industrial activity, infrastructure building, water—these things. How are we going to do that?

The problem we face is that we are expanding financial activity. That is the sector that is growing. How does that work? The deficit was raised here and you provided a chart about the budget. The real issue with the deficit—and believe me, Mr. Perot never told it like it is—you have a great deal of debt being generated that doesn't contribute to any of the agricultural industry or real life needs.

The Federal Reserve is the institution which is a private institution. Here is how they contribute to the debt. The Federal Reserve contributes to money availability by loaning it about 3 percent to select banks. Then these entities turn around and they buy Government paper and they get 4 to 8 percent. So they get an automatic spread and the deficit increases because we have so much debt in the Federal Government because we have to pay these entities or whoever else owns this debt. So this spread is a handout to different banks.

What else is a handout? You have scams and all kinds of things. Federal loan guarantees for Farmers Home Administration loans or the PCA is like in Iowa where there was a big scandal. Federal loan guarantees now have been routinely brought up by many of these kind of banks and then there are cases of farmers being foreclosed on when they shouldn't be. Or perhaps they were put in a loan situation that their cash flow didn't justify just so the Federal loan guarantee payout, our taxpayer money, could go to these banks.

That has been documented in Iowa. There is a foreclosure February 8, next Monday, that I would like to bring to the attention of the committee named the Zanker family in North Dakota. I will inform Mr. Pomeroy about it because the paperwork shows that this was a scam. The farmer was put in indebtedness and there is a sheriff's sale scheduled. This should be stopped.

But this is a characteristic of the era of this kind of Federal Reserve indebtedness. Internationally, Alan Greenspan is already worried. He has said, "We have derivatives markets. I am worried about it."

This is the thing I think characterizes the economy that is putting us in the crisis. That is what I put before your committee.

So what should we do? Well, my third point is that that has to be stopped, that Federal Reserve mechanism that is creating this useless debt that is looting the economy. You could say that we should nationalize the Federal Reserve. Whatever you want, it should be stopped.

What should be done is that we should resume, as we have done in past times in history, extending the credit through the Treasury Department notes—say, at 2 or 3 percent—to the entities that will do what we need: Capitalize developments in the South. Maybe we should do it through the Rural Electrification Administration. I am not an expert on that. We used to have Bonneville Power Authority. We have precedents of many in the past.

But this money could be lent out directly to those kinds of entities then a ripple effect of purchasing would go through the automotive sector, aerospace, basic industry. And at the same time, parity prices, or a decent price, were decreed as we did up through the 1950's for farm commodities. And there was the ability to pay by farmers. If all these existed, you would get in a situation where you could bring down the unemployment rate from 17 percent down lower than 5 percent where it ought to be in a healthy economy.

This is the program I think we ought to have. The projects are clear. Not small, free enterprise zones that are going to lead like Mahke Landora in Iowa to cholera and disease, but what we need is traditional family farming and we need large scale projects such as water management projects, irrigation, the North American Water and Power Alliance in the West—I could go through many others.

In Florida, the energy problem can be solved by various kinds of electron beam recycling. They are doing it in Miami. That kind of thing needs to be examined.

What we need in the meantime is a moratorium on any family farm foreclosure, at least pending investigation. Otherwise we need

their ability to produce. We can't have people dispossessed in this emergency situation.

So that is what I'm recommending. To close, I just want to put to you that this is not some kind of grand scheme or pie-in-the-sky. There are initiatives in this direction—even though this is only February and we have only had a month of 1993, 13 days of Secretary Espy's administration—but there are initiatives.

Here in Congress, your colleague, Representative Gonzalez, introduced on January 5 the Federal Reserve Accountability Act. That doesn't call for nationalizing but calls for oversight and lets the sunshine in. I think that is in the right direction. But now we need the right policy.

Second, on the State level I just obtained and have given to your committee a resolution that has been introduced in the North Dakota Legislature calling on Congress and the President to have a temporary stay on any farm foreclosures and investigation of this kind of fraud. I give that to you.

I also point out that there are other initiatives. Senator Bennett Johnston introduced a bill that we should have a trigger price of \$25 a barrel on oil like a parity price for oil to help the domestic energy system. That is analogous to the kind of thing you could decree as to the price per bushel of corn or the price for milk. We need these parity prices. Parity doesn't just apply to farm. It can be oil or whatever.

These are the initiatives. And the last one I believe you have seen already in the packet I have given you. This is a personal appeal by me to you personally. I think we need a lot of leadership. You may know the famous name associated with my magazine, Lyndon LaRouche—this gentleman is in prison. He has been there for 4 years. He is 70 years old. It is a political frame-up.

Many people from abroad, about 1,000 people, signed an ad in the Washington Post the day Mr. Clinton was inaugurated President that Mr. LaRouche be freed because he stands for economic development. He has a lot of expertise. I think we need all we can get. That is why I recommended to you as an important initiative this year that this man should be freed. We have an emergency to deal with.

That is how I would like to see this very important committee proceed in an extraordinary way in this year of 1993.

I thank you for the opportunity to present that to you.

[The prepared statement of Ms. Merry appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much for your contribution and your comments, both in your written statement and your oral testimony. We appreciate very much your being here.

Unfortunately, this committee lacks jurisdiction with the problems of Mr. LaRouche, but I am sure the appropriate committee will be very happy to hear from you.

I thank all of the witnesses that appeared earlier and those of you on the last panel. We appreciate very much your contribution and your patience. We apologize that things beyond our control forced us to delay the hearing periodically during the day, but that is how the legislative process works.

We thank all of you and hopefully we will see all of you in better times in the near future.

Thank you very much.

With that, the committee will stand adjourned, subject to the call of the Chair.

[Whereupon, at 4:40 p.m., the committee was adjourned, to reconvene, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

HONORABLE JILL LONG
CHAIRWOMAN
CONGRESSIONAL RURAL CAUCUS

Thank you for allowing me to testify.

I'm here to speak about the future of rural America. Like many Members of this Committee, I am a resident of one of our nation's 14,000 rural cities and towns.

Too often in the past, the problems of urban areas have received the headlines, while the problems of rural America have been hidden.

But poverty is not just an urban problem. Inadequate education is not just an urban problem. Unaffordable health care is not just an urban problem. These are just some of the reasons that this hearing today is so important -- to bring attention to the conditions in rural America.

Consider this:

-- The poverty rate is higher in rural areas than in urban regions. In fact, at the end of the 1980's, rural poverty was still higher than in 1972.

-- A higher percentage of kids and elderly in rural areas are poorer than in urban areas.

-- Since 1980, rural residents have been faced with higher unemployment rates than their urban counterparts. And,

-- During the 1980's, more than half of all non-metropolitan counties lost population.

Mr. Chairman, in developing an economic growth strategy for the future, rural America must be a full partner in rebuilding our country's greatness.

We must begin by examining current policies that --- intentionally or unintentionally -- disadvantage rural areas. Here are a few examples of what I'm talking about:

-- We must adapt federal programs that are currently designed for large population centers -- ending the "one size fits all" approach that is generally inappropriate for rural areas.

-- We need to ensure that the Rural Development Administration we established in the 1990 Farm Bill receives the support it needs to be effective. There is latitude for the Administration to consolidate rural development efforts under the RDA that will help streamline operations.

Currently, federal programs are uncoordinated and too complex. With 90% of the towns outside of metropolitan areas having

populations of less than 5,000, these nonmetropolitan areas, by and large, don't have people with the experience and expertise needed to advance and sustain innovative types of economic development. The least we can do is make government more of a "one-stop shopping" experience.

-- We must recognize and respond appropriately to the fact that rural areas are unable to fund the local share for many projects due to low population density. Likewise, it is tough, if not impossible for many rural communities to comply with certain mandates contained in the the Clean Water Act and the Safe Drinking Water Act, for example.

-- When we reauthorize the Elementary and Secondary Education Act -- we need to change provisions which currently give a funding advantage to more urban school districts.

But, funding alone is not the solution. Investment in bold educational reforms will have to be at the center of any economic growth strategy if the U.S. is going to compete in a new global market.

Our schools should be laboratories, not factories -- places of experimentation and creativity. Innovative ideas -- even more than money -- is what is needed to revitalize American education.

In Indiana we have a pilot program that links children's homes with their schools via the phone lines. Students like the computers as much as Nintendo. They're actually doing more homework. Parents are more involved in their children's lessons, and parent-teacher communication has increased dramatically, thanks to the use of computers.

In this new information age, computers can link rural schools with research universities; rural hospitals with major medical centers; and small town libraries with major centers of learning.

These are tangible partnerships we can foster immediately between rural and urban America.

Our challenge is making the technology available to a technologically literate public.

Another essential component of our strategy for economic growth must be the implementation of a universal health care program.

The Congressional Budget Office estimates that Medicare funding alone will skyrocket this year by \$21 billion, or more than the cost of the entire farm program.

We can no longer afford to do nothing. We have to control costs and expand coverage. But we've got to organize health care to help us stay healthy rather than just pay the bills when we get sick.

To reduce the shortage of doctors and nurses, we need to reinvigorate the National Health Service Corps to give medical students scholarships in return for service in medically underserved communities.

Finally, it is not responsible to talk about these issues without discussing the budget deficit.

Simply stated, no strategy for economic growth -- whether urban, suburban, or rural -- is possible without reducing the cost and size of the federal government.

We are only going to get a handle on this impending deficit disaster by taking a critical look at everything government does.

That means no more sacred cows. And believe me, that is a tough thing for someone who grew up on a dairy farm to say. Everything must be placed on the table and re-evaluated.

Mr. Chairman, in summary, the future of rural America needs more than just a strong farm sector. We need to work to re-build our economy while not forgetting our rural areas. We need to expand local industries with an understanding that the information age and better education can have a transforming impact on the economies of rural America.

I again thank the Chairman for this opportunity to testify. I commend him for holding this hearing.

STATEMENT OF
SECRETARY MIKE ESPY
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE

February 3, 1993

Mr. Chairman and Members of the Committee, thank you for the opportunity to participate in your first hearing of the new Congressional session. Your agenda for today is to assess the economic situation facing U.S. agriculture and rural America. This information will help us develop policies and programs to address the needs of life in rural America and the Nation as a whole.

This Committee and the Department of Agriculture (USDA) face a broadening array of challenges. These include promoting rural development, meeting our Nation's diverse food needs, and protecting our natural resources while continuing to address important issues concerning commodity markets, international trade, and farm income.

Today's hearing will provide information helpful in dealing with these challenges. I would like to emphasize at the outset that your guidance, expertise and cooperation, Mr. Chairman, and that of the members of this Committee are absolutely indispensable, and I will do my best to work closely and constructively with this Committee. Only together can we succeed in improving USDA's capabilities to build a sounder rural economy.

Overview of the U.S. Agricultural Economy

The economic situation for U.S. agriculture is predominantly favorable. While it is early in the year, 1993 is expected to bring a continuation of the generally stable markets and firmer returns since 1990.

Since 1990, supplies of the major crops and livestock have been large enough to meet market demand without unduly depressing producer prices or escalating consumer costs. This is forecast to continue in 1993. Gross cash farm income reached a record \$186 billion in 1990 and is expected to achieve about that level in 1993. Farm production expenses will likely rise only slightly, and net cash farm income is expected to continue at the 1990-92 level.

Federal outlays for commodity programs are forecast to increase in fiscal year 1993 to an estimated \$17 billion, largely because of lower corn prices due to the record-large 1992 corn crop, low cotton prices, and disaster payments. But this outlay increase should be viewed against a 1990-92 backdrop of sharply lower program outlays which averaged less than \$9 billion annually. Farm program outlays are projected to decline nearly \$5 billion in fiscal year 1994.

The current situation for U.S. agriculture is a dramatic improvement over the mid-1980's when economic stress in agriculture was far greater. The improvement comes from a change in supply and demand fundamentals, increasing farm exports, the successful implementation of the Food Security Act of 1985 and

the Food, Agriculture, Conservation, and Trade Act of 1990, and developments in the general economy.

General Economic Developments

Despite the recent recession, general economic developments have worked, on balance, to help U.S. agriculture so far in the 1990's. Weak economic growth and sluggish employment conditions restrained consumer incomes and domestic demand for agricultural products. At the same time, however, lower interest rates and a lower inflation rate have helped to keep a lid on farm expenses. Economy-wide, short-term interest rates have declined to near 30-year lows resulting in lower interest rates for farmers. By some measures, short-term bank lending rates available to agriculture are at their lowest level since the early 1970's.

As you know, the Clinton Administration is working on an economic package. Accordingly, I am not in a position to provide you with the Administration's position on funding for specific programs or activities. As soon as the President's fiscal year 1994 budget is released, I will be pleased to provide you with the Department's views. Clearly the Clinton economic package will be designed to help solidify the gains the economy has made during the past few months and to help boost growth in rural areas. Excess industrial capacity suggests that there is little chance of rekindling inflation and little change in interest rates is expected for farm borrowers.

In other developed countries, particularly in the European Community (EC) and Japan, economic growth is likely to be weak in 1993, limiting expansion in agricultural trade. However, there

are bright spots. Mexico is generally expected to continue to grow quickly in response to its liberalization efforts, leading relatively strong overall Latin American growth. Developing country growth in Asia is also expected to be strong. These developing country improvements will help our agricultural exports.

Commodity Developments

An overall picture of the farm economy suggests that production and demand in the major crop and livestock markets have been in approximate balance since 1990. Large, burdensome domestic supplies have been avoided. Overall crop production was up 10 percent in 1992 due to excellent weather and record corn, soybean, grain sorghum, barley, and oat yields. Wheat, rice, and cotton yields were also high. Consequently, the current stock levels of major crops are up somewhat from the lower levels of a year or two ago. Even so, they are on par with longer term, average levels.

In the livestock sector, total U.S. meat and poultry production is expected to grow about 3 percent in 1993, following a 4½ percent rise in 1992. The improving economy is expected to increase meat demand, and expanded meat exports are also likely to offset part of the supply increase. Exports rose 18 percent in 1992 and another increase is expected in 1993. The larger meat production and fairly stable prices coupled with low feed costs translate into generally favorable news for livestock producers.

Export Outlook

Growth in export markets will be vital to improving the economic situation in agriculture. The value of U.S. agricultural exports has fluctuated around \$40 billion annually since fiscal year 1990, reaching a high of \$42 billion in fiscal year 1992. This was the second highest level ever and 60 percent above the lows of the mid-1980's. Exports are forecast to remain close to \$42 billion in fiscal year 1993.

Since 1991, exports of high-value and processed products have surpassed bulk farm products for the first time in the Nation's peacetime history. High-value products are expected to account for the majority of exports for the foreseeable future.

The prospects for grain and oilseed markets depend partly on our continuing to supply commodities to the Newly Independent States of the former Soviet Union. Over the last 5 years, grain imports of the former Soviet Union have accounted for about 20 percent of both world and U.S. grain exports and 7 percent of soybeans and soybean meal exports. A sustained loss of this market would mean lower grain and oilseed prices, higher deficiency payments and lower farm incomes. This Administration places top priority on assisting Russia and the Ukraine to resolve their purchasing problems and to resume exports to this region that has long been a valued customer for U.S. farm products.

Grain production in the Newly Independent States rose this year by more than 30 million tons. In addition, reduced meat consumption and falling animal numbers are expected to dampen

demand for imported feed grains. Structural adjustment in the livestock industry has been more rapid and noticeable than in any other farm sector.

The European Community is another major factor in U.S. export performance. It is a major market for U.S. soybeans and is our chief competitor in world grain markets due to its subsidized sales. However, recent reforms of the EC's Common Agricultural Policy are expected to reduce their grain and oilseed production, ultimately providing new market opportunities for our farmers.

Our market promotion, food aid, credit guarantee, and export enhancement programs are valued tools for increasing U.S. exports. More than 20 percent of all U.S. agricultural exports in the early 1990's was shipped under one or more of these programs. While this is well below the levels achieved in the 1950's and 1960's, it is more than double the share from the 1970's through the mid-1980's. Currently, more than half of this 20 percent comes from the export credit guarantee programs (GSM-102 and GSM-103). Programs designed to meet subsidized competition, primarily the Export Enhancement Program (EEP), account for the next largest share, followed by food aid, primarily PL 480. Nearly \$1 billion was awarded in EEP bonuses during fiscal year 1992, and programming has continued at about that rate so far this year. USDA export programs are important in combating unfair trade, building new markets and helping the world's needy people. We will work hard to increase the effectiveness of these programs.

Trade Agreements

Expanding trade is an important priority to U.S. agriculture, which exports nearly a fifth of its annual output. With most of the global population growth occurring outside the United States, our future market opportunities are clearly abroad. Reductions in agricultural trade barriers are necessary for U.S. producers to compete effectively in the global marketplace. As trade barriers are reduced, trade expansion results both from greater market access and enhanced income growth.

The North American Free Trade Agreement (NAFTA) will create export opportunities in Mexico for U.S. producers. Effects will be limited for U.S. agriculture at first. After full implementation, USDA analysts indicate NAFTA is expected to boost annual U.S. agricultural exports by \$2 billion. A Uruguay Round agreement based on the Dunkel Text and the U.S.-EC agreement reached in November is projected to increase annual U.S. farm exports by \$4 billion and boost farm income by \$1 billion per year after full implementation. In addition, significant gains are also anticipated early in the agreement period. Although the U.S.-EC agreement which resolved differences on export subsidies and internal support is an important step toward moving the Uruguay Round to completion, there remain important unresolved issues on market access.

Income and Finance Prospects

Developments in the commodity markets have stabilized agriculture's income and financial position over the past several

years and should continue to do so in 1993. Net cash farm income plateaued in 1988-92 but at a record high \$58-61 billion. This income strength reflected a combination of rising receipts, relatively stable farm production expenses, and lower but stable government payments. In 1993, net cash farm income is projected to be between \$58 and \$64 billion.

The income and finance picture is incomplete unless we account for off-farm income. On average, off-farm income has grown to roughly half of the total farm household income. For small operations, off-farm income often accounts for virtually all of their total household income. Off-farm income is also important for larger operators, although it typically accounts for a small proportion of total household income. Including off-farm income, average farm household incomes approximate those in the rest of the economy.

Agriculture's general financial position reflects the overall income trends. Total farm asset values and farm debt have changed little since 1990, but remain much improved from the mid-1980's.

During the 1980's income and particularly asset values fell sharply, leaving farmers with large debt burdens relative to the assets pledged as collateral and to the cash available to service debt. The proportion of farm borrowers who had their loans called, who were loaned up to the limit, and who went out of business or filed for bankruptcy rose. At the peak of the mid-1980's financial crisis, USDA estimated that over 10 percent of all farm businesses were vulnerable to bankruptcy; their

incomes actually slipped below expenses and their debt-asset ratios exceeded 40 percent. Using this measure, recent estimates show less than 5 percent of farms are now vulnerable, half the level of the mid-1980's.

The Outlook for Food Supplies and Prices

Agriculture's large supplies and stable prices for basic commodities helped to moderate increases in food prices and the overall cost of living over the last 2 years. Moreover, the smaller increases in food prices have also worked to slow growth in the cost of USDA's food assistance programs. Food prices rose roughly 6 percent in both 1989 and 1990, less than 3 percent in 1991, and slightly more than 1 percent in 1992.

Expansion in meat supplies and the resulting weakening in meat prices, mainly pork, were major factors contributing to 1992's unusually small food price increases. Meat production began to expand in the second half of 1991 for the first time since the 1988 drought, bringing forth the record large meat supplies in 1992. Fruit and vegetable prices were also down in 1992.

Food prices are forecast to rise 2-3 percent in 1993. Higher personal incomes and consumer demand will cause some upward pressure on food prices. Ample supplies and stable prices for farm products will partially offset the rising processing and distributing costs.

Implications for Food Assistance Programs

Outlays for domestic food assistance are closely tied to food prices. Each 1-percent increase in food prices translates

into a comparable increase in the cost of the Thrifty Food Plan and increases Food Stamp Program costs by \$300 million. Outlays for food assistance programs -- including the Food Stamp Program, the Child Nutrition Programs, the Special Supplemental Food Program for Women, Infants and Children, and the Commodity Supplemental Food Program -- are currently expected to exceed \$37 billion this fiscal year, more than half the USDA's total budget.

Smaller food price increases, along with improvements in the general economy and a resultant stabilization in participation, may cause food assistance outlays in fiscal year 1994 to rise by less than the annual increases in recent years.

The State of the Rural Economy

The state of the rural economy is mixed. In 1992, the average annual unemployment rate for rural areas was 7.1 percent, lower than the urban unemployment rate for the first time since 1979. Rural employment grew 2 percent, while urban employment stagnated in 1992. The recession and slow growth of 1990-92 led to an increase in the urban poverty rate, narrowing the gap between urban and rural poverty. However, the rural poverty rate remained 2.5 percentage points higher at 16.1 percent.

As employment in farming has declined, rural manufacturing employment has grown and absorbed many workers leaving farming. Currently, twice as many rural workers are employed in manufacturing as in farming and forestry combined. The economies of only 20 percent of rural counties are dependent on farming and

those counties are home to only 10 percent of rural people. Manufacturing is now the dominant rural goods-producing activity.

Manufacturing growth faltered in the 1980's. Rural manufacturing employment grew by only 5 percent in the past decade after growing by over 20 percent in 1970's and even higher rates in previous decades. At the USDA, we will focus our rural development programs to help rural economies obtain access to and compete in growing global markets.

Conservation Programs

The state of the farm economy will be affected by the way in which environmental issues in agriculture are resolved. Many farmers express concerns that conservation and environmental responses will reduce their incomes. To assist farmers and address environmental problems, the 1985 and 1990 Farm Bills provided for an array of programs, including land retirement, technical assistance, and cost-share programs.

Of the 54 million acres of land idled in 1992 to limit surpluses and protect the environment, 35 million acres were enrolled in the Conservation Reserve Program (CRP), now in its seventh year. The CRP converts highly erodible or environmentally sensitive land to conservation uses. It addresses tree planting, erosion, water quality and wildlife objectives. This program currently provides payments to farmers totaling \$1.7 billion annually.

Conclusion

In closing, commodity production and use are generally near balance; the large troubling surpluses of the past have been

reduced. Farm prices are above price support levels and the value of exports is near record high. But slow rural economic growth, global export subsidies and access to global markets are continuing problems. Commodity program costs are rising and cause concern but should decline next year. Viewed against historical measures, farm income remains strong and steady, while asset values and equity have stabilized. Food price increases are likely to continue to be moderate, helping to slow increases in both the overall cost of living and the cost of our food assistance programs.

Mr. Chairman, that completes my statement. I have attached a short data appendix for additional information.

(Attachments follow:)

A-1

APPENDIX TO THE STATEMENT OF
SECRETARY MIKE ESPY
U.S. DEPARTMENT OF AGRICULTURE

Commodity Data (see attached tables)

For the major program crops, the 1993 outlook will be shaped to a large extent by 1992's unusually large harvests and record disappearance levels. Even though disappearance is estimated to be up in 1992/93 due to higher domestic use and exports, stocks going into the 1993 season will be higher for most crops. Average weather in 1993 and yields returning to trend will mean somewhat smaller crop harvests in 1993.

From the very low levels of a year or two ago, our crop stocks have risen but not to burdensome levels. In the most dramatic case, the 1992 record corn crop will cause corn stocks to about double from a year earlier. But corn stocks as a percent of total use will be below the average of the previous 10 years: 27 percent compared with 35 percent. U.S. wheat stocks are tight historically but global stocks are ample.

No major swings in crop prices are expected for the 1993 season. Wheat prices could be marginally lower over the year ahead given the announced acreage reduction program (ARP) of 0 percent, compared with 5 percent in 1992. And corn prices are likely to average marginally higher as average yields and a higher ARP reduce stocks somewhat by the end of the season.

The commodity provisions built into the 1985 and 1990 Farm Bills helped balance the markets for field crops. Various planting provisions, notably the flexibility provisions of the 1990 Act, give producers more room to adjust the volume and mix of products they produce as market conditions change. In 1992, producers switched about 8 million acres of program crop base to other program and nonprogram crops. As we look to 1993 in the case of corn, for example, the increase in the ARP to 10 percent from 1992's 5 percent, together with some shift out of corn on flex acres, will likely lower production and help support producer prices.

In addition to the flexibility provisions of the 1990 Farm Bill, frozen program yields since 1985 have also caused producers to depend more on market developments. Loan rates, greatly reduced since 1985, have helped our position in world markets. Also, unlike the mid-1980's, nearly all of the current stocks are available to the market since they are held in the private sector. At the start of this fiscal year, Commodity Credit Corporation inventories totaled \$1.7 billion compared with nearly \$6 billion in 1988.

Milk production rose about 2 percent during 1991/92 as a decline in cow numbers was offset by an increase in production per cow. Very favorable weather conditions in the Midwest contributed to an unusually large increase in milk production per cow. Even so, milk prices averaged well above year-earlier levels as commercial consumption of dairy products rose slightly faster than milk production. For the 1991/92 marketing year, the all-milk price averaged more than \$1.30 per cwt. above the previous year.

For 1992/93, milk production is expected to increase by about 1 percent as the increase in milk production per cow moderates and cow numbers continue their long-term decline. Commercial disappearance is expected to rise about 2 percent largely reflecting continued growth in cheese consumption. Milk prices, however, are projected to average somewhat lower in 1992/93. International prices for nonfat dry milk have declined in recent months, reducing domestic prices for nonfat dry milk.

Fruit and vegetable supplies are also up but consumer demand is strong and producer returns are generally favorable. Production of several of the major fruits and vegetables rose in 1992 and large stocks were carried over into 1993. For major fruit and tree nut crops, the farm value of production increased an estimated 2.5 percent in 1992. Farm receipts from vegetables and melons are estimated slightly lower in 1992 but are expected to increase in 1993 due to higher prices. In 1992, increased fresh vegetable receipts were offset by reduction in the value of processing vegetables and dry edible beans. Receipts for processing tomatoes fell nearly 30 percent in 1992 due to low prices and large stocks. With overall 1993 production expected to meet or exceed the 1992 level, supplies will be large enough to support further gains in per capita consumption.

Sugar production from domestic beets and cane rose in 1991 and 1992 and is forecast to increase further in 1993. Strengthening demand for sugar linked to the slowing of corn syrup's displacement of sugar in the sweeteners market is working to boost consumption. Even so, imports continue to trend down and are approaching the level that will trigger marketing allotments.

Receipts from tobacco rose to a record \$3 billion in 1992 due to higher production. But production in 1993 is expected to decline due to reductions in marketing quotas in response to large tobacco stocks. This will likely lead to decreases in receipts. Increased leaf supplies, declining cigarette production, and the substitution of cheaper foreign-grown tobaccos for domestic leaf will continue to put pressure on the market.

A-3

Aggregate Income Data (see attached tables)

Cash receipts in 1990-92 were in the \$167-170 billion range, reflecting farmers' large crop and livestock marketings and generally favorable farm prices over the 1990-92 period. Cash receipts in 1993 are forecast to continue near the \$170 billion record. Direct government payments fell sharply at the end of the 1980's, but have been stable in the \$8-9 billion range since. They are expected to rise in 1993. Cash expenses have also been steady so far in the 1990's and are forecast to increase marginally in 1993 by possibly \$2 billion, or only 1.4 percent. This would keep net cash income in the recent \$58-61 billion range in 1993.

Farm asset values have changed little since 1990, averaging \$845 billion. Farmers have also been slow to increase their debt loads, however, and borrowing has increased only \$3 billion so far in the 1990's. This translated into small changes in equity and the pattern is likely to continue for 1993. While less favorable than the 1970's when rising asset values overshadowed larger borrowings and pushed equity up sharply, the financial situation of farms is much improved compared with the mid-1980's. Less than 5 percent of farms are now vulnerable or half the level of the mid-1980's.

COMMODITY DATA

Table 1. Wheat: U.S. Supply, Use, and Price

	1990/91	1991/92	1992/93F	1993/94F
ARP (%)	5.0	15.0	5.0	0.0
Acreage Planted (mil. ac.)	77.2	69.9	72.3	
Yield (bu./ac.)	39.5	34.3	39.4	
Production (mil. bu.)	2,736	1,981	2,459	
Domestic Use (mil. bu.)	1,375	1,135	1,150	
Exports (mil. bu.)	1,068	1,281	1,350	
Total Use (mil. bu.)	2,443	2,416	2,500	
Ending Stocks (mil. bu.)	866	472	486	
Farm Price (\$/bu.)	2.61	3.00	3.20- 3.40	

Table 2. Wheat: World Production, Use, Stocks and Trade

	1990/91	1991/92	1992/93F
Production (MMT)	588	543	556
Use (MMT)	565	557	550
Ending Stocks (MMT)	144	130	136
Exports (MMT)	94	108	103
U.S. Share (%)	30	32	36

Table 3. Corn: U.S. Supply, Use, and Price

	1990/91	1991/92	1992/93F	1993/94F
ARP (%)	10.0	7.5	5.0	10.0
Acreage Planted (mil. ac.)	74.2	76.0	79.3	
Yield (bu./ac.)	118.5	108.6	131.4	
Production (mil. bu.)	7,934	7,475	9,479	
Domestic Use (mil. bu.)	6,036	6,332	6,685	
Exports (mil. bu.)	1,725	1,584	1,650	
Total Use (mil. bu.)	7,761	7,916	8,335	
Ending Stocks (mil. bu.)	1,521	1,100	2,247	
Farm Price (\$/bu.)	2.28	2.37	1.90-2.20	

Table 4. Coarse grains: World Production, Use, Stocks and Trade

	1990/91	1991/92	1992/93F
Production (MMT)	820	799	842
Use (MMT)	807	804	820
Ending Stocks (MMT)	138	133	155
Exports (MMT)	88	94	90
U.S. Share (%)	59	53	57

Table 5. Soybean: Supply, Use, and Price--1990-92

	1990/91	1991/92	1992/93F
Acreage Planted (mil. ac.)	57.8	59.2	59.3
Yield (bu./ac.)	34.1	34.2	37.6
Production (mil. bu.)	1,926	1,987	2,197
Domestic Use (mil. bu.)	1,282	1,356	1,377
Exports (mil. bu.)	557	685	745
Total Use (mil. bu.)	1,839	2,041	2,122
Ending Stocks (mil. bu.)	329	278	355
Farm Price (\$/bu.)	5.74	5.60	5.30- 5.50

Table 6. Soybean: World Production, Use, Stocks and Trade

	1990/91	1991/92	1992/93F
Production (MMT)	104	107	114
Use (MMT)	105	110	112
Ending Stocks (MMT)	20	18	20
Exports (MMT)	47	52	52
U.S. Share (%) ^{1/}	36	41	42

^{1/} U.S. exports of soybeans and soybean meal as a percent of world trade of soybeans and soybean meal, all on a soybean meal equivalent basis.

Table 7. Cotton: Supply, Use, and Price--1990-92

	1990/91	1991/92	1992/93F	1993/94F
ARP (%)	12.5	5.0	10.0	7.5
Acreage Planted (mil. ac.)	12.4	14.1	13.3	
Yield (lbs/ac.)	634	652	700	
Production (mil. bales)	15.5	17.6	16.3	
Domestic Use (mil. bales)	8.7	9.6	9.7	
Exports (mil. bales)	7.8	6.7	6.0	
Total Use (mil. Bales)	16.5	16.3	15.7	
Ending Stocks (mil. bales)	2.3	3.7	4.4	
Farm Price (cents/lb.)	68.2	58.3		

Table 8. Cotton: World Production, Use, Stocks and Trade

	1990/91	1991/92	1992/93
Production (mil. bales)	87	96	86
Use (mil. bales)	85	85	86
Ending stocks (mil. bales)	29	40	41
Exports (mil. bales)	23	22	22
U.S. Share (%)	34	30	27

Table 9. Rice: Supply, Use, and Price

	1990/91	1991/92	1992/93F	1993/94F
ARP (%)	20.0	5.0	0.0	5.0
Acreage Planted (mil. ac.)	2.90	2.88	3.17	
Yield (lbs./ac.)	5,529	5,674	5,722	
Production (mil. cwt.)	156.1	157.5	179.1	
Domestic Use (mil. cwt.)	91.7	93.7	98.0	
Exports (mil. cwt.)	70.9	66.4	76.0	
Total Use (mil. cwt.)	162.7	160.1	174.0	
Ending Stocks (mil. cwt.)	24.6	27.3	38.1	
Farm Price (\$/cwt.)	6.70	7.58	5.85- 6.35	

Table 10. Rice: World Production, Use, Stocks and Trade

	1990/91	1991/92	1992/93F
Production (milled MMT)	351	348	352
Use (milled MMT)	346	353	355
Ending stocks (milled MMT)	60	56	52
Exports (milled MMT)	13	15	14
U.S. Share (%)	18	14	17

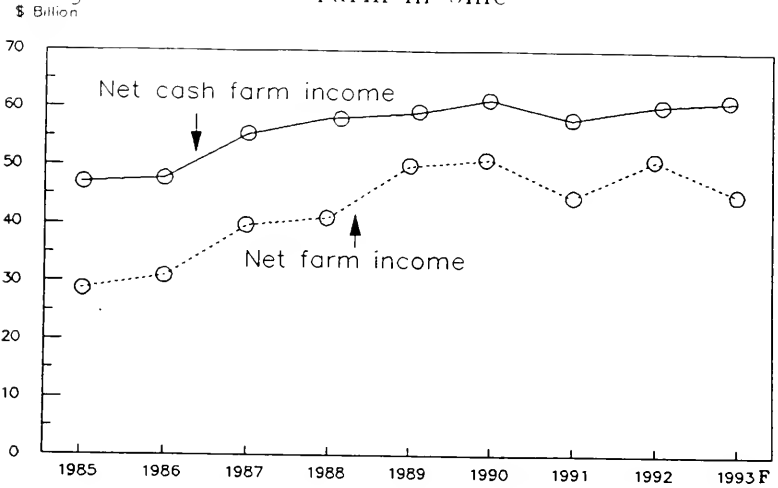
Table 11. Dairy: Supply, Use, and Price--1990-92

	1990/91	1991/92	1992/93F
Production (bil. lbs.)	148.6	150.9	152.2
Commercial Use (bil. lbs.)	138.7	141.3	144.4
CCC Net Removals (bil. lbs.)			
Milkfat Basis	10.4	10.3	8.1
Skim Solids Basis	4.9	1.7	3.4
All Milk Price (\$/cwt.)	11.93	13.26	12.10- 12.80
Manufacturing Price (\$/cwt.)	10.67	12.04	11.00- 11.70

Table 12. Livestock Production and Prices

	1990	1991	1992	1993F
Production (Mil. Lbs.)				
Beef	22,743	22,917	22,993	23,375
Pork	15,354	15,999	17,189	17,850
Broilers	18,430	19,591	20,986	21,780
Prices (\$/Cwt.)				
Choice Steers	78.56	74.28	75.36	71-77
Slaughter Hogs	55.32	49.69	43.05	39-45
Broilers	54.8	52.0	52.6	50-56

Figure 1. Farm Income

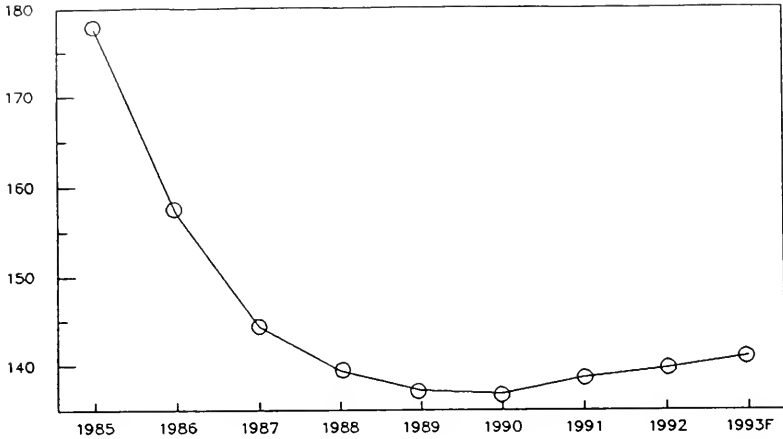


Farm Income Statistics

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993 F</u>
		<u>Billion dollars</u>		
Cash receipts	169.9	167.3	170	165 to 172
Crops	80.0	80.5	84	81 to 86
Livestock	89.9	86.7	86	83 to 87
Govt. payments	9.3	8.2	8	9 to 13
Farm-related income	7.2	7.6	7	6 to 8
Gross cash income	186.4	183.2	185	183 to 191
Cash expenses	125.2	125.2	124	123 to 192
Net cash income	61.3	58.0	60	58 to 64
Net farm income	51.0	44.6	51	42 to 48

Figure 2. Total Farm Debt

\$ Billion

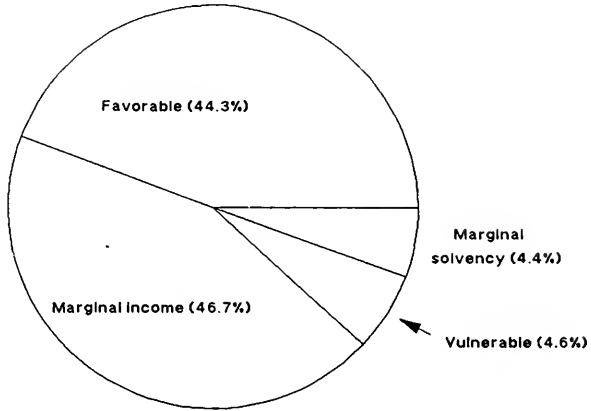


Farm Balance Sheet Statistics

	1985	1988	1989	1990	1991	1992F
B i l l i o n D o l l a r s						
Assets (Dec. 31)	773	801	829	847	842	846
Real estate	586	596	616	628	624	623
Other	187	205	213	219	218	223
Liabilities	178	139	137	137	139	140
Real estate debt	100	78	75	74	74	75
Other	78	62	62	63	64	65
Equity	595	662	692	710	703	707
P e r c e n t						
Debt-to-asset ratio	23	17	17	16	17	17

Figure 3.

Percent of Farm Operations in Stress
January 1, 1992



Financial Position of Farms ^{1/}

<u>Year</u>	<u>Favorable</u>	<u>Marginal income</u>	<u>Marginal solvency</u>	<u>Vulnerable</u>
All Farms			Percent	
1985	40.8	40.1	9.2	9.9
1986	40.4	38.3	11.3	10.0
1987	41.0	37.0	11.7	9.9
1988	45.3	39.8	7.8	7.1
1989	42.8	43.6	6.6	7.0
1990	43.8	44.0	5.6	6.6
1991	44.3	43.8	5.6	6.3
1992	44.3	46.7	4.4	4.6

Farms with Gross Sales \geq \$40,000

1991	68.5	13.1	14.2	4.1
1992	66.9	16.9	11.6	4.6

^{1/} This estimate is based on USDA survey data. The categories of financial stress are: Favorable--positive net cash farm income and debt-to-asset ratio of .4 or less; Marginal Solvency--positive net cash farm income and debt-to-asset ratio above .4; Marginal Income--negative net cash farm income and debt-to-asset ratio of .4 or less; Vulnerable--negative net cash farm income and debt-to-asset ratio above .4.

Figure 4. Value of U.S. Farmland

Dollars/acre

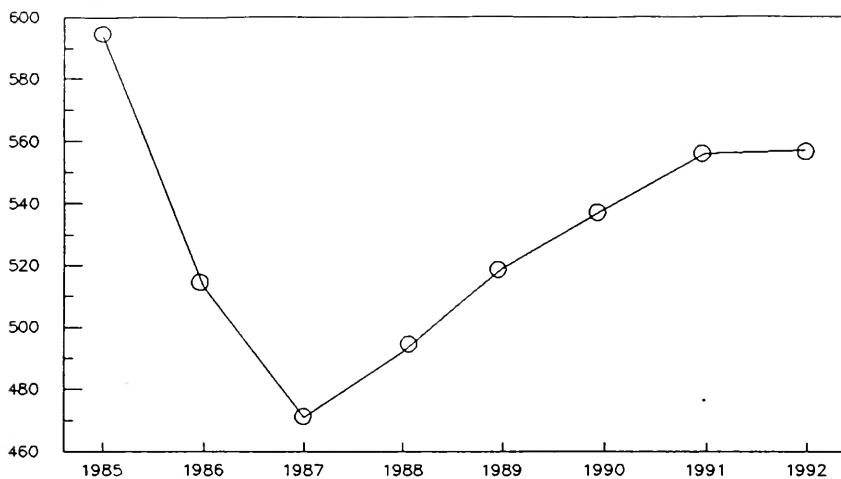


Figure 5. Acres Idled Under Farm Programs

Million acres

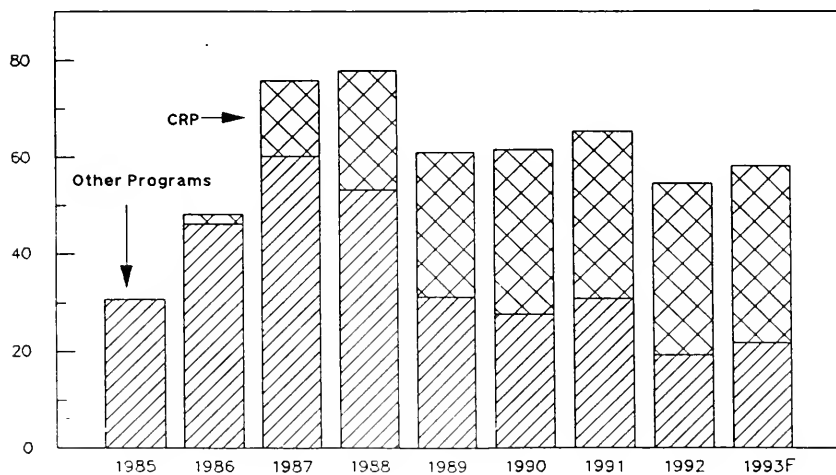


Figure 6.

Outlays on Price Support and Related Activity
Fiscal Years

\$ Billion

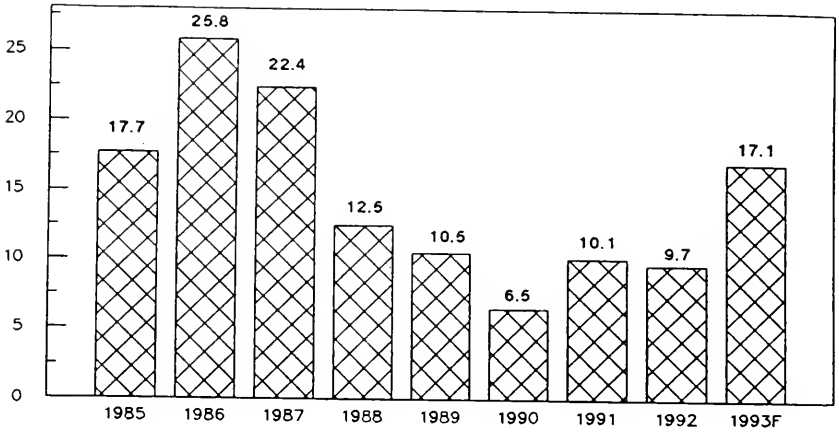
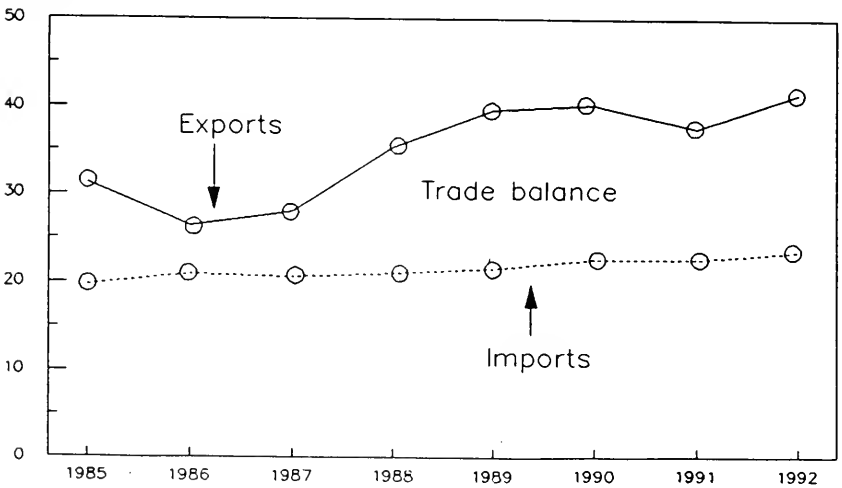


Figure 7.

U.S. Agricultural Trade

\$ Billion





STATEMENT OF THE NATIONAL FARMERS UNION
ON "THE AGRICULTURAL OUTLOOK FOR 1993"

BEFORE THE
U.S. HOUSE COMMITTEE ON AGRICULTURE

February 3, 1993

Presented by: Michael V. Dunn,
Vice President,
Government Affairs
National Farmers Union

STATEMENT OF THE NATIONAL FARMERS UNION ON "THE
AGRICULTURAL OUTLOOK FOR 1993" BEFORE THE U.S. HOUSE
COMMITTEE ON AGRICULTURE, FEBRUARY 3, 1993:

Thank you, Mr. Chairman. I am here today on behalf of the 250,000 farming and ranching families of the National Farmers Union, and we appreciate this opportunity to comment on the outlook for agriculture in 1993. We commend you for holding these hearings on this most important subject.

I would like to begin with a recap of some of the information that was presented at USDA's 69th annual Outlook Conference. I believe that we should take a look at what has been forecasted for 1993 and then try to determine what that means to today's farmers and ranchers.

INCOME

Dr. James Donald, chair of the USDA World Agricultural Outlook Board, estimated that 1993 net farm income would be in the range of \$42 billion to \$48 billion, down from the \$51 billion level for 1992. At the midpoint level of this range, that would be a 12 percent drop in net farm income. At the extreme, it would be a 17 percent decline.

Donald also predicted that U.S. farm exports could decline to \$41.5 billion in 1993. This would be a decline of 2 percent from 1992.

Robert G. McElroy, leader of the ERS economic indicator forecast team, reported that record 1992 production would lead to lower 1993 prices. His forecast matched that of Dr. Donald, indicating a 1993 total net farm income of \$42 billion to \$48 billion.

McElroy said that change in inventories would be a major factor this year and next in the level of net farm income. He also stated that farm expenses could rise 1 to 2 percent in 1993.

EXPENSES

Farmers can expect farm input costs to rise about \$3 billion in 1993. This is a gain of about 2 percent, ERS economists Harold Taylor and Marlow Vesterby told the outlook conference.

Planted acreage may be less than in 1992, but higher costs will offset the reduced rate of input use. There is a trend to reduce tillage and ~~to use~~ larger and more durable equipment.

Energy prices will be a large factor in the higher input costs, affecting fertilizer and pesticide costs. Crude oil import prices could increase by as much as 6.6 percent, with diesel fuel costs rising about 5 percent.

For 1993, seed use is expected to increase by 1 to 2 percent, while prices advance up to 1 percent.

U.S. fertilizer prices declined sharply in 1992 but will increase slightly in 1993 as a result of the surge in natural gas prices. Pesticide prices will probably rise between 4 and 6 percent in 1993. However, pesticide use may decrease 3 percent from 1992 rates.

Demand for farm equipment will probably gain in 1993. It is anticipated that there will be a price increase in equipment in the range of 3 to 5 percent.

High crop production in wheat and feed grains in 1992 will mean that there will be large carryover stocks which will keep prices low. This will affect the livestock and dairy industries.

The December "Agricultural Income and Finance Situation and Outlook Report" of USDA's Economic Research Service said that pork prices will likely to be \$1 to \$2 lower per cwt in 1993. ERS also expected milk production to rise, resulting in a nearly \$1 per cwt drop in milk prices.

PAST AND PRESENT SITUATION

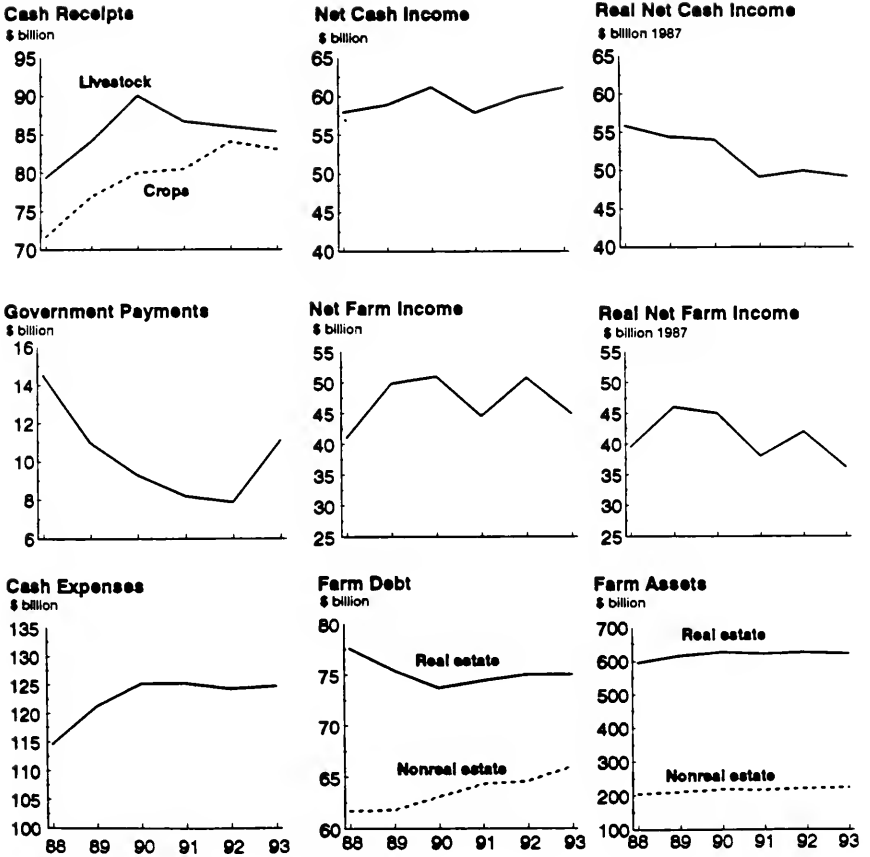
The charts in figure 1 show a snapshot of what has been happening in the farm sector since 1988. Note that even though net cash income is rising, the real net cash income is declining. Net income is showing a decline in both the net farm income and the real net farm income.

Farm assets for both real estate and non-real estate are remaining somewhat constant. Farm debt is showing a mild rise in the real estate sector and a somewhat higher increase in the non-real estate or short-term debt.

As a result of the record high commodity production, we will see an increase in government payments for the 1992-93 crop year. Estimates made since this chart was produced indicate these payments could exceed \$17 billion.

This chart which shows an increase in government spending is very alarming, given the nation's present budget situation. Farm programs have long been the entitlement that is most likely to be cut to achieve budget savings. Figure 2 indicates how farm spending has fared.

Figure 1



1992-93 forecast.

Figure 2

Top Entitlements

Mandatory spending programs account for more than half the federal budget. Their sheer size makes the biggest of them tempting targets for budget cutters, but the critical factor is how fast they grow. Medicaid and Medicare combine size with an explosive growth rate that makes them the two most serious budget problems in the short run. Social Security will become a similar problem when the baby boomers begin to retire early in the next century. The following are the top 12 entitlements, ranked by size. (By fiscal year; dollar amounts in billions.)

Rank/Program	Actual '91 Outlays	Annual Average Percent Change	
		1985-91	1991-97
1. Social Security	\$267	6.2	5.8
2. Medicare	114	8.6	11.6
3. Deposit insurance	66	NA ¹	NA ¹
4. Medicaid	53	15.0	15.8
5. Federal civilian retirement ²	37	6.2	6.9
6. Unemployment ³	25	8.0	0.7
7. Military retirement	23	8.8	5.7
8. Food Stamps ³	20	8.1	4.0
9. Supplemental Security Income	15	9.1	9.4
10. Family support	14	7.8	5.3
11. Veterans' benefits	14	2.4	4.6
12. Farm price supports	10	-9.0	-1.4

¹ It is misleading to calculate the year-to-year change in deposit insurance outlays. The savings and loan crisis forced Congress to supplement deposit insurance — ordinarily funded solely by premiums from covered institutions — with huge sums of taxpayer money. The annual amount of taxpayer funds depends on the sagacity of congressional politicians.

² Includes civil service, foreign service, Coast Guard and other retirement programs, plus annuities' health benefits.

³ Unemployment insurance and food stamps are "countercyclical" or "automatic stabilizer" programs designed to counteract the effects of an economic downturn. Much more than most other entitlements, their year-to-year growth rates and total spending are dictated by the health of the economy.

SOURCE: Congressional Budget Office

We are very concerned about an increase in the government payment sector of farm income. We are all aware of how little the farm support program is of the total U. S. budget. The chairman with his famous charts has made us all aware that it is now less than 1 percent of the total budget. However, when we begin to talk about saving, it is always agriculture that is first on the chopping block.

It is not conceivable that in a time of tight budget constraints that an increase in farm program payments will be allowed. Quite the contrary, we probably face future additional cuts in projected outlays for farm programs.

Even with record production, many producers are having a difficult time continuing to farm. Those who were unfortunate enough to be in areas hit by severe weather this year are in particularly bad shape.

We are hearing many horror stories from our membership concerning the poor quality of grain harvested in some areas. This has dropped the already-demoralizing low price that the producer is receiving as a result of the abundant crop that was produced.

ARI News Service reports that there is an increase in financial problems in the midwest. Grain producers are receiving \$1 per bushel for their corn, and dairy experts are warning that milk prices could sag again this year.

There are reports of an increase in calls to rural "hotlines" to the highest level since 1986, and of a banker who says that the problems he is seeing now are as severe or worse than the "farm crisis" of the mid-1980s, because the impact has been more sudden.

The banker went on to say that in the mid-1980s there was a string of moderate losses of \$10,000 to \$20,000 per year, which eventually led to bankruptcy. Now, he said, people are losing \$75,000 to \$100,000 annually.

In addition to these reports, FmHA has sent out notices of service to 31,579 borrowers. In order to avert foreclosure, the borrowers are required to contact their FmHA offices to develop a workout program. Only 7,952 borrowers have responded.

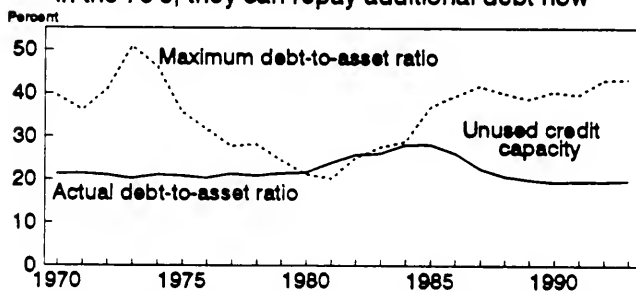
In figure 3, we see that things are not really improving for farmers and ranchers. There is a slight improvement in nominal terms; however, in real terms, there is a decline in the farm balance sheet. We are hearing from many that they simply are not able to improve their financial situation.

Figure 3
Farm balance sheet shows slight improvement in nominal terms but slight decline in real terms.

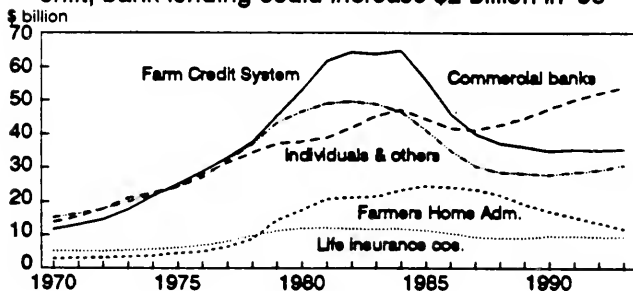
	1988	1989	1990	1991	1992F	1993F
Billion current dollars						
Assets	800.9	828.9	846.5	841.8	846	845 to 855
Debt	139.4	137.2	136.8	138.8	140	138 to 144
Equity	661.5	691.7	709.7	703.0	707	705 to 715
Billion 1987 dollars 1/						
Assets	770.8	764.0	747.8	714.6	705	685 to 695
Debt	134.2	126.5	120.8	117.8	116	111 to 117
Equity	636.7	637.5	626.9	596.8	588	570 to 580

F = forecast. Excludes operator households.
1/ Deflated by the GDP implicit price deflator, 1987=100.

Farm operators exhausted their credit capacity in the 70's; they can repay additional debt now



While total debt is relatively stable, the distribution among farm lenders will continue to shift; bank lending could increase \$2 billion in '93



There does appear to be a capacity to borrow more, as the debt-to-asset ratio has improved since the 1980s. However, this is what got producers in trouble during that time period.

The last chart shows commercial banks are assuming a greater role in providing farmers and ranchers credit. This would be the reason for the increase in the non-real estate debt of producers that was seen in figure 1.

Commercial banks have historically provided operating credit for producers. When the producer could not pay off the operating debt in the 1980s, this was rolled over or refinanced into long-term debt.

The federal land banks, insurance companies, FmHA, and sales on contract accounted for the land acquisition or long-term debt. We are seeing little increase now in lending by the Farm Credit System, insurance companies and FmHA. The increase in lending by individuals and others would account for suppliers who are providing many farmers and ranchers with operating capital.

We know that the average age of farm operators is getting higher every year. Young folks are reluctant to begin farming, and lenders are reluctant to finance them, with the present outlook in agriculture. The simple fact is that unless there is adequate income, there will not be an orderly influx of new producers.

A Western Kansas ASCS office recorded 70 ASCS forms 155-2 "Change of Operator" last year. The majority of these were not because of new, young operators taking over. They were the result of old operators leaving production agriculture for financial reasons and other established farmers trying to-make-a-go-of-it by getting larger.

MARKETING LOANS

We do not see the marketing loan programs for wheat and feed grains which were triggered as a result of the failure to achieve a GATT agreement as being beneficial to producers. Of course, it depends on how ~~GATT~~ will be implemented. However, cotton prices dropped more than 50 percent in the introductory use of marketing loans for that commodity.

Under the marketing loan system, producers will have the option of paying back the loan either at the government-set loan rate or at the current county-posted market price. This will remove the price support floor and could increase the cost to the government.

Mr. Chairman, we have a new administration. You have many new faces on your committee. And, Congress has had the greatest turnover since World War II. The American people have voted for a change. It is now time to look at change in our agricultural policy. It is now time to begin to design farm policies that will be beneficial to the family farmer and to the American public.

We commend you, Mr. Chairman, for conducting these hearings on the outlook for agriculture. The National Farmers Union believes that the outlook is bleak if changes are not made. We stand ready to work with you and the new administration to design the changes that will benefit everyone.

TESTIMONY OF
GRANT BUNTROCK
DIRECTOR, WASHINGTON OFFICE
NATIONAL FARMERS ORGANIZATION

I am Grant Buntrock, Director of the National Farmers Organization, Washington Office.

On behalf of the National Farmers Organization (NFO), I want to thank the Chairman and Members of the Committee for holding this most appropriate and timely hearing concerning the economic outlook for agriculture as the 103rd Congress gets underway.

The NFOs entire membership includes active farm and ranch operators. We have significant membership in 27 states. The first priority of NFO is collective or group marketing on behalf of its members in dairy, livestock and grain.

Mr. Chairman, based on USDA's projections, and discussions with our members in most of the agriculture states, the overall economic outlook for production agriculture, as we enter the 1993 crop year, could best be described as very fragile.

Many of the mid-range and even larger farming operations who survived the recession of the mid-eighties, have never fully recovered. For many of these producers, a few cents a bushel or lb. drop in price will literally make the difference between survival or loss of the entire farming operation in the coming year.

The economic outlook will vary greatly between producers depending on their individual circumstances, (land costs, the commodity that they happen to produce etc).

I want to be clear that I am not comparing the efficiency or inefficiency between producers, I am referring to efficient producers who are involved in different circumstances or different types of commodity production.

Mr. Chairman, I would like to use a specific example of our family farm in South Dakota, which is operated by my twin brothers. I believe that the economic circumstances, while they differ in numbers, are illustrative of the challenges many farms throughout the U.S. are facing today.

The farm consists of approximately 2,000 acres and produces beef, hogs, row crops and small grain. The farm is carrying a debt to asset ratio on the land of 55 to 60%. I also want to point out that land costs for their cash rented land is not much different than land they own with this debt ratio.

The cost of production for wheat, which is the major cash crop, is approximately \$3.50 per bushel; 40% of that cost is land cost (interest, taxes, etc.). The 1992 wheat crop was very good, however, because protein is down this year, the average market price is 3.25 to 3.30 per bushel. The ASCS wheat yield for

deficiency payment purposes is less than 30 bushels. Although the actual average yield, in recent years, is 15 to 20% higher. When you subtract the 15% wheat program flex acres from the planted acres coupled with the disparity between actual and payment yields the current deficiency payment will only cover 60 to 65% of actual production. Including the projected deficiency payment, the average net price will equal approximately 3.74 per bushel. In spite of the good crop this year, they will only net a little over \$10.00 per acre.

Feeder cattle are currently bringing .80 to .85 cents per lb. Using \$1.70 corn, which is what low test weight corn is currently selling for in our area, my brothers tell me that their cost per lb. of gain for feeder cattle runs .35 to .40 cents. With fat cattle prices at .76 to .78 cents per lb., they will show a good profit on backgrounded or finished cattle. However, unfortunately, it is primarily at the expense of the feed grain production. Our national NFO vice president, John Garland, who is a diversified farmer in Indiana, says his production cost for corn is approximately \$2.52 per bushel.

Hog prices are just about break-even, but again, this is only because of cheap feed grain. Production cost runs about .40 to .41 cents per lb., which is about what they sell for. Using somewhat higher corn prices than today's market, Iowa State University and

the University of Nebraska compute the production cost on finished hogs at \$44.23 per hundred.

Looking ahead, it is very clear that production costs are going to continue to increase. Most of this increase in production costs will involve factors that farmers have little or no control over. The loss of small businesses and resulting reduction in the tax base in many rural communities has shifted more tax burden to farm real-estate and personal property. Real estate taxes on the quarter section where our farm stead is located in South Dakota, increased by 34% last year. Taxes on the other land in the farm with no improvements increased from 10 to 15%. Environmental requirements will also increase our cost of production. Farmers, in some areas of the corn belt, estimate a cost of approximately .25 cents per bushel for conservation and environmental practices.

There has been some upgrading in farm equipment since the mid 1980s, however, there are still many farming operations that have survived by delaying new purchases and making due with older equipment. Some of these producers have reached the point where they will have no choice but to increase outlays to upgrade existing machinery. Without some improvement in the price outlook, these new purchases will not cash flow for many producers.

In summary, Mr. Chairman, the good news is that a 15 to 20% increase in commodity prices would have a very positive effect on

the economic outlook for most farmers. On the down side, if the average season price for grain and several other commodities does not strengthen, we stand to lose thousands of good efficient family owned farms in the coming years. The economic margin for survival for many of these farms is literally that close. Many of these farms survived the 1992 crop season only because of an above average crop yield.

I know the Chairman and Members of this Committee, together with the new Secretary of Agriculture, will be dealing with several issues in this Congress that will have a very important bearing on prices and the ultimate well being of our farms and ranches. The manner in which budget cuts are applied to commodity programs, the Russian Credit problem, the outcome of international trade negotiations will all have a very significant impact on the final outcome.

I again want to commend the Chairman and Members of this committee for giving us the opportunity to appear before you today. The National Farmers Organization look forward to working with you in the coming year.

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION
TO THE HOUSE AGRICULTURE COMMITTEE
REGARDING THE ECONOMIC OUTLOOK FOR RURAL AMERICA

Presented by Keith W. Eckel, President
Pennsylvania Farmers Association

February 3, 1993

Thank you for the opportunity to present testimony on behalf of the American Farm Bureau Federation. I am Keith Eckel, President of the Pennsylvania Farmers Association and a member of the Board of Directors and the Executive Committee of the American Farm Bureau Federation. I produce tomatoes, sweet corn, hay and grains on my farm near Scranton.

Agricultural outlook sessions have usually focused on such issues as the supply and demand for agricultural products, world trade developments, agricultural credit and the availability of inputs. These continue to be areas of concern.

We expect 1993 to be a good year, at least in terms of production, if we can avoid the wide variance in weather. That's the basic optimism that keeps us motivated to do what we do day-in, day-out, year-in, year-out. Certainly the detailed economic information presented by USDA and other witnesses today provides you with the statistical data you need.

But, Mr. Chairman, there is a growing pessimism among farmers all across this country. The pessimism traces its origins to the regulatory constraints on private farm activities. Most of this burden is coming in the name of environmental improvement.

Farmers have been good stewards of the land for decades. Farmers were pursuing land conservation practices such as terracing, crop rotation and grass land filter strips 40 to 50 years ago, long before environmentalism became popular among non-farmers. Farm Bureau supported the sodbuster and Conservation Reserve Program provisions of the 1985 Farm Bill. There are areas where we can improve our land and water resources. There is a question, however, regarding how we can go about improving these resources in such a manner that enables farmers to remain economically viable in a highly competitive global market. The question is: How do we achieve the sometimes conflicting goals of environmental enrichment and economic competitiveness?

What farmers now face is uncertainty about how they can manage and efficiently use private farm resources. When the law is fundamentally altered and future farmer liabilities are uncertain, risks are high and decisionmaking grinds to a halt. I'm certain that this same pessimism pervades many other productive sectors of the economy, particularly those sectors which are natural resource based.

Mr. Chairman, the economic impact of regulations throughout the economy has been widely studied. One credible estimate of the regulatory economic impact puts the cost as high as 10 percent of GDP. The U.S. food and fiber sector represents about 20 percent of GDP. We must therefore assume that agriculture bears billions and billions of dollars of costs in complying with regulations.

The real cost of regulatory overkill, Mr. Chairman, is the lost productivity of farmers. Instead of finding more efficient and productive ways to produce and market a bushel, a bale, a pound or a hundredweight of food and fiber, we are required to engage in unproductive regulatory compliance activities.

We must remember that a day spent dealing with four different federal agencies over what is or is not a wetland on private property is a day lost forever. A day lost to the frustration of dealing with the federal hodgepodge of farm worker rules and regulations is one less day a farmer can farm.

Our future is now very uncertain because we simply do not know what is coming next in the law and how it will affect traditionally protected property rights. The wetlands issue received much attention over the last few years, but that is only a part of a much larger concern. The Endangered Species Act is a major uncertainty for many farmers and ranchers. FIFRA provisions have both direct and indirect costs to farmers. Conservation compliance is also imposing considerable costs on thousands of farmers.

In addition, there are a tremendous number of regulations and programs contained in current law that have yet to be fully implemented (i.e., numerous conservation programs including the wetlands reserve program, water quality incentives and integrated farm management programs). Many of these programs have never been properly funded to provide producer assistance in making changes on farms and ranches.

Similarly, federal laws and regulations in the area of finance and marketing are having a highly deleterious impact on the agricultural sector. Financial institutions must comply with a variety of environmental checks before making farm mortgages. Potential hazardous waste sites dictate an expensive and time consuming hazardous waste appraisal on farm and agribusiness properties. An unbelievably convoluted IRS regulation centering on the Arkansas Best decision penalizes farmers for using legitimate hedging strategies.

Out of this total regulatory uncertainty will ultimately come a reduction in farm asset values. When uses of farm assets become more and more restricted, the income potential will be limited. There will be fewer incentives to produce food and fiber and fewer farmers able to stay in business.

A large part of the difficulty in getting the U.S. economy on a long-term growth track can surely be laid at the doorstep of the regulatory entanglements producers of real goods and services now must confront. Farm Bureau called for a regulatory moratorium two years ago.

We supported the Council on Competitiveness review process on the grounds that something had to be done. We still think a moratorium and "third party" review is a good idea.

We do not expect these issues to be resolved quickly or easily. When the voting delegates of the American Farm Bureau met last month, they adopted specific language to begin to guide us out of the regulatory gridlock we now face:

"New regulations should adhere to the following important principles:

- a) the regulations are based upon sound scientific data which has been subject to replication and peer review;
- b) the costs as well as the benefits of the regulations have been carefully weighed;
- c) the regulations have been subject to independent analysis and public scrutiny;
- d) alternatives to regulation have been considered, especially the provision of market-based incentives; and
- e) the regulations respect the practicalities of doing business in the industry being regulated."

The adoption of a policy framework such as this would allow Congress to know what it is mandating for production agriculture. It would guide the executive branch in implementing Congressional intent and assure producers that regulations are well thought out, designed to achieve policy goals set by Congress and respect the rights of individuals to use private property.



American Agriculture Movement, Inc.

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TESTIMONY OF

**LARRY MITCHELL
ACTING NATIONAL DIRECTOR**

AMERICAN AGRICULTURE MOVEMENT, INC.

before the

House Committee on Agriculture

February 3, 1993

Strength From The Land

Thank you, Chairman de la Garza and members of this committee. I appreciate the chance to appear before you today to discuss the economic situation facing U.S. agriculture and how best government policy can respond to these situations. My name is Larry Mitchell. I was a full-time farmer in Texas until 1988, and am currently the acting national director of the American Agriculture Movement, Inc.

The economic situation in rural America is critical. There are isolated spots of moderate prosperity, but they are few and far between. A good indicator of how rural America perceives its own economic situation could be summed up in this past November's Presidential election. People tend to vote their pocketbooks. According to Sharon O'Malley, Washington correspondent for the *Texas Co-op Power*, concerns about the economy and health care costs caused traditionally conservative rural Americans to vote Democratic this past fall for the first time in nearly 30 years. In the presidential election Bill Clinton received 43% of the rural vote to Bush's 38% and Perot's 19%.

Agriculture, the life breath of the rural economy, has been through some tough times the past ten years. We saw U.S. farm policy abandon self-sufficiency in favor of selling more for less overseas. The export driven farm policy has been an all or bust, all the eggs in one basket situation which has driven prices paid to farmers to historic lows in

real dollars. We were told in the early 1980s that the reduction in prices paid to farmers would be made up by Federal Treasury dollars in the form of deficiency payments, but those payments have been severely eroded by federal budget pressures. In the meantime, that low price export driven policy has driven as many as 800,000 farmers from the land in the last decade. Those who are left have been forced to use all available capital reserves and mortgage their futures in order to survive financially.

When natural disasters have come along, and they have with brutal frequency, there is nothing left in the rain day accounts to cover the short falls. This committee has been very helpful in obtaining federal disaster aid in those situations, but now we are experiencing appropriations for one season being spread and pro-rated over two and three seasons. This another example of not enough taxpayer money available to support farm income.

Low prices and disaster are not the only problems facing todays agriculture balance sheet. Farmers and ranchers have experienced higher property and excise taxes, skyrocketing health care costs, increases in equipment maintenance expenses, etc. In addition, the recession has not been kind to rural America. The recession has resulted in lower demand for many of our products. The recession has also affected the off-farm jobs farmers and their families have been forced

to take in order to survive. After all, net farm income now includes over 60% from off-farm sources.

The result of all of these problems have resulted in economic carnage in the heartland. The answer to this committee's question of the day, "How well are current programs and policies meeting their intended objectives?" - not very well at all.

As I eluded to before, the citizens of rural America voted for change last November. I feel it is our duty to fulfill that mandate. We should start by restoring the buying power of rural America. We must raise prices at the farm gate and the mechanism has to be the raising of support prices. There are no other viable options.

We can no longer depend on federal tax dollars to sustain farm income, and we never should have. To do so would be foolish on our part and unfair to America's taxpayers. It now appears that there will not be a solution to the trade problems facing agriculture for sometime to come, with rumors of trade wars dominating the news. We cannot depend on an export driven policy to sustain farm income, and we never should have. Therefore, as I previously stated, if we are to revitalize the rural economy, we must raise support levels to increase farm income. We have no other viable options.

Most of you probably noticed the better economic news of the past few days. National economic indicators are up. We also should realize that the programs and policies of the new administration could have had little to do with the upswing, as those policies are still being forged. So what caused the turnaround. I suggest it is consumer confidence. People feel better about the future. Let me offer an example. I have a friend who sells new automobiles in a large metropolitan area for a living. He sold three on the entire month of September, and only one in the whole month of October. But on November fourth he sold three, and sold seven more before Thanksgiving. Not a great success story, but one that has a point - people are feeling better about the future. They are satisfying pent-up-demand.

There is nowhere in the U.S. economy where this pent-up-demand is more extreme than on the farm. America's farmers are attempting to make a living with worn-out equipment. Some surveys show the average age of the newest tractor on the farm today is over twelve years. Do you realize that many of the tractors that graced the Mall around the Washington Monument fourteen years ago are the newest ones on their operations? That is if they were not sold in foreclosure. Farmers need the kind of feeling those new car buyers I talked of earlier. But to get that kind of optimism, they will need assurances of higher prices supported by higher loan rates. Has anyone pondered what

would happen to the nation's economy as a whole if every farmer replaced just one worn-out tractor, or a worn-out pickup truck? It would create jobs and taxpayers from the local dealership all the way back to the miners who dig the coal and iron ore out of the earth. If nothing else, higher farm prices would make President Clinton's economic recovery programs much easier. Agriculture is the solution, not the problem, to this nation's economic problems.

AAM has asked Mike Espy, the new Secretary of Agriculture, to raise loan rates since that is at his discretion under law. We are now asking this committee to make those higher support levels law.

AAM also requests this committee, along with your colleagues, to look at tax incentives such as an investment tax credit to help the aforementioned equipment purchases proceed, the return of income averaging, a reduction in the capital gains tax for long term capital gains, and the Crop Sharing Hunger Relief Act which gives private citizen additional tax incentives to purchase surplus agriculture commodities and donate them to those in need. We urge this committee to take a vital role in rural health care, and other rural associated programs too numerous to mention at this time.

AAM wants to thank all of the members of this committee who have fought for fair prices for farmers and for better programs. Your help has not gone unnoticed by farmers.

Thank you again for the opportunity to present our views. I would be happy to answer any questions you might have.

TESTIMONY OF CURT ROHLAND
PRESIDENT
NATIONAL FAMILY FARM COALITION

Mr. Chairman, and members of the House Agriculture Committee, I appreciate the opportunity to testify here today on behalf of the National Family Farm Coalition (NFFC) an organization representing family farmers in 30 states around the country. This hearing today strikes at the heart of what must be addressed - the state of the rural economy.

All farm prices have been on the decline: dairy prices are starting to tumble, corn farmers have the lowest harvest price on record, and wheat farmers are facing record low net farm income. We, the nation's food producers are in deep trouble. Current programs and policies are certainly neither meeting the needs of family farmers nor those of the citizens of our rural communities. If their "intended objectives" are to produce an abundant crop without regard for the producers then they have succeeded with this year's 9 billion bushel corn crop. Our productivity is lost when our prices continue to fall below the cost of production and farmers must constantly ask themselves why they struggle to remain in a business void of any financial reward. The only beneficiaries of this policy are the grain companies, processors, and food industry conglomerates who continue to reap record profits both here and abroad. within this country and through international trading. The real impact of both these trading practices and the implications of the 1990 farm bill need to be re-examined closely.

Our rural communities are crumbling. Tax revenues are down. Farm income is so low that farmers cannot replace broken equipment and are foregoing other necessary improvements to their operation. Many are forced to find off-farm employment sometimes displacing another worker struggling to maintain a basic standard of living. The real costs of low farm income need to be analyzed and factored into the equation. We call on USDA and the Office of Management and Budget (OMB) to take a broader look at who is currently paying for the export-driven low loan rate policies of the past decade and to analyze how much would be saved by increasing loan rates to a level that more closely meets the actual costs of production.

The current situation is not sustainable. Many farm families in my area who have been struggling to survive since the mid - 1980's will not make it. Some have received FmHA delinquency notices and are trying to cashflow an impossible situation. A number have been liquidating their dairy herds. Others have attempted to "diversify" their operations yet the bottom line is still too low.

This vicious cycle must be broken to achieve real economic revitalization in this country. That revitalization can only occur on the basis of a vital rural economy - one in which farmers begin

to receive a more equitable share of the value of commodities we produce. Frozen and declining farm-gate prices and target prices are compounded by increasing costs for all our purchased inputs which jeopardizes our survival. We face the same problems with inadequate health coverage and weakened infrastructure as the rest of the country. Something is fundamentally wrong when Kellogg and General Mills can implement 3% increases on every box of cereal while the farm share continues to decline and consumer purchasing power is not keeping pace with inflation. Kraft, Inc. controls the Green Bay Cheese Exchange, as recently documented in a Milwaukee Sentinel investigative report; this directly impacts both the cheese price and our milk price. Dairy prices are again dropping and the existing "dairy program" needs emergency attention. The squeeze is on us both as farmers and consumers.

1993 will hopefully provide Congress and the new USDA with a unique window of opportunity to develop actions and push policies to change the face of rural America. There needs to be a new commitment and leadership by the Agriculture Committee. Real issues, trends and changes in the countryside need to be dealt with, not ignored or left to the illusory "free market".

We urge review of Congressional oversight and investigative hearings that have exposed and documented the myriad of agency problems. These concerns range from low farm income, lack of civil rights enforcement within USDA, lack of enforcement of the Packers and Stockyards Act, failure of the USDA appeals process, among a myriad of other concerns. For farmers and farm advocates, these hearings have been an opportunity to state the problems, yet the solutions have been consistently ignored. There is now a chance to put these reams of hearings into action and see improvements in the delivery of existing programs and new programs that have been consistently ignored.

We urge the House Agriculture Committee to join with us in urging the new USDA to implement policies that begin to reverse the devastating losses facing our nations' rural communities. The first challenge is to use the discretion within the 1990 Farm bill to provide "flexibility" that will start to promote changes for family farmers and their communities. We also urge the Committee to consider new initiatives and policies to accelerate the progress that is so critically vital to our future.

I have enclosed a brief review of the most important issues that we feel need to be addressed by USDA. These are all areas where the Congress can play a major role in ensuring true economic development to our rural communities. This commitment involves both changes in domestic policy and a re-examination of the implications of the NAFTA negotiated agreement and the ongoing GATT negotiations.

Conclusion

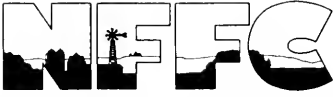
The task ahead is great for us to sustain our lives and livelihood

as a farm-based agriculture and economic democracy. We share in the responsibility to reclaim the direction of our farm and food policy. As family farmers, we have lost a lot over the past decade. Our farm-based rural communities have been de-populated directly threatening their future. If this trend is not reversed, the entire country will be paying the price and the social costs of these shifts.

I can tell you personally and representing family farmers in rural communities across the country, there is once again a glimmer of optimism with the arrival of a new Administration. This optimism must be translated into real changes and a commitment towards rebuilding our chances for economic survival.

We look forward to working with the Committee both in D.C. and around the country to forge a common-sense, workable approach to solving our current problems and creating new policies and programs that will restore prosperity to farmers, therefore an economic recovery for us all. Thank you for this opportunity to present our concerns. I will be glad to answer any questions.

(Attachment follows:)



National Family Farm Coalition

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NATIONAL FAMILY FARM COALITION TRANSITION ISSUES AT USDA: December 20, 1992

True economic development in rural areas is achieved through a new farm and food policy that enables farmers to receive a fair price in the marketplace that restores profitability and sustainability to our rural communities. The quality of our food supply and environment is best secured when food and fiber are produced on diversified family operated farms. Domestic farm policy needs to be determined by Congress to meet the needs of farmers and consumers, not limited by international trade agreements that will eliminate effective farm programs both in this country as well as around the world.

Short-term Farm Income and Farm Program improvements using Secretarial discretion:

- increase loan rates to a level that increases net farm income and reduces government expenditures by reducing deficiency payment levels; urge a fair analysis of the budget savings from higher loan rates
- Activate the Farmer Owned Reserve (FOR) for immediate entry with farmers earning the commercial rate.
- use existing authority to increase dairy support price and avert any discretionary dairy assessments, re-open the input process for 1990 Farm Bill inventory management options that were ignored in 1991; and implement Section 102 of the Farm Bill to provide equity for California dairy farmers
- Implement 1990 Farm Bill programs for the 1993 crop year including demonstration programs for bushel-based supply management and the Targeted Options Program; change sign-up process for IFMPO program.
- Evaluate the Integrated Farm Management Program Option (IFMPO) that has less than 100,000 acres enrolled out of a possible 5 million by convening a farmer meeting on the program in Spring 1993.

Minority Farmer Concerns: Commitment to civil rights compliance and delivery of programs to minorities.

- Immediate response to the September 1992 petition for rulemaking presented to USDA on discriminatory practices; develop an overall restructuring of USDA programs serving minority farmers.
- Urge funding and implementation of the 1990 Farm Bill programs including \$10 million for minority outreach and education program, improve targeting of FmHA direct loan programs, and conduct 1990 farm bill studies.

Access to Credit: Reassert FmHA's mission to assist family farmers.

- Family farmers need access to timely and affordable financing to maintain their farming operations. With commercial credit evaporating, access to FmHA direct loans becomes even more critical.
- Take immediate action to ensure that 30,000 FmHA delinquent borrowers receive their rights. This includes a moratorium on pending foreclosure actions to allow time for review of pending interim final regulations and determination of how to better comply with the existing law -including the basic premise of the 1987 Agricultural Credit Act which ensures debt restructuring when it minimizes losses to the government.
- Overhaul of training and education efforts; training of FmHA employees and County Committee members, and printed materials, handbooks, and accessible outreach to farmers.
- Fix illegal inaccuracies in FmHA's DALRS computer program that determines whether a farmer receives debt restructuring options under existing law. Farmers are currently being denied due to computer errors.
- Halt USDA office closing proposal until important policy issues and program delivery issues are resolved including impact on farmers and workers. Restore authority of county supervisors and review of current contracting out practices despite the availability of qualified employees to conduct the job.

USDA Appeals: Restore integrity to the system.

- Appoint new FmHA Appeals Director who is truly independent of FmHA to carryout the intent of the 1987 Agricultural Credit Act including enforcement of decisions
- Support congressional efforts to enact new USDA-wide independent appeals system to ensure farmers their rights under all USDA agencies and improve delivery of the appeals program.

Trade: Ensure that trade agreements do not dismantle US farm programs forcing farmers out of business.

- Reassess the impacts of the NAFTA and GATT agreement on family farmers using realistic projections. The jobs lost in farming and related small businesses needs to be analyzed with the ripple impacts on the health of rural communities. Examine the budget costs of the Export Enhancement Program (EEP) and the Dairy Export Incentive Program (DEIP) and the farm income impacts and profits by grain companies or processors.

Packers and Stockyards Administration: Strengthening its effectiveness.

- With corporate concentration in the meatpacking industry and contract labor problems in the poultry and hog industry --there is a vital role for a strengthened Packers and Stockyard Administration and Justice Department action to enforce antitrust laws to protect packers, feeders, poultry and livestock producers.

SOUTHERN RURAL DEVELOPMENT INITIATIVE

*A PROJECT OF THE FUNDERS WHO FUND IN THE SOUTH
THE NATIONAL NETWORK OF GRANTMAKERS*

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RURAL DEVELOPMENT RECONSIDERED A PERSPECTIVE FROM THE SOUTH

SPECIFIC RECOMMENDATIONS FOR IMMEDIATE ACTION BY USDA

**SUBMITTED TO THE
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES
ECONOMIC OUTLOOK HEARING**

FEBRUARY 3, 1993

SPECIFIC RECOMMENDATIONS FOR IMMEDIATE ACTION BY USDA

1. Re-examine the current use of \$145M in Rural Rehabilitation Corporation Trust Funds to assist low income rural people. Encourage national revision of existing "use agreements" to enable states to establish innovative revolving loan and grants programs for new style rural economic development. Special attention should be given to the State of Minnesota which amended its Rural Rehabilitation Corporation Trust Fund "use agreement" in 1989 and has since leveraged its initial \$6M principal into a \$30M community based public/private partnership model that has helped to build 700 rural industries and small businesses, created 3,700 jobs in communities with populations of 2,500 - 10,000 people and leveraged another \$87M in additional private investments over the past four years.
2. Implement and enforce the recommendations of the 1982 Report of the U.S. Civil Rights Commission entitled "The Decline of Black Farming in America," and the July 25, 1990 report of the U.S. House of Representatives, Committee on Government Operations, with regard to equitable treatment of Black and other farmers of color by the Farmers Home Administration(FmHA) and other USDA agencies.
3. Fully fund Section 2501 of the 1990 Food, Agriculture, Conservation and Trade (FACT) Act providing for a \$10 million "Outreach, Education and Technical Assistance Program."
4. Fully implement the sustainable agriculture, integrated farm management, water quality and soil conservation programs specified in the 1990 Food Agriculture, Conservation and Trade Act.
5. Fully fund Section 2347 of the 1990 FACT Act to provide \$50 million annually for Rural Cooperative and Technology Centers. This would provide the applied research, training and development infrastructure to assist communities to plan and activate their own self-help development cooperatives and credit union strategies.
6. Expand the Farm Ownership and Operating Loan programs and enforce the targeting of FmHA farm ownership and operating loans to Black and other farmers of color to redress past patterns of discrimination.
7. Research and study the most effective ways to utilize USDA agencies and programs to assist rural families and family farmers. Research is needed on diversification of crops, marketing, cooperatives, added value processing, new product development, international trade and in other areas in context of sustainable and renewable production practices. Many meaningful studies of USDA activities in agriculture and rural development were authorized in the 1990 FACT Act but never implemented for budgetary and staff reasons. This list of studies and reports should be catalogued, analyzed and placed in priority order for implementation by the Clinton-Gore Administration.
8. Encourage USDA to participate in new inter-agency initiatives to establish a leadership and training program for rural youth and adults in economic and community development, job creation, civic participation, literacy, entrepreneurial and technical training in cooperation with the Fund for the Improvement of Post Secondary Education, the

Department of Education, Department of Commerce, EPA, etc.

9. Expand the size and effectiveness of the Farmers Home Intermediary Relending Program. Intermediaries have knowledge of the community, lower overheads, and streamlined financing procedures. They achieve greater "bang for the buck" with federal dollars. Increase funding levels, select intermediaries on a competitive basis, and base follow-up support on performance. Consider converting all or part of loans to grants as intermediaries meet and exceed high performance standards. Remove loan-by-loan approval requirements for intermediaries with a proven track record.
10. Increase the effectiveness of the Rural Business Enterprise Grant program by eliminating the set-asides for "Congressionally-Designated Projects." Promote multi-county revolving loan funds and multi-jurisdictional lending consortia as a means of serving smaller businesses in rural areas. Many small communities and counties do not have adequate staff capacity nor large enough loan demand to justify creation of a loan fund for their own area.
11. Make the Farmers Home B&I guarantee program work better for rural and small firms by streamlining loan approval, disbursement, procedures, and documentation. Create more effective incentives for lenders to make smaller guaranteed loans by extending approval authority for loans under \$50,000 to all B&I lenders who meet and sustain certain minimum loan volume and portfolio performance standards. The requirement that borrowers have audited financial statements also makes the program unworkable for most small businesses. Open up the B&I program to qualified non-bank lenders. Encourage the creation of statewide providers and packagers of guaranteed loans where needed to serve underserved rural areas.
12. Include \$500M in the proposed Economic Stimulus Package for the backlog of Farmers Home home-ownership and rental housing programs. The backlog of approved FmHA Section 515 Rental Loans stands at more than \$1 billion. Set-aside money for nonprofits should be continued and expanded.
13. Expand and refine the 502 Home Mortgage Guarantee Program so more lenders use it. County level sign-off and proposed auditing requirements are problems. To make it easier to guarantee purchase of existing homes, FmHA could fund county offices to obtain inspections and subsidize part of the upfit. The subsidy component is far too small to meet the need; to optimize allocation, allot subsidies to nonprofit housing organizations for distribution.
14. Continue FmHA's Title V Direct Loans to meet the needs of very low-income households. Although this program serves poor households, the 90-day delinquency rate is only 2.4%. The Deferred Mortgage Program, which helps households below 50% of median income, needs to be expanded.
15. Fully fund the \$500M backlog of approved RDA/FmHA rural water-sewer projects as part of the administration's economic stimulus package.

SOUTHERN RURAL DEVELOPMENT INITIATIVE

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RURAL DEVELOPMENT RECONSIDERED A PERSPECTIVE FROM THE SOUTH

**TESTIMONY PRESENTED TO
THE COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPPRESENTATIVES
ECONOMIC OUTLOOK HEARING**

FEBRUARY 3, 1993

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ORGANIZATIONS PARTICIPATING IN THE INITIATIVE

Appalachian Community Fund, Knoxville, TN
 Arkansas Development Finance Authority, Little Rock, AR
 Arkansas Land and Farm Development Center, Brinkley, AR
 Atlanta Black United Fund, Atlanta, GA
 Boggs Rural Life Center, Inc., Keysville, GA
 Calumet Indian Cultural Center, Nashville, TN
 Center for Community Self Help, Durham, NC
 Commission on Religion in Appalachia, Knoxville, TN
 Community Shares, Knoxville, TN
 Community Shares of North Carolina, Durham, NC
 Delta CDC, Brinkley, AR
 DELTA Foundation, Greenville, MS
 Federation of Southern Cooperatives Rural Training and Research, Epes, AL
 First Nations Financial Project, Falmouth, VA
 Florida Women's Foundation, Tampa, FL
 Foundation for the Mid-South, Jackson, MS
 Franklinton Center Inc. at Bricks, Enfield, NC
 Fund for Southern Communities, Atlanta, GA
 Highlander Research and Education Center, New Market, TN
 Human/Economic Appalachian Development Corp., Berea, KY
 Mississippi Action for Community Education, Greenville, MS
 North Carolina Association of CDCs, Raleigh, NC
 North Carolina Indian Cultural Center, Pembroke, NC
 Penn Center, St. Helena Island, SC
 Southeastern Reinvestment Ventures, Atlanta, GA
 Southern Development Bank Corporation, Arkadelphia, AR
 Southern Development Cooperative Development Fund, Lafayette, LA

OTHER ORGANIZATIONS

American Forum, Washington D.C.
 Council for Community Based Development, Washington D.C.
 Association for Community Based Education, Washington D.C.
 Center for Community Change, Washington D.C.
 Center for Literacy Studies, Knoxville, TN
 Center for Demographic Policy, Institute for Educational Leadership, Washington D.C.
 Housing Assistance Council, Washington D.C.
 The Institute for Southern Studies, Durham, NC
 MDC Inc., Chapel Hill, NC
 National Commission on Economic Conversion and Military Disarmament
 National Finance Development Corporation
 National Rural Housing Coalition, Washington D.C.
 National Rural Health Association, Kansas City, MO
 Rural Coalition, Washington D.C.
 Southeastern Regional Vision for Education, Tallahassee, FLA

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RURAL DEVELOPMENT RECONSIDERED: A PERSPECTIVE FROM THE SOUTH

Bill Clinton and Al Gore both come from rural communities. They know it's time to invest in the rural economy so rural Americans will have the same opportunities that other Americans enjoy... We must have a rural America where young people can carry on the values and traditions taught to them by their families without leaving their rural communities. Our rural communities cannot afford another four years of neglect. (From the Clinton/Gore Plan on Rebuilding Rural America)

I. INTRODUCTION

Economic recovery on a national level will not happen until recovery happens for poor people in the poorest communities both in our inner cities and our rural areas.

More than half of all of the nation's rural poor live in the South (5 million of the 9.1 million rural poor). Yet, rural people and their problems have been neglected.

There is a higher incidence of poverty and working poor people in rural America than in any other region of our nation. Two hundred and twenty three (223) of the 242 rural communities with the most "persistent poverty" are in the rural South according to USDA data. And these counties have consistently reported high poverty rates for four decades. The poorest group in the nation is rural Black women in the South who are single parents. An incredible 78% of their children are in poverty. In addition, counties with a significant Native American population are in the persistent poverty grouping. All of these trends are accentuated in the rural South by the lingering history of racial divisions.

Rural people, especially the distressed rural poor, black, white and Native Americans have been forgotten and sometimes forsaken by many of our national policies. There is more substandard housing, poorer access to health care, lower educational attainment; deeper problems of job creation, capital development and technology transfer; greater outmigration; lower family incomes; weaker infrastructure development, tougher environmental threats and generally more severe societal problems in our rural communities than in our nation as a whole.

During the 1980s while most of the nation experienced a recession, there has been a depression in rural America. International pressures for lower wages have led to plant closings in rural communities as manufacturers exported jobs. Agriculture and tax policies worked to benefit large and corporate owned farming operations, driving many medium and small family-owned farms into bankruptcy. The cumulative effects of thousands of farm foreclosures devastated rural towns and communities in much the same way. And, an already weak tax base in rural communities was further eroded, shrinking local government efforts for schools, services and infrastructure.

There is a poor rural youth for every poor urban youth in America. This one to one ratio demands that our government must give as much attention, support and resources to our rural as our urban young people. If we are to fulfill the promise of "rebuilding

RURAL DEVELOPMENT RECONSIDERED: A PERSPECTIVE FROM THE SOUTH

America", we must give equal attention and equitable assistance to the future generation in our rural as well as urban communities.

The Southern Rural Development Initiative, a partnership of 27 community based organizations and funders working directly with low income people throughout the South, has prepared this paper based on its experience, to provide some practical policy and programmatic recommendations for the Clinton/Gore Administration. (More background information on the Southern Rural Development Initiative may be found in the Appendix).

While we are concerned about the conditions in all of rural America, these recommendations come from the unique perspective of our experience in working in the South, many of us in persistently poor counties with large concentrations of people of color. The people of these communities of Appalachia, the Black Belt, the Carolinas migrant labor camps, and other small towns and rural places have been left out and left behind. But, they still have the spirit, strength and hope to build for positive change in their communities.

We offer these recommendations from a community based perspective. They come from people at the grassroots level who are trying to change conditions and rebuild their communities from the bottom up. From this unique view, we know the home grown solutions that are relevant, flexible, workable, inclusive and democratic which will be most effective. We need the assistance and resources of our government at all levels to be supportive, sensitive and responsive to this community process.

These recommendations were prepared not only for the U.S. Department of Agriculture but for all agencies of the federal government that play a role and have an impact on people in rural America. We believe our recommendations form a coherent, comprehensive, and compassionate plan to help rebuild rural America.

RURAL DEVELOPMENT RECONSIDERED: A PERSPECTIVE FROM THE SOUTH**II. STRATEGIC PLANNING AND PROGRAM PRACTICES**

There is an urgent need for a National Rural Policy Agenda to rebuild and revitalize the rural South and other parts of the nation. Such a strategy must recognize the devastation of rural communities in the 1980s, begin with the realities of rural communities in the 1990s and prepare these communities for renewal, revival and renaissance in the 21st Century.

A National Rural Policy Agenda should recognize the following principles:

- o Rural America, especially the rural South, involves more than agricultural America. While farming is critical to rural life, agriculture directly provides less than 20% of all rural jobs. Programs and policies to rebuild rural America must address the range of needs which cut across environment, jobs, health, transportation, education, labor, commerce and other sectors.
- o A National Rural Policy Agenda must be long-term and include plans for the next generation of rural Americans. America's urban problems have rural roots and cannot be solved without simultaneously addressing rural problems. It is often the rural poor and dislocated who migrate to become the unprepared, unemployed and homeless in the cities.
- o A National Rural Policy Agenda must be conceptualized, planned, directed, implemented, coordinated, and evaluated across the many departments of the federal government. Disparate and disjointed public policies will not be effective in remedying the deep-seated problems of rural poverty. Coordination of this agenda must be provided at the White House level through a Special Office of the Domestic Policy Team.
- o While a comprehensive National Rural Policy Agenda is needed, specific agencies and programs that already exist must strengthen and redirect their efforts on behalf of rural distressed communities. These include agencies such as the Departments of Agriculture, Education, Commerce, Interior, HUD, HHS, Labor, Transportation, SBA and Environmental Protection, as well as more specific programs of the Appalachian Regional Commission, the Tennessee Valley Authority, the Farmers Home Administration, Rural Electrification Administration, the Agricultural Extension Service, and the Rural Rehabilitation Trust Fund.
- o An integrated approach to rural America must entail investment not only in the infrastructure for economic development but also in its people. In distressed rural communities this will require major public investment and support to organize and develop the capacity and skills of grassroots people and community-based organizations.

RURAL DEVELOPMENT RECONSIDERED: A PERSPECTIVE FROM THE SOUTH

- o The rural development process can and must be environmentally sustainable and help to renew rather than deplete the natural resources of rural communities to be effective in improving the quality of life for rural families.
- o The federal government cannot do this alone. Within rural America, partnerships must be created with religious, philanthropic and corporate interests to support rural development. Private nonprofit rural community development, education, environmental, finance, housing and other organizations will need to be activated and involved to accomplish the task. This "Third Sector" must be included as partners with government and business to rebuild and revitalize rural communities. In the past, the resources and capacity of this sector to deliver programs to rural communities have been seriously underutilized.
- o Ultimately, it is rural people committed to improving the jobs and quality of life in their communities who will make the difference for rural America. Strategies for rebuilding rural America must be built with citizens' involvement at every level and driven by rural community leaders with the skills and resources to create jobs and develop their communities.
- o Rural America has vast regional differences in geography, resources and culture. A national rural development program must be sensitive to and allow for regional differences in its implementation and impact.
- o A National Policy Agenda for Rebuilding Rural America must involve major public and private investment. In distressed rural areas, investment in capacity building, economic development and private industry job creation strategies must provide the stimulus necessary for recovery and revitalization.

This public investment is needed to "level the playing field" in ways that will give rural citizens the skills, funds, and security to participate in long-term rural revitalization. This also means that farm policies and programs must encourage, and not discourage, the profitability of medium and small family-owned farms.

- o Major public investment in distressed rural areas should be incorporated into the Administrations's short-term economic stimulus program. Federal deficit reduction, while critical to the nation as a whole, should not be done at the expense of the poorest of the poor in rural or urban areas. Only by providing a national plan for rural America, and the floor of support to allow rural communities to help themselves, can rural America be rebuilt and revitalized effectively for tomorrow and for the next generation.

Among the practices we feel the federal government should employ in implementing the National Rural Policy Agenda are:

- Build from the bottom up. In general, solutions must be devised and tailored

RURAL DEVELOPMENT RECONSIDERED: A PERSPECTIVE FROM THE SOUTH

largely at the local, multi-county, regional, or industry sector levels;

- Clearly focus and target benefits to rural communities, starting with those in greatest need of assistance;
- Emphasize regional (at a minimum multi-county) approaches and provide incentives for regional collaboration. Many problems cannot be tackled only at the community level. The success of rural economies is linked to their urban neighbors. Economic development efforts building these linkages must be fostered;
- Promote local ownership and the building of assets for rural residents to increase the wealth remaining in rural areas and to give a stake in the local economy to a broader base of citizens;
- Encourage partnerships and collaborations. The more limited institutional base in rural areas demands greater creativity and the building of new types of partnerships. Investments must be made in capacity building of rural organizations capable of undertaking development (including community development corporations, networks of firms, etc.) so that long-term investments in restructuring the rural economy can pay off;
- Link the provision of financial capital with resources for building the human capacity - technical, management, and leadership and planning skills - that are essential if financial investments are to achieve their intended benefits for rural communities most directly affected;
- Minimize bureaucracy. When using non-profits to deliver capital, training, or other services, don't overburden them with so much bureaucracy that they lose their advantages of flexibility, targeting, market-orientation, etc. Rely on performance measures rather than restrictive regulation to ensure accountability; and
- Measure results - evaluate and support programs and local providers based upon results and tangible progress to reach the goals and objectives.

III. DEMOGRAPHIC TRENDS IMPACTING SOUTHERN RURAL DEVELOPMENT

THE STATE OF THE SOUTH TODAY

As the U.S. economy reels from the end of the Cold War and global economic restructuring of the past two decades, distressed rural areas of the South have been placed in an increasingly vulnerable position. And, despite the robust economies of the Sunbelt Metropolitan cities and coastal resort areas, these distressed rural areas of the South are still the South's poorest counties.

While growth is expected to continue in coastal corridors and major metropolitan areas of the South, predictions for long neglected and seemingly forgotten rural communities are bleak.

National rural policy makers cannot afford to ignore the South, a region that includes nearly half (45%) of the nation's rural population.

Although 90% of the population growth from 1980-1990 in the United States occurred in the South and the West, and 50% of this growth occurred in only three states (California, Texas and Florida), distressed rural areas of America lost population, industry, and in some instances, congressional seats and federal block grant funding tied to population size.

The 17 states designated by the Census Bureau which make up the South are more rural than the rest of the country. Nearly 25M Southerners representing 30% of the South's population live in "non metro" areas. By comparison, only 17M "non metro" residents live in the Midwest, the next most rural region of the nation.

The South is also the nation's poorest region with the highest incidence of poverty in rural areas. According to the USDA, 223 of the 242 non metropolitan "persistent poverty" counties are in the South. Even more startling is the fact that these counties have reported consistently high poverty rates for four decades.

Southern poverty is pervasive and severe. Over half of the Southern states still fall below 80% of the U.S. per capita income. Eight of the nation's top ten highest poverty states are in the South.

In 1990, there were more people living in poverty in both "non metro" rural (20%) and "metro" (13.9%) areas of the South than in any other region in the country. This is particularly true for poor children of African American single family households, 78% of whom live in the South.

Levels of poverty in "severely distressed" parts of the South, such as Appalachia, have risen to heights that now defy previous measures. People's income patterns are not only

RURAL DEVELOPMENT RECONSIDERED: A PERSPECTIVE FROM THE SOUTH

lower, but increasingly dependent on income transfer payments in place of wages and salaries. The number of working poor is staggering.

Official measures of unemployment are flawed. Reports of unemployment no longer capture a true picture of the long term unemployed, the discouraged worker or the men, women and youth who have given up trying to find work out of futility.

Reported "improvements" in "official" unemployment statistics disguise reality. For example, 11 eastern Kentucky counties with real "unofficial" unemployment rates of 10-53% are no longer categorized by the Appalachian Regional Commission as "severely distressed."

CHANGING DEMOGRAPHICS

Demographic trends during the remainder of this and the beginning of the next century will exacerbate disparities and poverty conditions in the rural South.

Between 1988-2000, the largest amount of population growth in the country (24%) will occur in the Southeast. Overall, population growth will be concentrated in non-white populations in the South, the West, and the suburbs of the 40 largest metro areas.

As the 40 largest metro areas continue to attract people and jobs, the viability of rural life will come into question shortly after the year 2000. Clearly, outmigration from rural areas will continue at levels that have reached more than 500,000 annually in recent years.

By the year 2000, new entrants to the work force will be an 85% combination of immigrants, women and minorities. By the year 2010, the job structure in the country will be even more stratified with about 30-40% of all jobs requiring a college education and paying very well; 30% or more will continue to be "working poor" jobs for high school dropouts. The balance will likely be filled by high school graduates with strong backgrounds in science, math and computer technologies.

Trends indicate there will be one new job for a computer programmer for every seven jobs for clerk/cashiers. The predominance of lower paying service industry jobs will lead to widely disparate "information rich" and "information poor" societies.

With higher paying jobs concentrated in large metro areas and the lowest educational attainments as well as service industry jobs in rural areas, rural and urban/suburban social and economic disparity will only widen.

By the year 2030, the work force that will be supporting a predominantly white elderly population will be only about half white, and younger workers will be 60% minority and female. In many areas of the rural "Black Belt" South, white majorities will be numerically surpassed by racial and ethnic minorities. More elderly of both races will draw on social security and live in rural areas supported by fewer and fewer young workers.

RURAL DEVELOPMENT RECONSIDERED: A PERSPECTIVE FROM THE SOUTH

For those who remain in predominantly low wage rural communities, the provision of medical, educational, and social services to sparse and declining populations will become as costly as providing the same services to inner city populations. The "rural underserved" may rival the "urban underserved."

The consequences for rural communities that are suffering declining populations and major economic shifts to low paying service industry jobs are being felt throughout the Corn Belt, Great Plains, Mississippi Delta, Appalachian Coal fields and mining areas of the West. Almost everywhere, rural counties that depended on agriculture are losing population, and only 20% of all rural employment is any longer directly linked to agriculture.

A true look at the changing demographics demands a change in traditionally held views of rural America.

Rural is no longer equivalent to farming. Poverty rates in rural areas now rival those in central cities. General and persistent poverty rates among African Americans, Native Americans, and Appalachian Whites are even higher in rural areas than in inner cities. In 15 Appalachian counties, rates of child poverty are higher than 46.6%, a rate equivalent to that of the City of Detroit's, reported to be the highest of any American city.

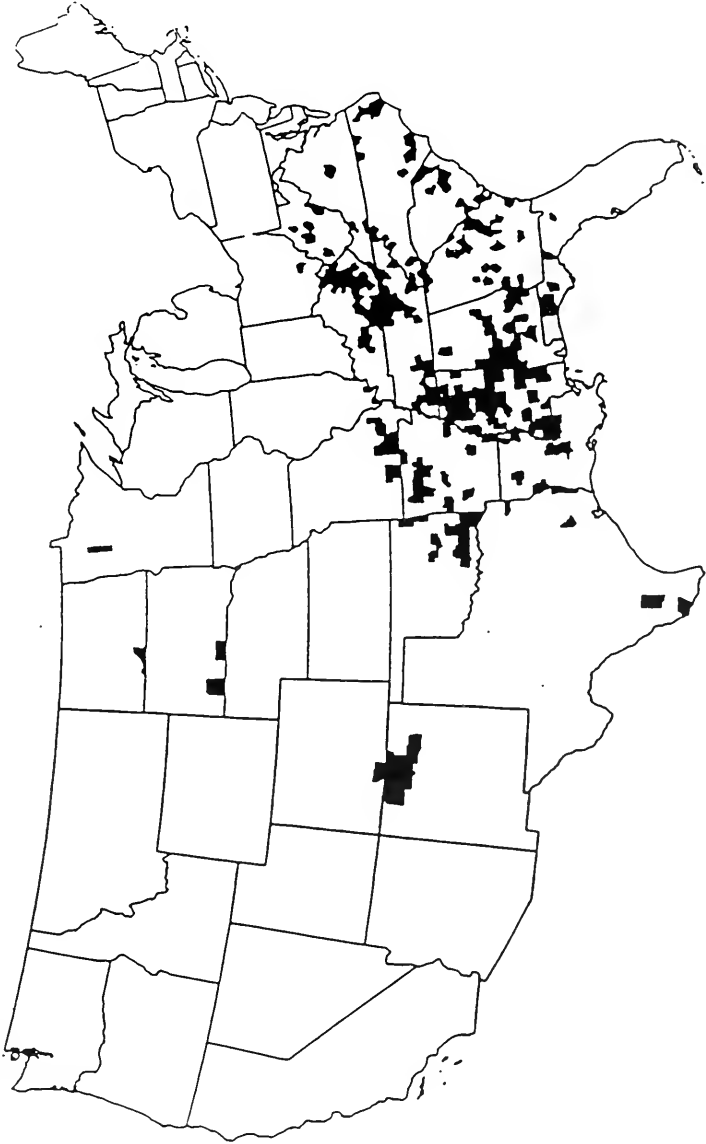
More than half of all the rural poor live in the South. Outside of the South, nearly all of the rural poor is White. In addition, most rural poor Blacks or Whites live in families headed by two parents, and most families contain at least one worker. The elderly comprise an even larger share of the rural poor than the urban poor.

For the remainder of this century, efforts to find solutions to the problems of rural poverty must respond to major sweeping trends in population growth, composition, and other demographic factors. But large and significant regional differences will demand different sensitivities and strategies.

The consequences of trends left unmanaged will mean the end of viable communities in rural America.

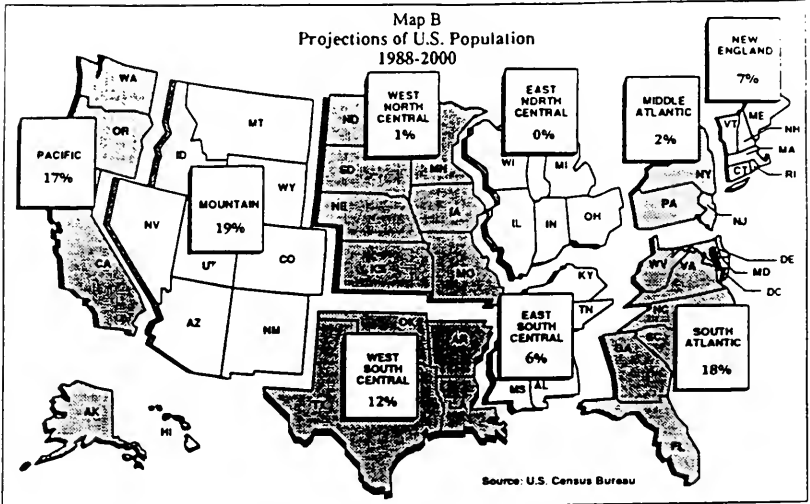
RURAL DEVELOPMENT RECONSIDERED: A PERSPECTIVE FROM THE SOUTH

Map 1.1
Persistently Low-Income Nonmetropolitan Counties in the United States

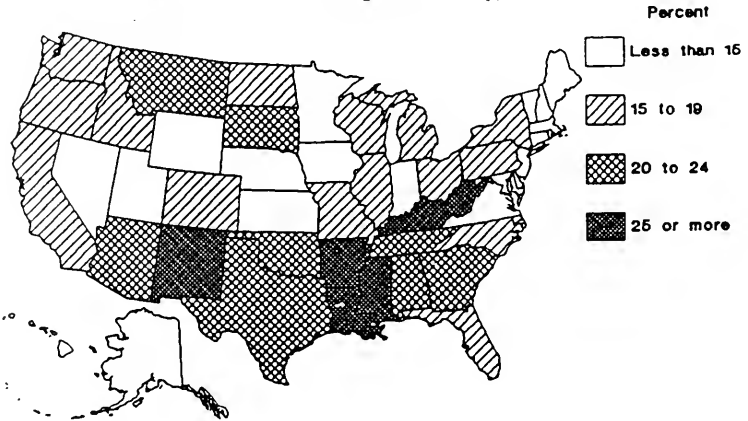


Source: Bender et al. 1985.

RURAL DEVELOPMENT RECONSIDERED: A PERSPECTIVE FROM THE SOUTH

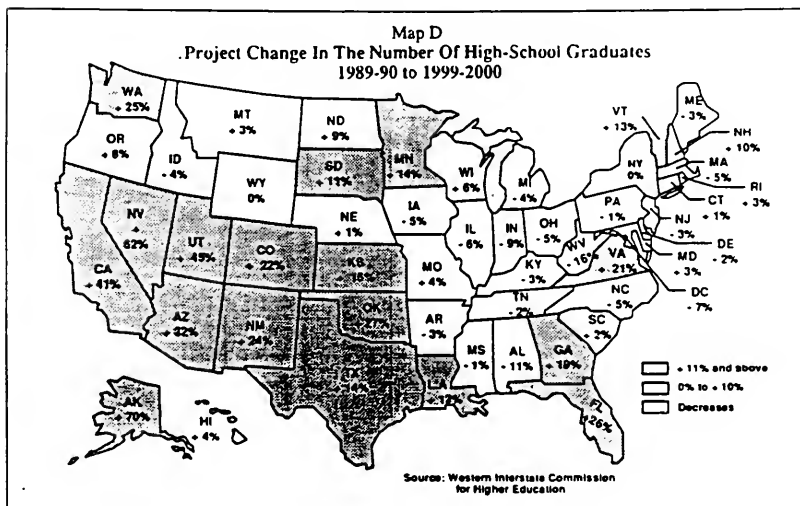
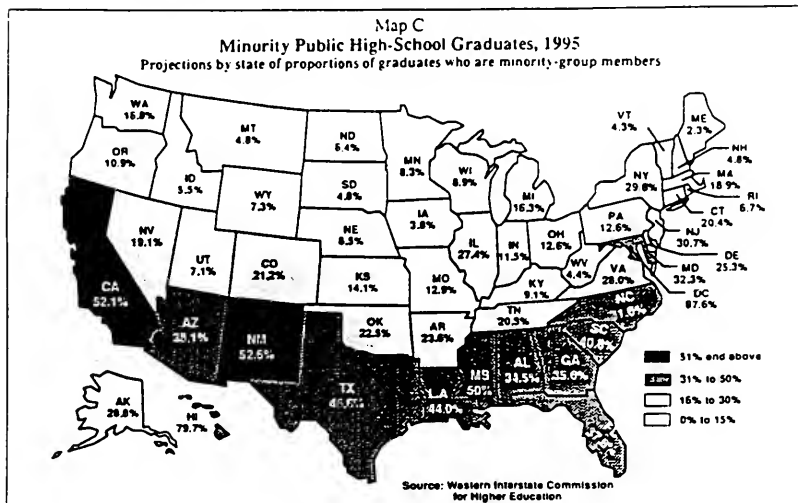


Map 2
Percent of Children Under Age 18 in Poverty, 1990



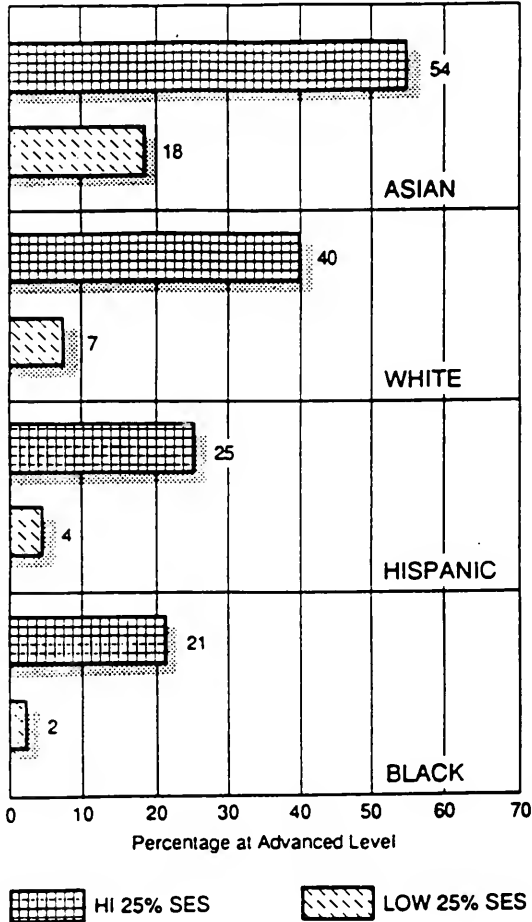
Source: Population Reference Bureau, The Challenge of Change: What the 1990 Census Tells Us About Children. Center for the Study of Social Policy, 1992.

RURAL DEVELOPMENT RECONSIDERED: A PERSPECTIVE FROM THE SOUTH



RURAL DEVELOPMENT RECONSIDERED: A PERSPECTIVE FROM THE SOUTH

Figure 1
 Percentage of Eighth Graders in Low and High Socioeconomic Groups Who Are Proficient in Advanced Mathematics, by Race and Ethnicity, 1988



Source: National Center for Education Statistics, *National Education Longitudinal Study of 1988, A Profile of the American Eighth Grader*, 1990.

(The complete report is held in the committee files.)

EIR**Executive Intelligence Review**

(703 777 9451)

Testimony to the
Committee on Agriculture U.S.
House of Representatives

February 3, 1993 Economic Outlook Hearing

by Marcia Merry
E.I.R. Agriculture Editor

End the Regime of the Federal Reserve;
Institute Economic Emergency Measures

Chairman de la Garza, Ladies and Gentlemen:

The news service I represent was begun in the mid-1970s by Lyndon LaRouche and associates, and I have covered agriculture and economic news developments for the past 20 years. My personal family background includes four generations in the dairy business in western Pennsylvania.

- Economic Catastrophe -

What we face today is economic catastrophe--not simply a downturn which can be reversed by some adjustments here and there. I ask you--the leaders of a new session of Congress, as a newly-constituted Committee, with 15 new members, to break with the trend of recent legislation, and trend of popular opinion that is causing one disaster after another to occur.

Consider what we face in three ways: 1) the depth of the depression; 2) the emergency financial measures required; and the 3) emergency production measures. Finally, I want to draw your attention to the initiatives in 1993 that are going in the right direction.

1) WORLDWIDE DEPRESSION. The entire United States economy is in a depression that is worsening daily, and part of a world depression. The evidence is obvious in each of your home districts, but look at it from the point of view of the overall physical economy:

Basic industry? What capacity that still exists is rapidly being dismantled. For example, a round of 31,000 job terminations has been announced for the aerospace sector--the most advanced and essential workforce and capital stock in the nation.

Infrastructure? Urban water systems, transportation, energy grid, social infrastructure (health and education,) irrigation, are all breaking down.

Agriculture? Traditional advanced-technology family farms are being eliminated, Rural areas are being depopulated. The average age of the remaining farmers is climbing to over 60. Considering the entire spectrum of food supplies, the U.S. is a net importer.

P.O. Box 17390 Washington, D.C. 20041-0390

The foodchain is breaking down all along the line. Thousand of farmers cannot last "another season" to produce a crop. The processing phase is marked by sweatshop production, e.g. TB in midwest packing houses. Independent processors and grocers are being bankrupted.

And people are not able to eat. Unemployment is running at over 17%. There are 26 million Americans on food stamps--not counting the millions more who need food aid, but are not signed up.

These few facts describe the problem. But what do the opinion-makers from Goldman Sachs, or Cargill or Stanford University's "Vision 2000" tell you? They demand such things as:

*"Enterprise Zones"--where cheap wages, and low level infrastructure are supposed to solve economic decline. e.g. "Animal Enterprise Zones" have just been approved in Iowa. However, the experience of the model "Enterprise Zones"--the maquiladoras, along the U.S.-Mexico border has brought cholera to the people in the Rio Grande River Basin, as Chairman de la Garza has reason to know.

"Global market share" is another goal you are supposed to support. Congress has been pressured to approve low prices to the farmer, and export subsidies to Cargill, ADM, Continental, Louis Dreyfus and the few other select companies dominating food trade in the name of making the U.S. "export competitive." But look at the world: there is no market to share. The world depression is obliterating national economies. The nations of the former Soviet bloc are suffering; they need food relief and cannot pay. Africa is being denied food, and the means to produce food, on the scale of genocide. In the course of the collapse, the pre-conditions of World War III are in the making.

2) EMERGENCY FINANCIAL MEASURES. What is in order is to declare a state of economic emergency, and take the financial and production measures needed for a real recovery. Foremost is that Congress must end the private operations of the Federal Reserve, and restore control over money and credit--in effect, nationalize the Federal Reserve. We must expand the industrial, agricultural and infrastructure sectors, not the financial sector.

At present, the Federal Reserve System is using its discounting procedure to provide interest rate spreads, and other aid to a select number of otherwise bankrupt banks and financial entities. New York banks and others borrow from the Fed at the level of 3% interest, then turn around and loan that fiat money at 4-8% to the Federal government for Federal paper. So the Federal government is going deeper and deeper into debt to the commercial banking system, i.e. the Fed.

This is the core of the financial crisis. When you are told to cut the budget deficit, and cut the debt, that is just a prescription for continuing the disastrous regime of the Federal Reserve for a little while longer. Meantime, productive activity is starved for credit.

What is required is to bypass the Fed mechanism. We have to go back to the Constitution, which mandates that the government issue money directly, placing it with the banking system only as a depository instrument. The U.S. Treasury should issue notes placed for lending at low-interest rates to designated economic activities--infrastructure projects, needed heavy industry, agriculture and essential services. The basic interest rate to entities in government-mandated activities should be in the range of 2%, which would mean that the interest rate to private vendors on key projects (rail, vehicle assembly, construction) might be in the range of 4%.

To restore the economy, this form of currency issuance must be on the scale of about half trillion dollars yearly, which would generate activity involving 8 million new jobs.

3) ECONOMIC MEASURES: What is required are the following:

*Infrastructure: Massive construction of modern water, energy, transport, and related physical infrastructure projects. Among the technologies needed are magnetically levitated trains and other rapid rail systems; nuclear-power based energy supplies, water purification and garbage disposal.

The long overdue continental project--"The North American Water and Power Alliance" (Nawapa) should be started immediately--diverting water now going to the Arctic, southward to the high plains and Great Lakes watersheds.

*Health: Massive reconstruction of the hospital grid as originally conceived in the Hill-Burton Act, with special facilities for AIDS, TB and all contagious diseases.

*Agriculture production mobilization: Declare a moratorium on family farm foreclosures, reorganize and re-schedule debt based on re-enacting parity pricing for farm commodities. Provide low interest production credits for farmers and independent processors. Investigate, prosecute and break up the cartel of companies now dominating trade in food, chemicals, seeds and other essentials.

*Science and space drive. Back a Kennedy-era national science education drive with both basic research and general education geared to research and development of advanced forms of nuclear energy--fusion, and all its applications--biomedical, agricultural, industrial, and especially space exploration.

*Foreign policy. End the GATT, NAFTA, U.S.-Canada and all other forms of foreign policy based on subverting domestic and foreign economic activity by free trade swindles.

- Initiatives -

Already in 1993, initiatives in the direction of emergency action have been taken, and show what can be done:

a) The "Federal Reserve System Accountability Act" introduced by Rep. Henry Gonzalez on Jan. 5, seeks to establish Congressional oversight on the Federal Reserve.

b) Sen. Bennett Johnson and colleagues have introduced a measure to set a floor price on oil to induce domestic production potential again. This is on the same principle of parity pricing that must be enacted for farm commodities--as was the law of the land until the 1950s.

c) On the state level, there are actions to stay farm foreclosures, and to investigate and prosecute the widespread fraud associated with farm debt and credit practices under the Federal Reserve System.

I attach the full text of a resolution recently introduced in the North Dakota legislature that calls on you in Congress, and on the President, to grant such a stay and launch investigations. This resolution is occasioned by the sheriff's sale now scheduled for Feb. 8 in county, North Dakota, against Mr. and Mrs. Laverne Zenker, which I ask this committee to stay, in particular, I ask Representatives Earl Pomeroy and Tim Johnson.

d) The final initiative I raise is the international mobilization of parliamentarians and others calling on President Clinton to release from jail the political prisoner Lyndon LaRouche, whose economic leadership abilities are so needed now because of the crisis we face.

Appendices:

1. North Dakota Legislative Assembly Concurrent Resolution on bank fraud on farm loans, and need for moratorium on farm foreclosures.
2. Letter to President Clinton
3. EIR interview with Lyndon LaRouche, "How to Get the Economy Moving," Feb. 1, 1993.

33100.0100

Fifty-third
Legislative Assembly
of North Dakota

HOUSE CONCURRENT RESOLUTION NO. 3037

Introduced by

Representative Kerzman

Senator Krauter

1 A concurrent resolution urging the President of the United States and
2 Congress to investigate allegations of fraud and abuse by banks and other
3 credit agencies in the handling of agricultural loans, and to consider a
4 moratorium on farm foreclosures.

5 WHEREAS, North Dakota farmers and other state residents have presented
6 evidence of fraud and abuse by banks and credit agencies in the handling of
7 agricultural loans; and

8 WHEREAS, existing evidence shows abuse by lenders of the Farmer's Home
9 Administration loan guarantee program; and

10 WHEREAS, this abuse has injured farmers rather than assisted farmers;
11 and

12 WHEREAS, this abuse has resulted in the endurance by farm families and
13 communities of severe hardships and in the erosion of confidence in
14 governmental agencies; and

15 WHEREAS, a healthy and prosperous independent family farm system and an
16 honest and fair credit system are vital to the economic well-being of all
17 Americans;

18 NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF NORTH
19 DAKOTA, THE SENATE CONCURRING THEREIN:

20 That the Fifty-third Legislative Assembly urges the President of the
21 United States and the Congress to thoroughly investigate allegations of fraud
22 and abuse by banks and other credit agencies in the handling of agricultural

Fifty-third
Legislative Assembly

1 loans and to offer appropriate compensation for those persons found to be
2 victims of fraud and abuse; and

3 **BE IT FURTHER RESOLVED**, that the President of the United States and the
4 Congress consider a moratorium on farm foreclosures, particularly in
5 foreclosure cases involving a Farmers Home Administration guaranteed loan,
6 until such time as the investigation is complete; and

7 **BE IT FURTHER RESOLVED**, that the Secretary of State forward copies of
8 this resolution to the President of the United States and to each member of
9 the North Dakota Congressional Delegation.

Appeal to President-Elect Clinton Free Lyndon LaRouche

Dear President-Elect Clinton:

In the course of your election campaign, and following your election as the President of the United States, you pledged to bring about a change in American policy. We welcome this intent and wish you courage and steadfastness for this difficult task.

We call upon you to take a first step in this direction: To end a crying injustice—see to it that Lyndon LaRouche is immediately set free and exonerated.

Lyndon LaRouche, who is innocent, has been incarcerated as a political prisoner in the federal prison in Rochester, Minnesota since January 1989. He committed no crime; his sentencing and imprisonment were the result of years-long slanders and persecutions by forces of the Reagan-Bush administration, in combination with the media and private organizations, as well as forces of the secret services of formerly communist states.

Over 1,000 prominent jurists from all over the world have protested publicly against this abuse of justice, in the course of which LaRouche and a number of his associates were supposed to be eliminated as an undesired opposition. Hundreds of parliamentarians and other prominent personalities from all over the world have joined this protest.

The LaRouche case was presented to the Human Rights Commission of the United Nations several times; U.N. Special Rap-

porteur Angelo Vidal d'Almeida Ribeiro included the case in his report last year to the U.N. Commission on Human Rights.

Since then, explosive new material has come to light documenting the political motivation behind this persecution. One U.S. court has, in fact, ruled that the trial had come into being as a result of "constructive fraud" on the part of the government.

We are outraged over the arrogance of the Bush government, which ignored all protests and appeals. Yet it was George Bush himself, who in 1988, i.e., before LaRouche had been indicted in Alexandria, Va., declared in public that LaRouche belonged behind bars, thus, as Vice President, anticipating any legal procedure.

We, the undersigned, see ourselves as members of an international coalition to free Lyndon LaRouche. We appeal to you, President Clinton: Give a signal that you seriously mean to bring about change: Act! Take the necessary steps immediately to set LaRouche and his associates free!

I join the international coalition to free Lyndon LaRouche and endorse the above appeal. I agree to have my name published with this appeal in American or European newspapers.

This appeal has been endorsed by hundreds of individuals, of whom the following is a sampling. Titles for identification purposes only.

NORTH AMERICA

Jim Albright, past State Pres., Alabama Bldg Trades Council
Milton B. Allen, Judge (ret.), Baltimore City Circuit Court
Ali Baghdadi, Ed., *Al-Bostaan Journal*, Chicago
Almanina Barbour, Esq., Philadelphia
James Barnett, Chrm., Coalition Black Trade Unionists, N.W. Atl.
Rev. Richard Boone, former SCLC Field Coord., Alabama Cities Project
Francis Boyle, Prof. of Law, Univ. of Illinois, Champaign
George Branch, City Councilman, Newark
Bernard and Rose Mae Broussard, Starthrowers, La.
Frank Caligiuri Jr., Exec. Bd., UAW, Buffalo
Annie Coleman, Vice Pres., Coalition Black Trade Unionists, Ca.

Clinton Roberson, Pres., African American Lawyers Assn.
William P. Robinson, Jr., attorney, Norfolk, Va.
Ed Saldana, Mexican American League Against Crime, Los Angeles
Greg Schumacher, farm leader, S.D.
Rev. Marshall Shepard, past Pres., Progressive National Baptist Convention
John Shike, Ed. and Pub., *Voice of Freedom*, Houston
Barbara Lett Simmons, Pres., Wash. DC Democ. Women's Club
Rev. Glen Staples, Vice Moderator, Immanuel Missionary Baptist Assn., Wash. DC
Fr. Thomas Tou, Pres., Chinese Assn. of Montreal
Rev. Wade Watts, past Pres., Oklahoma NAACP
Rev. Hoses Williams, DeKalb County

Heinz Hildebrandt, Deputy, Saxun-Anhalt Parliament, Germany
Dr. Ludwig Hoffmann-Rumerstein, attorney, Innsbruck
Antonio Iodice, Deputy, Euro Parliament, Italy
Strecko Jurdana, political journalist, Croatia
V. Kazanian, Yerevan City Parliament, Armenia
Hrant Kachatrian, Member of Parliament and Supreme Soviet, Armenia
Brig. Gen. Heinz Karst (ret.), Germany
Prof. Dr. Hans Klecatsky, former Minister of Justice, Austria
Prof. Dr. Hans Kuechler, Pres., Internat'l Progress Org., Vienna
Dr. Tibor Kovats, Bd. Member, Assn. of Former Political Prisoners, Hungary
Prof. Dr. Stephan Kurowski, Catholic Univ., Lublin, Poland

I.F. Xavier, Dir., Home for Human Rights for Sri Lanka
H.C. Ward, Governor, Internat'l Policy Forum, South Africa

IBERO-AMERICA

Argentina
Arturo Frondizi, former President of Argentina
Mario Caponnetto, cardiologist
Sergio Ceron, journalist
Brazil
Luiz Carlos Casagrande, State Legislator, Rio Grande do Sul
Fernando Correa de Sa Benavides, journalist
Dom Manoel Pestana Filho, Bishop of Anapolis, Brazil
Roberto Saturnino Braga, City Councilman, Rio de Janeiro
Col. (ret.) Pedro Schirmer, Ed., *Ombro a Ombro*
Helio Zawatski, Pres., Rio Grande do Sul

Unionists, CA

David A. Collins, City Council member, Buffalo
 Paul Comiskey, S.J., Pres., Prisoners' Ris Assn
 Sylvia Cox, Exec. Vice Pres., Nat'l Assn of Black J. Women Lawyers
 Gary Daniels, Pres., Int'l Bruth Boilermakers Local 684, Va.
 John W. DeCamp, former Nebraska State Senator Joseph Dickson, Publisher, *Birmingham World*
 Msgr. David I. Dorsch, Archdiocese of Baltimore Don Eret, former State Senator, Ne.
 Most Rev. Basil Filewich, Bishop of Saskatchewan
 Rafael Flores, Bd. Member, Hispanics for Life, Los Angeles
 James M. Franklin, Past Pres., AFGE Local 421, Wash. DC
 Josip Gamulin, Pres., Croatian Ctte for Human Rights, Toronto
 Justice William C. Goodloe (ret.), Wash. State Supreme Court
 Isador Hampton, Pres., UAW Local #835, Mi.
 Ron Hampton, Nat'l Dir., Nat'l Black Policeman's Assn
 Henry Helstoski, former U.S. Congressman, N.J.
 Fred Huenefeld, past Pres., Nat'l Org. of Raw Materials
 Rev. Robert J. N. Jones, Pres., Richmond SCLC
 Rabbi Gerald Kaplan, Brooklyn, N.Y.
 Kazimierz Kasparek, Ed., *The Alliance*, Cleveland
 Clifford Kelly, former Chicago City Councilman
 Rev. Leon G. Lipscombe, Allen Chapel A.M.E. Church, Wash. DC
 Rose-Marie Love, former Cook County Commissioner, Ill.
 James J. Lumpkin, Sec'y-Treas., ILA Local 1458, Va.
 Rev. Eugene Lumpkin, Ebenezer Baptist Church, San Francisco
 Colman McCarthy, syndicated columnist, Wash. DC
 Art Minson, Chrm., Pol Action Ctte., Akron NAACP
 State Senator Theo Walker Mitchell, S.C.
 Valencia Mohammed, At-large Member, Wash. DC School Bd.
 Dr. Abdul A'im Muhammad, Minister of Health, Nation of Islam
 Siab Nyansoor, Chrm., African Anti-Malthusian League, Atlanta
 George Perdue, Representative, Alabama State House
 Vel Phillips, former Wisconsin Sec'y of State
 Rev. Reginal Pitcher, Pres., Baton Rouge SCLC
 John Ramsey, Pres., Asphalt Workers Local 889, Newark

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Commissioner, Ga.
 James Wilson, Vice Pres., Watts NAACP, Ca
 Wyatt Wilson, Pres., Louisiana Coalition for Prison Reform
 Nadine Winters, former Member, Wash. DC City Council
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 Francesco Guidoni, Deputy, Euro Parliament, Italy
 Ludwig Guettler, musician, Germany
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 The Right Rev. Michael Hare-Duke, Bishop of St Andrews, Perth, Scotland
 Fritz Hermann, Chrm., Mutual Org. for Farming (LFO), Denmark

Viktor Kuzin, Chair, Human Rights Commission, Moscow
 Soviet
 Mayor Marcel Le Bihan, Pompey, France
 Ilse Luebben, Deputy, Lower Saxony Parliament, Germany
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 Vladimir Matveev, Coordinator, Democratic Union, Moscow
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 Igor Muradjan, Member of Parliament and Supreme Soviet, Armenia
 Prof. Dr. Taras Muranivsky, Rector, Ukrainian Univ. in Moscow
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 Flaminio Piccoli, Member of the Senate, Italy
 Alaxei Pogunilyi, Deputy, Moscow Soviet
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 Kuldip Nayyar, Chrm., Citizens for Democracy, India

Cooperatives Org.

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 Jorge Carrillo, former Minister of Labor
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 Gen. Hernando Zuluaga (ret.)
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 Juan Jaime Hernandez, Nat'l Exec. PARM
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 Cecilia Tulo, Member of Congress
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 Isabel Carru, Pres., Assn. Families of Victims of Dec. 20, 1989 U.S. Invasion

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 Jonnell Munoz, former Member of the Senate
 Msgr. Alfredo Noriega Arce S.J., Auxiliary Bishop of Lima
 Francisco Palomino Garcia, former Member of Congress
 Gen. Julio German Parra Herrera (ret.), former Minister of Transportation and Communications
 Juan Rebaza Carpio, former Minister of Fisheries
 Francisco Vidarie Garcia, Pres., Assn. Nuclear Professionals, Nuclear Energy Institute

Venezuela
 Emil Guevara Munoz, Sec'y Internal Affairs, People's Electoral Movement
 Simón Pacheco, farm leader

Commission to Investigate Human Rights Violations

P.O. Box 535, Leesburg, VA 22075
 paid for by the Human Rights Fund

LaRouche on How To Get Economy Moving

Special to New Federalist

Jan. 26 (EIRNS)—In his weekly interview with Executive Intelligence Review's Mel Klenetsky, on Jan. 18, former presidential candidate and political prisoner Lyndon LaRouche responded to a series of questions on how Clinton really can get the domestic economy going again.

LaRouche first outlined what's wrong with the current Federal Reserve System.

"Since the formation of the Federal Reserve System generally, the way we get money for our economy, is to go into debt to private international financial circles.

"The way it occurs, is the fol-

lowing way. The banking community, the financial community, i.e., in New York, discounts paper with the Federal Reserve System. When it discounts, it discounts at a discount rate. The Federal Reserve System writes the discount, or the person who places the paper for discount, a Federal Reserve check. The Federal Reserve check is processed for collection in the normal way. It goes to the Federal Reserve bank. The issuer at the Federal Reserve bank, puts new money into circulation—money which it creates out of thin air, using the paper discounted as security for this purpose.

"So the banks get money created out of thin air at, today, perhaps around 3%. They turn around and today, they're loaning that chiefly to the federal government, at between 4.5% and 8% for medium-term to long-term bonds, or, in some cases, shorter-term paper.

"So, every penny that goes into circulation as new money today, goes in as the creation of new debt of the federal government, to these private interests. What the world is saying, is that the process of creating money by going into debt to private interests, to allow the private interests to create money out of thin air and

charge the U.S. population (the government), for that, is not going to work any more; it's going to be hyperinflationary, because of the circumstances in which we find ourselves.

"Therefore, because of that situation, which even the New York bankers and the Socialists in Germany, and so forth, all agree upon: It is a fact that you can no longer consider the Federal Reserve System as the mechanism of monetary policy; but rather we must go back to the Constitution and print money by authorization of Congress, as the Constitution requires. And issue that, not as a debt of the federal government, but as loan capital to governmental institutions and to the private sector at low interest rates on medium- to long-term to stimulate the economy.

"The debt will then be created in those forms of security provided by those kinds of investments, for which the debt is loaned. Which means that the government must restrict its lending policy generally, except in emergencies, to public utility and related kinds of things, and to the private sector, in areas in which physical wealth is being created, which offers security for the loan.

"And if you don't do that, there's no way that you can safely expand this economy and recover it from what is in fact a continuing depression—not a recession.

"If you can't get the economy moving, you're going to have a social disaster in the coming period. The massive cutting of health care, just throwing people out to die, which is what efficiency means in health care at this point—at least in the way it's being proposed—cutting jobs in industries massively, which is going on. IBM has some embarrassing figures to report on its unprofitability recently. These kinds of things are going to sink the economy deeper and deeper. State governments and local governments are going to go into a worse crisis generally, than even the federal government.

"If we're going to get out of this mess, and get a recovery going, we're going to have to scrap the Federal Reserve System, and go back to the techniques used by Lincoln or by President George Washington and so forth, before.

"So, as long as Clinton is committed to submitting to the bond market and the Federal Reserve System, and as long as he's not prepared to take the measures to bring these boys into line and get the economy moving in the way I've indicated, there's no chance of anything but a failure from Clinton. And that's the crux of the matter. That's the breaking point. That's the point on which he stands or falls. If he doesn't do as I've recommended, he's finished—he's finished before he begins."

What Kind of Debt?

Klenetsky then asked LaRouche. "The national banking system which you propose to replace the Federal Reserve creates loans—wouldn't it also put us into debt?"

LaRouche responded:

"No. We're going into implicit debt because we take full faith and responsibility for the value of our currency, which we defend in several ways.

"We defend it by trade policy, that is, by protectionism, which is the American Way, contrary to some unfortunate, miseducated people who

think otherwise, and contrary to the Confederate traitors who also thought otherwise.

"We also manage our money by good monetary policy, good fiscal policy; but essentially, we manage our policy by limiting the lending and the issue of this currency to projects which create, either directly or indirectly, an increase in physical wealth significantly larger than the amount of credit issued to cause the creation of wealth.

"What we use, is the factor of productivity and technology to invest in technology and productivity, in order to get, in effect, a very large gross profit on the money lent to bring labor and capacity together to produce wealth. Whenever you find an investment that has this technological productivity leverage which you can make, where the productivity payoff is either in the industry, as, say, a goods-producing industry, or in the industry through the benefits of infrastructure, as in the other case, then you make the investment, if it's a national need.

"If it is something which is frivolous, or something which is up in the air, like financing real estate acquisitions and secondary real estate markets, you don't loan for it. You say, 'Sorry, buddy, go scratch for your money where you want to. We're not loaning money for that junk. We're not allowing junk bonds. We won't tolerate

that in our economy.' And so therefore the difference is that the debt is incurred by the utilities and by the private industries which borrow the money—not by the federal government. But we restrict the lending to those utilities and to those private sector undertakings which in general produce more wealth for the economy, than the value of the loans issued. And that way, we ensure that we have no inflation; in fact, we have sort of a deflation, a decline of prices as a result of the benefits of productivity increases."

What Scale of Investment?

Later in the interview, LaRouche specified the scale of investments required:

"In order to get this U.S. economy moving, you have to realize there is a \$1 trillion hole, minimally, per year, in the U.S. economy. This economy has to have a real GNP approaching around

\$7 trillion a year. And until we get to that, we're not going to be in balance on both private and public account, in terms that we have to keep the economy stable and meet the needs of our people.

"So, if you don't spend at least \$500 billion a year in terms of lending power to the public sector for public utilities, and the private sector for these kinds of investments, you're just not going to do the job. You're going to be

a complete failure. It's like the man who tried to patch his pants, only he didn't have any pants. The patch is a good idea; but you've got to have the pants, too. And Clinton came up with the idea of a patch, which is not bad, because the pants are tattered, but he also has to have the pants. And the pants are \$500 billion a year, and \$10-50 billion a year (what Clinton proposed for infrastructure) is only a patch on those pants."



C A L I F O R N I A A V O C A D O C O M M I S S I O N

2 February 1993

AVI CRANE
Vice President

The Honorable Kika de la Garza
Chairman
House Agriculture Committee
1301 LHOB
Washington D.C. 20515

Dear Congressman del la Garza;

The California Avocado Commission and the 6,500 growers it represents commends you for holding a hearing on the economic vitality of American agriculture.

I respectfully submit for your review "Water Makes The Difference — Agriculture's Important Role In Southern California."

The California avocado industry has been a contributing force of economic stability in Southern California. It provides income and jobs for growers, farm workers, farm management companies, tree nurseries, fertilizer companies and packinghouses, etc. It also contributes to a large number of non-agricultural industries that service the avocado industry. We hope the enclosed information will shows how important agriculture is in Southern California, and that you may find the information useful.

Please feel free to contact me for any other information you may need.

Sincerely,

Avi Crane
Vice President

(The report is held in the committee files.)



TESTIMONY

of
 Georgia Healthy Farmers Project
 for
 Hearing of House Agriculture Committee
 on
 "Economic Situation Currently Facing
 U.S. Agriculture and Rural Communities"

February 3, 1993

The financial picture of rural communities would be incomplete without the acknowledgement of health care costs to rural families, in particular, to farm families. Georgia Healthy Farmers Project found one out of every three farm injuries uninsured (the general population experiences one in seven uninsured). Injury data is an example only of those coerced to seek care. How many farm families lack elective medical care? An educated guess would be, many.

The majority of farms in the United States are family owned. This means the independent, small business man, the family farmer, must bare the expense of private health care insurance. In Georgia that can cost from \$250-\$750 per month for catastrophic or minimal coverage for a healthy family of four. This cost is a burden for any small business, but add to this the lack of access to care in rural communities and time away from the job due to illness or injury becomes a viable consideration for all rural business owners.

Farm wives are the perfect example of a population segment that is denied the benefit of current health care programs. Too much income to qualify for free mammograms, but do not have insurance to cover preventive care.

It is a well known fact that the most effective cost benefit ratio in occupational medicine is in the arena of preventive care. Unless change occurs, rural populations can anticipate being denied the obvious advantage preventive care contributes to a community, a strong and viable work force.

878 PEACHTREE STREET, NE / SUITE 100 / ATLANTA, GEORGIA 30309 / 404 894 4283

Page 2 of 2

Farming communities are frequently found struggling to retain the local, financially burdened hospital. That same community, in turn, then experiences the lack of money to pursue an active economic development program or to upgrade the educational system.

The impact of health care costs is evident at the level of the individual, the family and the rural community.

Please consider the economic viewpoint of rural health care costs both in money and manpower as you develop your perspective of economic situations facing U.S. agriculture and rural communities.

**STATEMENT OF THE
NATIONAL MILK PRODUCERS FEDERATION**

before the

**COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES**

ECONOMIC OUTLOOK FOR AGRICULTURE: DAIRY

The National Milk Producers Federation (NMPF), the national farm commodity organization which represents dairy farmers and the dairy cooperative marketing associations they own and operate throughout the United States, offers the following economic outlook for dairy for the information of the Committee.

Overview

The dairy industry in the United States is the nation's second largest agricultural commodity industry, measured by the value of marketings at the farm level. In 1991, U.S. milk producers received \$18.1 billion from sales of raw milk, representing 10.8 percent of the \$167.3 billion in receipts from sales of all commodities in the U.S. Only cattle and calves, with 1991 receipts at \$39.6 billion, ranked higher. In 1990, cash receipts from milk sales in the U.S. totalled \$20.2 billion, which represented 11.8 percent of total commodity receipts.

The U.S. dairy industry is also geographically extensive. In 1991, farm receipts from milk sales amounted to \$200 million or more in fully half of all states, \$100 million or more in more than two-thirds of the states, \$10 million or more in 48 states, and \$2.5 million or more in all 50 states.

Milk production in the U.S. has been growing slowly in recent years, more or less commensurately with the growth in commercial demand for milk and dairy products. Dairy farmers produced a total of 148.3 billion pounds of milk in calendar year 1990, 148.5 billion pounds in 1991, and 152.0 billion pounds in 1992. At this time, NMPF projects 1993 production to be 154.6 billion pounds.

Milk prices in the U.S. have become more variable in recent years as a result of substantial reductions in the rate of price support for milk that took place during the period 1985-90. Average prices received by all dairy farmers in the U.S. for all milk sold to plants and dealers reached a high of \$13.74 per hundred pounds (hundredweight, or cwt.) of milk in calendar year 1990, then fell to a relative low of

The National Milk Producers Federation is a farm commodity organization representing most of the dairy marketing cooperatives serving this nation. NMPF members market a majority of the milk produced in the U.S. making the Federation an effective voice on national issues for dairy cooperatives and their dairy farmer members.

The Federation provides the forum through which dairy farmers and their cooperatives formulate policy on national issues that affect the production and

marketing of milk. NMPF's contribution to this policy is aimed at improving the economic well-being of dairy farmers, thus assuring this nation's consumers an adequate supply of pure, wholesome milk and dairy products.

The policies of the Federation are determined by its members from across the nation. Therefore, the policy positions expressed by NMPF are the only nationwide expression of dairy farmers and their cooperatives on national public policy.

\$12.24 per cwt. in 1991. According to preliminary estimates, prices averaged \$13.11 per cwt. during 1992. NMPF, along with most industry sources, is projecting weaker milk prices during 1993, with NMPF's current projection at \$12.60 per cwt.

Information on dairy farm financial conditions is available from USDA only after a substantial period of time. USDA has reported the overall financial position of dairy farms with gross sales of \$40,000 or more in 1990 to be as follows: 66.9 percent "favorable", 11.7 percent "marginal income", 16.0 percent "marginal solvency" and 5.3 percent "vulnerable." The percentage of dairy farms in the more negative categories in this breakdown will doubtless show increases when 1991 figures become available, since 1991 prices were substantially below 1990 prices in all regions of the country.

Estimates of the number of commercial dairy farmers in the U.S. currently range between 130,000 and 140,000.

More specific components of the dairy outlook are as follows:

Cow numbers

The nation's milking cow herd started out at the beginning of 1992 over 200,000 cows lower than a year previously. As the year progressed, however, the size of the herd stayed quite steady. Since 1991 was a year during which cow numbers dropped steadily, the gap between 1992 and 1991 narrowed until, at year end, there were only about 70,000 fewer cows than a year ago. During 1992, cow numbers averaged 9,849,000 in the U.S., down 141,000 cows from 1991. For 1993, the outlook calls for a resumption of declining cow numbers. For all of 1993, cow numbers could average 9,745,000 in the U.S., which would be a reduction of just over 100,000 from 1992's average.

Production per cow

Production per cow was up less than 2 percent over the previous year during most of the first half of 1992, but then jumped to 4 to 5 percent over a year earlier during the second half. During 1992, milk production per cow totalled 15,437 pounds in the U.S., up 3.8 percent from 1991. For 1993, the outlook calls for a moderation in the rate of increase in production per cow, to a rate of increase between 2 to 3 percent over the previous year. For all of 1993, milk production per cow could total 15,870 pounds in the U.S., which would be an increase of 2.8 percent over 1992's level.

Milk production

Milk production was close to its level the previous year during most of the first half of 1992, but then jumped 4 percent over a year earlier mid-year. The rate of production increase moderated to about 3 percent over the previous year by year-end. During 1992, milk production totalled 152.0 billion pounds in the U.S., up 2.4 percent from 1991. For 1993, the outlook calls for a moderation in the rate of increase in milk production, to a rate of increase between 1 to 2 percent over the previous year. For all of 1993, milk production could total 154.6 billion pounds in the U.S., which would be an increase of 1.7 percent over 1992's total.

Milk Prices

Due to a projected moderate buildup in milk production this year, milk prices can be expected to be lower this coming year than they were in 1992, at least during the first part of the year. This outlook will be influenced by the rate of increase in commercial use of milk and dairy products as well as the level of expected exports this year under the Dairy Export Incentive Program (DEIP). During calendar year 1992, USDA accepted bids to export dairy products with a total milk equivalent of 2.65 billion pounds under the DEIP, for delivery up through June, 1993. NMPF calculations show that these exports had the impact of increasing average prices received by all U.S. milk producers by more than \$.50 per cwt. during calendar year 1992 and will increase all-milk prices by an additional significant amount during the first half of calendar year 1993.

In November, 1992, USDA projected total net removals under the dairy price support program during calendar year 1993 at 4.6 billion pounds, milk equivalent of total solids. This figure, which is a projection of CCC purchases and DEIP sales combined, is based upon the following projections of net removals for individual dairy products:

Butter:	300 million pounds,
Nonfat dry milk:	205 million pounds,
Cheese:	60 million pounds.

The following price outlook assumes no major changes in last year's pattern of growth in commercial use and DEIP exports.

M-W price: The Minnesota-Wisconsin price (at 3.5 percent milkfat) should bottom out at between \$10.30 and \$10.40 per cwt. during March, 1993, and begin increasing thereafter. The M-W could peak well above \$12.00 per cwt. during October or

November, 1993. For 1992, the M-W averaged \$11.89 per cwt., at 3.5 percent, 84 cents above the 1991 average of \$11.06 per cwt. During 1993, the M-W could average \$11.40 per cwt., at 3.5 percent, down about 50 cents from 1992.

All-milk price: The average price received by farmers in the U.S. for all milk sold to plants (the "all-milk" price), figured at the U.S. annual average test of 3.67 percent milkfat, should bottom out at about \$11.70 per cwt. during April, 1993, and begin increasing thereafter. The all-milk price could peak well above \$13.00 per cwt. during November or December, 1993. For 1992, the all-milk price averaged \$13.11 per cwt., at 3.67 percent milkfat, 87 cents above the 1991 average of \$12.24 per cwt. During 1993, the all-milk price could average \$12.60 per cwt., at 3.67 percent, down about 50 cents from the 1992 average all-milk price.



US HOUSE AG COMMITTEE
ROOM 1301
LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515

LONNIE STEWART
RT. 1 BOX 212
GEORGE WEST, TX. 78022

RE: HEARING ON ECONOMIC OUTLOOK

DEAR CHAIRMAN DELA GARZA,

I AM A PRODUCER IN LIVE OAK COUNTY AND GROW 1000 ACRES OF CORN. I HAVE BEEN IN THE ASCS PROGRAM FOR THE PAST SEVERAL YEARS. THE INCOME DERIVED FROM THE ASCS PROGRAM HAS BEEN APPROXIMATELY THE SAME AS MY NET INCOME. WHENEVER DEFICIENCY PAYMENTS ARE LOWERED OR TARGET PRICES LOWERED, IT AFFECTS MY NET PROFITS.

HAVING STATED THIS, I THINK THAT THE AMERICAN FARMER WOULD BE BETTER OFF WITHOUT ANY GOVERNMENT SUBSIDIES. I FEEL LIKE THE PRICES WOULD BE MUCH BETTER WITHOUT GOVERNMENT INTERFERENCE. THE TARGET PRICES TEND TO SET THE WORLD PRICE AND DEFINITELY SET THE PRICE FOR THE US PRODUCER.

THE LAST FEW YEARS HAVE BEEN EXTREMELY DIFFICULT FOR FARMERS IN THIS AREA AS YOU WELL KNOW, BUT I THINK THE FCIC INSURANCE PROGRAM IS BETTER THAN ANYTHING ELSE. THE INSURANCE SHOULD ALLOW FARMERS TO GUARANTEE A DOLLAR PER ACRE FIGURE THAT WOULD BE THE COST OF PRODUCTION. EVERY FARMER HAS A DIFFERENT COST OF PRODUCTION AND THIS WOULD ALLOW THE FARMER TO DETERMINE THE LEVEL OF INSURANCE THAT HE WANTS TO CARRY. THE CURRENT INSURANCE PROGRAM IS PITIFUL AT BEST MAINLY BECAUSE IT DOES NOT COVER COST OF PRODUCTION AND THE PAPERWORK IS HORRENDOUS.

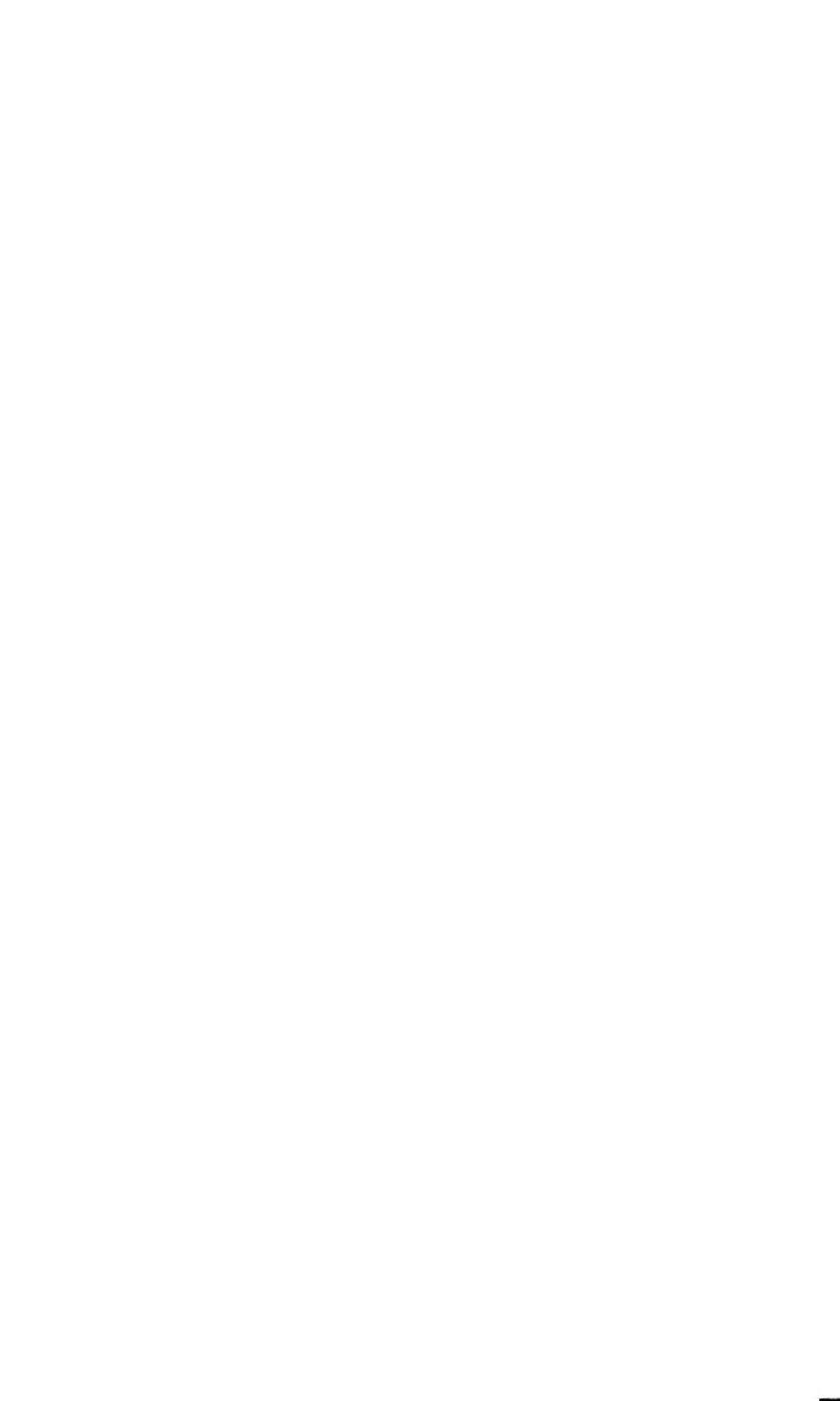
THE CURRENT PROGRAMS AND POLICIES OF THE USDA DOES NOT SUIT RURAL AMERICA VERY WELL AT ALL. IN THE PAST TEN YEARS, SEVERAL BUSINESSES IN THE TOWN OF GEORGE WEST HAVE SHUT THEIR DOORS. THE MAIN SOURCE OF INCOME FOR BUSINESSES IN THIS AREA IS AGRICULTURE AND AGRICULTURE HAS NOT MADE ENOUGH NET PROFIT TO ALLOW THEM TO DO BUSINESS WITH SMALL RETAIL STORES BECAUSE THEIR PRICES ARE USUALLY HIGHER. WE, PRODUCERS, ARE HAVING TO SEARCH FOR THE CHEAPEST PRICES ON ALL OF OUR INPUTS, JUST TO STAY IN BUSINESS.

THE ASCS OFFICES ARE HAVING TO ADD EMPLOYEES BECAUSE THE AMOUNT OF WORK IS INCREASING. TEN YEARS AGO, I COULD SIGN UP FOR THE ASCS PROGRAM IN ABOUT TWO HOURS AND THIS WAS ALL HANDWRITTEN. NOW WE HAVE COMPUTERS AND OTHER TECHNOLOGICAL ADVANCES AND IT TAKES ME ABOUT THREE HOURS TO SIGN UP. THE PAPERWORK HAS BEEN GROWING EVERY YEAR AT A TREMENDOUS RATE.

IN CLOSING, EVERY PRODUCER THAT I HAVE TALKED TO IS FARMING FROM YEAR TO YEAR, NOT KNOWING WHETHER HE WILL BE ABLE TO FARM THE NEXT YEAR OR NOT. THE PRICES ON ALL OUR INPUTS HAS TRIPLED OR QUADRUPLED OVER THE LAST SEVERAL YEARS, WHILE THE PRICE OF OUR COMMODITIES HAVE STAYED RELATIVELY THE SAME OR EVEN GONE DOWN.

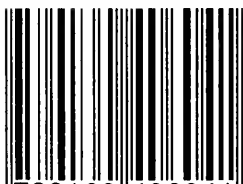
THANK YOU FOR YOUR CONTINUED SUPPORT OF THE AGRICULTURE COMMUNITY IN WASHINGTON, AND I HOPE THAT YOU WILL CONVEY MY FEELINGS TO THE AG COMMITTEE.

SINCERELY YOURS,
LONNIE C. STEWART



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