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131 Cong Rec S 16159

REFERENCE: Vol. 131 No. 161; Continuation of Senate Proceedings of November 21, 1985, Issue No. 161; and Proceedings of November 22, 1985, Issue No. 162.

TITLE: AGRICULTURE, FOOD, TRADE, AND CONSERVATION ACT OF 1985 (Continued)

SPEAKER: Mr. ABDNOR; Mr. BAUCUS; Mr. BIDEN; Mr. BOSCHWITZ; Mr. BYRD; Mr. CHAFEE; Mr. CRANSTON; Mr. DIXON; Mr. DOLE; Mr. DURENBERGER; Mr. FORD; Mr. GARN; Mr. GLENN; Mr. GRASSLEY; Mr. HARKIN; Mrs. HAWKINS; Mr. HEFLIN; Mr. HELMS; Mr. JOHNSTON; Mr. LEVIN; Mr. McCLURE; Mr. MELCHER; Mr. MITCHELL; Mr. PRESSLER; Mr. SIMPSON; Mr. SYMMS; Mr. WILSON; Mr. ZORINSKY; Mr. ZORINSKY1T1

TEXT: AMENDMENT NO. 1102

Mr. DIXON. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The bill clerk read as follows:

The Senator from Illinois [Mr. Dixon], for himself, Mr. Johnston, Mr. Pryor, Mr. Riegle, Mr. Sasser, Mr. Boschwitz, and Mr. Bumpers proposes an amendment numbered 1102.

Mr. DIXON. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the pending amendment, add the following:

On page 459, between lines 18 and 19, insert the following:

Sec. . (a) Section 13 of the Federal Deposit Insurance Act (12 U.S.C. 1823) is amended by adding at the end thereof the following:

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"(j)(1) With the consent of the Corporation, which shall not be unreasonably withheld, and upon recommendation of the appropriate Federal banking agency or a State bank commissioner or on its own motion, the Corporation may by order, regulation, or otherwise authorize one or more of the actions referred to in paragraph (2) to be taken by an agricultural bank. The Corporation may not authorize any such action unless --

"(A) such action will enable the agricultural bank to survive, remain viable, and show a net profit; and

"(B) there is no evidence of fraud or gross mismanagement by the management of the agricultural bank.

"(2) The actions which may be authorized under this subsection are as follows:

"(A) The agricultural bank may file financial reports in accordance with regulatory accounting practices, and use push down or purchase method accounting principles.

"(B) The agricultural bank may reappraise its buildings and other tangible property, real or personal, and any increase between fair market value and the book value of such property may be credited to the capital accounts of the agricultural bank.

"(C) The agricultural bank may renegotiate and reamortize on an amortization schedule not to exceed 30 years qualified problem loans owned by the agricultural bank as of January 1, 1985, and additional qualified problem loans renewed or made by the agricultural bank after January 1, 1985, but prior to January 1, 1995. In the event a renegotiated loan is prepaid or at the maturity of the renegotiated loan, or in the event of default by the borrower in the repayment of the renegotiated loan, or in the event any collateral securing the renegotiated loan is sold without the prior written consent of the agricultural bank, the borrower, at the option of the bank, shall be obligated to repay the principal balance due on the renegotiated loan, plus accrued interest, plus that portion of the difference between the principal of and accrued interest on the qualified problem loan and the beginning principal balance of the renegotiated loan which has not been charged off by the agricultural bank. The terms of the renegotiation and reamortization of the renegotiated loan, including, by way of illustration only, the rate of interest to be charged, shall be at the sole discretion of the agricultural bank. The agricultural bank may charge off the difference between the principal of and accrued interest on the qualified problem loan or loans and the beginning principal balance of the renegotiated loan or loans over a 30-year period.

"(D) The agricultural bank may mark to market the value of any real estate or other property, real or personal, owned by the agricultural bank on January 1, 1985, and any additional property subsequently acquired by the agricultural bank prior to January 1, 1995, and charge off any loss recognized over a 30-year period. Market value may be determined by income approach to value, cost approach, comparable sales approach, or such other acceptable method of valuation.

"(E) With respect to the expenses incurred by the agricultural bank related to the ownership of the real estate or other property referred to in subparagraph (D) above, including, by way of illustration only, the payment of real estate taxes, personal property taxes, insurance premiums, and payments to senior lien holders, the agricultural bank may write off such expenses over a 20-year period.

"(F) The agricultural bank may mark to market and sell any securities held in its investment portfolio as of January 1, 1985, and any additional securities subsequently acquired by the agricultural bank prior to January 1, 1995, and charge off any loss recognized over a 30-year period.

"(3) As a condition of eligibility under this subsection, the agricultural bank must agree to maintain in its loan portfolio a percentage of agricultural loans which is not lower than the percentage of such loans in its loan portfolio on January 1, 1985.

"(4) As used in this subsection --

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"(A) the term 'agricultural bank' means --

"(i) a bank which is located in an agricultural area whose economy is dependent on agriculture;

"(ii) a bank which has assets of \$200,000,000, or less; and

"(iii)(I) a bank which has a least 25 percent or more of its total loans in agricultural loans which were made to finance the acquisition of farm real estate or farm equipment and the production of agricultural products or livestock in the United States; or

"(II) a bank which has fewer than 25 percent of its total loans in agricultural loans but which the appropriate Federal banking agency or State bank commissioner may recommend to the Corporation as eligible, or the Corporation, on its own motion, may deem eligible;

"(B) the term 'qualified problem loan' means a loan made to finance the production of agricultural products or livestock in the United States, a loan secured by farm land or farm machinery, or the unsured or unguaranteed portion of any Farmers' Home Administration or Small Business Administration loan serviced by the agricultural bank, or such other category of loans as the appropriate Federal banking agency or State bank commissioner may recommend to the Corporation as eligible, or the Corporation, on its own motion, may deem eligible in order to allow the agricultural bank to remain viable."

(b) Paragraph (1) of section 172(b) of the Internal Revenue Code of 1954 (relating to net operating loss carrybacks and carryovers) is amended --

(1) by adding at the end thereof the following new subparagraph:

"(L) In the case of a financial institution, a net operating loss for any taxable year beginning after December 31, 1984, with respect to any loan or security which is subject to the provisions of section 13(j) of the Federal Deposit Insurance Act, shall be a net operating loss carryover to each of the 30 taxable years following the taxable year of such loss."

(2) by striking out "and (k)" in subparagraph (A) and inserting in lieu thereof "(K), and (L)"; and

(3) by striking out "and (J)" in subparagraph (B) and inserting in lieu thereof "(J), and (L)".

Mr. DIXON. Mr. President, there will be some controversy about this amendment. If I could have the attention of the Senate -- --

The PRESIDING OFFICER. If the Senator will suspend, the Senate is not in order.

Mr. BYRD. Mr. President, will the distinguished Senator yield for a question to the manager of the bill?

Mr. DIXON. I yield.

Mr. BYRD. I thank the Senator.

Mr. President, the Senator will retain his rights to the floor, will he?

The PRESIDING OFFICER. That is correct. The Senator from Illinois has the time. He has yielded to the distinguished minority leader.

Mr. BYRD. I believe an agreement has been entered into. May I ask the distinguished manager if I heard the distinguished majority leader correctly in any case that this would be the last rollcall tonight?

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Mr. HELMS. That is correct.

Mr. BYRD. I thank the Senator, and I thank the Senator from Illinois.

Mr. HELMS. I might add that Senator Pressler will lay down an amendment, on which there will be a rollcall first thing in the morning. Following that, we will handle all of the amendments that we can which will not require a rollcall vote.

The PRESIDING OFFICER. The Senator from Illinois.

THE FARM CREDIT RELIEF ACT OF 1985

Mr. DIXON. Mr. President, I am offering as an amendment to the 1985 farm bill the text of S. 1151, the Farm Credit Relief Act, which I introduced, together with my distinguished colleagues, Senators Johnston, Pryor, Sasser, and Riegle, on May 16 of this year. This proposal was the subject of a July 24 hearing by the Banking Committee.

S. 1151 is an attempt to address part of the crisis that is devastating American agriculture and our rural economy. One of the most troubling aspects of this crisis has been the explosion of farm debt. Farmers now owe more than \$215 billion, and the simple truth is that too low prices for agricultural products means that it is more and more difficult for farmers to service that debt.

Farm prices are down, and the value of farm land has dropped by as much as 40 percent or even more. Bankruptcies, however, are way up, and unless we are able to provide some badly needed assistance, the current appalling bankruptcy rate is likely to go much, much higher.

Unless we act, many of our Nation's full-time farmers will be wiped out. Many of these farmers were able to get a crop into the ground this spring, but without help, it is doubtful that many of them will be able to do so next year. The shakiest of these midsized farmers owe nearly a third of total farm debt -- over \$73 billion -- an amount that compares with the Latin American debt held by the Nation's largest banks.

Farm debt, however, unlike foreign debt, is not held largely by money center banks. It is held by the Nation's more than 4,200 agricultural banks. These banks are small in size, but they are of vital importance to their communities.

While they do not hold the bulk of long-term debt, agricultural banks are a major source of operating and other short-term loans. According to the Comptroller of the Currency, banks hold about \$9 billion of the \$112 billion in long-term debt, and they hold almost \$40 billion, or about 40 percent of the short-term debt. This is a serious problem because while most farmers have the resources to service their mortgage debt, many can no longer also meet their short-term debt obligations.

Agricultural banks are therefore also under serious strains, and the evidence is that their problems are becoming more severe. We had 79 bank failures last year -- the highest number since the Great Depression -- and a disproportionate number of those failing were agricultural banks. This trend appears to be continuing. Over 11,000 banks -- an alltime record -- are on the Federal regulators problem list. There have already been 101 bank failures this year, many of which were agricultural banks, and there could be as many as 130 or more before the year is out.

This trend is especially troubling because historically agricultural banks are among the strongest in our financial system. Agricultural banks traditionally have a very strong capital base, and they have followed the kind of prudent banking practices that have protected their depositors.

As strong as they are, however, agricultural banks are not immune from a crisis in the overall agricultural economy. There is no way they could be immune. More than 1,700 banks have more than 50 percent of their portfolios in agricultural loans, and that figure greatly understates the true dimensions of the problem since it does not include loans

to agribusiness and other rural businesses dependent on a strong and profitable agricultural sector.

What we need, therefore, are solutions directed toward helping both farmers and the agricultural banks that serve them. It makes no sense to help the banks alone if that help does not permit them to continue to play an active role in their local communities. And farmers clearly need help to restructure their debts so that they are not forced off the land or put in the position of being tenant farmers on what was their land.

The amendment my colleagues and I are offering is an attempt to provide assistance and needed flexibility for both farmers and their leaders. It does not pretend to be a complete solution to the problems of either, but it will provide needed transitional assistance as more fundamental, long-term solutions are put into place. We need to make it possible for farm exports to begin expanding again. We need to restore the opportunity to make a profit to American farmers. We need to bring interest rates down to more reasonable levels. But all these things will take time; time that many of our farmers and rural financial institutions do not have unless we are able to act soon on appropriate safety net protections.

The provisions of S. 1151 ought to be a component of this safety net. The amendment will permit banks to negotiate with farmers on appropriate debt restructuring, restructuring that will leave farmers with payments they can meet while bringing the banks greater financial returns than foreclosure would. It helps ensure that farmers aren't forced off their land, and helps the banks retain customers that they want to retain, customers that they have had a good relationship with over the years and who, with this help, will be good customers again. It does not require any bank to act to restructure loans. It simply permits banks to take actions, with the approval of Federal regulators, that banks believe are in their interests and which will benefit hard-pressed but fundamentally sound farmers.

The heart of the amendment is a provision that permits agricultural banks to write down loans from their book value to their fair market value. Banks can do this now, but under current law, they must deduct the amount written off from their capital all at once. Even though agricultural banks are well capitalized, they cannot withstand losses of this magnitude, so banks are forced to foreclose rather than write down loans. This benefits neither the banks nor the farmers.

Under the Farm Credit Relief Act, on the other hand, the amount written down could be amortized over a period of up to 30 years. Banks could renegotiate with the borrowers for repayment of the remaining portion of the loans eligible for this assistance. However, if a farmer defaulted on the remaining portion of the loan or sold his land, the farmer would be responsible for repaying not only the unpaid portion of the remaining loan, but also the portion of the written-down amount that had not yet been amortized. Any loan made to finance agricultural production, including the unguaranteed portion of FmHA or SBA guaranteed loans, made by an eligible bank, is qualified for this favorable amortization treatment.

Current law forces banks to try not to acknowledge the extent of their problems, because any losses in a loan portfolio must be written off against capital at the time they are recognized. Now in normal business conditions that is sound practice. In the current crisis situation in our agricultural economy, however, the pressure on agriculture bank capital it creates is so great that it actually adds to the problems facing both farmers and banks. Losses on agricultural loans can cause reductions in bank capital. That reduction can force a bank to call in more loans, generating more losses, forcing still further reductions in bank capital, and so on, in a destructive cycle that could destroy both the bank and many basically sound American farmers. At the very least, banks may have to withdraw as lenders to their communities with all the problems that the loss of such a major source of credit always causes.

Amortizing the losses, however, creates an incentive for banks to deal with their problems in a way that can help to minimize those losses. I do not suggest this step lightly. I recognize the seriousness of this proposal. But I believe that the only alternative to this kind of package is direct assistance -- and with our budget problems, it is difficult to see how that kind of help could be provided.

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Let me say in conclusion that this proposal, if enacted, will work to provide needed assistance for American farmers who deserve our help. It will also provide assistance for agricultural banks, who through no fault of their own, are being squeezed by the ongoing agricultural crisis, permitting these fundamentally sound banks to weather this storm. We have provided special assistance for financial institutions in the past, most recently for foreign loans and for the housing industry. I believe American agriculture is just as deserving of the assistance of the U.S. Senate. I urge the adoption of the amendment.

Mr. President, I have offered this amendment on behalf of myself, Mr. Johnston, Mr. Pryor, Mr. Riegle, Mr. Sasser, Mr. Boschwitz, and Mr. Bumpers. This amendment is an amendment which addresses the farm credit problem so far as the private sector is concerned. It has no budgetary impact. It relates to the relationship between a private bank and a farmer.

I am here to tell you, Mr. President, that this amendment is supported by the Independent Bankers Association of America and the American Farm Bureau. The amendment simply says that in a situation where an agricultural bank, which is defined as a bank under \$200 million and has at least 25 percent or more of its loans in agriculture, has a loan with a farmer, the bank may reduce the amount of that loan not lower than the collateral held by the farmer and then amortize the debt over a maximum 30-year period so that the bank does not have to take the hit in the first year.

Mr. President, here is a hypothetical illustration of what the bill would do.

Assume farmer owes bank \$150,000, but the collateral securing that debt is only worth \$60,000. Under this proposal, rather than the farmer defaulting on the loan and losing his farm, the farmer and the bank could renegotiate a new payment schedule and a smaller, written down loan.

A farmer and the bank could agree to write down the loan to \$90,000, and create a repayment schedule on that amount that the farmer's cash flow could support. The bank, with the approval of the Federal regulators, decides to write off the \$60,000 over 15 years -- \$4,000 per year -- although the bill would permit writeoff periods of up to 30 years; which is much better for the bank than taking the writeoff all the first year, which is what happens if it has to foreclose on the loan. Further, the bank does not have to acquire the property, or manage it, and continues its relations with its borrowers.

If the farmer were to default or sell the land, say in year 10, then that farmer would owe the remaining amount on the \$90,000 loan plus the amount of the \$60,000 that had not been written off, in this case, \$20,000.

Now, here are the good things about this amendment. It is good for the bank, which can then amortize the debt and does not go into the farming business. It is good for the farmer who gets to continue to own his farm and manage and operate it. It costs nothing. It has no budgetary impact. I suggest that while it is not a solution to the farm credit problem in America, it is at least a modest attempt to solve the problem for many thousands of farmers all over the United States of America who face foreclosure possibilities.

I do not want to use any more time. I think that perhaps others on the floor may want to speak in support of this legislation, including Senator Boschwitz, who I see rushing to the floor right now, and perhaps Senator Pryor and Senator Johnston.

I yield the remainder of my time to those people, Mr. President. And I know the Senator from Utah wants to be heard in opposition.

Mr. GARN. Mr. President, there is no member of the Banking Committee that I consider a better friend than the Senator from Illinois, or a more loyal and cooperative member of that committee. But I must admit that, from a procedural standpoint, I am distressed that this amendment is being offered to this bill tonight.

I think it is important to note that I am always willing to work with my committee members when they introduce

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bills, to schedule hearings, and to move to markups; and I did that on this particular bill, which was introduced in May of this year.

I was willing to move to hearings, and we did hold the first of two scheduled days of hearings in July of this year. At that time, we heard all the witnesses in support of the legislation. Then, working with the staff of the distinguished Senator from Illinois on holding an additional hearing after the August recess, we were never able to agree on a time. I continued to ask that that second day of hearings be held.

My point, to shorten the debate, is simply that the Banking Committee was willing to hold hearings on this issue. We held 1 day of those hearings and were unable, for whatever reason, to hold an additional hearing. As late as 2 weeks ago, I offered to hold a second day of hearings with the regulatory agencies and was not able to do that.

With incomplete hearings on a very important issue, here we are facing it at 11:30 at night, on an ag bill, and something that is purported to help the farmers and the agricultural banks of this country.

I do not want to take a lot of time, because there is a lot of substance in this bill. Let me read parts of a letter that I hope is meaningful to Members of this body on both sides.

When we did not get to hold the second day of hearings with the regulators who might know something about agricultural credit and the managing and examination of banks, I requested an opinion from the FDIC. The Federal Deposit Insurance Company, for those who do not realize what that is, happens to be the insuring agency for all banks in this country up to \$100,000. I will read only parts of the letter, because it is a 2-page letter.

The proposed legislation purports to lessen problems affecting both farmers and agricultural banks by sustaining, through liberalized accounting procedures, the book solvency of agricultural banks and thereby allowing those banks to continue to provide needed farm financing. The FDIC is adamantly opposed to this bill because we believe implementation of the bill's provisions would not lead to achievement of its stated goals, and would in fact be counterproductive.

The PRESIDING OFFICER. If the Senator will suspend, the Chair cannot hear the Senator's remarks, and it is obvious that no one else can hear them, either. The Senate is not in order.

Those staff members carry on conversations on the Republican side should take leave of the Chamber if they wish to continue their discussions.

Those Senators wishing to converse ought to accord their colleagues the courtesy of carrying on their conversations elsewhere.

The Senator from Utah.

Mr. GARN. Again quoting from the letter from the FDIC:

The basic flaw with S. 1151 is that it attempts to change red ink into black ink through the use of liberalized accounting techniques.

Another quotation from the letter:

We note that the thrift industry has been granted accounting conventions similar to those proposed in S. 1151. Even a cursory analysis of the use of these accounting methods by the thrifts will reveal with stark clarity the failure of these methods in dealing with that industry's problems.

They also mention that the bill relates only to commercial banks:

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The FDIC believes that any attempt to address the financing needs of farmers cannot succeed if the scope of the remedy is limited only to commercial banks. The Farm Credit System, which is by far the biggest supplier of credit to farmers, should be made an indispensable party to any efforts to improve financing for farmers.

Mr. JOHNSTON. Mr. President, will the Senator yield?

Mr. GARN. I yield at this time, because there are other quotations I would like to read.

Mr. JOHNSTON. Is it not true that under this amendment there is no compulsion on the FDIC to do anything? Rather, the FDIC is granted permissive authority within the limited guidelines of the amendment. Is that not a fact?

Mr. GARN. That is correct. That still does not address the problem, and my distinguished friend from Louisiana is ignoring the fact that the FDIC is adamantly opposed to this piece of legislation, of turning red ink into black ink through an accounting procedure. We are not solving the problems of the agricultural banks.

I will paraphrase the other quotations.

They believe that using these kinds of shadows and mirrors will cause more bank failures and make it virtually impossible for the FDIC to examine these banks, by softening the accounting procedures to try to correct the difficulties that we both agree exist.

Mr. JOHNSTON. Can the Senator tell me why in Heaven's name the FDIC should be adamantly opposed to anything that does not require them to do a thing, that simply gives them permissive authority to help save some agricultural banks that are in trouble, if they want to and if they think it is proper?

Mr. GARN. That is easy. The same reason I am opposed: Because it gives the impression, it sends a lot of false hope, it will delude the farmers and the agricultural banks of this country into thinking that something is being done for them. It is far more serious than changing the accounting procedures. This was done for the S&L's, and the evidence is overwhelming that it did not help.

The PRESIDING OFFICER. Who yields time?

Mr. GARN. Mr. President, I believe I still have the floor.

The PRESIDING OFFICER. That is correct. The Senator from Utah still retains the floor.

Mr. GARN. While I am looking for more quotations, if others wish to speak in favor of the bill, they may do so. So that I do not just stand here fumbling through the papers, I will yield the floor at this time.

Mr. DIXON. Mr. President, I yield the remainder of my time to Senator Johnston and Senator Boschwitz. I do not know how much time I have remaining.

The PRESIDING OFFICER. The Senator has 7 minutes remaining.

Mr. DIXON. I yield 3 minutes to the Senator from Louisiana.

Mr. JOHNSTON. Mr. President, this bill, first, helps farmers by being able to reduce the amount of debt that farmers have. It helps farmers reduce the debt without 1 cent to the U.S. Treasury.

Second, it helps agricultural banks, because when banks reduce a note to a farmer, the amount of that reduction may be carried on the books of that bank for the purpose of its debt-equity ratio for the period of time they allow the creditor to pay, not to exceed 30 days.

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So, in effect, you are able to write down the debt of a farmer, not just give him more time, not just extend him terms, but actually write the debt of the farmer down.

The bank is helped because the bank is helped in its debt-equity ratio -- that is, it is permitted to carry on the books of that bank the amount by which they reduce the debt to the farmer.

The only objection we have heard to this is that the FDIC adamantly opposes it. The FDIC is not required to do a thing under this amendment. The FDIC is just given permissive authority to permit this to be done, provided that the FDIC must first make a finding that the bank is more likely to survive with this remedy than without it.

If the FDIC first decides that they think that the bank is less likely to survive if this remedy is invoked, then not only should they not, they are not permitted to invoke this remedy and they are not under any circumstances required to use this remedy.

So it seems to me, Mr. President, when you can write down farm debt, give real relief to farmers by reducing the amount of their debt, when you can allow agricultural banks to succeed and when you do not require the FDIC to do a thing and moreover when it does not cost the taxpayer a cent, it seems to me it is worth a try.

If the FDIC is right that this should not be done they do not have to do it because it is permissive legislation.

Mr. GLENN. Mr. President, will the Senator yield for a question?

Mr. JOHNSTON. I yield.

Mr. GLENN. Is it true this would not cost the taxpayer a cent? I have not made up my mind on this particular vote yet. Is it true there would be no loss to the taxpayers?

It seems to me if you are extending this debt out giving a bank an advantage in effect on this there would be lesser taxes paid and it would cost the Government something.

Are there estimates on this, or can either the managers or the Senator answer that?

Mr. JOHNSTON. It does not cost anything at all as a matter of fact. As a matter of fact if anything it would probably be more to the Treasury because rather than taking, let us say you have a debt, you write it down, rather than write it down in 1 year, you wrote it down over a period of years.

Mr. GLENN. Can the floor manager answer that?

The PRESIDING OFFICER. The Senator from Minnesota has the floor. The Senator from Illinois yielded 3 minutes to the distinguished Senator from Louisiana and 4 minutes to the Senator from Minnesota.

Mr. DIXON. I yield the remainder of my time to the Senator from Minnesota.

Mr. BOSCHWITZ. I am going to yield it back to the Senator because I would like to ask him a question that my colleague came over to ask him that is whether or not we could not change this amendment so it triggers on the first.

If the chairman of the Banking Committee, Senator Garn, would pay attention for a minute, perhaps we could trigger this amendment so it goes into effect on the 1st of March in the event we have not come up with a more complete solution to the agricultural credit problem. If we do not adopt something, I can just see us roll all over the floor here as it were last winter and early spring and do something in a hurry. But in the event we adopt this, we trigger it for the 1st of March. In the event that we have not taken more complete or at least equivalent action, I think that we would be making a forward step.

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I agree with the Senator from Utah who has said that this is an incomplete solution to the whole thing, and I ask the Senator from Utah in the event we were to trigger this so that it would not take effect before March 1 if that would make it more acceptable, because I know I understand from the majority leader and also from the others that we intend to act on the farm credit and we really have to do it in the month of December so that regulations can be written prior to planting, prior to the needs of the spring.

Mr. GARN. I answer the Senator from Minnesota saying that in the limited time I agreed to the questions that are now being asked on the floor, the question the Senator from Ohio asked should have been answered in committee hearings. We were denied the opportunity to fully explore this problem, forgetting the agricultural credit system, the bank part of it. The Banking Committee was willing to proceed with hearings. I cannot answer all of the Senator's question because we were not allowed to have the remainder of the witnesses testify.

Mr. BOSCHWITZ. I suggest to my friend from Illinois in that case that we perhaps should change the amendment to say that the trigger should take effect on the 1st of March 1986, in the event more complete or at least equivalent legislation regarding farm credit had not been acted and we simply have to get about that because if we do not do it before we adjourn sine die, we are not going to be able to have the regulations and do the things necessary prior to spring planting. That is why I support this which I consider to be a limited effort.

Mr. DIXON. I say to my friend from Minnesota I accept the March 1, 1986, effective date so in the interim period things can be done. I do not think you can put in a proviso that makes sense on the basis of what has been discussed here, but a March 1, 1986, effective date for now I would accept and then in the interim period, if something else is done, we can always return to this question.

The PRESIDING OFFICER. Who yields time?

Mr. GARN. Mr. President, I yield myself such time as necessary.

Comment was made and again we do not have the time -- maybe we should not have agreed to such a short time agreement to discuss the substance of this bill in great detail. I think most of my colleagues would agree it is not a solution to the problem but to say that the only evidence against this is the FDIC I would say that the Federal Deposit Insurance Corporation, which so many people are worried about and we are holding hearings on the deposit insurance reform, should be a very good witness when they say they are adamantly opposed. They are responsible for the safety and soundness of all of commercial banks of this country.

The other quote I was looking for a few minutes ago.

This bill would make it nearly impossible to properly supervise agricultural banks. FDIC operational procedures now place a great deal of reliance on off-site monitoring through the use of computer generated analytical information taken from quarterly reports submitted by banks. The use of accounting conventions proposed in this bill would make data obtained useless for discovering banks in need of closer supervision. This in turn would result in inadequate supervision, increased bank failures, and a greater drain on the deposit insurance fund.

I have never seen more direct opposition to a bill in the 11 years I have been on the Banking Committee in such direct terms. We talked about the permissiveness as well of this legislation. It is not clear how many agricultural banks could take advantage of the provisions of S. 1151. FDIC could deny authority to use the benefits of this bill to any bank in which there is evidence of management fraud or gross mismanagement, unless those accounting changes would enable the bank to survive. It is not totally permissive. There are some very restrictive areas in which the FDIC could deny authority to these banks. I hate this late at night to even be dealing with this issue. It is too sensitive and too important to legislate this way.

I am perfectly willing to continue the hearings at any time the Senator from Illinois would agree to a date and inviting the additional witnesses.

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Mr. DIXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Illinois has no time remaining under the unanimous consent.

Mr. DIXON. May I ask the President, can I have leave to amend the bill to have the March 1, 1986, effective date requested by others on the other side and suggested as a possibility by the majority leader and others?

The PRESIDING OFFICER. Is there objection to the request of the Senator from Illinois?

Mrs. HAWKINS. Mr. President, reserving the right to object.

Mr. HELMS. Mr. President, I hope the distinguished Senator will not object.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Illinois?

Mr. GARN. Reserving the right to object, and I will not object, I simply say changing the date does not change the nature of this bill or the FDIC opposition to it.

So I hope none of my colleagues will be drawn into voting for it because we simply made a date change. It is a very bad solution to a very serious problem.

The PRESIDING OFFICER. Is there objection?

Mrs. HAWKINS. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. ZORINSKY addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Utah yield time?

Mr. GARN. I yield the remainder of my time -- I only have about 1 minute -- to the distinguished minority leader.

Mr. ZORINSKY. Mr. President, the amendment of the Senator from Illinois [Mr. Dixon] adds to the farm bill the provisions of S. 1151, a bill introduced by Senator Dixon and others earlier this year. The new provisions will provide much-needed temporary assistance to rural lenders while more comprehensive, long-term solutions are pursued.

The amendment provides that agricultural banks may write down problem loans from book value to fair market value, and deduct the amount written down over a period of time. Under current law, banks must deduct from capital the entire amount written off at the time of the writedown. Under the amendment, an agricultural bank may charge off the amount written down over a period of up to 30 years.

Mr. President, this amendment will allow banks to acknowledge the amount of bad debt and permit recognition of the extent of the financial problems in rural America.

I yield back the remainder of my time.

Mr. GARN. I yield back.

Mr. DIXON. I yield back the remainder of my time and ask for the yeas and nays.

The PRESIDING OFFICER. Is there sufficient second? There is a sufficient second.

The yeas and nays were ordered.

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Mr. GARN. Mr. President, I move to table and ask for the yeas and nays.

The PRESIDING OFFICER. Is there sufficient second? There is sufficient second. The yeas and nays were ordered.

The question is on agreeing to the motion of the Senator from Utah to lay on the table the amendment of the Senator from Illinois. On this question the yeas and nays were ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. SIMPSON. I announce that the Senator from North Carolina [Mr. East], the Senator from Arizona [Mr. Goldwater], the Senator from Nevada [Mr. Laxalt], the Senator from Oregon [Mr. Packwood], the Senator from Connecticut [Mr. Weicker], are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Missouri [Mr. Eagleton], the Senator from Massachusetts [Mr. Kennedy], the Senator from Vermont [Mr. Leahy], and the Senator from Mississippi [Mr. Stennis] are necessarily absent.

The PRESIDING OFFICER (Mr. Gorton). Are there any other Senators in the Chamber desiring to vote?

The result was announced -- yeas 47, nays 44, as follows:

(See Rollcall Vote No. 333 Leg. in the ROLL segment.)

So the motion to table amendment No. 1102 was agreed to.

[The following proceedings occurred after midnight.]

Mr. DOLE. Mr. President, I move to reconsider the vote by which the motion to table was agreed to.

Mr. HELMS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HELMS and Mr. PRESSLER addressed the Chair.

The PRESIDING OFFICER. The Senator from South Dakota.

AMENDMENT NO. 1103

Mr. PRESSLER. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from South Dakota [Mr. Pressler] proposes an amendment numbered 1103.

Mr. PRESSLER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the pending amendment insert the following:

Sec. 207. It is the Sense of the Senate that the Secretary of Agriculture shall promulgate standards requiring the accurate disclosure on the label of food products under the jurisdiction of the Department which accurately describes each ingredient in the product based on actual ingredient composition and shall require prominent disclosure of the presence of imitation dairy products.

Mr. PRESSLER. Mr. President, the amendment I am offering expresses the sense of the Senate that the Secretary of Agriculture promulgate rules and regulations to require clear and accurate labeling of food products under his jurisdiction. The amendment is primarily directed at the labeling of meat pizzas as containing cheese when the product contains a large share of imitation cheese.

With passage of the Federal Food, Drug and Cosmetic Act of 1938 the Federal Government established guidelines for the labeling of food products. Under the act, food imitations had to be labeled as such. In 1969 the White House Conference on Food, Nutrition and Health made recommendations favoring the abandonment of the use of the word imitation. As a result of 1973 the Food and Drug Administration proposed that the word "imitation" only be applied to foods which are "nutritionally inferior" to the food they purport to resemble. The term "nutritionally inferior" was proposed to be defined as "a reduction in the content of an essential vitamin or mineral or of protein that amounts to 10 percent or more of the U.S. recommended daily allowance." When the proposal was made, the majority of the comments submitted were in opposition to the change.

In 1980, USDA adopted a regulation for meat pizza products containing both cheese and cheese substitutes which established a ratio of at least one part of cheese per nine parts of imitation or substitute cheese. If the product meets this requirement, then the label on the main panel does not have to declare that the product contains imitation cheese. On August 5, 1984, USDA published a proposed rule on meat products containing imitation or substitute cheese. The proposal would have required a 6-percent-by-weight real cheese minimum in meat pizza products, and a principal display panel declaration when imitation or substitute cheese is used. A final rule has not been published.

The Senate should adopt this amendment for several reasons. First, a recent survey conducted by the Opinion Research Corp. established without a doubt that consumers expect to purchase a frozen pizza which contains 100 percent real cheese. In most cases the consumer is actually purchasing a pizza containing 90 percent imitation cheese. The survey also found that 96 percent of the consumers want to be notified on the principal display panel when substitute cheese is used. The current regulations do not effectively inform consumers of the content of the frozen meat pizzas they purchase.

Second, the use of imitation or substitute cheese product displaces real cheese. This reduces the sale of domestically produced dairy products and increases the cost of the dairy price support program. A study conducted by the University of Wisconsin found that dairy product imitations equal 30 percent of the overall market for dairy products. Cheese was also found to be the most vulnerable to increased competition from imitation products. Cheese production is the second largest utilizer of milk with consumption of 29 percent of milk production in 1984. In 1984 imitation cheese products accounted for an estimated 6.4 percent of the natural cheese production in the United States. Imitation cheese utilization in 1984 equaled 64 percent of the CCC purchases of cheese. A clear labeling of these imitation cheese products as imitations would result in an increased usage and sale of real dairy products. This could substantially reduce the cost of the dairy price support program.

Third, the major component of the imitation cheese which is used on many of the frozen pizzas sold in the United States is casein. A 1981 International Trade Commission study found that 36 percent of the casein imported into the United States was used to produce imitation cheese. The majority of casein is imported from the EEC and New Zealand. These countries heavily subsidize the production and export of casein. For example, in 1984 the EEC provided on the average, an export subsidy of approximately 95 cents per pound of casein. This heavy subsidy allows the imitation cheese pizzas to be sold at a lower price than pizzas using real cheese. The result has been an increase in the use of imitation cheese in frozen pizzas. A recent survey of 26 grocery stores found that pizza brands using imitation cheese outnumbered real cheese pizzas by a margin of 18 to 14. Imitation cheese was used in the production of meat pizzas by

20 different firms. Consumers should be made aware that they are purchasing pizzas containing imitation cheese and clearer labeling on the main panels of product containers is needed to accomplish this. The current policy not only deceives the consumer but also costs the taxpayer a substantial amount of money in additional dairy price support costs.

Mr. President, my amendment simply expresses the sense of the Senate. I would hope that the Secretary would take the action called for in the amendment and revise the labeling standards for meat products containing imitation cheese. I urge my colleagues to join me in support of this amendment.

Mr. President, I understand that the amendment has been agreed to on both sides.

Mr. HELMS. Mr. President, we are willing to accept the amendment on this side.

The PRESIDING OFFICER. Is there further debate? If not, the question is on agreeing to the amendment.

The amendment (No 1103) was agreed to.

Mr. ZORINSKY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. BOSCHWITZ. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The Senator from North Carolina.

Mr. HELMS. Mr. President, the Senator from Nebraska is seeking recognition to offer an amendment on his side of the aisle.

Mr. ZORINSKY. Mr. President, we have an amendment to offer on this side of the aisle.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from North Carolina.

Mr. HELMS. Mr. President, here are the amendments we have cleared. If Mr. Harkin is on the floor, we can take him next. We have cleared the amendments of Mr. Harkin, Mr. Ford, Mr. Chafee, Mr. Grassley, Mr. Durenberger, Mr. Boschwitz, and Mr. Abdnor, the first eight, and we have six or eight more.

We are going to decorate this Christmas tree in short order, so let us have a little order.

Is the Senator from Nebraska going to offer Senator Harkins' amendment?

Mr. ZORINSKY. Senator Harkin is present

AMENDMENT NO. 1104

Mr. HARKIN. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Iowa [Mr. Harkin] proposes an amendment numbered 1104.

Mr. HARKIN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the pending amendment add the following. At the appropriate place in the bill, add the following sections:

TITLE --

SECTION 1. SHORT TITLE.

This title may be cited as the "School Lunch and Child Nutrition Amendments of 1985".

SEC. 2. AUTHORIZATIONS OF APPROPRIATIONS UNDER THE CHILD NUTRITION ACT OF 1966.

(a) Special Supplemental Food Program. -- Section 17 of the Child Nutrition Act of 1966 is amended --

(1) in subsection (c)(2) by striking out "Subject to" and all that follows through "1984." and inserting in lieu thereof "Subject to amounts appropriated for the purpose of this program under subsection (g) -- ";

(2) in subsection (g) by striking out the first sentence and inserting in lieu thereof "There are authorized to be appropriated \$1,629,000,000 for fiscal year 1986 and such sums as may be necessary for each of the fiscal years 1987 and 1988 for the purpose of carrying out the program authorized by this section."; and

(3) in subsection (h)(2) by striking out "1984" and inserting in lieu thereof "1988".

(b) State Administrative Expenses. -- Section 7(i) of the Child Nutrition Act of 1966 is amended by striking out "1984" and inserting in lieu thereof "1988".

(c) Nutrition Education and Training. -- Section 19(j)(2) of the Child Nutrition Act of 1966 (42 U.S.C. 1788(j)(2)) is amended by striking out "1984" and inserting in lieu thereof "1988".

SEC. 3. AUTHORIZATIONS OF APPROPRIATIONS UNDER THE NATIONAL SCHOOL LUNCH ACT.

(a) Summer Food Program. -- Section 13(p) of the National School Lunch Act (42 U.S.C. 1761(p)) is amended by striking out "1984" and inserting in lieu thereof "1988".

(b) Commodity Distribution Program. -- Section 14(a) of the National School Lunch Act (42 U.S.C. 1762a(a)) is amended by striking out "1984" and inserting in lieu thereof "1988".

SEC. 4. FOOD SERVICE EQUIPMENT ASSISTANCE

(a) Grants. -- The National School Lunch Act is amended by inserting after section 4 the following new section:

"FOOD SERVICE EQUIPMENT ASSISTANCE

"Sec. 5. (a) Subject to the availability of appropriations, the Secretary shall make grants to school food authorities to assist in providing food service equipment. Such grants shall be awarded on the basis of need, as determined by the Secretary.

"(b) There are authorized to be appropriated \$1,000,000 for fiscal year 1986 and such sums as may be necessary for each of the fiscal years 1987 and 1988 for the purposes of this section."

(b) Definition. -- Section 12(d) of the National School Lunch Act is amended by inserting at the end thereof the

following new paragraph:

"(8) 'Food service equipment' means equipment used by schools in storing, preparing, or serving food for schoolchildren."

SEC. 5. INCLUSION OF WHOLE MILK AS A SCHOOL-LUNCH BEVERAGE.

Section 9(a) of the National School Lunch Act is amended by inserting after the first sentence the following: "In addition to such other forms of milk as the Secretary may determine, such lunches shall offer whole milk as a beverage."

SEC. 6. ELIMINATION OF REFERENCE TO FOOD STAMP PROGRAM ELIGIBILITY STANDARDS.

Section 9(b)(1)(A) of the National School Lunch Act is amended --

(1) by striking out in the second sentence "For the school years ending June 30, 1982, and June 30, 1983, the" and inserting in lieu thereof "The"; and

(2) by striking out the third sentence.

SEC. 7. AUTOMATIC ELIGIBILITY FOR CERTAIN PROGRAMS.

Section 9(b) of the National School Lunch Act is amended by inserting after paragraph (5) the following new paragraph:

"(6) Any child who is a member of a household under the food stamp program or a member of an AFDC assistance unit (under the aid to families with dependent children program under Part A of title IV of the Social Security Act), in a State where the standard of eligibility for such assistance does not exceed 130 per centum of the income poverty guidelines, shall be served a free lunch and breakfast without further application or eligibility determinations. For the purposes of any verification under paragraph (2)(C), proof of receipt of food stamps or AFDC shall be sufficient."

SEC. 8. LIMITATIONS ON MEAL CONTRACTING.

Section 9 of the National School Lunch Act is amended by inserting at the end thereof the following new subsection:

"(e) A school or school food authority participating in a program under this Act may not contract with a food service company to provide a la carte food service unless such company agrees to offer free, reduced-price, and full-price reimburseable meals to all eligible children."

SEC. 9. CHANGE IN TUITION LIMITATION FOR PRIVATE SCHOOLS.

(a) School Lunch Programs. -- Section 12(d)(5) of the National School Lunch Act is amended --

(1) in the first sentence by striking out "\$1,500" and inserting in lieu thereof "\$2,500"; and

(2) by inserting at the end thereof the following new sentence: "On July 1, 1986, and on each subsequent July 1, the Secretary shall prescribe an annual adjustment in the tuition limitation amount in the first sentence of this paragraph to reflect changes in the Consumer Price Index for All Urban Consumers during the most recent twelve-month period for which such data is available."

(b) Child Nutrition Programs. -- Section 15(c) of the Child Nutrition Act of 1966 is amended --

(1) in paragraph (A) by striking out "\$1,500" and inserting in lieu thereof "\$2,500"; and

(2) by inserting at the end thereof the following new sentence: "On July 1, 1986, and on each subsequent July 1, the Secretary shall prescribe an annual adjustment in the tuition limitation amount in the first sentence of this paragraph to reflect changes in the Consumer Price Index for All Urban Consumers during the most recent twelve-month period for which such data is available."

SEC. 10. USE OF SCHOOL LUNCH FACILITIES FOR ELDERLY PROGRAMS.

Section 12 of the National School Lunch Act is amended by inserting at the end thereof the following new subsection:

"(i) Facilities, equipment, and personnel provided to school food authorities for programs under this Act and under the Child Nutrition Act of 1966 may be used, as determined by the local educational agency, to support nonprofit nutrition programs for the elderly (including programs funded under the Older Americans Act)."

SEC. 11. STUDY OF A UNIVERSAL SCHOOL LUNCH PROGRAM.

The National School Lunch Act is amended by inserting at the end thereof the following new section:

"STUDY OF A UNIVERSAL SCHOOL LUNCH PROGRAM

"Sec. 24. The Secretary shall conduct a study to consider the feasibility of making the school lunch program a universal program for all children and to consider various methods of operating a self-financing school lunch program for all children, including reserving a separate source of revenue for any such program. The Secretary shall submit a report of such study to the Congress, together with any recommendations or proposals for legislation, by January 1, 1988."

SEC. 12. SIMPLICATION OF PROGRAM ADMINISTRATION.

The National School Lunch Act is amended by inserting at the end thereof the following new section:

"SIMPLIFICATION OF PROGRAM OPERATIONS

"Sec. 25. The Secretary shall conduct an analysis of program requirements under this Act and the Child Nutrition Act of 1966 to identify program changes that would simplify program operation at the local level. Within one year after the date of the enactment of this Act, the Secretary shall report the results of such analysis, together with any recommendations or proposals for legislation, to the appropriate committees of the Congress."

SEC. 13. RESTORATION OF CERTAIN KINDERGARTENS TO SPECIAL MILK PROGRAM.

Section 3(a) of the Child Nutrition Act of 1966 is amended in the first sentence immediately before ", and (2)" by inserting "(except that the preceding limitation shall not apply to kindergarten programs in such schools)".

SEC. 14. ADDITIONAL FUNDING TO IMPROVE SCHOOL BREAKFAST PROGRAM MEAL PATTERN.

(a) Additional Funding. -- Section 4(b) of the Child Nutrition Act of 1966 is amended by inserting at the end thereof the following paragraph:

"(3) The Secretary shall increase by 6 cents the annually adjusted payment for each breakfast served under this Act and section 17 of the National School Lunch Act to assist States in improving the nutritional quality of such breakfasts, to the extent feasible."

(b) Nutrition Requirements. -- The Secretary of Agriculture shall review and revise the nutrition requirements for meals served under the school breakfast program to improve the nutritional quality of such meals, taking into

consideration both the findings of the National Evaluation of School Nutrition Programs and the need to provide increased flexibility in meal planning to local school food service authorities. Not later than one hundred and eighty days after the date of enactment of this Act, the Secretary of Agriculture shall promulgate regulations to implement such revisions.

SEC. 15. EXTENSION OF OFFER VERSUS SERVE PROVISION TO THE SCHOOL BREAKFAST PROGRAM.

Section 4(e) of the Child Nutrition Act of 1966 is amended --

(1) by inserting "(1)" after "(e)"; and

(2) by inserting at the end thereof the following new paragraph:

"(2) At the option of the local school food authority, students in schools that participate in the school breakfast program under this Act may be allowed to refuse not more than one item of such breakfast which they do not intend to consume, and any such refusal of such offered food item shall not affect the full charge to the student for a breakfast meeting the requirements of this section or the amount of payments made under this Act to any such school for such breakfast."

SEC. 16. STATE ADMINISTRATIVE EXPENSES STUDY.

Section 7 of the Child Nutrition Act of 1966 is amended by inserting after subsection (i) the following new subsection:

"(j) The Secretary shall conduct a study of the allocation formula and procedures under section 7 of the Child Nutrition Act of 1966. Such study shall provide information on State costs and contributions for administrative expenses, as well as the merits of a State matching requirement. The Secretary shall submit a report of such study to the Congress, together with any recommendations, by January 31, 1986."

SEC. 17. COSTS FOR NUTRITION SERVICES AND ADMINISTRATION.

(a) Definition. -- Section 17(b) of the Child Nutrition Act of 1966 is amended --

(1) by striking out paragraph (1);

(2) by redesignating paragraphs (2), (3), and (4) as paragraphs (1), (2), and (3), respectively; and

(3) by inserting after paragraph (3), as so redesignated, the following new paragraph:

"(4) 'Costs for nutrition services and administration' means costs that shall include, but not be limited to, costs for certification of eligibility of persons for participation in the program (including centrifuges, measuring boards, spectrophotometers, and scales used for such certification), food delivery, monitoring, nutrition education, outreach, startup costs, and general administration applicable to implementation of the program under this section, such as the cost of staff, warehouse facilities, transportation, insurance, developing and printing food instruments, and administration of State and local agency offices."

(b) Conforming Changes. -- Section 17 of the Child Nutrition Act of 1966 is amended --

(1) by striking out "administrative funds" each place it appears in subsections (f)(11), (h)(2), (h)(3), and (h)(4), and inserting in lieu thereof "funds for nutrition services and administration"; and

(2) by striking out "administrative costs" each place it appears in subsection (h) and inserting in lieu thereof "costs

for nutrition services and administration".

SEC. 18. STATE ELIGIBILITY FOR WIC FUNDS.

Section 17 of the Child Nutrition Act of 1966 is amended in subsection (c) by inserting after paragraph (3) the following new paragraph:

"(4) A State shall be ineligible to participate in programs under this section if the Secretary determines that State or local sales taxes are collected within that State on purchases of food pursuant to this section."

SEC. 19. COORDINATION WITH AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM.

Section 17(f)(1)(K) of the Child Nutrition Act of 1966 is amended by inserting "the aid to families with dependent children program," after "child abuse counseling,".

SEC. 20. IMPROVING STATE AGENCY ADMINISTRATIVE SYSTEMS.

Section 17(g) of the Child Nutrition Act of 1966 is amended in the second sentence by inserting "providing technical assistance to improve State agency administrative systems," after "health benefits,".

SEC. 21. PRIORITY FUNDS FOR WIC MIGRANT PROGRAMS.

(a) Priority Funding. -- Section 17(g) of the Child Nutrition Act of 1966 is amended by inserting at the end thereof the following: "Of the sums appropriated for any fiscal year for programs under this section not less than nine-tenths of one percent shall be first available for services to eligible members of migrant populations. Such migrant services shall be provided in a manner consistent with a State's priority system for program participation."

(b) Accountability. -- To the extent possible, accountability for migrant services under section 17(g) of the Child Nutrition Act of 1966 (as amended by subsection (a) of this section) shall be conducted under regulations in effect on the date of the enactment of this Act.

SEC. 22. PAPERWORK REDUCTION.

Section 17(h)(1) of the Child Nutrition Act of 1966 is amended by inserting at the end thereof "The Secretary shall limit any such documentation required under the preceding sentence to a minimal level."

SEC. 23. APPORTIONMENT OF FUNDS.

Section 17(i) of the Child Nutrition Act of 1966 is amended --

(a) by inserting "(1)" after "(i)"; and

(b) by inserting after paragraph (1) (as so designated) the following new paragraph:

"(2) Notwithstanding any other provision of law, funds appropriated for a full fiscal year under this section shall be apportioned in such manner as shall ensure that not less than 70 per centum of the total funds appropriated for such fiscal year are obligated or expended by July 1 of such fiscal year, except that such requirement shall not apply to any supplemental appropriations enacted after January 1 of such fiscal year or to any funds reallocated pursuant to paragraph (1)."

SEC. 24. EXPENDITURE OF FUNDS FOR THE SPECIAL SUPPLEMENTAL FOOD PROGRAM.

(a) Expenditure of Funds. -- Section 17(i) of the Child Nutrition Act of 1966 is amended by inserting after paragraph (2) (as so designated in section 22 of this Act) the following new paragraph:

"(3) Notwithstanding any other provisions of law, not more than 2.5 per centum of any State's allocation under this section for supplemental foods for any fiscal year may be expended by such State for expenses incurred under this section for supplemental foods during the fiscal year preceding the fiscal year for which the sums were appropriated."

(b) Application. -- The amendments made by subsection (a) shall not apply to appropriations made before the date of enactment of this Act.

SEC. 25. NATIONAL ADVISORY COUNCIL.

(a) Vacancies. -- Section 17(k)(1) of the Child Nutrition Act of 1966 is amended by inserting at the end thereof "The Secretary shall fill any vacancy in the Council within ninety days."

(b) Meetings. -- Section 17(k)(3) of the Child Nutrition Act of 1966 is amended --

(1) in the first sentence by inserting immediately before the period "and shall ensure that the Council meets at least once every twelve months"; and

(2) by striking out the second sentence.

SEC. 26. STUDY OF CHILD NUTRITION PROGRAMS.

The Child Nutrition Act of 1966 is amended by inserting at the end thereof the following new section:

"STUDY OF CHILD NUTRITION PROGRAMS

"Sec. 21. The Secretary shall conduct a study of the effect on families of the school breakfast program, the child care food program, and other programs under this Act. Such study shall consider whether alternative nutrition delivery programs would strengthen families. The Secretary shall submit a report of such study to the Congress, together with any recommendations or proposals for legislation, by January 1, 1987."

SEC. 27. LIMITATION ON CHANGES IN INCOME FOR PROGRAM ELIGIBILITY.

The Secretary may not make any change in the method of calculating income, as in effect on January 1, 1985, used to determine eligibility for free or reduced-price meals, food supplements, or other assistance under the National School Lunch Act or the Child Nutrition Act of 1966, which would result in any reduction in, or denial of, such assistance, except as specifically directed in an enactment of law. The limitation under this section shall take effect on the date of the enactment of this Act and shall be effective through fiscal year 1986.

SEC. 28. EXTENSION OF ALTERNATIVE MEANS OF ASSISTANCE.

(a) Extension. -- Upon request to the Secretary of Agriculture, any school district receiving all cash or all letters of credit in lieu of commodities under the school lunch program on January 1, 1985, shall continue to receive all cash in lieu of commodities or all letters of credit in lieu of commodities through the school year ending June 30, 1987. Such school districts shall receive bonus commodities in the same manner as such commodities are made available to any other school district participating in the school lunch program.

(b) Compensation. --

(1) Upon request of a participating school district (and after consultation with the Comptroller General of the United States with respect to accounting procedures used to determine any losses), the Secretary of Agriculture shall provide cash compensation, subject to the availability of funds, to a school district which was participating in the school lunch pilot project study on or before the date of the enactment of this Act for losses sustained by the district as a result of the alteration of the methodology used to conduct the study during the school year ending June 30, 1983.

(2) For purposes of this subsection the term "school lunch pilot project study" means the study provided for in the last proviso of the matter under the heading "child nutrition programs" in title III of the Act entitled "An Act making appropriations for Agriculture, Rural Development, and Related Agencies programs for the fiscal year ending September 30, 1981, and for other purposes", approved December 15, 1980 (94 Stat. 3113).

(3) There are authorized to be appropriated such sums as may be necessary to carry out this subsection.

SEC. 29. NATIONAL DONATED COMMODITY PROCESSING PROGRAMS.

(a) Reprocessing Agreements. -- Whenever a commodity is made available without charge or credit under any nutrition program administered by the Secretary of Agriculture, the Secretary shall encourage consumption of such commodities through agreements with private companies under which the commodity is reprocessed into end food products for use by eligible recipient agencies. The expense of such reprocessing shall be paid by such eligible recipient agencies.

(b) Settlement of Accounts. -- To be eligible to enter into any agreement with the Secretary of Agriculture under subsection (a), a private company shall annually settle all accounts with the Secretary and any appropriate State agency regarding commodities processed under such an agreement.

SEC. 30. TECHNICAL AND CONFORMING AMENDMENTS.

(a) School Lunch Programs. -- The National School Lunch Act is amended --

(1) in section 12(d) by inserting at the end thereof the following new paragraph:

"(9) 'Secretary' means the Secretary of Agriculture."; and

(2) by redesignating the second section 22 as "Sec. 23".

(b) Child Nutrition Programs. -- The Child Nutrition Act of 1966 is amended --

(1) in section 4(a) by striking out "Health, Education, and Welfare" and inserting in lieu thereof "Health and Human Services";

(2) in section 17(e)(2) by striking out "Health, Education, and Welfare" and inserting in lieu thereof "Health and Human Services";

(3) in section 17(k)(1) and (2) by striking out "Health, Education, and Welfare" each place it appears and inserting in lieu thereof "Health and Human Services"; and

(4) in section 19(d) (2) and (3) by striking out "Health, Education, and Welfare" each place it appears and inserting in lieu thereof "Health and Human Services".

SEC. 31. EFFECTIVE DATES.

(a) General Provision. -- Except as otherwise provided, the provisions of this title shall take effect on the date of the enactment of this Act.

(b) Exceptions. --

(1) The provisions of sections 4, 5, 7, 9, 11, 13, 14, 16, 17, 19, 20, 21, 22, 23, 24, and 26 shall take effect on October 1, 1985.

(2) The provisions of section 18 shall apply to a State beginning with the fiscal year which commences after the end

of the first regular session of the State legislature following the date of the enactment of this Act.

(3) The provisions of section 29 shall take effect July 1, 1985 and shall not have effect after October 15, 1987.

Mr. HARKIN. Mr. President, I ask unanimous consent that this amendment be laid over until tomorrow and that it be the pending business when the Senate convenes tomorrow.

Mr. HELMS. Mr. President, I object. That is not part of the agreement which we had about proceeding.

Mr. HARKIN. Mr. President, I was just laying down an amendment. I thought there was to be an amendment laid down for tomorrow. I sought recognition to have it laid down for tomorrow.

Mr. HELMS. What is the amendment?

Mr. HARKIN. My amendment deals with the child nutrition program.

Mr. HELMS. As I indicated earlier, Mr. President, it was on the basis of the clarification amendment that the Senator was recognized.

Mr. President, I object.

Mr. ZORINSKY1T1. Mr. President, will the Senator yield?

Mr. HELMS. Yes.

Mr. ZORINSKY. If the Senator will remember, the amendment that he has has been cleared on both sides of the aisle. The Senator from North Carolina did announce that now we would take up all those amendments that have been cleared on both sides of the aisle and pass them by unanimous consent, by voice vote. As a matter of fact, that one we were going to do for the Senator from Iowa.

The laying down of the amendment for tomorrow morning would be precluded until we have finished. We have a list of something like 12 or 15 amendments which have been cleared on both sides of the aisle. If we can finish that commitment, then I guess the chairman of the committee would be open for whatever is to be laid down for tomorrow.

The PRESIDING OFFICER. Does the Senator withdraw his amendment?

Mr. HARKIN. Mr. President, I do not. I do not wish to withdraw it.

Several Senators addressed the Chair.

Mr. HELMS. Mr. President, I move to table the amendment. Comity has vanished from this Chamber, I would say.

Several Senators addressed the Chair.

Mr. BYRD. Mr. President, I hope that is not true. Would the distinguished Senator from North Carolina allow the Senator from Iowa to at least finish his sentence before he moves to table?

The PRESIDING OFFICER. The Senator from North Carolina was not recognized.

Mr. BYRD. Who has the floor?

The PRESIDING OFFICER. The Senator from Iowa.

Mr. BYRD. If he has the floor, the motion to table cannot be made.

Mr. HARKIN. Mr. President, I was not privy to what all was going on. I thought I was recognized to offer an amendment and I offered an amendment dealing with an issue that I have had here all day today which I have been trying to offer.

Mr. CHAFEE. Will the Senator from Iowa yield for a question?

Mr. HARKIN. I will yield for a question only.

Mr. CHAFEE. As I understood what has taken place here this evening, it was that the chairman of the committee announced a series of amendments which were going to be accepted by unanimous consent on both sides. He went through the order pointing out the amendments. Mr. Harkin apparently has one, then Senator Ford, then I have one, and he went on down the list.

Suddenly into the midst of this comes an amendment which is not under this agreement. I wonder if the Senator would withdraw his amendment and permit the rest of us to go ahead, those who have abided by the agreement and who waited so patiently all day for the opportunity to have these amendments accepted, accepted by your side as well as ours.

Mr. HARKIN. I think the Senator from Rhode Island has made clear what the situation is. As I understand it -- --

Mr. BOSCHWITZ. May I say that the Senator's amendment is the first one on the list that the chairman of the committee has. That is why he turned to you. It was for another amendment, not this amendment. That is why he turned to you and suggested that you receive recognition.

Mr. HELMS. The Record will show that I identified each amendment.

The PRESIDING OFFICER. The Senator from Iowa has the floor.

Mr. HARKIN. Mr. President, the agreement has been reached that there will be no more votes. I understood that there would be no more votes. That is why I asked that this amendment be laid over until tomorrow, to have the vote on it tomorrow. I have been waiting for a long time to offer this amendment today. I sought recognition before and did not get it. I thought that I was recognized for the purpose of offering an amendment.

If the agreement has been reached that there will be no more votes today, I only ask that it be laid over until tomorrow. I thought that the amendment of the Senator from South Dakota was going to be laid over, but it was not. This amendment could be the first order of business in the morning. We would not have to vote on it tonight. It could be the first order of business in the morning.

Mr. President, I will yield for a question.

Mr. HELMS. Mr. President, we have no alternative from here on out. We will give the Senator preferential treatment.

Has the amendment been stated?

The PRESIDING OFFICER. It has been.

Mr. ZORINSKY. Will the Senator from North Carolina yield?

Mr. HELMS. Yes.

Mr. ZORINSKY. Mr. President, I just want to apologize to the Senator from North Carolina. Because the Senator from Iowa was seeking recognition, I grabbed the Senator from North Carolina and pointed to the Senator from Iowa

because in my opinion he was going to offer an amendment cleared on both sides of the aisle. I had the assurance of the Senator from North Carolina, assuring the recognition of the Senator from Iowa to offer the amendment which had been cleared. I apologize.

Mr. HELMS. No apology is necessary.

Mr. HARKIN. Mr. President, in order to expedite the proceedings, and again I do not want to cause any undue disruptions on the floor of the Senate, and I certainly do not want to keep people here or bring people back who have already gone for a vote -- that was not my intention at all, to call for a vote; my intention was only to lay down the amendment for tomorrow -- if the understanding was that only amendments would be brought up that were cleared before -- and that was not my understanding of it, but from what the Senator from Rhode Island has said, which clarified it for me more than anybody else, that that was the agreement -- if that is the agreement, in order to expedite the proceedings and in the spirit of comity, I withdraw the amendment.

The PRESIDING OFFICER. Does the Senator from Iowa wish to ask for the consideration of the amendment on which there was an agreement?

Mr. DOLE. The ACP amendment.

Mr. HELMS. The ACP amendment. Does the Senator wish to call it up?

Mr. HARKIN. I do not have it. I do not know where that amendment is. Somebody has a copy of it somewhere.

AMENDMENT NO. 1105

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Iowa [Mr. Harkin] proposes an amendment numbered 1105.

At the end of the amendment insert:

On Page 345, strike out lines 10 and 11 and insert in lieu thereof the following:

"Subject to such plan do not exceed the standards determined by the Secretary of Agriculture. The Sec-"

Mr. HARKIN. Mr. President, I will not take much time. This is a technical change requested by the Department of Agriculture which I think makes a lot of sense. It will clear up some misunderstandings in the ACP Program.

The PRESIDING OFFICER. The Senator from North Carolina.

Mr. HELMS. We are ready to proceed with the amendment.

Mr. ZORINSKY. It is cleared on this side of the aisle.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Iowa.

The amendment (No. 1105) was agreed to.

Mr. ZORINSKY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HELMS. I move to lay that motion on the table.

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The motion to lay on the table was agreed to.

AMENDMENT NO. 1106

(Purpose: To expand the study currently being conducted by the National Academy of Sciences on agriculture education at the secondary school level to include a study of potential uses of modern technology in the teaching of agriculture at the secondary level)

The PRESIDING OFFICER. The Senator from Kentucky.

Mr. FORD. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Kentucky [Mr. Ford], for himself, Mr. Hecht, and Mr. Bingaman proposes an amendment numbered 1106.

Mr. FORD. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the pending amendment, add the following:

On page 301, between lines 11 and 12, insert the following new section:

EXPANSION OF STUDY

Sec. 1526. (a) The Secretary of Agriculture and the Secretary of Education shall take such joint action as may be necessary to expand the scope of the study, known as the Study of Agriculture Education on the Secondary Level, currently being conducted by the National Academy of Sciences and sponsored jointly by the Departments of Agriculture and Education to include --

(1) a study of the potential use of modern technology in the teaching of agriculture programs at the secondary school level; and

(2) recommendations of the National Academy of Sciences on how modern technology can be most effectively utilized in the teaching of agricultural programs at the secondary school level.

(b) Any increase in the cost of conducting such study as a result of expanding the scope of such study pursuant to subsection (a) shall be borne by the Secretary of Agriculture out of funds appropriated to the Department of Agriculture for research and education or from funds made available to the National Academy of Sciences from private sources to expand the scope of such study.

Mr. FORD. Mr. President, today I am offering an amendment to compliment this the 1985 farm bill. I feel the amendment will provide for the long-term implications of a changing industry. I am joined in offering this amendment by Senators Bingaman and Hecht.

Currently, 500,000 high school student are studying vocational agriculture. Over 13,000 of these students are in the Commonwealth of Kentucky. I believe that as farmers and agri-business leaders of the future, our young people deserve to have the best opportunity to master the skills associated with agriculture and new emerging technologies.

Young people who plan a career in farming or agriculture have a greater challenge facing them than ever before.

Farming has become more complex in recent years, both in actual farm practices and in managing farm cash-flow. Many farmers are finding that tools of modern technology, such as computers, are helping them keep pace with the constantly changing environment of agriculture.

Over the past decade, farm productivity has increased dramatically. Output under current conditions exceeds demand. Production costs are climbing, but a cost of a valuable and emerging tool for controlling production inputs is actually declining. Emerging technology will be used to help a farmer to be more efficient and become better managers. Personal computers, as an example, which today sell for under \$2,000 have more capabilities that far exceed those machines which cost \$50,000 just a few years ago.

The emerging technology is geared to be used by the family farmer. A recent article in Electronics Week expounded upon the ways in which automation may save farmers. A report by the Office of Technology Assessment proposed that many moderately sized farms could be saved if new technologies and training were made available to farmers.

For this reason, I am offering an amendment along with Senators Bingaman and Hecht to require that a study of agricultural education now under way at the National Academy of Science be expanded to include recommendations for equipping these high schools with the tools of modern technology.

Included in that report should be specific recommendations on how the study of math, and basic sciences should be incorporated into the curriculum to build a stronger educational base for these technologies. In addition, I hope the report will suggest ways that Government and private enterprise can work together to equip these high school programs so students can get hands on experience.

For that reason, I have included in the amendment that any additional costs associated with expansion of this study be covered by private contributions.

I am encouraged by the fact that over a half of million of our young people are interested in pursuing a career in agriculture. However, I feel that a great debt is owed to these young folks. We must be sure to provide all the necessary tools and advantages so that their future may be as bright as possible.

Currently fewer than 10 percent of our Nation's 600,000 full-time farmers own personal computers. By contrast about 30 percent of nonagricultural small businesses use them. Computers can help farmers by automatically gathering information, over telephone lines, about weather, insects and commodity prices to paint a picture of outside factors which affect them. They are also useful tools efficiently managing cash-flow.

While computers are available today to help farmers. The future holds devices such as electronic cowbells to track how much a specific animal eats and how much milk it produces. Robotic harvesting is also being developed. This will incorporate microcomputers using special cameras to look for fruit or vegetables ready to ship to market. Mechanical telescopic arms would then pick the sighted fruit or vegetable.

Developers of these and other technologies say their goal is not to replace the farmer, but to help him do his job better with lower production costs and better quality products.

While Congress must develop policies that stabilize farm markets in the future, we must also encourage development and use of new technologies that provide young farmers the edge they need to compete and profit in the farm economy. The last Census of Agriculture showed that there were 4,200 fewer farmers age 25 and under nationwide than 4 years earlier. We must reverse this trend by assuring our young people of a promising future in farming.

Mr. HELMS. Mr. President, we find the amendment acceptable on this side.

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Mr. ZORINSKY. This side of the aisle supports passage of the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Kentucky.

The amendment (No. 1106) was agreed to.

Mr. FORD. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. ZORINSKY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. FORD. I thank the two distinguished floor leaders.

AMENDMENT NO. 1107

(Purpose: To permit the Secretary of Agriculture to grant or sell to local or State governments or private nonprofit organizations for conservation purposes the development rights to real property acquired by the Farmers Home Administration separately from the underlying fee possessed by the United States)

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. CHAFEE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Rhode Island [Mr. Chafee] proposes an amendment numbered 1107.

Mr. CHAFEE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment follows:

At the appropriate place in the pending amendment, add the following:

On page 365, line 15, insert "(a)" after the section designation.

On page 365, strike out lines 20 through 22 and insert in lieu thereof the following:

(2) in subsection (c) --

(A) by striking out "The" in the first sentence and inserting in lieu thereof "Except as provided in subsection (e), the"; and

(B) by adding at the end thereof the following new sentence: "Notwithstanding the preceding sentence, the Secretary may for conservation purposes grant or sell an easement, restriction, development rights, or the equivalent thereof, to a unit of local or State government or a private nonprofit organization separately from the underlying fee or sum of all other rights possessed by the United States."; and

On page 368, line 16, strike out "amendment" and insert in lieu thereof "amendments".

Mr. CHAFEE. I wonder if we might have order, Mr. President.

The PRESIDING OFFICER. The Senate will be in order.

Mr. CHAFEE. Mr. President, America's farmlands are disappearing at an alarmingly rapid rate. During the 1970's, slightly over 1 million acres of rural land were converted to urban or transportation uses.

With farm foreclosures on the rise, the Farmers Home Administration -- as the farm lender of last resort -- stands to acquire a massive amount of farmland in the very near future. It already holds in its inventory over 1 million acres of land which it has acquired through foreclosure. How it disposes of this land will -- to a great extent -- determine our success in keeping good land in agriculture.

The problem my amendment addresses is this: Farmers Home has taken the position that current law does not permit it to sell the development rights to a parcel of land separately from the property itself. This closes off an option which has been invaluable in the preservation of farmland -- the purchase of development rights.

The purchase of development rights is a creative and cost-effective way to preserve open spaces -- and particularly farmland. When a local government or nonprofit land conservation group is interested in preserving a particular piece of prime farmland, it can step in and offer to purchase the development rights. In so doing, it bridges the gap between the land's farm value and its development value. In many areas, this gap is so large as to make it financially impossible for working farmers to keep or acquire good land. Six States have enacted purchase-of-development-rights programs, or PDR programs, and have established funds for this purpose.

But this option is not available in the case of land offered for sale by Farmers Home -- land which it has acquired through foreclosure. The result is that those who wish to preserve farmland are put into direct competition with well-heeled developers and land speculators. Few farmers, State and local governments, or nonprofit conservation groups can afford to win or even fight such a bidding war.

My amendment would address this problem by expressly permitting Farmers Home to sell the development rights to property separately from the property itself. This would clarify a major area of confusion under the current law.

In one particular case, my State wants to purchase such a conservation easement from Farmers Home before the Agency sells the land. The Agency is willing to sell, but its lawyers say that current law prevents them from doing so. We are currently at an impasse, even though all the policymakers and administrators seem to agree that the transaction would be in the interests of all concerned.

This amendment would make it clear beyond a shadow of a doubt that Farmers Home may grant or sell conservation easements separately from the underlying property, just as it may grant or sell a highway right-of-way.

This change would work to the benefit of all concerned. It would benefit farmers in general, by keeping farmland affordable in areas where it is becoming increasingly scarce. It would benefit the individual farmers who take advantage of this option, by reducing their tax liability and allowing them to stay in farming. And it would stretch State and local conservation dollars at a time when it is becoming prohibitively expensive to acquire tracts of land: Entities interested in preserving a particular parcel of farmland need not buy full title to the property in order to preserve it; they need only buy the development rights.

These rights would be valued at the difference between the farm-use value of the land and its development value. Thus, from the standpoint of revenue to the Federal Government, the effect would be the same as if the land had been sold to a single buyer.

In many areas, the nonfarm value of the land vastly exceeds its farm value because of the pressure of commercial residential development. The ability to purchase development rights is absolutely critical to farmland preservation in such cases.

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In my home State of Rhode Island, farmland totals about 30,000 acres -- less than one-third of what it was 40 years ago. And according to a Federal study, Rhode Island may have no farmland at all by the turn of the century, if current trends continue.

On Tuesday, November 5, voters in my State overwhelmingly approved a bond referendum to replenish the fund with which the State purchases conservation easements. This program was established 3 years ago, and thus far, the State has used it to buy the development rights to 1,000 acres of land.

This amendment would buttress similar efforts now underway in many States to preserve quickly-disappearing tracts of farmland, thus assuring that it will remain available and affordable to many future generations of farmers.

I urge my colleagues to lend their support to this amendment, and I ask unanimous consent that a copy of an article from the Providence Journal on the purchase of development rights program currently underway in Rhode Island be printed in the Record.

There being no objections, the article was ordered to be printed in the Record, as follows:

[From the Providence Journal, Aug. 15, 1985]

STATE WILL SPEND \$703,000 To Save 200 Farming Acres

DEVELOPMENT RIGHTS TO BE BOUGHT TO THREE FARMS UNDER NEW PROGRAM TO HELP PRESERVE FARMLAND

(By Scott MacKay)

The state will buy development rights to three farms, in Warren, Little Compton and Portsmouth, to ensure that about 200 acres will never be commercially developed, it was announced yesterday.

Buying the development rights will cost \$703,000 and marks the first purchases using money from a \$2-million agricultural-land preservation fund approved by voters in 1982, said Robert L. Bendick Jr., director of the state Department of Environmental Management.

Under the program, a landowner retains ownership but agrees never to use the land for anything but farming. The provision remains in the deed so all future buyers of the property are barred from developing it.

In return, the landowner receives a state payment based on an assessment of what the land would be worth if developed.

It is designed to save the state's few remaining farms from developers' bulldozers. Massachusetts, New Jersey, Washington and Connecticut have similar programs.

Bendick said it will guarantee that another generation of Rhode Islanders will make a living from the land. Without the possibility of development, the land can be sold only for what it is worth as a farm, meaning that a young farmer can afford to get a start in the business.

Largest of the three is the Chace Farm, a dairy farm owned by Doris Chace of Warren. The 250-acre farm straddles the Massachusetts border, with about 145 acres in Warren, the rest in Swansen, Mass.

The rolling acres that hug the Kickamult River have been farmed since the 1680s, Mrs. Chace said. Now, it is one of about 80 dairy operations left in the state, according to DEM spokesman Stephen Morin.

The state will pay \$435,000 for development rights to the 145 acres in Rhode Island. Mrs. Chace said she is seeking

to sell development rights to the Swannea portion to Massachusetts under a similar program there.

Rights to a 17-acre vegetable farm next to the Transcom Electronics Inc. factory, off Route 138 in Portsmouth, will be bought for \$83,000, and rights to 34 acres used for growing potatoes off Old Main Road in Little Compton will be bought for \$185,000. Lawrence Thurston owns the Portsmouth farm; Jason Peckham owns the Little Compton land.

Mrs. Chace and her late husband, Robert, bought the Warren farm in 1946. The couple raised six children there. Mrs. Chace's son, Robert Jr., 38, helps his mother manage the herd of 110 Holsteins.

Subject to the vagaries of the milk market and federal farm-support programs, dairying has always been a precarious business, said Robert Chace Jr. It has gotten tougher in recent years because Congress, faced with a nationwide milk surplus, has cut federal support.

"There is not much profit in farming," said William Stamp Jr. of Cranston, president of the Rhode Island Farm Bureau. "A lot of farmers say, 'I can't make a living on this; enough is enough, and let's sell it'" for development.

"Having the State of Rhode Island purchase the rights is the only way we are going to keep any agricultural land," said Stamp.

A 1976 federal Soil Conservation Service study showed that Rhode Island was one of four states that would lose all its farmland to development by the end of the century, according to Merlin. "This study was based on the rate of farmland lost," he said.

"There is no way I would be able to survive without this," said Chace yesterday afternoon. Pointing to his cows, he said, "I can't squeeze enough milk out of them to pay the taxes."

A quarter-mile from busting Route 136, Chace's land would be worth between \$8,000 and \$10,000 an acre if it were subdivided for housing lots, Chace said. As farmland, it is worth between \$800 and \$1,400 an acre, he said.

Chace said he will benefit in several ways. He will now pay taxes only on what the land is worth for farming and will have \$43,500 in new capital from the sale of the development rights to put into the farm.

And his four children will have the choice of continuing the family farming tradition. "I don't know if my kids want to continue," said Chace. "But if they pave it over, it is gone."

More than 40 farmers have applied for the program, Bendick said. The \$2 million fund is administered by the State Agricultural Land Preservation Commission, of which Bendick is chairman.

Commission members choose eligible farms based on the likelihood the soil can support a profitable farm and the proximity to development, Bendick said. "We don't just want open land on gentlemen farms," said Bendick. "We want to preserve working farms in Rhode Island."

The price for the development rights is arrived at after appraisals and surveys of the farms, according to Bendick. The amount of land that can be preserved is limited by the size of the fund but Bendick said yesterday that voters will be asked this fall to authorize another \$2 million bond issue for more development purchases.

In Massachusetts, rights to 13,550 acres have been bought for \$24 million, according to Christine Sullivan of the Massachusetts Department of Food and Agriculture. The state is negotiating for 3,000 more acres, including the Swansen part of the Chace farm, Sullivan said.

Mr. HELMS. Mr. President, I commend the Senator from Rhode Island for bringing this situation to our attention.

As I understand this amendment, it would allow the Secretary of Agriculture to grant or sell an easement,

restriction, or development rights for property acquired by the Farmers Home Administration to local or State governments or private nonprofit organizations.

This transaction would allow prime farmland to remain in agricultural use which otherwise might be sold for development purposes.

The problem which the Senator from Rhode Island seeks to address is that in some cases the value of certain prime farmland is greater for development purposes than for agriculture. Based solely on its economic value, the land would be removed from farming even though it is necessary that we retain such land in agriculture for the future production of food and fiber in this country.

This amendment would allow for the land to be sold, for agricultural use only, after the development rights were purchased by a unit of Government or nonprofit organization. In this manner Congress would ensure that the Government receives fair market value for its surplus FmHA property since the difference in price of such land would be made up through the sale of the development rights.

In this way, land which has special value for farming might be preserved for agricultural use instead of being sold for development purposes.

The Government's interests would be fully protected since FmHA would receive full value through the sale of the development rights plus the sale of the land with a farm-use-only restriction.

I urge the adoption of this amendment.

Mr. ZORINSKY. Mr. President, the amendment has been cleared on this side of the aisle. We recommend its approval.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Rhode Island.

The amendment (No. 1107) was agreed to.

Mr. HELMS. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. ZORINSKY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. CHAFEE. I thank the floor managers.

Mr. DURENBERGER addressed the Chair.

The PRESIDING OFFICER. The Chair advises the next amendment on the list is of the Senator from Iowa. Is that amendment to be presented by the Senator from North Carolina?

AMENDMENT NO. 1108

(Purpose: To require the Secretary of Agriculture to provide loan guarantees and grants to nonprofit national rural development and finance corporations)

Mr. HELMS. Mr. President, on behalf of the Senator from Iowa, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from North Carolina [Mr. Helms], for Mr. Grassley, proposes an amendment numbered 1108.

Mr. HELMS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the pending amendment, add the following:

On page 377, between lines 20 and 21, insert the following new section:

NONPROFIT NATIONAL RURAL DEVELOPMENT AND FINANCE CORPORATIONS

Sec. . (a)(1) For the fiscal year ending September 30, 1986, the Secretary of Agriculture (hereafter in this section referred to as the "Secretary") shall guarantee loans made by public agencies or private organizations (including loans made by financial institutions such as insurance companies) to nonprofit national rural development and finance corporations that establish similar and affiliated statewide rural development and finance programs for the purpose of providing loans, quarantees, and other financial assistance to profit or nonprofit local businesses to improve business, industry, and employment opportunities in a rural area (as determined by the Secretary).

(2) To be eligible to obtain a loan quarantee under this subsection, a corporation must --

(A) demonstrate to the Secretary the ability of the corporation to administer a national revolving rural development loan program;

(B) be prepared to commit financial resources under the control of the corporation of the establishment of affiliated statewide rural development and finance programs; and

(C) have secured commitments of significant financial support from public agencies and private organizations for such affiliated statewide programs.

(3) A national rural development and finance corporation receiving a loan guarantee under this subsection shall base a determination to establish an affiliated statewide program in large part on the willingness of States and private organizations to sponsor and make funds available to such program.

(4) Notwithstanding section 346(b)(2)(A) of the Consolidated Farm and Rural Development Act (as amended by section 1715 of this Act) or any other provision of law, for the fiscal year ending September 30, 1986, of the amounts available to guarantee loans in accordance with section 310B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932) from the Rural Development Insurance Fund, \$20,000,000 shall be used by the Secretary to guarantee loans under the national rural development and finance program established under this subsection, to remain available until expended.

(b)(1) For the fiscal year ending September 30, 1986, the Secretary shall make grants, from funds transferred under paragraph (2), to national rural development and finance corporations for the purpose of establishing a rural development program to provide financial and technical assistance to compliment the loan quarantees made to such corporations under subsection (a).

(2) All funds deposited in the Rural Development Loan Fund under sections 623(c)(1) and 633 of the Community Economic Development Act of 1981 (42 U.S.C. 9812(c)(1) and 9822) that are available on the date of enactment of this Act shall --

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(A) be transferred to the Secretary for the purpose of making grants under paragraph (1); and

(B) remain available until expended.

Mr. GRASSLEY. Mr. President, I want to emphasize from the outset that although this amendment will provide essential Federal assistance for the development of new jobs in rural areas by stimulating private investment in off-farm enterprises, we do not propose to add a single dollar to the 3-year cost of this bill. Our amendment would simply direct that the \$20 million annual loan guarantee authorization provided by this bill for the amended 310(b) of the Consolidated Farm and Rural Development Act would be utilized by the Secretary to stimulate private, off-farm, job-creating, rural economic and business development and transfer to the Secretary available funds from section 623(c)(1) of the Community Economic Development Act of 1981 for these same purposes.

Mr. President, most of S. 1714 seeks to address the problems on the farm in these disastrous times for rural America. Historically whenever the farm economy has taken a downward turn -- and even when times were relatively good -- farmers and farm families have sought off-farm supplemental employment to sustain family income. There is, unfortunately, precious little diversity in the economies of rural communities. So much of the local economy is directly related to the farm. When an economic crisis of current proportions hits rural America, not only do individual farms and cooperatives fail but entire communities begin to wither and die. When this happens there is little hope left for farm families to find off-farm supplemental employment that will provide survival income and hope for holding on to the family farm.

The goal of this amendment is to establish a National Rural Development and Finance Program with State affiliates. The program would be designed to stimulate off-farm diversified, small enterprises generating supplemental employment for farm families.

This program would build upon the successful single project efforts of the nonprofit National Rural Development and Finance Corporation in several States throughout rural America. These projects have leveraged 3 1/2 times the investment dollars loaned by the nonprofit corporation and have resulted in the creation of approximately one, new, full-time equivalent job for every \$8,000 loaned by the nonprofit corporation. The program, with its State affiliates, would continue to attract private and philanthropic dollars and would require sponsorship and financial support from State governments.

The amendment would not add any new cost to S. 1714. It would redirect to this program \$20 million of the loan guarantees authorized by S. 1714. It would also redirect to this program the balance of already appropriated but still unobligated moneys -- approximately \$13.8 million in rural development loan funds authorized by the Community Economic Development Act. This last fund was established to assist rural development in small communities but has not made a loan in over 2 years. However, the Agency spends \$600,000 a year for the management of the program.

It is anticipated that this small amount of loan guarantees and rural development funds would be sufficient to initiate rural development and finance programs in each State interested in establishing an affiliated program. The goal is to involve more than 20 States throughout rural America.

The program would be administered by the National Rural Development and Finance Corporation, if the Secretary of Agriculture decides this is the nonprofit organization to administer the program. There would be no administrative costs to the Department or the Federal Government.

Please allow me to give you a little background on how we see this program working. Over the past 2 to 3 years as we have seen farm income erode, farmers have found it necessary to look for off-farm jobs to produce added income to supplement their incomes.

By providing this seed money it is hoped that we will be able to expand a proven program to help encourage small business to be established in rural communities of 25,000 or less. Loans at lower than market rates would be provided to

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developers who would start businesses to provide jobs for those workers that are presently unemployed or need the second income to keep their farms going. The money would be used for capital expenses, startup costs, and working capital. A direct hands-on program would be developed to work with a new business to ensure the success of that business.

In the past, National Rural Development and Finance Corporation has worked to develop such a program on a limited basis using funds originally administered by USDA and later transferred to the community services administration. They have maintained a successful revolving loan fund making lower interest loans to higher risk rural ventures benefiting poor farmers and their communities. An advantage to utilizing a successful nonprofit corporation for this program is that guaranteed loans would be made to such a corporation by national financial institutions within the timeframe and be reloaned to the State program or its individual projects as they are made ready.

We believe that with this limited loan guarantee authority and the momentum provided by stimulating new loans from financial institutions, along with the interest demonstrated by foundation sources in such a program, the sponsorship and contributions of participating States, and the transfer funds from the Community Economic Development Act authority that this could be an ongoing national program.

The National Rural Development and Finance Corporation is already working with 10 State officials to develop a State rural development and finance package.

The Secretary would maintain full authority to regulate this program, select the corporation(s) to administer it, and monitor and audit their performance. We see this as a one-time commitment on the Federal Government's part -- not a program that would continue to come back again and again for assistance.

In Iowa, and in several other farm States, State officials have been working with the National Rural Development and Finance Corporation to generate loans for individual off-farm rural economic development projects. For every dollar loaned this group for such projects, \$3 1/2 additional business development have been leveraged for each project. The average off-farm economic development project loan made by this group totaled approximately \$85,000 and generated an average of 40 new jobs in diversified businesses and industries. These 40 new jobs have the potential of providing supplemental income to as many as 100 farm families in a year since a significant portion are less than full-time jobs.

If we can utilize this small amount of seed money to involve States across rural America in a program that will leverage much larger amounts for rural business development in diversified industries, we will help farm families and farm communities save themselves in the short term and greatly strengthen themselves for the long term. We anticipate that the nonprofit corporation will seek support, as they have in the past, from national and regional insurance companies which serve rural constituencies and national philanthropic organizations interested in rural issues, enabling them to expand their lending capacity. This will all be done without adding additional costs to the farm bill or Federal agencies. The money already appropriated in existing accounts would be directed to a program that has shown it can stimulate diversified development and off-farm supplemental employment in the rural economy at a time when the administration is killing the Farmers Home Administration's business and the industrial loan program which, in the past, has helped to provide this type of assistance.

I urge my fellow Senators to join in supporting this amendment.

Mr. ZORINSKY. Mr. President, the amendment has been cleared on this side. We recommend its passage.

Mr. HELMS. I move its approval, Mr. President.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Iowa.

The amendment (No. 1108) was agreed to.

Mr. ZORINSKY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. McCLURE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 1058, AS MODIFIED

(Purpose: To establish a National Advisory Commission on Rural America)

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. DURENBERGER. Mr. President, I call up amendment numbered 1058, as modified, and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Minnesota [Mr. Durenberger] for himself, Mr. Grassley, Mr. Abdnor, Mr. Boschwitz, Mr. Leahy, Mr. Pryor, Mr. Exon, Mr. Danforth, Mr. Armstrong, Mr. Mitchell, Mr. Harkin, Mr. Andrews, Mr. Dixon, and Mr. Levin, proposes an amendment numbered 1058, as modified.

Mr. DURENBERGER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the amendment insert:

On page 459, between lines 18 and 19, insert the following new subtitle:

Subtitle D -- National Advisory Commission on Rural America

Sec. 1930. Findings and Purposes.

(a) Congress finds that:

(1) The conditions which attend the farm crisis, including the decline in farm income, farm property values, and available credit, are having serious adverse effects on rural enterprises which derive their principle support from the farm industry;

(2) These enterprises together with the farm industry that supports them are the mainstay of the rural tax base;

(3) The farm crisis foreshadows an even larger crisis in rural America -- a crisis of governance;

(4) Rural communities throughout the United States which rely primarily on a single form of economic activity -- agriculture, forestry, mining, manufacturing or tourism -- are part of this emerging crisis;

(5) If unabated, the rural crisis will undermine the fiscal capacity of rural government and the ability to provide basic public services including education, health, housing, police, and other emergency services;

(6) The relationship between the declining rural economy and the provision of basic public services in rural communities of the United States is not well understood or documented; and

(7) An independent analysis of the nature of the relationship is required in order to determine the appropriate roles and responsibilities of all levels of government in responding to this emerging problem.

(b) The purpose of this Subtitle is to create a National Advisory Commission on Rural America to conduct a study and report to Congress and the President on conditions in rural America and relate those trends and problems to the provision of public services by federal, state and local governments.

ESTABLISHMENT OF COMMISSION

Sec. 1931. (a) There is established a National Advisory Commission on Rural America (hereafter in this subtitle referred to as the "Commission") to study conditions in rural areas of the United States.

(b)(1) The Commission shall be composed of 21 members appointed as follows:

(A) Three members appointed by the President, from among representatives of Federal entities, in accordance with paragraph (2)(A).

(B) Twelve members appointed by the President, from among private citizens or elected officials or employees of State or local governments, in accordance with paragraph (2)(B).

(C) Three members appointed by the President pro tempore of the Senate from members of the Senate in accordance with paragraph (2)(C), on the recommendation of the majority leader or the minority leader of the Senate, as the case may be, with respect to members appointed from the political party of that leader.

(D) Three Members of the House of Representatives appointed by the Speaker of the House of Representatives in accordance with paragraph (2)(C).

(2)(A) In carrying out paragraph (1)(A), the President shall appoint three members, from among representatives of Federal entities, with an expertise in conditions in rural areas of the United States, including --

(i) the Secretary of Agriculture; and

(ii) the Assistant to the President for Intergovernmental Affairs.

(B) In carrying out paragraph (1)(B), the President shall appoint 12 members, from among private citizens or elected officials or employees of State or local governments, with an expertise in conditions in rural areas of the United States, including --

(i) four members appointed to represent various rural interests, including --

(I) one member appointed to represent economic interests;

(II) one member appointed to represent agricultural interests;

(III) one member appointed to represent small businesses; and

(IV) one member appointed to represent employees;

(ii) two members appointed to represent rural service delivery interests; and

(iii) six members appointed to represent State, local, and regional governments, including --

(I) two members appointed to represent State governments;

(II) two members appointed to represent local governments; and

(III) two members appointed to represent State-recognized consortia of local governments.

(C)(i) In carrying out subparagraph (C) or (D) of paragraph (1), the President pro tempore of the Senate and the Speaker of the House of Representatives shall give special consideration to the appointment of members of the Senate or the House of Representatives, as the case may be, who are members of the committees of their respective Houses that have legislative jurisdiction over, or special concerns with respect to, matters relating to conditions in rural areas of the United States and intergovernmental relations.

(ii) Not more than two members of the Commission appointed under paragraph (1)(C) shall be members of the same political party.

(iii) Not more than two members of the Commission appointed under paragraph (1)(D) shall be members of the same political party.

(c) A vacancy in the Commission shall be filled in the manner in which the original appointment was made.

(d) The Commission shall elect a Chairman from among the members of the Commission.

(e) The Commission shall meet at the call of the Chairman or a majority of the Commission.

STUDY

Sec. 1932. (a) The Commission shall conduct a study of conditions in rural areas of the United States and the manner in which such conditions relate to those trends and problems to the provision of public services by Federal, State and local governments.

(b) The study shall include an analysis of --

(1) conditions that reflect the declining rural economy, including economic and demographic trends, rural and agricultural income and debt, and other appropriate social and economic indicators of such conditions;

(2) trends and fiscal conditions of rural local governments;

(3) trends and patterns in the delivery of rural public services;

(4) the impact of the deregulation of transportation, telecommunications, and banking on the rural economy and delivery of public services; and

(5) trends and patterns of Federal, State, and local government financing, delivery, and regulation of public services in rural areas of the United States.

ADMINISTRATION

Sec. 1933. (a) The Commission may, for the purpose of carrying out this subtitle, hold such hearings, sit and act at such times and places, administer oaths, take such testimony, and receive such evidence under subpoena or otherwise, as the Commission considers appropriate.

(b)(1) Except as provided in paragraph (2), members of the Commission shall serve without any additional compensation for work performed on the Commission.

(2) Such members who are private citizens of the United States may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons serving intermittently in the Federal Government service under sections 5701 through 5707 of title 5, United States Code.

(c) Subject to the availability of funds appropriated in advance and such rules as may be adopted by the Commission and without regard to the provisions of title 5, United States Code, governing appointments in the competitive service or the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, the Chairman of the Commission may appoint and fix the compensation of a director and such additional staff personnel as the Commission determines are necessary to carry out the duties and functions of the Commission.

(d)(1) On the request of the Commission, the Secretary of Agriculture shall furnish to the Commission, such personnel and support services as are necessary to assist the Commission in carrying out the duties and functions of the Commission.

(2) On the request of the Commission, the heads of other executive agencies and the General Accounting Office may furnish the Commission with such personnel and support services as the head of the agency or office and the Chairman of the Commission agree are necessary to assist the Commission in carrying out the duties and functions of the Commission.

(3) The Commission shall not be required to pay or reimburse an agency or office for personnel and support services provided under this section.

(e)(1) In accordance with section 12 of the Federal Advisory Committee Act (5 U.S.C. App. 2), the Secretary of Agriculture shall maintain records of --

(A) the disposition of any funds that may be available to the Commission; and

(B) the nature and extent of activities of the Commission.

(2) The Comptroller General of the United States shall have access to such records for purposes of audit and examination.

(f) The Commission shall be exempt from sections 7(d), 10(e), 10(f), and 14 of the Federal Advisory Committee Act and sections 4301 through 4308 of title 5, United States Code.

REPORT

Sec. 1934. (a) Not later than 1 year after the establishment of the Commission, the Commission shall submit a report to the President and Congress containing the findings and recommendations of the Commission with respect to the matters referred to in section 1931, including --

(1) an analysis of the manner in which changes in the rural economy affect rural local governments;

(2) a description of the measures of rural distress in rural communities that result from changes in the rural economy, including an analysis of the regional and geographical distribution of such distress and a description of trends in the severity and changing nature of rural distress;

(3) a detailed analysis and description of the extent to which distress in rural communities affect the ability of such communities to raise revenues, sustain employment, maintain infrastructure, and deliver services adequate to meet current and anticipated public needs;

(4) a description of the programs and policy instruments available to Federal, State, and local governments to

address distress in rural communities;

(5) the development of a framework within which to analyze such instruments;

(6) a comparative analysis of each of the instruments that utilizes such framework;

(7) an assessment of whether and in what ways Federal and State governments can mitigate the decline in economic conditions in rural America which, if unaltered, will erode the fiscal capacity of rural governments to finance such public services; and

(8) recommendations about the appropriate role of Federal State governments in assuring the continued provision of basic public services, including education, health, housing, police, and other emergency services.

(b) The Commission may not comment on legislation pending before Congress unless specifically requested to do so by the chairman of a committee of Congress.

AUTHORIZATION FOR APPROPRIATIONS

Sec. 1935. (a) There are authorized to be appropriated \$800,000.00 to carry out this subtitle.

(b) To the maximum extent practicable, this subtitle shall be carried out using funds otherwise available to the Secretary of Agriculture for the expenses of advisory committees.

TERMINATION

Sec. 1936. The authority provided under this subtitle and the Commission shall terminate 60 days after the submission of the report required under section 1933(a).

Mr. DURENBERGER. Mr. President, I ask unanimous consent that the following Senators be added as cosponsors of the pending amendment:

Mr. Andrews, Mr. Levin, Mr. Pryor, Mr. Armstrong, Mr. Abdnor, Mr. Leahy, Mr. Exon, Mr. Danforth, Mr. Mitchell, Mr. Harkin, and Mr. Dixon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DURENBERGER. Mr. President, I rise today to offer an amendment on behalf of myself and my colleagues, Senators Grassley, Abdnor, Leahy, Pryor, Exon, Danforth, Armstrong, Mitchell, Harkin, Andrews, Dixon, Levin, and Boschwitz, to establish a National Advisory Commission on Rural America.

The farm bill and this debate is an appropriate forum to bring to the attention of Congress, the President and this Nation the emerging crisis in the rural areas of the United States. The problems of farmers and the farm economy are becoming well known to the American people, and I hope this farm bill will address those problems. Less widely known, however, is the fact that we are on the leading edge of an economic and social crisis in rural America which is far more serious than the agriculture problems which have caused it.

Over the past 6 months I have spent my weekends in outstate Minnesota. In towns like Fairmont, where every other storefront is vacant, or Worthington, where 30 businesses have closed their doors since January 1985, or Madelia which once had 15 implement dealers and now has but one.

I met with farmers whose land values declined 24 percent between 1984 and 1985, whose incomes plummeted 84 percent in 1984. In Jackson County, MN, land which was worth \$3,695 an acre in 1980 cannot be sold at \$700 per acre today.

I surveyed 10 Minnesota counties in which 80 percent of the total market value of the land in the county is farm property. I also requested four regional development commissions to canvas their regions to assess the impact of the farm crisis on the local community.

What I have found there is disheartening. The following quotes are typical of the conversations I have had:

A few months ago there were four Cenex Stations in the county, three are closing now and the only one left is under consideration for closing.

I have one farm account that defaulted on \$30,000 in bills.

Do they really want to retame the frontier?

A current farm activity is cleaning the barn in preparation for foreclosure.

Local retail stores will simply fade away as owner-operators cut back, decrease inventory and reduce expenses until they disappear.

The people in the community of Red Lake Falls see the effects of recent changes and developments in the rural-agricultural economy very clearly. They reported:

The effects are a loss of jobs, a loss of services, a loss of business, a loss of opportunity and maybe the loss of a future. These effects are so real that some days you can taste them, some days you can hear them and every day you can feel them.

Mr. President, I ask unanimous consent to print in the Record the summary of the Red Lake Falls survey.

There being no objection, the survey was ordered to be printed in the Record, as follows:

RED LAKE FALLS IN BRIEF

People in the Community of Red Lake Falls see the effects of recent changes and developments in the Rural/Agricultural economy very clearly. The effects are a loss of jobs, a loss of services, a loss of business, a loss of opportunity, maybe the loss of a future. These effects are so real that some days you can taste them, some days you can hear them and everyday you can feel them. During the last day of interviews for this study it was announced that the local hospital was closing. Thirty members of the Community lost their jobs and there are probably not new jobs for most of these people. Talk on the streets is that the City's major employer will be closing this winter. They manufacture homes for people who have left. Many of the workers are not sure if they even care anymore. Their pay has been reduced, benefits taken away, lay-offs are more frequent than paydays and hope seems to have taken a vacation.

Some of this was expected. Everyone knows there has been a loss of business to larger towns. Everyone knows some decline in population was expected. Everyone knows things change. What was not expected was that the agricultural base of the area would be one step past the edge of drastic changes in 1985. In 1975 land values in Red Lake County were rising, technology was bringing higheryields, farm credit was opening up and the City was growing to accommodate the increasing demands for services. A new mall was built, an implement dealer expanded to a new location and discussions were being held on bringing in new industry to stabilize seasonal unemployment. The decisions are now focused on the effects of predictions that 20-30% of the farm families will be gone in 2-3 years and the fact that the population has already dropped rapidly. The specter of huge automated machines roaming and cultivating a vast non-populated Red Lake County lurks as a unpleasant, impractical but potential future.

Red Lake Falls is organizing to examine the recent economic changes, to understand the implications and to implement actions which will change the future course. The City has hired a full time Economic/Community Development Director and the County has formed a Planning Commission directed towards agriculture related

problems. Local public money has been spent to promote private development and almost every source of private and public funding has been tapped for local developments. The fear that is now openly discussed in Red Lake Falls is that the Community is hopelessly outmatched by the large scale state, national and world economic trends and policies which have contributed to both the recent expected and the unexpected events. This situation is not one of dealing with change, it is one of dealing with crisis.

Mr. DURENBERGER. I have said again and again during this debate that we must consider the broader crisis growing in the Nation's heartland. There is a whole set of businesses, financial institutions, and local governments whose livelihoods depend on the farmers.

This emerging crisis is not limited to agricultural communities. Communities throughout the United States which rely primarily on natural resource based economies -- forestry, mining, small manufacturing, or tourism -- are in the same boat.

People throughout rural America are concerned, and even fearful, Mr. President, of what the future holds for them in the way of economic opportunity and economic progress. There are those who would argue that this emerging crisis parallels the Great Depression, that the economic gains of the past 40 years are lost.

There is a difference in the situation today, however, and the situation which existed in the 1930's. During the 1930's city dwellers and rural residents alike were caught up in the terrible events of those years. Today, the depressed economy principally affects rural, not metropolitan, America.

It is clear to anyone who takes the time to look that what we are seeing today is only the tip of something much much bigger. Statistics are only beginning to come in -- and they affirm that rural communities are in trouble.

First, look at what is happening in the area of property taxes, the local government's tax base. When I surveyed 10 counties in Minnesota where 80 percent of the total market value of land in the county is farm property, I found those counties receive between 30 and 50 percent of their revenues from property taxes. But the property values in those counties have dropped tremendously -- and they are not alone.

According to a report from the economic research service, farm market values in Minnesota counties plummeted 24 percent between 1984 and 1985 alone. This decline follows on the heels of the previous year's 12 percent fall.

Not only have farm market values fallen, but property tax delinquency rates have risen. In 1984, delinquency rates rose an average of 56 percent in the counties I surveyed. What is even more alarming is that those delinquency rates include both farm property and business and residential property in rural areas.

In Red Lake County alone, land values decreased by 28 percent in the last 3 years, compared to a 41 percent increase in the 3 previous years. The amount of county delinquent taxes increased from \$95,000 in 1977 to \$600,000 in 1984. Property values have decreased by 20 percent in the past year. The loss in total net farm income for the county was \$1,197,000 from 1982 to 1983. Payroll loss to the county is estimated at over \$600,000 based on the 1985 decreases alone.

Rural communities, businesses, and local governments are caught up in downward economic spiral. Overall retail sales in Madelia are down, from as low as 2 percent to as high as 70 percent. Retail sales in Fulda declined by nearly \$4 million since 1982, representing a 55 percent decline, and six businesses and a bank have closed in the past year.

These losses represent the heart of the rural community, cafes, lumber yards, implement dealers, hardware stores, furniture stores, children and adult clothing stores, drug stores, and gas stations.

Construction of new farm buildings and equipment such as grain drying systems is at a standstill. Owners of farm construction and contracting firms are making due with repair work. Most have laid off over half their workers. Sales

of fertilizer and chemicals is off 25 percent since 1980. Grain elevator sales are off by 37 percent since 1984.

Rural population, which experienced strong gains in the late 1970's and early 1980's is once again dropping. The Census Bureau reported yesterday that nationwide rural growth has slowed. We are seeing a renewal of the period of loss that was interrupted in the 1970's. I ask unanimous consent that the Record include a newsclip from this mornings' Minneapolis Star and Tribune.

There being no objection, the article was ordered to be printed in the Record, as follows:

[From the Minneapolis Star and Tribune, Nov. 21, 1985]

CENSUS BUREAU SAYS RURAL GROWTH SLACKENING

The nation's urban areas are growing faster than the countryside in this decade, reversing the "rural renaissance" trend of population growth in the 1970s, the U.S. Census Bureau said Wednesday in Washington.

The metropolitan population grew by 4.5 percent to 180 million people between 1980 and 1984, while the number of nonmetropolitan residents increased by 3.4 percent to 56.4 million, a study found. While metropolitan areas continued to grow at the 1 percent annual rate that prevailed in the 1970s, the nonmetropolitan growth rate fell from 1.3 percent annually in the last decade to about 0.8 percent a year since 1980.

"This apparently restores a pattern of predominantly metropolitan population growth which had extended for more than a century until the dramatic turnaround of the 1970s," said the report, "Patterns of Metropolitan Area and County Population Growth."

The same trend held true in Minnesota, where the metropolitan population grew about twice as fast as the rest of the state, according to the Office of the State Demographer.

(The metropolitan population increased by about 68,000 to 2.69 million people, an increase of 2.6 percent, while the nonmetropolitan population grew by 17,000 to 1.47 million people, for an increase of 1.2 percent. Metropolitan areas in Minnesota, as defined by the Census Bureau, include the Twin Cities, Duluth-Superior, Rochester, St. Cloud and Fargo-Moorhead.)

The 1970s pattern has been widely discussed as a rural renaissance, with Americans moving to the countryside in search of a new lifestyle.

"What this (new report) suggests is not a total halt, but it has definitely slowed down," said Donald Starsinic, a Census Bureau statistician in Washington.

"The 1970s was a special period, and we really didn't know how long it would continue. But its reversal of old patterns has not continued," he said.

"That does not mean we are going back to a pattern when metro area growth totally dominates the country."

"We can't be sure if this is a real trend or just a temporary aberration caused by the recession, the decline in (rural) job opportunities and the energy crunch," the Census official said. "It's too soon to tell."

Minnesota demographer Tom Gillaspy said this state's "rural renaissance" during the 1970s must be viewed with some caution. He noted that growth enjoyed by rural areas was "almost more of a factor of where they are than the fact that they are rural."

For example, the state experienced growth around lakes and outside Twin Cities suburbs, both of which meet the Census Bureau's definition of rural. "When you talk about rural you're not always talking about real rural," Gillaspy

said.

Mr. DURENBERGER. Other regional trends in Minnesota show a slow rate in the growth of family income in comparison to the State -- 12.7 percent versus 20.4 percent, higher unemployment rates, an increase in the aged dependency rate, and an increase in the number of older farmers. For example, in the Worthington area 83 of 186 farmers are over 55.

I am tempted to say, as Charlie Brown said after Lucy related the long, painful facts of their baseball team's hundreds of successive losses, "Tell your statistics to shut up."

I wish it could be that easy, but its not and in fact if we look beyond the numbers we are compelled to ask what is left? What does it mean for rural communities?

In Fulda it means that there is a 35 percent increase in the number of free school lunches. It means that next year they will have to get \$330,000 in State funds because of devaluation of property taxes as opposed to \$3,000 this school year. It means that city taxes are rising sharply to keep up with increasing expenditure costs and declining property values.

In other communities it means they can't sell their homes. It means that communities are losing hospitals and adequate access to health care. For some individuals it means they have to return to school or seek vocational training.

It means, in short, that rural communities can no longer afford to provide basic services to their residents at precisely the time their citizens are most in need of those services. They can't build roads, provide jails, or maintain schools. Those who remain must watch the Government services which have nourished the country way of life erode.

Minnesota localities are not alone in their problems. In fact, because of a healthy economy in the Twin Cities and higher than average levels of State aid to farmers and local governments, rural communities in Minnesota are better off than many of their neighbors.

For example, in some counties in Iowa, 15 to 24 cents of every dollar levied last year remained uncollected as of May 1. In Lebanon, KS, the drop in population has prompted education officials to close the local school. In North Dakota school districts are combining sports programs rather than consolidating school districts or eliminating extracurricular activities.

Mr. President, we must recognize that not only is the future of the family farmer on the line, but whole rural communities, local governments and businesses, and a way of life we have known and celebrated as truly American.

When I put on my intergovernmental relation's hat and look at these numbers, I grow even more alarmed. I submit that if unabated, the rural crisis will continue to undermine the fiscal capacity of rural governments and their ability to provide basic public services including education, health, housing, police, and other emergency services. Further, the relationship between the declining rural economy and the provision of basic public services in rural communities is not well understood or documented. Finally, there is a large measure of uncertainty in the intergovernmental community regarding the appropriate roles and responsibilities of all levels of governments in responding to this crisis.

I am offering this amendment today because there are questions begging for answers. Because people are losing a way of life they have known for generations. Because we are tumbling and do not know where to.

If my colleagues will remember, President Johnson created a National Advisory Commission on Rural Poverty in response to the urban riots of 1967. The thesis and conclusion of the Commission was that rural poverty was the root of urban unrest and if addressed properly we would be on the road to solving the urban problem.

Although we are not in immediate danger of confronting widespread urban violence, we must recognize the risk we

run if continue to avoid the problem. The Federal Government has been making policy changes right and left, changes which profoundly affect rural America's ability to withstand today's economic pressures, without taking the time to consider rural America's needs. But now I say stop!

The National Advisory Commission on Rural America would be composed of representatives of the administration, Congress, State and local governments, farm groups, rural businesses, and related interests. The Commission is charged with the task of undertaking a comprehensive study of the problems which have already surfaced in rural areas across this country and to call attention to the emerging crisis they foreshadow. The Commission will report their findings to the President and Congress including proposed solutions and the appropriate responsibilities of Federal, State, and local governments. In doing their work, the Commission would draw on ongoing government, academic and private sector research activities, hold public hearings around the country, and conduct original research.

This Commission would complement, not conflict with the National Commission on Agricultural Policy which is already contained in this bill. I compliment and applaud the committee's foresight in creating an Agricultural Commission. In this time of declining commodity prices, land values, and farm incomes, it is absolutely necessary to reevaluate this Nation's agricultural policy. The difficulty we are having in getting a consensus in this body on what the appropriate Federal agricultural policy should be for the next 4 years is indicative of the need for such a Commission. Its work will make a significant contribution to the formulating of agricultural policy in the future.

I would suggest that the arguments for the Agricultural Policy Commission hold true for the rural America Commission. We can no longer afford to assume that agricultural policy encompasses rural policy. And in this debate we cannot presume that if we address the farm income question satisfactorily, we've taken care of Rural America.

We must do that, yes. But we must do more.

There may be some Members of this body who will argue that we don't need a new rural Commission. That the Secretary already has the authority under the 1980 Rural Development Policy Act to call together a Rural Advisory Council to assist him in formulating Federal rural development policy, developing and updating a rural development strategy and carry out other requirements of the 1980 Act.

Despite this authority, and the clear need, the Secretary notified the 22 members of this Council on May 20 of this year that their services were no longer necessary. The 1985 update of the rural strategy report was issued in July, it was 4 pages long and began with the sentence, "The condition of rural America is basically sound."

Now, I ask you, what type of rural commission would note in the summer of 1985 that the conditions in rural America are sound?

Not one that was in touch with rural America as I know it in Minnesota. And I would hazard a guess that it wasn't in touch with rural America in Iowa, North Carolina, Nebraska, or Kansas.

We need this Commission because this administration has chosen not to use the tools made available to them under the 1972 Rural Development Act or the 1980 Rural Development Policy Act. We need this Commission because this administration has chosen to ignore the failing economies in rural America. We need a Commission because Hometown, U.S.A., is on the endangered species list.

Mr. President, throughout our history we have made a conscientious commitment to agriculture and to rural America because we recognized the economic, social, and moral values farmers have contributed to the well-being of this Nation.

"Cultivators of the earth," Thomas Jefferson wrote, "are the most valuable citizens. They are the most rigorous, the most independent, the most virtuous, and they are tied to their country and wedded to its liberty and interests, by the most lasting bonds."

Rural America has made an incalculable contribution to the greatness of this Nation. It has produced an abundance of food to be sure, but it has also produced cherished American values, which are our greatest strength. I believe we owe it to future generations to protect this national asset.

I urge my colleagues to support this initiative, to focus the attention of the Nation on the emerging rural problem now, in the hopes that we will be better prepared to address this looming crisis once the Commission completes its work.

Mr. President, besides first-hand observation, I think the best way for all of us in Washington to understand the devastating effect the rural crisis is having on our society is through the pointed and often poignant comments of troubled farmers, teachers, bankers, and small business people in the agricultural communities of Minnesota. I ask unanimous consent that a number of those letters be included in the Record. They say more than this Senator can about the human tragedy we face and the urgent need for our action today.

There being no objection, the material was ordered to be printed in the Record, as follows:

Dear Senator Durenberger: I just turned 50 this spring. I have a wife and three children and a son-in-law that I am very proud of and love very much. I love my country and am very concerned about the pain and suffering.

The farm my grandfather homesteaded, 120 acres, has been taken away from us along with all our personal possessions, including all household items, food, clothing, including our shorts and socks and under garments, records, my grandfather's bible, my bible, my son's confirmation bible ... my son's medicines and medical records, my wife's wedding dress, my daughter's wedding dress, all of our pictures, family heirlooms, our family tree dating back to 1549, irreplaceable to the family. -- Atwater, Minnesota.

We farm for a living and you probably already realize that if substantial financial help does not come immediately, the family farm will be extinct! ...

The family farm is the backbone of America's food factory and well worth saving!!! Please do all you can to help! Time is very, very short! -- New Richland, Minnesota.

Something needs to be done to turn around the financial crisis in our agriculture economy very soon...

I am teaching school this year after being forced out of farming. With my background I was able to find employment locally. It was not easy fo find employment in rural Minnesota.

I do have many friends who are still farming yet! Not for long if something is not done! They, in many cases have been farming for 20-plus years. Help is needed! Families are under real stress and pressure that in many cases could bring disaster of many different forms.

In my classroom in Montevideo, MN, I have three students moving out of town or state in the next month. Across the hall another teacher has had three move already since school started in September. We have not had any students added since September. Our rural communities need help ... The Executive Branch and Legislative Branch do not seem to understand the problem and its depth. We are not looking for a big glowing income, but survival. -- Montevideo, Minnesota.

Mr. President, these comments were received from concerned residents of Benson, MN, following a recent town

meeting:

We definitely need our farmers. If they go (as many have already) everything will go down. Please help them soon in any possible way you can.

TRC, Inc., one of the major fertilizer manufacturers in the U.S., had an indefinite shut-down until the farm economy picks up. Seventy-five plus jobs are affected.

I own a grocery store in Benson, MN, and feel that if the farmers go under I will be close behind. Please help.

We live in a small town. So far one of our banks has collapsed and several businesses have closed. If something isn't done soon, who's going to pay taxes. We'll all be on welfare.

This whole farm situation is a disaster and getting worse and worse. It's taking down businesses right with it. It's approaching a presence of violence.

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Please, please, please. Time is running out for all of us. Help American farmers, you helped Brazilians and Argentinian farmers. We need your help.

We are the third generation on our country farm, please see to it that we are given a fair price for our crops!

It's getting critical out here. The most competent farmers out here are growing record crops and losing on every bushel. Something is seriously out of joint.

If rural America is not the interest, what will happen to the rest of the country? Every dollar we get spreads out 42 times.

I own and operate a farm related business. In the last year alone my gross receipts are 50 percent less than a year ago, mainly due ... to the decrease in milk support price. My business will not survive another year like this.

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Three farmers have now gone under along our road. We had our farm all paid for but now owe more than we paid for it. My husband had me quit teaching in 1969 -- he felt someone that needed the income should have the job. Now he sees that was a mistake. No incentive left in farming -- very stressful.

Dear Senator Durenberger: The persecution of the farm family has been endured too long. What was once a noble and satisfying profession has become a mockery of justice throughout rural America.

When the farm people, who are the backbone and provide the food and fiber for this nation, are ashamed to face their own families, friends, co-workers and yes, their creditors, then its time to step back, take a long look, and make some demands. We deserve to be heard! When whole families are torn apart in the ugly mess of trying to hold a farming operation together, when blame gets tossed around like a hot potato, then we need to ask what's happening here and how can we turn this economic depression around.

Please support the family farm. It will affect all Americans sooner or later. -- Waseca, Minnesota.

I am from a farm family and have watched many farmers have sales in the last few months. I am a senior in high school and I was considering going into farming with my dad, but I am uncertain now because there is no money in it. My family is doing as good as can be expected. -- Jackson, Minnesota.

Community-based agricultural banks must not be forgotten and allowed to fail. A plan must be devised that will prevent the failure of our system of agricultural credit or a major depression will occur whose repercussions will be felt fully by the entire economy. -- Vernon Center, Minnesota.

We sold our 160-acre farm to our daughter and her husband six years ago. This year it got harder for them, in the last four years it got a little harder for them -- "robbing Peter to pay for Paul," as they say. So that leaves me short. Also, this year they are six months short on their interest payment. -- Owatonna, Minnesota.

We in rural America continue to face a virtual depression in our economy. The crisis facing many of our friends and neighbors on the farm plague our rural towns and cities.

This past spring has been very difficult for all of us. Many farm operations continue to not have the necessary operating money to run their farms. Still others have been able piece together a patchwork of loans and promises which have enabled them to continue their livelihood.

Main street businesses already have seen the slowdown from the depressed farm sector. Many businessmen in my area may be forced to close their doors if the farm economy does not improve.

I am frustrated with our federal government in Washington because it appears they have not given this crisis in rural America greater attention. Is it the government's plan to purge the farm sector to a point where there are only a few "big" farms left? If so, how will the government be able to support the increased numbers on the welfare roles. Certainly the big cities will not be able to offer employment to a large influx of people who need employment who formerly were employed on the farms. With the problems in agriculture, the industries that are involved with ag-related goods, will also feel the pinch and go out of business. This is not an easy issue to deal with I am sure. But something has to be done because it appears to me that it is like a time bomb just ready to explode and it will take a lot of people, businesses, etc. with it. Then what? -- Sleepy Eye, Minnesota.

As an educator and concerned citizen of rural America, I am becoming increasingly concerned about the current

plight of the farm economy.

Poor prices, land devaluations, high production costs and inclement weather are placing an unfair burden on our farmers. Many of these individuals are very efficient in their operations. -- Montevideo, Minnesota.

I am writing in regard to the Farm Credit System bailout, I feel the FCS should be treated as they have treated their borrowers. They have no mercy on foreclosing after they have given poor advice. Our family was one of their classic examples.

They advised us to buy a quarter section of land at the time it was at its peak. Within one year they forced us to sell it with a loss of \$90,000. They sweet-talked us into a second mortgage on our home farm -- to keep us in farming, they said. Less than 60 days later they were wanting us to liquidate. We finally got tired of all the harassment; sold our machinery, livestock; and moved from the farm. The only way the P.C.A. would leave us alone was to give them the deed to the farm.

We are in our late fifties and thought the farm was to be used for our retirement income. Now we have nothing. -- Worthington, Minnesota.

I am a seminary student and future pastor from St. Paul. ... We need to preserve small and medium-sized family farms -- if we lose them we have "lost our soul." -- St. Paul, Minnesota.

I am a seminary student who was born and raised on a farm. As a person who will be serving as a clergy member possibly in a rural community, I can not and will not be a part of helping to just teach people how to die and bury their farms. I want to be a part of the movement for life and growth and solution for hunger, not corporate expansion and the demise of family and simple life. -- St. Paul, Minnesota.

As a farm management instructor from West Central Minnesota, I have witnessed first-hand the stress and fears this farm crisis has placed on cooperators of our farm management program. I truly believe this very real rural crisis is and will continue to erode away the basic values of rural life. I also see the federal government in an ideal position to supply solutions in legislation which could provide answers to the problems facing Minnesota agriculture and our rural communities.

These solutions must be tied to objectives that will provide farmers with a fair income while improving the competitiveness of American producers in the world market. Our local data show over 40 percent of the 85 enrolled farm families in 1984 had a disposable income of less than \$10,000 per farm operation to use living and principle payments. Additionally, another 30-40 percent of these families indicated severe financial net worth losses. The continuous financial losses since 1981, unless checked will realistically eliminate at least 40 percent of our area farmers within the next year, and an additional 30-40 percent within a few years. A loss of 80 percent of our area farm families would be an economic catastrophe to our farm and business community. -- Montevideo, Minnesota.

My wife's parents farm in Waseca County. As she reports it, bankers in neighboring Freeborn County estimate that one-third of all the farmers in that county will be out of business by next harvest season.

Living in Northern Minnesota, we tend to be preoccupied with our own economic problems. It's easy to sit back and speculate about the causes of other people's misfortunes, especially when the "other people" are nameless and faceless. When you know one of those "other people," or when you are one of them, the situation seems a lot more immediate. -- Grand Rapids, Minnesota.

I am a seventeen year old girl from the farming country of Southern Minnesota.

If you don't help the farmers, not only will they suffer, but many farm related industries will be affected. We can see it in Owatonna already. The manufacturing company (of farm machinery) that my father works for has had to lay off people as well as cut down hours for the rest of the people. I work in a local grocery store and see the prices rise all the time for produce and the people can't afford to buy it. Yet my father and other farmers can't get enough to pay for the seed that it takes to plant the crop. -- Owatonna, Minnesota.

I am 57 years old, third generation farmer on our 320 acre farm. My son would like to be a fourth generation farmer. We have a registered Hereford cow herd, cattle, and hog feeding operation.

In 1976 our total debt was \$80,000. We expanded our cattle feeding operation by two-thirds, building silos, feedbunks, etc. to provide extra income when our son was brought into our operation. Three hundred additional acres were rented to provide extra feed. Annually we produced 180,000 lbs. of beef, 40,000 lbs. of pork, and breeding stock from Hereford herd.

We ran a first class operation. We were selected as an ideal farm for two representatives of India to see what American farms produce. Their comment was, in India it would take 30 or more people to produce the same volumes myself, my wife, and son produce.

Approximately \$30,000 annually was borrowed to purchase feeder cattle. In 1976 and 1977 interest was at 8 percent. In 1979 it was 13 1/2 percent to a peak of 17 1/2 percent in 1982. With the promise from Washington to lower it, we continued our operation. In 1984 it was ill at 14 3/4 percent which is double the amount a farmer can pay.

In 1985 we decided farming was not going to improve for several years. My son went back to school and also worked 8 hours. The schedule is very difficult and he will probably work and give up the education. We are reducing our operation to a volume, we hope, my wife and I can handle.

Our debt-to-asset ratio in 1976 was less than 20 percent. Now it is at 52 percent. After losing money on cattle feeding operation, 50 percent reduced land value, including 1985's disastrous \$150 loss per head on cattle. We subsidized the consumer \$22,500 this year.

Farming is just like any other business, we can not guarantee a profit. We do not need a guaranteed profit if the over-valued dollar would be reduced to a realistic level. The result is a disastrous trade imbalance. Agriculture imports should have quotas. Agriculture is the only industry our country can not survive without.

Our debt in December 1985 will be \$207,000. Our annual interest is \$25,607. I am going to apply for a FHA loan. I am told there are no funds for the 5 1/4 percent loan. I will try to qualify for the 7 1/4 percent loan.

Our farm credit system is going broke. Our neighbor's farms, our farm Co-ops and many rural banks are going broke...

I appreciate your efforts in the past in support of farmers. Please continue your efforts in the future and don't let us be sold down the river. -- Foley, Minnesota.

Mr. DURENBERGER. Mr. President, I am indebted to a number of individuals and towns in Minnesota who have made an indispensable contribution to the effort I am involved in here on the floor of the Senate. I want to take a moment to recognize their role in the decision the Senate makes today to establish the National Advisory Commission on Rural America.

Within the Washington Beltway, we tend to deal with problems as if they were academic abstractions. I have been fortunate in my efforts on this amendment to have benefited from the first-hand observation and carefully prepared reports of those who have lived with these problems everyday. They have opened their doors and their books to me and members of my staff in a way that has driven home the severity of the crisis in rural America and reinforced the urgent need to get all the facts and get to work on solutions.

I would like to particularly thank Terence Stone, the executive director of the Region Nine Development Commission, Thomas P. Jorgens, the executive director of the Northwest Regional Development Commission, Otto Schmid, executive director of the Upper Minnesota Valley Regional Development Commission, and Brian Shoten, executive director of the Southwest Regional Development Commission.

I ask unanimous consent, Mr. President, a number of submissions I received from Minnesota towns and development commission appear at this point in the Record.

There being no objection, the material was ordered to be printed in the Record, as follows:

A COMMUNITY FIGHTING AN ECONOMY -- A SHORT CASE STUDY OF CURRENT RURAL AND AGRICULTURAL PROBLEMS

RED LAKE FALLS IN BRIEF

People in the Community of Red Lake Falls see the effects of recent changes and developments in the Rural/Agricultural economy very clearly. The effects are a loss of jobs, a loss of services, a loss of business, a loss of opportunity, maybe the loss of a future. These effects are so real that some days you can taste them, some days you can hear them and every day you can feel them. During the last day of interviews for this study it was announced that the local hospital was closing. Thirty members of the Community lost their jobs and there are probably not new jobs for most of these people. Talk on the streets is that the City's major employer will be closing this winter. They manufacture homes for people who have left. Many of the workers are not sure if they even care anymore. Their pay has been reduced, benefits taken away, lay-offs are more frequent than paydays and hope seems to have taken a vacation.

Some of this was expected. Everyone knows there has been a loss of business to larger towns. Everyone knows some decline in population was expected. Everyone knows things change. What was not expected was that the agricultural base of the area would be one step past the edge of drastic changes in 1985. In 1975 land values in Red Lake County were rising, technology was bringing higher yields, farm credit was opening up and the City was growing to accommodate the increasing demands for services. A new mall was built, an implement dealer expanded to a new location and discussions were being held on bringing in new industry to stabilize seasonal unemployment. The decisions are now focused on the effects of predictions that 20-30% of the farm families will be gone in 2-3 years and the fact that the population has already dropped rapidly. The specter of huge automated machines roaming and cultivating a vast non-populated Red Lake County lurks as a unpleasant, impractical but potential future.

Red Lake Falls is organizing to examine the recent economic changes, to understand the implications and to implement actions which will change the future course. The City has hired a full time Economic/Community Development Director and the County has formed a Planning Commission directed towards agriculture related problems. Local public money has spent to promote private development and almost every source of private and public funding has been tapped for local developments. The fear that is now openly discussed in Red Lake Falls is that the Community is hopelessly outmatched by the large scale state, national and world economic trends and policies which have contributed to both the recent expected and the unexpected events. This situation is not one of declining change, it

is one of dealing with crisis.

The regional setting

Red Lake Falls is situated in the seven county Northwestern Region of Minnesota. The Region contains approximately 96,000 persons. The area is dominated economically by agricultural production with a variety of other activities ranging from tourism to snowmobile manufacturing. The heavy dependence of the area on agriculture and the area's vulnerability to the natural and economic agricultural cycles is well documented. Economic development planning and activities have always stressed diversification to establish a more stable economic base. General economic conditions in the Region are best described by two factors: high unemployment and population loss. Unemployment rates stood at 11.7% at the most recent count and population estimates show a loss of around 1,300 persons between 1980 and 1984. The general labor force and population conditions are in contrast to the State conditions which show a downward trend in unemployment, with a current rate of 5.7% and population gains.

Other general Regional trends include a slow rate in the growth of family income in comparison to the State (12.7% vs. 20.4%), a decreasing share of potential retail sales (down 33.4%, 1977-1982) and an increase in the aged dependency rate (up 1.6% from 1970-80).

The overall outlook in terms of economic trends for the Region could easily have been described as somewhat dim based on these facts and a variety of other indicators. However, these facts have been known for some time and are indicative of long term trends. The type of situations that planners plan for, demographers predict and government officials worry over. The remaining characteristic and one which was not predicted or forecast or even dreamed of, is that the agricultural sector would develop dramatic problems in a matter of only five years. Bad weather, high interest rates, low crop prices, high production costs, rapid expansion and large investments have resulted in some of the worst agricultural years in history. Farm closings, farm protests, and national news coverage have documented the situation in a clear manner. Northwest Minnesota has been a center of these difficulties. Difficulties which are piled on top of long term social and economic problems and which hit where we are most dependent.

Red Lake Falls -- Symptoms of rural crisis

The Northwest Regional Development Commission and the Red Lake Falls Community have worked on a number of projects for the Community over the past ten years. These projects have ranged from business surveys to grant applications and the City has been very aggressive in terms of pursuing all avenues of development. An industrial park and supporting facilities were developed, a Community Development Block Grant for over one million dollars was written and approved, a \$45,000 city business improvement loan program was funded with City money, a Federal Disaster grant was obtained to build a new library, a public fund drive raised \$150,000 to build a swimming pool, \$15,000 in local funds have been committed to the Economic Development Administration/NWRDC sponsored Regional Revolving Loan Fund, tax increment funding was used in several local projects, a State tourism Joint Venture Grant and matching local funds were used to promote new tourism attractions, a State Economic Development Loan was obtained to expand an agriculture processing operation, local funds and a State Parks and Recreation Grant were used for major City Park improvements, a local Development Corporation helped fund a small sports equipment manufacturing project and a major improvement project addressed ongoing problems with bad streets. The City was even given an award by the Governor for outstanding efforts in Community Improvements. These are positive responses to the well defined long term problems facing a rural community. The addition of the agricultural problems seems to have crushed the hopes which were based on these efforts and very quickly created a new set of symptoms for which new responses are necessary. The symptoms of the rural crisis in Red Lake Falls are as follows:

County Unemployment is 17.7%

Eight of the eighty-four businesses closed in 1984.

Job loss in just the city is estimated at 50 in 1985.

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Official city population estimates show a loss of 132 people from 1980-1984 (a 7.6% decline).

Local estimates see 100-150 more persons by leaving the end of 1985 (a possible decline of 16.3%).

Land values in the County have decreased by 28% in the last three years compared to a 41% increase in the 3 previous years.

The amount of county delinquent taxes increased from \$95,000 in 1977 to \$600,00 in 1984.

Property values have decreased by 20% in the past year.

The loss in total net farm income for the county was 1,197,00 from 1982 to 1983.

Payroll loss to the community is estimated at over \$600,000 based on the 1985 decreases alone.

Local realtors estimate a housing vacancy rate of around 13%.

These are the current factual symptoms. Recent meetings between County officials and lending agencies in the area place the number of likely-to-fail farm operators at 20% and the possible-to-fail numbers at another 15%. These are the conservative estimates, speculation ranged at double this amount. The symptom in the Community is fear. The loss of farm operators between 1977 and 1985 was 123 and the full effect has not been felt. The 120-130 more over the next 2-3 years could signify something like this:

A total initial population loss of up to 1,000 persons (total original population 5,219).

A total loss of 288 additional jobs based on the farm operator loss (using University of Minnesota estimating factors).

The loss of at least 16 more businesses as a result of farm failures (University of Minnesota estimating factors).

The loss of 800-1000 additional persons based on job loss.

Entry into a cycle of population loss and economic decline with an unknown end point.

These are the symptoms and the fears caused by the symptoms and consideration has not even been given to the declines which were already in motion prior to the agricultural situation.

Red Lake Falls -- The perspective from local people

During the gathering of the information and while attempting to get a feel for the local situation a number of interviews were conducted with various officials, agency heads, business persons and others. The majority of the interviews were almost strange in both content and flow. Many of the local officials seemed reluctant to talk at first and wanted to project a positive image for the area. They had been told too many times that everyone was sick of carrying black clouds around and dispensing gloom by the bushel. Then things would change and the numbers and the emotions would glide out smoothly until things bad was almost good and there was pride in living under adversity. The conversation would stop then and become confused and turn to a resentment for even bringing this all up again. The following are some quotes from these conversations which may help to translate the feelings:

"A few months ago there were four Cenex Stations in the County, three are closed now and the only one left is under consideration for closing."

"I have one farm account that defaulted on \$30,000 in bills."

"Local retail stores will simply fade away as owner-operators cut back, decrease inventory and reduce expenses

until they disappear."

"Do they really want to re-tame the frontier when this is all over?"

"The current agricultural crisis is the rural equivalent of the Twin Cities losing 3-M, Control Data, the State Capital and downtown Minneapolis."

"There was a good crop this year but it was too wet to get it out of the field. It was there but just out of reach, like having it dangled in front of you just out of reach. If we could have just one good year."

"A current farm activity is cleaning the barn in preparation for foreclosure."

"We are tumbling and do not know where to."

"The stack of contract defaults and foreclosures made the decline of property values clear and understandable."

"Losing a downpayment of \$200,000 in cash so you don't owe the remaining \$500,000 which you can't pay is the best deal in town these days."

As the interviewer I will always remember Red Lake Falls when farming was "gloom by the bushel."

Red Lake Falls -- Suggestions

There were some fairly clear ideas in the Community on what types of tools were needed and on how the local situation should be handled. The following is a summary of those thoughts:

The long term need is still to diversify the economic base. The modern agricultural situation needs second incomes and support from the local area during the bad years.

In the short term every effort should be made to minimize the population loss. If farmers don't own the land but are still farming the overall effect on the whole community is much less.

The area must maintain and even improve services and cultural opportunities. If this is all over and everything is gone, Red Lake Falls will never be able to catch up or offer the things which draw professionals, industry or just people looking for a good place to live.

Efforts should be made to communicate the needs of small towns and businesses. Governmental Programs can only be used if they are designed right.

Every efforts should be made to continue and expand the use of development tools available from the State and Federal levels. These tools have helped Red Lake Falls in the past and may be the key to minimizing the damage.

MADELIA, MINN.

Madelia, Minnesota, a city of 2,096 persons is located in northeastern Watonwan County. It is approximately 100 miles southwest of the Twin Cities, 25 miles southwest of Mankato, 38 miles north of Fairmont and 20 miles south of New Ulm. Nearly all the land surrounding Madelia is used for farming -- primarily corn and soybeans but with some cattle and specialty crops also present. In most ways Madelia is typical of a southcentral Minnesota farm service town. The difficulties faced by Madelia are shared by most agricultural towns throughout the state. In general, how goes agriculture so goes the rest of the community.

Madelia and the surrounding area has lost population since the 1960s. Because of increased efficiency in

agriculture and decrease in cattle farming, fewer farmers are needed to farm a given acreage. Between 1960 and 1984, the townships around Madelia (roughly its trade area) has decreased from 4,636 to 3,523, a drop of 24%. Madelia itself has declined in population although at a lower rate. Over the same period the city lost 94 persons from 2,190 in 1960 to 2,096 in 1985, a drop of 4.3%.

The city government (mayor council form) has an overall budget of approximately \$596,025 -- \$245,000 from the mill levy, \$204,000 in state aid, and \$25,000 in federal revenue sharing. With this the city provides a standard range of services including police protection, volunteer fire protection, streets and utilities. Electric power is also a municipal function under a separate budget. The city payroll of 18 full-time persons increases to 60 in the summer with personnel hired for the municipal golf course, swimming pool and other recreation and service departments. Sewage treatment facilities and water treatment are adequate for now and the foreseeable future.

Madelia is largely a farm service and retail center. Many businesses rely directly on the farmer such as grain elevators, fertilizer and seed dealers, the feed mill and agriculture construction. As agriculture goes so do these businesses. When yields and prices are good business is good. When the farm economy is difficult, business is slow. Other businesses cater to the community as a whole and are thus less directly and quickly affected by the ag economy. But without agriculture bringing money into the economy, grocery, clothing and furniture stores begin to suffer. This slowdown in retail sales is beginning to show in Madelia, as the farm crisis continues.

Professional business, depending on the type, are affected differently by the agricultural situation. Lawyers and accountants show an increase in revenue as farmers and business people seek financial counseling and assistance. Doctors and dentists show little change although the feeling is that non-essential services are delayed as long as possible.

Madelia is fortunate in having three large and several smaller industrial plants that are not dependent on the farm economy or the local customers base. These include two food processing plants, a printing company and a chemical supply business. These companies diversify the economic base and provide a steady source of income into the town.

By visiting Madelia and discussing the current financial situation on a one to one basis, the RNDC hopes to get a true picture of the economy of the city and the affect of the agricultural crisis. For the most part, business owners and others talked willingly, but there was some reluctance to discuss specific figures. Overall trends, however, can be seen. Below is a listing of the various types of businesses and a report of our findings.

RETAIL/SERVICE/PROFESSIONAL

Madelia business owners show strong willingness to adapt to meet the changing needs of their customers or clients. This fact was evident by retail stores offering a different product mix than five years ago and the types of services they offer. Another significant item mentioned by a number of retailers was their willingness to cooperate and work more closely together. The local chamber of commerce reports portion of the business district is now involved in a variety of community promotions.

There is an increase in clients using the public accounting firm to assist them in identifying financial information pertinent to the survival of their business or farm operation.

Historically, rural communities have been service oriented. Several businesses pointed out how they are increasing services to better serve their customers. This ranged from the automobile dealer increasing his service staff and being more aware of totally re-conditioning a vehicle for resale to the appliance dealer or retailer who provides gift delivery.

Approximately 55 businesses were personally contacted by the RNDC staff. There are more than 90 businesses listed by the Madelia Chamber of Commerce.

KEY RESULTS

1. Overall retail sales down -- varies from business to business. Range from 2-40%.

2. Strong feeling that worst is yet to come.

A. Next 3 months will most vividly tell their retail story. Concensus the negative impact will continue to grow the next few months to five years.

3. Only one business (automotive dealer) said he could sell his business if he wanted to today -- or in the future, if conditions remain the same. One businessman said his son was planning to take over the family business, now this is extremely doubtful.

4. Accounts receivable don't appear to be a major problem as people are paying cash, buying only items which are a necessity. Past due accounts from a year ago or more are the major problem.

5. Almost every business interviewed said the major reason(s) they are surviving is:

A. Other businesses of same type have closed (example cafe).

B. Better management, less inventory, decreased interest rate, changes in product mix or services have been the key to continuing, although business sales continue to decline. Gross sales in some instances were up but profit percentage dropping each month.

C. Community businesses are pulling together more than ever before. Increased community promotions.

6. Price is becoming increasingly important plus increased advertising and ability to change market area (example hourly wage customers rather than farm trade which is almost non-existent in particular businesses).

7. Increasingly important for small business owner to have more than one income source (example a second business or family member working at another job to provide adequate family income).

8. Decline in net profit may indicate business owners, like farmers, are using life savings and assets to keep business afloat.

9. Strongly suggested if loss could be spread over longer length of time for tax purposes it would be extremely helpful. Debt re-structuring or tax legislation is a possibility.

10. Items that need to be reviewed are: insurance, workmen's comp, unemployment tax, interest rate, job training program, types of training for management skills, advertising workshop, ways to increase trade area, industry which can provide second income to farm and/or business families and training on product or service mix.

RETAIL SALES

State sales tax figures for 1980-1984 indicate retail sales show a slight increase, but what we found to date in 1985 is the businesses rely the most on farm customers show the greatest decline.

Indications are that hourly wage earners are a significant part of the Madelia retail market, but they are not shopping locally in a number of the retail stores.

Retail businesses in the majority showed a decline in sales over the past five years. Percentage of gross sales decrease varied from 2 to 70%.

Increased gross sales were noted by several businesses which emphasized although gross volume is on the incline the quality and/or price of individual items is down.

Increased sales were noted by more than one business but percentage of profit decreased, although business owners/managers were keeping closer control on inventory and becoming increasingly aware of the need for skilled management.

Majority of retailers indicated they feel the worst is yet to come. Next three months to five years will tell the story of the future of the community.

Accounts receivable for current accounts is not a major problem. Accounts over 90-120 days are greatest problem.

Price of item appears to be more of a priority in making buying decision than it was even a year ago.

Owners/managers report customers primarily buying necessity items.

Most retailers showed increased advertising expense due to trying to obtain their share of the buying public and need for persons to know they can purchase items which are new in the market in a rural community.

Retailers showed strong willingness to change product mix and/or services offered to meet today's needs.

Business owners/managers said they need to expand their customer base although state population figures show this is a loss of 1,206 persons in Madelia and the surrounding townships during the last five years.

FARM DEPENDENT BUSINESS

Farm dependent businesses are those that rely on farmers for their customer base. In Madelia, these include the grain elevator, feed and seed dealers, implement dealers and farm construction and electrical contractors. The well being of these businesses is directly related to the well being of the farmer. Among the businesses polled, these have been hardest hit with sales and profits at very low figures.

Comments

In 1975 Madelia had 15 implement dealers -- in 1985 there are none. All have gone out of business or combined with a dealership in another city.

Construction of new farm buildings and equipment such as grain drying systems is at a standstill.

Owners of farm construction and contracting firms are making due with repair work. Most have laid off over half their workers.

Sale of fertilizer and chemicals is off 25% since 1980.

Grain elevator sales are off by 37% since 1984.

Accounts receivables are high and many are written off due to bankruptcy. Business owners feel they need to be able to write off bad debt over a longer period of time.

Business owners are working more on a cash basis.

Farmers are waiting until absolutely necessary to purchase and try to repair rather than buy new.

Only independently owned feed company in the county shows increase in sales due to increase in prices.

One farm related business has become very progressive in offering management service to livestock facility owners and out-of-state investors. Also offering financial management services to area farmers. Entire method of operation has changed over past four years and now sees possibility of expanding number of employees.

One ag related business wrote off \$50,000 in 1983 and anticipates this will be about \$150,000 in 1985.

CLOSED BUSINESSES

Within the last year 10 businesses have closed their doors and have not been replaced (although some similar businesses have taken up the slack). Closed businesses include: Two implement dealers, Zimmerman's Variety Store, Jerry's Cafe, Howard's Bakery, Montgomery Ward Categories Store, The Corner Store (Clothing), John Morrell Meats -- buying station, Jordahl Machinery and Auto Repair, A commodity trading business, Haycraft Farm Tiling.

During this time only one new business has started, Ryters Print Shop. This business was a spin off from Ryter Corporation and does Ryters in-house printing and other commercial printing. They hope to increase their "main street" printing business. A small office supply store is planned in the front of the Ryter Printing Shop.

INDUSTRY

Madelia is fortunate in having a good non-farm related industrial base. Included in this category are two food processors, a chemical supply business, a printing company and even a small fire truck manufacturer. These businesses provide the city with a good tax base and a steady reliable source of payroll income which is not dependent on the cycles of the agricultural economy or the local customer base. Together these industries employ approximately 600 persons.

Comments

Madelia's work force is seen as efficient and reliable with excellent productivity and low rates of absenteeism.

Because of the ag economy, there is a large pool of potential workers. One business has over 75 people on call for part-time minimum wage employment.

One business plans \$3 million expansion which will add to the product line increase employment.

The food processors feel Madelia is ideally situated for product ingredient purchase.

Businesses are working with the displaced farmer program.

The customer base for these industries is regional (Upper Midwest) national inter-national.

The printing company reports 1985 as the "best year ever" although accounts receivable are becoming more of a problem as their customers (example newspapers) have difficulty collecting accounts receivables.

One industry reports four major expansions in past five years.

MADELIA SCHOOL DISTRICT

From a high point in the early 1970s Madelia has lost 40% of their student body.

In 1980 there were 750 students enrolled in the school with about 85 additional students in the parochial school.

In 1985 there are 601 students in the school and 119 students in the parochial school.

Of these 720 students, 350 are riding school buses. This means that a decrease in farm families could have an impact on the enrollment of the schools.

There is a 70% increase in the number of free and reduced lunches being provided at the public school in the last 5 years.

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The local levy for 1984-85 was \$1,641,000. The levy for 1985-86 is \$1,400,000. This is an added burden to the State of Minnesota because they must make up the difference. A portion of this decrease is because of declining valuation.

The payroll at the school is 1,350,000. This is a significant amount of income for the community.

FARM FINANCIAL COUNSELING

Pauline Nichols of the Watonwan County Extension office, submitted the following report covering their efforts to counsel farm families with financial problems. From her report it is clear that farm families need assistance in setting up and maintaining financial systems and management plans. Through such a system, early warning signs of problems could be detected and preventative measures taken.

TEEN DISTRESS

Mrs. Nichols also summarizes a study of distressed teens in southwestern Minnesota. The study shows a great increase in distressed and troubled teenagers. The reported rate of teenage suicide attempts was 300% greater than expected. Uncertain economic times certainly contribute to this distress. The need for preventative education and counseling is very strong.

FULDA FARM CRISIS STATISTICS

NOTE: This table is divided, and additional information on a particular entry may appear on more than one screen.

	Population	
	1970	1980
Murray County	12,508	11,507
Fulda	1,326	1,308

	Population	
	1983 (est.)	1970-83 percent
Murray County	11,441	(8.5)
Fulda	1,306	(1.5)

Source: U.S. Census Minnesota Demographer.

NOTE: This table is divided, and additional information on a particular entry may appear on more than one screen.

	Households/real estate valuations	
	1970	1980
Number of Fulda households	467	511

	Households/real estate valuations	
	1983 (est.)	1980-83 percent
Number of Fulda households	547	17.1

NOTE: This table is divided, and additional information on a particular entry may appear on more than one screen.

Murray County property tax delinquencies		
	1981	1984
Murray County	\$30,437	\$179,512
Fulda		6,700
4 townships around Fulda		44,400
Murray County property tax delinquencies		
	1985	1981-85 percent
Murray County	\$447,226	1,369.4
Fulda	14,905	122.6
4 townships around Fulda	126,769	185.5

Ag land values for Fulda areas were at a high of \$2,100 per acre in 1979 to a low of \$900 per acre in 1985.

Fulda city lots: \$10,000 in 1979 declining to \$3,500 in 1985.

Example: \$70,000 lake home having difficulty selling at \$45,000.

5 homes foreclosed in 1985.

Local bank closes.

Source: County auditor.

NOTE: This table is divided, and additional information on a particular entry may appear on more than one screen.

City revenues and expenses		
	1980	1982
Revenues	\$422,898	\$463,178
Expenses	225,500	307,753
City revenues and expenses		
	1984	1980-84 percent
Revenues	\$421,953	n1 1
Expenses	388,293	72

n1 Approximately \$10,500 per year revenue sharing.

Projected taxes (local) 1985: 8 percent Increase. Projected 15 percent increase in 1986.

Increases will not actually increase revenues or total income, it will attempt to maintain revenues because of declining taxable base.

Source: Fulda city clerk.

REGIONAL FARM STATISTICS

NOTE: This table is divided, and additional information on a particular entry may appear on more than one screen.

	Number of farms	
	1978	1982
Cottonwood	1,198	1,053
Jackson	1,329	1,253
Lyon	1,191	1,175
Lincoln	917	823
Murray	1,224	1,150
Nobles	1,479	1,413
Pipestone	847	828
Rock	1,019	953
Redwood	1,674	1,544
	10,878	10,192
	Percent	
Cottonwood	(12.1)	145
Jackson	(6.1)	76
Lyon	(1.3)	16
Lincoln	(10.3)	94
Murray	(6.1)	74
Nobles	(4.5)	66
Pipestone	(2.2)	19
Rock	(6.9)	66
Redwood	(7.8)	130
	(6.3)	667

Source: U.S. Census of Agriculture.

(1) One in ten state farmers will quit within the next year. This would result in 996 farmers in Region 8.

(2) For each farm eliminated about three jobs are lost. This result to 2,988 jobs lost next year and 8,964 in five years in Region 8.

(3) For every ten farms lost, one farm related business folds. Region 8 would experience a 332 decline in farm related businesses.

(4) Farm liquidations have caused a 40-percent decline in land values and 50-percent decrease in equipment. n1

n1 Figures based on "State Agriculture Policy Project Task Force" findings.

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BUSINESS FAILURES 1985

6 businesses, 21 jobs lost; retail sales decline from \$7,498,763 in 1979 to \$3,374,012 in 1984.

Source: Mayor of Fulda, State of Minnesota.

SCHOOL ENROLLMENT

Population decreased 10 kids since 1984-1985.

Superintendent anticipates another 12 to leave by the end of year.

35 percent increase in the number of free/reduced meals given.

Usually receive 99 percent of taxes levied. This year district has \$27,000 delinquent taxes. Estimate \$42,000 (86) for next year.

1985-86 school year received \$3,000 in state aid, next year will have to get \$330,000 in state funds because of devaluation of property values.

Source: School Superintendents.

SUMMARY

Decline in population, especially at the county level.

Although population is declining, the number of housing units continued to increase. Since the demand for public services is more closely related to the number of households than to size of population, Fulda is experiencing increasing demand for services.

Demand for services and other City expenses continues to increase as revenue base declines.

Tax delinquencies increasing dramatically at County, City, Township (122 percent-1370 percent).

City taxes rising sharply to keep up with increasing expenditure costs and declining property valuations.

Loss of 6 local businesses and 21 jobs.

Bank failure.

School district enrollment declining with greater reliance on state aid because of increasing tax delinquencies and loss of local income (noon lunch program).

\$4,124,751 decrease in retail sales between 1982-84, representing a 55 percent decline.

Upper Minnesota Valley

Regional Development Commission,
Appleton, MN, October 31, 1985.

To: Hon. Dave Durenberger.

From: Otto Schmid, Executive Director.

Re: Overview of Economic Conditions and Various Trends in the Upper Minnesota Valley Region as well as Profile of a Local Community in this Region.

At the request of Senator Durenberger's office, I submit the following information to be used by the Senator's office as they see fit.

The Upper Minnesota Valley Region is located adjacent to South Dakota along the midwestern border of Minnesota. The region consists of the five counties of Big Stone, Chippewa, Lac Qui Parle, Swift, and Yellow Medicine and totals approximately 3,332 square miles.

School enrollment: After significant increases in school enrollment for the last 30 years, the number of students began to drop significantly after 1970. The 1970 enrollment was 17,800 while the 1984-85 enrollment was 11,219 or 63 percent of the 1970 figure. The estimate for the year 2000 is for a school age population of approximately 11,400. This same estimate analysis was about 600 too low for the 1985 enrollment estimate, indicating that little additional decline is expected, in fact a slight increase might occur.

There are 20 public school districts and three nonpublic schools within the region. Even with the apparent stoppage in the regional enrollment decline, several public and two nonpublic school districts with total enrollments of less than 300 students may experience financial hardship. Several districts have already achieved partial economies of scale by operating their elementary systems by contracting with an adjacent district for secondary education. Three districts have enrollments in the 1,000 pupil range which some educators feel may be a threshold for adequate education, at least in a financial sense. These districts are Granite Falls, Benson, and Montevideo.

Housing: The early rapid growth of the area's population, coupled with the latter continual decline in that population, has left this region with an aged stock of housing. Older housing, usually defined as having been constructed prior to 1940, not only has the maintenance problems which develop as structures age; it also lacks adequate components. By components we mean heating systems that are both inefficient and expensive to operate or electrical systems which cannot serve the large number of appliances in use today. Plumbing systems are also a concern as well as a lack of insulation and airtight windows. It is estimated that 60 percent of the year round housing units in this region were built prior to 1940. Several attempts have been made to estimate the total number of these housing units which need rehabilitation or replacement. These estimates range from 15-30 percent of the year round housing units or from 3,375 to 6,427 units out of the total 21,606 estimated housing units in the region. Regional income level estimates indicate that about one-third of the non-elderly and 80 percent of the elderly population are below 80 percent of their county median income. This translates to an enormous need for housing subsidy assistance. The Upper Minnesota Valley Regional Development Commission estimates that 4,666 households need housing aid. Of that total, 2,898 or 62 percent are elderly and 1,768 or 38 percent are family.

Human resources and labor profile: This section will attempt to analyze and describe the demographic makeup of this region including population trends, projections, geographic distributions, education and income levels, as well as labor force characteristics.

The population of the Upper Minnesota Valley Region remained relatively stable between 1930 and 1950. During this same period the State grew in population so that the regional percentage of the State continually dropped from 2.82 percent in 1930 to 2.44 percent by 1950. The 1980 percentage of 1.46 percent is projected to continue to drop, thus lowering the percentage to at least the year 2000 (estimated to be 1.22 percent). In 1930, the total regional population was 72,358, in 1950 it was 73,007, and in 1980 the region's population was 59,822. This reflects a 17.32 percent decrease between 1930 and 1980. The decrease between 1950 and 1980 is 18.06 percent decrease. All counties within the region have continually lost population between 1950 and 1980. Several factors determine the dynamics of population change. These factors include natural increase/decrease and migration. Each county lost population due to outmigration. Eighty townships within the region lost population between 1970 and 1980. One township experienced no change and the remaining 13 townships gained in population. With no exception, those townships that gained in

population are located adjacent to a municipality or they are along a major transportation or highway link. Of the 37 incorporated municipalities in the region, only four of those had a 1980 population of more than 2,500. An additional six municipalities have populations between 1,000 and 2,500. Three municipalities have between 500 and 1,000 and over two-thirds of them have populations of less than 500. Between 1960 and 1980, ten of the region's 37 municipalities experienced growth. While decline in population of the remaining municipalities was not substantial, it could be stated that the loss of population in the rural townships was reflected in a migration of the farming community to nearby municipalities. In 1970, the rural non-farm and urban population accounted for 62 percent of the total. At the same time, rural farm population accounted for approximately 38 percent. In 1980, the rural non-farm and urban population amounted to 71 percent of the total and the rural farm population accounted for 29 percent.

In 1980, this region had a greater proportion of its residents in the over 50 category and less in every other category below 50, except the 0-4 classification. This can best be explained by the continual long-term outmigration from the region, those most likely to migrate are the young adults. The most dramatic change in the age composition occurred between 1960 and 1980. The age composition breakdown between the counties shows very little difference. The regional median age is 34.2 years and the 1980 state median age is 29.2.

Income: Median family income in this region is consistently lower than that of the State of Minnesota. In 1970, the median family income in the region equalled \$6,786 and at the same time median family income for the State of Minnesota was \$9,931. In 1980, the median family income for the region was \$15,303 while that of the State of Minnesota was \$21,185. Individually, none of the counties within the region had a median family income which exceeded that of the State. Census figures indicate that half the families in the region earned less than \$10,000 in 1980, while half the families in the State earn more than \$13,000 and for reference purposes half the families in the Twin Cities earn more than \$22,500. This latter figure may indicate the attraction of larger cities that fosters outmigration from this region.

Labor force: The labor force is defined as those people who are employed or if unemployed are actively seeking employment. Between 1970 and 1980 the labor force for this region has grown steadily. This is noteworthy when consideration is given to corresponding population statistics. The region has steadily lost population at the same time the labor force has grown. Several possible explanations exist for this. An increase in number of jobs as well as an increase in labor force, possibly new non-traditional members entering the labor force. Between 1970 and 1980, a rapid increase in the female labor force between 16-34 years old was experienced. This phenomenon may reflect the perceived need of the region's farm families that supplemental incomes were necessary to maintain the farming operation. It should also be stated, that during that same period of time, agricultural employment between 1970-1980 declined by 5.8 percent. In 1980, the unemployment rate in the region amounted to 6.0 percent. At the same time the unemployment rate in the State of Minnesota was 5.9 percent and that in the U.S. was 7.1 percent. In 1984, the region's unemployment rate was 7.3 percent compared with 6.3 percent for the State, and 7.5 percent for the U.S.

Agriculture: The agriculture sector has experienced declines in rural farm population, number of farms, and total employment; this trend may continue as overcapitalized operators cannot continue to amortize debts. All individual hardships cannot be discounted, the history of decline is not totally and necessarily bad, as in other sectors of employment in the state and nation, technological advances and economies of scale have dictated fewer farm units while increasing the size of each unit. The 1982 figures indicate a cash income received by farmers in the region of almost \$500,000,000. This cash income can be broken down as follows: 55 percent was derived from crops, 42 percent was derived from livestock, and three percent was derived from government intransfer payments. The 1982 cash income figures are the most current that the Regional Development Commission office has access to. In analyzing the local markets and prices paid for commodities and livestock in 1982, in comparison to 1985, would suggest that cash income received by our farmers this year will be substantially lower. It is suggested that individuals requesting further clarification as to the potential for cash income received by farmers in 1985, contact area extension offices or the State Department of Agriculture.

Financial resources: The major source of private capital in this region is from the banks. Banks with conservative

lending policies can be a detriment to economic development, especially for venture capital loans. Almost \$600 million was on deposit in regional banks as of December 1984; while almost \$400 million was on loan or discount. The regional loan to deposit percentage at that time was 64.99 percent. While it is difficult to establish a bench mark for evaluation of these percentages, most smaller rural banks have between 50-60 percent of their deposits on loan. This figure changes based on profitability as well as portfolio distribution. The regional figure of 64.99 percent is quite high when one considers that much of the banks funds in this region are tied up in agricultural loans. The combination of consistently low farm commodity prices and high production costs have often resulted in renewal rather than repayment of some of these loans. This combination of events has led to a substantial shortage of capital to finance both continued farming operations as well as expansion of business and industry. Within the five-county regional area during the past twelve months, two banks have failed and are in the process of reorganizing.

Regional summary: It can be seen from previous discussion concentrating on a half a dozen or so segments of the area's economy, the Upper Minnesota Valley Region is experiencing the impacts of an agricultural economy that has been declining over the years. It should be emphasized, that by no means, is this a condition that has all of a sudden happened in the rural area. The depression in the region's rural economy has been in the making for the past 20 years. There are many factors that obviously come into play in attempting to analyze all of the reasons for this decline. Most of those factors are beyond the control of local decision makers, business community, agricultural community, and the citizenry of the region.

Community profile: In addition to the overall view of the regional economy, we are presenting a profile of what is considered to be a typical community within this rural region. In discussing the reasons for and the information to be provided in this memo, it was determined by the mayor and members of the city council that they wished to have their community's identity remain anonymous.

This particular community, is not unlike a half dozen or so of the communities identified as secondary growth centers through the region's economic development plan process. Although the term secondary growth center may seem inconsistent with the information that will be provided as a part of this profile, it should be stated that there exists an attitude within these rural communities that indeed these communities are a good place to live, work, and raise one's family. By and large, representatives of municipal government from this regional area realize there exists a substantial investment in infrastructure in each and every one of their communities. This investment in infrastructure is cost effective only when the dynamics of economic development are present. Concern exists when stagnation or economic decline begins to set in. The most visible example of economic decline in a small rural community is the closure of main street business concerns. In the profile of the community chosen by the Regional Commission staff, fourteen main street or service related businesses have closed their doors during the past 18 months. This includes a lumber yard, two cafes, two hardware stores, two furniture stores, one shoe store, one law office, one gas station, one implement dealer, one children's clothing store, a drug store, and an electronic manufacturing concern. These business foreclosures represent a total job loss in the community (jobs not replaced) of approximately 115 individuals. The direct loss of jobs also has a ripple effect through the remainder of the community's economy as well as that of the county and the region. This multiplier effect can be measured in the hundreds of thousands of dollars in lost wages both in the primary business loss as well as the secondary and tertiary business loss felt by those remaining.

In addition to business closings, one must also look at the real estate market for an indication of measuring not only distress but whether or not there exists stagnation or obvious economic decline. In viewing the community profile, it was determined through surveying real estate agents in the area, that there exists an inventory of approximately 50 homes. Of these 50 homes, 42 have been on the market longer than one year. Of these 40 homes, more than half are vacant and of the remaining most of those have been rented.

The school district in this community has experienced an almost 30 percent decline in school age children K-12 between 1975-76 to 1985-86. Despite this fact, the school budget has increased by 31 percent during the six year period 1980-81 to 1985-86. Although the school district has attempted to keep the tax rate down and two tax levy referendums for the general fund in recent years have been defeated, it is sufficed to say that generally a reduction in school

population also means a reduction in state aid to the school district. A total enrollment of the school district during 1980-81 amounted to 833 students. In 1985-86 the population of the student body amounted to 694. During that same period of time, the school district's cost increased from a little over \$1.5 million to just under \$2 million for 1985-86. Although the school's population has declined, it should be remembered that the school district's boundaries exceed those of the municipalities.

The municipality's population has remained constant for the past 20+ years. However, the population of the surrounding townships has declined substantially witnessed the result of that decline in the reduction of the school's population. The reduction of the population in the rural townships is almost totally related to the reduction of the number of farms in the area.

Summary: This community, and the regional area in which it lies, has been described by some individuals as being very similar in condition as that of some third world nations. This an area in transition located within a state and nation in transition. The major difference is that this region and this community are experiencing difficulties directly related to the decline of the rural economy. Most urban dwellers may find it difficult to understand or hard to believe that there exists situations within their own state that can be compared to the economic conditions found in many third world countries. The communities in this region, as well as the region itself, see opportunity for economic development only if there is an awareness on the part of state and national leaders that rural areas of this country provide opportunities for diversification and expansion for existing and new private sector activities. Agriculture will remain the primary resource and the backbone of this area's economy. However, there exists a realization within this region that most of the problems that must be overcome will require a measured amount of outside assistance. Without this assistance, the future of this rural region should be evident.

Mr. MITCHELL. Mr. President, I rise in support of Senator Durenberger's amendment to the farm bill to establish a National Advisory Commission on Rural America. I believe the concerns and interests of rural States in our country will be well served by such a Commission.

I would like to direct a question to Senator Durenberger with regard to this amendment however. As a Senator from a rural State and one who is very concerned about the health care of rural Americans, I am particularly interested in that in the scope of its review, the Commission examine and address the special needs of health care delivery of rural America.

I believe there is a critical need for those of us who represent rural States to examine and address the special needs of rural health care, including quality of care, access to care, and the high cost of providing health care in sparsely populated areas.

After reviewing the proposed membership of the National Advisory Commission, I do not see that the membership will include a person who will represent the health care needs of rural America. Have the Senators given any consideration to the inclusion of a member to the Commission with expertise in the special concerns of rural health care delivery?

Mr. DURENBERGER. I appreciate the Senator's support for this amendment and for the concern he has expressed for the health care needs of rural America. I share his concern about this issue.

As the chairman of the Senate Subcommittee on Health, and a member of the Senate Rural Health Caucus, I, too, recognize the serious needs of Americans in rural States for quality health care. The issue of health care was not forgotten as I worked to develop a design for this Commission.

Two members of the Commission will represent rural, private-sector service delivery interests. One of these members will specifically be appointed with expertise in rural health care.

Mr. MITCHELL. I thank the Senator for his response on this critical matter facing rural America. I do not believe

that rural people in our country should be forced to accept second-class care. We must search for solutions to the problem of access to quality health care at reasonable costs for those who live in the most remote parts of our States.

I hope that the National Advisory Commission on Rural America will be able to examine and address the concerns facing health care in sparsely populated areas of our States and will find viable solutions to some of the problems facing the delivery of rural health care in our country.

I support Senator Durenburger in this initiative and urge my colleagues to support this amendment as well.

Mr. HELMS. Mr. President, we have examined the amendment and find it acceptable on this side.

Mr. ZORINSKY. This side of the aisle has examined the amendment and supports its passage.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Minnesota.

The amendment (No. 1058), as modified, was agreed to.

Mr. ZORINSKY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DURENBERGER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 1109

(Purpose: To require the Office of Technology Assessment to conduct a study of quality standards for exported grain)

Mr. HELMS. The next would be Mr. Abdnor and his amendment on the OTA study.

Mr. ABDNOR. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from South Dakota [Mr. Abdnor] for himself, Mr. Zorinsky, Mr. Exon, Mr. Symms, Mr. Boschwitz, and Mr. Durenberger proposes an amendment numbered 1109.

Mr. ABDNOR. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the pending amendment, add the following: On page 459, between lines 18 and 19, insert the following new section:

STUDY OF GRAIN STANDARDS

Sec. . (a)(1) The Office of Technology Assessment shall conduct a study of United States grain export quality standards and grain handling practices.

(2) The Office of Technology Assessment shall conduct such study --

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(A) in consultation with the Secretary of Agriculture; and

(B) in accordance with section 3(d) of Technology Assessment Act of 1972 (2 U.S.C. 472(d)).

(b) In conducting such study, the Office of Technology Assessment shall --

(1) evaluate the competitive problems the United States faces in international grain markets that may be attributed to grain quality standards and handling practices rather than price;

(2) identify the extent to which United States grain export quality standards and handling practices have contributed toward the recent decline in United States grain exports; and

(3) perform a comparative analysis between --

(A) the grain quality standards and practices of the United States and the major grain export competitors of the United States;

(B) the grain handling technology of the United States and the major grain export competitors of the United States; and

(4) evaluate the consequences on United States export grain sales, the cost of exporting grain, and the prices received by farmers should United States export grain elevators be subject, by law or regulation, to requirements that --

(A) no dockage or foreign material (including but not limited to dust or particles of whatever origin) once removed from grain shall be recombined with any grain if there is a possibility that the recombined product may be exported from the United States;

(B) no dockage or foreign material of any origin may be added to any grain that may be exported if the result will be to reduce the grade or quality of the grain or to reduce the ability of the grain to resist spoilage; and

(C) no blending of grain with a similar grain of different moisture content may be permitted if the difference between the moisture contents of the grains being blended is more than 1 percent.

(c) Not later than December 1, 1986, the Office of Technology Assessment shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report containing the results of the study required under this section, together with such comments and recommendations for the improvement of United States grain export quality standards and handling practices as the Office of Technology Assessment considers appropriate.

Mr. ABDNOR. The purpose of the amendment, Mr. President, is to have the Office of Technology Assessment perform a study of U.S. grain export quality standards and grain handling practices.

For as long as I can remember, Mr. President, there has been a constant controversy concerning U.S. grain quality standards. It seems every year we hear horror stories of disgruntled foreign customers and lost sales due to the poor quality of the grain we sell and export. We also hear how we come up a very poor second in the quality of our grain exports compared with our competitors, particularly the Canadians.

We have heard many examples as to how American farmers have been, and continue to be, disadvantaged in the promotion and sale of their products in international markets: the high value of the dollar, trade barriers, foreign subsidies, to mention but a few.

Given the huge surpluses of grain in the world today, it's a buyers market. A successful sale of grain requires competitive quality as well as price.

My amendment is designed to ultimately yield recommendations which would promote export grain sales by protecting the quality of grain exported from the United States.

I've chosen the Office of Technology Assessment -- an agency of the Congress -- to perform this study not only because of its excellent reputation with the Congress, but because of the technology aspects of this issue. I, and many others, I would suspect, are concerned that our grain handling practices as well as our quality standards may be following the same road traveled by the U.S. auto industry -- recognizing too late the changing preferences and needs of the customer.

The Office of Technology Assessment has informed me that they are capable of handling this controversial project and provide its report with recommendations to the Congress within 12 months.

I am confident, Mr. President, that this study will go a long way in answering many of the apparent ageless questions about this Nation's export practices.

For example, this study will gauge the extent to which our quality standards have contributed to the dramatic decline in our exports the last several years; do a comparative analysis between our standards and those of our competitors; and address the highly controversial question: What effect will regulated or legislated mandatory improvements in quality standards have on prices received by farmers. I'm personally convinced that these questions need to be answered before we unnecessarily burden our already embattled grain export sector with the heavy and oftentimes misdirected hand of Government.

Mr. HELMS. Mr. President, we have examined the amendment and find it acceptable and commend the Senator.

Mr. ZORINSKY. Mr. President, the amendment has been cleared on this side of the aisle and we recommend its passage.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from South Dakota.

The amendment (No. 1109) was agreed to.

Mr. ABDNOR. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HELMS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 1110

(Purpose: To require the President to take all steps necessary and appropriate to end unfair practices of the European Communities, including practices harmful to American citrus, wheat flour, poultry, canned fruits, and raisins.)

The PRESIDING OFFICER. The Senator from California.

Mr. WILSON. Thank you, Mr. President.

Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from California (Mr. Wilson) for himself, Mr. Cranston, and Mr. DeConcini proposes an amendment numbered 1110.

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Mr. WILSON. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the pending amendment, add the following:

At the appropriate place in the bill, insert the following:

UNFAIR TRADE PRACTICES

Sec. 114. (a) The Congress finds that --

(1) United States producers and processors of citrus, wheat flour, poultry, canned fruits, and raisins have filed petitions under section 302 of the Trade Act of 1974 alleging that the subsidies and discriminatory tariffs of the European Communities are inconsistent with the principles and terms of the General Agreement on Tariffs and Trade (hereafter referred to in this section as the "GATT") and have placed United States exporters at a competitive disadvantage;

(2) throughout the past decade, the European Communities has repeatedly rebuffed extensive United States efforts to resolve these matters through bilateral consultations and multilateral negotiations, as well as through consultations under the provisions of the GATT;

(3) after many years of frustrated discussions, the United States had no choice but to invoke the dispute settlement procedures of the GATT as the only remaining means of seeking redress for American producers and processors;

(4) investigatory panels, established by the GATT to review separately each of the United States complaints, concluded that European Communities subsidies and discriminatory tariffs had nullified and impaired rights of United States exporters and were in violation of the GATT and recommended that the European Communities take necessary steps to rectify the matters;

(5) the European Communities has effectively and repeatedly prevented adoption by the GATT of each of these reports, most recently, the favorable report involving the 15-year-old citrus complaint;

(6) on May 1, 1985, the President concluded that the GATT dispute settlement process with respect to the citrus complaint was terminated and, pursuant to section 301 of the Trade Act of 1974, the President had to consider a subsequent course of action to redress the injury to United States citrus exporters;

(7) on June 20, 1985, the President announced that a reasonable and appropriate course of action in response to the unwillingness of the European Communities to implement the unanimous finding of the GATT panel or to negotiate a mutually acceptable resolution of the citrus complaint is to withdraw an equivalent amount of concessions from imported European Communities pasta products and, in response, the European Communities notified the United States that the European Communities would retaliate by increasing the European Communities duties on United States lemon and walnut imports;

(8) on July 19, 1985, the United States and the European Communities agreed to suspend until October 31, 1985, the tariff increases, in order to provide the European Communities with additional time to resolve the citrus complaint; and

(9) despite this suspension, the European Communities has failed to present to the United States an acceptable proposal to resolve the citrus complaint, and effective November 1, 1985, the United States reinstated the pasta tariff increase, and in turn, the European Communities reinstated the lemon and walnut tariff increase.

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(b) The President shall take all appropriate and feasible action within the power of the Presidency (including, but not limited to, the actions described in section 301 of the Trade Act of 1974 (19 U.S.C. 2411)) to --

(1) ensure a prompt and satisfactory resolution of all complaints regarding subsidies and discriminatory tariffs of the European Communities which --

(A) are set forth in petitions filed under section 302 of the Trade Act of 1974 by United States exporters of citrus, wheat flour, poultry, canned fruits, and raisins, and

(B) are pending before the GATT on the date of enactment of this Act,

(2) counter any retaliatory action of the European Communities by withdrawing additional trade concessions, and

(3) balance the level of concessions in the trade between the United States and the European Communities.

Mr. WILSON. Mr. President, I offer an amendment to the farm bill on behalf of thousands of American producers and processors of citrus, canned fruit, poultry, and wheat flour who have suffered monetary loss due to the unfair trading practices of the European Economic Community [EEC] and who, because of the EEC's intransigence, have been denied fair restitution under the dispute settlement procedures of the General Agreement of Tariffs and Trade [GATT].

This amendment will require the President to take all appropriate and feasible action within the power of the Presidency -- including, but not limited to, the actions described in section 301 of the Trade Act of 1974 -- to ensure a prompt and satisfactory resolution all section 301 complaints regarding subsidies and discriminatory tariffs of the EEC which have been filed by U.S. exporters of citrus, canned fruit, poultry, and wheat flour and which are currently pending before the GATT. Additionally, the amendment directs the President to take actions to counter any retaliatory action of the EEC by withdrawing additional concessions and to rebalance the level of concessions in U.S.-EEC trade.

Mr. President, I offer this amendment as a fair and pragmatic remedy to the agricultural trade disputes which have damaged our trade relations with the European Community over the months and years. In the short term, this amendment will strengthen the President's immediate ability to resolve these cases. The administration has already attempted to expedite the ongoing negotiations in the canned fruit case by setting a December 1 deadline for its resolution. This amendment will also convince our trading partners that we will not hesitate to seek alternate and, if necessary, unilateral solutions when both GATT dispute settlement and bilateral negotiations fail to provide fair restitution to the American industries placed at a competitive disadvantage by unfair EEC trade practices.

In the longer term, by eliminating the underlying tensions caused by these trade disputes, we and the European Community can work to improve our bilateral trade relationship, to break down barriers to trade and to revitalize the GATT dispute settlement process.

The history of these cases demonstrates most clearly why we need a new approach to move forward with these cases. Attempts to obtain fair restitution either through the GATT dispute settlement process or in bilateral negotiations have been futile for the American citrus, canned fruit, poultry, and wheat flour industries. First these American exporters lost markets to unfair EEC export and processing subsidies which violate the rules of fair trade. Then the damage suffered by their industries has been compounded by the EEC's refusal to accept the findings of GATT investigatory panels created to review these disputes and recommend compensatory measures to the injured party.

For example, in 1975 the U.S. wheat flour industry filed a 301 petition charging that the EEC provided export subsidies that were excessively high and allowed material price undercutting in third country markets. For 6 years, the U.S. Government held technical discussions and unsuccessful consultations with the EEC, and, finally, in 1981, invoked the GATT dispute mechanism by requesting an investigatory panel.

After a 2-year inquiry, the panel's findings were inconclusive and failed to address a number of issues raised in the

301 petition. As a result, the matter was referred, in 1983, to the GATT's Subsidies Code Committee, where the EEC has the ability to forestall the resolution of the complaint. Thus, 10 years after the original petition was filed, our Nation's wheat flour industry is understandably frustrated.

The U.S. poultry industry's 301 case, charging the EEC with using export subsidies to undercut prices and to gain a larger share of world trade, has been complicated and prolonged by EEC maneuvering. While the case has wallowed through 4 years of unsatisfactory consultations and is presently stymied before the GATT's Subsidies Code Committee, the EEC's export subsidies have allowed it to become the world's largest exporter of poultry and eggs. Conversely, our own domestic industry has seen its export markets diminish. For example, in 1980, U.S. exports of broilers to the Middle East were valued at \$47 million; however, by the end of last year, they had plummeted to less than \$340,000 -- largely displaced by cheaper, subsidized EEC exports.

The U.S. processed fruit industry filed a 301 petition in 1981 alleging that EEC production subsidies for canned peaches, canned pears, and canned fruit mixtures nullify and impair tariff concessions which the EEC has extended to our country and inhibit U.S. exports of these products to the EEC. Not surprisingly, a bilateral solution to the complaint was unsuccessful, and the United States, once again, requested that a GATT investigatory panel review the case.

After a 14-month inquiry, the panel report, which was favorable to the United States, was given to the parties to the dispute; however, on three successive occasions, the EEC was successful in delaying its formal release and in ultimately pressuring the members of the panel to alter significantly some of its findings. The final version of the report, which remained favorable to the United States on canned fruit, but less so on raisins, has yet to be adopted by the GATT, due to continued EEC opposition.

In the meantime, our domestic canned fruit industry has not only lost its European markets, but is being displaced in our own country by cheap EEC imports. U.S. canned peach exports worldwide have dropped from nearly 1.8 million cases in 1982-83 to an estimated 300,000 cases this year. This translates into \$60 million in lost sales in just 4 years. In the EEC market alone, exports of canned peaches have dropped from 500,000 cases worth \$6 million in 1981 to only 7,000 cases valued at barely \$126,000 in 1984. At the same time, subsidized imports from the EEC and other countries increased from zero cases in 1982-83 to over 1.2 million cases in 1984-85. In 1982, EEC canned fruit exports to the United States totaled about \$2,000. By 1984, this had skyrocketed to about \$4 million. These numbers underline the damage to an important American industry because of EC refusal to resolve this case.

On September 7, President Reagan directed the USTR to expedite proceedings in this case and to prepare a list of products for retaliation unless the problem is resolved by December 1, 1985. I commend the President on this decision and urge him to accept nothing less than a full and meaningful settlement to this case. This settlement should include steps that directly benefit the struggling U.S. canned fruit industry. After 4 long years of pursuing a GATT resolution in good faith, the U.S. industry should at least be able to obtain relief from our section 301 proceedings.

The longest standing 301 complaint -- filed a full 15 years ago -- was initiated by U.S. citrus growers, and because of recent developments, is also the most timely and symbolically important case.

Since 1969, the EEC has granted preferential treatment to citrus and citrus products from Mediterranean countries to the detriment of American citrus growers. The annual loss of sales by U.S. exporters of oranges and lemons because of these preferential Mediterranean tariff agreements is estimated at \$48 million. In 1970 and 1972, citrus growers from California, Arizona, Texas, and Florida lodged complaints against the EEC's preferential tariffs under section 252 of the Trade Expansion Act of 1962. In 1976, the citrus industry utilized section 301 of the recently enacted Trade Act of 1974 to file a complaint alleging that the EEC's discriminatory tariffs are inconsistent with the most-favored-nation [MFN] principle of the GATT and placed U.S. exporters at a competitive disadvantage in the EEC market.

Throughout the past decade, the EEC has rebuffed extensive U.S. efforts to resolve the matter through bilateral consultations with the EEC, rather than mounting a legal challenge against the EEC in the GATT. Our Government also

tried without success to resolve the issue with the EEC during the Tokyo round of Multilateral Trade Negotiations, which concluded in 1979. The EEC has continued to reject all efforts at a negotiated compromise even after the U.S. initiated consultations under the provisions of the GATT and agreed to the unusual step of allowing the director general of GATT to arbitrate the dispute.

Finally in November 1982, after 6 years of frustrated discussions, the United States had no choice but to invoke the dispute settlement procedures of the GATT as the only remaining means of seeking redress for American citrus growers.

After 2 years of study, the GATT panel found unanimously that the EEC tariff preferences on fresh oranges and lemons from Mediterranean countries nullify and impair the most-favored-nation [MFN] rights of the United States. The GATT recommended that the EEC reduce its MFN tariff rate on U.S. oranges and lemons.

Despite the favorable panel findings, the GATT has been unable to adopt the report and implement the recommendations because the EEC has effectively prevented a vote from occurring during several GATT meetings held earlier this year. A unanimous vote to adopt the GATT panel report must occur before any compensation by the guilty party is required.

Therefore, on May 1 of this year, our Government disappointedly, but in my opinion, realistically, had to conclude that the GATT dispute settlement process was terminated, and pursuant to section 301, had to consider a subsequent course of action to redress the injury to U.S. citrus exporters.

On June, 1985 President Reagan announced that a reasonable and appropriate course of action in response to the unwillingness of the EEC to implement the unanimous finding of the GATT panel or to negotiate a mutually acceptable resolution of this issue was to withdraw an amount of concessions from imported EEC pasta products equivalent to the U.S. citrus trade which had been adversely affected. The EEC promptly announced counterretaliation against U.S. exports of lemons and walnuts by imposing a prohibitively high tariff increase.

This unjustifiable response back in July prompted me to introduce the "Fair Access to Foreign Markets Act." The amendment I am offering today parallels that legislation. However, its adoption now is even more critical than it was in June because of recent events in what has come to be known as the "pasta-citrus war."

When we were in round 1 of the pasta war in June, EEC officials obviously realized the potential implications which a provision in the Fair Access to Foreign Markets Act requiring the President to rebalance the level of concessions in U.S.-EEC trade, could have on European wine exports because the Community quickly rescinded the retaliatory walnut and lemon tariffs and, in a further action, decided to reduce subsidies on EC pasta exports by 45 percent, thereby resolving the longstanding pasta 301 case. In exchange, the United States agreed to suspend our increase in pasta duties.

Central to this agreement, however, was the commitment which EEC officials gave to the U.S. Trade Representative to take steps to increase access to the EC market for U.S. citrus exports. As Ambassador Yeutter said in his July 19 statement announcing this agreement, "If the EC fails to take satisfactory action on citrus by October 31, 1985, both sides acknowledge that the United States reserves the right to retaliate against the EC's discriminatory tariff treatment on U.S. citrus exports."

That October 31 deadline ended without satisfactory action to improve access for U.S. citrus exports to the EEC. Pursuant to the July agreement, the U.S. tariff increase on EC pasta imports was reinstated on November 1 to rebalance the level of concessions in U.S.-EC trade.

Immediately thereafter, in a completely unjustified response, the European Community, again, targeted for retaliation two California crops by imposing exorbitant tariff increases on walnuts and lemons. The consequences and the timing of this action are particularly devastating to California walnut growers, who account for 99 percent of our

domestic production.

This latest retaliatory act makes it unmistakably clear that the more patient we are with the European Community, the more our good faith is abused. The United States, in an act of good faith, suspended the increase in pasta tariffs in July because of the EC's express promise to accommodate our request on citrus. Rather than using the summer months to abide by their agreement, EC officials procrastinated until late October. At that time, they came to the negotiating table with a woefully inadequate proposal which our negotiators rightfully rejected.

Unless we stand firm until this case is resolved in an equitable manner, the ultimate loser will be every American farmer who is attempting to compete in worldwide markets, every U.S. business that depends upon a fair opportunity to deal across the globe, and in the end, the U.S. Government's trade policy -- struggling to reinvigorate itself in the face of a growing balance of trade deficit.

The long and painful history of these 301 cases, as I have just outlined, demands a new approach. My amendment offers that approach, by requiring the President to use all available means within existing laws to resolve these cases, including the retaliatory powers granted him under section 301 of the Trade Act of 1974. Once these disputes cease to disrupt our bilateral relationship, we and the EC can move forward to reconstruct an atmosphere of more harmonious trade, a goal which our trading partners in the EC undoubtedly share. I thank my colleagues and urge them to support this amendment.

Mr. HELMS. Mr. President, the amendment is acceptable on this side.

Mr. ZORINSKY. Mr. President, this side of the aisle has examined the amendment, and it is acceptable.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 1110) was agreed to.

Mr. ZORINSKY. Mr. President, I moved to reconsider the vote by which the amendment was agreed to.

Mr. HELMS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The Chair believes that that amendment was out of order.

Mr. HELMS. Is Mr. Dixon in the Chamber?

I inquire of the Senator from California if his next amendment is on marketing orders.

Mr. WILSON. Yes.

Mr. HELMS. Has the Senator sent it to the desk?

The PRESIDING OFFICER. The Senator from California.

AMENDMENT NO. 1111

(Purpose: To increase penalty for marketing order violations.)

Mr. WILSON. Mr. President, on behalf of Senator Cranston, Senator DeConcini, and myself, I send an amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

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The assistant legislative clerk read as follows:

The Senator from California [Mr. Wilson], for himself, Mr. Cranston, and Mr. DeConcini, proposes an amendment numbered 1111.

Mr. WILSON. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the pending amendment, add the following:

On page 459, between lines 18 and 19, insert the following new section:

MAXIMUM PENALTY FOR MARKETING ORDER VIOLATIONS

Sec. 1927. (a) Section 8c(14) of the Agricultural Adjustment Act (7 U.S.C. 608c(14)), as reenacted and amended by the Agricultural Marketing Act of 1937, is amended by striking out "\$500" and inserting in lieu thereof "\$5,000".

(b) The amendment made by subsection (a) shall not apply with respect to any violation described in section 8c(14) of the Agricultural Adjustment Act occurring before the date of the enactment of this Act.

Mr. WILSON. Mr. President, this amendment would increase the range of monetary penalties for violations of the Agricultural Marketing Agreement Act of 1937, which applies to Federal marketing orders. Specifically, current law authorizes penalties between \$50 and \$500. My amendment substitutes \$5,000 for \$500, thereby expanding the range of penalties to between \$50 and \$5,000.

While the scope of this amendment is rather narrow, it is of significant importance to producers of 33 specialty crops, which include over half of the tree fruits and nuts produced in the United States and about 15 percent of the vegetables. These are the commodities covered by 47 different Federal marketing orders.

The 1937 marketing order law authorized criminal fines ranging from \$50 to \$500 per violation of a marketing order agreement. The same penalties still apply, today, nearly 50 years later; however, the economic conditions of the affected industries are substantially different. Consequently, several marketing order administrative committees have become concerned that this range of penalties is out of date and no longer serves as a sufficient deterrent to marketing order violations.

Additionally, I have received reports from growers of citrus, almonds and avocados in my State indicating a decrease of interest on the part of Federal enforcers in pursuing possible violations of the law. Given the limited resources and heavy case load of attorneys at the Departments of Agriculture and Justice, who are charged with investigating and enforcing violations of the 1937 law, it is understandable -- indeed, predictable -- that crimes involving penalties of \$500 or less may be given a low priority status in the face of larger concerns.

In my view, I regard the criminal penalty provisions in effect since 1937 as inadequate to discourage marketing order violations and contributing to less aggressive enforcement efforts by Federal officials. Because the integrity of any marketing order program suffers when growers and handlers who are subject to it disregard binding regulations without fear of significant penalty, I am offering this amendment which will restore significance to the range of penalties under the 1937 act.

An identical amendment was approved by the House of Representatives and is contained in its farm bill.

Mr. President, I believe that my amendment has been cleared on both sides of the aisle, and I ask for its adoption.

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Mr. HELMS. Mr. President, this amendment has been cleared on this side.

Mr. ZORINSKY. Mr. President, this amendment has been examined on this side, and we recommend that it be adopted.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 1111) was agreed to.

Mr. ZORINSKY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HELMS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HELMS. Does the Senator from California wish to call up the Dixon-Cranston amendment on ag export?

Mr. WILSON. I do.

The PRESIDING OFFICER. The Senator from California.

AMENDMENT NO. 1112

(Purpose: To provide targeted export assistance for agricultural commodities and the products thereof adversely affected by retaliatory actions resulting from a favorable decision under Section 301 of the Trade Act of 1974 and to modify the conditions for providing targeted export assistance and Commodity Credit Corporation commodities for export assistance)

Mr. WILSON. Mr. President, I send an amendment to the desk on behalf of Senator Cranston and Senator Dixon.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from California [Mr. Wilson], for himself, Mr. Cranston, and Mr. Dixon, purposes an amendment numbered 1112.

Mr. WILSON. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the pending amendment, add the following:

On page 14, strike lines 11 through 23, and insert the following new section:

(b)(1) The funds or commodities specified in this section shall be used by the Secretary only to counter or offset the adverse effect on the export of a United States agricultural commodity or the product thereof of a subsidy (as defined in paragraph (2)), import quotas, or other unfair trade practices of a foreign country.

(2) As used in paragraph (1), the term subsidy includes an export subsidy, tax rebate on exports, financial assistance on preferential terms, financial assistance for operating losses, assumption of costs or expenses of production, processing, or distribution, a differential export tax or duty exemption, a domestic consumption quota, or other method

of furnishing or ensuring the availability of raw materials at artificially low prices.

(c) The Secretary shall provide export assistance under this section on a priority basis in the case of

(1) agricultural commodities and the products thereof with respect to which there has been a favorable decision under section 301 of the Trade Act of 1974 (19 U.S.C. 2411); or

(2) agricultural commodities and the products thereof for which exports have been adversely affected, as defined by the Secretary, by retaliatory actions related to a favorable decision under section 301 of the Trade Act of 1974 (19 U.S.C. 2411).

Mr. WILSON. Mr. President, the purpose of this amendment is simple and obvious. It is to try to offset the unfair trading practices of our trading partners that have an adverse impact on the export of United States agricultural commodities. We have defined subsidy and unfair trade practices in this amendment.

TARGETED EXPORT ASSISTANCE

Mr. WILSON. Mr. President, this amendment is more in the form of a clarification rather than a substantive change of a provision which was approved by the Agriculture Committee and is included in Title I of the farm bill.

Specifically, I am referring to Section 104 of the bill regarding "Targeted Export Assistance." This provision authorizes the Secretary of Agriculture to spend not less than \$325 million annually to enable U.S. exporters of agricultural commodities and products thereof to combat unfair trade practices which have cost them sales abroad.

This assistance, which may be in the form of money or surplus commodities, represents a much needed commitment from our Government to stand behind our Nation's farmers, many of whom have been victimized by foreign price subsidies, credit subsidies, unfair marketing arrangements, or innumerable other unfair trading practices. Moreover, this provision sends both a clear and long overdue signal to our trading partners that the cheek of the U.S. trade policy has been sheepishly turned for the last time.

Of particular concern to members of the Agriculture Committee were agricultural commodities and products which had utilized existing trade U.S. trade law to establish before the International Trade Commission the existence of an unfair trade practice. For that reason, the committee bill instructs the Agriculture Secretary to target the export assistance on a priority basis to commodities which have received from the ITC a favorable decision under Section 301 of the Trade Act of 1974.

In recent years, commodity producers which have filed section 301 cases and have received a favorable decision include citrus, pasta, wheat flour, poultry, canned fruit, and raisins.

While these commodities are clearly priority recipients of the export assistance authorized in the farm bill, recent events painfully demonstrate that farmers of other agricultural commodities, who may not have filed an initial 301 case, are potential victims of unfair, retaliatory acts initiated by our trading partners in response to efforts to enforce the favorable ITC decision. For example, U.S. wheat farmers and our growers of walnuts and lemons have incurred severe economic injury related to a favorable 301 case filed by the U.S. citrus industry.

The 15-year-old citrus case alleged that the European Community granted preferential tariffs to Mediterranean countries which produce citrus, thereby discriminating against U.S. citrus imports and denying them fair access to a \$50 million market. In an attempt to rebalance U.S.-EC trade, President Reagan recently increased our tariffs on European pasta imports. In response, the Europeans imposed prohibitively high tariffs on U.S. walnut and lemon exports, which threaten to preclude our walnut growers from participating fairly in a \$36 million a year market. Also in response, the Europeans have recently cancelled contracts to purchase approximately \$4 million of American wheat used to make Italian pasta.

While it is clear that our walnut, wheat and lemon growers are being denied a fair opportunity to sell their products to European consumers, it is not clear from the existing language in the farm bill that they will be eligible for the "targeted export assistance." Because the current language may only allow the Agriculture Secretary to assist citrus producers in recapturing lost European markets, but not walnut or wheat growers, I am offering this amendment to prevent such disparate treatment which contradicts the intent and purpose of the provision.

The amendment makes it clear that both the commodity producers who have filed a successful 301 complaint, such as citrus, pasta, wheat flour, poultry, canned fruits and raisins, as well as commodity producers who are adversely harmed as a result of that complaint, such as walnuts and wheat, will be eligible for assistance on a priority basis upon enactment of this legislation.

Mr. President, I am pleased that this amendment is cosponsored by Senators Cranston and Dixon and understand that it has been cleared by both managers of the bill. I greatly appreciate the support and cooperation of my colleagues and move that the amendment be adopted.

Mr. HELMS. Mr. President, this amendment has been cleared on this side.

The Christmas tree is taking shape. We just dropped some tinsel over here.

Mr. ZORINSKY. Mr. President, this amendment has been looked at on this side, and we recommend its approval.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 1112) was agreed to.

Mr. ZORINSKY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HELMS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HELMS. Mr. President, for the information of the chair, we are jumping to amendment No. 11 as listed here, the Pressler amendment.

AMENDMENT NO. 1113

Mr. HELMS. Mr. President, on behalf of the Senator from South Dakota, I send an amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from North Carolina [Mr. Helms], for the Senator from South Dakota [Mr. Pressler], proposes an amendment numbered 1113.

Mr. HELMS. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At an appropriate place in the pending amendment insert the following:

Sec. 1310. It is the Sense of the Senate that the Secretary revise Department of Agriculture regulations concerning

land eligibility for crop diversion programs. To increase the effectiveness of the program farmers should be prohibited from placing the same cropland in any crop diversion program which may be in effect during consecutive years, except under uncontrollable circumstances such as heavy rains, drought or other adverse weather.

Mr. PRESSLER. Mr. President, the amendment I am offering is intended to make some minor changes in the crop diversion program to make it more effective. The amendment expresses the sense of the Senate that the Secretary of Agriculture make changes in the crop diversion program regulations to discourage farmers from placing the same acreage in the setaside program in consecutive years.

Currently, many farmers place the same land in setaside programs year after year. This land is generally the least productive land. As a result, the crop diversions are not nearly as effective in controlling production as they could be. My amendment would encourage the changing of regulations to only allow the same land to be placed in the setaside program in consecutive years under certain circumstances. For example, unusually wet weather would allow USDA to permit farmers to place certain land in the setaside program in consecutive years. I had considered offering an amendment to prohibit the placement of the same land in the diversion program in consecutive years. I decided that some discretion should be maintained. However, it is important that the current regulations be tightened up.

Currently, land must have been devoted to small grain, including volunteer stands, row crop or other crop planted annually in 2 of the last 3 years. Land that is placed in the setaside program is considered to have been planted for program purposes. This allows farmers, to, year after year is they chose, place the same land in the setaside program. The majority of farmers want to use proper conservation practices and rotate the land idled. Unfortunately, there are some farmers who do not.

When the same land is continually idled it makes the crop diversion program much less effective. The least productive land is taken out of production. Consequently crop production is not reduced substantially. If farmers are not allowed to continually divert the same land more productive land will have to be diverted. This will make crop production control programs more effective.

The amendment will also encourage farmers to use better soil conservation policies. If they must divert different cropland to participate in farm programs, it encourages them to rotate their idle acres. This will help to control soil erosion and maintain the fertility of the soil.

Mr. President, my amendment would not mandate a change in the setaside program but does encourage the Secretary to make several much needed changes in USDA regulations. I urge my colleagues to join me in support of this amendment.

Mr. HELMS. Mr. President, the amendment has been cleared on this side.

Mr. ZORINSKY. Mr. President, the amendment has been cleared on this side, and we recommend its adoption.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 1113) was agreed to.

Mr. ZORINSKY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HELMS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 1114

(Purpose: To ensure equitable treatment of poultry, beef and pork meats and meat-food products under any program

operated by the Secretary for the purpose of encouraging or enhancing commercial export sales of United States agricultural products and commodities)

Mr. HELMS. Mr. President, we now go to the Mattingly amendment. On behalf of the distinguished Senator from Georgia, I send the amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from North Carolina [Mr. Helms], for Mr. Mattingly, Mr. Bumpers, Mr. Biden, Mr. Pryor, Mr. Nunn, Mr. Cochran, Mrs. Hawkins, Mr. Roth, Mr. Thurmond, and Mr. Heinz, proposes an amendment numbered 1114.

Mr. HELMS. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the pending amendment insert the following new section:

"Sec. . In the case of any program operated by the Secretary of Agriculture during the years 1986 through 1989, for the purpose of encouraging or enhancing commercial sales in foreign export markets of agricultural products or commodities produced in the United States, which program includes the payment of a bonus or incentive (in cash, commodities, or other benefits) provided to the purchaser, the Secretary shall expend annually at least 15 per centum of the total funds available (or 15 per centum of the value of any commodities employed to encourage such sales) for program activities to likewise encourage and enhance the export sales of poultry, beef or pork meat and meat products."

Mr. HELMS. Mr. President, we have discussed this amendment with the distinguished Senator from Georgia and we find it acceptable on this side.

Mr. ZORINSKY. Mr. President, we have examined the amendment on this side of the aisle and move its adoption.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Georgia.

The amendment (No. 1114) was agreed to.

Mr. ZORINSKY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HELMS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HELMS. Mr. President, the final two amendments which we are in position to clear at this time are those of the distinguished Senator from Idaho [Mr. McClure].

AMENDMENT NO. 1115

(Purpose: To provide for the emergency prevention, suppression, control, or eradication of grasshoppers and Mormon crickets on public lands)

Mr. McCLURE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Idaho [Mr. McClure] for himself and Mr. Symms, Mr. Wallop, and Mr. Melcher proposes an amendment numbered 1115.

Mr. McCLURE. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the pending amendment insert the following:

CONTROL OF GRASSHOPPER AND MORMON CRICKETS ON PUBLIC LANDS

Sec. . (a) The Secretary of Agriculture shall carry out a program to control grasshoppers and Mormon Crickets on all federal lands.

(b)(1)(A) Subject to paragraph (2), the Secretary of Agriculture shall expend or transfer, and the Secretary of Interior shall transfer to the Secretary of Agriculture, from funds available until expended for the prevention, suppression, control, or eradication of actual or potential grasshopper and Mormon cricket outbreaks on lands under the jurisdiction of the Federal Government.

(2)(A) Appropriated funds made available to the Secretary of the Interior shall be available for the payment of obligations incurred on Federal lands subject to the jurisdiction of the Secretary of the Interior during the preceding fiscal year.

(B) Funds transferred pursuant to this paragraph shall be requested as promptly as possible.

(C) From any funds made available to the Department of the Interior until expended, moneys shall be made available for the transfer by the Secretary of the Interior to the Secretary of Agriculture for the prevention, suppression, control, or eradication of grasshoppers and Mormon cricket outbreaks only on Federal lands under the jurisdiction of the Secretary of the Interior.

(c)(1) On request of the administering agency or a landowner, the Secretary of Agriculture shall immediately treat Federal, State, or private lands that are infested by grasshoppers or Mormon crickets at levels of economic infestation of eight grasshoppers or more per square yard, unless the Secretary determines that delaying treatment will optimize biological control and not cause greater economic damage to adjacent landowners.

(2) The Secretary of Agriculture shall --

(A) pay out of appropriated funds made available to the Secretary or transferred to the Secretary by the Secretary of the Interior --

(i) 100 percent of the cost of grasshopper or Mormon cricket control on Federal lands;

(ii) 50 percent of the cost of such control on State lands; and

(iii) 33.3 percent of the cost of such control private lands; and

(B) participate in prevention, control, or eradication programs for grasshoppers and Mormon Crickets in conjunction with other Federal, State, and private prevention, control, suppression or eradication efforts.

(d) From appropriated funds made available or transferred by the Secretary of the Interior to the Secretary of

Agriculture for such purposes, the Secretary of Agriculture shall provide adequate funding under the rangeland pest control program for a program to train personnel to effectively accomplish the objectives of this section.

Mr. McCLURE. Mr. President, this amendment is to provide for the emergency prevention, suppression, control, or eradication of grasshoppers and mormon crickets on public lands.

In 1984, the Animal and Plant Health Inspection Service spent \$585,000 to treat grasshopper outbreaks on approximately 70,000 acres of BLM-administered public lands in the West. In 1985, APHIS spent \$22 million on 5 million acres of infested lands in the fight to control this year's grasshopper outbreak.

Forecasts for next year are already being made. APHIS expects another outbreak next year if weather conditions remain favorable. The Federal Government, the landowner of 65 percent of the State of Idaho, must have in place a program with adequate funding to control outbreaks on Federal lands.

Grasshopper infestations cause severe economic damage to Western crops and rangelands. APHIS is responsible for both managing and funding grasshopper spray programs designed to control the number of grasshoppers on Federal, State, and private rangelands. The APHIS budget contains a line item called the contingency fund, which should contain moneys for grasshopper and other pest control in the United States.

In June 1984, when calls came from Idaho to begin the grasshopper control efforts, the APHIS contingency fund was empty. The entire \$1 million placed in the fund for pest control was gone, used to control Mediterranean fruit fly in northern Guatemala and southern Mexico, not one penny was left to help American farmers fight the plague of grasshoppers invading their croplands from federally controlled and managed rangelands.

APHIS alleged that since the land belonged to the Bureau of Land Management, BLM should pay the bill. However, as I came to find out, APHIS and the BLM had memorandums of understanding [MOU's] which placed the responsibility for pest control and the payment of pest control efforts in the hands of APHIS. The problem was that APHIS was out of money.

For the past several years APHIS has been under increasing pressure to control its budget. Since 1981, APHIS has not requested any appropriations for actual grasshopper spray control work. This situation is due in part because APHIS has given the spray program low priority. APHIS was concerned that grasshopper funding would detract from other APHIS programs. APHIS does not have a budget item strictly for grasshoppers. They do have a line item for grasshopper survey work. The spray control work, if needed, is funded out of the contingency fund. Because of budgetary pressures, the contingency fund has been reduced, from \$2.5 million per year in 1976 to 1981 to \$1 million in 1982 to 1984. The major consequence of eliminating funds earmarked for grasshopper spray control and relying on the shrinking contingency fund is that in most years money was not available for grasshopper spray control.

The available alternative is the Secretary's emergency authority to borrow funds from other Department sources or from the Commodity Credit Corporation. However, APHIS and USDA officials are reluctant to request that the Secretary of Agriculture use such authority because they consider funding the Grasshopper Spray Program by borrowing funds an abuse of the Secretary's borrowing authority.

These pressures have led APHIS to attempt to settle the funding question unilaterally. Since 1982, APHIS has tried several times to cancel or revise its MOU's with BLM and the Forest Service in order to force these agencies to share in the cost of funding the spray program. APHIS notified both agencies in June 1982 that it intended to cancel the MOU's but the Forest Service and BLM objected. In late 1982, the Senate directed USDA to review the MOU's and in the interim to continue its grasshopper survey work.

In March 1983, APHIS proposed to modify the MOU's to provide for cost sharing with BLM and Forest Service for pest control on lands these agencies own. Both agencies objected and APHIS decided to renew the existing MOU's for 1983 only, while APHIS continued to study the matter. In November 1983, APHIS reported to the Senate Committee on

Appropriations that it intended to vigorously pursue the cost-sharing concept for grasshopper control work.

All of these events did not affect grasshopper control work through 1983 as grasshopper infestations did not become a serious threat and Federal spray control programs were not required. In the spring and early summer of 1984, APHIS decided that, based on grasshopper surveys, no serious grasshopper infestations would occur in the Western States. However, by mid-June in some parts of Idaho and by mid-July in the rest of Idaho and other Western States, weather conditions changed and an infestation of grasshoppers covered more than 3 1/2 million acres of federally owned rangelands.

Grasshoppers soon moved off the rangelands onto private croplands. Farmers were experiencing grasshopper populations of 50 grasshoppers per square yard and higher. APHIS considers eight grasshoppers per square yard an economic infestation. Eight grasshoppers per square yard can eat as much forage as a cow and calf each day. It is clear how much 50 grasshoppers per square yard or more will do to a crop of wheat, hay, barley, oats, sugarbeets, or potatoes. Farmers in Idaho have written to me telling of losses last year of \$94,000, \$200,000, and more. The total damages and losses experienced last year will never be known. This year damages will be even greater because of the enormity of the outbreak and the slowness of getting the program on the ground.

Many Idaho farmers have written to me about the severity of the damages. They speak very eloquently on the problem caused by uncontrolled grasshoppers migrating from Federal lands to private croplands. The farmers in my State cannot stand another year like this year. They must have relief. Adequate funding must be provided, not just at the last minute, but every year, to maintain the program. It is needed to keep the personnel trained and the extension agents in the counties aware of how the control program is to be run. Enough funding must be available to combat the numbers of grasshoppers on the vast amounts of acreages in the West. It is the responsibility of the Federal Government to set up a program which will not only maintain a program but provide adequate funding in a timely manner.

If APHIS had taken timely, adequate measures in the summer of 1984, Idaho and several other Western States would not have suffered the losses they suffered this year. Last year the Federal Government was penny wise and pound foolish. If \$10 million had been spent last year to combat grasshoppers, as I requested from the Secretary of Agriculture, \$30 million might not have been spent this year.

Last year, we spent \$585,000, on 75,000 acres of Federal lands. This summer the Federal Government spent \$28 million on 13 million acres, of which 6.3 million acres was in Idaho. If the grasshoppers had been killed in 1984, they would not have laid their eggs and multiplied this summer. We need an effective, timely grasshopper control program for the Federal lands in this country.

This amendment will provide for a grasshopper control program on BLM lands, controlled by either BLM or APHIS, but with funding for the control program on BLM acreages coming from the BLM. BLM has the majority of the lands which were sprayed, both in Idaho and in other Western States. In Idaho a total of 6.3 million acres were sprayed in 1985. BLM manages 4.75 of the 6.3 million acres. The State of Idaho manages 0.3 million, private ownership is 1 million and other entities, such as Bureau of the Indian Affairs and the Department of Defense, manage the remaining 0.25 million. Clearly the majority of the land is BLM owned and controlled. It is time BLM began to carry their fair share of the financial burden.

To provide sufficient funding, this bill allows the Secretary of the Interior to transfer funding from any program within the Department of the Interior to be used for the grasshopper control program until the Department can request funding on an appropriations bill. This will allow the Department to have a program ready at any time, lack of funding will no longer be an excuse for not controlling grasshoppers. The Secretary of Interior, under this bill, shall treat Federal, State, or private lands which are infested by grasshoppers at significant levels of economic infestation. There will no longer be an excuse to wait until funds are arranged, the Secretary must activate the program. The Government must be a good neighbor and manage its lands as any private landowner must -- without endangering its neighbors. I urge my colleagues to help in this effort.

Mr. SYMMS. Mr. President, I commend my colleague, Senator McClure, I appreciate the excellent work he's done on this amendment. Under his guidance were crafted a framework for grasshopper control that will, in my opinion, make it much more efficient and much less expensive to control these insects in the future. It will also, I believe, make it simpler for the agencies to do their jobs properly.

Our Western States have suffered serious damage from grasshoppers and I'm proud to be associated with Senator McClure on this amendment. I urge my colleagues to support it.

Mr. HELMS. Mr. President, we have discussed this amendment, and examined it, and find it acceptable.

Mr. ZORINSKY. Mr. President, we have examined the amendment on this side of the aisle and find it acceptable and recommend its passage.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Idaho.

The amendment (No. 1115) was agreed to.

Mr. ZORINSKY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HELMS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 1116

(Purpose: To extend the pilot project study of cash and commodity letters of credit assistance under the school lunch program)

Mr. McCLURE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Idaho [Mr. McClure] proposes for himself, Mr. Symms, Mr. Simon, Mr. Cohen, Mr. Thurmond, Mr. Heinz, Mr. Rockefeller, Mr. Riegle, and Mr. Hollings an amendment numbered 1116.

Mr. McCLURE. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the proper place in the pending amendment insert the following:

On page 284, between lines 14 and 15, insert the following new section:

SCHOOL LUNCH PILOT PROJECT

Sec. . (a) As used in this section, the term "eligible school district" means a school district that on the date of enactment of this Act, is participating in the pilot project study provided for under the last proviso of the paragraph under the heading "CHILD NUTRITION PROGRAMS" in title III of the Act entitled "An Act making appropriations for Agriculture, Rural Development, and Related Agencies programs for the fiscal year ending September 30, 1981, and for other purposes", approved December 15, 1980 (Public Law 96-258; 94 Stat. 3113).

(b) Effective through the school year ending June 30, 1987, the Secretary shall permit an eligible school district to receive assistance to carry out the school lunch program operated in the district in the form of, in lieu of commodities, all cash assistance or all commodity letters of credit assistance.

(c) If an eligible school district elects to receive assistance in the form of all cash assistance or all commodity letters of credit assistance under subsection (a), the Secretary shall provide bonus commodities to the district in the form of all cash assistance or all commodity letters of credit assistance, as the case may be, to the same extent as bonus commodities provided to other school districts participating in the school lunch program.

Mr. McCLURE. Mr. President, this amendment which has several cosponsors deals with allowing school districts currently receiving cash or commodity credits to continue to do so until the end of the 1987 school year.

I think the amendment has been cleared on both sides, and I know of no objections to the amendment.

Mr. President, my amendment allows school districts currently receiving cash or a commodity letter of credit to continue to do so until the end of the 1987 school year. It is unreasonable and would cause a significant hardship on these school systems if they were forced to dismantle their food purchasing program 4 months into a school year.

In 1980, the Congress required the Department of Agriculture to conduct a demonstration project and associated evaluation in order to compare the effectiveness and efficiency of the commodity system with cash and a letter of credit system. The evaluation called for the provision of information on the operations and relative effectiveness of the three alternatives for meeting the dual objectives of supporting farm prices and providing nutritious food to the school children of this Nation. The evaluation was to examine the effects of the three systems in the following areas:

First. The extent to which the cash and CLOC systems resulted in changes in the composition and/or quantity of food acquired by school food authorities;

Second. The benefits accruing to farmers from the Commodity Donation Program and changes that might occur under the cash or CLOC systems;

Third. The effects of the cash or CLOC systems on the cost of operating school lunch programs at the local, State, and Federal levels;

Fourth. The effects of the cash and CLOC systems on students, including changes in the nutritional content of the foods available for use in school feeding programs, and the changes in student-level participation in the Lunch Program.

Fifth. The feasibility of administering and monitoring the cash and CLOC systems on a national basis, including the impact of such a change on other programs currently eligible to receive commodities.

In order to accomplish the congressional purpose, approximately 100 school districts throughout the United States agreed to alter their existing food purchasing and management programs. Today, 5 years later, Congress is now receiving the completed study data. While at the same time current law requires these volunteers to go back to receiving donated commodities beginning January 1, 1986. These school districts sacrificed for the long-term benefits of all the participants and now Congress has an obligation to allow these contributors the option to continue or withdraw as they see fit until Congress reviews and acts upon this report.

I expect the committees of jurisdiction will soon begin to examine the reported findings and make appropriate determinations as to whether the current commodity system serves farmers, taxpayers, and recipients better than either of the two tested options.

Since Congress has not made that determination, it is to our advantage to continue the options for those districts who wish to continue. By allowing them to continue through school years 1985-86 and 1986-87, we will have acted to

protect the integrity of the districts' food service programs. Furthermore, Congress maintains continuous operational systems and a source of firsthand knowledgeable witnesses who can provide us with answers not available in the USDA report. The first report in a series of five has been sent to Congress and the other four are expected before December 1985.

Finally, there are no costs to the Federal Government in allowing these local school districts to continue through this school year.

Mr. HELMS. Mr. President, we find the amendment acceptable and recommend its adoption.

Mr. ZORINSKY. Mr. President, we looked at the amendment, supported and recommended passage.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Idaho.

The amendment (No. 1116) was agreed to.

Mr. ZORINSKY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HELMS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 1117

(Purpose: To require the Farmers Home Administration personnel to work overtime to process loan applications if it is necessary to meet the time schedules set by this Act)

Mr. ZORINSKY. Mr. President, on behalf of the Senator from Michigan (Mr. Levin), I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Nebraska [Mr. Zorinsky], for Mr. Levin, proposes an amendment numbered 1117.

Mr. ZORINSKY. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the pending amendment, insert the following new Section:

Sec. -- . "As soon as practicable after the date of enactment of the Agriculture, Food, Trade, and Conservation Act of 1985, the Secretary shall take such steps as are necessary to make personnel and other resources of the Department of Agriculture available to the Farmers Home Administration as are sufficient to enable the Farmers Home Administration to expeditiously process loan applications that are submitted by farmers and ranchers, including but not limited to said personnel to work overtime."

Mr. LEVIN. Mr. President, when we considered farm crisis legislation earlier this year the amendment I am offering today was contained in a larger package which was accepted by the Senate.

I am adding a section which was included in the Senate Agriculture Committee's reported bill with an additional

direction to the Secretary of Agriculture to require Farmers Home Administration [FmHA] to work overtime if necessary to process farmer and rancher loans. The Senate Agriculture Committee, in its reported bill, did a very good job of tightening up the schedules the Farmers Home Administration [FmHA] must follow with regard to processing farmer and rancher loans. The timetables assure farmers that they will get a response in a reasonable amount of time and it is my understanding that section will be added to the pending amendment.

My amendment makes clear the Secretary of Agriculture is authorized to require FmHA employees to work overtime if necessary to comply with those time schedules and requires the Secretary of Agriculture to make adequate personnel and other resources of the Department of Agriculture available to the FmHA to expeditiously process loans.

Although I understand FmHA is not currently facing a backlog of crisis proportions, I believe we must take all responsible steps to avoid the recurrence of this problem in the future. According to the latest statistics I was able to obtain, we now have a nationwide backlog of 41,792 in comparison with a 145,000 backlog in January of this year. The reduction in that backlog is certainly encouraging and I believe my amendment ensures FmHA's previous backlog problem will not happen again.

I urge adoption of my amendment.

Mr. ZORINSKY. Mr. President, this amendment, I believe, has been cleared on both sides of the aisle and I recommend its passage.

Mr. HELMS. That is correct, Mr. President. It has been cleared on both sides.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 1117) was agreed to.

Mr. ZORINSKY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HELMS. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HEFLIN. Mr. Chairman, I have some concern about the language contained in the committee report pertaining to the use of commercial nurseries in providing the trees, seedlings, and cuttings for the conservation reserve program. It is my understanding that we will need all commercial nurseries and all State nurseries producing at full capacity to meet the demand for trees, seedling, and cuttings. For example, if at least 5 million acres of the conservation reserve is put into trees, as this bill requires, then over 2 billion trees will be needed. While I do not question the qualifications of commercial nurseries, I do question the capacity of these nurseries to meet such a demand. Was it the intent of the committee to specifically exclude the State nurseries from providing trees, seedlings, and cuttings?

Mr. HELMS. No; it was not the intent of the committee to specifically exclude the State nurseries. I think it is clear that State nurseries will be needed to provide the needed trees and seedlings. In fact, the bill specifically states that the Secretary may utilize all services of the State forestry agencies in administering the conservation reserve program. The intent of the committee's bill is simply to give priority to the use of privately held nursery stock to the extent that use of this privately held stock is practical and cost effective.

Mr. President, I yield the floor.

AMENDMENT NO. 1118

(Purpose: To reauthorize certain child nutrition programs)

131 Cong Rec S 16159 Thursday, November 21, 1985;(Legislative day of Monday, November 18, 1985)

Mrs. HAWKINS. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Florida (Mrs. Hawkins) proposes an amendment numbered 118.

Mrs. HAWKINS. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

Mr. HARKIN. Mr. President, I reserve the right to object.

Mr. MELCHER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

At the appropriate place in the pending amendment, insert the following:

On page 459, between lines 18 and 19, insert the following new title:

TITLE XX -- CHILD NUTRITION REAUTHORIZATION

Subtitle A -- Reauthorization of Child Nutrition Programs

SUMMER FOOD SERVICE PROGRAM FOR CHILDREN

Sec. 2001. Section 13(p) of the National School Lunch Act (42 U.S.C. 1761(p)) is amended by striking out "1984" and inserting in lieu thereof "1989".

COMMODITY DISTRIBUTION PROGRAM

Sec. 2002. The matter preceding clause (1) of section 14(a) of the National School Lunch Act (42 U.S.C. 1762a(a)) is amended by striking out "1984" and inserting in lieu thereof "1989".

STATE ADMINISTRATIVE EXPENSES

Sec. 2003. Section 7(i) of the Child Nutrition Act of 1966 (42 U.S.C. 1776(i)) is amended by striking out "1984" and inserting in lieu thereof "1989".

SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS, AND CHILDREN

Sec. 2004. (a) The first sentence of section 17(g) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(g)) is amended --

(1) by striking out "and" after "1983,"; and

(2) by inserting after "1984," the following: "\$1,570,000,000 for the fiscal year ending September 30, 1986, \$1,641,000,000 for the fiscal year ending September 30, 1987, \$1,710,000,000 for the fiscal year ending September 30, 1988, and \$1,782,000,000 for the fiscal year ending September 30, 1989".

(b) Section 17 of such Act is amended --

(1) by striking out "1984" in the matter preceding clause (A) of subsection (c)(2) and inserting in lieu thereof

"1989"; and

(2) by striking out "1984" in subsection (h)(2) and inserting in lieu thereof "1989".

NUTRITION EDUCATION AND TRAINING

Sec. 2005. The first sentence of section 19(j)(2) of the Child Nutrition Act of 1966 (42 U.S.C. 1788(j)(2)) is amended by striking out "1984" and inserting in lieu thereof "1989".

Subtitle B -- School Lunch and School Breakfast Programs

REFUSAL OF COMMODITIES

Sec. 2011. Section 6(a) of the National School Lunch Act (42 U.S.C. 1755(a)) is amended by striking out the second sentence.

BASIS OF COMMODITY ASSISTANCE

Sec. 2012. (a) Section 6(e) of the National School Lunch Act (42 U.S.C. 1755(e)) is amended --

(1) by designating the first sentence as paragraph (1);

(2) by designating the second through seventh sentences as paragraphs (3) through (8), respectively; and

(3) by inserting after paragraph (1) (as designated by clause (1)) the following new paragraph:

"(2) For each school year, the total commodity assistance or cash in lieu thereof available to a State shall reflect the number of meals served in the preceding school year."

(b) The second sentence of section 17(b) of such Act (42 U.S.C. 1766(h)) is amended by striking out "during that school year" and inserting in lieu thereof "during the preceding school year".

AUTOMATIC ELIGIBILITY FOR CERTAIN PROGRAMS

Sec. 2014. Section 9(b) of the National School Lunch Act (42 U.S.C. 1758(b)) is amended by adding at the end thereof the following new paragraph:

"(6)(A) A child shall be served a free lunch and breakfast under this Act and the Child Nutrition Act of 1966 (42 U.S.C. 1771 et seq.), respectively, without further eligibility determinations, if the child is a member of --

"(i) a household receiving assistance under the food stamp program authorized under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.); or

"(ii) a family in which all members are qualified for and receiving assistance under the aid to families with dependent children program (AFDC) authorized under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) in a State where the standard of eligibility for such assistance does not exceed the poverty line (as defined in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)) by more than 30 percent.

"(B) Proof of receipt of assistance under the food stamp program or the aid to families with dependent children program in which all members are qualified for and receiving assistance from the AFDC program shall be sufficient to satisfy any verification requirement imposed under paragraph (2)(C)."

ADMINISTRATION OF CHILD NUTRITION PROGRAMS FOR NONPUBLIC ENTITIES

Sec. 2015. (a)(1) Section 10 of the National School Lunch Act (42 U.S.C. 1759) is amended by adding at the end the following:

"(c) Notwithstanding paragraph (a), if, as of October 1, 1980, a State does not disburse the funds payable to the State under this Act to any of the nonpublic schools, institutions, or service institutions in the State, the Secretary shall

--

"(1) contract with another organization to act as a State agency for such nonpublic entities; or

"(2) disburse such funds directly to such nonpublic entities.

"(d) Funds payable to the State for the participation of such nonpublic schools, institutions, or service institutions shall be --

"(1) withheld by the Secretary; and

"(2) used for carrying out contracts, or disbursing funds directly, in accordance with subsection (a).

"(e) Of the funds available to the State under section 7 of the Child Nutrition Act of 1966 (42 U.S.C. 1776), the Secretary shall withhold funds equal to the cost of carrying out contracts, and disbursing funds directly, in accordance with subsection (c)."

(2) Section 6(b) of the National School Lunch Act (42 U.S.C. 1755(b)) is amended --

(A) by designating the first through fifth sentences as paragraphs (1) through (5), respectively;

(B) by striking out paragraph (3) (as designated by clause (A)) and inserting in lieu thereof the following new paragraph:

"(3) If, as of October 1, 1980, a State does not disburse funds payable under this section to nonpublic schools in such State, the Secretary shall --

"(A) withhold from the funds to be paid to such State under this subsection an amount that bears the same ratio to the total amount of such funds as the number of lunches served in such nonpublic schools bears to the total lunches served under the school lunch program in all schools in such State in such school year; and

"(B) use such funds in accordance with section 10."; and

(C) by striking out ", and the Secretary in the case of private schools in which the Secretary directly administers the school lunch program," in paragraph (4) (as designated by clause (A)).

(b)(1) Section 5 of the Child Nutrition Act of 1966 (42 U.S.C. 1774) is amended by adding at the end the following:

"(c) Notwithstanding paragraph (a), if, as of October 1, 1980, a State does not disburse the funds payable to the State under this Act to any of the nonpublic schools or institutions in the State, the Secretary shall --

"(1) contract with another organization to act as a State agency for such nonpublic entities; or

"(2) disburse such funds directly to such nonpublic entities.

"(d) Funds payable to the State for the participation of such nonpublic schools or institutions shall be --

"(1) Withheld by the Secretary; and

"(2) used for carrying out contracts, or disbursing funds directly, in accordance with subsection (a).

"(e) Of the funds available to the State under section 7, the Secretary shall withhold funds equal to the cost of carrying out contracts, and disbursing funds directly, in accordance with subsection (a)."

(2) Paragraph (6) of section 7(a) of the Child Nutrition Act of 1966 (42 U.S.C. 1776(a)(6)) is amended to read as follows:

"(6) If, as of October 1, 1980, does not disburse funds payable under this section to nonpublic entities in such State, the Secretary shall withhold funds payable to such State under this section in accordance with section 5 of this Act and section 10 of the National School Lunch Act (42 U.S.C. 1759)."

USE OF SCHOOL LUNCH FACILITIES FOR ELDERLY PROGRAMS

Sec. 2016. Section 12 of the National School Lunch Act (42 U.S.C. 1760) is amended by adding at the end thereof the following new subsection:

"(i) Facilities, equipment, and personnel provided to a school food authority for a program authorized by this Act or the Child Nutrition Act of 1966 (42 U.S.C. 1771 et seq.) may be used, as determined by the local educational agency, to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 et seq.)."

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS' SCHOOLS

Sec. 2017. (a) Section 22 of the National School Lunch Act (42 U.S.C. 1769b) (as added by section 1408(a) of the Education Amendments of 1978 (92 Stat. 2368)) is amended --

(1) by striking out subsection (d); and

(2) by redesignating subsection (e) as subsection (d).

(b) Section 20 of the Child Nutrition Act of 1966 (42 U.S.C. 1789) is amended --

(1) by striking out subsection (d); and

(2) by redesignating subsection (e) as subsection (d).

STAFFING STANDARDS

Sec. 2018. Section 7 of the Child Nutrition Act of 1966 (42 U.S.C. 1776) (as amended by section 2003) is further amended --

(1) by striking out subsection (b); and

(2) by redesignating subsections (c) through (i) as subsections (b) through (h), respectively.

RESERVE FOR DEVELOPMENTAL PROJECTS

Sec. 2019. The last sentence of section 10 of the Child Nutrition Act of 1966 (42 U.S.C. 1779) is amended by striking out "and may" and all that follows through "developmental projects".

INTEREST ON CLAIMS AGAINST STATE AGENCIES

Sec. 2020. Section 16(b) of the Child Nutrition Act of 1966 (42 U.S.C. 1785(b)) is amended --

131 Cong Rec S 16159 Thursday, November 21, 1985;(Legislative day of Monday, November 18, 1985)

(1) by designating the first through third sentences as paragraph (2) through (3); and

(2) by adding at the end thereof the following new paragraph:

"(4) A State agency shall be liable for interest on a claim assessed against the State agency under this Act or the National School Lunch Act (42 U.S.C. 1751 et seq.) from the date of the final administrative determination made with respect to such claim."

CASH GRANTS FOR NUTRITION EDUCATION

Sec. 2021. Section 18 of the Child Nutrition Act of 1966 (42 U.S.C. 1787) is repealed.

Subtitle C -- Summer Food Service Program for Children

MODEL MEAL SPECIFICATIONS

Sec. 2031. The third sentence of section 13(f) of the National School Lunch Act (42 U.S.C. 1761(f)) is amended by striking out ", with the assistance of the Secretary, prescribed model meal specifications and model food quality standards, and".

STARTUP FUNDS

Sec. 2032. Section 13(g) of the National School Lunch Act (42 U.S.C. 1761(g)) is amended by striking out the second and third sentences.

Subtitle D -- Child Care Food Program

HEARINGS ON FEDERAL AUDIT ACTIONS

Sec. 2041. Section 17(e) of the National School Lunch Act (42 U.S.C. 1766(e)) is amended --

(1) by striking out "The" and inserting in lieu thereof "(1) Except as provided in paragraph (2), the"; and

(2) by adding at the end thereof the following new paragraph:

"(2) The State is not required to provide a hearing to an institution concerning a State action taken on the basis of a Federal audit determination."

STARTUP FUNDS

Sec. 2042. Section 17(f)(3) of the National School Lunch Act (42 U.S.C. 1766(f)(3)) is amended by striking out subparagraph (C).

ADVANCE PAYMENTS

Sec. 2043. Paragraph (4) of section 17(f) of the National School Lunch Act (42 U.S.C. 1766(f)(4)) is amended to read as follows:

"(4)(A) A State may provide advance payments for a month to each approved institution in an amount that reflects no more than the full level of valid claims customarily received from such institution for one month of operation.

"(B) An advance payment made to an institution that is not subsequently deducted from a valid claim for reimbursement shall be repaid on demand by the State."

Subtitle E -- Special Supplemental Food Program for Women, Infants, and Children

COSTS FOR NUTRITION SERVICES AND ADMINISTRATION

Sec. 2051. (a) Section 17(b)(1) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(b)) is amended by striking out "warehouse facilities,".

SALES TAX

Sec. 2052. (a) Section 17(c) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(c)) is amended by adding at the end thereof the following new paragraph:

"(4) A State shall be ineligible to participate in the program authorized by this section if the Secretary determines that State or local sales taxes are collected within such State on food purchased under such program.".

(b) The amendment made by this section shall apply to a State beginning on the first day of the fiscal year that commences in the calendar year during which the first session of the legislature of such State is convened following the date of enactment of this Act.

NUTRITIONAL RISK CRITERIA

Sec. 2053. Section 17(d)(2) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(d)(2)) is amended --

(1) by designating the first and second sentences as subparagraphs (A) and (C), respectively; and

(2) by inserting after subparagraph (A) (as designated by clause (1)) the following new subparagraph:

"(B) In establishing such criteria, the Secretary shall assign the highest priority to pregnant women, breastfeeding women, and infants at nutritional risk as demonstrated by hematological or anthropometric measurements, or other documented nutritionally related medical conditions, that demonstrate the need of a person for supplemental foods.".

PARTICIPATION REPORT

Sec. 2054 (a) Section 17(d) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(d)) is amended by adding at the end thereof the following new paragraph:

"(4) The Secretary shall report biennially to the Congress on --

"(i) the income and nutritional risk characteristics of participants in the program;

"(ii) participation in the program by members of families of migrant farmworkers; and

"(iii) such other matters relating to participation in the program as the Secretary considers appropriate.

(b) The second sentence of section 17(g) of such Act is amended by inserting "preparing the report required under subsection (d)(4)," after "benefits,".

PLAN OF OPERATION AND ADMINISTRATION

Sec. 2055. Paragraph (1) of section 17(f) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(f)(1)) is amended to read as follows:

"(1)(A) Each State agency shall submit annually to the Secretary, by a date specified by the Secretary, a plan of operation and administration for a fiscal year.

"(B) To be eligible to receive funds under this section for a fiscal year, a State agency must receive the approval of the Secretary for the plan submitted for the fiscal year.

"(C) The plan shall include --

"(i) a description of the food delivery system of the State agency and the method of enabling participants to receive supplemental foods under the program, to be administered in accordance with standards developed by the Secretary;

"(ii) a description of the financial management system of the State agency;

"(iii) a plan to coordinate operations under the program with special counseling services such as, but not limited to, the expanded food and nutrition education program, immunization programs, prenatal care, well-child care, family planning, alcohol and drug abuse counseling, child abuse counseling, and with the aid to families with dependent children, food stamp, and maternal and child health care programs;

"(iv) a plan to provide program benefits under this section to, and to meet the special nutrition education needs of, eligible migrants and Indians;

"(v) a plan to expend funds to carry out the program during the relevant fiscal year;

"(vi) a plan to provide program benefits under this section to unserved and underserved areas in the State, if sufficient funds are available to carry out this clause;

"(vii) a plan to provide program benefits under this section to eligible persons most in need of such benefits and to enroll eligible pregnant women in the early months of pregnancy, to the maximum extent practicable; and

"(viii) such other information as the Secretary may require.

"(D) The Secretary may permit a State agency to submit only those parts of a plan that differ from plans submitted for previous fiscal years.

"(E) The Secretary may not approve any plan that permits a person to participate simultaneously in both the program authorized under this section and the commodity supplemental food program authorized under sections 4 and 5 of the Agriculture and Consumer Protection Act of 1973 (7 U.S.C. 612c note)."

PUBLIC COMMENT

Sec. 2056. Paragraph (2) of section 17(f) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(f)(2)) is amended to read as follows:

"(2) A State agency shall establish a procedure under which members of the general public are provided an opportunity to comment on the development of the State agency plan."

NOTIFICATION PERIOD

Sec. 2057. The first sentence of section 17(f)(7) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(f)(7)) is amended by striking out "twenty" and inserting in lieu thereof "30".

AVAILABILITY OF PROGRAM BENEFITS

Sec. 2058. Paragraph (8) of section 17(f) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(f)(8)) is amended to read as follows:

"(8)(A) The State agency may, in cooperation with participating local agencies, publicly announce and distribute

information on the availability of program benefits (including the eligibility criteria for participation and the location of local agencies operating the program) to offices and organizations that deal with significant numbers of potentially eligible persons (including health and medical organizations, hospitals and clinics, welfare and unemployment offices, social service agencies, farmworker organizations, Indian tribal organizations, and religious and community organizations in low income areas).

"(B) The State agency and local agencies shall distribute such information in a manner designed to provide such information to potentially eligible persons who are most in need of such benefits, including pregnant women in the early months of pregnancy."

REPAYMENT OF CERTAIN BENEFITS BY RECIPIENTS

Sec. 2059. Section 17(f) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(f)) (as amended by section 509) is further amended by adding at the end thereof the following new paragraph:

"(16) If a State agency determines that a member of a family has received an overissuance of benefits under the program authorized by this section as the result of the misrepresentation by a member of such family, the State agency shall recover from such family, in cash, an amount that the State agency determines is equal to the value of the benefits overissued to such member, unless the State agency determines (in accordance with standards developed by the Secretary) that the recovery of such benefits would not be cost effective."

ALLOCATION STANDARDS

Sec. 2060. Section 17(h)(3) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(h)(3)) is amended --

- (1) by striking out ", which satisfy allocation guidelines established by the Secretary" in the second sentence; and
- (2) by striking out the last sentence.

ADVANCE PAYMENTS

Sec. 2061. Section 17(h)(4) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(h)(4)) is amended by striking out "shall" and inserting in lieu thereof "may".

Sec. 2062. Section 17(i) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(i)) (as amended by section 515) is further amended by inserting after paragraph (3) the following new paragraph:

"(4)(A) Notwithstanding paragraph (3), of the amount of funds allocated to a State agency for a fiscal year under this subsection up to 2 percent of such amount may be obligated and expended by such State agency during the subsequent fiscal year.

"(B) Any funds made available to a State agency in accordance with subparagraph (A) for a fiscal year and obligated shall not affect the amount of funds allocated to such State agency for such year."

Subtitle F -- Nutrition Education and Training Program

NEEDS ASSESSMENT

Sec. 2071. Section 19(h) of the Child Nutrition Act of 1966 (42 U.S.C. 1788(h)) is amended --

- (1) in the second sentence of paragraph (1) --

(A) by striking out " make an assessment of the nutrition education needs in the State as provided in paragraph (2)

of this subsection,"; and

(B) by striking out the comma after "paragraph (3) of this subsection"; and

(2) in paragraph (2), by striking out "and assess" in the first sentence and all that follows through the period at the end of the paragraph and inserting in lieu thereof a period.

STATE PLANS

Sec. 2072. Paragraph (3) of section 19(h) of the Child Nutrition Act of 1966 (42 U.S.C. 1788(h)(3)) is amended to read as follows:

"(3)(A) To be eligible to receive funds under this section, a State must --

"(i) submit to the Secretary a plan for nutrition education; and

"(ii) receive the approval of the Secretary for such plan.

"(B) The Secretary shall establish standards for such plan."

BASIS FOR NUTRITION EDUCATION GRANTS

Sec. 2073. Section 19(j)(2) of the Child Nutrition Act of 1966 (42 U.S.C. 1788(j)(2)) is amended by striking out "\$75,000" each place it appears and inserting in lieu thereof "\$50,000".

Subtitle G -- Technical Corrections

OBSOLETE PROVISIONS

Sec. 2081. (a)(1) Sections 18 and 19 of the National School Lunch Act (42 U.S.C. 1767 and 1768) are repealed.

(2) The first sentence of section 3 of such Act (42 U.S.C. 1752) is amended by striking out "sections 13, 17, and 19" and inserting in lieu thereof "sections 13 and 17".

(b) Section 20 of such Act (42 U.S.C. 1769) is amended --

(1) by striking out "except for the pilot projects conducted under subsection (d) of this section," in the first sentence of subsection (c); and

(2) by striking out subsection (d).

(c) Section 22 of such Act (42 U.S.C. 1769c) (as added by section 9 of the Child Nutrition Amendments of 1978 (92 Stat. 3623)) is repealed.

(d)(1) The National School Lunch Act (as amended by sections 208(a) and subsections (a), (b), and (c)) is further amended by redesignating sections 20, 21, 22 as sections 18, 19, and 20, respectively.

(2) Clause (3) of the first sentence of section 6(a) of such Act (42 U.S.C. 1755(a)) is amended by striking out "section 20" and inserting in lieu thereof "section 18".

OBSOLETE REFERENCES

Sec. 2082. (a) Clause (1) of the sixth sentence of section 17(a) of the National School Lunch Act (42 U.S.C. 1766(a)) is amended by striking out "Health, Education, and Welfare" and inserting in lieu thereof "Health and Human

Services".

(b) The Child Nutrition Act of 1966 is amended by striking out "Health, Education, and Welfare" each place it appears in section 4(a) (42 U.S.C. 1773(a)), subsections (b)(6), (b)(13), (e)(2), (k)(1), and (k)(2) of section 17 (42 U.S.C. 1786), and subsections (d)(2) and (d)(3) of section 19 (42 U.S.C. 1788) and inserting in lieu thereof "Health and Human Services".

(c) Section 19(j)(3) of the Child Nutrition Act of 1966 (42 U.S.C. 1788(j)(3)) is amended by striking out "Office of Education of the Department of Health, Education, and Welfare" and inserting in lieu thereof "Department of Education".

CONFORMING AMENDMENTS

Sec. 2083. (a) Section 12(d) of the National School Lunch Act (42 U.S.C. 1760(d)) is amended by adding at the end thereof the following new paragraph:

"(8) 'Secretary' means the Secretary of Agriculture."

(b) Section 19 of such Act (42 U.S.C. 1788) (as amended by sections 105 and 603) is further amended by redesignating subsection (j) as subsection (i).

(c) Such Act (as amended by sections 105, 208(b), 601, 602, 603, and 702(b) and subsection (c)) is further amended by redesignating sections 19 and 20 (42 U.S.C. 1788 and 1789) as sections 18 and 19, respectively.

Mr. HELMS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. HARKIN. I object.

The PRESIDING OFFICER. Objection is heard.

The legislative clerk resumed the call of the roll.

Mr. HELMS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. HARKIN. I object.

The PRESIDING OFFICER. Objection is heard.

The legislative clerk resumed the call of the roll.

Mr. MELCHER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SIMPSON addressed the Chair.

The PRESIDING OFFICER. The assistant majority leader is recognized.

Mr. SIMPSON. Mr. President, I want to sincerely thank Senator Harkin, and Senator Melcher, for their fine assistance in enabling us to conclude our efforts this evening because we will very likely have a long evening tomorrow night. They have been very differential, and very helpful in resolving this matter.

I am deeply personally appreciative of Senator Harkin, especially with regard to something that he feels very intensely about. He is assured that tomorrow he will have the opportunity to progress with his amendments whatever

they may be, and Senator Melcher has been very helpful in resolving this situation.

HUNGER EPIDEMIC

Mr. BIDEN. Mr. President, there has been a lot of debate today concerning the Food Stamp Program and whether or not it should continue to be a Federal program. We've talked about food stamp error rates, fraud and abuse, and sales taxes on food stamps. However, what we have not discussed is the hunger epidemic in America and what we should do about it. Mr. President, it is my opinion that we should cry in holy indignation at the alarming hunger statistics and the infant mortality rates in our country. They are a moral disgrace to this Nation and a disgrace to the sense of compassion of we who legislate.

Mr. President, I'm sure my colleagues would agree that all of us are concerned about deficit reduction. But, why have we condemned children to pay the price for the reduction of our \$2 trillion national debt? -- children -- Mr. President, who have suffered as a result of the more than \$12 billion which have been cut from domestic and nutrition programs in the last 3 years.

Mr. President, the United States is now the only industrialized nation in the world where children are the poorest age group. A recently released Harvard University-based physician task force has reported that over 33 million Americans live in poverty; 40 percent of them are children. Seventy-five percent of the unemployed now receive no unemployment benefits -- and children suffer as a result. We cut feeding programs from children, breakfast programs from children, milk programs from children and nutrition programs from pregnant women and infants and we tell them not to worry because the defense budget will also be cut. Mr. President, that is no consolation to the hungry.

In 1981 alone, Mr. President, we cut children's nutrition programs by one-third and we cut the Food Stamp Program by \$7 billion. Mr. President, I truly believe that we in this Chamber believe that hungry children should be fed, there is no argument about that. However, if we continue to undermine feeding programs which have worked to eliminate low-birthweight, a leading cause in infant mortality and if we continue to cut away at the Food Stamp Program, there will come a day each of us will have to face -- that day when we will cry out in holy indignation because we will have decreased the Federal deficit through the sacrifice of this Nation's most valued resource -- our children.

Mr. President, my home State -- Delaware, is ranked fourth in the entire Nation in terms of the national infant mortality rate. What that means is that children in America are dying at a rate equal to that of developing nations. Mr. President, we are not a developing nation. We are the richest nation in the world.

Mr. President, these children are dying for two reasons: One, because they lack adequate nutritional intake; and two, because their mothers lack proper prenatal care. There is no doubt that our priorities are misplaced.

Mr. President, it my hope that we in Congress will not consider catsup a vegetable nor the militarization of space more important than the health and well-being of our heirs -- our children.

Mr. BAUCUS. Mr. President, yesterday I voted against tabling Senator Pressler's amendment No. 1069. I want to discuss this issue a little. At the outset, let me commend Senator Pressler for taking the leadership on an issue of great importance to agricultural producers. The question before the U.S. Senate is whether an agricultural producer, a farmer or a rancher, can have his or her day in court if they wish to allege price-fixing violations by food manufacturers or retailers. This is an issue of basic fairness.

Under the Illinois Brick decision, farmers are not entitled to get into court to allege price-fixing against anyone other than the individual to whom they sold their product. In many instances, the alleged price-fixing is conducted by those further down the stream such as retailers. Often, middlemen are not inclined to bring price-fixing actions because of their direct economic relationship with the retailer. Therefore if price-fixing suits are brought, they are only likely to be brought by the producers themselves.

The issue before us is not whether anyone is engaged in price-fixing. The Pressler amendment does not assume that any retailer does engage in price-fixing. Rather, the Pressler amendment simply gives the producer the right to his or her day in court to determine whether or not they can prove a price-fixing case. Times are tough enough in the agricultural community today without permitting price-fixing that adversely affects farmers to go on.

Because of this situation, in the 98th Congress I introduced S. 2835, the Agricultural Producers Protection Act. It is virtually identical to the Pressler amendment. It would address the same limited set of circumstances and would do so without prejudging the outcome of those cases. Hearings on S. 2835 were held by the full Senate Judiciary Committee on September 24, 1984.

In conclusion, Mr. President, the Pressler amendment simply opens the courthouse door to farmers and ranchers who believe that they have been underpaid due to downstream anticompetitive tactics. The farmer and rancher must be able to take legal action against all those who handle their products, if they are to be protected against such price-fixing and market manipulation. This provision gives farmers and ranchers their day in court and allows them to stand up on their own if they think they have been wronged. The burden continues to be on them to prove their case, but it is intrinsic to the way we do things in America that we allow them the opportunity to have their case heard.

Without the courts being open to farmers and ranchers the antitrust laws are rendered meaningless for them. Farmers, particularly these days, ought to be able to protect themselves against anticompetitive tactics, and that is simply what the Pressler amendment attempts to do. I fully support it and I urge my colleagues to do the same.

Mr. ZORINSKY. Mr. President, I would like to ask the chairman of the Senate Banking Committee about the hearings on the Federal Deposit Insurance Corporation. I believe that more careful regulation of our financial institutions is clearly needed. I understand that the Banking Committee is conducting hearings on improvements that can be made in our current system of regulating and insuring financial institutions, including a review of the Federal Deposit Insurance Corporation. Is this the correct impression?

Mr. GARN. The Senator from Nebraska is correct. The Senate Banking Committee began hearings in July 1985 on deposit insurance reform and will continue them through the end of this calendar year. Our oversight hearings will conclude with testimony from the new chairman of the FDIC.

Mr. ZORINSKY. I am pleased to hear of these plans, for nowhere in America are the troubles of the banking system in greater evidence than in our rural communities. However, when we address the problem of banking regulation and deposit insurance, I feel we must pay careful attention to the fragility of the agriculture economy.

The FDIC has a great deal of power over the local economy when a bank fails. Sometimes, in its attempt to serve the immediate interests of the depositors, the FDIC has been unreasonable in its demands on borrowers. For example, as the law now stands, the FDIC is often able to disregard perfectly legitimate side agreements worked out between a borrower and a bank before the bank went under. Such agreements would enable the borrower to weather temporarily tight financial times, and then repay the loan. When the FDIC refuses to honor these agreements, it often effectively forces the borrower out of business. The local economy is hurt and the loan not repaid. This result clearly does not serve the interests of the depositors. Such shortsighted policies should be reviewed and curbed.

I offered a bill, S. 1824, which restores a modicum of reasonableness and sensitivity to the laws governing the FDIC. Since my bill would help many people in the agriculture community, I am inclined to offer it as an amendment to the farm bill. I believe the amendment would pass. If however, I can be assured that the particular issues addressed by my bill, as well as the general problem of FDIC overzealousness in its dealings with borrowers at failed agriculture banks, will be included very early in the Senate Banking Committee's hearings on the FDIC, then I would defer to the committee's expertise on this issue and not offer the amendment at this time. Is the chairman of the committee able to tell me whether his hearings on the FDIC will cover these concerns of mine?

Mr. GARN. I can assure the Senator from Nebraska that the Senate Banking Committee will pursue the specific

matter raised by S. 1824 as well as other liquidation policies. We will work to see what changes can be made which will protect borrowers work out arrangements without creating a situation which would encourage questionable or fraudulent transfer just before failure. The issues the Senator from Nebraska raise are important ones and will receive close attention. I appreciate my colleague's raising them. Thank you.

REALLOCATION OF LOST OR RELEASED QUOTA

Mr. HEFLIN. Mr. President, I should like to ask the Senator from North Carolina a question concerning the disposition of peanut poundage quota that a quota holder loses as a result of his failure to produce it in 2 of the last 3 years, or that he chooses to release voluntarily. What happens to the poundage quota lost or released under these circumstances?

Mr. HELMS. Under the bill, quota that is lost by failure to produce in 2 of the most recent 3 crop years or is permanently released voluntarily by the quota holder shall be reallocated to other farms within the same State on which peanuts were produced in at least 2 of the 3 years immediately preceding the year in which the allocation is being made. The bill provides further that not less than 25 percent of such poundage quota lost or released shall be assigned to other farms within the same State that are nonquota farms but that otherwise meet the 2 out of 3 year production test required under the bill.

Mr. HEFLIN. Very well. But how is the reassignment or reallocation made and by whom?

Mr. HELMS. The allocation, or reallocation, of poundage quota lost or released will be made according to regulations issued by the Secretary of Agriculture. However, although this shall be done in the name of the Secretary of Agriculture, it is the intent of the Committee on Agriculture that to the greatest extent possible the State agriculture stabilization and conservation committees make the determination of how and on what basis the allocation shall be made in their respective States, consistent, of course, with the law. It was the feeling of the Senate Committee on Agriculture that the State ASC committees know the situation and conditions that exist in their respective States and are, therefore, in the best position to determine how the quota reallocation should be made on a basis of fairness, equity, and need. There may be some conditions prevailing in some States and not in others that should be taken into account in making the allocation of poundage quota.

Mr. HEFLIN. Do you think the bill adequately protects the nonquota holders who have proved their interest in growing peanuts by producing in at least 2 of the last 3 years?

Mr. HELMS. Yes, I do. The bill provides that at least 25 percent of poundage quota that is lost by the holder's failure to produce it in 2 of the last 3 years, or that is permanently and voluntarily released, shall be allocated to farms on which no quota was established for the preceding year's crop: In other words, a nonquota farm. A State ASC committee in a given State may determine that more than 25 percent of this quota should be allocated to such farms. But in no event, under the law, can it be less than 25 percent. As the Senator knows, this is another area in which the bill will open up peanut production to anyone wishing to grow peanuts.

ROLL:

[Rollcall Vote No. 333 Leg.]

YEAS -- 47

Armstrong
Chafee
D'Amato

Bentsen
Cochran
Danforth

Bradley
Cohen
DeConcini

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Denton	Dole	Domenici
Evans	Garn	Gorton
Gramm	Hatch	Hatfield
Hawkins	Hecht	Heinz
Helms	Humphrey	Inouye
Kassebaum	Lautenberg	Lugar
Mathias	Mattingly	McClure
McConnell	Murkowski	Proxmire
Quayle	Riegle	Roth
Rudman	Simpson	Specter
Stafford	Stevens	Symms
Thurmond	Trible	Wallop
Warner	Wilson	

NAYS -- 44

Abdnor	Andrews	Baucus
Biden	Bingaman	Boren
Boschwitz	Bumpers	Burdick
Byrd	Chiles	Cranston
Dixon	Dodd	Durenberger
Exon	Ford	Glenn
Gore	Grassley	Harkin
Hart	Heflin	Hollings
Johnston	Kasten	Kerry
Levin	Long	Matsunaga
Melcher	Metzenbaum	Mitchell
Moynihan	Nickles	Nunn
Pell	Pressler	Pryor
Rockefeller	Sarbanes	Sasser
Simon	Zorinsky	

NOT VOTING -- 9

Eagleton	East	Goldwater
Kennedy	Laxalt	Leahy
Packwood	Stennis	Weicker

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SUBJECT: BANKING & FINANCE (89%); AGRICULTURAL LENDING (89%); RURAL DEVELOPMENT (59%); AGRICULTURAL PRICES (59%); COMPANY LOSSES (59%); LEGISLATIVE BODIES (59%); REAL ESTATE (59%); FARMERS & RANCHERS (59%); AGRICULTURE (59%); WITNESSES (59%); AGRICULTURAL LAW (59%); BANK FAILURES (59%); COMMERCIAL LENDING (59%); TAXES & TAXATION (59%);